



STATE OF TENNESSEE

Legislative Updates 2021

July 2021

Legislative Update

The 112th General Assembly

- The 2021 session of the 112th General Assembly adjourned on Wednesday, May 5, 2021
- Legislation that Impacts the Department of Revenue
 - Administrative Updates
 - Sales and Use Tax Law Changes
 - Franchise and Excise Tax Law Changes
 - Registration Updates
 - Alcohol Related Law Changes
 - Tobacco Tax - Smokeless Nicotine
- Title & Registration law changes are not covered in this presentation
- Additional Legislative Summaries are available on the Department's website:
<https://www.tn.gov/revenue/tax-resources/legal-resources/legislative-summaries.html>

Legislative Update

Streamlined Sales Tax

- **Public Chapter 285** - Deletes the previously delayed Streamlined Sales and Use Tax Agreement (SSUTA) provisions set to take effect July 1, 2021
 - This does not, on its own, change Tennessee's SSUTA membership
 - Substantively no change to current administration by this law alone

Legislative Update

Taxpayer Guidance

- **Public Chapter 214** – Establishes protections for taxpayers relying on published guidance from the Department
 - Reliance on certain erroneous advice or audit findings
 - Department policy as to the taxability is prospective
 - Reliance on guidance before it was changed
 - Formal audit procedures to be adopted to memorialize the scope of an audit in the final audit document.
 - Effective July 1, 2021

Legislative Update

New Sales Tax Refund Procedure for Customers

- **Public Chapter 480** - Establishes a new procedure to allow customers to request certain sales and use tax refunds directly from the Department
 - The customer's claim for refund must exceed \$2,500 per dealer and the consumer must have requested a refund from the dealer at least twice
 - The customer must submit a dealer attestation form whereby the dealer attests it collected and remitted the tax and is not seeking a refund, the amount of tax, and a schedule of local jurisdiction(s) impacted
 - More guidance to come
 - Effective October 1, 2021

Legislative Update

Sales Tax Quarterly Filing

- **Public Chapter 275** – Allows dealers with a sales and use tax liability over a 12-month period that averages \$1,000 or less/month to file monthly or quarterly
 - The threshold at which quarterly filing is allowable will be adjusted every five years for inflation, beginning January 1, 2026
 - Effective July 1, 2021

Legislative Update

New Sales Tax Exemptions

- **Public Chapter 86** – Excludes mains, pipes, pipelines, or tanks that are attached to a structure or installed underground for conducting gas, steam, oil, water, or other substances, and railroads, tracks, structures, and other improvements to railroads from the definition of "tangible personal property" upon installation
 - Effective July 1, 2021
- **Public Chapter 139** – Exempts online access to continuing education courses that meet regulatory requirements for certain licensed individuals, if such courses are offered by 501(c)(3) or 501(c)(6) organizations
 - Effective July 1, 2021

Legislative Update

New Sales Tax Reduction

- **Public Chapter 477** – Lowers the aviation fuel tax rate from 4.5% to 4.25%
 - Lowers the cap for transportation hubs from \$10 million to \$8.5 million for tax year July 1, 2021 through June 30, 2022, and further lowers the cap to \$5 million for tax years occurring after July 1, 2022
 - Effective Date: July 1, 2021

Legislative Update

New Sales Tax Holidays

- **Public Chapter 456** – Creates a sales tax holiday on food, food ingredients, and prepared food from July 30, 2021 through August 5, 2021
 - Effective July 1, 2021
- **Public Chapter 592** – Creates a sales tax holiday on gun safes and gun safety devices from July 1, 2021 through June 30, 2022
 - Effective May 27, 2021

Legislative Update

Franchise & Excise Tax

- **Public Chapter 154** – Creates an excise tax deduction for payments from certain Tennessee COVID-19 relief programs funded by federal CARES Act funds or appropriations under Title VI of the Social Security Act, if received between March 1, 2020 and December 31, 2021
 - Effective April 12, 2021
- **Public Chapter 559** – Establishes a seven-month franchise and excise tax extension
 - Effective for tax years beginning January 1, 2021

Legislative Update

Tax Collection

- **Public Chapter 217** – Stops the statute of limitations for collection from running upon the imposition of a bankruptcy stay or the filing of other proceedings during which the Department is prohibited from collecting. The statute of limitations resumes running 30 days after the stay is lifted.
 - Effective April 22, 2021

Legislative Update

Film & TV Production Tax Incentives

- **Public Chapter 70** – Creates a new sales and use tax exemption and a franchise and excise tax credit for qualified film and TV productions
 - Sales and use tax exemption applies to tangible personal property, computer software, and services used in the production
 - Franchise and excise tax credit applies to payroll expenses paid in Tennessee for qualified positions
 - Qualified productions include films, TV episodes, video game productions, post-production editing, and esports events
 - Effective July 1, 2021

Legislative Update

Micro Markets

- **Public Chapter 289** – Establishes new business tax registration and sales tax reporting procedures for micro markets, which are unattended food establishments
 - These businesses should obtain one business tax registration for each jurisdiction where multiple micro markets are operated, rather than register each individual micro market location
 - Dealers who own or operate multiple micro markets in Tennessee should file one sales tax return and report sales from each local jurisdiction on a consolidated basis
 - Effective October 1, 2021

Legislative Update

Miscellaneous

- **Public Chapter 113** – Exempts all contributions or distributions made to an individualized education account (IEA) for, or on behalf of, participating students from state and local taxation.
 - Purchases of taxable school supplies or other items subject to sales and use tax using IEA funds remain taxable.
 - Effective April 13, 2021
- **Public Chapter 264** – Clarifies that a vacation lodging service is not a short-term rental unit marketplace, and these services should remit the local occupancy tax to the applicable local government, not the Department.



- Effective April 30, 2021

Legislative Update

Miscellaneous

- **Public Chapter 466** – Increases the Central Business Improvement District (CBID) fee in downtown Nashville to 0.50%
 - Effective July 1, 2021

Legislative Update

Alcohol-Related

- **Public Chapter 451** – Authorizes liquor-by-the-drink licensees to make sales of alcoholic beverages via drive thru, pickup, and carryout orders until July 1, 2023 and clarifies that the liquor-by-the-drink tax is owed on these to-go sales
 - Effective May 14, 2021
- **Public Chapter 185** – Authorizes licensed alcoholic beverage delivery services to charge a fee of not more than 10% on the price of the alcohol being delivered
 - The licensed delivery service is not responsible for remitting the taxes otherwise due on the alcohol it delivers
- Effective Date: April 20, 2021



Legislative Update

Alcohol-Related

- **Public Chapter 324** – Requires the Department to include the following information in the alcoholic beverage brand registration database: manufacturer/importer name, wholesaler name, addresses for both entities, brand names, and distribution territories
 - Requires the Department to notify the applicable manufacturer and wholesaler(s) when a new brand registration contract is processed. Notifications will be made through TNTAP accounts.
 - Information also available on the Department's website
 - Effective Date: May 4, 2021

Legislative Update

Alcohol-Related

- **Public Chapter 331** – Authorizes winery direct shippers to ship only wine sold under a brand name owned or licensed to the winery, which is produced by the winery, produced exclusively for the winery under an existing contract, or produced and bottled exclusively for the winery
 - Requires fulfillment centers to obtain a license from the TABC to report quarterly to the TABC about their shipments
 - Clarifies that the winery direct shipper is responsible for remitting the alcoholic beverage gallonage tax and sales tax due on wine shipped directly to consumers, regardless of whether it uses a fulfillment center to fill the order
 - Explains that common carriers are required to include all shipments on behalf of winery direct shippers and fulfillment centers in their monthly reports submitted to the department
- Effective Date: January 1, 2022



Legislative Update

Alcohol-Related

- **Public Chapter 425** – Authorizes winery direct shippers that manufacturer less than 270,000 liters of wine in a calendar year to ship up to 54 liters of wine to an individual per year
 - Effective Date: May 12, 2021
- **Public Chapter 437** – Allows alcohol manufacturers to obtain alcohol to use as samples at a retail location either by picking up the alcohol from a wholesaler or having the wholesaler deliver the alcohol to the retail location. In both cases, this public chapter requires the wholesaler to issue a \$0 invoice for the alcohol used as samples.
 - Effective Date: May 13, 2021

Legislative Update

Alcohol-Related

- **Public Chapter 432** – Authorizes beer manufacturers that brew up to 25,000 barrels of beer per year to self-distribute their beer directly to retailers in the county in which the manufacturer is located and to retailers in other counties, up to a maximum of 1,800 barrels per year
 - If a manufacturer distributes in other counties more than 1,800 barrels in a year, it must enter into a contract with a wholesaler
 - Requires manufacturers that self-distribute to register with the department as wholesalers, report the amount of beer self-distributed on their wholesale beer tax return, and report quantities of beer sold for consumption on the manufacturer's premises on their retail accountability program (RAP) report

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- Effective Date: October 1, 2021

Legislative Update

Tobacco Tax

- **Public Chapter 69** – Exempts smokeless nicotine products from the Tennessee tobacco tax.
 - Defines “smokeless nicotine products” as nicotine in the form of solids, gels, gums, or pastes intended for human consumption.
 - “Smokeless nicotine product” does not include tobacco or tobacco products, such as snuff or chewing tobacco. These items remain subject to Tennessee tobacco tax.
 - Effective Date: March 31, 2021

Legislative Update

The General Assembly will reconvene at 12:00 noon (CST) on Tuesday, January 11, 2022.



THANK YOU