



2023 LEGISLATIVE UPDATES

July 2023 Tax Webinar



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Thanks for joining us!

We will begin at 9:00 am (CST)

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View a recording of today's presentation!

[tn.gov/revenue](https://www.tn.gov/revenue) > Taxpayer Education > Tax Webinars

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The webinar recording will be posted in the "Webinar Video Library" the day after the event.

➤ **Please submit specific account-related questions or any questions that do not get addressed in this webinar to us directly!**

- www.tn.gov/Revenue
- Revenue.support@tn.gov
- 615.253.0600 (M-F 8-4:30 CST)



Legislative Updates - 2023

- New legislation impacting the Department of Revenue includes:
 - Tennessee Works Tax Reduction and Jobs Investment Act
 - Brownfield Tax Credit Expansion
 - Additional Sales Tax on Delta 8 Products
 - Transportation Modernization Act
- Sales tax legislation scheduled to sunset was not renewed
 - Gun safes and gun safety devices ends June 30, 2023
 - Vendors compensation deduction ends June 30, 2023

Legislative Update - Sales Tax

- **Public Chapter 53** – Expands industrial machinery exemption to apply to materials purchased by contractors to complete wastewater treatment projects at the Megasite.
 - Effective July 1, 2023
- **Public Chapter 449** – Exempts certain trailers that are removed from Tennessee within three days of purchase from sales and use tax.
 - Effective July 1, 2023

Legislative Update - Sales Tax

- **Public Chapter 467** – Extends the repossession credit to dealers principally selling used cars at retail if the dealer assigns the security agreement or other title instrument to an affiliate finance company.
 - Dealer must satisfy specific eligibility criteria and department must verify such criteria is met before credit may be claimed.
 - Effective July 1, 2023
- **Public Chapter 480** – Clarifies that, beginning January 1, 2027, admissions to amusement/recreation activities conducted at a facility owned by a sports authority during a time period in which the authority receives a special sales tax allocation are subject to the amusement tax.
 - Effective July 1, 2023

Legislative Update – Sales Tax

- **Public Chapter 423** – Establishes a new 6% sales tax for the privilege of engaging in the business of selling products containing hemp-derived cannabinoid. This tax applies in addition to the standard 7% state sales tax rate and the applicable local option sales tax rate.

Legislative Update - Franchise & Excise Tax

- **Public Chapter 86** – Creates a tax credit for brownfield properties in tier 3 and tier 4 counties that is based on remediation costs.
 - Maximum value of credit is \$500,000
 - Credit may offset up to 100% of F&E liability
 - Unused credit may be carried forward for 25 years
 - Effective July 1, 2023

* This is in addition to the brownfield property tax credit that is based on purchase price.

Legislative Update - Miscellaneous

- **Public Chapter 159** – Increases registration fees for electric and hybrid vehicles.
 - All-electric vehicles
 - January 1, 2024 – December 31, 2026: \$200
 - January 1, 2027 – December 31, 2027: \$274
 - January 1, 2028 and thereafter: \$274, adjusted annually for inflation
 - Hybrid and plug-in hybrid vehicles
 - January 1, 2024 – December 31, 2027: \$100
 - January 1, 2028 and thereafter: \$100, adjusted annually for inflation
 - Registration fees will be allocated in the same way as the gas tax

Legislative Update - Miscellaneous

- **Public Chapter 28** – Eliminates requirement that, for inheritance tax purposes, the department be notified of death of last surviving lessee of safe deposit box if that person dies after December 31, 2015.
 - Effective March 10, 2023
- **Public Chapter 370** – Prohibits the state from imposing the litigation tax on adoption proceedings in chancery, circuit, and juvenile courts.
 - Effective July 1, 2023
- **Public Chapter 455** – Establishes new caps on aviation fuel tax remittance for licensed air carriers with a transportation hub in Tennessee:
 - Through June 30, 2023: \$5 million
 - July 1, 2023 through June 30, 2024: \$3 million
 - July 1, 2024 and thereafter: \$1 million



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Tennessee Works Tax Act

Franchise and Excise Tax - Single Sales Factor

- Adopts Single Sales Factor Apportionment
 - Three Year Phase-In: 5x (2023), 11x (2024), full SSF (2025)
- “Qualified groups” will continue to use three-factor formula
- TCA § 67-4-2023 Election
 - Affiliates can make the election for their entire group
 - Effective January 1, 2024
 - Taxpayer making election must have a receipts factor of 7.5% and more than 50% of its sales in Tennessee must be certified distribution sales
 - Effective January 1, 2025

Franchise and Excise Tax

- Excise Tax – \$50,000 Standard Deduction
- Franchise Tax – \$500,000 Deduction from Minimum Measure
- Adopts Federal Bonus Depreciation
 - TY23: 80% TY24: 60% TY25: 50% TY26: 20% TY27 and beyond: 0%
- Paid Family Leave Tax Credit
 - Two-year pilot program that mirrors federal credit
 - Credit amount is based on percentage of wages reimbursed.
 - Example: 100% wages paid = credit worth 25% of those wages
 - Maximum offset of 50% of F&E liability
- Credit Carryforwards Extended to 25 years
 - Industrial Machinery, Brownfield Property, Community Investment, Qualified Production, (new) Paid Family Leave, and Job Tax Credits

Business Tax

- Filing Threshold Increased to \$100,000 per Jurisdiction
- Local License Requirements
 - Minimal Activity License
 - Businesses with more than \$3,000 but less than \$100,000 in gross receipts
 - \$15 annual fee
 - Standard License
 - All businesses with \$100,000 or more in gross receipts
- Manufacturing Exemption Changes
 - Expanded to include sales made from storage facilities within 10-mile radius of the manufacturing location
 - Extended to out-of-state manufacturers
- Class 5A Rate Reduced to 0.1% (from 0.3%)

Sales and Use Tax

- Sales Tax Holiday on Food and Food Ingredients
 - August 1 through October 31, 2023
- Streamlined Sales and Use Tax
 - Adopts SSUTA provisions requiring destination sourcing of services
 - Repair of tangible personal property or software
 - Cleaning of tangible personal property
 - Installing tangible personal property or software
 - Sourcing of leased property
 - Tennessee tax will not be due on lease payments when the primary location of the tangible personal property moves out of state
 - Effective July 1, 2024

Questions?

Tennessee Department of Revenue



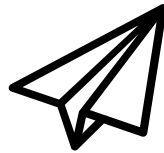
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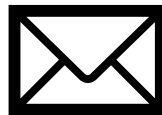
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UPCOMING!

- **Next Webinar: 8/29 – Taxation of Short-term Rentals**
- **New Business Workshop: 10/8/23**

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