STATE OF TENNESSEE

Filing the Business Tax Return

March 2022

OVERVIEW – FILING THE BUSINESS TAX RETURN

WHO IS REQUIRED TO FILE

WHEN TO FILE

WHERE TO FILE

HOW TO FILE

RESOURCES/Q&A

WHAT IS BUSINESS TAX

The business tax is a tax on the privilege of doing business by making sales of tangible personal property and services* within Tennessee and its local jurisdictions.

- Applies to a taxpayer's gross receipts
- Derived from taxable sales per location by the appropriate state and local tax rates to calculate the amount of tax owed per location
  - There are several different business tax rates.
  - The rates are determined based on the taxpayer's "dominant business activity" and whether the taxpayer is a wholesaler or a retailer
- Comprised of two separate but complementary taxes: a state-level tax and a municipal-level tax
  - Generally, every entity making sales of tangible personal property and/or services in Tennessee is subject to the state-level tax.
  - Entities may be subject to the municipal-level tax if they have a business location in a municipality that has enacted the tax.

*For a listing of exempt services/industries, please see our Business Tax Manual

WHO IS REQUIRED TO FILE

	State Business Tax	Municipal Business Tax
TN Retailers	TN Retailers with $10,000+ in any county	TN Retailers with $10,000+ in municipality
Out-of-State Retailers	Out-of-state Retailers with $10,000+ in TN or with Nexus	n/a
TN Contractors	TN Contractors with $10,000+ in home county or $50,000+ in any other county	TN Contractors with $10,000+ in municipality or under $50,000 in any other municipality
Out-of-State Contractors	Out-of-State Contractors with $10,000+ in any county	Out-of-State Contractors with $50,000+ in municipality

A Business Tax return is required for all entities with a Standard Business License (regardless of gross receipts)

WHEN TO FILE

- Due on the 15th day of the fourth month following the fiscal year end (i.e. for a calendar year fiscal year, return is due on April 15)
- The business license expiration date is the 15th of the month after the tax due date
- There is no option for filing extension

If Business Tax is not filed/paid…

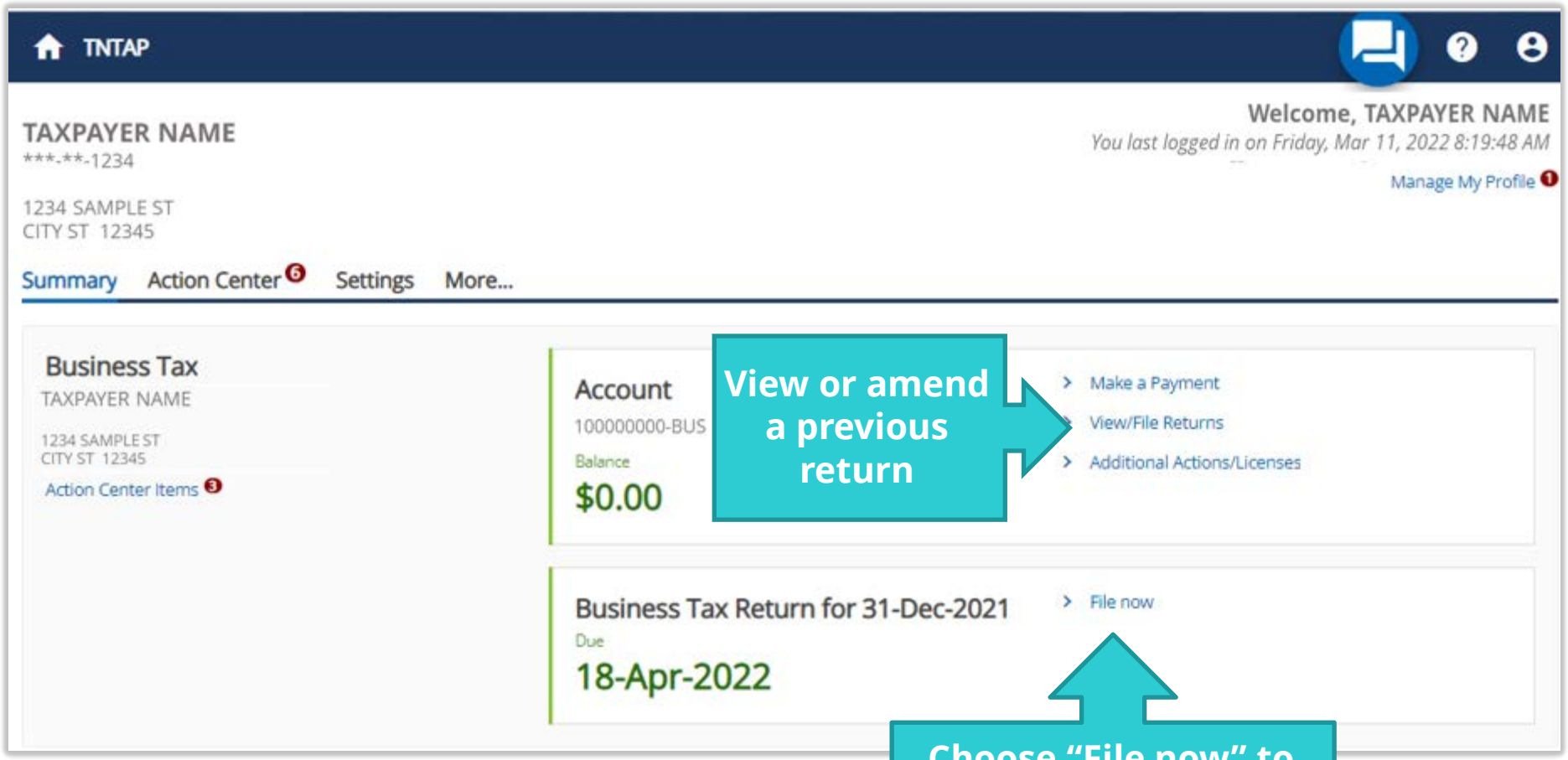
- The Business License will expire
- The taxpayer will receive an assessment and could end up in collections

This timeline assumes an entity has a FY end of **12/31**

File/Pay return
4/15 (15th day of fourth month)

Business License expires
5/15 (30 days after return is late)

WHERE TO FILE

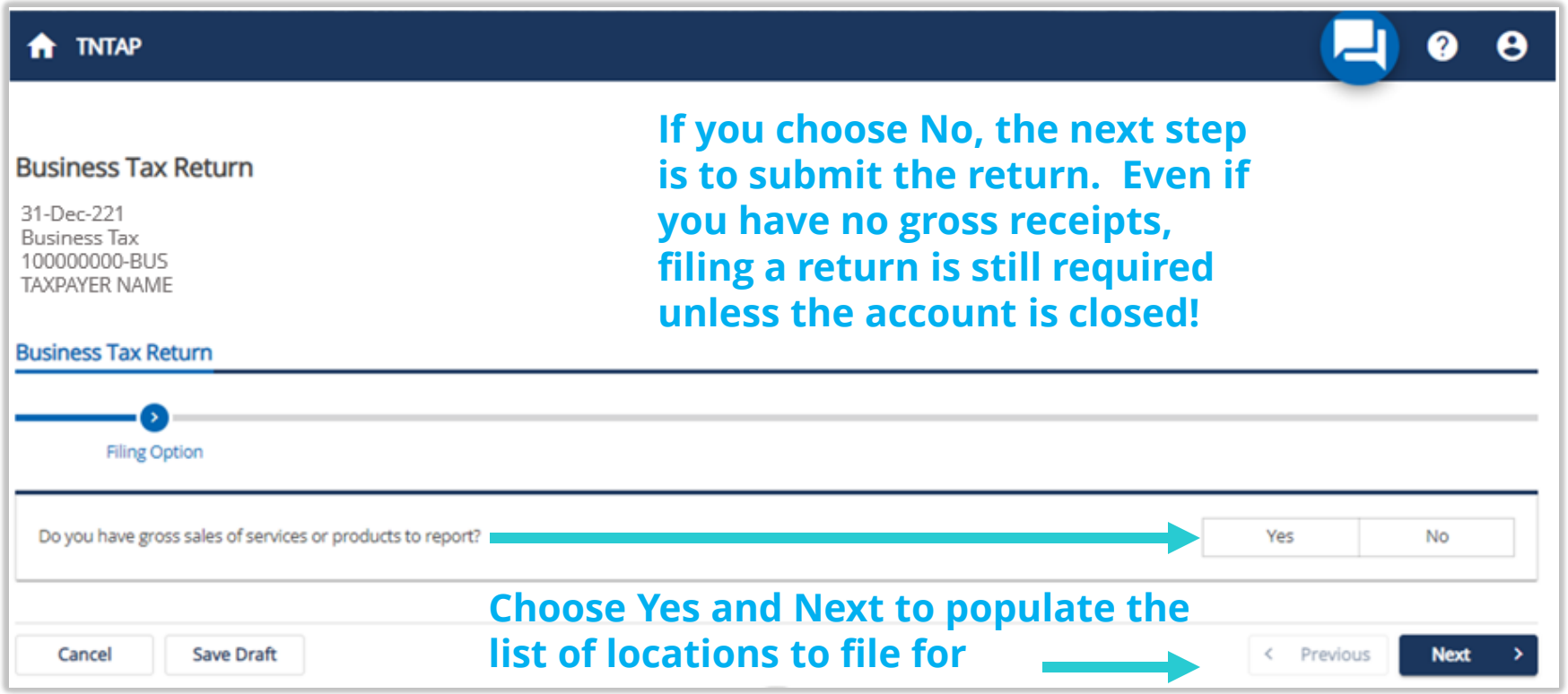


View or amend a previous return

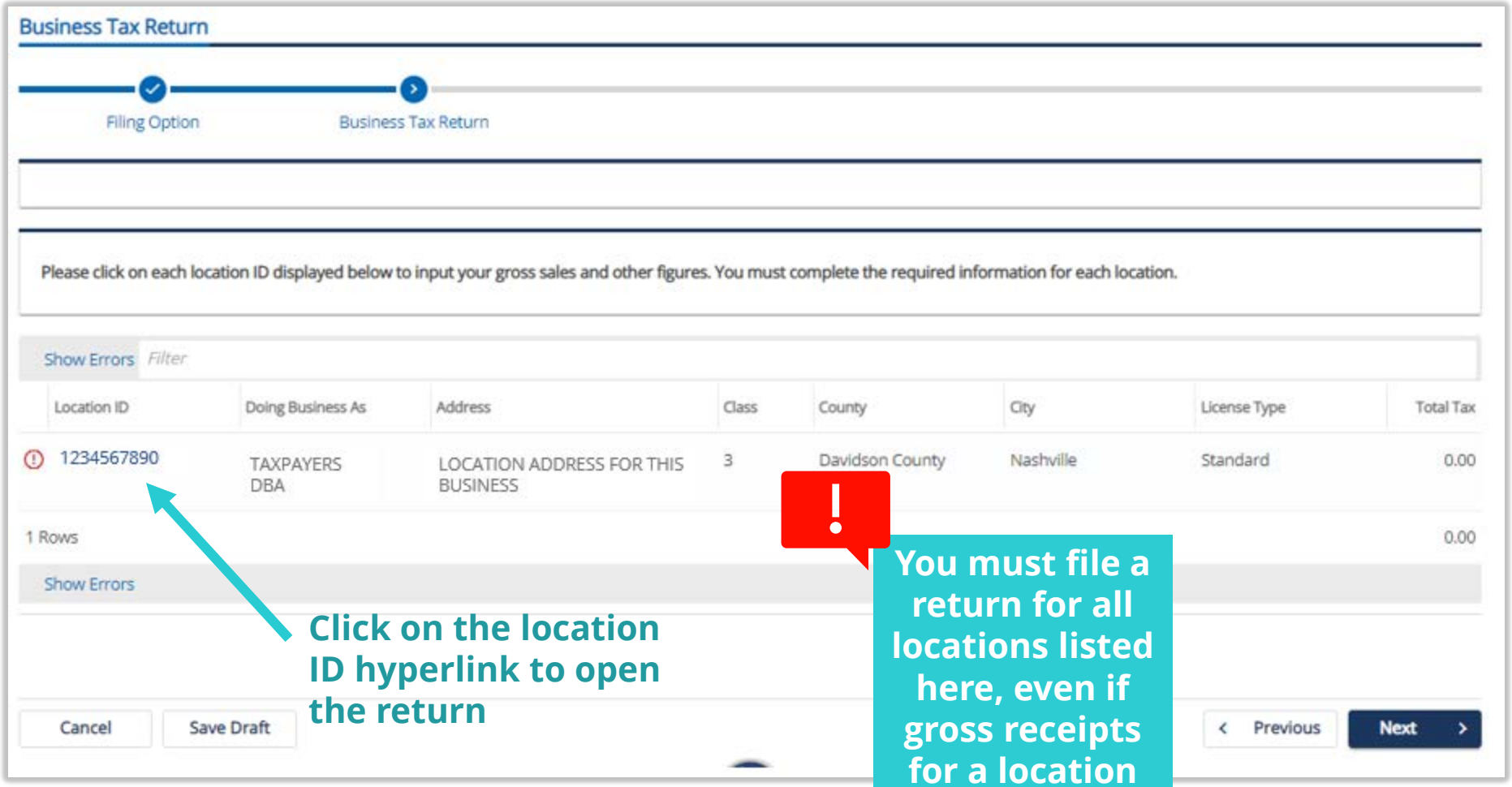
Choose "File now" to access any returns you have not yet filed

HOW TO FILE - Starting the Return

Gross Receipts: All sales derived from products or services.



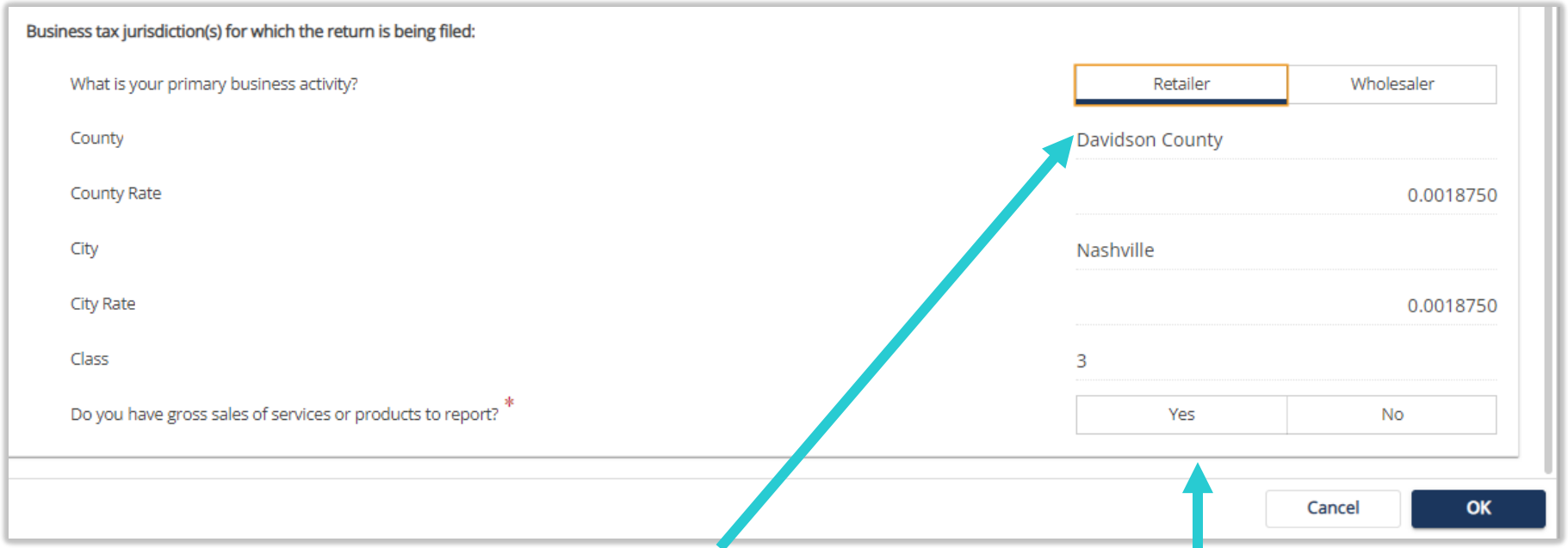
HOW TO FILE - Starting the Return



Click on the location ID hyperlink to open the return

You must file a return for all locations listed here, even if gross receipts for a location are zero!

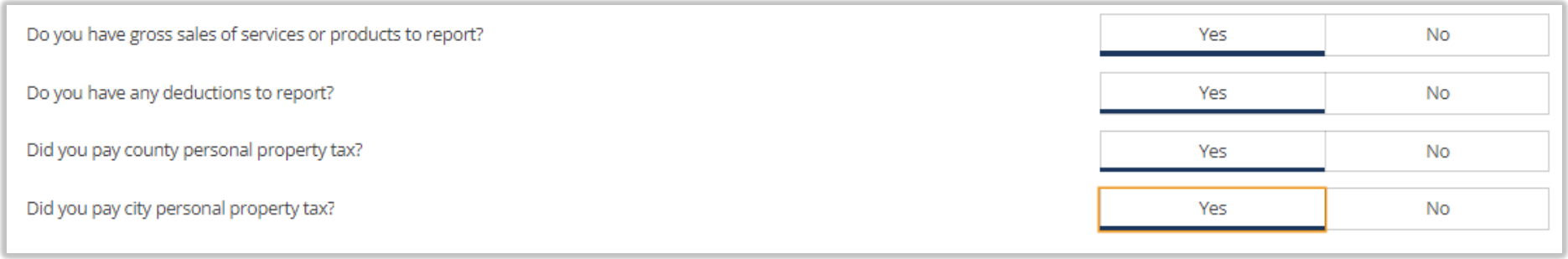
HOW TO FILE - Starting the Return



You must choose either Retailer or Wholesaler

Choose Yes to populate the rest of the return. Choose No and OK to submit a zero return.

HOW TO FILE - Starting the Return



If you choose Yes for the gross sales questions, these questions populate. You must answer each of these questions. Answering Yes populates appropriate fields to enter information into

Personal Property Tax: A tax imposed by the cities and counties on all property owned/held by a business to operate, including but not limited to, furniture, fixtures, vehicles, tools, machinery, equipment, and supplies. One of the most common tests used to differentiate "personal property" from "real property" is whether it is moveable (personal) or affixed (real). In TN, personal property is assessed at 30% of its value for commercial and industrial property and 55% of its value for public utility property.

HOW TO FILE – Entering Gross Receipts

Schedule A - Tax Computation by Location

1.	Total gross state sales (excluding sales tax)	All receipts from services/products minus sales tax remitted (view your sales tax returns to find these figures!)
2.	Enter deductions from Schedule B, Line 20 less Schedule B, Line 9 (Class 4 only) or enter deductions from Schedule B, Line 20 (non-Class 4)	The figures calculated from the Schedule B will populate here
3.	Taxable gross state sales (subtract Line 2 from Line 1)	This field will be calculated by the system
4.	State tax (multiply Line 3 by the applicable rate)	This field will be calculated by the system
5.	Amount of county personal property tax paid (cannot exceed 50% of Line 4)	Enter amount
6.	Total County Business Tax Due (Minimum $22.00)	This field will be calculated by the system
7.	Total gross city sales (excluding sales tax) *	This field will be calculated by the system
8.	Enter deductions from Schedule B, Line 20 less Schedule B, Line 8 (Class 4 only) or enter deductions from Schedule B, Line 20 (non-Class 4)	The figures calculated from the Schedule B will populate here
9.	Taxable gross city sales (subtract Line 8 from Line 7)	This field will be calculated by the system

*city and county gross sales match on the consolidated return.
For Class 4 contractors there is a separate return for each.

HOW TO FILE – Entering Gross Receipts

10.	City tax (multiply Line 9 by the applicable rate)	This field will be calculated by the system
11.	Amount of city personal property tax paid (cannot exceed 50% of Line 10)	Enter amount
12.	Total City Business Tax Due (Minimum $22.00)	This field will be calculated by the system
	Total Tax	This field will be calculated by the system

HOW TO FILE – Deductions

The Tennessee business tax statutes and regulations allow taxpayers to make various deductions that ultimately reduce their tax liability.

Deductions differ from exemptions in that they must be reflected on the business tax return as amounts deducted from total gross sales.

- Most deductions are provided in Tenn. Code Ann. § 67-4-711
- Taxpayers must maintain invoices and other documents to substantiate claims to deductions; otherwise, the deductions will be disallowed
- All deductions must be entered by the taxpayer and are totaled by the system to include on Schedule A

HOW TO FILE – Entering Deductions

Schedule B – Deductions, Privilege and Excise Taxes by Location

SALES OF SERVICES RECEIVED BY PERSONS LOCATED IN OTHER STATES

- EXAMPLE 1: A TN computer repair company repairs a computer in its Tennessee shop for a GA customer. After the repair is complete, the computer is shipped back to the customer. ***The repair sale is deductible.***

- EXAMPLE 2: A GA trucking company has a truck that breaks down in TN. A TN mechanic repairs the truck in TN and sends the bill to the GA company. When the truck is repaired, the driver picks up the repaired truck from the mechanic and returns the truck to GA. ***The repair service is subject to the tax and is not deductible from the tax base.***

HOW TO FILE – Entering Deductions

RETURNED MERCHANDISE WHEN THE SALES PRICE IS REFUNDED TO THE CUSTOMER

- EXAMPLE: A taxpayer sells an appliance to a customer for $250. The customer later returns the appliance, stating that it is faulty, and requests a refund. The taxpayer issues the customer a refund by crediting the customer's credit card. The taxpayer may deduct the sale proceeds for this returned item from its gross sales.

SALES OF TANGIBLE PERSONAL PROPERTY IN INTERSTATE COMMERCE

- Deliveries of tangible personal property to customers outside this state by the taxpayer or a common carrier, before a customer obtains possession, are sales exempt from business tax.
- If a customer obtains possession of an item in this state, even if it is subsequently removed from TN, the sale is subject to the tax.

HOW TO FILE – Entering Deductions

CASH DISCOUNTS ALLOWED AND TAKEN ON SALES

- EXAMPLE: A taxpayer offers its vendors cash discounts on credit sales to accelerate collections. The cash discount is indicated on the customer invoice as follows—2/10, net 30— indicating that the customer will receive a 2% discount if it pays the invoice within 10 days; otherwise, payment is due within 30 days. On a $5,000 credit sale for which the customer takes the cash discount, the discount is calculated as follows:

  Gross credit sale $5,000
  Less cash discount $(100) (gross credit sale x 2%)
  Net credit sale $4,900 (subject to business tax)

REPOSSESSIONS – THE PORTION OF THE UNPAID PRINCIPAL BALANCE IN EXCESS OF $500 DUE ON TANGIBLE PERSONAL PROPERTY REPOSSESSED FROM CUSTOMERS

HOW TO FILE – Entering Deductions

AMOUNT ALLOWED AS TRADE-IN VALUE FOR ANY ARTICLES SOLD

- EXAMPLE: A customer purchases a new car from the taxpayer for $30,000. As part of this transaction, the customer trades in its used car for which the taxpayer gives the customer a trade-in value of $9,000. The taxpayer will report on its business tax return the gross sale of $30,000 and then take a deduction for the $9,000 trade-in value.
- A credit will not be allowed for trade-ins unless the item traded is of a like kind and character of that which is purchased and indicated as a trade-in by model and serial number, where applicable, on an invoice given to the customer.

BAD DEBTS WRITTEN OFF DURING THE REPORTING PERIOD

- If a taxpayer takes a bad debts deduction for business tax purposes and the debt is subsequently collected in whole or in part, the amount collected will be subject to business tax.

HOW TO FILE – Entering Deductions

AMOUNTS PAID BY A CONTRACTOR TO A SUBCONTRACTOR HOLDING EITHER A BUSINESS LICENSE OR CONTRACTORS LICENSE FOR PERFORMING ACTIVATES DESCRIBED IN TENN. CODE ANN. SECTION 67-4-708(4)(A). MUST COMPLETE SCHEDULE C AND FILE WITH THE RETURN (CLASS 4 ONLY).

- he contractor must also maintain in its records a copy of the subcontractor's business license or license issued by the board for licensing contractors.

MISCELLANEOUS FEDERAL AND STATE EXCISE TAXES

- Deductions may be claimed only by the taxpayer who made direct payment to the applicable governmental agency.
- Federal excise taxes imposed on beer, gasoline, motor fuel, and tobacco products; TN gasoline tax; TN motor vehicle fuel use tax; TN tobacco tax; TN beer taxes; Special tax on petroleum products; Liquified gas tax.

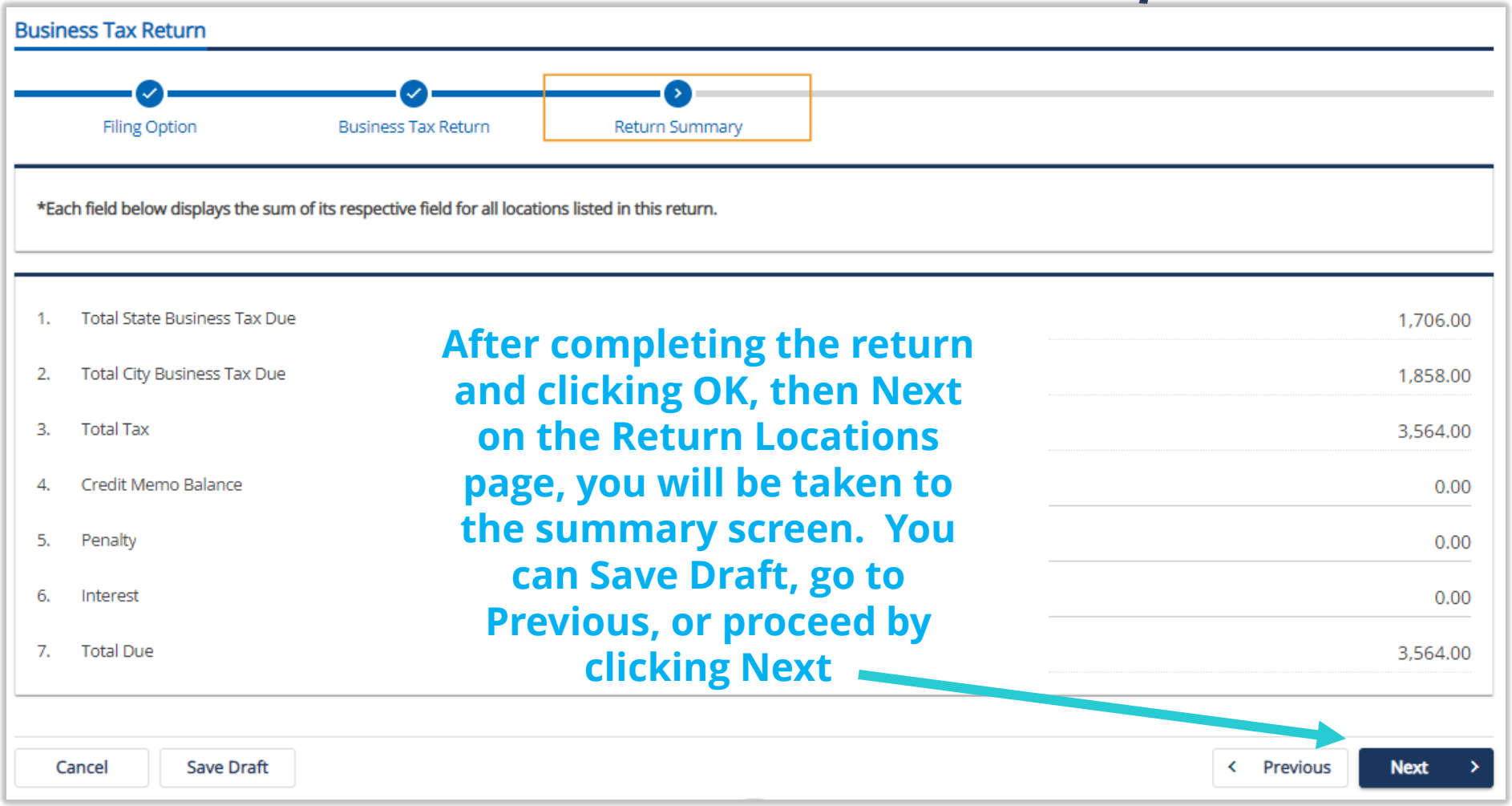
HOW TO FILE – Entering Deductions

OTHER DEDUCTIONS NOT TAKEN ELSEWHERE ON THE RETURN

- May include, but not limited to, the following:
  - accommodation sales (sale for resale of tangible personal property at cost plus freight, storage, and transportation costs by a person who regularly sells such property to another person who regularly sells such property)
  - casual and isolated sales of tangible personal property
  - sales of school supplies and meals to students and school employees on campus by secondary or elementary schools (but not such sales made by independent contractors)

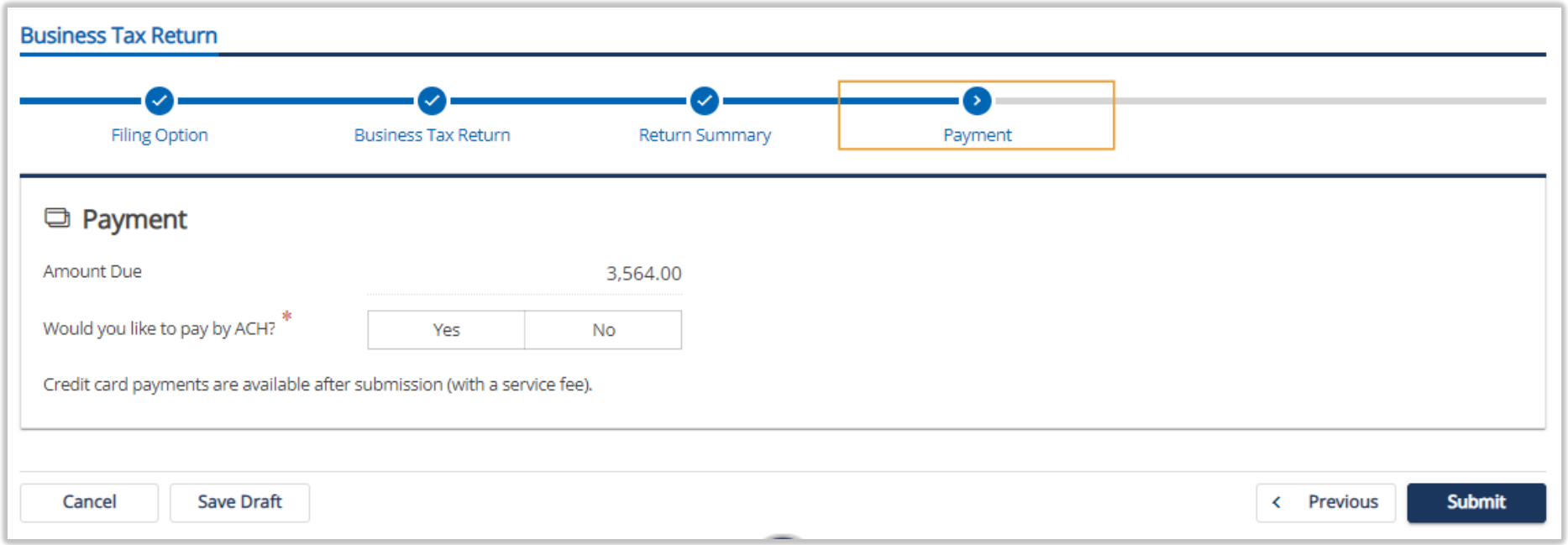
- These deductions may be taken only if included in gross sales on Schedule A, Line 1

HOW TO FILE – Return Summary



After completing the return and clicking OK, then Next on the Return Locations page, you will be taken to the summary screen. You can Save Draft, go to Previous, or proceed by clicking Next

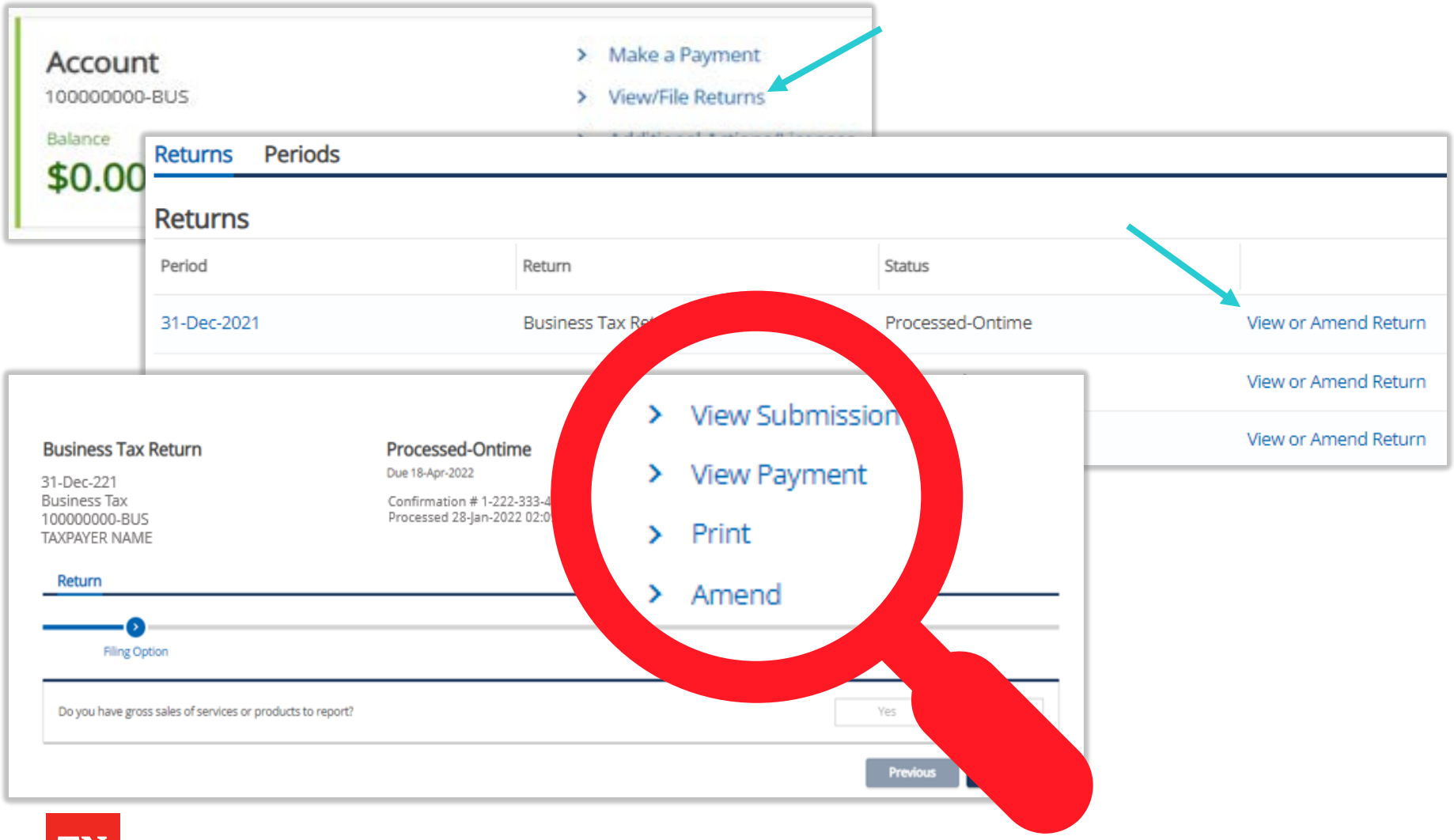
HOW TO FILE – Submitting the Return



On the Payment page, you must choose Yes or No to pay by ACH (using your bank account and routing information.)

Either way, to proceed click Submit!

HOW TO FILE – Previous Returns



HOW TO FILE – Amending a Return

Once you choose 'Amend', you will repeat the same steps as when the initial return was filed, replacing the new figures in place of the figures entered.

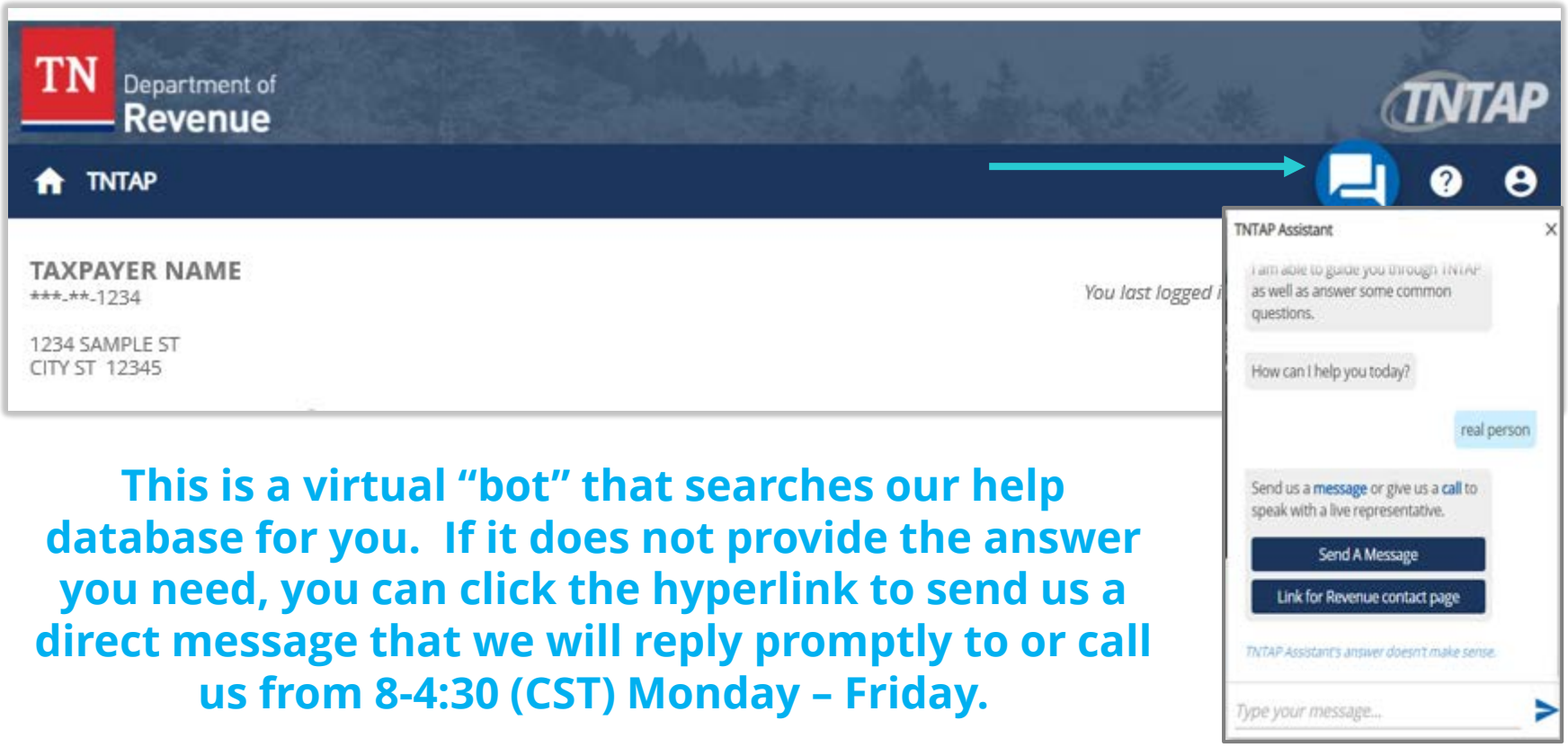
When the amended return results in additional tax liability:

- If the return is amended after the periods due date, it is advised to submit the return, let it post overnight, and log in the next day to see the total amount of additional payment needed after penalty and interest calculates.

When the amended return results in a credit on the account:

- Leave the credit on the account, it will move to the next liability owed, or
- Request a refund

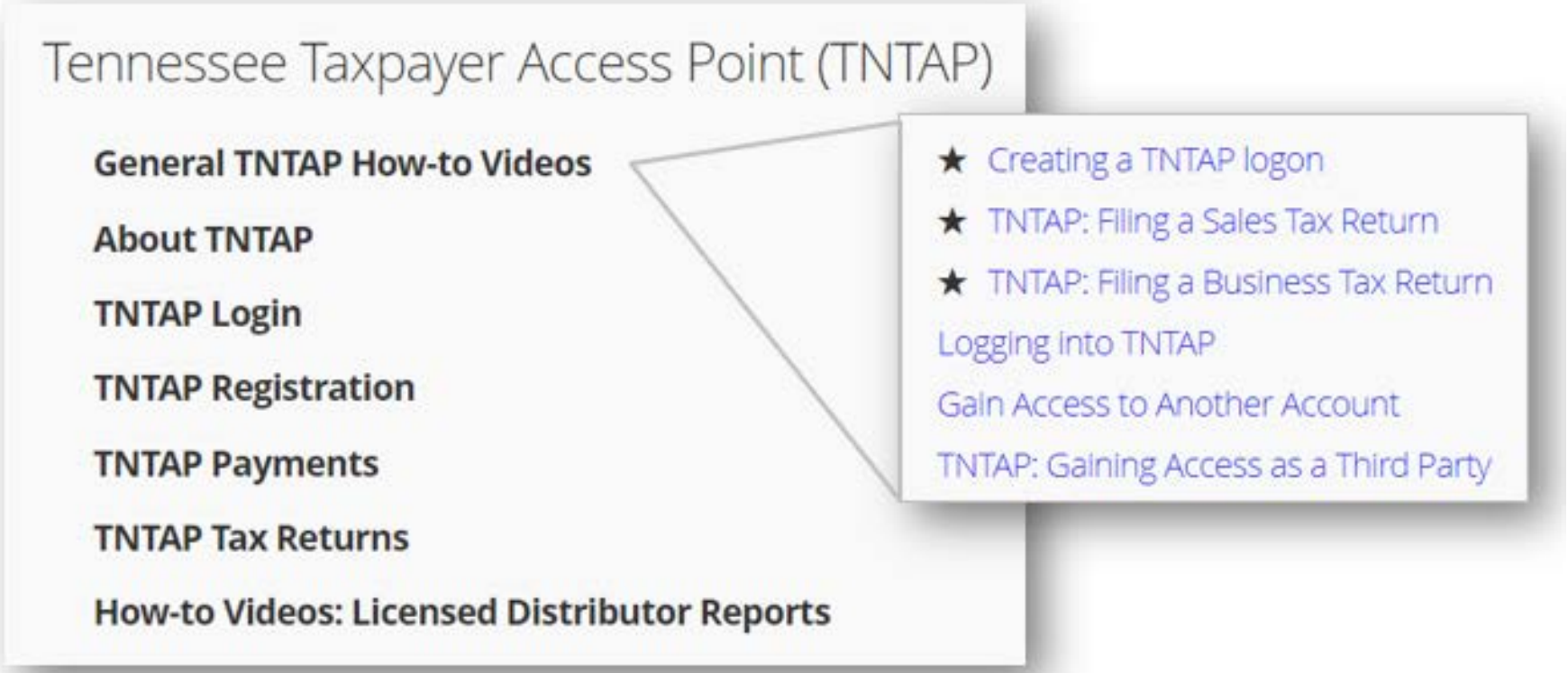
HOW TO FILE – TNTAP Help



This is a virtual "bot" that searches our help database for you. If it does not provide the answer you need, you can click the hyperlink to send us a direct message that we will reply promptly to or call us from 8-4:30 (CST) Monday – Friday.

HOW TO FILE – TNTAP Help

TN.gov/revenue > Revenue Help



RESOURCES

From TN.gov/Revenue……

- General Information: Taxes > Business Tax
- FAQ Articles: Revenue Help > Business Tax
- Business Tax Manual: Tax Resources > Tax Manuals > Business Tax
- Past Webinars: Taxpayer Education > Tax Webinars > Webinar Video Library

CONTACT US

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

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Revenue.support@tn.gov

615.253.0600 (M-F 8-4:30 CST)

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