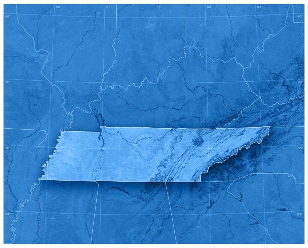

New Tennessee Business Tax Filing and Licensing Thresholds

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The Tennessee business tax is a privilege tax on the privilege of doing business by making sales of tangible personal property and services within Tennessee and its local jurisdictions. More specifically, the business tax applies to businesses that: (i) have substantial nexus in Tennessee; (ii) are engaged in certain taxable activities in Tennessee; and (iii) have gross annual sales in excess of $100,000. Unlike sales tax, which principally applies to retail sales of tangible and personal property and certain listed services, the business tax applies to all taxable, non-exempt sales of services and sales of tangible personal property, which includes both retail and wholesale sales.

In Tennessee, businesses that are not required to have a Standard Business License or a Minimal Activity License similarly are not required to pay the business tax. However, if a Standard Business License is required, that business must also file an annual business tax return and pay business tax to the Tennessee Department of Revenue.

The prior threshold for obtaining a city/county Standard Business License and paying annual business tax for each business location was over $10,000 per jurisdiction, meaning businesses with annual gross receipts in excess of $10,000 (per jurisdiction in which those gross receipts were attributed) were required to obtain a Standard Business License and file an annual business tax return. The prior threshold for obtaining a city/county Minimal Activity License for each business location was $3,000 to $10,000 in annual gross receipts. Previously, businesses that met the threshold for a Minimal Activity License and businesses with less than $3,000 in annual gross receipts were not required to file an annual business tax return.

What Are the New Tax Filing Thresholds?

Under the Tennessee Works Tax Reform Act, signed by Gov. Bill Lee on May 11, 2023 (the "Act"), the business tax filing threshold increased for tax years ending on or after December 31, 2023. According to the Tennessee Department of Revenue's Notice #23-08 (May 2023), those thresholds are still based on annual gross receipts per jurisdiction, but the cap has jumped from $10,000 to $100,000. Therefore, if you are a business with annual gross receipts in excess of $3,000, but under $100,000, you are no longer required to obtain a Standard Business License and pay business tax. Instead, you must obtain a Minimal Activity License from the appropriate county clerk for each business location. There remains no business license or business tax requirement for businesses with annual gross receipts under $3,000.

In summary:

- Businesses under $3,000 in annual gross receipts are not required to obtain any business licenses and are not required to pay business tax.
- Businesses that have between $3,000 and $100,000 in annual gross receipts are required to obtain a Minimal Activity License from the appropriate county clerk's office, but are not required to pay business tax.
- Businesses with over $100,000 in annual gross receipts must obtain a Standard Business License and pay business tax.

What Does this Mean for Prior Businesses?

If you are a business that currently has gross annual receipts in excess of $3,000, but under the $100,000 threshold, you may elect to do nothing and continue business as usual. Alternatively, you may elect to simply change your tax account filing status to "not required" to avoid renewing your Standard Business License and paying business tax. Businesses can request a change to their tax account filing status by contacting the Tennessee Department of Revenue by phone at 615.253.0600 or by emailing them at revenue.support@tn.gov. If you change your tax account filing status to "not required," the current Standard Business License remains in effect until its designated date of expiration. The Tennessee Department of Revenue anticipates a large volume of taxpayers contacting them to request this change; therefore, **do**

not wait until your current business license has expired!

After you have changed your tax account filing status **and** upon expiration of your current Standard Business License, you will need to visit the appropriate city/county clerk to obtain a Minimal Activity License. Otherwise, if you are a business with gross receipts in excess of $100,000, continue to renew your Standard Business License and pay business tax. The business tax filing is due on the 15th day of the fourth month following the fiscal year-end, and the Standard Business License expiration date is the 15th day of the month immediately following the business tax filing deadline. **There is no option for a filing extension.**

If you have questions, please reach out to the authors of this article or any attorney with Frost Brown Todd's Tax practice. You can also visit our Tax Law Defined® Blog for more insight into the latest developments in federal, state and local tax planning and tax administration.