

# Tennessee Business Tax Changes

- ▣ **Purpose of this session**
  - To inform everyone of what LGC is doing for our Business License customers, and to try to answer any questions you have.
  
- ▣ **Web site for detail information from the Department of Revenue and TML**
  - [http://www.tml1.org/business\\_tax\\_flowchart/Business-Tax-Flowchart-INTRO-with-slicing.html](http://www.tml1.org/business_tax_flowchart/Business-Tax-Flowchart-INTRO-with-slicing.html)

# Tennessee Business Tax Changes

- ▣ **Summary of the changes in administration of Business Tax in Tennessee.**
  - Public Chapter 530 transfers responsibility for the administration and collection of the local business tax from municipalities and counties to the State (Department of Revenue).
  - Cities and counties retain responsibility for registering and licensing local businesses.
  - Side-by-side comparisons of the new law to the old law are available on the TML web site.
  - Implementation of the new law is scheduled to start on January 1, 2010.
  - New law only affects classes 1-5.
    - ▣ The State will continue to handle class 5 (Industrial loan and thrift companies) – solely the domain of the State.

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- ▣ Transient vendors, flea markets, and any other local licenses will still be collected by the cities.
- ▣ LGC is currently working closely with the Department of Revenue and TML to incorporate the necessary changes into our Business License software.
- ▣ These changes are currently being tested and are scheduled to be ready for general release by the end of February, 2010.

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- **Summary of what the new software will include.**
  - Additional fields for collecting data for the State.
  - Feature for extracting and sending all new business data to the State.
  - Feature for downloading and updating the State Business Numbers and updating it into the cities databases.
  - Feature for extracting and sending all changes to existing businesses to the State.
  - Feature for updating changes to existing businesses from the State.
  - Feature for downloading and updating license data from the State, and printing the new licenses.
  - Option to print the new recommended license format .

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- ▣ LGC extracted and sent your data to the State in September, and again around December 15.
  - Cities should continue to add new businesses and make changes to existing businesses with the current LGC software until the new software is installed.
  - These changes will be transmitted to the State when the new release of LGC software is installed.

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- ▣ Cities will be expected to do a final extract and transmit the data to the State when the new release of LGC software is installed in late February.
- ▣ Instructions on how to do this will be included with the new release.
- ▣ This will get the State's database in sync with your local database.
  - We assume the State will send back a file with the State Business Number for all the businesses sent in the final extract file.

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- ▣ **Printing of Class I notices for 2010.**
  - The State will print and mail the Class 1 notices, and all future notices. The Class 1 notices have probably already been mailed.
  - These notices will be printed from the data transmitted around December 15. If you added Class 1 businesses after December 15, they will not receive a notice.
  - A new and simpler tax return document has been developed. Examples are available on the TML web site.

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- ▣ **Calculation and collection of taxes after January 1, 2010.**
  - Businesses will file their renewals online with the State.
    - ▣ Businesses can still file a paper return, but must send it with a check for the payment to the State.
    - ▣ Any business that is required to file its sales and use tax returns electronically is likewise required to file its business tax returns electronically, and remit its business tax payment electronically.
    - ▣ \$500 penalty for failing to file electronically if it is required.
  - State will make tax data available to the cities to be downloaded.
  - Cities will download the tax data and new licenses will be created on their system. Cities will print the new licenses to be mailed to the businesses.

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## ▣ Other information

- City will notify the state of any business that closes. Business must officially close by filing a final tax return with the State.
- Also, according to the State, for business closures, any business that actually closed prior to 2010 and does not file their final return until 2010, the city should process those as normal delinquencies collecting the taxes, penalty, and interest due.

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## ▣ Other Information

- For all practical purposes, if a business comes to the State, they will process and notify the city of the closure.
- Cities can no longer use the old license form where the tax liability or tax paid is printed on the license form.
- For any questions regarding closures, send an email to [Rachel.Robinson@tn.gov](mailto:Rachel.Robinson@tn.gov).

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## ▣ Other information

- Cities will continue to register new businesses, collect the original license fee (\$15), print the license, and transmit that data electronically to the State. New businesses can also register on the State web site, but still must come to the city to pay the fee and get the license.
- Cities will continue to calculate and collect taxes for any delinquent periods prior to 2010.
- The State will be responsible for calculation and collection of all delinquencies for delinquent periods starting in 2010.

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## ▣ Other information

- Under the new law, municipalities will continue to collect fees from transient vendors and flea markets and send all associated revenues to the State.
- Once the State receives the fees, the fees will be distributed with 57% going to the appropriate municipality and 43% retained by the State.
- For new businesses, we recommend cities use the State's new application form to be able to collect all the necessary data. You can update the additional data into your LGC database after you get the new software.

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- ▣ **How will data be transmitted to and from the State?**
  - Cities will have a secured FTP site at the State for transmitting and receiving data.
    - ▣ LGC has the logins and passwords for all our cities. If the State has not contacted you, please send an email to [josh.love@lgdpc.com](mailto:josh.love@lgdpc.com) Please ensure the email subject contains the words “Business License FTP Login” and you should receive your login information within a days time.
    - ▣ Documentation encompassing the notable changes made in LGC software and how to install and use the secured FTP site will soon be made available.

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## ▣ **Payments from the State**

- The State plans to distribute payments monthly on a schedule and in a manner similar to that of the sales tax distributions. Payments to the cities will be delayed two months from when the State receives the payment from the business.
- How does the city reconcile payments from the State with license data sent from the State?
  - ▣ We are not sure exactly what information the state will provide to the cities when they send payments.
  - ▣ We will work on the best way to help the cities reconcile payments and license data when we know what information the State provides to the cities. We will try to make this a simple reconciliation process for the cities.

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## ▣ Annual Report

- Municipalities must continue to file annual returns with the State to report transient vendors, flea markets, and collection of delinquencies that were due prior to implementation of the new law.
- The annual report will be the same as it was before the new law, and our software will provide the data for the report.

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- ▣ **Questions we have been asked:**
  - Is the recording fee still \$5 for any delinquent taxes collected by the city, or should they be charging the new \$7 fee?
    - ▣ We think the recording fee should still be \$5 for delinquent taxes in tax periods before 2010. The State web site states “Collections of existing delinquencies will be allocated under the law in effect at the time the returns were due.”.

# Tennessee Business Tax Changes

## ▣ Questions we have been asked:

- If a business closed after January 1, 2010, should they file with the State?
  - ▣ We confirmed with the State that all final returns after January 1, 2010, should be filed directly with the State, regardless of their business tax classification.
- When the city downloads data from the State for a license renewal, and prints the license, will the city charge the \$7.
  - ▣ No. The State will assess and collect the \$7 fee, and send the money back to the cities. The city will not collect any money directly from the business for a license renewal.

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- ▣ **Questions we have been asked:**
  - Should the cities print a license for a delinquent period in the new recommended license format, or print the license in the old format?
    - ▣ We think it is fine to print the delinquent license in the new format, but the final decision is up to the city. The State does not have a required format, only a recommended format. It will be easier for the cities to switch to the new format for all licenses.

# Tennessee Business Tax Changes

## ▣ **Typical scenario #1**

- A Class 1 business needs to file a renewal.
  - ▣ The business receives the new format notice form from the state.
  - ▣ The business fills out the notice and mails the notice along with a check to the state, or goes on the State's web site and completes the form and makes the payment.
  - ▣ The state processes the notice form and payment.
  - ▣ The state notifies the city that the amounts due have been paid.
  - ▣ The city prints the license form and mails it to the business.
  - ▣ The state sends the city's portion of the payment to the city.

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## ▣ **Typical scenario #2**

- A Class 3 business closes in January, 2010.
  - ▣ The business obtains a notice form from the State's website.
  - ▣ The business fills out the notice and mails the notice along with a check to the state, or goes on the State's web site and completes the form and makes the payment.
  - ▣ The state processes the form and payment.
  - ▣ The state notifies the city that the business has closed and the amounts due have been paid.
  - ▣ The city prints the final license and terminates the business record.
  - ▣ The state sends the city's portion of the payment to the city.

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## ▣ **Typical scenario #3**

- A Class 3 business closes in October, 2009, but does not file the return until January , 2010.
  - ▣ Per the State, if the business closed in October 2009, they would have a new statutory due date (15 days from the close of the business) that would be prior to January 1, 2010. Any returns due prior to January 1, 2010 should be filed with the city. This taxpayer would be considered delinquent and penalty and interest for late filing would come into play. The city should process the return as a delinquent tax, and the system will send a closure file to the State.

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## ▣ **Typical scenario #4**

- A Class 2 business opens in January, 2010.
  - ▣ The business visits city hall and completes an application for business form and pays \$15.
  - ▣ The city receipts the \$15 and prints the business a license form.
  - ▣ The city keeps the \$15.
  - ▣ The city transmit the new business data to the State.
  - ▣ The State assign the State Business Number and sends it back to the city.
  - ▣ The city updates the State Business Number to their database.

# Tennessee Business Tax Changes

- ▣ Contact person at the State is Rachel Robinson
  - Email address: [Rachel.robinson@tn.gov](mailto:Rachel.robinson@tn.gov)
  - Phone number: 615-741-8392

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**Questions and answers**