

TENNESSEE DEPARTMENT OF REVENUE

Business Tax transition

Beginning with tax filings due on and after January 1, 2014, business tax returns will be completed and filed based on the taxpayer's fiscal year, thereby coordinating these filings with other annual tax filings. The Uniformity and Small Business Relief Act of 2013 (Public Chapter 313) made a number of changes to the business tax statute, including allowing businesses to file the tax based on its fiscal year end, as opposed to the arbitrary dates previously set forth in the statute.

With this change, the business will need only to visit its accountant one time a year for all of its annual taxes. The accountant will no longer have to determine gross receipts for a period that crosses two fiscal years. This change has been one that practitioners have requested for some time now, and the Department is pleased to be able to move forward with this much needed improvement.

Transition to fiscal year end

Businesses with fiscal years ending on and after September 30, 2013, will be able to file their business tax returns based on their federal fiscal year end, like most other tax filings. The returns will be due on the 15th day of the fourth month after the fiscal year end (the same as the Tennessee franchise and excise tax return). For example, a taxpayer with a fiscal year ending on September 30, 2013, will file its business tax return by January 15, 2014, regardless of classification. A calendar year taxpayer will file its business tax return by April 15, 2014.

Because the new filing schedule changes the current filing schedule, there will be a period of transition from the old business tax filing periods, based on classification, to the new fiscal year filing period. During this transition period, some taxpayers will be filing for a tax period that is either longer or shorter than 12 months. Any taxpayer that owes only the minimum tax will prorate the tax for any period other than 12 months. The Department will make available to taxpayers and tax practitioners a website to compute the transition period and due date.

(Chart attached)

Business Licenses

In some situations, the taxpayer's business license may be scheduled to expire before it makes its next business tax filing to coincide with the fiscal year end. In those cases, the Department of Revenue will issue an extended license on behalf of the local jurisdiction.

Personal Property Tax credit

The personal property tax paid to the local jurisdiction is allowed as a credit in the computation of the business tax liability. There will be transitional rules to be used which will depend on the length of the transition period.