



Insight Paper # 09:

Tennessee Legislation Effective July 1, 2009

Tennessee recently enacted some changes to its legislation that may impact your business. There are multiple changes in this legislation that could impact your business or provide new opportunities for your business, and following are some of the changes.

- For purposes of the Tennessee excise tax, rent on commercial property paid to an affiliate after June 30, 2009 that exceeds 2% per month of the property's appraised value for property tax purposes will be disallowed as a deduction for Tennessee excise tax purposes.
- Any quarterly estimated franchise and excise tax payments that are equal to or greater than \$2,500 must be remitted electronically. Any taxpayer who owes greater than \$10,000 with its franchise and excise tax return must remit its payment electronically.
- Taxpayers with an average monthly sales and use tax liability of greater than \$1,000 must now electronically file their returns and pay their tax electronically. (The previous threshold was tax liability of greater than \$2,500.)
- The new jobs tax credit for franchise and excise tax purposes has been increased to \$4,500 per new job, regardless of the county in which the job was created. There are still specific requirements, which include required capital investment amounts and the creation of a specific number of new jobs and types of jobs, to qualify for this tax credit.
- Business Tax (Gross Receipts)
 - All businesses will now be classified as wholesale or retail and tax will be assessed at only one rate based on the classification that generates at least 50% of the business' taxable gross sales.
 - The credit for personal property taxes cannot be used to offset more than 50% of the total tax liability; however, the credit now applies to both the local and state portions of the tax liability.

As you can see, there are many changes to the Tennessee tax structure that became effective July 1, 2009. We wanted to inform you of these changes and also remind you that we are here to work with you on strategies related to managing the effects of these tax changes on your business. If you have any questions about this new legislation and its impact to you, please contact Caren Creason, CPA, CVA in our office at (901) 761-3003, and she will be happy to assist you in any way regarding questions or concerns you may have and the options available to you.

The Marston Group, PLC