

**BUSINESS TAX – CLAY, CLAIBORNE & MORGAN COUNTIES**

Notice #13-14

Business Tax

September 2013

**Highlights**

- *The Tennessee Uniformity and Small Business Relief Act of 2013 amends the Business Tax statute.*

**INTRODUCTION**

This notice provides information concerning the passage of Public Chapter 313 (2013), the Tennessee Uniformity and Small Business Relief Act, that amends the Business Tax statute. This Act makes the Business Tax uniform across the state, making the tax applicable to businesses located in Clay, Claiborne, and Morgan counties effective January 1, 2014.

**DISCUSSION**

Effective January 1, 2014, businesses located in Clay, Claiborne, and Morgan counties with gross receipts of \$10,000 or more per year will be required to obtain an annual business license from the county and file an annual business tax return with the Tennessee Department of Revenue.

Businesses with annual gross receipts less than \$10,000 but more than \$3,000 will not be required to file a business tax return, but will be required to obtain a minimal activity business license. The minimal activity business license may be obtained, upon application and payment of a \$15 fee, from the local jurisdiction or from the Department's website at [www.TN.gov/revenue](http://www.TN.gov/revenue). Businesses with annual gross receipts of less than \$3,000 are exempt.

Businesses in Clay, Claiborne, and Morgan counties should take steps to register with their county clerk for business tax or to receive a minimal license as soon as possible.

**Business Tax at a Glance**

Business tax is imposed for the privilege of conducting business within any county and/or incorporated municipality that has enacted the business tax. Effective January 1, 2014, all counties in Tennessee imposed the business tax.

**Business License**

Businesses having gross receipts during the tax year of \$10,000 or greater are required to obtain a business license from the county clerk in the county where the business is located. A \$15 registration fee is required for all new businesses and must be paid before the business license is issued.

Businesses having less than \$10,000 in gross receipts during their tax year can obtain a minimal activity license for \$15. This can be done with the county clerk or online at the Department of Revenue's website. If the business' gross income is \$10,000 or more in a subsequent year, the business must contact the county clerk for a regular business license and the Department of Revenue for a tax account so a return can be filed.

Beginning in 2014, all business licenses expire 30 days after the due date of the tax return for the current period. For instance, if a business' tax period

**References:**

PC 313 (2013)  
T.C.A. § 67-4-701 et.  
seq.

ends on December 31, the due date for the return and payment in April 15<sup>th</sup> of the following year and the business' current license expires on May 15<sup>th</sup> of the following year.

### **Business Tax Return**

A business tax return is due annually based on the taxpayer's fiscal year end. The tax return is must be filed on or before the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the tax year. [see Due Date Chart]

Businesses with less than \$10,000 in gross receipts for the tax year are exempt from filing a tax return.

Effective January 1, 2014, all business tax returns and payments filed with the state must be filed electronically. Businesses not previously registered for electronic filing are encouraged to do so now. Visit [www.TN.gov/revenue/onlinefiling](http://www.TN.gov/revenue/onlinefiling) to get more information.

### **Business Tax Rates**

The tax rate is based on the business' "dominant business activity". The dominant business activity is the business activity that is the major and principal source of taxable gross sales of the business. Taxable business activities are broken down into nine difference classifications, depending on the dominant business activity of the business. [See Business Tax Classification Chart and Tax Rate Chart]

### **Action Items for Businesses**

1. Determine the month your business uses as the end of its fiscal year. This would be the same fiscal year end used when filing the business's federal income tax return.
2. Determine your business' level of gross receipts.
  - a. If \$10,000 or more per year in annual gross receipts – file and pay tax to the state at the end of the fiscal year. Note that electronic filing and payments are required – sign up now to receive a required user name and password well in advance of having to file and pay electronically.
  - b. If \$3,000 to \$9,999 in annual gross receipts – obtain a minimal activity business license for \$15 from the county clerk and/or city recorder at the beginning of the tax year. The license is good through the business's next fiscal year.
  - c. If less than \$3,000 in annual gross receipts – do not file and pay anything with the state or local government. You also do not need a license. Even if a business is not required to have minimal business license, one may be acquired.
3. Consult with your tax preparer or accountant, if necessary, to get any information you may need.
4. Visit the Tennessee Department of Revenue's website for more information.

The information provided here is current as of the date of publication, but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.