



Tax Manual Updates

June 2024

Please find below, a brief overview of substantive updates the Department made to various tax manuals. These updates are predominately based on new legislation and taxpayer questions or issues, as well as opportunities for improved clarity or expanded guidance. Substantive changes were not made to every manual, only those outlined below.

Alcohol Tax Manual

Liquor-by-the-drink Bond Amount

- Updated page 58 as a result of a law change to explain that the minimum bond amount for all liquor-by-the-drink bonds is \$10,000, effective July 1, 2024.

Commercial Passenger Busses

- Updated page 55 as a result of a law change to include commercial passenger bus companies as a business authorized to make sales of alcoholic beverages for consumption on the premises.

Business Tax Manual

Federal and State Excise Taxes

- Updated the federal and state excise tax chart on page 141 to ensure all rates are up to date.

Location Address for Registration

- Updated page 29 to inform taxpayers to use the physical location address of their business rather than a post office box address when registering for business tax.

Real Estate Agents or Brokers

- Updated pages 126 to add an example that explains that real estate agencies are responsible for business tax on the gross receipts of its agents, including independent contractors.

Transfer of Title – Location

- Updated pages 128-130 to provide guidance to assist taxpayers in determining whether freight and delivery charges are subject to business tax in Tennessee.

Medical Devices

- Updated pages 42-43 to provide further guidance on whether medical devices inserted or affixed to the human body are considered tangible personal property for business tax purposes.

Public Utilities

- Updated page 102 to clarify which sales by public utilities are exempt from business tax.

Retailer vs. Wholesaler

- Updated page 66 to include an example to explain when sales for resale are considered wholesale sales.

Farmers, Nursery Operators & Timber Harvesters

Franchise Tax

- Deleted all references to the franchise tax Schedule G property measure (“minimum measure”), which has been repealed for tax years ending on or after January 1, 2024.

Franchise and Excise Tax Manual

Franchise Tax – Schedule G Minimum Measure Repeal

- Deleted from the manual all references to Schedule G property measure (“minimum measure”), which has been repealed for tax years ending on or after January 1, 2024.
- Included in Chapter 10 information pertaining to the minimum measure repeal legislation, the special refund procedure for applicable tax years, and the election to use the minimum measure as the franchise tax base.

Excise Tax – Deductions – Federal Expense Reduction Related to Federal Credit (Sch. J, Line 20)

- Made minor conforming updates to the federal income tax credits table, including new endnotes with clarifying guidance.
- Added a new subsection to this topic to clarify the Department’s position on the recovery of depreciation expenses forgone due to the taxpayer taking a related federal income tax credit. (Conforming guidance also added to the section on Schedule J, Line 17.)

Gross Receipts Bottlers Tax Manual

Hemp-Derived Non-Alcoholic Beverages

- Updated page 5 to include hemp-derived or cannabis non-alcoholic beverages as an example of a soft drink that is subject to bottlers tax.

Self-Service Water

- Updated page 8 to include information on sales of water from a self-service dispenser.

Franchise Tax Credit

- Updated the manual to provide guidance to taxpayers who anticipate filing a franchise tax Schedule G minimum measure refund claim. Taxpayers who receive a franchise tax refund must amend the impacted bottlers gross receipts tax return(s) to reflect the adjusted credit for franchise tax paid.

Gross Receipts Utilities Tax Manual

Franchise Tax Credit

- Updated the manual to provide guidance to taxpayers who anticipate filing a franchise tax Schedule G minimum measure refund claim. Taxpayers who receive a franchise tax refund must amend the impacted utilities gross receipts tax return(s) to reflect the adjusted credit for franchise tax paid.

Sales and Use Tax Manual

Pollution Control Credit

- Updated pages 284 and 299 to explain that the pollution control credit in Tenn. Code Ann. § 67-6-346 applies separately from the industrial machinery pollution control credit in Tenn. Code Ann. § 67-6-102.

TNTAP Instructions

- Updated TNTAP instructions on page 240 to account for updates in the TNTAP system.

Penalty for Failure to File Electronically

- Updated page 36 to include information on the penalty provided for in Tenn. Code Ann. § 67-6-504 for the failure to file sales and use tax electronically.

Tennessee Works Tax Act

- Updated several sections due to law changes resulting from the Tennessee Works Tax Act, including adding a new chapter (chapter 7) specifically addressing how to source sales and services.

Qualified Data Center Definition

- Updated page 256 to include the definition of a qualified data center as provided in Pub. Ch. 886 (2024).

City Tax Rate – Food and Food Ingredients

- Updated page 209 to include information related to the ability of certain towns and cities to impose a reduced city tax rate on food and food ingredients pursuant to Pub. Ch. 917 (2024).

Taxation of Nonprofit Organizations Manual

Documentation for Exemption Application

- Updated pages 16-17 of the manual to include more information about documentation required for the application for exemption for nonprofit entities.

Used Clothing

- Updated pages 12-13 of the manual to include information on the exemption from sales and use tax for sales of used clothing made by nonprofits.

Franchise Tax

- Deleted all references to the franchise tax Schedule G property measure (“minimum measure”), which has been repealed for tax years ending on or after January 1, 2024.

Taxation of Short-Term Rental Units Manual

Business Tax Registration

- Updated page 30 to clarify that if a property owner has multiple properties in the same jurisdiction, the owner will only need one license in that jurisdiction.

Franchise Tax

- Deleted all references to the franchise tax Schedule G property measure (“minimum measure”), which has been repealed for tax years ending on or after January 1, 2024.

Tennessee Automobile Dealership Manual

Franchise Tax

- Deleted all references to the franchise tax Schedule G property measure (“minimum measure”), which has been repealed for tax years ending on or after January 1, 2024.
- Clarified that liabilities incurred by the taxpayer to purchase its inventory are deductible in calculating the taxpayer’s net worth subject to franchise tax.

Leases

- Added a new section that cross references chapters 5 and 7 of the sales and use tax manual, which address how to collect tax on, and source, leases.