

BUSINESS TAX ACT LICENSE AND TAX REPORT – INSTRUCTIONS

NOTE: Ensure that the return contains the correct name, address, account number and business class for the reporting entity. Enter the amounts paid for the reporting period on the appropriate line as indicated below.

Line 1: Enter the gross sales of goods, services and contracts for the reporting period. Do not report amounts of sales tax collected.

Line 2: Enter the total amount for all deductions allowed from Schedule A, line 12 on the back of the return.

Line 3: Calculate the taxable gross sales for the tax period by subtracting Line 2 from Line 1.

Line 4a: Enter the portion of taxable gross sales that resulted from retail sales. Multiply the amount in Line 4a by the amount in Line 3 to determine the percentage of retail business activity. Next, calculate the total business tax due from retail sales. Multiply the amount in Line 4a by the applicable retail tax rate for your classification. If applicable, must be 20% or more of the gross to apply. Enter on Line 4c.

Line 5a: Enter the portion of taxable gross sales that resulted from wholesale sales. Divide the amount in Line 5a by the amount in Line 3 to determine the percentage of wholesale business activity. Next, calculate the total business tax due from wholesale sales. Multiply the amount in Line 5a by the applicable wholesale tax rate for your classification. If applicable, must be 20% or more of the gross to apply. Enter on Line 5c.

Line 6a: Calculate the preliminary gross tax due. Add lines 4c and 5c.

Line 6b: Enter the amount of the minimum license fee that was previously paid. Do not enter an amount greater than the amount on Line 6a.

Line 6c: Calculate the business tax base. Subtract Line 6b from Line 6a. Do not enter an amount less than zero.

Line 7a: Calculate the preliminary gross business tax that is allocated to the local government under Tenn. Code Ann. Section 67-4-724. Multiply the amount on Line 6c times 66.67%.

Line 7b: Calculate the preliminary gross business tax that is allocated to the state government under Tenn. Code Ann. Section 67-4-724. Subtract Line 7a from Line 6c.

Line 8: Enter the amount of personal property tax that was previously paid during the tax period. You must enter the date the personal property tax was paid and the sequence number.

Line 9a: Calculate the state and local business tax amounts due. To calculate the local business tax due, subtract Line 8 from 7a. Do not enter an amount less than zero. To calculate the state business tax due, enter the amount reflected on Line 7b.

Line 9b: Calculate the portion of the local business tax amount allocated to the state. To calculate, multiply the amount on Line 9a times 15%.

Line 9c: Calculate the net local and state tax liability. To calculate the net local business tax due, subtract the amount in Line 9b from Line 9a LOCAL. To calculate the net state business tax due, add Line 9a STATE and Line 9b.

Line 9d: Calculate the percentages to be used to allocate penalty and interest due. To calculate the percentage of penalty and interest due the local government, divide Line 9c LOCAL by the sum of the amounts (LOCAL and STATE) in line 9c and enter as a percentage in the LOCAL column, using the format of xx.xx% [Example: 56.06%]. To calculate the percentage of penalty and interest due the state government, divide Line 9c STATE by the sum of the amounts (LOCAL and STATE) in Line 9c and enter as a percentage in the STATE column using the format xx.xx%.

Line 10: Calculate the penalty due. The rate of penalty is 5% for each 30-day period, or portion thereof, for which the tax is delinquent. The maximum penalty due may not exceed 25%. Multiply the penalty percentage by the sum of the amounts in Line 9c (Local and State). Enter the results in the space provided. The minimum penalty due is \$15. If the tax on line 6c is zero, allocate \$15 penalty 85% Local and 15% State. If Line 9a Local is zero but Line 9a State has an entry, allocate 100% of the penalty to the State.

Line 10a: Calculate the percentage of the penalty due that is allocated to the local government. Multiply the penalty amount by the percentage on Line 9d LOCAL.

Line 10b: Calculate the percentage of penalty due allocated to state government. Multiply the penalty amount by the percentage on Line 9d STATE.

Line 11: Calculate the interest due. Multiply the current effective interest rate by the number of days delinquent; divide by 365.25 and multiply by the amounts reflected in Line 9c Local and State columns. Compute the interest due from the return due date to the date of payment.

Line 12: Calculate the total amount of business tax plus penalty and interest due. Add Lines 9c, 10a, 10b, and 11 from BOTH Local and State columns.

Line 13: Enter the appropriate collecting and recording fees.

Line 14: Report the minimum license fee paid for the next period. [Note: The minimum tax is due regardless of amount of credits claimed on Line 8.

Line 15: Calculate any penalty due for late payment of the minimum license fee by adding 5% of Line 14 for each 30-day period the minimum payment is delinquent. The penalty due may not exceed 25% of the amount reflected in Line 14.

Line 16: Calculate any interest due for late payment of minimum license fee. Multiply the current effective interest rate by the number of days delinquent; divide by 365.25 and multiply by the amounts reflected in Line 14. Compute interest due from the return due date to the date of payment.

Line 17: Calculate the total minimum license and business tax remittance due by adding lines 12, 13, 14, 15 and 16 from both Local and State columns. Enclose a check for the amount shown on Line 17 with the return.

SCHEDULE A- DEDUCTIONS FOR BUSINESS TAX PURPOSES

Line 1: Enter the gross sales of services that were substantially performed in states other than Tennessee.

Line 2: Enter the proceeds of the sales of goods, wares, or merchandise returned by the customer when that sales price is refunded either in cash or by credit. This should equal the amount on Schedule A, Line E, of the state Sales and Use Tax Return.

Line 3: Enter the gross sales amount for bona fide sales in interstate commerce where the purchaser takes possession outside Tennessee for use or consumption outside Tennessee and the item is actually delivered by the seller or a common carrier.

Line 4: Enter the total of cash discounts allowed and taken on sales. These amounts are reported on Schedule A, Line C of the state Sales and Use Tax Return.

Line 5: Enter that portion of the unpaid principal balance in excess of \$500 due on all items of tangible personal property repossessed from customers. This should equal the amount of Schedule A, Line H of the state Sales and Use Tax Return.

Line 6: Enter the total amount allowed as trade-in value for any articles sold. Also include these amounts on Schedule A, Line C of the state Sales and Use Tax Return.

Line 7: Enter the total amount subcontracted to others for additions or improvements to real property. Attach a list of subcontractors, their addresses, the items subcontracted, and the amount for each item.

Line 8: Enter the federal excise taxes and state privilege and excise taxes paid for gasoline tax, motor fuel use tax, state special tax on petroleum products, and liquified gas for motor vehicles in the spaces provided. Enter the amounts sold and deductions.

Line 9: Enter the federal excise taxes and state privilege and excise taxes paid for cigarettes and other tobacco products in the spaces provided. Enter the amounts sold and deductions.

Line 10: Enter the federal excise taxes and state privilege and excise taxes paid for beer and the 17% wholesale tax on beer in the spaces provided. Enter the amounts sold and deductions.

Line 11: Enter any other federal excise taxes and state privilege and excise taxes paid and specify the commodity on which they were paid. Enter the amounts sold and deductions.

Line 12: Calculate the total deductions by totaling Lines 1 through 11. Enter the total here and on Page 1 Line 2.

CERTIFICATION:

Complete the certification by entering the beginning and ending dates of the tax period covered, signing and dating the return, and including the title, name, signature and date of person completing the return if not completed by an employee of the taxpayer.