



## Legislative Update

2018

### 2018 Legislation


- 2018 legislative changes are summarized at <http://www.tn.gov/revenue/topic/legislative-summaries>.
- Complete public chapters are available at: [www.sos.tn.gov](http://www.sos.tn.gov).



**Franchise & Excise Tax**

**Federal Tax Reform – Decoupling**  
**Public Chapter 1011**

- **Decouples from the Tax Cuts and Jobs Act interest deduction cap provision.**
  - Effective for tax years beginning on or after January 1, 2020.
  
- **Decouples from the Tax Cuts and Jobs Act provision requiring the inclusion of state grants in federal taxable income. This bill allows taxpayers to subtract that amount when computing Tennessee taxable income.**
  - Effective for tax years beginning on or after January 1, 2017.

A small version of the Tennessee logo, consisting of a red square with the white letters "TN" inside, located in the bottom right corner of the slide.

## Franchise & Excise Tax

### Financial Asset Management Companies

#### Public Chapter 656

- Authorizes financial asset management companies to elect to apportion net earnings for franchise and excise tax purposes using the single sales factor.
- The law establishes that an election remains in effect for 5 years.
- Effective for tax years beginning January 1, 2018.



## Sales and Use Tax

## Sales and Use Tax

### Utility Connection Fees

#### Public Chapter 813

- Establishes that sales and use tax on sales of water by public utilities, and sales of natural gas, propane, and electricity sold directly to consumers for non-residential uses only applies to charges on a customer's monthly bill for metered usage, monthly minimum bill, monthly customer charge, or a monthly demand charge.



## Sales and Use Tax

### Vehicles sold to Certain Veterans

#### Public Chapter 541

- Creates exemptions from sales tax, registration fee, and motor vehicle privilege tax, for any motor vehicle sold to a veteran or service member who has a service-connected disability and who is eligible for a United States department of Veterans Affairs automobile grant under the Disabled Veterans' and Servicemen's Automobile Assistance Act of 1970.
- The law limits the sales and use tax exemption to the portion of the purchase price that is in excess of the amount of the grant received.



## Sales and Use Tax

### Spallation Neutron Source Facilities

#### Public Chapter 963

- Establishes that any entity qualifying for the sales and use tax exemption for spallation neutron source facilities is not eligible for a sales and use tax exemption with regard to any industrial machinery that is used in the operation of a qualified data center or used primarily for research and development.
- This limitation does not apply to the Oak Ridge Leadership Computing Facility.



## Motor Fuel Tax

## Motor Fuel Tax

### **IMPROVE Act Fuel Tax Increase**

#### **Public Chapter 181 (2017)**

- The per gallon tax on gasoline will increase from \$0.24 to \$0.25 on July 1, 2018
- The per gallon tax on diesel fuel will increase from \$0.21 to \$0.24 on July 1, 2018



## Motor Fuel Tax

### **Unblended Methanol**

#### **Public Chapter 924**


- Exempts unblended methanol from motor fuel and sales taxes.
- The methanol must be sold for use in highway or non-highway vehicles.






**Alcoholic Beverages & Wine**

**Seven Day Sales**  
**Public Chapter 783**



- Authorizes the sale of alcoholic beverages and wine on Sundays.
  - Effective for retail liquor stores on April 20, 2018
  - Effective for grocery stores on January 1, 2019
- The law establishes a minimum 10% markup on liquor products sold in liquor stores
- Specifies that no new liquor store licenses will be issued until July 2, 2021, except in limited specific circumstances.

 TN Department of Revenue

## Alcoholic Beverages & Wine

### Common Carrier Reports

#### Public Chapter 933

- Requires common carriers contracting with direct shippers to report deliveries of beer and alcoholic beverages.
- 2017's Public Chapter 486 required monthly reports for the delivery of wine into TN.
- The report must contain the consignor's name and business address, each consignee's name and address, the weight of the package delivered to each consignee, a unique tracking number, and the date of delivery.
- Failure to make reports may result in a fine of up to \$500 for each delivery not reported to the Department.



## Alcoholic Beverages & Wine

### Alcohol Delivery

#### Public Chapter 765

- Creates a delivery service license to allow delivery of sealed packages of alcoholic beverages and beer.





## Liquor-by-the-drink

### **LBD Tax & Distilleries**

#### **Public Chapter 1027**

- Exempts samples and sales of alcoholic beverages sold for consumption on the premises of a distillery from the 15% LBD tax.
- Effective upon becoming law.



## Liquor-by-the-drink

### **New LBD License**

#### **Public Chapter 755**

- Creates a new LBD license for for-profit companies selling alcohol at festivals. Requires licensees to pay LBD tax.






**Hall Income Tax**

**IMPROVE Act Hall Income Tax Reduction**  
**Public Chapter 181 (2017)**

- The Hall income tax rate is reduced to 3% for tax years beginning January 1, 2018
- The rate will be reduced to 2% for tax years beginning January 1, 2019



**TN** Department of Revenue

## Franchise & Excise and Hall Income Tax

### Perfection Period

#### SB2051/HB2132

- Establishes a "perfection period" for electronically filed Hall income tax and franchise and excise tax returns.
- Defines the "perfection period" to mean a period of ten calendar days, beginning with the day after date of the first transmission of an electronic return that is subsequently rejected by the commissioner.
- Effective October 1, 2018



## Hall Income Tax

### Angel Investor Credit

#### Public Chapter 892

- Expands the "Angel Investor" Hall income tax credit to include an indirect cash investment made by an angel investor.
- Effective for tax years beginning on or after January 1, 2017.





**Coal Severance Tax**

**Primacy and Reclamation Act of Tennessee**  
**Public Chapter 839**

- **New coal severance fees in addition to the current \$1/ton fee**
  - \$0.04/ton for coal that is severed from the ground in underground mining operations,
  - \$0.09/ton for coal that is severed from the ground in surface mining and reclamation operations.
- **New fees are to be deposited in the Coal Mining Protection Fund to be used for administering the Primacy and Reclamation Act.**
- **Effective upon deposit of federal funds in the Coal Mining Protection Fund.**

TN Department of Revenue



**Privilege Tax**

**Tax on Adult Performance Businesses**  
**Public Chapter 764**

- Establishes a \$2 tax on adult performance businesses for each entry by each customer.
- All revenue collected from the tax is intended for programs for victims of sex trafficking.
- Effective July 1, 2018 and will sunset on July 1, 2021.


The logo for the Tennessee Department of Revenue, featuring the letters "TN" in white on a red square, followed by the text "Department of Revenue" in a smaller, blue font.



**Administration**

**Short Term Rentals**  
**Public Chapter 972**

- If any local jurisdiction prohibits or regulates the use of short-term rental property the prohibition does not apply to property being used prior to the prohibition
  
- Prior short term rental use is shown by proof of sales tax collection and remittance.
  - Remitted sales tax at least six (6) months within the twelve-month period immediately preceding the later of:
    - The effective date of this act; or
    - The effective date of an ordinance, resolution, regulation, rule, or other requirement by a local governing body



## Administration

### TBI Funding

#### Public Chapter 1044

- Directs proceeds from the drug testing fee and blood alcohol test fee to the general fund.
- Abolishes the TBI drug chemistry unit drug testing fund and the TBI toxicology unit intoxicant testing fund.



TN

## Administration

### Rules vs. Policies

#### Public Chapter 929

- Changes definitions of “rule” and “policy” to statements explaining meaning of a statute or rule and statements concerning agency’s internal operations.
- Each agency must send list of new policies to Gov Ops Committees on July 1 every year, excepting confidential information or general correspondence, such as FAQs and other published material.

## Administration

### **TACIR Studies**

#### **Public Chapter 952 & 795**

- TACIR study to consider a 2% F&E credit for shippers that adopt a turn around policy, of generally 2 hours.
- TACIR study on the effects of creating a TDEC grant and loan program to encourage financing and development of food desert relief enterprises that sell fresh food to low-income, underserved areas. Looks at creating a special fund into which revenue from 0.625% of the food sales tax rate levied on retail sales of sugar-sweetened beverages is to be deposited to fund the grants.



## Administration

### **Department of Revenue Sunset Review**

#### **Public Chapter 701**

- Extends the department for four years to June 30, 2022.





