



## TENNESSEE INCENTIVES

The State of Tennessee has one of the lowest tax burdens in the United States. There is no personal income tax or state property tax. There are three taxes generally applicable to a company that is doing business in Tennessee: franchise tax, excise tax and sales and use tax. The franchise tax and excise tax are taxes imposed on the privilege of doing business in Tennessee and are two separate taxes that are filed on one return.

The franchise tax is a tax on the greater of apportioned net worth in Tennessee or book value of real and tangible personal property owned or used in Tennessee. The franchise tax rate is 25 cents per \$100 or .0025%.

- For taxpayers operating a manufacturing, warehouse or distribution facility, finished goods inventory in excess of \$30,000,000 may be excluded from franchise tax base.
- Pollution control equipment is exempt from franchise tax base.
- Property under construction and not being utilized is not included in franchise tax base.
- Property rented from the industrial development corporation may be valued by capitalizing it on the books.

The excise tax is a tax on the net earnings of a company derived from the business in Tennessee. The excise tax rate is 6.5%.

- The excise tax is based on the net earnings of the company derived from business in Tennessee as determined by a three factor apportionment formula of property, payroll and sales with sales double-weighted.
- Tennessee does not have a throwback provision – thus the state does not require companies with sales outside of Tennessee that are not apportioned to or taxed by another state to be included in the numerator of sales in Tennessee.
- All capital losses claimed in the year incurred.
- Net operating losses can be carried forward for 15 years.

The state sales and use tax rate is 7%. The local option sales tax rate ranges from 2.00 to 2.75%. The state tax incentives available are based on a number of factors including the type of business enterprise involved, the capital investment and the number and type of jobs created. Credits against any applicable franchise tax, excise tax and sales and use tax liability are based on the actual capital investment and jobs created during the investment period and are tied to the requisite business plans.

### Job Tax Credit

Under Tennessee law a company who operates a single location that utilizes telecommunication services in one or more of the following activities: customer services, soliciting sales, reactivating dormant accounts, conducting surveys or research, fund raising, collection of receivables, receiving reservations, receiving orders, or taking orders qualifies as a call center and is considered a “qualified business enterprise” eligible for the Job Tax Credit. A company may qualify for the

Tennessee Job Tax Credit of \$4,500 per job by making a capital investment of \$500,000 and hiring a minimum of twenty-five (25) new, full-time employees in a twelve (12) month period.

The Job Tax Credit may offset up to 50% of the company's total franchise and excise tax liability. Any unused Job Tax Credit may be carried forward for fifteen (15) years.

#### Industrial Machinery Credit

Tennessee allows for an Industrial Machinery Credit of 1% of the purchase, installation, and repair of qualified industrial equipment that can be used to offset a company's total franchise and excise tax liability up to 50% within a tax year. Any unused Industrial Machinery Credit may be carried forward for up to fifteen (15) years.

For a call center the credit is for the purchase, installation, and/or repair of qualified industrial machinery defined as computer, computer network, computer software or computer system, as defined in Tenn. Code Ann. § 39-14-601, and any peripheral devices, including, but not limited to hardware such as printers, plotters, external disc drives, modems and telephone units, purchased by the taxpayer in making the required capital investment for the job tax credit.

Capital Investment	Percentage of Credit
Less than \$100,000,000	1%
\$100,000,000	3%
\$250,000,000	5%
\$500,000,000	7%
\$1,000,000,000	10%

#### Sales and Use Tax Savings

7% state sales tax plus the applicable local rate (1.50%-2.75%) on any person or company who manufactures, distributes or sells tangible personal property within the state.

No sales tax is levied on:

- Purchases, installation and repairs of qualified industrial machinery
- Raw materials for processing
- Certified pollution control equipment for manufacturers
- Machinery and equipment used for the production of electricity using clean energy technology including geothermal, hydrogen, solar and wind sources.
- Material handling and racking systems for qualified warehouse and distribution facilities purchased during the 3 year investment period.
- Computer equipment, peripheral devices and software purchased for a qualified data center with an investment of \$250 million during the investment period
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5% vs. 7%).
- Qualified industrial supplies
- Items purchased for resale
- Containers, packaging and wrapping materials
- Additional exemptions or credits may be available

## **FastTrack Program**

FastTrack, Tennessee's state funded program, includes:

- FastTrack Infrastructure Development Program, which is community-generated
- FastTrack Job Training Assistance Program, which is company-generated.

Under the guidelines of this program the state can make grants to local governments to help them meet the public infrastructure requirements for locating and expanding industries as well as address the training needs of a company. Both programs require application for financial assistance.

### **FastTrack Infrastructure Development Program (FIDP)**

The FastTrack Industrial Development Program is Tennessee's initiative to support the public infrastructure needs of the local community to support expansion or location of industry.

Project funding is determined by evaluating each project in terms of capital investment, new jobs created, the types of the created jobs, and the community in which the project locates.

### **FastTrack Job Training Assistance Program (FJTAP)**

The FastTrack Job Training Assistance Program is Tennessee's initiative to support industrial recruitment and expansion through direct training assistance for newly hired employees, employees in upgraded positions, and employees retained through instruction.

FJTAP staff assists each individual company to develop customized training plans and to provide funding. Eligibility for FJTAP support and levels of funding for training assistance are determined by:

- The amount of company investment.
- The number of new hires.
- The types of skills and knowledge that must be obtained by prospective or newly hired employees.