



## *Tennessee Tax Incentives*

### Excise Tax

- Receive 1% excise tax credit for:
- the purchase, installation and/or repair of qualified industrial machinery.
- the purchase of qualified equipment associated with the required \$500,000 capital investment by a distribution or warehouse facility.
- the purchase of computers, computer networks, software, computer systems, telephone systems and any peripheral devices purchased to reach the "required capital investment" to qualify for the jobs tax credit.
- Net operating loss may carry forward 15 years.
- All capital losses may be claimed the year incurred.

### Franchise Tax

- Tax credit of \$2,000 (or \$4,500 in special enhancement counties, including Sumner County) per new full-time employee:
  - ◆ in businesses that meet requirements of a minimum 25 new full-time jobs and additional capital investment of \$500,000 and offer a minimal health care plan.
  - ◆ for new jobs in the future resulting in a net increase in jobs.
- No franchise tax on:
  - ◆ finished goods inventory in excess of \$30 million for fiscal year beginning on July 15, 1998.
  - ◆ property under construction, not being utilized by the business.
  - ◆ pollution control equipment.
- Property rented from an industrial development board may be capitalized on the business books.
- For companies that increase Tennessee investment while also doing business in other states, Tennessee offers double, weighted sales apportionment formula for franchise and excise taxes. (This means that property, payroll and sales are all taxed, but they are taxed in fourths, not thirds. Property and payroll have one fourth each and sales has two fourths.)
- The jobs tax credit can be applied to both the franchise and excise tax. The percentage of franchise and excise tax liability offset allowed ranges from 33 1/3 percent to 100 percent for total employment in Tennessee, ranging from less than 1,000 to 5,000 or more.

### Personal Income Tax

- Consistently one of the lowest per capita taxed states in the nation. The 6% individual income tax is imposed only on individuals and other entities receiving interest from bonds and notes and dividends from stock. The first \$1250 (\$2500 for joint filers) is exempt.

### Property Tax

- No property tax on:
  - ◆ goods-in-process.
  - ◆ finished goods inventories in hands of manufacturers.
  - ◆ inventories of merchandise for sale.
  - ◆ goods-in-transit (free port).
  - ◆ pollution control equipment required for compliance with federal, state or local environmental protection laws.
- Attractive depreciation schedules.

### Sales and Use Tax

- No sales tax on:
  - ◆ purchases, installation and repairs of qualified industrial machinery.
  - ◆ purchases of material handling and racking equipment associated with the required capital investment of \$10 million by a distribution or warehouse facility.
  - ◆ raw materials for processing.
  - ◆ pollution control equipment of manufacturers.
  - ◆ any materials that become a component part of the finished product.
  - ◆ containers, labels and packaging materials if they are sold with or accompany the product at no additional charge.
- Reduced sales tax rates for manufacturer's use of energy fuel and water. Tax-exempt if used directly in the manufacturing process and separately metered.
- Credit of 5.5% for sales and use taxes paid on building materials, machinery and equipment used in new or expanded regional, national or international headquarters. Requires capital investment of \$50 million.
- Refund taxes paid on goods and services by motion picture production companies filming or producing in Tennessee. Requires expenditures of \$500,000.

### Other Tax Credits

- The Day Care Incentive
  - ◆ Credit against franchise and excise taxes for businesses that establish a day care center for employee's children.

### *TN Services to Industry*

- Current list of available manufacturing, warehouse and distribution facilities in Tennessee
- Complete itinerary arrangement \*
- Datasheets and wage surveys on cities and counties
- Labor statistics

- Statistical and demographic information
- Tax information
- Business support for small and minority-owned enterprises
- Existing Industries Division
- FastTrack Training Services
- In-house research staff
- Technical assistance in:
  - ◆ Energy
  - ◆ Environmental regulations
  - ◆ Exporting
  - ◆ Manufacturing Technology
  - ◆ Science and technology
  - ◆ Site locations and evaluations
  - ◆ Transportation
- Tennessee Manufacturing Extension Partnership (TMEP): Assists manufacturing firms by providing engineers and scientists from NASA, the Oak Ridge National Laboratory and public and private universities and colleges to address problems and support industry through the application of technology.

### *Financial Programs*

- Locally Administered
  - ◆ Private Activity Bonds
  - ◆ Revolving Loan Funds
- State Administered
  - ◆ Appalachian Regional Commission Program
  - ◆ Community Development Block Grants
  - ◆ Small Business Energy Loan Program
  - ◆ Small and Minority Owned Telecommunications Business Assistance Program
  - ◆ FastTrack Infrastructure Program
  - ◆ FastTrack Training Services Program
  - ◆ Construction of Industrial Highways
- Federally Administered
  - ◆ Rural Business and Cooperative Development Loans
  - ◆ Small and Minority Owned Telecommunications Business Assistance Program
  - ◆ Small Business Administration Loan Guarantee Programs
  - ◆ Tennessee Valley Authority Economic Development Investment Funds

For more information, visit [http://www.tennessee.gov/ecd/bizdev\\_incentives.htm](http://www.tennessee.gov/ecd/bizdev_incentives.htm).