

Important Update: Changes to Tennessee Franchise Tax and Refund Opportunities

Recent legislation signed into law may impact the way your Tennessee franchise tax is calculated and potentially allow you to receive a refund. Refund claims must be filed by November 30, 2024, so action should be taken as soon as possible.

Generally, all entities doing business and having a substantial nexus to Tennessee are subject to the franchise tax. Historically, the franchise tax was based on the greater of the (i) taxpayer's net worth (the Net Worth Measure), or (ii) book value of the property owned and the rental value of the property used in Tennessee (the Book Value Measure). The franchise tax rate is 0.25%. The new law has eliminated the Book Value Measure.

Any taxpayer who has paid franchise tax based on the Book Value Measure may request a refund. A refund may be requested for tax years ending on or after March 31, 2020, for which a return was filed with the Tennessee Department of Revenue (the Department) on or after January 1, 2021. The amount of the refund is the difference between the amount of franchise tax actually paid and the amount that would have been paid using the Net Worth Measure. By filing a refund claim, the taxpayer is waiving any claim against the Department for the unconstitutionality of the prior franchise tax regime.

Interestingly, the Department is required to publish the name of each taxpayer issued a refund and the applicable range corresponding to the total amount refunded to the taxpayer. This list will be published on the Department's website on May 31, 2025, through June 30, 2025. The applicable ranges are \$750 or less, \$751-\$10,000, and more than \$10,000.

Refund claims must be filed between May 15, 2024, and November 30, 2024. If you believe you are impacted by this change in the franchise tax base, please contact your attorney or tax advisor as soon as possible to discuss your options.