

## LOCAL BUSINESS TAX RETURN - INSTRUCTIONS

**NOTE:** Enter the amounts paid for the reporting period on the appropriate line as indicated below. Commissions on sales of lottery tickets are subject to the business tax at the rate applicable to the Classification 1 rate applicable to fifty-one percent (51%) of the entity's normal business activity. Lottery ticket sales are not subject to the business tax.

**SECTION A:** Ensure that the return contains the correct name and address of the reporting entity. Also ensure that the return reflects the correct location, owner's name, business tax account number, Federal Employer Identification number, and business class for the reporting entity.

**SECTION B:** Enter the dominant business activity in the space indicated. If this is a final report, enter the date the business ceased operations in the space indicated.

**Line 1:** Enter the gross sales total for the reporting period. Do not report amounts of sales tax collected. You must include commissions received for sales of lottery tickets during the period. Include self-assessed business tax being reported in this line also.

**Line 2:** Enter the total amount for all deductions allowed from Line 12, Schedule A.

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

**Line 3a:** Compute the portion of taxable gross sales that resulted from retail sales. Multiply the amount in Line 3 by the percentage of retail business activity.

**Line 3b:** Compute the portion of taxable gross sales that resulted from wholesale sales. Multiply the amount in Line 3 by the percentage of wholesale business activity.

**Line 4:** Calculate the total business tax due from retail sales. Multiply the amount in Line 3a by the applicable retail tax rate for your classification.

**Line 5:** Calculate the total business tax due from wholesale sales. Multiply the amount in Line 3b by the applicable wholesale tax rate for your classification.

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

**Line 6b:** Enter the amount of the minimum license fee that was previously paid. This amount can be no greater than the amount reflected in Line 7a. You must enter the former business license number. Do not enter an amount greater than the amount on Line 6a.

**Line 6c:** Calculate the business tax base prior to local/state calculations. 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. This amount can be no greater than the local tax amount due, determined by subtracting Line 6b from Line 6a. You must enter the date the property tax was paid and the receipt number.

**Line 9a:** Calculate the state and local business tax amounts due. To calculate the local business tax due, subtract Lines 8 Line 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%. [Note: This line allocates fifteen percent (15%) of business tax collections, at the tax rates in effect prior to enactment of Public Chapter 856, Acts of 2002, to the state general fund.]

**Line 9c:** Calculate the net state and local business tax amounts due. 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 of 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 C (Local and State). Enter the results in the space provided. The minimum penalty due is \$15. If tax on Line 6a is zero, allocate \$15 penalty 85% Local and 15% State. If Line 9A Local is zero but Line 9a State has an entry, allocate \$15 penalty 100% 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).