



MTC 2026

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April 22, 2026

Key Topics for Discussion

- Franchise Tax Schedule G Project
- Tax Guidance Expansion Project
- Voluntary Disclosure Program – Notes & Stats
- Remote Seller Compliance – Updates

Franchise & Excise Tax

- Franchise Tax
 - Prior to this law change, franchise tax was based on the greater of a taxpayer's net worth or the value of property it owned or used in Tennessee
 - Tax rate: 0.25%
 - Minimum franchise tax payable each year is \$100
- Excise Tax
 - Based on a taxpayer's net earnings or net loss for the year
 - Tax rate: 6.5%
- These taxes are imposed on entities that operate in Tennessee and offer their owners limited liability protection
 - Corporations, S corporations, limited partnerships, LLCs, business trusts, etc.

Public Chapter 950 (2024)

- Eliminates the property measure from the franchise tax calculation for tax years ending on or after January 1, 2024
 - Going forward, the franchise tax will be based on a taxpayer's net worth
- Authorizes the Department to issue franchise tax refunds to eligible taxpayers for a specific period of time

Franchise Tax: Schedule G Refunds

- Huge Project for TDOR in 2024-2025 – Removal of the Property Measure for Franchise Tax.
- Department Totals:
 - Total Sched G Refund Claims Paid: 60,000+
 - Total Refund Dollars Approved: \$1,437,447,716.39
 - Percent Claims Pd w/o Interest: 99.3%
 - Interest Dollars Paid (Total): \$43,725
 - (Less than 0.1% of total refund dollars paid in interest)
- Audit Division Highlights:
 - Total Amended Return Items Worked: 22,819
 - Total Letter Items Worked: 1,417
 - Total Refund Cases Completed: 10,559
 - **Total Cases/Work Items: 34,795**

Franchise Tax – Moving Forward

- Notable increase in excess estimated payment refunds due to past estimated payments based on Sched. G valuation
- Audit Division almost caught up on refund volume
- Revisiting criteria for terminations/withdrawals
 - Pre-liquidation balance \Rightarrow business/non-business?
- Working on additional guidance and outreach to historical G filers, with support for moving to F filing

Department Efforts at Tax Guidance

- Reviewed and Combined Publicly Available Guidance
- Comprehensive Tax Manuals Published on Website
- Industry Specific Manuals

Voluntary Disclosure Program

- Tennessee has a successful VDA program – approving more than 750 VDA's per year for the past 3 fiscal years.
- On pace for similar volume in Fiscal Year 2026
- Turnaround time for VDA agreements reduced by 40% in the past two years
- In recent years – two most common reasons for VDA:
 - Nexus Issues
 - Collected/Unremitted Sales Tax

VDA Program – Economic Nexus

- Percentage of VDA's related to Economic Nexus Issues has been the most frequent reason for request in recent years:
 - FY2023 41.8% of VDA
 - FY2024 52.5% of VDA
 - FY2025 48.8% of VDA
 - 2026YTD 50% of VDA
- Prior to 2023 – Economic Nexus was less than 30% of VDA volume annually.

Remote Seller Compliance Projects

- Remote Sellers Compliance
 - Audit Division proactively reviews remote seller compliance levels.
- Remote Seller Compliance Best Practices
 - Cross reference Sales Tax, Business Tax, and F&E Tax registration requirements.
 - Bring accounts into compliance as soon as possible to avoid penalties and interest.
 - Contact the Audit Division if compliance is uncertain or guidance is unclear.

Destination Sourcing Project

- Destination Sourcing Soft Letter Campaign
 - Audit reviews high dollar accounts every filing period
 - Identified 2700+ remote sellers with sales tax sourcing issues
 - Corrected 1750+ remote seller accounts
 - Estimated \$23M of local tax remitted accurately every month from changed behavior



Thank you!