

Out-of-State Businesses and Tennessee Business Taxes

- They are taxed based on what they are doing and how much they are doing by jurisdiction in Tennessee.
- This applies to contractors and service-based businesses, or those that deliver into Tennessee.
- They will file and pay on a state tax return and no license is required (see special rule for contractors below).
- Per Tenn. Code Ann. Section 67-4-712(d)(1), if they make **less than \$10,000** in annual gross income in a jurisdiction (city or county), they do not owe any tax on the money to the state. It is not reported to Revenue at all. ***They do not need a license.***
- If they make from **\$10,000 to \$50,000** in annual gross income in a jurisdiction, they must report this on a **state tax return**. They must register with Revenue and pay the tax on all money across the state all on one tax return. This is for both contractors and other types of businesses.
- If they are a **contractor** and make **\$50,000 or more in one jurisdiction** (city and county), they must get a license with that city and county and pay tax on that money. They are equal to an in-state business. They would exclude this money from any money they have to report on the state business tax return – this allows cities and counties to effectively get their share of these revenues with the taxpayer not also paying the state.
- If an out-of-state business states they must have a license regardless of income, they can apply for a standard license. They will pay a minimum tax and must file and pay each year. This is not recommended for tax purposes since they technically are only required to register if they meet one of the requirements mentioned above.