# PUBLICATION

## Spotlight on Tennessee: 2015 Tax and Related Legislation

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The 2015 Legislative Session, 109th General Assembly, considered a large number of tax and related initiatives. Many of these initiatives have been enacted, some with very far reaching impact upon the tax climate in this state. The subject matter of these enacted initiatives is broad and covers numerous taxes, with some enactments having a July 1, 2015 effective date that may require immediate attention.

Of particular note is the Administration's Revenue Modernization Act, 2015 Public Chapter No. 514 (RMA), which contains various effective dates depending upon the particular tax being revised. Also important is the Administration's initiative to enact certain tax incentives as well as sunset others as recommended by the Department of Economic & Community Development; this initiative can be found at 2015 Public Chapter 504 (ECD Initiative). Material portions of the RMA and the ECD Initiative are briefly discussed together with various other enacted tax legislation.

For more information about how this legislation may affect your business, or related matters, contact the author of this alert, Carl E. Hartley, or a member of the Firm's Tax Group.

**I. Sales and Use Taxes**

A. RMA. The following are just some of the material portions of the RMA dealing with sales/use taxes, being effective July 1, 2015 unless otherwise stated:

(1) Remotely Accessed Software. Section 22 of the RMA provides that if a customer accesses software from a location in Tennessee as indicated by the residential street address or primary business address of the customer, such access shall be deemed equivalent to the sale or licensing of the software and electronic delivery of the software for use in this state, thus subjecting such use to taxation. Although there are a number of exceptions, the "use of computer software" is defined to include access and use of the software that remains in the possession of the dealer who provides the software or in possession of a third party on behalf of such dealer. Exemptions include numerous services that are not currently subject to the tax (such as information or data processing, payment or transaction processing services, payroll processing services, billing and collecting services, internet access, and storage of computer software, among other services specified in §22) as well as a new exemption created by §24 of the RMA for software accessed by a person for the exclusive purpose of fabricating other software that is both owned by and for that person's own use and consumption. The Tennessee Department of Revenue (Department) has recently issued Important Notice No. 15-14 (June 2015) providing guidance on the taxability of remotely accessed software.

(2) Click-Through Nexus. Section 27 of the RMA, like many other provisions of the RMA, expands the state's taxing jurisdiction by implementing what is commonly characterized as "click-through" nexus. Under these provisions, a dealer is presumed to have a representative, agent or other solicitor operating in Tennessee for purposes of making sales and is presumed to have a substantial nexus with this state if the dealer enters into a contract with one or more persons in Tennessee under which that person for consideration, whether directly or indirectly, refers potential customers to the dealer, and the dealer's cumulative gross receipts from retail sales referred to the dealer by all Tennessee residents with this type of agreement exceeds $10,000 during the

preceding 12 months. The presumption may be rebutted by clear and convincing evidence that the person in Tennessee did not conduct activities substantially contributing to the dealer's ability to establish and maintain a market in this state. The Department has also issued guidance in Important Notice No. 15-12 (June 2015) dealing with these new click-through provisions.

(3) "Fullest Extent" Allowable. Another RMA provision, found at §26 and effective May 20, 2015, adds new language to the sales and use tax laws confirming that the state intends to enforce such taxes to the "fullest extent" allowed under the U.S. and Tennessee Constitutions.

(4) Video Games. Sections 21 and 23 of the RMA define and impose a tax upon accessing and using video game digital products -- meaning the right to access and use computer software that facilitates human interaction to generate visual feedback for amusement purposes when possession of the software is maintained by the seller or third party and regardless of the basis for charging for such service. The Department has also issued guidance in Important Notice No. 15-13 (June 2015) as to video game digital products.

B. ECD Initiative. Just a few of the sales/use tax provisions within the ECD Initiative are summarized as follows:

(1) R&D Recognized as Industrial Machinery. Pursuant to §17 of the ECD Initiative, the industrial machinery exemption will be expanded as of July 1, 2015 to include machinery, apparatus and equipment, with all associated parts, appurtenances, and accessories, and any necessary repair or taxable installation labor therefore, that is necessary to and primarily for the purpose of research and development.

(2) Expiration of Emerging Industry/Cultural Attraction Credit. This credit that is allowable for taxpayers establishing a qualified facility to support an emerging industry or major cultural attraction expires on July 1, 2015 as a result of §21 of the ECD Initiative. Any taxpayer that has filed a business plan with the Department prior to July 1, 2015 shall continue to be eligible for the credit.

(3) "Regional" Deleted from Headquarters Facility Credit. Although the headquarters facility credit is retained for facilities that house international and national headquarters of a taxpayer which meet certain conditions, regional headquarters no longer are included in this credit as a result of §§18 and 19 of the ECD Initiative. A taxpayer that has filed an application and business plan as a regional headquarters with the Department prior to July 1, 2015 shall continue to be eligible for the credit.

C. Other Sales/Use Tax Enacted Legislation.

(1) Streamlined Sales Tax Project Again Delayed. The Streamlined Sales and Use Tax Project has again been delayed from the effective date of July 1, 2015 to July 1, 2017 by 2015 Public Chapter No. 273. The project is a national effort to simplify and modernize sales tax systems which are imposed by a significant number of states. Tennessee has been an associate member of the Streamlined Sales Tax Governing Board since its inception in 2005. However, also since its inception, there have been concerns within this state that Tennessee should not become a full member of the project. As a result, and even though legislation has been enacted years ago so as to conform our sales and use tax laws with the project, the effective date of many of those conforming statutes has been delayed on several occasions, the latest one now being to July 1, 2017. It is possible that the Department will again issue a Notice that the primary sales and use tax changes to become effective July 1, 2017 would include: (i) requirements that sales delivered or shipped to the customer be sourced to the delivery or shipping destination; (ii) modifications to the single article limitation on local option sales taxes; (iii) use of a single sales and use tax return covering multiple dealer locations; and (iv) implementation of certain privilege taxes in lieu of sales taxes.

(2) Warranty/Services Contracts Consolidated. In addition to delaying the Streamlined Project, 2015 Public Chapter No. 273 also consolidates the sales/use tax laws with respect to warranty and services contracts effective October 1, 2015. Based upon discussions with the Department, these consolidations are intended to be more a reconfiguration of those provisions than a substantive law change. The Department has advised that warranty/service contract provisions for tangible personal property are located in one Section of Tennessee law, while maintenance contracts for computer software are located in another Section of Tennessee law -- and this new law is intended to consolidate those provisions into a single Section. The Department has issued an Important Notice No. 15-11 (June 2015) providing guidance with respect to these warranty/service contract provisions.

(3) Co-Generation Equipment Considered as Industrial Machinery. Pursuant to 2015 Public Chapter No. 420, effective July 1, 2015, the industrial machinery exemption will include co-generation equipment that is purchased or leased by a qualified manufacturing facility and that is used for generating, producing, and distributing utility service directly to the qualified manufacturing facility. The term "qualified manufacturing facility" is defined to mean a facility that is located within a nonattainment area, as designated by the Environmental Protection Agency, in a county having a certain population and where the facility significantly reduces pollution particulate matter and where a capital investment has been made exceeding $30 million. This new provision is scheduled to sunset on December 31, 2016.

(4) Firearms Equipment No Longer Industrial Machinery. As a result of 2015 Public Chapter No. 249, effective April 24, 2015, the industrial machinery exemption no longer includes machinery necessary to and primarily for the manufacture of firearms.

(5) Expanded Wastewater Treatment Equipment as Industrial Machinery. The industrial machinery exemption currently includes equipment for use by a county or municipality or a contractor pursuant to a contract for use in water pollution control or sewage systems. Pursuant to 2015 Public Chapter No. 81, effective July 1, 2015, that current language involving waste water treatment equipment is deleted and new language is substituted as follows: "or such use by a county, municipality or water and wastewater treatment authority created by private act or pursuant to the Water and Wastewater Treatment Authority Act, compiled in title 68, chapter 221, part 6, or a contractor pursuant to a contract with the county, municipality or water and wastewater treatment authority for use in water pollution control or sewage systems."

(6) New Exemptions Relative to Large Aircraft. Pursuant to 2015 Public Chapter No. 506, effective July 1, 2015, several exemptions are incorporated into Tennessee law pertaining to large aircraft. The phrase "large aircraft" is defined to mean any aircraft that has a certified maximum take-off weight of 12,500 pounds or greater. These exemptions include: (i) the sale, use, storage or consumption of parts, components, software and equipment that is sold to an authorized large aircraft service facility (which includes a repair station located within Tennessee that is engaged in repair or refurbishment services of large aircraft mainframes, large aircraft engine equipment, and large aircraft accessories under a valid air agency certificate issued by the FAA); (ii) all repair and refurbishment service labor performed with respect to large aircraft mainframes, large aircraft engine equipment and large aircraft accessories, when initiated, contracted or performed by an authorized large aircraft service facility, including but not limited to, repair and refurbishment service labor performed pursuant to terms of a guaranty or warranty contracts; and (iii) all sales, leases and purchases of large aircraft and related equipment within Tennessee when the foregoing have or are intended to have a situs outside this state following the sale, lease or purchase, and when the foregoing remain in Tennessee solely for the purpose of repair and refurbishment services by an authorized large aircraft service facility and are in fact removed from Tennessee within 15 days from the completion of the repair and refurbishment services.

(7) Helicopter/Airplane Exemptions Revised. Pursuant to 2015 Public Chapter No. 48, effective January 1, 2016, sales of helicopters or airplanes and related equipment within Tennessee to purchasers who are not

residents of this state, where the foregoing are intended to have a situs outside Tennessee and are in fact removed from Tennessee, will be exempt if such removal in fact occurs within 30 days (as compared to current law which provides for 15 days) from the date of their purchase. Further, and despite possible confusion with 2015 Public Chapter No. 506 (see above), a similar change from 15 days to 30 days is applicable with respect to repair and refurbishment services for airplanes and airplane components.

**II. Franchise and Excise Taxes**

A. RMA. Some of the material portions of the RMA dealing with franchise/excise taxes, and their respective effective dates are reviewed as follows:

(1) Economic Nexus. The Commerce Clause of the United States Constitution has long been interpreted as prohibiting discrimination against interstate commerce, such that a tax with respect to interstate commerce will be sustained only if certain conditions are satisfied -- one such condition being that the taxes must apply to an activity with a substantial nexus to the taxing state. In a 1999 franchise and excise tax case, the Tennessee Court of Appeals relied upon a 1992 U.S. Supreme Court decision addressing the North Dakota use tax in ultimately determining that physical presence in Tennessee is required in order to satisfy the substantial nexus condition -- as compared to economic nexus where an out-of-state business avails itself of the benefits of the economic market in Tennessee but without physical presence in this state. Since 1999, several court decisions outside Tennessee and many commentators have indicated that the 1992 Supreme Court decision was limited to use taxes and that, in any event, economic nexus would also satisfy the substantial nexus condition for business income taxes. Section 6 of the RMA now defines substantial nexus as not only including traditional notions of nexus such as being organized or domiciled in Tennessee or systematically or continuously doing business activity in Tennessee, but also including economic presence in this state for purposes of constituting substantial nexus. Based upon that new definition, §§7 (excise tax) and 15 (franchise tax) impose these taxes upon businesses doing business in Tennessee and having substantial nexus in this state. The economic nexus provisions include situations where the taxpayer licenses intangible property for use by another party in Tennessee and derives income from that use of intangible property from this state; as well as in other situations that are described in the RMA as "bright-line" presence in Tennessee -- with a person having such bright-line presence in Tennessee if (a) the taxpayer's total receipts in Tennessee during the tax period exceed the lesser of $500,000 or 25% of the taxpayer's total receipts everywhere, (b) the average value of the taxpayer's real and tangible personal property owned or rented in Tennessee during the tax period exceeds the lesser of $50,000 or 25% of the average value of all the taxpayer's total real and tangible personal property, or (c) the total amount paid in this state during the tax period as compensation exceeds the lesser of $50,000 or 25% of the total compensation paid by the taxpayer. Notwithstanding any of the foregoing, the RMA provides that no company that is treated as a foreign corporation under the Internal Revenue Code and that has no income "effectively connected" with a U.S. trade or business (as such phrase is determined in accordance with such Code) shall be considered to have a substantial nexus in this state.

Because of the 1992 Tennessee Court of Appeals decision requiring physical presence, the constitutionality of this substantial nexus definition has been questioned as the RMA was being debated in the General Assembly. Concurrent with the passage date of the RMA with respect to the two Legislative Chambers, the Tennessee Attorney General issued Opinion No. 15-37 (April 22, 2015) stating that the RMA's definition of substantial nexus is defensible under the U.S. Constitution.

The substantial nexus provisions are effective January 1, 2016, and shall apply to all tax years beginning on or after that date.

(2) Intangible Expenses Paid to an Affiliate. For several years the Tennessee excise tax has prohibited (with certain safe-harbor exceptions) the deduction of intangible expenses (such as royalty or license fees paid with

respect to patents or trademarks, among many other circumstances) paid by a Tennessee taxpayer to an out-of-state affiliate unless the Tennessee taxpayer applies to and is granted the right by the Department to take such deduction. During the course of debating the RMA during the General Assembly, there was some inquiry as to whether this intangible expense application process would be needed following adoption of the economic nexus provisions (see above). The RMA, as enacted with a last-minute amendment, deletes the current application approval process for intangible expense deductions and substitutes the requirement that if such expense has been disclosed in accordance with §29 of the RMA, then the expense deduction is allowable if either of the following conditions are satisfied: (i) the affiliate to whom the expense has been paid is registered for and paying the excise tax to this state; or (ii) the expense was paid to an affiliate in a foreign nation that is a signatory to a comprehensive income tax treaty with the United States or to an affiliate that is otherwise not required to be registered for or pay the excise tax. This new provision is effective July 1, 2016, and shall apply to all tax years beginning on or after that date.

(3) Triple-Weighted Receipts Apportionment Factor. In an effort to assist with economic development, as well as to provide some fairness for large Tennessee employers that have substantial payroll and capital investments in this state but sell their products predominately outside this state, §§8 (excise tax) and 16 (franchise tax) in the RMA increases the current double-weighting to triple-weighting for the receipts factor of the apportionment formula. This triple-weighting is effective for tax years beginning on or after July 1, 2016.

(4) Market Sourcing for Services/Intangibles. Tennessee has apportioned receipts from the sales of services and other non-tangible personal property (such as receipts derived from intangible property) pursuant to a 'costs-of-performance' analysis: that is, if the earnings-producing activity of such non-tangible personal property is performed both in and outside Tennessee, then receipts therefrom are apportioned to Tennessee if a greater proportion of the earnings-producing activity is performed in this state than in any other state based upon a costs of performance analysis. Because of allegedly non-uniform results produced with respect to implementing this segment of the apportionment formula, §§9 (excise tax) and 17 (franchise tax) of the RMA delete those current apportionment provisions and substitute a new apportionment provision establishing that receipts from the sale of services/intangible property are in Tennessee if the taxpayer's market for the sale is in this state. These so-called 'market-based' apportionment provisions, which are effective July 1, 2016 and which shall apply to all tax years beginning on or after that date, address various circumstances in attempting to identify the taxpayer's market for a sale. For instance, these new apportionment provisions provide (among other situations) that the market for a sale is in Tennessee if the property is located in Tennessee or if the service is delivered in Tennessee, or if the intangible property is leased or licensed and then to the extent that the property is used in Tennessee (with certain provisos) or if the intangible property is sold and then to the extent that the property is used in Tennessee with certain additional conditions for licensed geographic areas and situations where the receipts from intangible property are contingent upon productivity. Where a determination cannot be made as to which state should be assigned the receipts from the sale of other than tangible personal property based upon these new apportionment provisions, the RMA provides that the state of assignment "shall be reasonably approximated"; and where the state of assignment cannot be reasonably approximated, then the sale shall be excluded from both the numerator and denominator of the receipts factor. Obviously, not every set of circumstances can be addressed in the RMA regarding the appropriate market for services or intangible properties. The Tennessee Attorney General, in Opinion No. 15-37 (April 22, 2015) in discussing certain sales of services under the RMA, stated that "the Commissioner of Revenue … would be empowered to determine how best to construe and apply … the reasonably approximated provision."

(5) Certified Distribution Sales - New Apportionment Formula. Section 14 of the RMA adopts a new elective apportionment provision for certain taxpayers having significant sales of tangible personal property in Tennessee which constitute "certified distribution sales." That phrase means the sale of tangible personal property "made in this state by the taxpayer to any distributor, whether or not affiliated with the taxpayer, that is resold for ultimate use or consumption outside this state; provided that the distributor has certified that such

property has been resold for ultimate use or consumption outside this state." Assuming that the taxpayer makes an election under this new provision, "the total amount derived from certified distribution sales is excluded from the numerator of the taxpayer's receipts factor" -- in essence, reducing the overall amount that is apportioned to Tennessee under the standard three factor formula for both excise and franchise tax purposes. In exchange for such exclusion, however, the taxpayer must pay a separate excise tax on the certified distribution sales equal to 0.5% if such sales do not exceed $2 billion; 0.375% of such sales that exceed $2 billion but not more than $3 billion, plus a payment of $10 million; 0.25% of such sales that exceed $3 billion but not more than $4 billion plus an additional $13 3/4 million; and 0.125% of such sales that exceed $4 billion plus an added $16 1/4 million. This separate excise tax is in addition to all other taxes, including the existing excise tax. A taxpayer would be able to utilize this alternative, elective apportionment if its gross sales of tangible personal property in Tennessee exceed $1 billion and the taxpayer's receipts factor exceeds 10%. This new apportionment formula is intended to encourage the location of distributors in Tennessee through the interaction of high-volume sellers of tangible personal property; and is effective as of January 1, 2016, and shall apply to all tax years beginning on or after that date.

B. ECD Initiative. Some of the material franchise and excise tax provisions of the ECD Initiative are summarized as follows:

(1) Job Tax Credit Made Permanent. The current job tax credit for franchise and excise tax purposes defines a "qualified job" as being a job that meets various criteria, just one such criteria being that the job position is filled prior to January 1, 2016 -- in essence, such date being the termination date of the job tax credit. One effect of §7 of the ECD Initiative is to eliminate that January 1, 2016 date, so as to make the job tax credit permanent.

(2) Integrated Customer/Supplier Eliminated. Sections 2 (integrated customer) and 3 (integrated supplier) are eliminated as definitions for franchise and excise tax purposes. Section 8 restates the job tax credit previously available to the integrated customer/supplier without referencing those terms. These eliminations are effective July 1, 2015, and apply to tax years ending on or after that date.

(3) Expiring Credits. The ECD Initiative sunsets a number of credits as of July 1, 2015 that were otherwise available for franchise and excise tax purposes, based on the apparent low-volume usage of such credits. Just some of these expiring credits include: (a) the 1% industrial machinery credit for a general partnership that operates a call center (§4); (b) the credit for qualifying environmental projects (§5); (c) the job tax credit for a general partnership that operates a call center (§9); (d) converting unused job tax credits and other credits into refundable credits by certain airline companies (§10); (e) certain headquarters relocation credits (§11); (f) certain headquarters credits tied to net operating losses (§12); (g) certain certified green energy credits (§13); (h) certain qualified medical trade center relocations (§14); (i) certain qualified advertising expenses promoting a qualified medical trade center (§15); and (j) certain credits for buildings and other structures developed using the state funding method (§16). Business plans submitted to the Department prior to July 1, 2015 may preserve eligibility for some of these credits.

(4) Brownfield Credit Preserved. Despite the original versions of the ECD Initiative, and because of a last minute amendment, the enacted version does not repeal the Brownfield credit available for franchise and excise taxes.

C. Community Resurgence Job Tax Credit Act of 2015. This new Act, found at 2015 Public Chapter No. 521, effective July 1, 2015, creates a job tax credit against the franchise and excise tax liability for certain qualified businesses. This new Act defines a qualified business as a new or existing business located in a high-poverty area according to the most recent decennial determination at the time that a business plan is filed with the Department; and with the phrase "high-poverty area" meaning a census tract with a poverty level, all population, in excess of 30 % according to the American community survey three-year estimates in 2013, and

determined decennially thereafter as compiled by the Department of Economic & Community Development in consultation with the Office of Local Government, Comptroller of the Treasury. According to the Act, the qualified business must file a business plan with the Department in order to qualify for the credit, and the business plan must be filed in a manner prescribed by the Department and shall describe the type of business, the number of jobs to be created, the expected dates the jobs will be filled, and the effective date of the plan. The qualifying business shall create at least ten qualifying jobs, and the credit shall first apply in the tax year in which the qualified business first satisfies the job creation requirements and in subsequent tax years in which further net increases occur above the level of employment established when the credit was last taken. The credit may apply to the franchise tax and to the excise tax; provided that the credit (together with any carry-forward) shall not exceed 50 % of the combined tax liability shown on the return. Unused credit may be carried forward up to 15 years. The Department has the authority to conduct audits or require additional information to substantiate the credit. The aggregate amount of credits allowed to all taxpayers under this Act shall not exceed $12.5 million in any one tax year.

## III. Business Taxes

The RMA made several changes to the Tennessee business tax, such as the following:

(1) Economic Nexus. As with the revised nexus provisions for franchise and excise taxes discussed above, §3 of the RMA adopts substantially similar nexus provisions for the business tax administered by the Department. This new business tax nexus standard is effective January 1, 2016, and shall apply to all tax years beginning on or after that date.

(2) Out-of-State Businesses -- Expanded Scope of Taxable Activities. Section 5 of the RMA expands the scope of business activities subject to the tax for out-of-state businesses. Under the current business tax, out-of-state companies without a physical location in Tennessee are subject to the business tax if they are performing any one of the four activities specifically enumerated under current law. Under the RMA, however, all persons with "substantial nexus in this state" (see the discussion just above) and "engaged in this state" in any vocation, occupation, business or business activity with or without establishing a physical location in Tennessee are subject to the tax. The phrase "engaged in this state" includes but is not limited to various enumerated activities. In particular, as to out-of-state businesses having no location in Tennessee, the intent of the RMA is to shift from the current narrow standard that is focused upon the four specifically enumerated taxable activities to a broad standard that references certain identified activities as including but not being limited to the type of activities that would be taxable under the business tax. This new scope of taxable business activities is effective January 1, 2016, and shall apply to all tax years beginning on or after that date.

## IV. Property Taxes

As with the 2013 and 2014 Legislative Sessions, there were several property tax-related bills enacted during the 2015 Session. Some of those bills are summarized as follows:

(1) Delinquent Property Taxes. Pursuant to 2015 Public Chapter No. 414, effective May 8, 2015, various revisions and clarifications have been made with respect to delinquent property taxes, including revisions and clarifications regarding the enforcement of delinquent property taxes; the finality of real estate titles that have been conveyed pursuant to enforcement of tax liens; the liability for property taxes regardless of whether an interested party has received a tax bill or any pre-lawsuit notice regarding outstanding taxes; the adequacy of notices by registered or certified mail or by alternative delivery service regarding such outstanding taxes; challenges in court to a tax sale; issues pertaining to the redemption of property after a tax sale; the disposition of excess proceeds from a tax sale; and many other aspects of delinquent property tax enforcement in this

state. Further, 2015 Public Chapter No.524, effective May 20, 2015, authorizes certain reports to be prepared by the clerk of the court as to property tax sales.

(2) Classification or Assessment Changes. Pursuant to 2015 Public Chapter No. 215, effective April 20, 2015, actions pursuant to Tenn. Code Ann. §67-5-1510 shall be commenced by issuance of the required notice on or before September 1 of the year following the year to which the notice relates.

(3) Assessor to Correct Errors. Assessors of property are currently required, pursuant to a taxpayer's request, to correct obvious clerical mistakes apparent from the face of the official tax and assessment records, involving no judgment of or discretion by the assessor. Pursuant to the 2015 Public Chapter No.193, effective April 22, 2015, these correction requirements are further revised and clarified so as to include an owner's right to argue that such correction affected the recorded value; and so as to include a prohibition that an assessor may not revisit, as a correction of an error, matters requiring an application of the assessor's judgment.

## V. Other Tax-Related Legislation

The following is a brief summary of certain other tax-related legislation enacted during the 2015 Legislative Session:

(1) Not Confidential. Current property tax laws at Tenn. Code Ann.§67-5-303 provide the assessor and agents or employees of the assessor with the authority to go upon the land in order to obtain information for the assessment of property; and authority to petition a court for an order allowing entry at a specified time for purposes of appraising the land and improvements for assessment purposes. Information obtained pursuant to that Section is to be kept confidential and shall not be disclosed by state or local officials, except as otherwise authorized. Pursuant to 2015 Public Chapter No. 136, effective April 16, 2015, nothing in that Section shall be construed to make evidence introduced in court or administrative proceedings confidential "unless otherwise provided in a protective order issued by the judge in the proceedings."

(2) Hall Income Tax Exemption for Seniors. Pursuant to 2015 Public Chapter No. 434, effective for tax years beginning January 1, 2015 and thereafter, the income levels that are exempt from the Hall Tax shall change to $37,000 for single filers and to $68,000 for persons filing jointly.

(3) HMO Tax Increased. Pursuant to 2015 Public Chapter No. 362, effective July 1, 2015, the tax paid by HMOs pursuant to Tenn. Code Ann. §56-32-124 is increased from 5 1/2% to 6% on the gross amount of dollars collected from or on behalf of an enrollee.

## VI. Conclusion

Many of these enacted tax and related initiatives are very complex. As a result, and before acting upon or in regard to any such initiative, careful consideration of these initiatives is required in evaluating your particular fact situation.

Please contact any of the attorneys within the Firm's Tax Group should you have any questions or otherwise wish to discuss any of these new Tennessee tax and related laws.