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Changes in the Rate and Distribution of the Business Tax Effective September 1, 2002

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**NOTICE TO MUNICIPAL FINANCE AND ACCOUNTING OFFICIALS
SAMPLE INSTRUCTION SHEET FOR NEW BUSINESS TAX FORM
FOR GROSS RECEIPTS OCCURRING ON OR AFTER 9/1/2002**

New forms for implementing the increase in local business taxes as a result of Chapter 856, Public Acts of 2002 will be mailed to businesses from your office beginning October 1, 2002. The first business classification effected by the new law will be Class 4 businesses. There will be a phase-in period for the new tax that requires most businesses to file two forms for their respective tax period. The first form, or traditional form, will use the old forms and the old rates in effect prior to September 1, 2002 for gross receipts prior to that date. The second form, or new form, will use the revised form and new rates effective September 1, 2002 for gross receipts on or after that date.

MTAS has developed an instruction sheet for the new form. The new form and instruction sheet can be downloaded from the MTAS web site.

The form and instruction sheet have been through several revisions. It should be noted that sample filled-in forms available from the Tennessee Department of Revenue Web site (www.state.tn.us/revenue) differ slightly in what lines to use and not use during the phase-in period. You can achieve the proper end result by using either method. The different methods are based on which form to apply the credit for prior year minimum tax and the next year minimum tax and recording fee. End users should be reminded to apply these amounts on only one form during the phase-in period. MTAS has consulted with software vendors and other users of the new forms in developing the instruction sheet. We realize that the new forms may present a challenge to users due both to the new design and the phase-in period. These instructions are to be used for guidance only and do not represent an authoritative interpretation of the laws governing the Business Tax Acts in Tennessee.

We encourage you to work through several examples to become familiar with the form and the calculations necessary for its completion. Should you find errors or wish to provide suggestions for improvement in the instruction sheet, please contact our offices or your UT-MTAS consultant for assistance.