



2023 AGENDA FOR SMALL BUSINESS

Reforms to Help Our Small Businesses

Many Tennessee small businesses are struggling with soaring labor and inflationary costs plus supply-chain issues. These proposals would spur job creation, provide tax relief, and improve our economic competitiveness.

PASS THE TENNESSEE WORKS TAX ACT

Governor Bill Lee has proposed the Tennessee Works Tax Act (SB 275/HB 323 by Sen. Jack Johnson and Rep. William Lamberth), which would provide small businesses more than \$150 million in annual tax relief, a huge boost during challenging times.

- **EXCISE TAX:** Provides \$38M in small business excise tax relief, establishing a standard deduction from excise tax for up to \$50,000 of reported net income. Maximum savings of \$3,250. Impacts 70,000 filers.
- **FRANCHISE TAX:** Provides \$20M in small business franchise tax relief, exempting up to \$500,000 of property from the franchise tax. Maximum savings of \$1,250. Impacts 68,000 filers.
- **BUSINESS TAX:** Provides \$8M in small business relief from the business tax by increasing the filing threshold from \$10,000 to \$100,000. Only businesses with \$100,000 or more in gross receipts will be subject to the business tax. Impacts 140,000 filers.
- **SINGLE SALES FACTOR:** Bolsters Tennessee's economic competitiveness by improving the state's apportionment formula on franchise & excise (F&E) tax calculation and treatment of capital investments. Should improve job creation greatly in Tennessee.
- **F&E TAX:** Reduces F&E taxes by \$130 million by conforming with the federal bonus depreciation provisions of the 2017 Tax Cuts & Jobs Act and adopting an FMLA credit for two years that mirrors the federal FMLA credit.
- **MANUFACTURING:** Extends the in-state business tax exemption on manufacturers to out-of-state manufacturers and to in-state storage facilities within a 10-mile radius.
- **SALES TAX ON GROCERIES:** Creates a three-month sales tax holiday on food and food ingredients beginning in August 2023.

ENACT TANGIBLE PERSONAL PROPERTY TAX REFORM

NFIB is advocating to provide relief for filers of the costly, cumbersome tangible personal property (TPP) tax through SB 384/HB 804 by Sen. Jon Lundberg and Rep. Pat Marsh.

- **TIME SAVINGS:** Allow filers of the annual TPP schedule the option to select one of two “ease-of-filing” tiers (\$2,000 or less and more than \$2,000 but less than \$10,000). 52% of filers, all of which are still subject to audit, would qualify.
- **COST SAVINGS:** By avoiding a schedule filing, small businesses would avoid significant professional fees and compliance costs that can amount to hundreds of dollars or more. These filers will still owe between \$6 and \$65 in TPP tax annually.

REINSTATE VENDORS’ COMPENSATION

Retailers should never be unpaid tax collectors for the state. Last year, Tennessee reinstated vendors’ compensation for one year, recognizing the role retailers have in state tax administration. It’s time to make the change permanent by passing SB 1140/HB 886 by Sen. Lundberg and Rep. David Hawk.

- **RECOGNITION & COST SUPPORT:** Vendors’ compensation, which was removed 20 years ago during a budget crisis, helps to defray the cost of collecting and remitting sales & use tax to the state. Our state should forever recognize our retailers for administering the state’s largest tax by granting a permanent deduction.

IMPROVE LABOR LAW & STOP LABOR MANDATES

State lawmakers have passed legislation in recent years restricting local governments from enacting various ordinances harmful to small business. They’ve also blocked labor mandates that are hurting businesses in other states. Important work on both fronts continues this year.

- **OFFENSE:** SB 681/HB 774 by Sen. Shane Reeves and Rep. Jerome Moon would preempt local governments from mandating various benefits mandates or restricting worker output, which builds on previous bans on wage, paid leave, healthcare, and predictive scheduling.
- **DEFENSE:** Dozens of labor mandates have been introduced, including local governments requiring their contractors to provide paid leave, an increase in OSHA penalties, a state minimum wage, a state-run paid leave program, an equal pay law beyond the federal requirements, and a ban on pay history questions. NFIB opposes these efforts.

LEARN MORE AND TAKE ACTION NOW AT
NFIB.com/TN