

Tennessee Incentives

Jobs Tax Credit

In Tennessee, there is a \$2,000 jobs tax credit against a company's Franchise Tax and/or Excise Tax liability for each new full-time (37.5 hours) employee hired. Eligibility requires a minimum of 25 new employees and a \$500,000 investment.

The percentage of franchise and excise tax liability, which can annually be offset by credits, is 33-1/3%. Unused credits can, however, be carried forward for 15 years.

(The Franchise Tax is based on the net worth or book value of real tangible personal property owned or used in Tennessee - whichever is greater. The tax is \$.25 cents per \$100 of value. The Excise Tax is 6.5% of net earnings from business conducted in the state or on state apportionment of total earnings of interstate corporations.)

Investment Tax Credit

Tennessee provides an investment tax credit against the State Excise Tax of 1% of the cost of purchases of equipment and certain distribution related items. A purchase of \$1,000,000 in equipment would result in a \$10,000 credit. Unused credits can be carried forward 15 years.

Other Tennessee Tax Advantages

Tennessee offers several advantages for manufacturers. The State has relatively low corporate taxes. There is no personal income tax on wages. In addition, Tennessee is a "right-to-work" state.

Property Tax

- No state property tax
- No tax on goods being manufactured (goods-in-process)
- No tax on finished goods inventories
- No tax on goods-in-transit

Sales Tax

- No sales tax on purchases of qualified manufacturing equipment and machinery
- No sales tax on raw materials for processing
- No sales tax on pollution control equipment
- Reduced sales tax on water and electricity used in manufacturing process (1.5% vs. 7%)

Employee Training

The Tennessee Department of Economic and Community Development will provide training assistance through its Fast Track Jobs Training program. The program compliments a company's approach to training by reimbursing the cost of qualified expenses. The State will work with a company to tailor-make a training assistance program to fit the company's needs. The support can include travel related training, pre-employment training, formal classroom instruction, on-the-job training, and vendor-delivered instruction. State training funds must go toward the training of new full-time employees (30+hours with benefits) that are hired by the company.

The Tennessee Department of Labor & Workforce Development can also provide screening of potential employees.