

PUBLICATION

Deadline Nears for Tennessee Franchise Tax Refund Eligibility

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As originally enacted, 2024 Public Chapter 950 provides that if a taxpayer paid the franchise tax based upon the minimum measure tax base found at Tenn. Code Ann. Section 67-4-2108, then the Tennessee Department of Revenue (Department) shall issue that taxpayer a refund equal to the amount of tax actually paid minus the tax otherwise due without regard to Section 67-4-2108, with several conditions. One such condition is that the tax subject to refund must have been reported to the Department on a return filed on or after January 1, 2021, covering a tax period that ended on or after March 31, 2020, and the refund claim must be filed pursuant to this new law between May 15, 2024, and November 30, 2024.

There have been a few developments as to the November 30, 2024, deadline – but the bottom line is that the deadline for filing such a refund claim (even as adjusted as noted below) is fast approaching for otherwise eligible taxpayers. The developments are as follows:

- **November 30 is Now December 2, 2024** – On or about October 7, 2024, the Department announced that, after a thorough review of Tennessee law, the Department has recognized that the November 30 deadline, which falls on a Saturday, should be extended until the following Monday, December 2, 2024. The Department possibly made that decision based upon Section 4-1-402 which provides that whenever the due date for filing a schedule, form, or return with any Tennessee department or agency or for paying any tax due occurs on a Saturday or Sunday, the taxpayer shall have until the close of business hours for such department or agency on the following Monday to file such schedule, form, or return or to pay such tax. December 2 is quickly approaching, and taxpayers should consult their tax advisor as soon as possible so as to complete the process for seeking a franchise tax refund if the taxpayer is eligible.
- **Thanksgiving Holiday** – The Department has stated on several occasions that the week of November 25 includes the Thanksgiving holiday on November 28, 2024. While the next day, November 29, is not a state holiday, the Department has warned that there may be fewer employees at the Department to assist and process returns and refund claims, even if the deadline is December 2. So, start your refund process well prior to the week of November 25.
- **Special Optional Procedure for the 2023 Franchise Tax Return** – On or about August 29, 2024, the Department published, on its website, a special optional procedure update applicable to the filing of the 2023 franchise tax. In that regard, the Department stated that it developed a special optional procedure that is available for taxpayers with a Schedule G tax base that is higher than the Schedule F net worth if the taxpayer has already filed, or plans to file, its 2023 franchise tax return without completing and paying the tax based on Schedule G. Those taxpayers with a higher Schedule G tax base for 2023 who have already filed, or plan to file, their 2023 return using Schedule F net worth without fully completing the Schedule G must complete both a Pro Forma Schedule G and a Claim for Refund of Franchise Tax Paid on the Property Measure (Schedule G) by December 2, 2024. The Department indicated that it would send letters with more information and specific instructions to taxpayers that the Department has identified as eligible to use this special optional procedure for the 2023 tax year. The link for that special optional procedure is as follows:

<https://www.tn.gov/revenue/2024franchisetax.html>.

- **May 1, 2025 Extended Deadline for Businesses Impacted By Hurricane Helene** – Consistent with the decision by the Internal Revenue Service to extend federal due dates to May 1, 2025, for those businesses located in a disaster area resulting from Hurricane Helene, the Department, on or about October 9, 2024, issued Notice #24-09 stating that the Department has extended the franchise and excise tax filing and payment due dates to May 1, 2025, for affected taxpayers. The Department stated that affected taxpayers include businesses in Carter, Cocke, Greene, Hamblin, Hawkins, Johnson, Unicoi, and Washington counties, but taxpayers located in other areas of Tennessee later subject to an IRS extension will receive the same filing and payment extensions. The Notice states that this tax relief postpones the franchise and excise tax filing and payment due dates that occur starting September 26, 2024, and that affected taxpayers will have until May 1, 2025, to file returns and make payments (including quarterly estimated payments) originally due during this period. Importantly, this Notice also postpones the franchise tax refund due date to May 1, 2025, for taxpayers located in those counties or in other areas later extended by the IRS. Importantly, the Department states in this Notice that affected taxpayers may request an extension by emailing Revenue.DisasterExtension@tn.gov, and including the business name, entity ID or Tennessee account number, business location, and a brief description of the impact. Still further, the Notice references that the Department may grant an extension if the taxpayer's returns are prepared by a practitioner located in the designated disaster area subject to an IRS extension who is unable to file returns or make payments due to Hurricane Helene; and that affected tax practitioners should contact the Department via that extension request email address.
- **November 30, 2024 Deadline for Filing Lawsuit Not Extended** – Despite the extension to December 2, 2024 for most taxpayers seeking a franchise tax refund and the extension to May 1, 2025 for those taxpayers affected by Hurricane Helene to file such a franchise tax refund, those extensions do not apply to the deadline of November 30, 2024, for purposes of filing a lawsuit that contains a claim or allegation that the franchise tax is unconstitutional by failing the internal consistency test of the Federal Commerce Clause; nor have there been any changes to the requirements that such a lawsuit must be filed in the Chancery Court of Sumner County and that such lawsuit must meet the other requirements set forth in 2024 Public Chapter 950.

Again, please do not delay in contacting your tax advisor for the purposes of meeting these deadlines. Baker Donaldson's tax advisors, including [Carl E. Hartley](#), [William H.D. Fones Jr.](#), [Steven K. Wood](#), and [Jacob D. Baggett](#), are available to address matters particular to your facts and circumstances.