

Tennessee Works Tax Act Adopts Single Sales Factor Apportionment

Single Sales Factor Apportionment

The Tennessee Works Tax Act, Public Chapter 377 (2023), transitions Tennessee from a three-factor apportionment formula to a single sales factor apportionment formula over a three-year period. Single sales factor apportionment will be mandatory for taxpayers who use the standard apportionment formula.

Three-Year Phase-In

Single sales factor apportionment will be phased in over a three-year period by gradually increasing the weighting of the sales factor in the three-factor apportionment formula as follows:

- For tax years ending on or after December 31, 2023, but before December 31, 2024, the sales factor of the standard, three-factor apportionment formula will be weighted five (5) times, and the total of the property, payroll, and sales factors will be divided by seven (7).
- For tax years ending on or after December 31, 2024, but before December 31, 2025, the sales factor of the standard, three-factor apportionment formula will be weighted eleven (11) times, and the total of the property, payroll, and sales factors will be divided by thirteen (13).

- For tax years ending on or after December 31, 2025, the standard apportionment formula will consist of the sales factor only.

Manufacturers Already Electing Single Sales Factor Apportionment

Manufacturers that are already electing to apportion using a single sales factor will continue to use that formula during the entire three-year phase-in period. These manufacturers will not be subject to the variable weighting of the sales factor during the three-year phase-in.

Option to Elect Three-Factor Formula

Taxpayers have the option to use the previous three-factor formula with triple weighted sales if that formula results in a higher apportionment ratio and the taxpayer has net earnings rather than a net loss. A taxpayer might choose this option in order to fully utilize tax credits.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents. Additional information is also available in the Department's [Franchise and Excise Tax Manual](#).

References

Pub. Ch. 377 (2023)