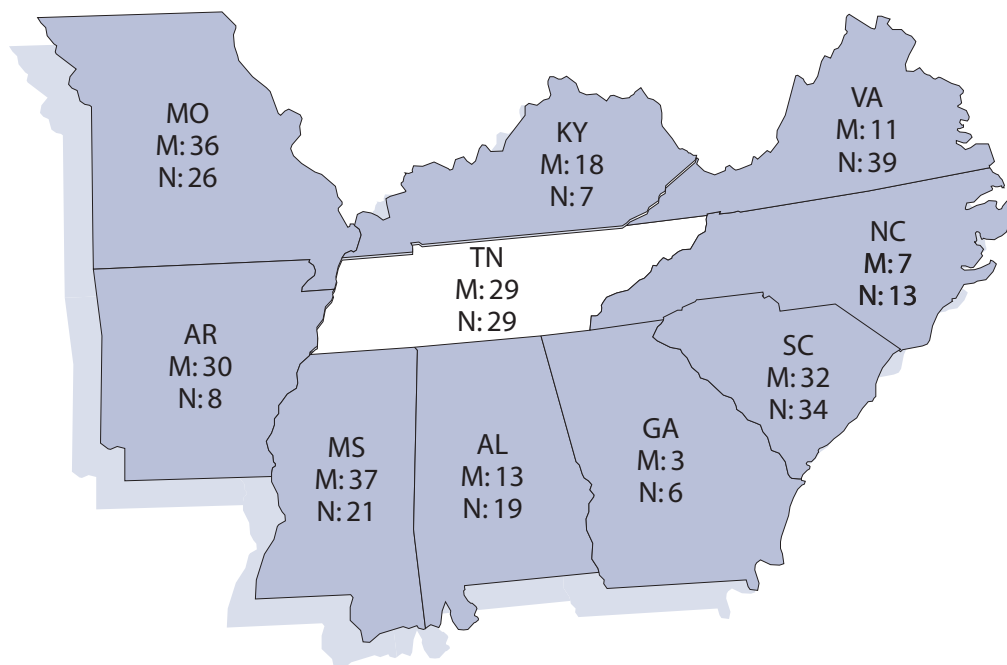


M = Rank for mature firms
N = Rank for new firms



Tennessee ranks 29th overall for both mature and newly established operations. Specifically:

- The firm with the lightest tax burden in Tennessee is the newly established distribution center, which has a total effective tax rate (TETR) of 28 percent, which is 22 percent below the national average. The state ranks 17th nationally for this operation. This operation benefits from the state’s property tax abatement incentive and its job tax credit, the former being beneficial to this property-heavy firm while the latter benefits new firms in general.
- The state’s highest tax cost for new operations is for the new R&D center, for which the state ranks 44th. The main cause for this ranking is the state’s sourcing rules for services – which expose 100 percent of the operation’s income to state taxes – and the nation’s highest sales taxes for this type of firm.

- For similar reasons, the state ranks 43rd for mature R&D operations.
- Tennessee’s lightest tax cost for mature operations is for the distribution center, which has a TETR of 27.5 percent. The state ranks 19th nationally for this type of operation. While this operation has the second-highest property tax burden in the nation, it does have a below-average burden for property taxes and unemployment insurance (UI).
- High UI taxes and high sales taxes combined with an above-average income tax burden are the primary cause of Tennessee’s 41st-place ranking for new labor-intensive manufacturing.
- While the lack of a throwback rule certainly helps the state’s ranking for each firm type, eight of the 14 firm types face tax burdens that are higher than the national average.

Tennessee

Corporate income tax

Main tax rate	6.500%
Applies to income over	–
Specific adjustments:	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	25.0%	25.0%	50.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			IPA

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Nashville	9.250%	1.652%	1.652%	1.239%	–
Tier 2	Clarksville	9.500%	1.400%	1.400%	1.050%	–

a. Manufacturing machinery is exempt from sales tax

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$9,000	0.250%	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	Varies from 1-3% of eligible capital investment	✓	✓					
Job creation	\$4,500 per new job	✓	✓	✓	✓	✓	✓	
Withholdings	n/a							
R&D	n/a							
Property tax	50% abatement x 10 years	✓	✓		✓			

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	9.6%	13.7%	26.8%	28.0%	20.0%	21.3%	34.4%		12.0%	12.4%	19.5%	27.5%	16.4%	15.8%	16.6%			
Index	84.0	117.3	107.7	77.6	124.0	144.7	105.5	108.7	94.1	106.3	93.2	89.6	104.6	123.1	98.0	101.3		
Rank	26	41	26	17	41	44	30	29	22	32	21	19	35	43	27	29		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store