

Income/Franchise:

Tennessee: New Law Authorizes Excise Taxpayers to Make Discretionary Adjustments in Computing Tax Liability

H.B. 635, signed by gov. 5/2/25. Effective immediately, new law authorizes some Tennessee excise taxpayers to add back to their net earnings certain amounts taken as deductions from their federal taxable income that are also allowed to be taken as deductions in determining the taxpayer's net earnings, as well as certain amounts subtracted from net earnings under Tennessee excise tax law, for purposes of calculating their Tennessee excise tax liability. The legislation authorizes such discretionary adjustments for any timely filed return for the applicable tax year, provided any adjustments do not reduce the taxpayer's net earnings below the amount that would have otherwise been computed for the applicable tax year. According to the legislation's accompanying fiscal notes, these discretionary adjustments "will enable taxpayers with insufficient tax liability to utilize their generated tax credits to calculate a higher tax liability on their return, against which they can apply their tax credits," and authorizing taxpayers "to make certain additions to their net earnings for the purposes of applying their generated tax credits is not anticipated to have a significant impact to excise tax collections." Please contact us with any questions.

URL: <https://wapp.capitol.tn.gov/apps/BillInfo/Default.aspx?BillNumber=HB0635>

— Amber Rutherford (Nashville)
Managing Director
Deloitte Tax LLP
amberrutherford@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

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