

HOUSE BILL 2942

By Towns

AN ACT to amend Tennessee Code Annotated, Title 67,
relative to tax relief for low-income taxpayers.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 6, Part 3, is amended by adding the following as a new section:

(a) Working families' tax relief is provided in the form of a refund of state and local sales and use tax paid under this chapter on or after January 1, 2024, by an eligible low-income person.

(b) As used in this section:

(1) "Department" means the department of revenue;

(2) "Eligible low-income person" or "eligible person" means a natural

person who:

(A)

(i) Is eligible for the credit provided in 26 U.S.C. § 32 of the Internal Revenue Code; and

(ii) Properly files a federal income tax return for the prior federal tax year, and was a resident of this state during the year for which the credit is claimed; or

(B) Meets the requirements provided in subdivision (b)(2)(A)(ii) and would otherwise qualify for the credit provided in 26 U.S.C. § 32 of the Internal Revenue Code except that one (1) or a combination of the following conditions apply:

(i) The natural person filed a federal income tax return for the prior federal tax year using a valid individual taxpayer identification number in lieu of a social security number, and the natural person's spouse, if any, and all qualifying children, if any, have a valid individual taxpayer identification number or a social security number; or

(ii) The natural person filed a federal income tax return for the prior federal tax year under the married filing separately status. For purposes of the refund provided in this section, the special rule for a separated spouse under 26 U.S.C. § 32(d)(2)(B) of the Internal Revenue Code does not apply;

(3) "Income" means earned income as defined by 26 U.S.C. § 32 of the Internal Revenue Code;

(4) "Maximum qualifying income" means the maximum federally adjusted gross income for the prior federal tax year;

(5) "Natural person" means a natural person or a natural person and that natural person's spouse if they file a federal joint income tax return; and

(6) "Qualifying child" means a qualifying child as defined by 26 U.S.C. § 32 of the Internal Revenue Code, except the child may have a valid individual taxpayer identification number in lieu of a social security number.

(c)

(1) Except as provided in subdivisions (c)(2) and (c)(3), for calendar year 2025 and subsequent calendar years, the working families' tax refund amount for the prior calendar year is:

(A) Three hundred dollars (\$300) for eligible persons with no qualifying children;

(B) Six hundred dollars (\$600) for eligible persons with one (1) qualifying child;

(C) Nine hundred dollars (\$900) for eligible persons with two (2) qualifying children; or

(D) One thousand two hundred dollars (\$1,200) for eligible persons with three (3) or more qualifying children.

(2) Except as provided in subdivision (c)(6), the refund amounts provided in subdivision (c)(1) are reduced, rounded to the nearest dollar, as follows:

(A) For eligible persons with no qualifying children, beginning at two thousand five hundred dollars (\$2,500) of income below the federal phase-out income for the prior federal tax year, by eighteen percent (18%) per additional dollar of income until the minimum refund amount as specified in subdivision (c)(3) is reached;

(B) For eligible persons with one (1) qualifying child, beginning at five thousand dollars (\$5,000) of income below the federal phase-out income for the prior federal tax year, by twelve percent (12%) per additional dollar of income until the minimum refund amount as specified in subdivision (c)(3) is reached;

(C) For eligible persons with two (2) qualifying children, beginning at five thousand dollars (\$5,000) of income below the federal phase-out income for the prior federal tax year, by fifteen percent (15%) per additional dollar of income until the minimum refund amount as specified in subdivision (c)(3) is reached; and

(D) For eligible persons with three (3) or more qualifying children, beginning at five thousand dollars (\$5,000) of income below the federal phase-out income for the prior federal tax year, by eighteen percent (18%) per additional dollar of income until the minimum refund amount as specified in subdivision (c)(3) is reached.

(3) If the refund for an eligible person as calculated in this section is equal to one cent (1¢) or more, but less than fifty dollars (\$50.00), the refund amount is fifty dollars (\$50.00).

(4) On January 1, 2026, and on January 1 of each subsequent year, the refund amounts in this subsection (c) must be adjusted for inflation based upon changes in the consumer price index that are published by the United States department of labor, bureau of labor statistics or another similar index established by the federal government, for the most recent twelve-month period. The adjusted refund amounts must be rounded to the nearest five dollars (\$5.00).

(5) The percentage rate of refund reductions in subdivision (c)(2) must be adjusted each calendar year beginning January 1, 2025, based on calculations by the department that result in the minimum refund being received at the maximum qualifying income level.

(d)

(1) The department shall provide refunds under this section to eligible persons who apply pursuant to this subsection (d).

(2) Application for a refund under this section must be made to the department in a form and manner determined by the department. The application must include any information and documentation as required by the department.

(3)

(A) Except as provided in subdivision (d)(3)(B), application for a refund under this section must be made in the year following the year for which the federal tax return was filed, but in no case may a refund be provided for a period before January 1, 2024. The department shall use the eligible person's most recent federal tax filing for the tax year for which the refund is being claimed to calculate the refund.

(B)

(i) A person may apply for a refund for which the person was eligible but did not claim under subdivision (d)(3)(A) for up to three (3) additional years. A person must complete an application to claim this refund within the three (3) calendar years after the end of the calendar year in which the federal income tax return for that tax year was legally due for federal income tax purposes, without regard to any federal extension.

(ii) For applications for refunds under this subdivision (d)(3)(B), the department shall use the federal tax filing for the tax year for which a refund is being claimed to calculate the refund.

(C) A person shall not claim a credit on behalf of a deceased natural person. A natural person shall not claim a credit under this section for a year in a disallowance period under 26 U.S.C. § 32(k)(1) of the Internal Revenue Code or for a year for which the natural person is ineligible to claim the credit in 26 U.S.C. § 32 of the Internal Revenue Code by reason of 26 U.S.C. § 32(k)(2) of the Internal Revenue Code.

(e) The department shall, in conjunction with other agencies or organizations, design and implement a public information campaign to inform potentially eligible persons of the existence of, and requirements for, the refund provided in this section.

(f) The department shall coordinate efforts with the internal revenue service to administer the credit on an automatic basis as soon as practicable.

(g) The commissioner of revenue may conduct audits or require the filing of additional information necessary to substantiate the amount of a refund due to the eligible person.

(h) The department may assess a civil penalty not to exceed twenty-five thousand dollars (\$25,000) against a person who knowingly files a false or fraudulent application for refund under this section. A person who is assessed a penalty under this subsection (h) is entitled to the remedies provided in § 67-1-1801.

(i) All refunds under this section must be paid from the state's general fund, and this section does not reduce the amount of sales and use tax payable to local governments.

(j) Receipt of a refund under this section must not be used in eligibility determinations for any state income support programs or in making public charge determinations.

(k) The department may promulgate rules necessary to implement this section in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

SECTION 2. This act is not an appropriation of funds, and funds must not be obligated or expended pursuant to this act unless the funds are specifically appropriated by the general appropriations act.

SECTION 3. This act takes effect upon becoming a law, the public welfare requiring it.