

Professional Privilege Tax

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In 1992, the General Assembly of the State of Tennessee declared that engaging in certain vocations, professions, businesses and occupations was a privilege taxable by the state. Governor Ned McWherter then signed into law the Professional Privilege Tax, and the Department of Revenue began collecting the tax from persons engaged in the professions determined to be taxable by the General Assembly. A number of professionals in Tennessee are subject to the tax, including accountants, attorneys, physicians, real estate brokers, securities broker-dealers and a number of other licensed professionals. In 2002, the General Assembly raised the amount of the annual tax from \$200 to \$400. In addition, full-time State of Tennessee employees were exempted from the tax (2002 Tenn. Pub. Acts 856, § 7).

All pharmacists licensed in Tennessee and in active practice as of June 1 in a given year are required by State law to pay to the State of Tennessee a professional privilege tax in the amount of \$400. The tax is collected by the Commissioner of Revenue, and all monies collected thereunder are deposited in the general fund. This law applies to all persons licensed to practice the profession of Pharmacy as of June 1st of that year, whether or not they are Tennessee residents.

Under applicable law and pursuant to a Board policy, certain licensees may qualify for inactive/retired status for the purpose of claiming an exemption from the tax. A licensee who does not engage in any activity constituting the practice of pharmacy may claim inactive/retired status by filing a written request on a notarized form provided by the board to that effect with the Board. Once the request establishing inactive/retired status is acknowledged and approved by the Board, the licensee should notify the Department of Revenue of his or her inactive/retired status. A licensee may return to active status by first notifying the Board. The Board will also file with the Department of Revenue all the requests for inactive/retired status which it receives prior to the June 1 deadline.

In claiming inactive/retired status, the licensee should be aware of a number of factors. In order to qualify for exemption from the tax, the

licensee must claim inactive/retired status prior to June 1; a return to active status at any time during the year will render the licensee subject to the tax. Practice includes the public use of the titles "pharmacist, Registered Pharmacist, Doctor of Pharmacy" or any other title implying that the individual is a pharmacist and any offer to render any services defined as the Practice of Pharmacy in this state.

If a licensee claims inactive/retired status for the purpose of avoiding the professional privilege tax and thereafter continues to engage in the active practice or any activity construed by the Board to be active practice, that licensee may be found guilty of misconduct and be subject to disciplinary action, which could include the assessment of substantial civil penalties and/or the suspension or revocation of the licensee's certificate of registration.

A licensee claiming inactive/retired status is still subject to the biennial renewal fee of his or her certificate and will continue to receive the renewal notifications.

The request form for inactive status is available from the Board office at 615-741-2718.

For questions regarding the tax, registrants may contact the Department of Revenue. Their website is located at www.state.tn.us/revenue, or Taxpayer Services Division at 800-342-1003 (in-state only) or 615-253-0600.