

## UCC FAQs

### **What does UCC mean?**

UCC stands for Uniform Commercial Code. It is a uniform law that governs commercial transactions, including sales of goods, secured transactions and negotiable instruments. It is a comprehensive set of statutes created to provide consistency among the states. It is called a uniform law because the same law exists in many states.

### **What is a UCC-1?**

A UCC-1 is a “financing statement” filed to provide notice that a creditor has a security interest in a debtor’s personal property. It is not an agreement. It is just notice to the world that one person claims an interest in someone else's property, usually as collateral for a debt.

### **What services does the UCC Section provide?**

The UCC Section provides public notice that a security agreement (the document that grants the security interest) exists between a specific debtor and creditor (called a secured party) and describes the collateral involved. The Secretary of State’s office is the central filing office for certain financing statements and other lien documents provided for in the Uniform Commercial Code. Filing a financing statement with our office allows a creditor to perfect a security interest in the collateral and establish priority in case of debtor default or bankruptcy. Documents filed include initial financing statements, amendments, assignments, and other UCC filings authorized by Tennessee statutes.

### **How much is the *filing fee* to file a UCC1?**

The filing fee is fifteen dollars (\$15.00) per debtor. When there are multiple debtors listed on a single financing statement, a fifteen dollar (\$15.00) fee is required for each debtor. If multiple statements are filed, be sure to include the fifteen dollars (\$15.00) fee for each debtor. Each different address listed for a debtor is considered a separate debtor for filing fee purposes.

### **What is the *Recording Tax*?**

A recording tax of eleven and one half (11.5¢) cents for each one hundred (\$100) dollars of indebtedness is due on any financing statement or amendment to a financing statement. You must state the “maximum principal indebtedness for Tennessee recording tax purposes” on either the face of the instrument or on an attached sworn statement “ The first two thousand (\$2,000) dollars of total indebtedness is exempt from the recording tax; however, the exemption can only be taken once in relation to a financing statement. This tax is often referred to as the indebtedness tax.

### **How are recording taxes calculated?**

The recording tax is computed by excluding the first \$2,000.00 of maximum principal indebtedness reported on the financing statement and multiplying the remaining indebtedness by .00115 (11.5 cents per each 100 dollars of indebtedness).

- Example #1: A UCC1 states that the maximum amount of indebtedness for Tennessee recording tax purposes is \$1,500.00. Since the first \$2,000.00 of indebtedness on a financing statement is exempt, no recording tax is due.
- Example #2: A UCC1 states that the maximum amount of indebtedness for Tennessee recording tax purposes is \$25,000.00. The amount of recording tax due is  $(\$25,000.00 - \$2,000.00) \times .00115$ , or  $\$23,000.00 \times .00115$ , which equals \$26.45.
- Example #3: A UCC3 amendment to the UCC1 financing statement in example #2 increases the indebtedness amount from \$25,000.00 to \$30,000.00 and the amendment states that the maximum amount of indebtedness for Tennessee recording tax purposes is \$5,000.00. Since the \$2,000.00 exemption has already been utilized regarding this financing statement when the UCC1 was filed, the amount of recording tax due is  $\$5,000.00 \times .00115$  which equals \$5.75.

**Is there anything that I am required to state in the financing statement?**

Every financing statement (or amendment that increases the maximum principal indebtedness) must state the amount of the maximum principal indebtedness on the face of the instrument or an attached sworn statement. Use the required language “Maximum Principal Indebtedness for Tennessee Recording Tax Purposes is \$\_\_\_\_\_”.

**If I have paid the recording tax in my county, do I have to pay it again when I file my financing statement?**

If the recording tax on the stated indebtedness has been paid at the county level, the following are required:

- The indebtedness language (“Maximum Principal Indebtedness for Tennessee Recording Tax Purposes is \$\_\_\_\_\_”)
- A statement to declare that the recording tax on the stated indebtedness has been paid at the county level, and
- Attach a tax receipt to the document if sending your filing in on paper. Enter the tax receipt details (County, date paid, receipt number and amount paid) online if web filing or web preparing the filing).

Make sure any receipt that you provide is readable. If you request an exemption from the indebtedness tax, you MUST request it in writing with an explanation for the request.

**How long is UCC filing valid?**

A UCC financing statement is valid until it lapses.

**When does a UCC financing statement lapse?**

A UCC financing statement is effective for a period of five (5) years. A financing statement lapses or terminates at the end of the five year period. A continuation statement can be filed to extend the lapse date if it is filed within six (6) months before the security interest expires. An initial financing statement filed in connection with a public-finance transaction or manufactured-

home transaction is effective for a period of thirty (30) years after the date of filing if it indicates that it is filed in connection with a public-finance transaction or manufactured-home transaction. If a debtor is a transmitting utility and a filed initial financing statement so indicates, the financing statement is effective until a termination statement is filed.

### **What are the most common reasons for rejection of a UCC filing?**

T.C.A. § 47-9-516(b) provides a list of rejection reasons. The following are some examples:

- The UCC filing is not filed on the proper form. The appropriate forms are the Tennessee forms prescribed by T.C.A. § 47-9-521 and those approved by the International Association of Commercial Administrators (IACA).
- The correct total amount due for the filing fee and recording tax (if applicable) was not submitted. Note: When an **inadequate payment** amount for multiple transactions is submitted with a UCC3, **all transactions are rejected**.
- When filing an amendment, the initial financing statement file number is not legible or cannot be matched to an un-lapsed initial financing statement.
- For a continuation, the record is not filed within the six month window prior to the lapse date.
- In the event of an assignment, the filing fails to legibly provide the name and mailing address of the assignee.
- When an amendment adds a new party, the record does not legibly provide the new party's name and/or mailing address.
- When an amendment adds a new debtor, the record does not legibly identify the debtor's name and/or mailing address.
- When an initial financing statement or an amendment that increases the maximum principal indebtedness does not include the required indebtedness language.
- A check could not be honored.
- The original file number (UCC1) was not provided when you submitted a UCC3.

Please be sure that any filing **not** submitted on a Secretary of State form (especially search requests) includes all of the required information. Our [forms](#) contain all of the required information.

### **How can I find out the status of a UCC filing?**

Use the online UCC search tool or file a UCC11 Information Request.

### **How do I get the forms to use?**

UCC forms are available online at [http://www.tn.gov/sos/bus\\_svc/ucc\\_forms.htm](http://www.tn.gov/sos/bus_svc/ucc_forms.htm).

### **Can I FAX or E-MAIL my filing?**

We do not accept faxed or emailed filings. However, you may file online at <http://TNBEAR.TN.gov/UCC>.

**Can I use my credit card?**

Currently, credit card, debit card, and e-check payments are available for web filed documents. File online at <http://TNBEAR.TN.gov/UCC>

**Can I see the UCC financing statement online?**

Our online search (<http://TNBEAR.TN.gov/UCC>) displays summary information about a financing statement (debtors, secured parties, dates). Information Requests (UCC11) can now be submitted online and as soon as payment is complete, you are able to retrieve a .pdf file of the images.

**How do I get a copy of a filing?**

[Request a search](#) by filing an Information Request (UCC11). The fee for a copy search is \$15.00 for each filing plus \$1.00 per page.

**What does the indebtedness language mean?**

The required indebtedness language is "Maximum principal indebtedness for Tennessee recording tax purposes is \$ \_\_\_\_\_." Tennessee law imposes a recording tax on any instrument evidencing indebtedness, including, but not limited to, mortgages, deeds of trust, conditional sales contracts, and financing statements.

The "indebtedness" is the principal debt or obligation which is reasonably contemplated by the parties to be included within the terms of the agreement. "Indebtedness" does not include any amount of interest, collection expense including, but not limited to, attorney's fees and expenses incurred in preserving, protecting, improving, or insuring property which serves as collateral for the indebtedness, or any other amount, other than the principal debt or obligation, for which a debtor becomes liable unless such amount is added to the principal debt or obligation, and is used to calculate additional interest pursuant to refinancing, reamortization, amendment or similar transaction or occurrence.

**Why is my name on the UCC form?**

We index information in the UCC system based upon the name of the debtor.