



TENNESSEE FRANCHISE & EXCISE TAX EXEMPTIONS

Security 3rd Party Indebtedness/
LLCs or LPs that Reported Income in Tennessee

Updated December 2020

Qualifications

- ❑ Tenn. Code Ann. § 67-4-2008(7)
- ❑ Limited liability companies, limited liability partnerships, limited partnerships, or business trusts existing on May 1, 1999
- ❑ Entity is at least 98% owned by corporate members of an affiliated group and was formed exclusively to acquire notes from affiliated group members. Examples include:
 - ❑ Accounts receivable
 - ❑ Installment sales contracts
 - ❑ Similar evidence of indebtedness

Additional Qualifications

- ❑ At least 80% of the entity's income from assets is included in the income of a corporation doing business in Tennessee and subject to applicable allocation and apportionment rules
- ❑ The assets serve as security for third party borrowings or securitized indebtedness acquired by third parties

Registration

- ❑ Must file an application for exemption on form FAE 183, Application for Exemption/Annual Exemption Renewal, in order to receive the exemption
- ❑ If the entity does not meet the exemption requirements in any given year, it is taxable on all activities for that year
 - ❑ A completed franchise and excise tax return (FAE170) must be filed electronically with payment of any taxes due by the 15th day of the fourth month following the close of the taxable year

Renewal

- ❑ Must annually certify that they continue to be eligible for the exemption
- ❑ Both the initial application and the annual renewal are filed on form FAE 183
 - ❑ This form with the appropriate sections completed must be submitted by the 15th day of the fourth month following the close of the entity's taxable year
- ❑ Entities requesting an extension for federal income tax are automatically granted an extension

Resources

- ❑ Application for Exemption/Annual Exemption Renewal
- ❑ Franchise and Excise Tax Return, Form 170
- ❑ Tenn. Code Ann. § 67-4-2008(7)



THANK YOU