



## APPLICATION FOR EXEMPTION FRANCHISE AND EXCISE TAXES

COMPLETE THIS APPLICATION TO REQUEST EXEMPT STATUS FROM FRANCHISE AND EXCISE TAXES

**1. REASON FOR APPLICATION**

☐ New Exemption

**2. TAX PERIOD COVERED**

Start: \_\_\_\_\_ End: \_\_\_\_\_

**3. Effective date of registration with the Secretary of State:** \_\_\_\_\_ **SOS Number** \_\_\_\_\_

**4. ENTITY NAME AND PHYSICAL LOCATION**

Name: \_\_\_\_\_

Street: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

**5. ENTITY MAILING ADDRESS**

Name: \_\_\_\_\_

Street: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

**6. BUSINESS TELEPHONE NUMBER:** ( ) \_\_\_\_\_ **Fax #:** ( ) \_\_\_\_\_

**7. Current Franchise and Excise Tax Account Number:** \_\_\_\_\_ **FEIN:** \_\_\_\_\_

**8. ENTITY TYPE**

☐ Limited Partnership ☐ Limited Liability Company ☐ Limited Liability Partnership

☐ Other Non-corporate Entity (Specify): \_\_\_\_\_

**9. IDENTIFY TENNESSEE CODE SECTION AND REASON FOR REQUESTING FRANCHISE AND EXCISE TAX EXEMPTION.**

*(Please check one) (See reverse side for Exemption Criteria)*

☐ **Venture Capital Fund [67-4-2008(a)(6)]** - Dealing in securities primarily in non-publicly traded companies and capital is primarily derived from investments neither related to nor affiliated with the fund.

☐ **LLC/LP/LLP Farming/Personal Residence [67-4-2008(a)(6)]** - 66.67% of income is earned from either farming or holding personal residences, including contiguous acreage, where at least one partner or member resides, and is 95% owned by persons who are relatives.

☐ **LLC/LP/LLP Security 3rd Party Indebtedness [67-4-2008(a)(7)]** - 98% owned by corporate members of an affiliated group and formed and operated for the exclusive purpose of acquiring indebtedness from members of the group.

☐ **LLC/LP Affordable Housing [67-4-2008(a)(8)]** - Must have allocation of low-income tax credits and must have an extended low-income housing commitment for each building.

☐ **Obligated Member Entity [67-4-2008(a)(9)]** - Appropriate documentation must be filed with the Secretary of State as an obligated member or owner of an obligated member providing limited liability protection.

☐ **REMIC or FASIT [67-4-2008(a)(10)]** - Real estate mortgage investment conduit or financial asset securitization investment trust whose purpose is asset-backed securitization of debt obligations.

☐ **Family-Owned Non-corporate Entity with Farming/Passive Investment Income [67-4-2008(a)(11)]** - At least 95% family-owned and substantially all of income from passive investment income or farming. Entities having no income cannot qualify for this exemption.

☐ **Diversified Investment Fund [67-4-2008(a)(12)]** - At least 90% of total assets are qualifying investment securities, deposits at financial institutions, and office space and equipment necessary to carry on business. At least 90% of income is from interest, dividends, and gains from the sale of investment securities. Formed to buy, hold, or sell qualifying investment securities on its own behalf, and capital is primarily derived from investments by entities and persons not affiliated with the fund.

**10. If the taxpayer is an out-of-state entity that will be doing business in Tennessee, does it have a location or office in Tennessee?** ☐ Yes ☐ No If yes, identify the city and county.

**11. The statements made on this application are true to the best of my knowledge and belief. (NOTE: This application must be signed by the individual owner, a member, or partner.)**

Sign Here: \_\_\_\_\_  
(Signature and Date)

**Revenue Use Only: Place Bar Code Here**

## Instructions: Application for Exemption from Franchise and Excise Taxes

Tennessee Code Annotated Section 67-4-2008 provides exemption from Tennessee's Franchise and Excise Taxes under certain situations. The form on the reverse side should be completed by entities requesting exemption under provision of these laws. Please see the descriptions of exempt entities shown below to determine if your entity qualifies for exemption.

Each entity is required to make its initial application for exempt status on this form and must also submit a renewal application annually. This annual certification is due each year by the 15<sup>th</sup> day of the fourth month following the end of the entity's fiscal year.

Please mail completed applications and annual renewals to: Tennessee Department of Revenue, 500 Deaderick Street, Nashville, TN 37242. For questions or assistance with this form, please call (615) 253-0700, Monday through Friday, from 8:00-4:30, Central time or visit [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue) for more detailed information.

**Venture Capital Funds [Tenn. Code Ann. Section 67-4-2008(a)(5)]:** An LLC, LLP, or LP formed and operated exclusively for buying, holding, and/or selling securities, including debt securities, primarily in non-publicly traded companies, on its own behalf and not as a broker. The capital of the fund is primarily (over 50%) derived from investments by entities and/or individuals which are not affiliated with the fund. A "non-publicly traded company" is a business entity that is not a "publicly traded company," which is defined as (a) a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934 or exempted from registration under such act by 15 U.S.C. Section 78f because of the limited volume of transactions; (b) a foreign securities exchange operating under principles analogous to a national securities exchange; (c) a regional or local exchange; (d) an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise; or (e) on a secondary market or the substantial equivalent thereof, if taking into account all of the facts and circumstances, the owners are readily able to buy, sell or exchange their ownership interest in a manner that is comparable, economically, to trading on an exchange.

**Farming/Personal Residence [Tenn. Code Ann. Section 67-4-2008(a)(6)]:** An LLC, LP, or LLP where at least 66.67% of the activity of the entity is either farming or holding one or more personal residences, including acreage contiguous to the dwelling, where one or more of the members or partners reside. At least 95% of the entity must be owned either by persons who are relatives of one another or by trusts for their benefit. Natural persons shall be considered "relatives" by blood or adoption if they are descended from a common ancestor and their relationship with each other is that of a first cousin or closer than that of a first cousin, or if they are spouses of one another.

"Farming" means at least 66.67% of income is from growing crops, nursery products, timber or fibers, such as cotton, for human or animal use or consumption; keeping horses, cattle, sheep, goats, chickens or other animals for human or animal use or consumption; keeping animals that produce products, such as milk, eggs, wool or hides, for human or animal use or consumption; or leasing land to be used for these purposes, and at least 66.67% of assets, valued at original cost to the entity, are used by the owner or by the owner's lessee or sharecropper for farming. To qualify as a personal residence, the dwelling must be occupied for personal use by partners or members of the entity for more days than it is rented to others who are not partners or members of the entity. Internal Revenue Code Section 280A(d)(2) will be used to define "personal use."

**Third Party Indebtedness [Tenn. Code Ann. Section 67-4-2008(a)(7)]:** On May 1, 1999, and at all times thereafter, the entity must be at least 98% owned by corporate members of an affiliated group, and be formed and operated for the exclusive purpose of acquiring notes from members of such affiliated group, accounts receivable, installment sale contracts, and similar evidence of indebtedness obtained in the ordinary course of business by one or more members of such affiliated group. The entity's assets must directly or indirectly serve as security for third party borrowings or securitized indebtedness acquired by third parties. At least 80% of the income therefrom must be included in the income of a corporation doing business in Tennessee, and such income must be subject to the applicable franchise and excise tax allocation and apportionment rules.

**Affordable Housing [Tenn. Code Ann. Section 67-4-2008(a)(8)]:** The LLC or LP must have received an allocation of low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended. An "extended low-income housing commitment" as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended, must be in effect with respect to each residential building owned by the entity for the period covered by the return. Attach separate Affordable Housing Certification Form.

**Obligated Member [Tenn. Code Ann. Section 67-4-2008(a)(9)]:** In order to qualify as an exempt obligated member entity, the appropriate documentation required for each of the entity's members, partners or owners to waive their limited liability protection shall be filed with the Tennessee Secretary of State on or before the first day of the first otherwise taxable year for which the entity wishes to claim exemption. This does not relieve the obligated member entity from filing an initial Application for Exemption with the Department of Revenue by the 15th day of the 4th month following the end of the first fiscal year for which the entity has qualified for the exemption or from submitting a renewal application annually by the date on which a return would otherwise be due were it not for the exemption.

To the extent that any obligated member, or any owner of an obligated member, provides limited liability protection, the obligated member entity shall owe the taxes otherwise imposed by the franchise and excise tax statutes on the portion of income and equity attributable to such obligated member. Ownership includes any form of ownership, whether in whole, in part, direct or indirect. Also, estates, trusts that are not taxpayers, nonprofit entities, or other entities exempt under this section, shall not be deemed to provide limited liability protection.

**REMIC or FASIT [Tenn. Code Ann. Section 67-4-2008(a)(10)]:** An entity which (a) is classified as a partnership or trust in accordance with the federal regulations and rulings promulgated under 26 U.S.C. Section 7701, or has elected to be treated as a real estate mortgage investment conduit (REMIC) under 26 U.S.C. Section 860D, or as a financial asset securitization investment trust (FASIT) under 26 U.S.C. Section 860L, or a business trust, as defined in Section 48-101-202(a), when the commercial domicile of the trustee is not in Tennessee; and (b) the sole purpose of the entity, except for foreclosures and dispositions of the assets of foreclosures, is the asset-backed securitization of debt obligations, such as first or second mortgages, including home equity loans, trade receivables, whether an open account or evidenced by a note or installment or conditional sales contract, obligations substituted for trade receivables, credit card receivables, personal property leases treated as debt for purposes of the Internal Revenue Code of 1986, as amended, automobile loans or similar debt obligations. "Trade receivables" are defined as obligations arising from the sale of inventory in the ordinary course of business;

**Family-Owned Non-corporate Entity [Tenn. Code Ann. Section 67-4-2008(a)(11)]:** Any family-owned non-corporate entity where substantially all the activity of the entity is either (a) the production of passive investment income; or (b) the combination of the production of passive investment income and farming. "Family-owned" means that at least 95% of the ownership units of the entity are owned by members of the family, which means, with respect to an individual, only an ancestor of such individual; the spouse or former spouse of such individual; a lineal descendent of such individual, of such individual's spouse or former spouse, or of a parent of such individual; the spouse or former spouse of any lineal descendent; or the estate or trust of a deceased individual who, while living, qualified as a lineal descendent. A legally adopted child of an individual shall be treated as the child of such individual by blood. "Passive investment income" means gross receipts derived from royalties, rents, dividends, interest, annuities, and any gains from sales or exchanges of stock or securities. Entities with no income cannot qualify for this exemption.

**Diversified Investment Fund [Tenn. Code Ann. Section 67-4-2008(a)(12)]:** Formed and operated for the purpose of buying, holding, or selling qualified investment securities on its own behalf. The capital of the fund must be primarily derived from investments by entities or individuals that are not affiliated with the fund. At least 90% of the fund's income must consist of interest, dividends, and gains from the sale or exchange of such investment securities.