



TENNESSEE DEPARTMENT OF REVENUE
FRANCHISE AND EXCISE FINANCIAL INSTITUTION TAX RETURN

**FAE
174**

Taxable Year Beginning: Ending:	Account No. Due Date	FEIN or SSN		
CHECK APPROPRIATE BLOCK(S): <table style="width:100%; border: none;"> <tr> <td style="width:50%; border: none;"> a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership </td> <td style="width:50%; border: none;"> j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____ </td> </tr> </table>		a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership	j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____	If this is an AMENDED RETURN, please check the box at right. <input type="checkbox"/> If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/> If this is a FINAL RETURN for termination or withdrawal, please check box at right. <input type="checkbox"/> If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/>
a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership	j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____			
Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee. _____				
Date Tennessee Operations Began	If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input type="checkbox"/>			

SCHEDULE A - COMPUTATION OF FRANCHISE TAX	DOLLARS	CENTS
1. Total net worth from Schedule F, Line 7 (1)	_____	_____
2. Total real & tangible personal property from Schedule G, Line 14 (2)	_____	_____
3. Franchise tax (25¢ per \$100.00 or major fraction thereof on the greater of Lines 1 or 2; minimum \$100.00) .. (3)	_____	_____

SCHEDULE B - COMPUTATION OF EXCISE TAX	DOLLARS	CENTS
4. Income subject to excise tax from Schedule J, Line 34 (4)	_____	_____
5. Excise tax (6.5% of Line 4) (5)	_____	_____
6. Add: Recapture of excise tax credit from Schedule T, Part 2 (6)	_____	_____
7. Net excise tax due (Line 5 plus Line 6) (7)	_____	_____

SCHEDULE C - COMPUTATION OF TOTAL TAX DUE OR OVERPAYMENT	DOLLARS	CENTS
8. Total Franchise and Excise taxes - Add lines 3 and 7 (8)	_____	_____
9. Deduct: Total credit from Schedule D, Line 7 (cannot exceed Line 8) (9)	_____	_____
10. Subtotal: Line 8 less Line 9 (if Line 9 exceeds Line 8, enter 0 here) (10)	_____	_____
11. Deduct: Total payments from Schedule E, Line 7 (11)	_____	_____
12. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15) (12)	_____	_____
13. Interest (_____ % per annum on taxes unpaid by the due date) (13)	_____	_____
14. Penalty on estimated franchise, excise tax payments (14)	_____	_____
15. Interest on estimated franchise, excise tax payments (15)	_____	_____
16. Total amount due (overpayment) - Add lines 10, 12, 13, 14, and 15, less Line 11 (16)	_____	_____
If overpayment reported on Line 16, complete A and/or B: A. <input type="checkbox"/> Credit to next year's tax \$ _____ B. <input type="checkbox"/> Refund \$ _____		

POWER OF ATTORNEY - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. <input type="checkbox"/> YES	Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.
Taxpayer's Signature _____	Date _____ Title _____
Tax Preparer's Signature _____	Preparer's SSN _____ Date _____ Telephone _____
Preparer's Address _____	City _____ State _____ ZIP _____

FOR OFFICE USE ONLY

<input type="checkbox"/>	<input type="checkbox"/>
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Make check payable to:
TENNESSEE DEPARTMENT OF REVENUE
 Andrew Jackson State Office Building
 500 Deaderick Street, Nashville, TN 37242

Schedule D -- SCHEDULE OF CREDITS

1. Gross Premiums tax credit (cannot exceed Schedule C, Line 8)	(1)		
2. Insurance Company reductions (percentage of Schedule C, Line 8 less Schedule D, Line 1)	(2)		
3. Tennessee Income Tax (cannot exceed Schedule B, Line 5)	(3)		
4. Day Care Credit from Schedule W, Line 18/LIHTC from Schedule Y, Line 3	(4)		
5. Industrial Machinery Credit from Schedule T, Line 11	(5)		
6. Jobs Tax Credit from Schedule X, Line 27	(6)		
7. Total Credit - Add lines 1 through 6 (Enter here and on Schedule C, Line 9)	(7)		

Schedule E -- SCHEDULE OF PAYMENTS

1. Overpayment from previous year if available	(1)		
2. First quarterly estimated payment	(2)		
3. Second quarterly estimated payment	(3)		
4. Third quarterly estimated payment	(4)		
5. Fourth quarterly estimated payment	(5)		
6. Extension payment	(6)		
7. Total payments - Add lines 1 through 6 (Enter here and on Schedule C, Line 11)	(7)		

Schedule F - Base of Franchise Tax

	PARENT CORPORATION NAME ACCOUNT#	UNITARY GROUP MEMBER* NAME ACCOUNT#
1. Net Worth (total assets less total liabilities; deduct Treasury stock)	\$	\$
2. Indebtedness to or Guaranteed by Parent or Affiliated Corporation		
3. Interest in another taxpayer doing business in Tennessee (attach schedule)		
4. Total Lines 1 and 2, less Line 3		
5. Ratio, Schedule SF (each member must compute separate ratio) or 100%	%	%
6. Total (Line 4 multiplied by Line 5)	\$	\$
	UNITARY GROUP MEMBER* NAME ACCOUNT#	UNITARY GROUP MEMBER* NAME ACCOUNT#
1. Net Worth (total assets less total liabilities; deduct Treasury stock)	\$	\$
2. Indebtedness to or Guaranteed by Parent or Affiliated Corporation		
3. Interest in another taxpayer doing business in Tennessee (attach schedule)		
4. Total Lines 1 and 2, less Line 3		
5. Ratio, Schedule SF (each member must compute separate ratio) or 100%	%	%
6. Total (Line 4 multiplied by Line 5)	\$	\$
	UNITARY GROUP MEMBER* NAME ACCOUNT#	UNITARY GROUP MEMBER* NAME ACCOUNT#
1. Net Worth (total assets less total liabilities; deduct Treasury stock)	\$	\$
2. Indebtedness to or Guaranteed by Parent or Affiliated Corporation		
3. Interest in another taxpayer doing business in Tennessee (attach schedule)		
4. Total Lines 1 and 2, less Line 3		
5. Ratio, Schedule SF (each member must compute separate ratio) or 100%	%	%
6. Total (Line 4 multiplied by Line 5)	\$	\$
	UNITARY GROUP MEMBER* NAME ACCOUNT#	UNITARY GROUP MEMBER* NAME ACCOUNT#
1. Net Worth (total assets less total liabilities; deduct Treasury stock)	\$	\$
2. Indebtedness to or Guaranteed by Parent or Affiliated Corporation		
3. Interest in another taxpayer doing business in Tennessee (attach schedule)		
4. Total Lines 1 and 2, less Line 3		
5. Ratio, Schedule SF (each member must compute separate ratio) or 100%	%	%
6. Total (Line 4 multiplied by Line 5)	\$	\$
7. Total all Line 6s, enter here and on Schedule A, Line 1		

*Applies only to members of a unitary group of financial institutions required to file a combined return.

NOTE: Schedule F, Base of Franchise tax and the franchise tax apportionment ratio (Schedule SF) of each member of the unitary filing group must be computed as though each member were filing a separate return. Copies of this form should be made if necessary in order to compute the net worth of each member of the unitary filing group. The total of all the bases is entered on Schedule A, Line 1.

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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SCHEDULE SF - Financial Institution Apportionment Schedule for Franchise Tax Purposes

The apportionment schedules below are to be used by financial institutions or unitary groups of financial institutions doing business within and without Tennessee within the meaning of Tennessee statutes.

In cases of unitary groups of financial institutions filing combined return, a separate franchise tax apportionment ratio is to be computed for each member of the unitary filing group and applied to the separate net worth of each member of the group to obtain the net worth apportioned to Tennessee. Such apportioned net worth bases for each group member are then combined to obtain the franchise tax net worth base for the unitary filing group (see Schedule F).

Schedule SF - Apportionment Ratio for Parent's Franchise Tax Purposes

Name of Financial Institution	Federal Employer (Tennessee) Identification Number	Corporation's Account Period
	In Tennessee	Everywhere
1. Receipts defined in T.C.A. §67-4-2118 Enter ratio on Schedule F, Line 5 of Parent's computation schedule		Ratio %

Schedule SF - Apportionment Ratio for Unitary Group Member's Franchise Tax Purposes

Name of Financial Institution	Federal Employer (Tennessee) Identification Number	Corporation's Account Period
	In Tennessee	Everywhere
1. Receipts defined in T.C.A. §67-4-2118 Enter ratio on Schedule F, Line 5 of Unitary Group member's computation schedule		Ratio %

Schedule SF - Apportionment Ratio for Unitary Group Member's Franchise Tax Purposes

Name of Financial Institution	Federal Employer (Tennessee) Identification Number	Corporation's Account Period
	In Tennessee	Everywhere
1. Receipts defined in T.C.A. §67-4-2118 Enter ratio on Schedule F, Line 5 of Unitary Group member's computation schedule		Ratio %

Schedule SF - Apportionment Ratio for Unitary Group Member's Franchise Tax Purposes

Name of Financial Institution	Federal Employer (Tennessee) Identification Number	Corporation's Account Period
	In Tennessee	Everywhere
1. Receipts defined in T.C.A. §67-4-2118 Enter ratio on Schedule F, Line 5 of Unitary Group member's computation schedule		Ratio %

Schedule SF - Apportionment Ratio for Unitary Group Member's Franchise Tax Purposes

Name of Financial Institution	Federal Employer (Tennessee) Identification Number	Corporation's Account Period
	In Tennessee	Everywhere
1. Receipts defined in T.C.A. §67-4-2118 Enter ratio on Schedule F, Line 5 of Unitary Group member's computation schedule		Ratio %

Schedule SF - Apportionment Ratio for Unitary Group Member's Franchise Tax Purposes

Name of Financial Institution	Federal Employer (Tennessee) Identification Number	Corporation's Account Period
	In Tennessee	Everywhere
1. Receipts defined in T.C.A. §67-4-2118 Enter ratio on Schedule F, Line 5 of Unitary Group member's computation schedule		Ratio %

Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY

NOTE: If unitary return, Schedule G must include property owned and used by all members.

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation		In Tennessee
1. Land	(1)	
2. Buildings, leaseholds, and improvements	(2)	
3. Machinery, equipment, furniture, and fixtures	(3)	
4. Automobiles and trucks	(4)	
5. Prepaid supplies and other tangible personal property (Attach schedule)	(5)	
6. Share of partnership's real and tangible property provided that the partnership does not file a return (Attach schedule)	(6)	
7. Inventories and work in progress	(7)	
a. Deduct exempt inventory in excess of \$30 million (§67-4-2108(a)(6))	(7a)	()
8. Deduct value of certified pollution control equipment (Include copy of certificate (§67-5-604))	(8)	()
9. SUBTOTALS - Add lines 1 through 7, less Line 7a and Line 8	(9)	
Rental Value of Property Used but not Owned	(A)	(B)
Net Annual Rental Paid for:	In Tennessee	
10. Real property	x8	(10)
11. Machinery & equipment used in manufacturing & processing	x3	(11)
12. Furniture, office machinery, and equipment	x2	(12)
13. Delivery or mobile equipment	x1	(13)
14. TENNESSEE TOTAL - Add lines 9-13 (Enter total here and on Schedule A, Line 2)		(14)

Schedule I - FEDERAL INCOME REVISIONS

Have you had Federal Income Revisions? _____ If Yes, have all changes been previously reported? _____
 If second question is no, complete schedule below. Where columns 3 and 4 are not the same, a schedule of reconciliation must be submitted.

Year	1. Original Net Income on Federal Return	2. Net Income Corrected	3. Increase (Decrease) in Net Income	4. Increase (Decrease) Affecting Excise Tax

COMPUTATION OF EXCISE TAX

NOTE: The starting point for determining "net earnings" subject to the excise tax is contained in schedules J-1 through J-3. A taxpayer enters on Line 1, Schedule J, its federal income (loss) from only one of schedules J-1 through J-3. Adjustments to Line 1, the starting point of the excise tax, are made on lines 2 to 24 on Schedule J.

Schedule J-1 -- COMPUTATION OF NET EARNINGS FOR ENTITIES TREATED AS PARTNERSHIPS

1. Ordinary Income or Loss from Federal Form 1065, Line 22	(1)	
Additions:		
2. Additional income items specifically allocated to partners, including guaranteed payments to partners (Fed 1065 - Sch K)	(2)	
3. Total - Add lines 1 and 2	(3)	
Deductions:		
4. Additional expense items specifically allocated to partners (Fed 1065 -Sch K)	(4)	
5. Amount subject to self-employment taxes distributable or paid to each partner or member net of medical insurance payments previously deducted to determine Ordinary Income (Loss) on Form 1065 (cannot increase any net loss)	(5)	
6. Amount of contribution, not previously deducted, to qualified pension or benefit plans of any partner or member, including all IRC 401 plans (cannot increase any net loss)	(6)	
7. Total deductions - Add lines 4 through 6	(7)	
8. Total - Line 3 less Line 7 (Enter here and on Schedule J, Line 1)	(8)	

Schedule J-2 -- COMPUTATION OF NET EARNINGS FOR A SINGLE MEMBER LLC FILING AS AN INDIVIDUAL

Additions:		
1. Business Income from Form 1040, Schedule C	(1)	
2. Business Income from Form 1040, Schedule D	(2)	
3. Business Income from Form 1040, Schedule E	(3)	
4. Business Income from Form 1040, Schedule F	(4)	
5. Business Income from Form 4797	(5)	
6. Other: Form _____, Schedule _____	(6)	
7. Total - Add lines 1 through 6	(7)	
Deductions:		
8. Amount subject to self-employment taxes distributable or paid to the single member (cannot increase any net loss)	(8)	
9. Total - Line 7 less Line 8 (Enter here and on Schedule J, Line 1)	(9)	

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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Schedule J-3 -- COMPUTATION OF NET EARNINGS FOR ENTITIES TREATED AS CORPORATIONS AND "OTHER" ENTITIES

Enter the amount of income(loss) from the applicable federal return to Schedule J, Line 1

1. Federal Form 1120 - Line 28 (Taxable income or loss before net operating loss deduction and special deductions)	(1)	
2. Federal Form 1120S - Line 21 (Ordinary income or loss from trade or business activities)	(2)	
3. Federal Form 990-T, Line 30 (unrelated business taxable income)	(3)	
4. Other: Form _____, Schedule _____	(4)	

Schedule J - COMPUTATION OF NET EARNINGS SUBJECT TO EXCISE TAX

1. Federal income or loss (Enter amount from Schedule J-1, J-2, or J-3)	(1)	
2. Add expenses from transactions between members of the unitary group	(2)	
3. Deduct dividends and receipts from transactions between members of the unitary group	(3)	
4. Net income for unitary group financial institutions (Line 1 plus Line 2, less Line 3)	(4)	
ADDITIONS:		
5. Income items to extent includable in federal income were it not for "S" status election (Fed 1120S - Schedule K)	(5)	
6. Any net loss or expense received from a "pass-through" entity subject to and paying the excise tax, or any net loss or expense distributed to a REIT subject to and paying the excise tax (include schedule of entities and FEINs)	(6)	
7. Any gain on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S corporation or business trust to a member, partner, shareholder, or certificate holder	(7)	
8. Tennessee excise tax expense (to the extent reported for federal purposes)	(8)	
9. Gross premiums tax deducted in determining federal income and used as an excise tax credit	(9)	
10. Interest income on obligations of states and their political subdivisions, less allowable amortization	(10)	
11. Depletion not based on actual recovery of cost	(11)	
12. Contribution carryover from prior period(s)	(12)	
13. Capital gains offset by capital loss carryover or carryback	(13)	
14. Excess fair market value over book value of property donated	(14)	
15. Any depreciation permitted as a deduction in computing federal taxable income solely as a result of the provision of the federal Job Creation and Worker Assistance Act of 2002, and any expense/depreciation deducted as a result of "safe harbor" lease elections. (attach schedule)	(15)	
16. Total additions - Add lines 5 through 15	(16)	
DEDUCTIONS:		
17. Expense items to extent includable in federal expenses were it not for "S" status election (Fed 1120S - Schedule K)	(17)	
18. Any net gain or income received from a "pass-through" entity subject to and paying the excise tax, or any net gain or income distributed to a REIT subject to and paying the excise tax (include schedule of entities and FEINs)	(18)	
19. Any loss on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S corporation or business trust to a member, partner, shareholder, or certificate holder	(19)	
20. Dividends received from corporations, at least 80% owned (attach schedule)	(20)	
21. Contributions in excess of amount allowed by federal government	(21)	
22. Portion of current year's capital loss not included in federal taxable income	(22)	
23. Any expense other than income taxes, not deducted in determining federal taxable income for which a credit against the federal income tax is allowable	(23)	
24. Any income included for federal tax purposes and any depreciation or other expense that could have been deducted for "safe harbor" lease elections. (attach schedule)	(24)	
25. Depreciation under the provisions of IRC Section 168 prior to the computation of depreciation under the federal Job Creation and Worker Assistance Act of 2002 and any excess gain or loss from the resulting basis adjustment. (attach schedule)	(25)	
26. Nonbusiness earnings - Schedule M, Line 8	(26)	
27. Bad debts not deducted but allowed by I.R.C. 585 or 593 as it existed on 12-31-86	(27)	
28. TOTAL deductions - Add lines 17 through 27	(28)	()
COMPUTATION OF TAXABLE INCOME:		
29. Total Business Income (Loss) - Add lines 4 and 16, less Line 28 (If loss, complete Schedule K)	(29)	
30. Apportionment Ratio (Schedule SE if applicable or 100%)	(30)	%
31. Apportioned business income (Loss) (Line 29 multiplied by Line 30)	(31)	
32. Add: Nonbusiness earnings directly allocated to Tennessee (From Schedule M, Line 9)	(32)	
33. Deduct: Loss carryover from prior years (From Schedule U)	(33)	()
34. Subject to excise tax (6.5%) (Line 31 plus Line 32, less Line 33) (enter here and on Schedule B, Line 4)	(34)	

Schedule K - DETERMINATION OF LOSS CARRYOVER AVAILABLE -See Rule 1320-6-1-.21 of Departmental Rules and Regulations

1. Net loss from Schedule J, Line 29	(1)	
ADD:		
2. Amounts reported on Schedule J, lines 20 and 26	(2)	
3. Amounts reported on Schedule J-1, lines 5 and 6, and Schedule J-2, Line 8	(3)	
4. Reduced loss - Add lines 1 through 3 (if net amount is positive, enter "0")	(4)	
5. Excise Tax ratio (Schedule SE if applicable or 100%)	(5)	%
6. Current year loss carryover available (Line 4 multiplied by Line 5)	(6)	

APPORTIONMENT SCHEDULE FOR FINANCIAL INSTITUTIONS DOING BUSINESS OUTSIDE TENNESSEE

For Apportionment ratio purpose, receipts from the transaction of business in Tennessee are attributed to the Tennessee factor under the provisions of T.C.A. §§67-4-2118(d) and 67-4-2013(b). Receipts from the transaction of business in all taxing jurisdictions are determined for the everywhere factor under the same provisions.

T.C.A. §67-4-2118(d) and §67-4-2013(b) read as follows:

- (1) Receipts from the lease or rental of real or tangible personal property shall be attributed to Tennessee if the property is located in Tennessee;
- (2) (A) Interest income and other receipts from assets in the nature of loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property shall be attributed to Tennessee if the security or sale property is located in Tennessee.
If any part of the sale property or property standing as security for the payment of the debt is located part within and part without the state, only such proportion of the interest income or other receipts shall be attributed to Tennessee as the value of the property within the state bears to the whole property;
(B) "Value" means only that value which the property would command at a fair and voluntary sale. Value shall be determined at the time the loan is made and shall not vary from year to year. In the event additional real or tangible personal property is pledged as security or otherwise covered under a loan or installment sales contract after the time the loan is made, the ratio based on the value of the property in the state compared to the whole property shall be adjusted;
- (3) Interest income and other receipts from the consumer loans not secured by real or tangible personal property shall be attributed to Tennessee if the loan is made to a resident of Tennessee, whether at a place of business, by a traveling loan officer, by mail, by telephone or by other electronic means;
- (4) Interest income and other receipts from commercial loans and installment obligations not secured by real or tangible personal property shall be attributed to Tennessee if the proceeds of the loan are to be applied in Tennessee. If it cannot be determined where the funds are to applied, the receipts are to be attributed to the state in which the business applied for the loan. As used in this subdivision, "applied for" means initial inquiry (including customer assistance in preparing the loan application) or submission of a completed loan application, whichever occurs first. For attribution purposes, the term "loan" shall not include demand deposit accounts, federal funds, certificates of deposit and other similar wholesale banking instruments issued by other financial institutions;
- (5) All interest and fee income from the issuance of letters of credit, acceptance of drafts, and other devices for assuring or guaranteeing a loan or credit shall be attributed in the same manner as interest income and other receipts from the loan are attributed as set out in either subsection (2)(B), (C), or (D);
- (6) Interest income, merchant discount, and other receipts, including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders. Fees shall be attributed to the state to which the card charges and fees are regularly billed;
- (7) Receipts from the sales of an asset, tangible or intangible, shall be attributed in the same manner that the income from the asset would be attributed under this section;
- (8) Receipts from the performance of fiduciary and other services shall be attributed in accordance with §67-4-2012(i);
- (9) Receipts from the issuance of traveler's checks, money orders, or United States savings bonds shall be attributed to the state where such items are purchased;
- (10) Receipts from a participating financial institution's portion of participation loans shall be attributed as otherwise provided under this subsection. A participation loan is any loan in which more than one (1) lender is creditor to a common borrower.

A financial institution which is not filing a combined report but has business activity both within and without Tennessee and is paying Tennessee franchise tax based on the value of its issued and outstanding stock, surplus and undivided profits and has earnings from business activity both within and without this state shall apportion net worth and business earnings to Tennessee by multiplying the tax base by the quotient of the institution's total receipts attributable to the transaction of business in Tennessee, as determined under §67-4-2118(d), and §67-4-2013(b), respectively divided by total receipts from business transacted everywhere.

Schedule S-E Financial Institution Apportionment Schedule for Excise Tax Purposes

The apportionment schedule below is to be used by financial institutions or unitary groups of financial institutions doing business within and without Tennessee within the meaning of Tennessee statutes. For excise tax purposes, unitary filing groups are to combine gross receipts of each member of the filing groups to obtain an apportionment formula for this group as a whole. This combined ratio is then applied to the combined net earnings of the group in Schedule J to obtain the excise tax base for the group.

TYPE OF RECEIPTS AS DEFINED IN T.C.A. 67-4-2013	In Tennessee	Everywhere
1. Receipts from leases of real property		
2. Interest income and other receipts from loans or installment sales secured by real or tangible personal property		
3. Interest income and other receipts from consumer loans which are not secured		
4. Interest income and receipts from commercial and installment loans which are not secured by real or tangible property .		
5. Receipts and fee income from letters of credit, acceptance of drafts, and other devices for guaranteeing loans or credit		
6. Interest income, merchant discount, and other receipts including service charges from credit card and travel and entertainment credit cards, and credit card holders' fees		
7. Sales of an intangible or tangible asset		
8. Receipts from fiduciary and other services		
9. Receipts from the issuance of travelers checks, money orders and U.S. Savings Bonds		
10. Interest income and other receipts from participation loans		
11. Total receipts (Add lines 1 through 10)		
12. Divide Total Tennessee receipts by Total Everywhere receipts and enter ratio on Schedule J, Line 30		%

FINANCIAL INSTITUTIONS INSTRUCTIONS SUBJECT TO FRANCHISE, EXCISE TAXES

(The information below applies only to financial institutions, is not all inclusive, and should not be used as a substitute for the text of the law itself.)

DEFINITION OF A FINANCIAL INSTITUTION

Tennessee law provides that a "Financial Institution" means a holding company, any regulated financial corporation, subsidiary of a holding company or regulated financial corporation, or any other corporation organized under the laws of the United States of America or any other taxing jurisdiction or any other person that is carrying on the business of a financial institution. The term "financial" institution does not include insurance companies subject to tax under T.C.A. §§56-4-201 through 56-4-214.

A "holding company" means any corporation registered under the Federal Bank Holding Company Act of 1956, as amended, or registered as a savings and loan holding company under 12 U.S.C. Section 1467a. (a)(l), as amended.

A "regulated financial corporation" means an institution, the deposits, shares, or accounts of which are insured under the Federal Deposit Insurance Act, by the Federal Savings and Loan Insurance Corporation, or any institution which is a member of a Federal Home Loan Bank, any other bank or thrift institution incorporated or organized under the laws of any taxing jurisdiction, or any foreign country which is engaged in the business of receiving deposits, any corporation organized under the provisions of 12 U.S.C. Section 611-631 (Edge Act corporations), and any agency of a foreign depository as defined at 12 U.S.C. Section 3101.

The "business of a financial institution" means the business that a regulated financial corporation may be authorized to do under state or federal law or the business that its subsidiary is authorized to do by the proper regulatory authorities; the business that any corporation organized under the authority of the United States or organized under the laws of any other taxing jurisdiction or country does or has authority to do which is substantially similar to the business which a corporation may be created to do under Title 45 or any business which a corporation or its subsidiary is authorized to do by Title 45; otherwise making, acquiring, selling, or servicing loans or extension of credit including, but not limited to the following: secured or unsecured consumer loans; installment loans; mortgage or deeds of trust or other secured loans on real or tangible personal property; credit card loans, secured or unsecured commercial loans of any type; letters of credit and acceptance of drafts; loans arising in factoring; or any other transactions of a comparable economic effect; or leasing or acting as an agent, broker, or adviser in connection with leasing real and personal property that is the economic equivalent of an extension of credit; or operating a credit card business.

If the business of a financial institution generates less than fifty percent (50%) of a corporation's gross income (not including income from nonrecurring, extraordinary transactions), the corporation shall not be considered to be a financial institution.

DOING BUSINESS IN TENNESSEE

A financial institution shall be presumed, subject to rebuttal, to be doing business in this state if the sum of its assets and the absolute value of its deposits attributable to sources within this state is five million dollars (\$5,000,000) or more. Additionally, a financial institution shall be deemed to be doing business in this state if the institution: maintains an office in this state; or has an employee, representative, or independent contractor conducting business in this state; or regularly sells products or services of any kind or nature to customers in this state that receive the product in this state; or regularly solicits business from potential customers in this state; or regularly performs services outside this state which are consumed in this state; or regularly engages in transactions with customers in this state that involve intangible property, including loans, and results in receipts flowing to the taxpayer from within this state; or owns or leases property located in this state; or regularly solicits and receives deposits from customers in this state.

UNITARY BUSINESS GROUPS INVOLVING FINANCIAL INSTITUTIONS TAXABLE IN TENNESSEE

Unitary Groups are required to file combined returns and pay tax on all operations of the unitary business. This return shall include the net earnings of all members of the unitary group even if some of the members would not otherwise be subject to taxation in Tennessee. Dividends, receipts, and expenses from transactions between members of a unitary group shall be excluded from the return.

"Unitary business" means business activities or operations of financial institutions that are of mutual benefit, dependent upon, or contributory to one another, individually or as a group, in transacting the business of a financial institution. The term may be applied within a single legal entity or between multiple entities. The term "unitary group" includes those entities that are engaged in a unitary business wholly within or without this state.

Unity is presumed whenever there is unity of ownership, operations, and use evidenced by centralized management of executive force, centralized purchasing, advertising, accounting, or other controlled interaction among entities that are engaged in the business of a financial institution. The absence of these centralized activities does not, however, necessarily evidence a nonunitary business.

Unity of ownership does not exist unless the corporation is a member of two (2) or more business entities and more than fifty percent (50%) of the voting stock of each member is directly or indirectly owned by: a common owner or common owners, either corporate or noncorporate; or one (1) or more of the members of the group.

COMBINED RETURNS FOR FINANCIAL INSTITUTIONS

Our statutes require a "combined return" rather than a "consolidated return." On a "combined return," the balance sheet items of each member of one filing group are combined as are income and expense items on the income statements of each member of the filing group. No elimination entries for intercompany transactions are made on a true "combined return." However, for excise tax purposes, the law does provide that dividends, receipts, and expenses from transactions between members of a unitary group shall be excluded. Our statute has no provisions for any eliminations on the balance sheet of such a combined return.

Because of the different wording of T.C.A. §§67-4-2013(b) and 67-4-2118(b), there is a difference in the method for computing the net worth

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FINANCIAL INSTITUTIONS INSTRUCTIONS

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franchise tax base and the net earnings excise tax base on a combined return.

For franchise tax purposes, the law requires that the net worth and franchise apportionment ratio of each member of the unitary group be computed as though each member were filing a separate return. The net worth so computed and apportioned to Tennessee for each member will then be combined to obtain the franchise tax net worth base on the combined return.

The minimum measure for franchise tax purposes is computed by adding the Tennessee real and tangible property balance sheet book values for each member of the group, plus rental values multiplied by the appropriate multiple. Rent paid by one member of the group to another member is excluded because the property rented has already been included once in the minimum measure. No other eliminations are made when computing the minimum measure.

For excise tax purposes, members of the unitary group combine income and expense items from the income statement of each member to compute the combined excise tax base in accordance with T.C.A. §67-4-2006. In accordance with T.C.A. §67-4-2006(a)(3) dividends, receipts, and expenses from transactions between members of the filing group are eliminated. Gross receipts of each member of the filing group are then combined in accordance with the statutory provisions, to obtain an apportionment formula which is applied to the combined earnings for excise tax purposes to obtain the excise tax base.

FINANCIAL INSTITUTIONS NOT CONSIDERED TO BE DOING BUSINESS IN TENNESSEE

A financial institution is not considered to be conducting the business of a financial institution in this state if the only activity of the financial institution in this state is the ownership of an interest in one or more of the following types of property (including those activities within this state that are reasonably required to evaluate and complete the acquisition or disposition of property, or the property, or servicing of the property, or the income from it, the collection of income from the property, or the acquisition or liquidation of the collateral relating to the property): (1) an interest in a real estate mortgage investment conduit, a real estate investment trust, or a regulated investment company as those terms are defined by the Internal Revenue Code of 1989, as amended; (2) an interest in a loan-backed security representing ownership or participation in a pool of promissory notes or certificates of interest that provide for payments in relation to payments or reasonable projections of payments on the notes or certificates (3) an interest in a loan, lease, note, or other assets attributed to this state and in which the payment obligations were solicited and entered into by a person that is independent and not acting on behalf of the owner; (4) an interest in the right to collect income from a loan or other asset from which interest on the loan or other asset is attributed to this state and in which the payment obligations were solicited and entered into by a person that is independent and not acting on behalf of the owner; (5) an interest in demand deposit clearing accounts, federal funds, certificates of deposit, and other similar wholesale banking instruments issued by other financial institutions; (6) an interest in a security; and (7) an interest of a financial institution in any tangible, real, or personal property acquired in satisfaction, whether in whole or part, of any asset embodying a payment obligation which is in default whether secured or unsecured if the ownership of the interest would be exempt otherwise as provided in (1)-(7) above.

Note that the word "securities" is defined by law as obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock and other securities, participations in securities backed by mortgages held by the United States or state government agencies, loan-backed securities, and similar investments.

DOING BUSINESS OUTSIDE THE STATE OF TENNESSEE

A financial institution which is not filing a combined report but has business activity both within and without Tennessee and which is paying Tennessee franchise tax based on the value of its issued and outstanding stock, surplus and undivided profits and has earnings from business activity both within and without this state shall apportion net worth and business earnings to Tennessee by multiplying the tax base by the quotient of the institution's total receipts attributable to the transaction of business in Tennessee, as determined under §67-4-2118(d), and §67-4-2013(b), respectively divided by total receipts as determined by T.C.A. §§67-4-2118(d) and 67-4-2013(b) from business transacted everywhere.

For franchise tax purposes, a unitary group shall have issued and outstanding stock, surplus and undivided profits apportioned to Tennessee based on the apportioned tax base of each of the members of the unitary group as outlined in paragraph 1 above. The net worth and franchise apportionment ratio of each member of the unitary group must be computed as though each member were filing a separate return. The net worth so computed and apportioned to Tennessee for each member will then be combined to obtain the franchise tax net worth base on the combined return for the unitary group as a whole.

For excise tax purposes, a unitary group shall have earnings apportioned to Tennessee which consists of the apportioned net earnings of the members of the unitary group as outlined in paragraph 1 above. Gross receipts of each member of the filing group are combined in accordance with statutory provisions to obtain an apportionment formula to apply to the combined earnings of the unitary group as a whole.



**TENNESSEE DEPARTMENT OF REVENUE
ALLOCATION AND APPORTIONMENT SCHEDULES**

**SCHEDULE M
(FORMFAE174)**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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IMPORTANT: IF YOU USE THIS FORM, ATTACH IT TO YOUR FRANCHISE, EXCISE TAX RETURN.
Allocation and apportionment schedules may be used only by taxpayers doing business outside the state of Tennessee within the meaning of Sections 67-4-2010 and 67-4-2110 Tennessee Code Annotated. The burden is upon the taxpayer to show that the corporation has the right to apportion.

SCHEDULE M - Schedule of Nonbusiness Earnings

Note - If all earnings are business earnings as defined below, do not complete this schedule. Any nonbusiness earnings, less related expenses are subject to direct allocation and should be reported in this schedule.

Definitions: "Business Earnings" means (1) earnings arising from transactions and activity in the regular course of the taxpayer's trade or business or (2) earnings from tangible and intangible property if the acquisition, use, management, or disposition of the property constitutes an integral part of the taxpayer's regular trade or business operations. In essence, earnings which arise from the conduct of the trade or trades or business operations of a taxpayer are business earnings, and the taxpayer must show by clear and cogent evidence that particular earnings are classifiable as nonbusiness earnings. A taxpayer may have more than one regular trade or business in determining whether income is business earnings.

"Nonbusiness Earnings" means all earnings other than business earnings.

Description (If further description is necessary see below)	Gross Amounts	*Less Related Expenses	Net Amounts	Net Amounts Allocated Directly to Tenn.
1. _____				
2. _____				
3. _____				
4. _____				
5. _____				
6. _____				
7. _____				
8. <u>Total nonbusiness earnings (Transfer to Schedule J, Line 26)</u>				XXXXX
9. <u>Nonbusiness earnings allocated directly (Transfer to Schedule J, Line 32)</u>			XXXXX	

If necessary, describe source of nonbusiness earnings and explain why such earnings do not constitute business earnings as defined above. Enumerate these items to correspond with items listed above.

*As a general rule, the allowable deductions for expenses of a taxpayer are related to both business and nonbusiness earnings. Such items as administrative **costs, taxes**, insurance, repairs, maintenance, and depreciation are to be considered. In the absence of evidence to the contrary, it is assumed that the expenses related to nonbusiness rental earnings will be an amount equal to 50 percent of such earnings and that expenses related to other nonbusiness earnings will be an amount equal to 5 percent of such earnings. (See regulation 1320-6-1.23(3))

**TENNESSEE DEPARTMENT OF REVENUE
LOSS CARRYOVER SCHEDULE**

**SCHEDULE U
(FORM FAE 174)**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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NOTE: SCHEDULE U IS NOT REQUIRED TO BE FILED WITH THE RETURN. This schedule may be used as a worksheet to compute the amount of net operating loss carryover.

IMPORTANT INFORMATION APPLICABLE TO LOSS CARRYOVER

1. Any net operating loss incurred for fiscal years ended on or after 3-15-82 and prior to 1-15-84 may be carried forward seven (7) years as a net operating loss carryover.
2. Any net operating loss incurred for fiscal years ending on or after 1-15-84 may be carried forward fifteen (15) years as a net operating loss carryover.
3. **COMBINED RETURN - UNITARY GROUP OF FINANCIAL INSTITUTIONS:**
Any net operating loss incurred by a member of the unitary group which has been apportioned to Tennessee in a tax year ending prior to July 15, 1990, may be carried forward seven (7) years as a net operating loss carryover by the unitary group. A net operating loss incurred by a unitary group of financial institutions computed on a combined basis may be carried forward fifteen (15) years by the unitary group.
Reference: Section 67-4-2006(c), Tennessee Code Annotated.

SCHEDULE U - SCHEDULE OF LOSS CARRYOVER

Year	Period Ended (mm/YY)	For Original Return or As Amended	Used In Prior Year(s)	Expired	Loss Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Transfer to Schedule J, Line 33)					