

## Franchise and Excise Tax Exempt Entity Disclosure of Activity

EXEMPTION PERIOD	TAXPAYER NAME	EXEMPT ACCOUNT NO.
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### Organizational Structure

	(a) Member/Partner Name	(b) Ownership Percentage	(c) Relationship
1.			
2.			
3.			
4.			

### Part I Family-Owned Non-Corporate Entity ("FONCE")

#### Passive Investment – Industrial & Commercial Real Estate Rental Prior to July 1, 2009

(a) Description and Address of Property	(b) Name of Lessee(s) <small>(Check box if affiliated with or related to the exempt entity)</small>	(c) Total Appraised Value (based on property tax records)	(d) Gross Receipts Prior to July 1, 2009
	<input type="checkbox"/>		
	<input type="checkbox"/>		

#### (e) Other Passive Investment Income Indicate all that apply

Source of Income	Gross Receipts	Source of Income	Gross Receipts
Royalties	_____	Gain on sale/exchange of stock	_____
Dividends	_____	Gain on sale/exchange of securities	_____
Interest	_____	Rent from residential property	_____
Annuities	_____	Rent/income from farming	_____
Other	_____		

#### (f) Non-Passive Income

Source of Income	Gross Receipts
Industrial & Commercial Real Estate Rental on or after July 1, 2009	
Other (please describe):	
<b>Total Non-Passive Income</b>	<b>\$</b>

### Part II Farming Activity

(a) Type of Income	(b) Assets valued at original cost to entity
Farm Income	Assets used in farming
Other Income	Other assets
Total Income	Total assets

### Part III Holding of a Personal Residence

(a) Description of Property	(b) Property Address	(c) Resident(s) / Number of days residing at property during the exemption period

Contact Person: \_\_\_\_\_ Title: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email address: \_\_\_\_\_

# Franchise and Excise Tax Exempt Entity Instructions for Disclosure of Activity

## Who must file:

1. Family-owned non-corporate entities ("FONCE") qualifying for exemption. Complete the Organizational Structure section and Part I.
2. LLCs, LPs, and LLPs qualifying for the farming activity exemption. Complete the Organizational Structure section and Part II.
3. LLCs, LPs, and LLPs qualifying for the holding of a personal residence exemption. Complete the Organizational Structure section and Part III.

## Account Number

Please indicate the account number for the exempt account. This is the same account number indicated on your Franchise and Excise Tax Annual Exemption Renewal. Please note that this account number is different from your Franchise and Excise Tax account number. Your Franchise and Excise Tax account number is to be used on your Franchise and Excise Tax return in years when the entity does not meet all requirements for exemption.

## Organizational Structure

- (a) Provide the full names of all members or partners.
- (b) Enter each member or partner's percentage interest in the entity. The total must equal 100%.
- (c) Identify the relationship of each partner. See definition of "family member" and "relative" below.

## Part I – Family-Owned Non-Corporate Entity

**WARNING:** Effective July 1, 2009, the only rent that meets the definition of "Passive Investment Income" is rent from residential property or farm property. "Residential property" includes any property leased or rented for residential purposes that includes not more than four (4) residential units.

## Passive Investment Income – Industrial and commercial real estate rental prior to July 1, 2009

- (a) Description and Address of Property – provide a brief description of the property being rented and the street address of such property.  
Examples: Duplex, 800 State St., Anywhere, TN  
Retail Store, 123 Maple St., Anywhere, TN
- (b) Name of Lessee(s) – Provide the name(s) of the entity or individual who is leasing the property that is generating passive investment income. If you are leasing a building with multiple tenants, such as an apartment building, you may write "various tenants" in the space provided. If you are leasing to a single lessee or a limited number of lessees, please identify them. Check the box provided if any of the lessees are affiliated with or related to the exempt entity.  
Example:  John Smith, partner in exempt entity  
 Jones Properties, LLC, common owners
- (c) Total Appraised Value – Enter the appraised value used for property tax purposes.
- (d) Gross Receipts – Enter the annual gross receipts received or accrued for the rental of the property before July 1, 2009. Rent from industrial and commercial real estate received or accrued on or after July 1, 2009 must be reported as non-passive income. "Gross receipts" is defined as all receipts from whatever sources derived before any deductions.

## Other Passive Investment Income

- (e) Check the box next to each source of income received and enter the annual gross receipts received from each source.

## Non-Passive Income

- (f) List the source and amount of non-passive income received during the reporting period.

**WARNING:** In order for an entity to qualify for the FONCE exemption: 1) at least 95% of its ownership must be held by members/partners who are family members; and 2) at least 66.67% of its income must be from passive investments and/or farming. If the entity has no income for the year, it does not qualify for the exemption.

## Part II – Farming Activity

- (a) Enter the amount of gross receipts earned by the entity from farming activities and all other activities. Farm income includes gross receipts derived from the property, including capital gains from the sale of land and other assets.
- (b) Enter the value of assets owned by the entity, valued at original cost to the entity. In the event an asset's original cost to the entity cannot be determined, or there is no original cost to the entity, the property should be valued at its fair market value at the time of acquisition by the entity.

**WARNING:** In order for an entity to qualify for the Farming exemption: 1) at least 66.67% of its income is from farming; and 2) at least 66.67% of its assets must be used in farming; and 3) at least 95% of the voting rights, capital interest or profits must be owned by natural persons who are relatives or by trusts for their benefit.

## Part III – Holding of a Personal Residence

- (a) Enter a complete description of the property owned by the entity, including how the property is used.
- (b) Enter the complete address of the property.
- (c) If the property listed is residential property, enter the name of the person(s) residing at the property and the length of time during the year that the person occupied the dwelling.

**WARNING:** In order for an entity to qualify for the Holding of a Personal Residence exemption at least 66.67% of its activity must be holding of one (1) or more personal residences where one (1) or more of the members/partners reside. In addition, at least 95% of the voting rights, capital interest or profits must be owned by natural persons who are relatives or by trusts for their benefit.

## Did not meet the exemptions requirements?

If the entity does not meet the exemption requirements in any year, it is taxable on all activities for that year. A completed franchise and excise tax return (FAE170) must be filed with payment of any taxes due by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the taxable year.

## Definitions:

**Family Member** - To determine who is considered a family member for the FONCE exemption, identify one person (either an owner or non-owner, living or deceased) to whom the owners are potentially related. With respect to that person, the following are considered members of the family:

1. Ancestor (Mother, grandfather, great grandmother, etc.)
2. Spouse or former spouse
3. Lineal descendent of such individual, their spouse or former spouse or of their parent. (Brother, daughter, grandson, niece, step-daughter, step-grandson, etc.)
4. Spouse or former spouse of #3 above.
5. The estate or trust (testamentary) of a deceased individual who, while living, was one of the above

**Relative** – To determine who is considered a relative for the farming/personal residence exemption, natural persons shall be considered relatives, if, by blood or adoption, 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** – The growing of crops, nursery products, timber or fibers, such as cotton, for human or animal use or consumption; the keeping of horses, cattle, sheep, goats, chickens or other animals for human or animal use or consumption; the keeping of animals that produce products, such as milk, eggs, wool or hides for human or animal use or consumption; or the leasing of the land to be used for farming.