

Instructions: Excise Tax Report of Bankruptcy Discharge

General Information

This form should be filed only after Form FAE170 or FAE174 for the year of discharge has been filed and then before any subsequent returns. Do not file this form with the return. Information from Form FAE170 or FAE174, Schedule K will be needed in order to properly complete this form.

Tenn. Code Ann. § 67-4-2006(c)(8) requires that loss carryover be reduced by the Tennessee portion of discharge of indebtedness income excluded from federal gross income under I.R.C. § 108(a) where the bankruptcy discharge occurs on or after October 1, 2013. The loss is reduced first in the current year, and any remaining amount of discharge reduces losses from prior years, starting with the oldest available loss carryover. The excess discharge does not create an excise tax base.

Once completed, this form should be mailed to:

Tennessee Department of Revenue
Attn: F&E Unit
P.O. Box 190644
Nashville, TN 37219-0644

Part 1 – Calculation of Discharge of Indebtedness Income Add-Back

Part 1 is used to calculate the current year discharge of indebtedness income add-back and determine if remaining discharge of indebtedness income add-back exists.

- Line 1: Enter the tax year in which the discharge occurred.
- Line 2: Enter the date the discharge occurred.
- Line 3: Enter the amount of the discharge to the extent it is not included in federal taxable income for the current year.
- Line 4: Enter the excise tax apportionment ratio from the franchise and excise tax return that includes the day the discharge occurred.
- Line 5: Multiply Line 3 by Line 4 to determine the amount of the discharge of indebtedness income that is to be added back.
- Line 6: Enter the current year Tennessee loss from Schedule K, Line 6 of the franchise and excise tax return that includes the date the discharge occurred. Enter the loss as a positive number. Enter \$0 on this line if there is a net income in this year.
- Line 7a: If Line 6 is more than Line 5, subtract Line 5 from Line 6. This is the adjusted loss carryover available to be carried forward from the year of the discharge. Do not complete Part 2. If Line 5 is more than Line 6, enter zero and move on to Line 7b.
- Line 7b: If Line 5 is more than Line 6, subtract Line 6 from Line 5, and complete Part 2.

Part 2 – Remaining Discharge of Indebtedness Income Add-Back – Revised Schedule U

Part 2 is used to reduce loss carryover from prior years by the remaining discharge of indebtedness income add-back. After completing, enter the totals of each column in the last row.

- Column a: Enter the ending date of the tax period in which the loss was originally incurred. List the oldest period first.
- Column b: Enter the available loss carryover values as they exist before applying the remaining discharge of indebtedness income add-back.
- Column c: Enter the remaining discharge of indebtedness income add-back from Line 7b, starting with the oldest year.
- Column d: Subtract the amount in Column (c) from the amount in Column (b) to determine the adjusted loss carryover balance. These adjusted values should be entered on Schedule U of subsequent franchise and excise tax returns.