

Instructions: Investment Company Special Privilege Tax Return

General Information

The special privilege tax on qualified investment companies is paid in lieu of any other privilege tax imposed on investment companies. Investment company, for purposes of this tax, are defined in Tenn. Code Ann. §§ 56-4-301 and 56-4-303.

This return and the amount calculated on Line 21 are due on or before the first day of the fourth month following the close of the investment company's fiscal year for federal income tax purposes. Taxpayers may make their tax payments online by visiting the Department's website at www.tn.gov/revenue. However, this form must be mailed to:

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

Schedule A – Allocation for Companies Doing Business Outside Tennessee

The taxpayer should complete Schedule A only if it is doing business in Tennessee *and* outside of Tennessee.

Line 1: Enter in the "In Tennessee" column gross income received from members, certificate holders, or contract holders who reside in Tennessee. Enter in the "Everywhere" column gross income received from all members, certificate holders, or contract holders everywhere. Divide the amount in the "In Tennessee" column by the amount in the "Everywhere" column and enter in the "Ratio" column. Transfer the ratio to Schedule C, Line 15.

Schedule B – Computation of Gross Profits or Income

Line 1: Enter the bond interest earned.
Line 2: Enter the mortgage loan interest earned.
Line 3: Enter the certificate loan interest earned.
Line 4: Enter any other interest earned. Attach a schedule listing each additional type of interest.
Line 5: Enter the amount of dividends earned.
Line 6: Enter the amount of gains on surrenders.
Line 7: Enter the amount of gross gains on sales of stocks and bonds.
Line 8: Enter the net rentals on real estate (subtract all taxes from the gross rentals).
Line 9: Enter any capitalized interest that is more than 90 days past due.
Line 10: Enter all other taxable gross income. Do not include any principal of loans or any premiums, service fees, or receipts from members, certificate holders, or contract holders, other than interest on contract loans. Attach a schedule listing each additional type of income.
Line 11: Add Lines 1 through 10 for the total gross profits or income.

Schedule C – Computation of Tax Due

Line 12: Enter the amount from Schedule B, Line 11.
Line 13: Enter the net amount of tax paid on all tangible assets, wherever located.
Line 14: Subtract Line 13 from Line 12. This is the amount of gross profits or income that is subject to allocation.
Line 15: Enter the ratio amount from Schedule A. If Schedule A was not required (i.e., the investment company is only doing business in Tennessee), enter 100%. This is the allocation factor.
Line 16: Multiply Line 14 by the allocation factor in Line 15. This is the tax base.
Line 17: Multiple Line 16 by two percent to calculate the special privilege tax.
Line 18: Enter any extension payment made or credit memo balance.
Line 19: Penalty is calculated at a rate of 5% for each 30-day period, or portion thereof, that a return is delinquent, up to a maximum of 25% of the delinquent amount. The minimum penalty is \$15 for

the delinquent filing of a return. If your return is delinquent, apply the appropriate penalty rate to the total tax due from Line 17.

Line 20: Interest is due on any amount of tax that is paid after the statutory due date of the return. The interest rate is determined in accordance with Tenn. Code Ann. § 67-1-801. The current interest rate can be found at www.tn.gov/revenue by clicking the Tax Resources tab. If the payment is late, apply the interest rate to the total tax due from Line 17.

Line 21: Add Lines 17, 19, and 20, and subtract Line 18 for the total amount of tax due. If the amount is a negative number (overpayment), complete Line 21(a) and/or Line 21(b).

Line 21(a), (b): If Line 21 is a negative number (overpayment), enter on the appropriate line any portion of that amount you would like to credit to next year's tax and/or receive as a refund.