



If taxpayer is deceased, enter date of death in the boxes at right.

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If taxpayer's spouse is deceased, enter date of death in the boxes.

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Enter taxpayer's phone number in the boxes below

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Taxpayer's Email Address:

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**Schedule A - Taxable Dividends and Interest**

List taxable dividends from all sources, including holding companies and mutual funds. Also, include capital gain and nondividend distributions. List all bonds, notes, mortgages, and other taxable interest. (See instructions.)

Income Type Enter I for interest or D for dividends.	Description	Amount Round to the nearest dollar.

Total taxable dividends and interest (enter here and on Line 1 of page 1).....

**Schedule B - Non-Taxable Dividends and Interest**

List dividends from national and Tennessee chartered bank stock, credit unions, building or savings and loan companies, and Tennessee licensed insurance companies. List interest on bonds of the U.S. government and its agencies, Tennessee bonds, interest from credit unions, certificates of deposit, accounts not represented by a written instrument, passbook accounts, savings accounts, bank money market accounts, "NOW" accounts, and commercial paper maturing in six months or less. (See instructions.)

Income Type Enter I for interest or D for dividends.	Description	Amount Round to the nearest dollar.

Total non-taxable dividends and interest .....



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	_____ Spouse's Signature	_____ Date
_____ Tax Preparer's Signature	_____ Preparer's PTIN	_____ Date
_____ Preparer's Address	_____ City	_____ State
_____ Preparer's Email Address		
_____ Telephone	_____ ZIP Code	

Taxable Year	Taxpayer Name	Account No./FEIN/SSN
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**Schedule C - Angel Investor Credit**

Effective with tax years beginning on or after January 1, 2017, a Hall income tax credit is established equal to 33% of the value of a direct or indirect investment by an "angel investor" in an innovative small business. Angel investors making investment in companies located in a Tier 4 county will be allowed a credit of 50%.

The investment must be at least \$15,000 and represent no more than 40% of the capitalization of the company at the time of the investment. The credit is limited to \$50,000 per angel investor in any tax year.

The total amount of awarded credits is capped at \$3 million for tax years beginning January 1, 2017; \$4 million for tax years beginning January 1, 2018; and \$5 million for tax years beginning on or after January 1, 2019. Unused Angel Investor Credit may be carried forward for up to five years until fully utilized. Certificates of qualification for the credit will be issued by the Tennessee Technology Development Corporation ("Launch Tennessee") on a first-come, first-served basis.

Period Ending (MM/YY)	A Angel Credit Carryover from Prior Years	B New Angel Credit (cannot exceed \$50,000)	C Available Angel Credit (add columns A&B)	D Current Tax Liability (Line 4, front of return)	E* Credit Carryover (see instructions below)
Total Credit Carryover* .....					

\* If the amount in Column C is greater than the amount in Column D, put the amount from Column D on the front of the return, Line 5, and enter Column C minus Column D in Column E. If the amount in Column C is less than the amount in Column D, put the amount from Column C on the front of the return, Line 5, and enter zero in Column E.

## Instructions: Individual Income Tax Return for Angel Investors

### General Information

#### Who should file

The following people are required to file an Individual Income Tax Return (also see Schedule A):

- A person whose legal domicile\* is in Tennessee and whose taxable interest and dividend income exceeded \$1,250 (\$2,500 if married, filing jointly) during the tax year.
- A person who moved into or out of Tennessee during the year and whose taxable interest and dividend income during the period of Tennessee residency exceeded \$1,250 (\$2,500 if married, filing jointly).
- A person whose legal domicile\* is in another state, but who maintained a residence in Tennessee for more than six months of the year and whose taxable interest and dividend income exceeded \$1,250 (\$2,500 if married, filing jointly). Military personnel and full-time students who have legal domicile in another state are not required to file.
- A person, bank, etc. acting as a Tennessee fiduciary (e.g., administrator, executor, guardian, trustee, or other acting in a similar capacity) who received \$1,250 or more in taxable interest and dividend income for the benefit of Tennessee residents. However, if a grantor trust does not obtain an FEIN, the trustee, instead of filing a return, must report the total amount of income received by the trustee to the grantor, who is liable for the tax. Also, the trustee of a charitable remainder trust is not responsible for payment of tax. The trustee must report to each resident beneficiary the amount of taxable income distributed to him, and the beneficiary is liable for the tax.

Trustees who receive taxable income on behalf of nonresident beneficiaries are *not* required to file a return. However, when taxable income is received on behalf of both resident and nonresident beneficiaries, only the taxable income of any resident beneficiary is required to be reported on Schedule A and on Line 1 of the return. Nonresident income may be reported on Schedule B. An executor or administrator of a Tennessee estate must pay tax on income received by the estate, until stocks and bonds have been transferred to the beneficiaries, even if the beneficiaries are nonresidents. A trust or estate is entitled to only one exemption of \$1,250 regardless of the number of beneficiaries.

- A Tennessee partnership whose taxable interest and dividend income exceeded \$1,250. The partnership is liable for the tax, if any.

\* When determining your legal domicile, you should consider where you are registered to vote, where you maintain your driver's license, and where you maintain your permanent or principal residence (as opposed to a special-purpose or temporary residence, such as a vacation home, etc.).

#### Filing and making payments

Most taxpayers file on a calendar year basis, meaning their tax year begins on January 1 and ends on December 31. A taxpayer filing on a calendar year basis must file a return by April 15 of the following year. If a taxpayer's tax year is something other than the calendar year, the taxpayer must include its fiscal year beginning and end dates. For a taxpayer on a fiscal year filing, the return is due by the 15th day of the fourth month following the end of the fiscal year.

Taxpayers may file and make their tax payments online by visiting the Department's website at [www.tn.gov/revenue](http://www.tn.gov/revenue). Alternatively, taxpayers may mail their returns and payments to the Department at the address listed on the front of the return. Make checks or postal money orders payable to Tennessee Department of Revenue. Tax may be paid in cash at the Nashville office or the regional offices (Chattanooga, Jackson, Johnson City, Knoxville, and Memphis).

Taxpayers may request an extension to file their returns by completing the Application for Extension of Filing Time. The extension request must be made on or before the due date of return. The request should be mailed to the Department at the address listed on the front of the return.

#### Distribution of income taxes collected

Three-eighths of the income taxes collected are distributed among the cities and counties of the state. In order for the taxes to be properly distributed, please provide the name of the county and city (if the taxpayer resides within an incorporated municipality) of the taxpayer's legal residence in the appropriate space on the return.

#### **Exemptions**

For tax years beginning January 1, 2015, any person 65 years of age or older having a total annual income derived from any and all sources of \$37,000 or less, or \$68,000 or less for joint filers are completely exempt from the tax.

If a person is certified by a medical doctor as a quadriplegic, the taxable income that is derived from circumstances resulting in the individual becoming a quadriplegic is exempt. However, when taxable interest and dividend income is received jointly by a quadriplegic and a spouse who is not a quadriplegic, or who is quadriplegic but the taxable income was not derived from circumstances resulting in such spouse becoming quadriplegic, only one-half of the jointly received income will be exempt from the tax. Under the circumstances, the spouse who is not quadriplegic or whose quadriplegic condition did not result in the income, is entitled to only a \$1,250 exemption.

A person who is legally blind is exempt from the tax. Legal blindness means that vision does not exceed 20/200 in the better eye with correcting lenses or that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

To receive the exemption, single filers must send a written statement from their physician, certifying their blindness to the Department of Revenue. Single filers who are blind are not required to file a return. For joint filers, when taxable income is received by a blind person and a sighted spouse, only the taxable income of the sighted person is required to be reported in Schedule A and on Line 1 of the return. The income of the blind person is exempted and may be reported on Schedule B. If the taxable dividend/interest income is received jointly by a blind person and a sighted spouse, only one-half of the jointly received income will be exempt from tax. The sighted person is entitled to only a \$1,250 exemption on a jointly filed return. A physician's statement for the blind spouse is required with the return.

#### **Instructions**

- Line 1: Enter the total taxable dividends and interest from Schedule A.
- Line 2: Enter the annual exemption amount that is allowed against total taxable interest and dividend income. The exemption amount is \$2,500 for married persons filing jointly and \$1,250 for any other filing status.
- Line 3: Subtract Line 2 from Line 1.
- Line 4: Multiply the income tax rate of 2% by Line 3.
- Line 5: Enter the total credit available from Schedule C, Column C. This amount cannot exceed Line 4.
- Line 6: Subtract Line 5 from Line 4.
- Line 7: Enter any amount previously paid with an extension request or an original return or any prepayment.
- Line 8: 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.
- Line 9: 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](http://www.tn.gov/revenue) under Tax Resources.
- Line 10: Add Lines 6, 8, and 9, and subtract Line 7.
- Line 11: If Line 7 is more than the total of Lines 6, 8, and 9, enter the amount here. This is the amount requested to be refunded. If you are filing an amended return and the amount is \$200 or more, a Report of Debts form must be completed and filed with the return.

### **Schedule A – Taxable Dividends and Interest**

The following are types of income subject to the Hall income tax. Include any of these types of income on Schedule A. Indicate whether the income is interest or dividends, include a brief description of the income, and include the amount. Enter the total amount of taxable income on Line 1 of the return.

- Dividends from stock in:
  - all corporations
  - insurance companies not licensed to do business in Tennessee
  - all holding companies, including those formed by banks, savings and loan associations, and insurance companies
  - state-chartered banks outside Tennessee not doing business in Tennessee
- Income from investment trusts and mutual funds, including capital gain distributions, whether in cash or additional stock (Note, the portion of income derived from bonds of the U.S. government and its agencies or bonds of the state of Tennessee and its counties and municipalities is exempt.)
- Any distribution which does not qualify as a return of capital and is otherwise taxable. In order to qualify as a return of capital, it must be shown that part of the shareholder's investment is being returned to the shareholder and that, as a result, the capital of the company is actually reduced or the number of shares decreases. The status or classification of the transaction for federal income tax purposes is not controlling.
- Market value of stock in a corporation given by another corporation as a dividend in the regular course of business
- Distributions based on stock ownership to shareholders of an S corporation
- Interest from the following, if the instrument matures in more than six months from the date of issuance (except certificates of deposit):
  - bonds of states, counties, and municipalities outside Tennessee
  - bonds of foreign governments
  - church bonds
  - bonds, mortgages, deeds of trust, personal notes, promissory notes, installment notes, commercial paper, or other written instruments, issued by any person, firm, corporation, joint-stock company, business, trust or partnership
- Interest and dividends you received as a beneficiary of a trust or estate located outside Tennessee, unless derived from a nontaxable source
- Dividends or interest from money market funds which are not bank money market accounts
- Dividends or interest from the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation (Note, these are not agencies of the U.S. government.)
- Income credited to a limited partner's capital account, if the partner has a certificate evidencing transferable interest in the partnership (usually a publicly-traded partnership)

Income is considered taxable when it is:

1. received in cash;
2. paid by check or other negotiable instrument or equivalent that is mailed to taxpayer, regardless of date received;
3. credited on books of a bank, banking institution, broker or any agent of taxpayer; or
4. received in merchandise or other commodities of intrinsic value.

### **Schedule B – Non-taxable Dividends and Interest**

The following are types of income that are not subject to the Hall income tax. Include any of these types of income on Schedule B. Indicate whether the income is interest or dividends, include a brief description of the income, and include the amount.

- Dividends from stock in:
  - national banks (except holding companies)
  - Tennessee-chartered state banks (except holding companies)
  - federal savings and loan associations and/or savings and loans in Tennessee (except holding companies)
  - insurance companies licensed to do business in Tennessee (except holding companies)
  - mutual funds and investment trusts to the extent the fund or trust invests in U.S. bonds or Tennessee municipal bonds
- Dividends on insurance policies
- Interest from the following, if the instrument matures in six months or less from the date of issuance:
  - bonds, mortgages, deeds of trust, personal notes, promissory notes, commercial paper, or other written instrument, issued by any person, firm, corporation, joint-stock company, business, trust or partnership
- Interest from the following regardless of the date of maturity:
  - bonds of the state of Tennessee and its counties and municipalities
  - bonds of the U.S. government and its agencies
  - certificates of deposit issued by any bank, savings and loan association or credit union
  - repurchase agreements or similar evidences of indebtedness (A repurchase agreement is an investment instrument whereby a person buys a security, and the seller, usually a broker, agrees to repurchase the security on a certain date for a certain price.)
- Interest from insurance policies if interest is payable on demand
- Interest from savings accounts, checking accounts or money market accounts in any bank, savings and loan association or credit union (except money market funds)
- Interest or dividends from credit unions
- Income described by a partnership or S corporation as portfolio or pass-through interest or dividends, unless actually paid to a partner with a certificate of transferable interest or to a shareholder
- Earnings or distributions from education and Roth IRAs that are not subject to federal income tax
- Distributions of income or earnings from federally recognized retirement accounts, including IRAs
- Capital gains from the sale of real estate, stock, etc. (Capital gain distributions from mutual funds are taxable.)
- Distributions paid on or after July 1, 2006, to shareholders of publicly-traded real estate investment trusts (REITS) (Distributions paid prior to this date are taxable.)
- Earnings or distributions received on or after July 1, 2006, from health savings accounts (HSAs) (Earnings received prior to this date are taxable to the extent they are derived from sources taxable for Tennessee income tax purposes.)

### **Schedule C – Angel Investor Credit**

Only angel investors certified by the Tennessee Technology Development Corporation (Launch Tennessee) should complete Schedule C. The amount included in Column B is the amount of credit certified to the taxpayer by Launch Tennessee.

Include any credit carried over from previous years in Column A. There will be no credit carryover for the 2017 tax year (i.e., period ending December 2017 for calendar year filers). Enter the total of Columns A and B in Column C, and include the amount from Line 4 of the return in Column D. Enter the amount in Column C, up to the amount on Line 4 of the return, on Line 5. If the Column C amount is more than the taxpayer's current tax liability reported on Line 4, enter the amount of Line 4 on Line 5.

If the amount in Column C is less than Column D (amount from Line 4), enter zero in Column E. However, if Column C is more than Column D, subtract Column D from Column C and enter the amount in Column E. This is the amount of credit carryover that the taxpayer will include in Column A of the next year's return.