

Annual Renewal of Franchise and Excise Tax Exemption

Notice #09-05

Franchise and Excise Tax

March 2009

**Highlights**

- Annual renewal required for franchise & excise tax exempt entities
- Annual renewal form must be filed by the 15th day of the 4th month following the close of the tax year
- Entity will lose its exempt status if renewal is not filed
- Entities that have filed the application for exemption must also file FAE 183
- Return must be filed if no longer eligible for exemption

**References:**

T.C.A. § 67-4-2008

INTRODUCTION

This notice is intended to provide exempt franchise and excise tax entities with information concerning the annual renewal of their exemption status.

Effective for tax years beginning on and after January 1, 2008, every entity exempt from franchise and excise taxes under the provisions of Tenn. Code Ann. §§ 67-4-2008(a)(5) through (12) must file the new annual exemption renewal form (FAE 183). This form must be filed by the 15th day of the fourth month following the close of the entity's taxable year in order to certify that they continue to be eligible for the exemption. Taxpayers that have already filed the Application for Exemption (RV-F1319201) must also file form FAE 183, along with the Disclosure of Activity form if applicable.

DISCUSSION**Annual Renewal of Franchise and Excise Tax Exemption**

Beginning with the 2008 tax period, all franchise and excise tax entities that have been granted exempt status by the department must complete an annual exemption renewal form, FAE 183, to certify that the entity continues to meet the applicable exemption requirements. The annual exemption renewal form must be filed no later than the 15th day of the fourth month following the close of the entity's taxable year. If the annual exemption renewal is not filed, the entity will lose its exempt status and will be required to file the required franchise and excise tax return with payment of tax due.

Annual Renewal Procedure

1. On page 1 of the exemption renewal form the entity must indicate the exemption type for which it qualifies. On page 2 of the form, the entity must review the list of criteria for the exemption type and place a check next to each criterion that has been met for the taxable period.
2. Entities qualifying for the family-owned non-corporate entity exemption or the farming/personal residence exemption must also complete a Disclosure of Activity form.
3. Taxpayers that have already filed the Application for Exemption (RV-F1319201) must also file this new form (FAE183) along with the Disclosure of Activity form, if applicable.
4. Taxpayers that have already filed the Disclosure of Activity form for 2008 do not have to file the new annual renewal form until the 2009 tax period.
5. If the entity has requested an extension for federal income tax purposes, then an automatic extension will be granted for the annual renewal form as well.
6. If the entity no longer qualifies for a franchise and excise tax exemption, a completed franchise and excise tax return, FAE 170, must be filed no later than the 15th day of the fourth month following the close of the entity's taxable year. If the entity files the FAE 170, then the annual exemption renewal form should not be filed.

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.