

Farming Activities

[Public Chapter 592 \(2004\)](#)

Franchise and
Excise taxes
notice
#04-28

Exemption for Limited Liability Companies (LLCs) or Limited Partnerships (LPs) Engaged in the Business of Farming

Limited liability companies and limited partnerships that derive 66.67% or more of their gross receipts from farming or maintaining a residential farm are exempt from franchise and excise taxes.

For purposes of determining whether a receipt may be counted toward the 66.67% threshold necessary to qualify for this exemption, “farming” is defined as the growing of crops or the keeping of animals for human or animal use or consumption.

Effective May 3, 2004, [Public Chapter 592, Acts of 2004](#), broadens the definition of “farming” found in Tenn. Code Ann. Section 67-4-2008(a)(6)(A)(i) by including the leasing of land that is used by the lessor for farming. As such, income received from the leasing of such land may be included when determining whether an entity derives 66.67% or more of its gross receipts from qualifying activities.

Exemption for Family-owned Non-corporate Entities

Limited liability companies and limited partnerships that are at least 95% owned by members of a family and which derive 66.67% or more of their gross receipts from passive investment income are exempt from franchise and excise taxes.

Effective May 3, 2004, [Public Chapter 592, Acts of 2004](#), broadens the definition of passive investment income found in Tenn. Code Ann. Section 67-4-2008(10)(A) to include receipts derived from “farming.” As such, income received from farming

may be included when determining whether an entity derives 66.67% or more of its gross receipts from qualifying activities. An entity will still need to qualify under both the 66.67% receipts test and the 95% family ownership test to benefit from this exemption.

Required Actions

These broadened exemptions will be available to entities for tax years beginning on or after May 3, 2004. To request an exemption, please submit a letter to the Department of Revenue that contains the name and federal identification number of the LP or LLC seeking the exemption along with a description of the entity’s ownership structure and its sources of income. The taxpayer will receive a written confirmation once the department approves the exemption request.

If you have any questions about this notice, you may contact the department. Tennessee residents outside the Nashville calling area may call our statewide toll-free number at (800) 397-8395. Callers from Nashville or out-of-state may dial (615) 253-0700. You can access additional information on our Web site at www.Tennessee.gov/revenue.

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