TENNESSEE DEPARTMENT OF REVENUE
REVENUE RULING # 24-01

Revenue rulings are not binding on the Department. This ruling is based on the particular facts and circumstances presented, and is an interpretation of the law at a specific point in time. The law may have changed since this ruling was issued, possibly rendering it obsolete. The presentation of this ruling in a redacted form is provided solely for informational purposes, and is not intended as a statement of Departmental policy. Taxpayers should consult with a tax professional before relying on any aspect of this ruling.

SUBJECT

The applicability of the Tennessee franchise and excise taxes to limited partnerships that own REITs.

SCOPE

Revenue Rulings are statements regarding the substantive application of law and statements of procedure that affect the rights and duties of taxpayers and other members of the public. Revenue Rulings are advisory in nature and are not binding on the Department.

FACTS

This ruling involves Limited Partnership (LP) A, LP B, and LP C (collectively "the Limited Partnerships"). The capital investment for the Limited Partnerships was provided by their limited partners. The Limited Partnerships own a greater than 99 percent interest in one of three real estate investment trusts ("REITs"); respectively, LP A has an interest in REIT A LLC, LP B in REIT B LLC, and LP C in REIT C LLC (collectively, the "REITs"). The REITs may own interests in various LPs and LLCs. Each of the REITs mentioned have at least one loan secured by real property located in Tennessee. Each of the REITs has made the REIT election, pursuant to IRC § 856(c)(1). The shares of the REITs are not traded on a national stock exchange.

The investment manager and general partner/managing member of the Limited Partnerships is LLC X (the "Investment Manager"). The Investment Manager is an LLC disregarded for federal income tax purposes. The Investment Manager is wholly owned by two tiers of holding companies that are disregarded into a corporation (the "Parent"). The Investment Manager is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Investment Manager is also the investment manager for other LLCs that do not have loans secured by real property in Tennessee.

The Investment Manager is formed in Delaware and domiciled outside of Tennessee. The Investment Manager does not have an office in Tennessee. The Investment Manager is a qualified foreign limited liability company with the Tennessee Secretary of State. The Parent is also qualified as a foreign corporation with the Tennessee Secretary of State.

Employees of the Investment Manager occasionally travel to Tennessee in order to evaluate whether the Limited Partnerships should provide financing for Tennessee projects. A loan originator employee of the Investment Manager might tour the real property before a loan opportunity is taken to the Investment Manager investment committee to evaluate the property. The Investment Manager portfolio manager might tour the property prior to or after loan closing to further evaluate the ability of the property to generate income sufficient to allow repayment of the loan. Generally, the Investment Manager may make one or two visits to Tennessee in regard to a loan. If the loan is a construction loan, additional visits might be required during the loan term to evaluate the progress on the construction and the date the property will be put into service so as to generate income. Finally, an annual visit may be made by an Investment Manager loan originator to meet with local brokers or property managers in order to evaluate additional opportunities to make loans on Tennessee properties or to Tennessee borrowers.

The only business activities of the Limited Partnerships are to hold interests in the various REITS or LLCs. The business activities of the REITs (and the LPs and LLCs owned by the REITs) are to hold and receive payments on mortgages secured by property. The REITs, including the LPs and LLCs owned by the REITs' (collectively, the "Mortgage Holders") only connections to Tennessee are that, from time to time, some of the real or personal property securing some of the mortgages are in Tennessee, and some of the borrowers could possibly be located in Tennessee.

To acquire the mortgages they own, the Mortgage Holders rely on the actions of the Investment Manager. The Investment Manager is affiliated with the Mortgage Holders through the Investment Manager's direct or indirect ownership as a Limited Liability Company member and/or general partner in the Limited Partnerships, that own substantially all the ownership interest in the Mortgage Holders. The Investment Manager owns, directly or indirectly, 0.0 percent of LP A, and 1.0 percent of LP B, 0.0 percent of LP C.

Structure of LP A, LP B, and LP C

LP A: In LP A, the Investment Manager, through a wholly owned LLC, owns an approximately zero percent general partnership interest in LP A. LP A is a non-Tennessee limited partnership that operates as an open-end partnership that invests in limited liability companies, limited partnerships, and REITs established to act as real estate investment vehicles. Through an approximately 99.99 percent owned REIT, REIT A LLC, LP A indirectly holds mortgages and mezzanine loans secured by real property, including Tennessee real property. LP A does not directly hold loans. Various limited partners own the remaining interests in LP A, including the Parent which owns an approximately 16 percent interest. LP has been structured in such a way for at least four years. REIT A LLC is currently filing Tennessee franchise and excise tax returns.

LP B: In LP B, the Investment Manager indirectly owns, through a 100 percent owned LLC, a one percent interest as a general partner in LP B. LP B is a non-Tennessee limited partnership that operates as an open-end partnership that invests in REIT B LLC. Through its approximately 99.99 percent interest in REIT B LLC, LP B indirectly invests in first mortgages and mezzanine loans secured by real property. LP B does not directly hold loans. REIT B LLC invests in an LLC taxed as a partnership for federal income tax purposes, which is the entity that ultimately holds the real estate loans (the "REIT Pooling LLC"). REIT B LLC owns more than 50 percent of REIT Pooling LLC. Various limited partners own the remaining interests in LP B. The Parent owns an approximately 35 percent interest

in LP B.[1] LP B has been structured in this manner for at least four years. REIT Pooling LLC acquired a Tennessee loan in 2018 and that loan was paid off in 2019. REIT Pooling LLC filed Tennessee franchise and excise tax returns for 2018 through 2020.

LP C: In LP C, the Investment Manager, through a wholly owned LLC, owns an approximately zero percent general partnership interest in LP C. LP C is a non-Tennessee limited partnership that operates as an open-end partnership that invests in REIT C LLC. REIT C LLC was established to act as a real estate investment vehicle. Through an approximately 99.99 percent interest in REIT C LLC, LP C indirectly holds mortgages and mezzanine loans secured by real property. LP C does not hold loans directly. Various limited partners own the remaining interest in LP C, including the Parent, which owns an approximately 72 percent interest. LP C has been structured in this manner for at least two years, with the initial loan originating on March 25, 2021. It is anticipated that REIT C LLC will file Tennessee franchise and excise tax returns.

The Investment Manager allocation process

As noted above, the Investment Manager is an indirectly owned, wholly owned LLC that is disregarded into Parent for federal income tax purposes. It does not provide similar services to LPs and LLCs for which it is not the Investment Manager. Parent indirectly owns interests in the Limited Partnerships as a limited partner, approximately 16 percent in LP A, 35 percent in LP B, and 72 percent in LP C. During at least the past three years, the Investment Manager has provided similar services to other LPs and LLCs that do not have loans secured by property in Tennessee.[2]

The Limited Partnerships receive the allocation of the mortgages their respective Mortgage Holders hold through the following process:

Step 1: The Investment Manager is presented with loan opportunities either from independent mortgage brokers (the "Independent Brokers") or from borrowers that have their own in-house capital market teams. Independent Brokers account for approximately 60 percent of the activity being presented. Neither the independent brokers or the borrowers are affiliated with the Investment Manager or the Limited Partnerships.

Step 2: The Investment Manager evaluates each deal and, if considered a viable investment, it will be submitted to an Investment Manager committee for initial prescreening. If approved, the Investment Manager will submit a quote to the Independent Broker or borrower initiating term negotiations.

Step 3: The Independent Broker or borrower is simultaneously working with other potential investors on the same loan and the list of potential investors is narrowed through negotiations and other communications between the Independent Broker or borrower and the prospective investors and their representatives, including the Investment Manager acting on behalf of the Limited Partnerships.

[1] REIT X LLC owns approximately 8.5 percent of LP B, and thus LP B is not part of any REIT X LLC captive REIT affiliated group.

[2] For example, the Investment Manager has provided similar services to LP E, in which it indirectly, through a wholly owned single member LLC, is a 0.1996 percent general partner and an unrelated party is the 99.8004 percent limited partner. LP E owns various single member LLCs that hold loans secured by property not located in Tennessee. LP E has been structured in this way for at least four years.

Step 4: If the Investment Manager's indication of interest for a mortgage is ultimately selected by the Independent Broker or borrower, the Investment Manager will present the loan term sheet to its Investment Committee for its initial review. From this approval, the term sheet will be accepted and signed.

Step 5: In conjunction with this, the Investment Manager circulates the potential loan investment to the Limited Partnerships who must respond within 48 hours with a yes/no interest in the deal based on the individual entity's investment objective. Of the entities responding "yes," the entity with the highest allocation ranking will be allocated the loan investment. This entity is then moved to the bottom of the Allocation Matrix for the next investment opportunity that arises. Once allocation is complete, the Investment Committee finally approves the loan for closing.

Step 6: Once an investment is selected and the Investment Manager determines which entity the particular mortgage or loan will be allocated to, the Investment Manager executes the notes, mortgages, and other loan documents on behalf of the entity. The Investment Manager executes the loans in the name of the appropriate Mortgage Holder (i.e., REIT A LLC, REIT B LLC, or REIT C LLC, a special purpose entity underneath the REITs, or other special purpose entities) as the lender identified in those documents. The Investment Manager signs the notes on behalf of the Mortgage Holder in its capacity as Investment Manager through authority granted through the management agreements with the Mortgage Holders or other agreements such as the limited partnership agreement. The Limited Partnerships are never identified as the lender in the documents and never generate interest income from any loans secured by property in Tennessee.

The Investment Manager is never identified as a lender to a mortgage it acquires on behalf of its clients, and never owns the mortgage it enters on behalf of those clients. Instead, when the Limited Partnerships receive a particular mortgage, the Mortgage Holder is identified as the lender in the notes, mortgages, and other loan documents the Investment Manager acquires on behalf of the Limited Partnerships and their investment vehicles.

Step 7: The closing on the loan documents takes place outside of Tennessee, and the Limited Partnerships never own or are ever deemed to own any equity interest in a borrower. The Mortgage Holder provides the funds to close the loan. To close the loans, capital may be called from the investors. The funds are deposited by the investors into the Limited Partnerships, and then those entities contribute the funds to their respective Mortgage Holders. At other times, the funds are derived from leverage and are similarly contributed to the Mortgage Holders. At times, a combination of capital and leverage are used. The funds are sent from the Limited Partnerships' accounts to the respective Mortgage Holder's account and used to fund the loan.

After receiving ownership of a mortgage through the activities of the Investment Manager, the Mortgage Holder, through a mortgage servicer or collection agent, collects payments on the mortgage when the payments become due. The Mortgage Holder's only connections to Tennessee are that some of the mortgages from which it receives those payments are secured, in part, by property located in Tennessee, and some borrowers could possibly reside in Tennessee. The Limited Partnerships do not hold loans secured by property in Tennessee or receive interest income from such loans.

The special purpose entities underneath the REITs are either single member LLCs that are disregarded into the REIT for federal income tax purposes, or in the case of REIT Pooling LLC, a multi-member LLC that is treated as a partnership for federal income tax purposes.

During the most recent twelve-month period, Investment Manager allocated loans to three of the Limited Partnerships, and no more than 90 percent of the loans were allocated to any one of them.

RULINGS

1. Do (1) REIT A LLC and any entities more than 50 percent owned by REIT A LLC; (2) REIT B LLC and any entities more than 50 percent owned by REIT B LLC, including REIT Pooling LLC; and (3) REIT C LLC and any entities more than 50 percent owned by REIT C LLC each constitute a separate Captive REIT affiliated group as that term is defined in Tenn. Code Ann. § 67-4-2004(8)?

Ruling: Yes. REIT A LLC, REIT B LLC, REIT C LLC and any entities more than 50 percent owned by each of these REITs respectively, constitute a separate Captive REIT affiliated group (CRAG).

2. Are the Captive REIT affiliated groups (CRAGs), LP A, LP B, and LP C "doing business in Tennessee" as that term is defined in Tenn. Code Ann. § 67-4-2004(14) and do they have "substantial nexus in this state" as defined in Tenn. Code Ann. § 67-4-2004(49)?

Ruling: No. The CRAGs, and the Limited Partnerships are not "doing business in Tennessee" because they fall under a financial institution safe harbor. Because they are not "doing business in Tennessee," they are not subject to the franchise and excise taxes, and it is unnecessary to further analyze the substantial nexus issue.

ANALYSIS

1. REIT A LLC and any entities more than 50 percent owned by REIT A LLC; (2) REIT B LLC and any entities more than 50 percent owned by REIT B LLC, including REIT Pooling LLC; and (3) REIT C LLC and any entities more than 50 percent owned by REIT C LLC each constitute a separate captive REIT affiliated group.

A "captive REIT" is defined as "an entity with an election in effect under § 856(c)(1) of the Internal Revenue Code (26 U.S.C. § 856(c)(1)), in which any other entity or individual, directly or indirectly, has at least eighty percent (80%) ownership interest by value determined in accordance with generally accepted accounting principles and whose shares are not traded on a national stock exchange."[3]

A "Captive REIT affiliated group" (a "CRAG") is defined in TENN. CODE ANN. § 67-4-2004(8) (2022) to mean "a captive REIT and any entity in which the captive REIT, directly or indirectly, has more than fifty percent (50%) ownership interest; provided, however, that a [CRAG] does not include a group in which the captive REIT is owned, directly or indirectly, by a bank, bank holding company, or a public REIT."

[3] TENN. CODE ANN. § 67-4-2004(7).

REIT A LLC, REIT B LLC, and REIT C LLC have each made the REIT election, pursuant to IRC § 856(c)(1). Each of the REITs is owned by an entity with at least 80% ownership interest. The shares of the REITs are not traded on a national stock exchange. As such, REIT A LLC, REIT B LLC, and REIT C LLC are each captive REITs.

In accordance with TENN. CODE ANN. § 67-4-2004(8), REIT A LLC and any entity that is more than 50% owned by REIT A LLC constitutes a CRAG. Similarly, REIT B LLC and any entity that is more than 50% owned by REIT B LLC constitutes a CRAG. The same holds true for REIT C LLC and any entity that is more than 50% owned by REIT C LLC. Therefore, REIT A LLC, REIT B LLC, and REIT C LLC, each will file returns on Tennessee Forms FAE 174 with all members of their respective CRAGs.

In discussing REITs, it should be noted that REITs are treated as corporations for federal income tax purposes, and an SMLLC that is disregarded for federal income tax purposes and whose single member is a REIT will also be disregarded for purposes of the Tennessee franchise and excise taxes.[4] Therefore, any SMLLC wholly owned by one of the REITs which hold Tennessee loans and earn income from such loans, and which are disregarded for federal income tax purposes, will be disregarded for purposes of the Tennessee franchise and excise taxes. As pertains to the instant facts, REIT Pooling LLC, which is taxed as a partnership for federal income tax purposes, would not be a disregarded entity and would be a member of a CRAG for REIT B LLC.

2. *"Doing Business" and "Having Substantial Nexus" in Tennessee*

Summary of the Applicable Law

A person must be both doing business in and have substantial nexus with Tennessee to be subject to Tennessee franchise and excise taxes.[5]

The statutory definition of "doing business in Tennessee" is broad and encompasses "any activity purposefully engaged in within Tennessee, by a person with the object of gain, benefit, or advantage.[6] However, within the context of "doing business in Tennessee," there are certain statutory provisions that apply specifically to "financial institutions" which apply to this ruling.

A "financial institution" includes any investment entity that generates fifty percent or more of its gross income from carrying on the "business of a financial institution."[7] The "business of a financial institution" includes "making, acquiring, selling or servicing loans or extensions of credit, including . . . [m]ortgages or deeds of trust or other secured loans on real or tangible personal property."[8]

[4] To qualify as a REIT under federal law, an entity must make an election under IRC § 856(c)(1) to be taxed as a REIT. An entity that has made the election under IRC § 856(c)(1) is deemed to have elected to be classified for federal income tax purposes as a corporation. Therefore, all REITs are classified as corporations for federal income tax purposes.

[5] TENN. CODE ANN. §§ 67-4-2007(a) and -2105(a).

[6] TENN. CODE ANN. § 67-4-2004(14)(A)

[7] TENN. CODE ANN. § 67-4-2004(17), *see also* TENN. CODE ANN. § 67-4-2004(5).

[8] TENN. CODE ANN. § 67-4-2004(5)(A)(iii).

A financial institution is presumed to be doing business in Tennessee "if the sum of its assets and the absolute value of its deposits attributable to sources within this state is five million ($5,000,000) or more.[9] Additionally, a financial institution is deemed to be doing business in Tennessee if the institution:

(i) Maintains an office in this state;
(ii) Has an employee, representative or independent contractor conducting business in this state;
(iii) Regularly sells products or services of any kind or nature to customers in this state that receive the product or service in this state;
(iv) Regularly performs services outside this state that are consumed in this state;
(v) Regularly engages in transactions with customers in this state that involve intangible property, including loans, and result in receipts flowing to the taxpayer from within this state;
(vi) Regularly engages in transactions with customers in this state that involve intangible property, including loans, and result in receipts flowing to the taxpayer from within this state;
(vii) Owns or leases property located in this state; or
(viii) Regularly solicits and receives deposits from customers in this state.[10]

A safe harbor provision exists for financial institutions where their only activity in the state is an ownership interest in certain listed types of property. The listed ownership interests include an "interest in a real estate investment trust as defined by the Internal Revenue Code of 1986" and an "interest in a loan, lease, note, or other assets attributed to this state and in which the payment obligations were solicited and entered into by a person that is independent and not acting on behalf of the owner."[11] Also included in this safe harbor are activities within Tennessee that are reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the acquisition or liquidation of collateral relating to the property.[12]

"An independent person who is not acting on behalf of the owner" means:

(i) At the time of the acquisition of the assets, the owner of the assets does not directly or indirectly own fifteen percent (15%) or more of the outstanding stock or, in the case of a partnership or limited liability company, fifteen percent (15%) or more of the capital profits interest, of the entity from which the owner originally acquired the asset. In determining indirect ownership, an owner is deemed to own all of the stock, capital interest or profits interest owned by another person if the owner directly owns fifteen percent (15%) or more of the stock, capital interest or profits interest in that other person. Also, the owner is deemed to own all stock, capital interest and profits interest directly owned by any intermediary parties in the transaction, to the extent a

[9] TENN. CODE ANN. § 2004(14)(B).

[10] *Id.*

[11] TENN. CODE ANN. § 67-4-2004(14)(C).

[12] *Id.*

fifteen percent (15%) or more chain of ownership of stock, capital interest or profits interest exists between the owner and any intermediary party;

(ii) The entity from which the owner acquired the asset regularly sells, assigns or transfers interest in such assets to three (3) or more person during the full twelve-month period immediately preceding the month of acquisition; and

(iii) The entity from which the owner acquired the asset does not sell, assign or transfer ninety percent (90%) or more of its exempt assets to the owner during the full twelve-month period immediately preceding the month of acquisition.[13]

Not only must a person be doing business in Tennessee, but they must also have substantial nexus with Tennessee to be subject to franchise and excise taxes. Pursuant to TENN. CODE ANN. § 67-4-2004(47)(A), "substantial nexus" in Tennessee includes, but is not limited to, the following:

(i) The taxpayer is organized or commercially domiciled in this state;

(ii) The taxpayer owns or uses its capital in this state;

(iii) The taxpayer has systematic and continuous business activity in this state that has produced gross receipts attributable to customers in this state;

(iv) The taxpayer licenses intangible property for use by another party in this state and derives income from that use of intangible property in this state; or

(v) The taxpayer has bright-line presence in this state. A person has bright-line presence in this state for a tax period if any of the following applies:

a. The taxpayer's total receipts in this state during the tax period, as determined under TENN. CODE ANN. § 67-4-2012, exceed the lesser of five hundred thousand dollars ($500,000) or twenty-five percent (25%) of the taxpayer's total receipts everywhere during the tax period;

b. The average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period, as determined under TENN. CODE ANN. § 67-4-2012, exceeds the lesser of fifty thousand dollars ($50,000) or twenty-five percent (25%) of the average value of all the taxpayer's total real and tangible personal property; or

c. The total amount paid in this state during the tax period by the taxpayer for compensation, determined under TENN. CODE ANN. § 67-4-2012, exceeds the lesser of fifty thousand dollars ($50,000) or twenty-five percent (25%) of the total compensation paid by the taxpayer.

The Limited Partnerships and their respective CRAGs are not doing business in Tennessee

LP A's only business is to invest in limited liability companies, limited partnerships, and REITs established to act as real estate investment vehicles, including REIT A LLC. LP B's only business is to invest in REIT B LLC. LP C's only business is to invest in REIT C LLC.

The Limited Partnerships are funds whose only connection to Tennessee is that they invest in REITs that own mortgages that are, on occasion, secured by property in Tennessee, and some of the borrowers may be located in Tennessee. It stands to reason that if a company is not doing business

[13] TENN. CODE ANN. § 67-4-2004(14)(D).

in Tennessee, then an entity with no other connections to Tennessee, whose sole activity is investing in the company, is also not doing business in Tennessee. If their respective REITs are not doing business in Tennessee, then the Limited Partnerships will also not be doing business in Tennessee. Because the CRAGs (REITS A, B, and C along with their respective disregarded LLCs) are not doing business in Tennessee, the Limited Partnerships are also not doing business in Tennessee.

The CRAGs' only business activities are owning mortgages, some of which are secured by property in Tennessee, and receiving payments on those mortgages from borrowers, some of whom may be located in Tennessee. The CRAGs acquire the mortgages they own through the Investment Manager. Accordingly, the CRAGs' business activity consists of "acquiring . . . [m]ortgages or deeds of trust or other secured loans on real or tangible personal property," which constitutes the "business of a financial institution."[14] Because the CRAGs generate 100% of their gross income from carrying on the "business of a financial institution," the CRAGs are considered financial institutions for purposes of Tennessee franchise and excise taxes.[15]

Notwithstanding the statutory directive at TENN. CODE ANN. § 67-4-2004(14)(B), which provides specific criteria as to when a "financial institution" is presumed to be "doing business in Tennessee," TENN. CODE ANN. § 67-4-2004(14)(C) provides a statutory safe harbor whereby a "financial institution" is not considered to be "doing business in Tennessee." This statute provides,

> [A] financial institution is not considered to be conducting the business of a financial institution in this state, if the only activity of the financial institution in this state is the ownership of . . . [a]n interest in a loan, lease, note or other assets attributed to this state and in which the payment obligations were solicited and entered into by a person that is independent and not acting on behalf of the owner.[16]

The CRAGs' only business activities are owning mortgages and receiving payments on those mortgages. The mortgages are "solicited and entered into" by the Investment Manager. In order for the CRAGs to fall within the statutory safe harbor, the payment obligations must have been "solicited and entered into by a person that is independent and not acting on behalf of the owner."

The Investment Manager solicits, negotiates, and enters into the mortgages that are owned by the CRAGs. The Investment Manager negotiates with potential brokers on behalf of its clients, including the CRAGs. It is only after the negotiation and initial documentation process has been completed that the Investment Manager might assign a particular mortgage to the CRAGs or other entities. Even then, the Investment Manager executes the notes, mortgages, and other loan documents for the CRAGs. The CRAGs' only involvement in this process is the closing, which takes place outside Tennessee.

Typically, the Investment Manager decides which of its clients should receive the mortgage based on a standardized allocation system applicable to all of the lenders the Investment Manager represents. During any given twelve-month period, the Investment Manager regularly assigns an interest in mortgages to three or more persons and no CRAG is assigned 90 percent or more of such mortgages.

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[14] TENN. CODE ANN. § 67-4-2004(5)(A)(iii)(c).

[15] TENN. CODE ANN. § 67-4-2004(17), *see also* TENN. CODE ANN. § 67-4-2004(5)(B).

[16] TENN. CODE ANN. § 67-4-2004(14)(C)(iii).

While the Investment Manager has minor direct or indirect ownership percentages in the Limited Partnerships, and thus the CRAGs, the ownership percentage does not exceed 15 percent. Parent, to which the Investment Manager is disregarded, does indirectly own a greater than 15 percent interest in the Limited Partnerships who then own their respective CRAGs.

TENN. CODE ANN. § 67-4-2004(14)(D) requires that if any of the CRAGs own more than 15 percent of the Investment Manager, respectively, then the Investment Manager would not be an "independent person who is not acting on behalf of the owner." In this ruling, the CRAGs do not have an ownership interest in the Investment Manager. It is the other way around. The Investment Manager has an ownership interest in the CRAGs. Thus, the Investment Manager is still treated as an "independent person who is not acting on behalf of" the CRAGs, and as such, the CRAGs fall within the statutory safe harbor requirements for not doing business in Tennessee.

The only connection the Limited Partnerships have with Tennessee is their ownership of the CRAGs. Since the CRAGs are not doing business in Tennessee, the Limited Partnerships are not doing business in Tennessee. The franchise and excise taxes only apply to persons who are doing business in Tennessee and have substantial nexus. Because the Limited Partnerships and the CRAGs that they own are not doing business in Tennessee, the franchise and excise taxes do not apply to them. Further analysis as to the substantial nexus of the Limited Partnerships and the CRAGs is unnecessary.

APPROVED: David Gerregano
Commissioner of Revenue

DATE: February 14, 2024