

Example 1
Standard Apportionment for Franchise and Excise Tax
ABC, LLC

Taxpayers with the right to apportion, that have not made any special elections, will compute their apportionment ratio by averaging their "in state" to "everywhere" factors as shown below. This computation is made on Form FAE 170, Sch. N.

I. ABC, LLC net worth before apportionment is \$150,000

Assets	\$200,000
Liabilities	50,000
Equity	150,000

II. Factors

	<u>ABC, LLC</u>
<u>Factors In TN:</u>	
Property @ cost - begin of year	\$400,000
Property @ cost - end of year	400,000
Payroll	10,000
Sales	15,000
<u>Factors Everywhere:</u>	
Property @ cost - begin of year	\$800,000
Property @ cost - end of year	800,000
Payroll	20,000
Sales	100,000

III. Franchise Apportionment Ratio (Sch. F1, Line 5) - ABC, LLC

	<u>In TN</u>	<u>Everywhere</u>	<u>Ratio</u> <u>TN/Everywhere</u>
Property	\$400,000	\$800,000	0.500000
Payroll	10,000	20,000	0.500000
Sales	15,000	100,000	0.150000
Sales	15,000	100,000	0.150000
Sales	15,000	100,000	0.150000
			<hr/> 1.450000
Divide by the number of factors with everywhere values			<hr/> 5
Apportionment ratio			<hr/> 0.290000
ABC, LLC franchise tax base	(\$150,000 x .290000) =		\$43,500

IV. Excise Apportionment Ratio (standard apportionment) - ABC, LLC
ABC, LLC had net income of \$20,000 before apportionment

	<u>In TN</u>	<u>Everywhere</u>	Ratio <u>TN/Everywhere</u>
Property	\$400,000	\$800,000	0.500000
Payroll	10,000	20,000	0.500000
Sales	15,000	100,000	0.150000
Sales	15,000	100,000	0.150000
Sales	15,000	100,000	0.150000
			<u>1.450000</u>
Divide by the number of factors with everywhere values			<u>5</u>
Apportionment ratio			0.290000
ABC, LLC net income before apportionment			<u>\$20,000</u>
ABC, LLC excise tax base			\$5,800