

Example 2
Consolidated net worth (CNW) Apportionment
Franchise Tax
ABC, Inc.

Taxpayers that are members of an affiliated group that has made the consolidated net worth election will compute their apportionment ratio by averaging their "in state" to "the group's everywhere" factors as shown below. This computation is made on Form FAE 170, Sch. 170NC.

In this example, the CNW affiliated group is comprised of ABC, Inc. (non-manufacturer) and MFG, Inc. (manufacturer). Both corporations will file their own franchise tax returns and compute their franchise tax based on their respective schedules FAE 170, F2. The following calculations are for ABC's franchise return. These calculations for ABC, Inc. will not change if MFG, Inc. makes the single sales factor election.

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I. Consolidated net worth before apportionment is \$430,000

	<u>ABC, Inc.</u>	<u>MFG, Inc.</u>	<u>Consolidated</u>
Assets	\$200,000	\$300,000	\$500,000
Liabilities	50,000	20,000	70,000
Equity	150,000	280,000	\$430,000

II. Factors of CNW Affiliated Group Members

	<u>ABC, Inc.</u>	<u>MFG, Inc.</u>	<u>Total</u>
<u>Factors In TN:</u>			
Property @ cost - begin of year	\$400,000	\$900,000	\$1,300,000
Property @ cost - end of year	400,000	900,000	1,300,000
Payroll	10,000	40,000	50,000
Sales	15,000	60,000	75,000
<u>Factors Everywhere:</u>			
Property @ cost - begin of year	\$800,000	\$900,000	\$1,700,000
Property @ cost - end of year	800,000	900,000	1,700,000
Payroll	20,000	80,000	100,000
Sales	100,000	120,000	220,000

III. Franchise Apportionment Ratio reported on Sch. F2 of ABC, Inc.'s return

	<u>In TN</u>	<u>Total All Members</u>	<u>Ratio</u>
	<u>ABC, Inc.</u>	<u>Everywhere</u>	
Property	\$400,000	\$1,700,000	0.235294
Payroll	10,000	100,000	0.100000
Sales	15,000	220,000	0.068182
Sales	15,000	220,000	0.068182
Sales	15,000	220,000	0.068182
			<hr/> 0.539840
Divide by			5
			<hr/> 0.107968

ABC, Inc. franchise tax base (Sch. F2, Line 3) (\$430,000 x .107968) = \$46,426