

Example 4
Franchise & Excise Tax Apportionment
Single Sales Factor Elected
MFG, Inc.

Manufacturers may make a five year election to apportion based solely on sales/receipts. In the following example MFG, Inc. has made the single sales factor election. The consolidated net worth election was not made.

I. Net worth before apportionment is \$280,000

	<u>MFG, Inc.</u>
Assets	\$300,000
Liabilities	20,000
Equity	280,000

II. Factors

	<u>MFG, Inc.</u>
<u>Factors In TN:</u>	
Property @ cost - begin of year	\$900,000
Property @ cost - end of year	900,000
Payroll	40,000
Sales	60,000
<u>Factors Everywhere:</u>	
Property @ cost - begin of year	\$900,000
Property @ cost - end of year	900,000
Payroll	80,000
Sales	120,000

III. Franchise Apportionment Ratio calculated on Sch. S and reported on Sch. F1 - MFG, Inc.

	In TN	Everywhere	Ratio
	<u>MFG, Inc.</u>	<u>MFG, Inc.</u>	<u>TN/Everywhere</u>
Property	n/a	n/a	n/a
Payroll	n/a	n/a	n/a
Sales	60,000	120,000	<u>0.500000</u>
			0.500000

MFG, Inc. franchise tax base (Sch. F1, Line 5) $(\$280,000 \times .500000) =$ \$140,000

IV. Excise Apportionment Ratio calculated on Sch. S and reported on Sch. J - MFG, Inc.

MFG, Inc. had net income of \$20,000 before apportionment

	<u>In TN</u> <u>MFG, Inc.</u>	<u>Everywhere</u> <u>MFG, Inc.</u>	<u>Ratio</u>
Property	n/a	n/a	n/a
Payroll	n/a	n/a	n/a
Sales	60,000	120,000	<u>0.500000</u>
			0.500000
MFG, Inc. net income (loss) before apportionment			<u>\$20,000</u>
MFG, Inc. excise tax tax base	(\$20,000 x .500000) =		\$10,000