



FRANCHISE & EXCISE TAX EXEMPTIONS

Obligated Member Entity

Qualifications

- ❑ Tenn. Code Ann. § 67-4-2008(a)(9)
- ❑ Entity is an LLC, LP, or LLP
- ❑ All members or partners are fully liable for the debts, obligations, and liabilities of the entity
- ❑ Have filed appropriate documentation with the office of the Secretary of State prior to the first day of the taxable year for which a return is filed

Election

- ❑ Members or partners of a limited liability entity may make an election for the entity to be treated as an exempt “obligated entity”
- ❑ The members or partners making this election must file the required documentation with the Secretary of State to become fully liable for the debts, obligations, and liabilities of the entity and are referred to as “obligated members”

Limited Liability Protection

- ❑ If any obligated member or any owner of an obligated member, whether such ownership is in whole, in part, direct, or indirect, provides limited liability protection, the obligated member entity is liable for franchise and excise taxes on the portion of income and equity attributable to such obligated member

Registration

- ❑ Must file an application for exemption on form FAE 183, Application for Exemption/Annual Exemption Renewal, in order to receive the exemption
- ❑ Must attach required documentation that has been filed with the Tennessee Secretary of State
- ❑ If the entity does not meet the exemption requirements in any given year, it is taxable on all activities for that year
 - ❑ A completed franchise and excise tax return (FAE170) must be filed electronically with payment of any taxes due by the 15th day of the fourth month following the close of the taxable year

Renewal

- ❑ Both the initial application and the annual renewal are filed on form FAE 183
 - ❑ This form with the appropriate sections completed must be submitted by the 15th day of the fourth month following the close of the entity's taxable year
- ❑ Entities requesting an extension for federal income tax are automatically granted an extension
- ❑ Must annually certify to be eligible for the exemption on or before the first day of the taxable year for which a return is filed

Annual Certification

- ❑ Limited Partnership
 - ❑ In order to be effective, each limited partner must sign the certificate of limited partnership, or an amendment to the certificate of limited partnership containing this provision and must be notarized

- ❑ Limited Liability Partnership
 - ❑ In order to be effective, each partner must sign the application of registered limited liability partnership, or an amendment to the application of registered limited liability partnership containing this provision and must be notarized

- ❑ LLC
 - ❑ In order to be effective, each member so identified must sign the articles, or an amendment to the articles containing this provision. The amendment or articles may provide that it is only effective if all members make and maintain such an election.
 - ❑ In such case, the articles must affirmatively identify each member and state that such persons constitute all the members of the limited liability company

Resources

- ❑ Application for Exemption/Annual Exemption Renewal
- ❑ Franchise and Excise Tax Return, Form 170
- ❑ Tenn. Code Ann. § 67-4-2008(a)(9)



THANK YOU