



FRANCHISE & EXCISE TAX EXEMPTIONS

Venture Capital Funds

Qualifications

- ❑ Tenn. Code Ann. § 67-4-2008(a)(5)
- ❑ Entity is an LLC, LP, LLP, or business trust
- ❑ Operated for the exclusive purpose of buying, holding and/or selling securities, including debt securities, primarily in non-publicly traded companies on its own behalf and not as a broker
- ❑ More than 50% of capital is derived from investments by entities and/or individuals which are not affiliated with the fund or investment by one or more affiliates if the affiliates also qualify as venture capital funds under this subdivision (a)(5)

Registration

- ❑ Must file an application for exemption on form FAE 183 [Application for Exemption/Annual Exemption Renewal](#) and meet all the requirements to be exempted.
 - a) The entity must meet the requirements each year
 - b) Any entity that fails to timely file an application for exemption or renewal may be charged a \$200.00 penalty

- ❑ 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 a minimum \$100 payment of any taxes due by the 15th day of the fourth month following the close of the taxable year

 - ❑ Any person who claims an exemption under this section but fails to meet the criteria for exemption shall be subject to all tax, penalty, and interest otherwise applicable under the law.

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
 - ❑ Must submit the FAE 183 renewal each year to be eligible for the exemption

- ❑ Entities requesting an extension for federal income tax are automatically granted an extension

- ❑ If a taxpayer files a 170 return for two consecutive years, they must reapply for the exemption (on the 183 form as a new exemption)

Resources

- ❑ [Application for Exemption/Annual Exemption Renewal](#)
- ❑ Franchise and Excise Tax Return, [Form 170](#)
- ❑ Tenn. Code Ann. § 67-4-2008(a)(5)



THANK YOU