

### Example 3

#### Franchise & Excise Tax Apportionment

#### Consolidated net worth (CNW) & 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., an affiliated group member, has made the single sales factor election.

#### 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	<b>\$430,000</b>

#### 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 calculated on Sch. 170SC and reported on Sch. F2 of MFG, Inc.'s return

	<u>In TN</u>	<u>Total All</u>	
	<u>MFG, Inc.</u>	<u>Members</u>	<u>Ratio</u>
		<u>Everywhere</u>	
Property	n/a	\$1,700,000	n/a
Payroll	n/a	100,000	n/a
Sales	60,000	220,000	0.272727
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			0.272727
MFG, Inc. franchise tax base (Sch. F2, Line 3)	(\$430,000 x .272727) =		\$117,273

**IV. Excise Apportionment Ratio calculated on Sch. S and reported on Sch. J of MFG, Inc.'s return**

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

	In TN <u>MFG, Inc.</u>	Everywhere <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 base when SSF was elected	(\$20,000 x .500000) =		\$10,000

The CNW election doesn't impact the excise tax calculation of a taxpayer electing SSF.