

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 |