

Instructions for Completing Apportionment Schedules N - R

Schedules N - R are completed by taxpayers doing business both in and out of Tennessee. Those taxpayers compute an apportionment ratio to apply to the Excise Tax base on Schedule J, and to the Franchise Tax base on Schedule F. The apportionment ratio determines the percentage of the total tax base that is attributable to Tennessee. Additional detail on the computation of apportionment factors is contained in the Rules and Regulations. They can be assessed on the internet at www.state.tn.us/sos/rules/1320/1320-06.

Lines 1 – 9 of Schedule N have four entries. Values are reported for property in Tennessee and for all property everywhere in the respective columns. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period. Columns (a) are used to report values at the beginning of the tax period; columns (b) are used to report values at the end of the tax period. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the annual rental rate. The value of owned or leased mobile/moveable property will be determined based on the percentage of time the property was within the state during the tax period.

Schedule N – Apportionment – Standard

- Lines 1-3, 5 The amounts on these lines are based on the beginning and ending year actual values of the assets on the entity's books and records. All tangible assets are included, such as those that might be in "current assets" or "other assets".
- Line 4 Include all inventory on this line.
- Line 6 This amount is calculated by multiplying the taxpayer's percentage of ownership shown on Fed. Sch. K-1 by the amount of real and tangible personal property shown on the balance sheet of an entity treated as a partnership for federal tax purposes. Only include property from a partnership on this line if the partnership itself is not subject to filing its own tax return.
- Line 7 Total lines 1 through 6 in each column.
- Line 8 Enter the amount of exempt inventory on this line. Exempt inventory is any amount in excess of \$30,000,000 of finished goods that would otherwise be included in the Franchise Tax base.
- Line 9 Subtract Line 8 from Line 7.
- Line 10 Figure the Excise Tax average value by adding lines 7(a) and (b) and dividing by 2.
- Line 11 Figure the Franchise Tax average value by adding lines 9(a) and (b) and dividing by 2.
- Line 12 Enter the year-end value of rented property, determined by multiplying the annual rental rate x 8.
- Line 13 Determine the Excise Tax property factor by adding Line 10 and line 12 and the Excise Tax apportionment property factor by dividing 13(a) by 13(b) and multiplying by 1.
- Line 14 Determine the Franchise Tax property factor by adding Line 11 and line 12 and the Franchise Tax apportionment property factor by dividing 14(a) by 14(b) and multiplying by 1.
- Line 15 Determine the apportionment payroll factor. Enter the total paid in compensation during the taxable period in Tennessee in 15(a) and the total paid everywhere in 15(b). Divide 15(a) by 15(b) and multiply by 1 to figure both the Franchise and Excise payroll factors.
- Line 16 Determine the apportionment sales factor. Enter the total business gross receipts during the taxable period in Tennessee in 16(a) and the total business gross receipts everywhere in 16(b). Divide 16(a) by 16(b) and multiply by 1 to figure both the Franchise and Excise sales factors. Enter the values twice, as this factor is weighted twice in determining the apportionment ratio.
- Line 17 Add the percentages determined by computing the property, payroll, and double sales factors.
- Line 18 Determine the overall apportionment ratio by dividing line 17 by 4. Enter the result of the Franchise Tax ratio on Schedule F, Line 4, and the result of the Excise Tax ratio on Schedule J, Line 28.

Schedule O – Apportionment – Common Carriers

- Line 1 Enter total miles in Tennessee and total miles overall. Railroads will use total miles owned and operated or leased and operated. Motor carriers will use the total franchise miles or odometer miles, if there are no franchise miles, to which it holds or uses under lease, contract, or otherwise, certificates of convenience and necessity from the Interstate Commerce Commission or Department of Safety. Pipelines will use the number of pipeline miles owned, operated, or owned and operated. Determine the ratio by dividing Tennessee miles by overall miles and multiplying by 1.
- Line 2 On this line enter total gross receipts from operations on business beginning and ending within Tennessee without entering or passing through any other state and total gross receipts everywhere. Determine the ratio by dividing Tennessee receipts by overall receipts and multiplying by 1.
- Line 3 Add the ratios of mileage and receipts.
- Line 4 Determine the overall apportionment ratio by dividing line 3 by 2**. Enter the results on Schedule F, Line 4, and on Schedule J, Line 28.

Schedule P – Apportionment – Air Carriers

- Line 1 Enter the amount of revenue originating within Tennessee and the total amount of revenue originating from all sources. Divide Tennessee revenue by total revenue and multiply by 1 to figure the revenue apportionment ratio.
- Line 2 Enter the total Tennessee air miles and the total of all air miles flown. Tennessee air miles are those from flights originating from or ending in Tennessee, or both originating from and ending in Tennessee. Divide Tennessee air miles by total air miles and multiply by 1 to figure the mileage apportionment ratio.
- Line 3 Add the revenue and miles ratios.
- Line 4 Determine the overall apportionment ratio by dividing line 3 by 2**. Enter the results on Schedule F, Line 4, and on Schedule J, Line 28.

Schedule R – Apportionment – Air Express Carriers

- Line 1 Enter the amount of revenue originating within Tennessee and the total amount of revenue originating from all sources. Divide Tennessee revenue by total revenue and multiply by 1 to figure the revenue apportionment ratio.
- Line 2 Enter the total of Tennessee air miles flown and ground miles traveled and the total of all air miles flown and ground miles traveled. Tennessee air miles are those from flights originating from or ending in Tennessee, or both originating from and ending in Tennessee. Ground miles traveled are only those traveled with respect to the actual common carriage of persons or property for hire. Divide Tennessee miles by total miles and multiply by 1 to figure the mileage apportionment ratio.
- Line 3 Add the revenue and miles ratios.
- Line 4 Determine the overall apportionment ratio by dividing line 3 by 2**. Enter the results on Schedule F, Line 4, and on Schedule J, Line 28.

****If a factor's denominator (everywhere value) is zero, that factor is eliminated entirely and the average is computed from the remaining factor or factors.**