



TENNESSEE DEPARTMENT OF REVENUE
Application for Franchise and Excise Tax
Qualified Production Credit

Taxpayer/Applicant Name

FE Account Number

FEIN

Mailing Address

Street

City

State

ZIP Code

Name of Contact Person

Email

Telephone

Part 1: Qualified Production Activity for Franchise and Excise Tax Credit

The Tennessee Film, Entertainment and Music Commission has been provided information describing the basis for seeking the credit, including the nature of the production activities involved and number of employment positions that the applicant estimates to be deemed qualified positions.

1. Please provide the following additional data based on estimates. See instructions for definitions of terms and additional information.

Name of Qualified Production	Primary Location of Production Activity	Qualified Payroll Expense	Tax Year Ending

2. Will the taxpayer/applicant hire and pay workers directly? Will the taxpayer/applicant utilize a third-party production services company to hire some, or all of the workers utilized on the production?

Please describe the entities that the taxpayer/applicant expects to engage in the qualified production and their relationship to the taxpayer and each other. Specifically, indicate the entities that will incur direct qualified payroll expenses for the qualified production. Please include an attachment if additional space is needed. See instructions below.

Part 2: Combined Filing (only complete if requesting combined filing or if requesting a change to previous approval)

Applicant requests approval to file a combined return with one or more affiliates for the purpose of fully utilizing the qualified production credit and understands that the Commissioner of Revenue and the Commissioner of Economic and Community Development must each determine, in their sole discretion and in writing, that this request is in the best interests of the state.

1. Check the box that applies:

- ☐ New Election Request
- ☐ Amend election to add or remove affiliates made prior to filing first combined return
- ☐ Remove group member exiting the group due to a change in ownership, merger, or liquidation of the member

2. Affiliate for combined return (attach sheet if more than one affiliate)

Legal Name _____

Physical Location (No P.O. Box) _____
Street City State ZIP Code

Mailing Address _____
Street City State ZIP Code

Telephone Number _____ Email _____

FEIN _____ Franchise, Excise Tax Account Number _____ SOS Control Number _____

- ☐ Check if entity is a single member LLC filing as a division of the parent for franchise and/or excise tax purposes and enter name of corporate parent. _____
- ☐ Check if amending initial filing due to a member exiting the group due to change in ownership, merger, or liquidation of the member.
- ☐ Check if amending initial filing made prior to filing first combined return to Add___ or Remove ___ a member.

Representations:

I declare that to the best of my knowledge this information is true and correct and that I have the authority to represent the taxpayer/applicant and all named affiliates for purposes of requesting combined filing for the group.

Taxpayer's Signature

Title

Date

Telephone

Instructions for Application for Franchise and Excise Tax Qualified Production Credit

General Information

Purpose of Form: This form is used to apply for qualified production credit against a taxpayer's combined franchise and excise tax liability. Tenn. Code Ann. § 67-4-2109(j)(2) authorizes such credit in the amount of 40% of qualified payroll expenses or 50% of qualified payroll expenses paid to individuals whose primary residence is in a tier 2, tier 3, or tier 4 enhancement county. The total credit taken on any franchise, excise tax return, including any credit carried forward from prior tax periods, cannot exceed 50% of the combined franchise and excise tax liability shown on the return before any credit is taken. Any unused credit may be carried forward in any tax period until the credit is taken but for no more than 15 years.

Also, this form is used to request permission to file form FAE170 on a combined basis with one or more affiliates and to subsequently request changes to the affiliate list. Tenn. Code Ann. § 67-4-2109(j)(5). When requesting approval to file a combined return, the taxpayer is also requesting a determination by the Commissioners of Revenue and Economic and Community Development that combined filing is in the best interests of the state as defined by Tenn. Code Ann. § 67-4-2109(j).

Application: Before this application can be approved, the Tennessee Film, Entertainment, and Music Commission (the "Commission") must first determine that the Taxpayer/Applicant is engaging in a qualified production. The Commissioners of Revenue and Economic and Community Development must also determine that the credit is in the best interests of the state.

If those determinations are made and this application is approved, the Department of Revenue will provide the taxpayer with an approval letter authorizing the credit, the estimated value of the credit, the terms of the credit, and the reporting requirement to claim the credit. The Department will also notify the taxpayer if the application is denied with a brief explanation. Likewise, the Department will notify the taxpayer if the request for combined filing is approved or denied.

Where to file: This application and any attachments may be completed and submitted through the Commission as part of the Application for Approval as Qualified Production and Best Interests Determination ("Form A"). Send to the Tennessee Entertainment Commission, tnentertainment@tn.gov or contact the Department of Revenue, Audit Division, (615) 741-8499 for a direct email address.

Assistance: Please contact the Commission at (615) 337-3838 regarding the qualified production application process or the Department's Audit Division at (615) 741-8499 for specific questions regarding this application and tax credit.

Taxpayer Information

Taxpayer/Applicant: The taxpayer/applicant is the entity engaged in financing, producing, or hiring third parties to produce the qualified production on their behalf. This is the entity expected to incur the qualified payroll expenses either directly or indirectly.

Account Number: Enter the taxpayer/applicant's franchise and excise tax account number.

FEIN: Enter the federal employment identification number of the taxpayer/applicant.

Part 1: Qualified Production Activity for Franchise and Excise Tax Credit

Line 1: Please complete this line based on the best information available at the date of the application. The primary location of the production activity is the county in Tennessee where most of the qualified payroll expense is expected to occur. Enter the estimated amount of qualified payroll expenses expected to be paid during a given tax year. Note that the terms "Qualified production" and "Qualified payroll expense" are defined as follows:

"Qualified production" means any of the following activities, as determined by the Commission: (a) The production of a film, pilot episode, series, esports event, or other episodic content in this state; (b) The creation of computer-generated imagery, video games, or interactive digital media in this state; or (c) Stand-alone audio or visual post-production scoring and editing in this state; and includes activities by a third party that are necessary to and performed on behalf of a person engaging in the activities mentioned above.

"Qualified payroll expense" means compensation paid in this state, as determined pursuant to Tenn. Code Ann. § 67-4-2111(f), for qualified positions during the applicable tax period, subject to programmatic caps established by the Commission.

"Qualified position" means services performed by an employee or an independent contractor determined by the Commission to be necessary to and primarily for a qualified production.

Include on this line amounts expected to be paid by the taxpayer to its employees, a contractor or loan out company that in turn pays its employees, and a sole proprietor working for the taxpayer or contractor. The estimated amounts entered are only those that would be subject to Social Security and Medicare taxes. Enter the requested information on multiple lines if the production is expected to span more than one tax year. Include an attachment if additional space is needed.

Line 2: Please name all entities that will hire qualified positions for the purpose of the qualified production and explain each entity's relationship with the taxpayer/applicant. Explanation of the relationship between the taxpayer and others should include the following: 1) if they are related or an unrelated third party, 2) for related parties, whether there is a direct or indirect ownership percentage of greater than 50%, 3) the name of any payroll services company expected to be used, 4) the ability of responsible entities to provide detailed payroll data for the production and qualified positions, and 5) the name expected to be shown on state and federal payroll reports as the employer. An example narrative:

Network, Inc. ("Network") will be the entity ultimately responsible for producing a qualified production and the ultimate source of payroll funding. Network is the taxpayer/applicant that will apply for the qualified production franchise and excise tax credit. Network will hire a production services Company XYZ, an unaffiliated third-party contractor, to produce the content for the production. XYZ will employ all the hires through an unrelated payroll services company. The payroll services company will segregate the payroll of the named qualified production from other productions in its computer system and will run payroll registers for specific criteria (named production, tax period, qualified person's name, I.D., title, county of residence, compensation payment dates and amounts limited to work done in Tennessee and limited to amounts subject to Social

Security and Medicare taxes). All state and federal payroll reports will name the payroll services company as the employer and will include payroll related to numerous productions. Funds will flow from Network to XYZ, then to the payroll services company and then finally to the worker in the qualified position.

Part 2: Combined Filing (only complete if requesting combined filing or if requesting a change to previous approval)

Subject to the approval of the Department of Revenue, an applicant may file a combined return with one or more affiliates or affiliated group members for purposes of fully utilizing this credit. Tenn. Code Ann. § 67-4-2109(j)(5)(A). To be approved to file combined, the Commissioners of Revenue and Economic and Community Development must determine that combined filing is in the best interests of the state as defined by Tenn. Code Ann. § 67-4-2109(j). If the filing of combined returns is granted, the permission ends at the end of the tax year in which the credit is fully utilized.

An affiliate means any entity (i) in which the taxpayer, directly or indirectly, has more than a 50% ownership interest; (ii) that, directly or indirectly, has more than 50% ownership interest in the taxpayer; or (iii) in which an entity described in (ii), directly or indirectly, has more than 50% ownership interest. A noncorporate entity is more than 50% owned, if, upon liquidation, more than 50% of the assets of the noncorporate entity, directly or indirectly, accrue to the entity having the ownership interest. Tenn. Code Ann. § 67-4-2004(1).

- Line 1: Check the applicable box. The box to amend the election is checked when an application to file a combined return has been granted, and the applicant wishes to add or change affiliates or affiliated group members included in the combined return prior to filing the first combined return on which the credit is claimed. If the addition or change is approved by the Commissioner of Revenue and the Commissioner of Economic and Community Development, then the members included on the combined return must remain unchanged for a minimum of three years, beginning with the first tax year in which the credit is claimed on a combined return.
- Line 2: List affiliate(s) the taxpayer/applicant is requesting to include in a combined franchise and excise tax return for the purpose of claiming the qualified production credit. List only entities meeting the statute's definition of "affiliate", and list only affiliates that are doing business and have substantial nexus in Tennessee. Each member included on the combined return must close its taxable year on the same date, except that an affiliate included in the group may exit the group during the taxable year due to a change in ownership, merger, or liquidation of the member, in which case the member exiting the group must be excluded from the group and must compute its net earnings as otherwise provided by statute.