

SENATE BILL 619

By Cooper

AN ACT to amend Tennessee Code Annotated, Title 67, relative to taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2011(b), is amended by deleting subdivision (2) in its entirety and by substituting instead the following language:

(2) For purposes of this section, "property" shall include a taxpayer's ownership share of the real or tangible property owned or rented by any general partnership, or entity treated as a general partnership for federal income tax purposes, in which such taxpayer has an ownership interest. A return being filed by a limited liability company that has a general partnership as its single member shall include in its property factor only the real and tangible property owned or used by the limited liability company. "Property" also includes a taxpayer's ownership share of the real or tangible property owned or rented by any limited partnership, subchapter S corporation, limited liability company or other entity treated as a partnership for federal income tax purposes, in which the taxpayer has an ownership interest, directly or indirectly through one (1) or more such entities, and which is not doing business in Tennessee and, therefore, is not

subject to Tennessee franchise tax. The cost value or rental value of such property shall be determined from the books and records of the entity in which the taxpayer has an interest and such property shall be valued in accordance with the provisions of subsection (c) of this section.

SECTION 2. Tennessee Code Annotated, Section 67-4-2111(c), is amended by deleting subdivision (1) in its entirety and by substituting instead the following language:

(1) Property owned by the taxpayer shall be valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer, less any annual rental rate received by the taxpayer from sub-rentals. A lessee's payments to a lessor, or on such lessor's behalf, as a part of rent, or in lieu of rent, shall be included as rent in the property factor of the apportionment formula provided by this section. Except with respect to tangible personal property, for purposes of this subsection, payments, such as interest, taxes, insurance, repairs or other items, shall be treated as rent paid by the lessee if they would have been paid by the lessor if the lease contract or other agreement had not specifically provided that they be paid by the lessee.

SECTION 3. This act shall take effect July 1, 2001, the public welfare requiring it.