



# Franchise and Excise Tax Notice

Notice #24-05

May 2024

## Franchise Tax Property Measure Repeal

### Schedule G Property Measure is Eliminated

Pub. Ch. 950 (2024) eliminates the property measure of the franchise tax (also known as the “minimum measure”) for tax years ending on or after January 1, 2024. Going forward, the franchise tax will be based on a taxpayer’s net worth.

### Franchise Tax Reporting on 2023 Calendar Year Returns and 2024 Fiscal Year Returns

On returns filed for tax years ending on or before December 31, 2023, taxpayers must complete Schedule G and calculate franchise tax based on the greater of Schedule F net worth or Schedule G property. Taxpayers who pay franchise tax based on Schedule G property may then request a refund of franchise tax pursuant to the refund procedure set forth in this notice.

On returns filed for tax years ending in 2024, taxpayers should omit Schedule G from the return and calculate franchise tax based on Schedule F net worth.

### Taxpayers May Request Refunds for Certain Prior Tax Years

Taxpayers who paid franchise tax based on the Schedule G property measure may request a refund of franchise tax for tax years ending on or after March 31, 2020, for which a return was filed with the department on or after January 1, 2021.

The amount of tax that may be refunded is the difference between the amount of franchise tax paid based on the Schedule G property measure and the amount of tax that would have been owed based on the Schedule F net worth measure for the applicable tax year(s).

Refund claims filed pursuant to the refund procedure set forth in this notice must be filed between May 15, 2024, and November 30, 2024.

In addition, taxpayers who timely filed a claim under Tenn. Code Ann. § 67-1-1802 prior to January 1, 2024, that alleged the franchise tax was unconstitutional by failing the internal consistency test are eligible for the franchise tax schedule G refund for all years included in the original claim. However, a new franchise tax schedule G refund claim form must be filed.

### Refund Procedure

Taxpayers who are eligible for a franchise tax refund because of the repeal of the property measure must request the refund in accordance with the following procedure:

- **Amended Returns.** Taxpayers must file amended returns with the department for the applicable tax years to calculate the franchise tax based solely on Schedule F net worth (omit Schedule G from the return).
- Taxpayers filing amended returns through TNTAP must submit the amended returns in chronological order by tax year (i.e., 2020 before 2021, etc.). After filing the amended return(s) for all periods, taxpayers must then allow the amended returns to process (overnight) before filing the refund claim. Taxpayers should verify that the overpayment generated by the amended return filings has posted to their account in TNTAP before filing the refund claim.
- **Refund Claim Form.** After filing amended returns, taxpayers must file the refund claim.

**Disclaimer:** The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.

- Taxpayers are **strongly encouraged** to file the Franchise Tax Property Measure (Schedule G) Repeal refund claim form in [TNTAP](#) to expedite the refund claim process. Taxpayers may instead request the refund by filing the refund claim using the Claim for Refund of Franchise Tax Paid on Property Measure (Schedule G) form. (Note: This refund *cannot* be claimed using the department's standard refund claim form.)
- Refund claims **must** be accompanied by a completed [Report of Debts](#) form if a refund of \$200 or more is requested.
- A balance sheet, schedule of assets/liabilities, pro forma, or federal return pages supporting the net worth calculation by entity may be provided to support the amount due per Schedule F but is not required. If your amended return requires additional review, the supporting information may decrease the time required to process your claim. If the taxpayer does not provide this information with its claim, the taxpayer may later be required to provide such information.

### Other Refund Considerations

- For purposes of this refund procedure, "tax actually paid" includes any Schedule D credits (e.g., industrial machinery credits, job tax credits, etc.) applied on the return. Schedule D credits previously applied on the return in excess of those that may be applied on the amended return(s) will be reinstated on the taxpayer's account (and subject to the applicable carryforward rules) rather than paid as a refund.
- The department may audit the refund claim, appropriately adjust or deny the claim, or audit the amount of tax otherwise due, within the applicable statute of limitations.
- A refund due under this procedure must first be used to offset any outstanding tax liabilities.
- A denial of a refund claimed pursuant to this process is subject to the remedies provided in Tenn. Code Ann. §§ 67-1-1802(b) and 67-1-1802(c), except that a suit challenging the

denial or deemed denial of a claim for refund under T.C.A. § 67-4-2122 must be filed in the chancery court of Sumner County.

- If the department does not issue a refund claimed pursuant to this refund procedure within 90 days from the date the department receives the refund claim **and** proper proof to verify that the refund is due and payable, then the department will add interest to the amount refunded at the rate established by 26 U.S.C. § 6621(a)(1) for a large corporate overpayment in the amount of the federal short-term rate plus five tenths (0.5) of a percentage point.
- The department is required to publish the name of each taxpayer issued a refund and the applicable range corresponding to the total amount refunded to the taxpayer, which will be published in a list on the department's website on May 31, 2025, and remain posted through June 30, 2025. The applicable ranges are: \$750 or less; \$751 - \$10,000; and more than \$10,000. Specific refund amounts will not be disclosed. If a taxpayer has filed a refund claim but has not been issued a refund by May 31, 2025, the name of the taxpayer will be published with the range omitted and designated as "pending".
- Pub. Ch. 950 (2024) requires that, upon acceptance of a refund claim, the taxpayer knowingly waive any claim in any court, state or federal, against the Tennessee Department of Revenue, Commissioner of Revenue, State of Tennessee, or its employees, on any theory that the franchise tax in Title 67, Part 21, or any provision of Part 21, including T.C.A. § 67-4-2108, as that Part and those provisions existed before the enactment of Pub. Ch. 950 (2024), is unconstitutional by failing the internal consistency test.
- A suit that contains a claim or allegation that any provision of the franchise tax, including T.C.A. § 67-4-2108 as that section previously existed, is unconstitutional by failing the internal consistency test must be filed on or before November 30, 2024.

## For More Information

Visit [www.tn.gov/revenue/](http://www.tn.gov/revenue/). Click on Revenue Help to search for answers or to submit an information request to one of our agents.

## References

Pub. Ch. 950 (2024)