

Income/Franchise:

Tennessee: Letter Ruling Says Corporate Member May Utilize SMLLC's Credits Following Merger

Letter Ruling No. 23-09, Tenn. Dept. of Rev. (11/3/23). In a redacted letter ruling involving a single member limited liability company (SMLLC) that in prior years had generated certain Tennessee industrial machinery tax credits, job tax credits, and additional annual job tax credits (collectively, "the credits") for Tennessee franchise and excise tax purposes and which subsequently merged into its corporate single member (*i.e.*, the "taxpayer"), the Tennessee Department of Revenue (Department) held that because the SMLLC was disregarded both for federal income tax and Tennessee franchise and excise tax purposes when it applied for and earned the credits, the taxpayer may continue to utilize the credits after the merger with the SMLLC. In doing so, the Department explained that the taxpayer was *not* a disqualifiable "successor entity" to the SMLLC in this case and that the activities of the SMLLC were considered the activities of the taxpayer for state franchise and excise tax purposes. In this respect, the Department reasoned, the credits generated by the SMLLC while it was a disregarded entity are recognized as effectively generated by the taxpayer and thus the taxpayer may continue to claim the credits post-merger. Please contact us with any questions.

URL: <https://www.tn.gov/content/dam/tn/revenue/documents/rulings/fae/23-09fe.pdf>

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