

Business Tax: Ownership Structure

Anyone who registers taxpayers for Tennessee business tax must ensure the taxpayer indicates their business structure on the business tax application form. Taxpayers who register online with Revenue also must indicate their business structure.

Revenue staff, as well as staff in local government offices, can assist taxpayers with this task. However, ***it is the responsibility of the taxpayer to declare how their business is structured.*** This must always match with the way the business reports federal taxes to the Internal Revenue Service (IRS). Proof of their business structure is not required – the taxpayer simply needs to indicate the proper choice on the application form.

Note About Identification Numbers

Each business must include a social security number (SSN) or a federal employer identification number (FEIN). Businesses needing FEINs must obtain the number from the Internal Revenue Service (IRS). IRS can be reached at 800/829-4933 or for faster service, a FEIN can be obtained online at www.irs.gov. ***Businesses can no longer write "FEIN applied for" on any business tax application – the number must be obtained before registration.***

Types of Business Structures

Proprietorship – A sole proprietorship is one individual in business alone. Sole proprietorships are the most common form of business structure.

- The primary entity number for a proprietorship is the SSN of the sole person.
- *Federal name: Sole Proprietorship*
- Ownership information needed: Name and SSN of owner

Marital Joint – A marital joint account is when two married individuals own the business together.

- The primary entity number for a joint ownership is the SSN of the primary spouse. The other spouse's SSN is also needed. Upon registration, the state will assign a joint identification number in the state's TNTAP system.
- *Federal name: Sole Proprietorship—each spouse completes a separate Schedule C for their portion of earnings and attaches the Schedule C to their 1040*
- Ownership information needed: Names and SSN of both spouses

Partnership – A General Partnership is composed of two or more persons who agree to contribute money, labor, and/or skill to a business. Each partner shares the profits, losses, and management of the business and each partner is personally and equally liable for debts of the partnership.

- The primary entity number for a partnership is the entity's FEIN.
- *Federal name: General Partnership*
- Ownership information: Name and social security number (if available) of each owner

Limited Partnership (LP or LLP) – These two business types are composed of one or more general partners and one or more limited partners. The general partners have full management and control of the business and have full personal responsibility of all debts and liabilities of the business. The limited partners have no personal responsibilities for debts and liabilities beyond the amount of their investment interest and cannot participate in the management of daily operations.

- The primary entity number for a partnership is the entity's FEIN.
- *Federal name: Limited Partnership*
- Ownership information: Name and social security number (if available) of the general partner

Single-Member Limited Liability Company (SMLLC) – A Single-Member Limited Liability Company (SMLLC) is formed by one individual or entity through a special written agreement. A single member LLC only has one member.

- The primary entity number for an LLC is the owner's SSN or an entity's FEIN.
- *Federal name: Limited Liability Company*
- Ownership information: Name and social security number or FEIN (if available) of the person or entity owning the SMLLC

Multi-Member Limited Liability Company (LLC) – A multi-member LLC is formed by one or more individuals or entities through a special written agreement.

- The primary entity number for a multi-member LLC is either a person's SSN or the owning entity's FEIN.
- *Federal name: Limited Liability Company*
- Ownership information: Name and social security number or FEIN (if available) of the person or entity owning the LLC

Professional Limited Liability Company (PLLC) - A professional limited liability company is formed under a state professional limited liability company law and is a company engaged in the rendering of professional services.

- The primary entity number for a PLLC is the entity's FEIN.
- *Federal name: Professional Limited Liability Company*
- Ownership information: Name and social security number or FEIN (if available) of the person or entity owning the PLLC

Corporation – Corporations are a more complex business structure. As a chartered legal entity, a corporation has its own rights, privileges, and liabilities. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes.

Corporations chartered in Tennessee are Tennessee domestic corporations. Corporations chartered in other states are foreign corporations.

- The primary entity number for a corporation is the entity's FEIN.
- *Federal name: Corporation, C Corporation*
- Ownership information: Name and social security number or FEIN (if available) of the person or entity owning the corporation

S Corporation – A corporation which has elected S status is generally exempt from federal income tax other than on certain capital gains and passive income. Its shareholders include on their tax returns their share of the corporation's separately stated items of income, deduction, loss, and credit. These amounts are referred to as "flow through item".

- The primary entity number for an S Corp is the entity's FEIN.
- *Federal name: S Corporation*
- Ownership information: Name and social security number or FEIN (if available) of the person or entity owning the S corporation