In matter of:

[Redacted INC.

Contact: [Redacted] Inc.

FINAL RULING NO. 2006-47
June 5, 2006

Intangible Property Tax Assessment
January 1, 2001

FINAL RULING

The Kentucky Department of Revenue has an outstanding intangible property tax assessment against [Redacted] Inc. (Taxpayer) for the period of January 1, 2001 totaling $[Redacted] in penalties. A breakdown of the assessment is shown in the chart below:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Tax Due</th>
<th>Interest As of 02-20-2006</th>
<th>Penalty As of 02-20-2006</th>
<th>Total Due As of 02-20-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>[Redacted]</td>
<td>[Redacted]</td>
<td>[Redacted]</td>
<td>[Redacted]</td>
</tr>
<tr>
<td>Totals</td>
<td>[Redacted]</td>
<td>[Redacted]</td>
<td>[Redacted]</td>
<td>[Redacted]</td>
</tr>
</tbody>
</table>

[Redacted] Inc. protested the penalty assessment for the original audit period of 01/01/01 through 01/01/04. Along with the protest letter, the taxpayer enclosed a check for payment of tax and interest for the assessment periods. The taxpayer’s basis for abatement of penalties was as follows: 1) taxpayer contended this was their first audit and 2) the taxpayer was unaware that the CPA firm had not filed the tax returns.

Penalties were assessed in accordance with KRS 132.290(4) and (5) which states:

(4) All omitted property not voluntarily listed shall be subject to a penalty of twenty percent (20%) of the amount of taxes, and interest at the tax
interest rate as defined in KRS 131.010(6) from the date when the
taxes would have become delinquent had the property been listed as
required by law, until the date the tax bill is paid.

(5) When the property is assessed retroactively by action prosecuted in
the manner provided by KRS 132.330 and 132.340, an additional
penalty of twenty percent (20%) of the amount of the original tax,
interest and penalty may be collected for the purpose provided in KRS
134.400 and paid into the State Treasury. All other penalties and
interest shall be distributed in the same manner as the tax.

The taxpayer was sent a letter dated [Redacted] 2005, which served as notification
that the request for abatement of penalties had been denied. Requests for payment of the
outstanding assessment were sent to the taxpayer dated [Redacted] 2005 and [Redacted],
2005.

On November 23, 2005, the Department received the taxpayer’s 2005 intangible
property tax return. Within this correspondence, the taxpayer requested for a second time that
the penalties be waived for the 01/01/01 through 01/01/04 assessment periods.

In a letter dated [Redacted], 2005, the Department granted the taxpayer’s request for
abatement of ten percent of the twenty percent penalty assessed for the 01/01/02 through
01/01/04 periods. The taxpayer was notified that the ten percent penalty assessed for the
01/01/01 penalty was not abated.

The taxpayer remitted payment for the outstanding assessment for the 01/01/02
through 01/01/04 periods on [Redacted], 2005. No payment has been received to date for
the penalty assessed for the 01/01/01 period.

Therefore, the outstanding penalty relative to the intangible property tax assessment totaling
[$Redacted] is deemed a legitimate liability of [Redacted], Inc. due the Commonwealth of Kentucky.

This letter is the final ruling of the Department of Revenue.

APPEAL

You may appeal this final ruling to the Kentucky Board of Tax Appeals pursuant to the
provisions of KRS 131.110, KRS 131.340-131.365, 103 KAR 1:010 and 802 KAR 1:010. If you
decide to appeal this final ruling, your petition of appeal must be filed at the principal office of the
Kentucky Board of Tax Appeals, 128 Brighton Park Boulevard, Frankfort, Kentucky 40602-2120,
within thirty (30) days from the date of this final ruling. The rules of the Kentucky Board of Tax
Appeals, which are set forth in 802 KAR 1:010, require that the petition of appeal must:
1. Be filed in quintuplicate;
2. Contain a brief statement of the law and facts in issue;
3. Contain the petitioner's or appellant's position as to the law and facts; and
4. Include a copy of this final ruling with each copy of the petition of appeal.

The petition of appeal must be in writing and signed by the petitioner or appellant. Filings by facsimile or other electronic means shall not be accepted.

Proceedings before the Kentucky Board of Tax Appeals are conducted in accordance with 103 KAR 1:010, 802 KAR 1:010 and KRS 131.340-131.365 and KRS Chapter 13B. Formal hearings are held by the Board concerning the tax appeals before it, with all testimony and proceedings officially reported. Legal representation of parties to appeals before the Board is governed by the following rules set forth in Section 2 (3) of 802 KAR 1:010:

1. An individual may represent himself in hearings before the Board;
2. An individual who is not an attorney may not represent any other individual, corporation, trust, estate, or partnership before the Board; and
3. An attorney who is not licensed to practice in Kentucky may practice before the Board if he complies with Rule 3.030(2) of the Rules of the Kentucky Supreme Court.

You will be notified by the Clerk of the Board of the date and time set for any hearing.

Sincerely,
FINANCE AND ADMINISTRATION CABINET

THOMAS H. BROWN
Director
Division of Protest Resolution

CERTIFIED MAIL
RETURN RECEIPT REQUESTED