



**FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE SECRETARY**

Ernie Fletcher
Governor

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John R. Farris
Secretary

In the matter of:

[REDACTED] CO., INC.

Contact:

[REDACTED]

FINAL RULING NO. 2006-97
October 10, 2006

Intangible Personal Property Tax Assessments
January 1, 2000 through January 1, 2003

FINAL RULING

The Kentucky Department of Revenue has an outstanding intangible personal property tax assessment against [REDACTED] Company Inc. for the period January 1, 2000 through January 1, 2003 totaling \$ [REDACTED] plus applicable interest. A breakdown of the assessment is shown in the chart below:

Tax Year	Tax Due	Interest As of 10/10/2006	Penalty & Fees As of 10/10/2006	Total Due As of 10/10/2006
2000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2001	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2002	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2003	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

On December 3, 2004, intangible personal property tax was levied against [REDACTED] Company, Inc. based on the results of an audit conducted by the [REDACTED] Taxpayer Service Center. These assessments were promptly protested.

On ██████████, 2005, the Department received a protest letter from ██████████ C.P.A. This letter requested the Department to abate all taxes, penalties and interest. ██████████ stated that ██████████ Company, Inc. and ██████████ Inc. were part of a controlled group where 80% or more of each company's stock is owned by the same parent. ██████████ Company, Inc. picks up crude oil and delivers it to ██████████ Inc. Mr. Flinchum stated that the trade receivables of ██████████ Company, Inc. were reported at the ██████████ (\$.██) per one hundred dollars (\$100) of value in error. He stated these receivables qualified as inter-company receivables subject to ██████████ (██) cents per one hundred dollars (\$100) of value. In addition, he stated the inter-company receivable the taxpayer had reported was in error. He stated this inter-company transfer was for accounting purposes only.

On ██████████, 2006, the Department sent a letter denying ██████████'s request to abate the taxes, penalties, and interest. The Department acknowledged that ██████████ owned one hundred percent (100%) of the stock of both ██████████ Company, Inc. and ██████████. As a result, the transactions between ██████████ Company, Inc. and ██████████ are not of a parent subsidiary relationship and do not qualify for the reduced rate of ██████████ (██) cents per one hundred dollars (\$100) of value. The Department then requested that ██████████ Company, Inc. remit payment in full, submit an offer in settlement, or request a conference to discuss the unresolved issues on or before ██████████, 2006. ██████████ Company, Inc. failed to respond to this correspondence.

On ██████████, 2006, the Department sent ██████████ another letter in which it requested his client, ██████████ Company, Inc., to remit payment, submit an offer in settlement, or to request a conference with representatives of the Finance and Administration Cabinet to discuss the unresolved issues by ██████████, 2006. ██████████ has failed to remit payment, make an offer to settle or provide other documentation showing this assessment to be invalid.

Therefore, the outstanding intangible property tax assessments totaling \$ ██████████ (plus applicable interest and penalties) are deemed legitimate liabilities of ██████████ Company, Inc. due the Commonwealth of Kentucky.

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

APPEAL

You may appeal this 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 ruling, you must file your complaint or petition of appeal with the Clerk, Kentucky Board of Tax Appeals, 128 Brighton Park Boulevard, Frankfort, Kentucky 40601, within

thirty (30) days from the date of this letter. The rules of the Kentucky Board of Tax Appeals, which are set forth in 802 KAR 1:010, require that the complaint or petition of appeal must:

1. Be filed in quintuplicate;
2. Contain a brief statement of the law and facts in issue;
3. State the petitioner's position regarding the law, facts or both; and
4. Include a copy of this final ruling letter with each copy of the complaint or petition.

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 & ADMINISTRATION CABINET



THOMAS H. BROWN
Director
Division of Protest Resolution

cc: ██████████ CPA

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

