



STATE OF NEW YORK

STATE TAX COMMISSION

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In the Matter of the Petition :  
of :  
HAGAN PROPERTIES, INC. :  
For a Redetermination of a Deficiency :  
or for Refund of Tax under Article 9-A :  
of the Tax Law for the fiscal year :  
ended June 30, 1965. :  
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Hagan Properties, Inc., having filed a petition for redetermination of a deficiency or for refund of franchise tax under Article 9-A of the Tax Law for the fiscal year ended June 30, 1965, and a hearing having been held in connection therewith at the office of the State Tax Commission in New York City on October 16, 1968, before William F. Sullivan, Hearing Officer of the Department of Taxation and Finance, at which hearing, Daniel H. Link, tax manager of the taxpayer, appeared personally and testified, and the record having been duly examined and considered,

The State Tax Commission hereby finds:

(1) That the taxpayer was incorporated under the laws of New York State on June 27, 1958, and is the owner and operator of real property.

(2) That on the basis of a report filed and additional information submitted, a statement of audit adjustment was issued on March 1, 1968 as follows, exclusive of interest:

June 30, 1965

CF-4, Schedule C Item 1	
Average total assets	\$878,886.00
Less adjusted current liabilities	<u>8,328.00</u>
Total capital	870,558.00
Tax at 1 mill	870.56
Tax per report	356.03
Deficiency	514.53
Penalty	26.51
Total tax and penalty	\$ 541.04

(3) That in arriving at total capital, in addition to disallowing liability for a mortgage payable, liabilities due to affiliated companies of \$753,815 at July 1, 1964 and \$63,140 at June 30, 1965, were disallowed as being outstanding for more than a year as of any date during the year covered by the report.

(4) That a notice of deficiency was mailed on May 1, 1968, and a petition for redetermination of tax was filed on July 29, 1968.

(5) That with its letter of November 6, 1968, the taxpayer enclosed a schedule of intercompany balances which indicated the following amounts owed to certain affiliates were outstanding at both the beginning and end of the taxable year

<u>Owed To</u>	<u>Amount</u>
Hagan Industries, Inc.	\$581,190
City Tank Corp. of Va.	60,334
Total	<u>\$641,524</u>

(6) That in computing the assets and liabilities as of June 30, 1965, the taxpayer offset receivables due from certain affiliates against liabilities owed to other affiliates.

(7) That Section 208.7 of the Tax Law reads, in part, as follows:

"The term 'business capital' means all assets, other than subsidiary capital, investment capital and stock issued by the taxpayer, less liabilities \* \* \* which are payable by their terms on demand or within one year from the date incurred, other than loans or advances outstanding for more than a year as of any date during the year covered by the report \* \* \*."

Upon the foregoing findings and upon all of the evidence presented, the State Tax Commission hereby

**DECIDES:**

(A) That liabilities of \$641,524, consisting of \$581,190 due to Hagan Industries, Inc. and \$60,334 due to City Tank Corp. of Va., were outstanding for more than a year during

the fiscal year ended June 30, 1965 and are not deductible as liabilities in computing "business capital" under Section 208.7 of the Tax Law.

(B) That because of the netting of assets and liabilities on June 30, 1965, as noted in (6) above, Schedule C of form CT-4 has been reconstructed as shown on attached Appendix A.

(C) That the notice of deficiency and statement of audit adjustment are hereby corrected as shown below, and as so corrected affirmed together with such interest as may lawfully be due under Section 1084 of the Tax Law.

Total Capital (Appendix A)	\$1,103,604.58
Tax at 1 Mill	1,103.60
Tax per report	356.03
Deficiency	747.57
Penalty	26.51
Total tax and penalty	\$ 774.08

Dated: Albany, New York

this 22nd day of April, 1970.

STATE TAX COMMISSION

  
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President

  
\_\_\_\_\_  
Commissioner

  
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Commissioner

APPENDIX A

HAGAN PROPERTIES, INC.

From Schedule of Intercompany Balances Submitted by Taxpayer

	<u>Liabilities owed to certain affiliates 6/30/64</u>	<u>Liabilities owed to certain affiliates 6/30/65</u>
Hagan Industries, Inc.	\$581,190	\$691,329
City Tank Corp. of Va.	60,334	78,546
Miscellaneous	15,900	9,469
Total	<u>\$657,424</u>	<u>\$779,344</u>
		<u>Receivables due from other affiliates 6/30/65</u>
	Total	\$716,204

For 6/30/64 total assets were overstated by \$96,391 because of failure to offset accounts payable of \$96,391 owed to City Tank Corp. of N.Y. against notes receivable of \$337,500 due from the same company.

For 6/30/65 taxpayer offset above receivables against above liabilities thereby understating total assets by \$716,204.

Recomputation of Capital

	<u>6/30/64</u>	<u>6/30/65</u>	<u>Average</u>
Total assets as reported	\$1,280,058.27	\$477,713.89	\$878,886.08
Less Assets overstated	96,391.00		
Plus offset receivables		716,204.00	
Adjusted assets	<u>\$1,183,667.27</u>	<u>\$1,193,917.89</u>	<u>\$1,188,792.58</u>
Current liabilities (See below)			85,188.00
Corrected total capital			\$1,103,604.58
Liabilities owed to affiliates	6/30/64	\$ 657,424	
" " " "	6/30/65	779,344	
Total		<u>1,436,768</u>	
Average (1/2)		718,384	
Average liabilities over one year		<u>641,524</u>	
Allowable liabilities to affiliates		76,860	
Plus original allowance		<u>8,328</u>	
Corrected allowable liabilities		\$ 85,188	