

STATE OF NEW YORK

STATE TAX COMMISSION

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In the Matter of Petition

of

STARRETT HOUSING CORPORATION

for redetermination of deficiency of  
franchise tax under Article 9-A of  
the tax law for the calendar year 1971.  
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Starrett Housing Corporation having filed petition for redetermination of deficiency of franchise tax under Article 9-A of the tax law for the calendar year.1971, and a hearing having been held in connection therewith at the office of the State Tax Commission, 80 Centre Street, New York City, at which hearing the taxpayer was represented by S. Berger, Vice-President, L. Weinfeld, Controller and P. Weiner, Accountant, and the record having been duly examined and considered by the State Tax Commission,

It is hereby found:

(1) Starrett Housing Corporation has been filing returns on a combined basis with certain of its wholly-owned subsidiaries for a number of years. On September 11, 1972 the taxpayer requested permission to include four additional corporations, namely, Graphic Construction Corporation, Graphic Rehabilitation Corporation, Mott Trio Ltd. and Mott V. Ltd. Starrett Housing Corporation owns 100% of the stock of Graphic Construction Corporation, which in turn owns 100% of the stock of Graphic Rehabilitation Corporation, Mott Trio Ltd. and Mott V. Ltd. The Corporation Tax Bureau permitted the inclusion of Graphic Construction Corporation and Graphic Rehabilitation Corporation but denied permission to include Mott Trio Ltd. and Mott V. Ltd. Since the combined return filed by Starrett Housing Corporation reflected the inclusion of Mott Trio Ltd. and Mott V. Ltd., the Corporation Tax Bureau issued a statement of audit adjustment and notice of deficiency dated May 15, 1973 for the calendar year 1971 computed as follows:

Combined entire net income reported	\$396,580.00
Add: net loss reported by Mott Trio Ltd.	27,299.00
Add: net loss reported by Mott V. Ltd.	12,968.00
Adjusted combined entire net income	436,847.00
Allocated 76.6% to New York	334,625.00
Tax at 9%	30,116.00
Plus subsidiary capital tax	9.00
Total tax	30,125.00
Tax reported	27,340.00
Deficiency	2,785.00

(2) Starrett Housing Corporation and Graphic Construction Corporation perform services as developers, builders and general contractors of commercial and residential projects. Graphic Rehabilitation Corporation performs services as a subcontractor on projects for which Graphic Construction Corporation is the general contractor. Mott Trio Ltd. and Mott V. Ltd. are corporations formed by Graphic Construction Corporation to be the general partners in certain limited partnerships which own and operate completed projects consisting of low-rent residential buildings renovated under Federal contracts. Graphic Construction Corporation was the general contractor for the renovation of these buildings.

(3) Section 211.4 of Article 9-A of the tax law reads in part:

"In the discretion of the tax commission, any taxpayer, which owns or controls either directly or indirectly substantially all the capital stock of one or more other corporations ... may be required or permitted to make a report on a combined basis covering any such other corporations ..."

The State Tax Commission hereby

DECIDES:


(A) Mott Trio Ltd. and Mott V. Ltd. are general partners in limited partnerships which own and operate parcels of real estate. The tax liability of these two corporations is more properly reflected on an individual basis since the profit or loss of each is primarily due to the operation of the specific real properties in which each has an interest, instead of being due to intercompany transactions.

It is not the policy of the Tax Commission to permit or require inclusion in a combined return of corporations where taxation on an individual basis produces a more proper result.

(B) The notice of deficiency is affirmed together with interest in accordance with Section 1084 of Article 27 of the tax law.

Dated: Albany, New York  
this 20th Day of June 1974.

STATE TAX COMMISSION

  
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President

  
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Commissioner

  
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Commissioner