

*Chrysler Financial Corp
Corp / Corp acct. 1967*

STATE OF NEW YORK

STATE TAX COMMISSION

In the Matter of Petition :

of :

CHRYSLER FINANCIAL CORPORATION :

for redetermination of deficiencies :

of franchise tax under Article 9-A :

of the tax law for 1967, 1968 and :

1969. :

The taxpayer having filed a petition for redetermination of deficiencies of franchise tax under Article 9-A of the tax law for 1967, 1968 and 1969, and a hearing having been held at the office of the State Tax Commission, 80 Centre Street, New York City, at which hearing W. S. Rubenstein, Esq. of counsel, and D. J. Obricht, employee of the corporation, appeared and the record having been duly examined and considered by the State Tax Commission,

It is hereby found:

(1) The Corporation Tax Bureau, based on a field audit examination conducted by its Buffalo district office, determined that Chrysler Financial Corporation ("Financial") should be taxed on a combined basis with two of its wholly owned subsidiaries, Chrysler Credit Corporation ("Credit") and Redisco, Inc. ("Redisco"). Statements of audit adjustment and notices of deficiency were accordingly issued against Financial as follows:

<u>Year</u>	<u>Tax Deficiency</u>
1967	\$ 2,399.00
1968	2,209.00
1969	52,051.00

(2) Subsequently, based on final federal determinations, additional tax deficiencies were asserted against Financial as follows:

Additional combined income due to federal changes	<u>1967</u> \$2,687,632.00	<u>1968</u> \$1,200,256.00
Business allocation as previously adjusted	3.2067%	3.58023%
Additional combined income allocated to New York	86,186.00	42,972.00
Additional tax deficiency at 5 1/2%	4,740.23	
Additional tax deficiency at 7%		3,008.04

(3) Credit, a Delaware corporation, is engaged in the wholesale and retail financing of automobiles and trucks. Wholesale activities consist of floor planning of car dealer inventories, the inventories being used as collateral for the loans. At the retail level, installment paper resulting from the sale of cars and trucks is sold to Credit at face value by dealers. The contracts resulting from floor planning and the retail installment paper are immediately sold at face value by Credit to Financial. Credit has offices located in all principal cities of the United States, nine being located in New York. Interest and financial charges are collected by Credit for Financial at its various offices. Credit is reimbursed by Financial for all expenses, except for federal income tax and, in addition, is paid a fee calculated at one-half of net expenses.

Redisco, a Michigan corporation, is engaged mainly in the retail financing of household appliances, trailers and boats. It has the same arrangements with Financial as its sister corporation. Redisco also maintains offices in most of the principal cities of the United States, two being in New York.

Financial, a Michigan corporation, has its headquarters and entire staff located in Southfield, Michigan in rented office space. It advances funds to Credit and Redisco on a daily basis to meet their needs. No interest is charged to the subsidiaries on these advances. Financial obtains its operating funds by sale of short term notes in the open market. Interest and other financial

income reported by Financial for federal income tax purposes was received substantially from notes receivable and installment paper purchased from its two subsidiaries, Credit and Redisco.

Credit and Redisco were doing business in New York during the three years involved and filed franchise tax returns on an individual basis. Financial did not file franchise tax returns because its entire activities were conducted in Michigan.

(4) Section 211.4 of the tax law reads in part:

"In the discretion of the tax commission, any taxpayer, which owns . . . 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 . . . provided, however, that no combined report covering any corporation not a taxpayer shall be required unless the tax commission deems such a report necessary, because of intercompany transactions or some agreement, understanding, arrangement or transaction referred to in subdivision five of this section, in order properly to reflect the tax liability under this article . . ."

The State Tax Commission hereby

DECIDES:

(A) The tax law provides the Tax Commission with discretionary authority to require the inclusion of a non-taxpayer in a combined report with one or more taxpayers, where such inclusion is necessary in order to reflect the proper tax liability, either because of (1) intercompany transactions or (2) an agreement, understanding or arrangement whereby the activities, business, income or capital of the taxpayers are improperly or inaccurately reflected.

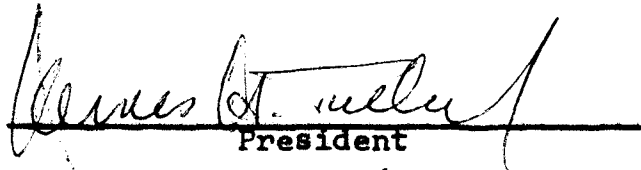
(B) The income of Financial, the parent corporation, is primarily generated by intercompany transactions through the medium

of purchase of floor plan paper and retail installment paper from Credit and Redisco, and then having the two subsidiaries perform the collection services. The operations of the three corporations constitute a unitary business and a combined basis is required to produce a proper tax result.

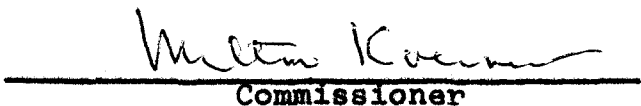
(C) The tax deficiencies as indicated at (1) and (2) are affirmed, together with interest in accordance with Section 1084 of the tax law.

Dated: Albany, New York
this 10th Day of July 1975.

STATE TAX COMMISSION


President


Commissioner


Commissioner