

STATE OF NEW YORK
STATE TAX COMMISSION

In the Matter of the Petition

of
ELLIOT C. LAIDLAW, JR. and RUTH D. LAIDLAW

AFFIDAVIT OF MAILING

For a Redetermination of a Deficiency or :
a Revision of a Determination or a Refund :
of Personal Income :
Taxes under Article (x) 22 of the :
Tax Law for the Year(s) ~~or Period(s)~~ :
1965 and 1966.

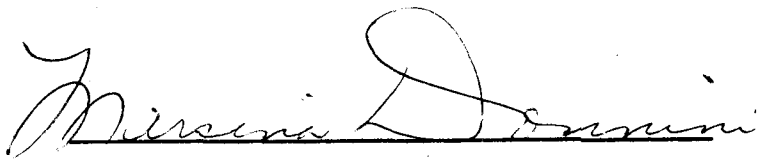
State of New York
County of Albany

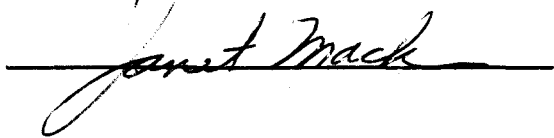
Marsina Donnini, being duly sworn, deposes and says that she is an employee of the Department of Taxation and Finance, over 18 years of age, and that on the 22nd day of July, 1977, she served the within Notice of Decision by (certified) mail upon Elliot C. Laidlaw, Jr. & Ruth D. Laidlaw (~~representative of~~) the petitioner in the within proceeding, by enclosing a true copy thereof in a securely sealed postpaid wrapper addressed as follows: Mr. & Mrs. Elliot C. Laidlaw, Jr.
Box 13, Old Dutch Road
Bedminster, New Jersey

and by depositing same enclosed in a postpaid properly addressed wrapper in a (post office or official depository) under the exclusive care and custody of the United States Postal Service within the State of New York.

That deponent further says that the said addressee is the (~~representative of the~~) petitioner herein and that the address set forth on said wrapper is the last known address of the (~~representative of the~~) petitioner.

Sworn to before me this
22nd day of July, 1977.





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Tax Law for the Year(s) ~~or Period(s)~~ :
1965 and 1966.

State of New York
County of Albany

Marsina Donnini, being duly sworn, deposes and says that she is an employee of the Department of Taxation and Finance, over 18 years of age, and that on the 22nd day of July, 1977, she served the within Notice of Decision by (certified) mail upon Jacques M. Levy, Esq.

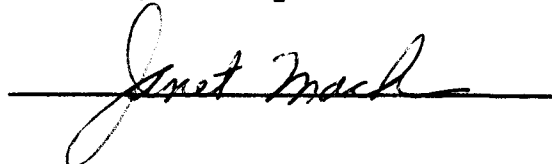
(representative of) the petitioner in the within proceeding, by enclosing a true copy thereof in a securely sealed postpaid wrapper addressed as follows: Jacques M. Levy, Esq.
55 West 42nd Street
New York, New York 10036

and by depositing same enclosed in a postpaid properly addressed wrapper in a (post office or official depository) under the exclusive care and custody of the United States Postal Service within the State of New York.

That deponent further says that the said addressee is the (representative of the) petitioner herein and that the address set forth on said wrapper is the last known address of the (representative of the) petitioner.

Sworn to before me this
22nd day of July, 1977.







STATE OF NEW YORK
STATE TAX COMMISSION
TAX APPEALS BUREAU
ALBANY, NEW YORK 12227

JAMES H. TULLY JR., PRESIDENT
MILTON KOERNER
THOMAS H. LYNCH

July 22, 1977

**Mr. & Mrs. Elliot C. Laidlaw, Jr.
Box 13, Old Dutch Road
Bedminster, New Jersey**

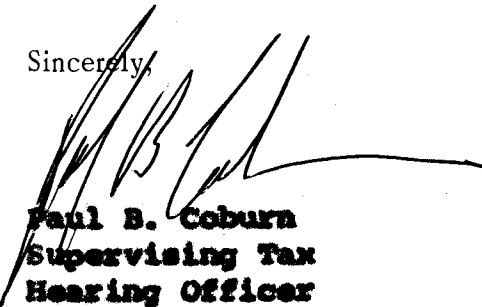
Dear Mr. & Mrs. Laidlaw:

Please take notice of the **DECISION**
of the State Tax Commission enclosed herewith.

You have now exhausted your right of review at the administrative level. Pursuant to section **(a) 690** of the Tax Law, any proceeding in court to review an adverse decision by the State Tax Commission can only be instituted under Article 78 of the Civil Practice Laws and Rules, and must be commenced in the Supreme Court of the State of New York, Albany County, within **4 months** from the date of this notice.

Inquiries concerning the computation of tax due or refund allowed in accordance with this decision may be addressed to the Deputy Commissioner and Counsel to the New York State Department of Taxation and Finance, Albany, New York 12227. Said inquiries will be referred to the proper authority for reply.

Sincerely,


**Paul B. Coburn
Supervising Tax
Hearing Officer**

cc: Petitioner's Representative
Taxing Bureau's Representative

STATE OF NEW YORK

STATE TAX COMMISSION

In the Matter of the Petition
of
ELLIOT C. LAIDLAW, JR. and RUTH D. LAIDLAW
for Redetermination of a Deficiency or for
Refund of Personal Income Taxes under
Article 22 of the Tax Law for the Years 1965
and 1966.

DECISION

Elliot C. Laidlaw, Jr. and Ruth D. Laidlaw, his wife,
Box 13, Old Dutch Road, Bedminster, New Jersey, filed a petition
for redetermination of a deficiency or for refund of personal
income taxes under Article 22 of the Tax Law for the years
1965 and 1966. (File No. 0-0001211)

A formal hearing was held at the offices of the State Tax
Commission, Two World Trade Center, New York, New York, before
Solomon Sies, Hearing Officer, on September 14, 1976 at 9:15
a.m.

The petitioners appeared by Jacques M. Levy, Esq. The
Income Tax Bureau appeared by Peter Crotty, Esq. (James A.
Scott, Esq. of counsel).

ISSUE

Whether all of the income of the Hambros Delaware Corporation, a limited partner of Laidlaw & Co., received from said partnership should be allocated to New York State.

FINDINGS OF FACT

1. Laidlaw & Co. was a New York partnership engaged in the brokerage business. It dealt in securities under the supervision of the New York Stock Exchange, with branches doing business outside the State of New York. It derived a portion of its brokerage income from sources outside the State of New York.

2. Laidlaw & Co. was also a firm of private bankers doing business under the supervision of the Banking Department of the State of New York. The firm was founded in 1842 under the name of Lees and Waller, and its members were engaged as commission agents and bankers. The name was later changed to Laidlaw & Co. In the 1870's, the firm joined the New York Stock Exchange. The banking business of the partnership was conducted solely at its principal office in the City of New York, and all of its income from the banking business was derived solely from sources within the State of New York.

3. Laidlaw & Co.'s banking department was required under the New York State Banking Law to maintain and keep separate books and records with respect thereto, and did maintain such books and records separate and apart from its books and records pertaining to its brokerage business.

4. In 1960, Laidlaw & Co. decided to bolster its banking department by associating with the Hambros Bank of England, which offered to invest five million dollars of cash capital in Laidlaw. As a result, the Hambros Delaware Corporation was incorporated under the laws of Delaware, and became a limited partner of Laidlaw & Co., entitled to share in the income from the banking department only. Hambros did not share in any part of the income from the securities business, which was derived in part from New York sources and in part from sources outside New York State.

5. On February 20, 1969, the Income Tax Bureau notified Laidlaw & Co. that the nonresident allocation percentage for the fiscal year ending March 31, 1965 was 44.15%, and that the nonresident allocation percentage for the fiscal year ending March 31, 1966 was 43.03%. The aforementioned percentages were determined by dividing the New York net income (after modifications) by the Federal net income (after modifications).

In arriving at the percentage formula, the Income Tax Bureau allocated the Hambros share of banking income (65%) to sources outside New York and only 35% of said income to New York.

6. The partnership agreement, in accordance with the rules of the New York Stock Exchange, further provided that the Hambros Delaware Corporation was prohibited from any participation in the profits from the brokerage business. The Hambros Delaware Corporation, pursuant to the Articles of Copartnership, was to receive 65% of the profits of the banking department only, and the general partners of Laidlaw & Co. were to receive 35% of the profits.

7. In arriving at the percentage allocable to New York, the nonresident general partners allocated all of the Hambros share of banking income to New York.

8. On July 28, 1969, the Income Tax Bureau issued statements of audit changes to the nonresident general partners of Laidlaw & Co., including the above named petitioners, adjusting their income in accordance with Finding of Fact "5" supra. Accordingly, the Bureau issued a Notice of Deficiency therefor.

CONCLUSIONS OF LAW

A. That all of the income of the Hambros Delaware Corporation was allocable to New York in accordance with the

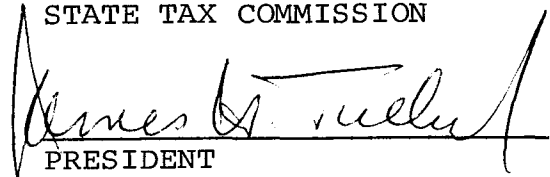
provisions of section 637(a) of the Tax Law and of the Income Tax Regulations (20 NYCRR 134.1).

B. That the nonresident allocation percentage used in computing the New York partnership of the petitioners, as reported on their income tax return, was correct, and the percentage as determined by the Income Tax Bureau was erroneous.

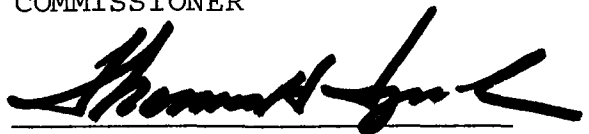
C. That the petition of Elliot C. Laidlaw, Jr. and Ruth D. Laidlaw is granted and the Statement of Audit Changes and the Notice of Deficiency be and the same are hereby cancelled.

DATED: Albany, New York
July 22, 1977

STATE TAX COMMISSION


PRESIDENT


COMMISSIONER


COMMISSIONER