

STATE OF NEW YORK

STATE TAX COMMISSION

In the Matter of the Petition :  
of  
Kingston Oil Supply Corp. :

: AFFIDAVIT OF MAILING

for Redetermination of a Deficiency or Revision :  
of a Determination or Refund of Sales & Use Tax :  
under Article 28 & 29 of the Tax Law for the :P  
period 3/1/79-11/30/81. :

State of New York :

ss.:

County of Albany :

David Parchuck, being duly sworn, deposes and says that he is an employee of the State Tax Commission, that he is over 18 years of age, and that on the 23rd day of May, 1985, he served the within notice of decision by certified mail upon Kingston Oil Supply Corp., the petitioner in the within proceeding, by enclosing a true copy thereof in a securely sealed postpaid wrapper addressed as follows:

Kingston Oil Supply Corp.  
P.O. Box 788  
Port Ewen, NY

and by depositing same enclosed in a postpaid properly addressed wrapper in a post office 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 petitioner herein and that the address set forth on said wrapper is the last known address of the petitioner.

Sworn to before me this  
23rd day of May, 1985.

David Parchuck

James A. [Signature]  
Authorized to administer oaths  
pursuant to Tax Law section 174

STATE OF NEW YORK

STATE TAX COMMISSION

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of :  
Kingston Oil Supply Corp. :

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under Article 28 & 29 of the Tax Law for the :  
Period 3/1/79-11/30/81.

State of New York :

ss.:

County of Albany :

David Parchuck, being duly sworn, deposes and says that he is an employee of the State Tax Commission, that he is over 18 years of age, and that on the 23rd day of May, 1985, he served the within notice of decision by certified mail upon Fred B. Wander, the representative of the petitioner in the within proceeding, by enclosing a true copy thereof in a securely sealed postpaid wrapper addressed as follows:

Fred B. Wander  
O'Connell & Aronowitz  
100 State St.  
Albany, NY 12207

and by depositing same enclosed in a postpaid properly addressed wrapper in a post office 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  
23rd day of May, 1985.

David Parchuck

Ann M. O'Connell  
Authorized to administer oaths  
pursuant to Tax Law section 174

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

May 23, 1985

Kingston Oil Supply Corp.  
P.O. Box 788  
Port Ewen, NY

Gentlemen:

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(s) 1138 of the Tax Law, a proceeding in court to review an adverse decision by the State Tax Commission may be instituted only under Article 78 of the Civil Practice Law 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:

NYS Dept. Taxation and Finance  
Law Bureau - Litigation Unit  
Building #9, State Campus  
Albany, New York 12227  
Phone # (518) 457-2070

Very truly yours,

STATE TAX COMMISSION

cc: Petitioner's Representative  
Fred B. Wander  
O'Connell & Aronowitz  
100 State St.  
Albany, NY 12207  
Taxing Bureau's Representative

STATE OF NEW YORK

STATE TAX COMMISSION

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In the Matter of the Petitions	:	
	:	
of	:	
	:	
KINGSTON OIL SUPPLY CORP.	:	DECISION
	:	
for Revision of Determinations or for Refunds	:	
of Sales and Use Taxes under Articles 28 and 29	:	
of the Tax Law for the Period March 1, 1979	:	
through November 30, 1981.	:	

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Petitioner, Kingston Oil Supply Corp., P.O. Box 788, Port Ewen, New York 12466, filed petitions for revision of determinations or for refunds of sales and use taxes under Articles 28 and 29 of the Tax Law for the period March 1, 1979 through November 30, 1981 (File Nos. 37285 and 39950).

A formal hearing was held before Frank A. Landers, Hearing Officer, at the offices of the State Tax Commission, Building #9, State Office Campus, Albany, New York, on June 19, 1984 at 9:15 A.M. and was continued to conclusion before the same Hearing Officer, at the same location on July 2, 1984 at 11:00 A.M., with all briefs to be submitted by September 4, 1984. Petitioner appeared by O'Connell & Aronowitz, P.C. (Fred B. Wander, Esq., of counsel). The Audit Division appeared by John P. Dugan, Esq. (James Della Porta, Esq., of counsel).

#### ISSUES

I. Whether receipts from the purchases by petitioner, Kingston Oil Supply Corp., of customer lists are subject to tax.

II. If so, whether the valuation by the Audit Division of the customer list purchased from V & O Fuel Oil, Inc. was correct.

FINDINGS OF FACT

1. On February 10, 1982, the Audit Division issued a Notice of Determination and Demand for Payment of Sales and Use Taxes Due under Articles 28 and 29 of the Tax Law assessing against the petitioner, Kingston Oil Supply Corp., taxes due of \$35,682.91, plus interest of \$2,162.39, for a total amount due of \$37,845.30 for the period June 18, 1981.

2. On June 18, 1982, the Audit Division, as the result of a field audit, issued a second Notice of Determination and Demand for Payment of Sales and Use Taxes Due under Articles 28 and 29 of the Tax Law assessing against the petitioner, Kingston Oil Supply Corp., taxes due of \$3,613.04, plus interest of \$621.84, for a total amount due of \$4,234.88 for the period March 1, 1979 through November 30, 1981.

3. It is the position of the Audit Division that the receipts from the purchases by the petitioner, Kingston Oil Supply Corp. ("Kingston"), of customer lists are taxable as the purchases of tangible personal property under section 1105(a) of the Tax Law and/or as purchases of information services under section 1105(c)(1) of the Tax Law.

4. On April 27, 1982, Kingston timely filed a petition for a hearing to review the first Notice and on September 10, 1982, Kingston timely filed a petition to review the second Notice. It is the position of the petitioner that: (1) the customer lists do not constitute tangible personal property; (2) the customer lists contain information which is personal and/or confidential in nature which may not be substantially incorporated in reports furnished to other persons; and (3) the sellers were not involved on a regular basis in providing services which included the furnishing of information concerning their customers to other persons. The petitioner also contended that the tax

on receipts from the purchase of the customer list from V & O Fuel Oil, Inc. was improperly computed in that it included an amount specifically allocated to goodwill.

5. During the period at issue, Kingston, a New York corporation, was engaged in the fuel oil distribution business. Austin R. Newcombe & Co., Inc. ("Newcombe"), a New York corporation, had operated a business for the sale and distribution of petroleum products in the Kingston, New York area for over forty-five (45) years. Pursuant to an agreement dated June 18, 1981, Kingston purchased from Newcombe certain inventories, operating assets and properties used in Newcombe's business, as well as the right to continue Newcombe's business and to use Newcombe's name for a period of five (5) years. Pursuant to paragraph (2)(e) of the agreement, the purchase price for the customer list was determined as follows:

"(i) The amount determined by multiplying 4.65 cents (\$.0465) by the total gallons of gasoline sold and delivered by Seller to all customers for the period June 1, 1980 through May 31, 1981...such gallonage to be set forth, and warranted true and correct, in a statement to be furnished Purchaser at closing in accordance with this Agreement; plus

(ii) The amount determined by multiplying 11 cents (\$.11) by the total gallons of fuel oil and kerosene sold and delivered by Seller to all retail customers for the period June 1, 1980 through May 31, 1981 (excluding therefrom all such sales pursuant to contract bids), such gallonage to be set forth, and warranted true and correct, in a statement to be furnished Purchaser at closing in accordance with this Agreement; plus

(iii) The amount determined by multiplying 2 cents (\$.02) by the total gallons of fuel oil and kerosene sold and delivered by Purchaser to all wholesale customers of Seller during the one (1) year period commencing on the date of closing, such retained gallonage to be determined by Purchaser and set forth, and warranted true and correct, in a detailed schedule of such sales to be furnished Seller within thirty (30) days after the end of such one (1) year period,

which price, as so determined, Seller and Purchaser agree shall be allocated as follows:

(i) The amount of One Hundred Thousand Dollars (\$100,000.00) to Purchaser's use of Seller's Trade Name, or any variant thereof, for a period of five (5) years in accordance with paragraph (1)(f) hereof;

(ii) The amount of Ten Dollars (\$10.00) to Seller's restrictive covenant in accordance with paragraph (17) hereof; and

(iii) The balance of the purchase price to the Customer Accounts sold and transferred to Purchaser in accordance with paragraph (1)(e) hereof."

In accordance with the above, the purchase price of the customer list was computed to be \$509,755.83, with tax due thereon of \$35,682.91.

6. Both Kingston and Newcombe considered the customer list to be confidential. Paragraph 28 of the agreement provided:

"(28) Advance List of Customer Accounts. Upon the execution of this Agreement, or as soon thereafter as practicable (but prior to the closing hereunder), Seller agrees to furnish Purchaser with an advance listing of the Customer Accounts and such other information as Purchaser may reasonably require to enter such customers, their respective delivery schedules and other related account information in its computer, it being understood and agreed by Purchaser that such account information is being furnished to it as an accommodation only and to facilitate the transition of the Business at closing and that Purchaser shall acquire no right, title or interest thereto prior to the closing in accordance with this Agreement. Pending the closing hereunder Purchaser shall hold such information in trust in a fiduciary capacity for the sole benefit of Seller, and Purchaser agrees to take all necessary steps to protect and preserve the confidentiality of such account information. Should the sale of the Property fail to close for any reason whatsoever, Purchaser shall immediately erase from its computer all such account information furnished by Seller, and without making or retaining any copy thereof, shall return to Seller all computer printouts and other account information furnished to it by Seller. Purchaser understands that Seller would suffer irreparable damage in the event of the unauthorized use of such proprietary information by Purchaser, or others, and covenants and agrees that prior to closing, or at any time should the sale of the Property fail to close, it will not disclose or use, directly or indirectly, any such information which it shall have received from Seller in accordance with this paragraph (28)."

In addition, paragraph (1)(a)(v) of a Non-Competition Agreement entered into between the parties on July 1, 1981 provided, in pertinent part, the following:

"(v) Disclose or use, directly or indirectly, any confidential information relating to the business of Newcombe or (Kingston) or any affiliate thereof, which (Amos R. Newcombe) has obtained knowledge of by reason of his ownership of and prior employment by Newcombe. All such confidential information shall be retained by (Amos R. Newcombe) in trust in a fiduciary capacity for the sole benefit of (Kingston) and its affiliates. Such confidential information includes, but is not limited to, information with respect to techniques for procuring customer leads, marketing, advertising, and sales presentation methods and materials, customer lists..."

The customer list, in addition to the customer's name and address, also contained information concerning the method of delivery and customer credit. One copy of the list was prepared and given to petitioner by Newcombe. Neither party divulged the information except as provided above, and the information was used by petitioner solely to continue servicing the customers.

7. V & O Fuel Oil, Inc. ("V & O") was a New York corporation which conducted a retail heating oil and customer service business. On August 29, 1980, Kingston purchased all the business assets of V & O, except for cash and accounts receivable. The total purchase price was \$78,886.43 which was allocated as follows:

Delivery tank and trucks	\$14,000.00
Service vehicles	3,500.00
Oil burner parts	2,271.63
Office furniture and equipment	1,500.00
Restrictive covenant of Alvie Von Etten	5,000.00
Restrictive covenant of Gene Ohlson	5,000.00
Goodwill	5,000.00
Customer list	<u>42,614.80</u>
	\$78,886.43

8. A written copy of the customer list was furnished to Kingston by V & O. Although not covered by agreement, both parties agreed that the information as to the customer list would be kept confidential. Neither party divulged the information to anyone else.

9. On audit, the examiner for the Audit Division determined a tax due of \$3,613.04 based on a value of the customer list of \$51,614.80.



CONCLUSIONS OF LAW

A. That section 1105(a) of the Tax Law imposes a tax upon the "receipts from every retail sale of tangible personal property except as otherwise provided in [Article 28]." Section 1105(c)(1) of the Tax Law imposes a tax on the receipts from every sale, except for resale, of the service of "furnishing of information by printed, mimeographed or multigraphed matter or by duplicating written or printed matter in any other manner, including the services of collecting, compiling or analyzing information of any kind or nature and furnishing reports thereof to other persons, but excluding the furnishing of information which is person or individual in nature and which is not or may not be substantially incorporated in reports furnished to other persons..."

B. That a customer list is a business asset the sale of which constitutes "the sale of information and is, therefore, taxable under section 1105 [subd. (c)] of the Tax Law (citation omitted)" (Long Island Reliable Corp. v. Tax Commission, 72 A.D.2d 826; Dairymens League Co-Op Association, Inc. et al., State Tax Commission, December 14, 1984). Therefore, the Audit Division properly determined that the sales of the customer lists were subject to tax.

C. That the tax due on the purchase of the customer list from V & O Fuel Oil, Inc. is to be based on \$42,614.80 (Finding of Fact "7", supra) and not \$51,614.80 as originally determined by the Audit Division.

D. That the petitions of Kingston Oil Supply Corp. are granted to the extent indicated in Conclusion of Law "C", supra; the Audit Division is hereby directed to modify the Notice of Determination and Demand for Payment of Sales

and Use Taxes Due issued June 8, 1982; and that, except as so granted, the petitions are denied.

DATED: Albany, New York

**MAY 23 1985**

STATE TAX COMMISSION

*Roderick W. Allen*  
PRESIDENT

COMMISSIONER

*[Signature]*  
COMMISSIONER

4/16/85  
I abstain!!  
*Francis R. Koenig*

P 693 169 844

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

PS Form 3800, Feb. 1982

Sent to <i>Hydrex Oil Supply Corp</i>	
Street and No. <i>P.O. Box 788</i>	
P.O., State and ZIP Code <i>Port Jervis NY</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

P 693 169 845

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

PS Form 3800, Feb. 1982

Sent to <i>Fred B. Wender</i>	
Street and No. <i>O'Donnell &amp; Cronmuntz</i>	
P.O., State and ZIP Code <i>100 State St Albany NY 12207</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	