

TA-36 (9/76)

State of New York - Department of Taxation and Finance
Tax Appeals BureauREQUEST FOR BETTER ADDRESS

Requested by	Tax Appeals Bureau Room 107 - Bldg. #9 State Campus Albany, New York 12227	Tax Appeals Bureau Unit Room 107 - Bldg. #9 State Campus Albany, New York 12227	Date of Request 1/30/87
--------------	---	--	--------------------------------

Please find most recent address of taxpayer described below; return to person named above.

Social Security Number	Date of Petition Dec. 1/16/87
Name King Bear 46-16 Hessena Blvd. Corp.	
Address	

Results of search by Files

<input type="checkbox"/> New address:	
<input type="checkbox"/> Same as above, no better address	
<input type="checkbox"/> Other:	addressee unknown

Searched by	Section	Date of Search

PERMANENT RECORDFOR INSERTION IN TAXPAYER'S FOLDER

TA-26 (7/85)
STATE OF NEW YORK
State Tax Commission
TAX APPEALS BUREAU
W. A. Harriman Campus
ALBANY, N.Y. 12227

CERTIFIED

319 372 999

MAIL

RECEIVED

JAN 29 1987

TAX APPEALS BUREAU

King Bear 46-16 Kissena Blvd. Corp.
46-16 Kissena Blvd.
Flushing, NY 11355

RE
Unclaimed
Addressee not
Insufficient ad-
dress
No such office in
Do not re-mail in this
zone

NOV 1987

NOV 1987

Number

STATE OF NEW YORK

STATE TAX COMMISSION

In the Matter of the Petition :
of
King Enterprises, Ltd. :

AFFIDAVIT OF MAILING

for Redetermination of a Deficiency or Revision :
of a Determination or Refund of Sales & Use Tax
under Article(s) 28 & 29 of the Tax Law for the :
Period Ended 11/30/79.
:

State of New York :

ss.:

County of Albany :

David Parchuck/Janet M. Snay, being duly sworn, deposes and says that he/she is an employee of the State Tax Commission, that he/she is over 18 years of age, and that on the 25th day of June, 1987, he/she served the within notice of Decision by certified mail upon King Enterprises, Ltd. the petitioner in the within proceeding, by enclosing a true copy thereof in a securely sealed postpaid wrapper addressed as follows:

King Enterprises, Ltd.
c/o Michael Solomon, Esq.
30 South Ocean Ave.
Freeport, NY 11520

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
25th day of June, 1987.

David Parchuck
Authorized to administer oaths
pursuant to Tax Law section 174

Janet M. Snay

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

June 25, 1987

King Enterprises, Ltd.
c/o Michael Solomon, Esq.
30 South Ocean Ave.
Freeport, NY 11520

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
Audit Evaluation Bureau
Assessment Review Unit
Building #9, State Campus
Albany, New York 12227
Phone # (518) 457-2086

Very truly yours,

STATE TAX COMMISSION

cc: Taxing Bureau's Representative

STATE OF NEW YORK

STATE TAX COMMISSION

In the Matter of the Petition

of

KING ENTERPRISES, LTD.

DECISION

for Revision of a Determination or for Refund
of Sales and Use Taxes under Articles 28 and 29 :
of the Tax Law for the Period Ended November 30,
1979. :

Petitioner, King Enterprises, Ltd., c/o Michael Solomon, Esq., 30 South Ocean Avenue, Freeport, New York 11520, filed a petition for revision of a determination or for refund of sales and use taxes under Articles 28 and 29 of the Tax Law for the period ended November 30, 1979 (File No. 43632).

A hearing was held before Frank A. Landers, Hearing Officer, at the offices of the State Tax Commission, Two World Trade Center, New York, New York, on December 2, 1986 at 11:30 A.M., with all briefs to be filed by February 2, 1987. Petitioner appeared by Michael Solomon, Esq. The Audit Division appeared by John P. Dugan, Esq. (Mark F. Volk, Esq., of counsel).

ISSUES

I. Whether petitioner, King Enterprises, Ltd., is liable for sales tax or the compensating use tax on the purchase of a power boat.

II. If so, whether the Audit Division properly determined the amount of tax due based on an estimated purchase price for said boat.

III. Whether penalty imposed pursuant to section 1145 of the Tax Law on the additional taxes should be remitted.

FINDINGS OF FACT

1. On February 28, 1983, the Audit Division issued to petitioner, King Enterprises, Ltd., a Notice and Demand for Payment of Sales and Use Taxes Due,¹ assessing a tax due of \$3,225.00, plus penalty of \$814.00 and interest of \$1,333.00, for a total amount due of \$5,402.00 for the period ended November 30, 1979. The notice contained the following explanation:

"Based on information submitted in previous correspondence, the following tax is determined to be due in accordance with the provisions of Sections 1137 and 1138 of the Tax Law."

2. On April 29, 1983, petitioner timely filed a petition for a hearing to review the notice.

3. The events and circumstances leading to the Audit Division's issuance of the above assessment are as follows: In accordance with the Department of Taxation and Finance's tax compliance program relative to the payment of tax on the purchase of large pleasure boats in New York State or outside New York State by residents of New York, an auditor from the Mineola District Tax Office made a survey of New York marinas in October 1980. The auditor noted those boats with non-New York registration or documentation. On October 7, 1980, at the Fred Chall Marina in Freeport, New York, the auditor noted, among others, a boat named The King & I which was documented in Delaware. Next, in accordance with compliance procedures, Thomas Mackey, a Sales Tax Technician II with the Audit Division's Casual Sales and Use Tax Unit in Albany, New York, visited the offices of the U.S. Coast Guard in Wilmington, Delaware to ascertain whether

1 The assessment of additional taxes should, properly, have been issued by a Notice of Determination and Demand for Payment of Sales and Use Taxes Due rather than a Notice and Demand; however, the statement on the notice meets all the notice requirements of section 1138(a)(1) of the Tax Law.

the ownership of The King & I had a New York nexus. There, Mr. Mackey found one boat named The King & I which was owned by King Enterprises, Ltd. and which had a New York nexus; that is, the address of said corporation was indicated as c/o Michael Solomon, president, 30 South Ocean Avenue, Freeport, New York. In addition to its name, Mr. Mackey also noted the year the boat was built (1979), the documentation number (610178) and its length (31'). By letter dated October 28, 1981, Mr. Mackey requested petitioner to remit the appropriate sales tax or compensating use tax on the purchase of The King & I or, in the alternative, an explanation of why no tax was due. Petitioner was also requested to submit a copy of the bill of sale. When this letter went unanswered, Mr. Mackey sent a follow-up letter on January 5, 1982. When the second letter went unanswered, the Audit Division issued the above notice based on external indices. It is the Audit Division's experience that boats in the 30' to 35' range sell for \$1,500.00 per foot. Therefore, the additional taxes were computed as follows:

Estimated purchase price per foot	\$ 1,500
Length of boat	x 31'
Estimated purchase price	\$46,500
Sales or use tax rate	x 7%
Sales or use tax due	\$ 3,255

It should be noted that Mr. Mackey, prior to his actions, as indicated above, had checked the Audit Division's files to see if petitioner had voluntarily paid the tax.

4. On or about July 30, 1979, King Enterprises, Ltd. (formerly known as King Enterprises, Inc.) was incorporated in the State of Delaware "to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware." The registered office of the corporation was located at c/o United Corporate Service, Inc., 410 South State Street,

Dover, Delaware. The president of the corporation was Michael Solomon, 30 South Ocean Avenue, Freeport, New York.

5. On July 17, 1979, William C. Mudgett III, a master carpenter, filed a Master Carpenter's Certificate (Builder's Certificate) with the Department of Transportation, U.S. Coast Guard, which indicated that a 31' boat (Hull No. WELA31070679-310-1980) was built by Wellcraft Marine Corporation for King Enterprises, Inc. In addition to specifications regarding the boat and engine, the certificate provided that the boat was built in Sarasota, Florida and completed in 1979.

6. On July 27, 1979, petitioner executed a Boat Purchase Agreement whereby it agreed to purchase the above-described boat from Fred Chall Marine, Inc., as broker for Wellcraft Marine Corporation, for \$40,081.37. The agreement contained a space for indicating a charge for shipping; however, said space was blank. The space provided for sales tax was also blank. The estimated delivery date was indicated as "ASAP"; however, the place of delivery or transfer was not specified.

7. On August 3, 1979, the Hanover Insurance Co. issued a Yacht Insurance Policy insuring King Enterprises, Inc. for The King & I. The navigational limits of the policy provide that "the within named vessel shall be confined to the navigable Atlantic Coastwise and Inland waters tributary thereto, between Eastport, Maine and Pensacola, Florida."

8. On August 9, 1979, petitioner filed an application for documentation of The King & I with the Department of Transportation, U.S. Coast Guard. Petitioner's address was indicated as 410 South State Street, Dover, Delaware. The application was signed by Michael Solomon as president of petitioner.

Official No. 610178 was assigned by the Commandant (G-MVD), U.S. Coast Guard by telephone on August 10, 1979.

9. At the time of the auditor's survey, more specifically on October 7, 1980, The King & I owned by petitioner had a current market value of \$25,000.00.

10. Petitioner's representative, Michael Solomon, argued that the Audit Division has failed to show that the boat sighted by the auditor was the same boat purchased by petitioner. Specifically, Mr. Solomon feels there should be an element of proof in this case attributed to the Audit Division. Mr. Solomon maintained that there are probably many boats named The King & I. Mr. Solomon attempted to subpoena the auditor, but was advised that he no longer worked for the Department of Taxation and Finance.

11. Petitioner maintains that, in the event it is decided that it was petitioner's boat that was sighted by the auditor, no sales tax is due on its purchase. Petitioner claims that the blank space for shipping charge on the Boat Purchase Agreement is evidence that the boat was purchased and title transferred in Florida. Further, petitioner claims that, in the event it is decided that the compensating use tax is due on petitioner's purchase of The King & I, then it should be computed on \$25,000.00, the current market value at the time it was sighted on October 7, 1980.

12. In support of petitioner's position, Mr. Solomon offered as evidence the Boat Purchase Agreement, the Yacht Insurance Policy, the Master Carpenter's Certificate, a copy of petitioner's Certificate of Incorporation and a copy of the application for documentation. Mr. Solomon testified regarding the documents, but he offered no testimony concerning the delivery or actions of The King & I.

13. Lastly, petitioner requested that the penalty be waived because there was no intent to evade payment of the tax. However, petitioner offered no

evidence or testimony to show that the failure to pay the tax was due to reasonable cause and not willful neglect.

CONCLUSIONS OF LAW

A. That it is well established that, except as otherwise provided by statute, once an assessment has been made, the burden of proof is on the taxpayer to show that it was not properly applied to him (see, e.g., Petrolane Northeast Gas Service, Inc. v. State Tax Commission, 79 AD2d 1043, lv denied 53 NY2d 601). Petitioner has failed to sustain the burden of proof required to show that The King & I was delivered outside New York State and that its purchase was not subject to sales tax.

B. That petitioner has shown that the purchase price for The King & I was \$40,081.37 and not \$46,500.00 as estimated by the Audit Division. The tax should therefore be recomputed based on the correct purchase price.

C. That petitioner failed to sustain the burden of proof required to show that the failure to pay the tax in a timely manner was due to reasonable cause and not due to willful neglect.

D. That the petition of King Enterprises, Ltd. is granted to the extent indicated in Conclusion of Law "B"; that the Notice and Demand for Payment of Sales and Use Taxes Due issued February 28, 1983 is to be modified accordingly; and that, except as so granted, the petition is in all other respects denied.

DATED: Albany, New York

STATE TAX COMMISSION

JUN 25 1987

Roderick W. Allen
PRESIDENT

Francis R. Kolmg
COMMISSIONER

[Signature]
COMMISSIONER

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

January 16, 1987

King Bear 46-16 Kissena Blvd. Corp.
46-16 Kissena Blvd.
Flushing, NY 11355

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
Audit Evaluation Bureau
Assessment Review Unit
Building #9, State Campus
Albany, New York 12227
Phone # (518) 457-2086

Very truly yours,

STATE TAX COMMISSION

cc: Taxing Bureau's Representative

Petitioner's Representative:
Robert V. Ferrari
300 E. 42nd St.
New York, NY 10017

STATE OF NEW YORK

STATE TAX COMMISSION

In the Matter of the Petition :
of :
KING BEAR 46-16 KISSENA BLVD. CORP. :
for Revision of a Determination or for Refund :
of Sales and Use Taxes under Articles 28 and 29 :
of the Tax Law for the Period March 1, 1979 :
through February 28, 1981.

DECISION

In the Matter of the Petition :
of :
PHILIP IOVINO :
OFFICER OF KING BEAR 46-16 KISSENA BLVD. CORP. :
for Revision of a Determination or for Refund :
of Sales and Use Taxes under Articles 28 and 29 :
of the Tax Law for the Period March 1, 1979 :
through February 28, 1981.

Petitioners, King Bear 46-16 Kissena Blvd. Corp., 46-16 Kissena Boulevard, Flushing, New York 11355 and Philip Iovino, Officer of King Bear 46-16 Kissena Blvd. Corp., 63 Wilson Street, Massapequa Park, New York 11762, filed petitions for revision of determinations or for refund of sales and use taxes under Articles 28 and 29 of the Tax Law for the period March 1, 1979 through February 28, 1981 (File Nos. 44850 and 44851).

A hearing was held before James Hoefer, Hearing Officer, at the offices of the State Tax Commission, Two World Trade Center, New York, New York, on April 29, 1986 at 1:15 P.M. Petitioners appeared by Robert V. Ferrari, Esq. The Audit Division appeared by John P. Dugan, Esq. (Irwin A. Levy, Esq., of counsel).

ISSUES

I. Whether the Audit Division properly determined the number of gallons of gasoline purchased and subsequently sold by petitioner King Bear 46-16 Kissena Blvd. Corp. ("King Bear") during the audit period.

II. Whether the Audit Division properly determined taxable repair sales made by King Bear during the audit period.

III. Whether the Audit Division properly determined use tax due of \$4,885.52 on King Bear's acquisition of fixed assets.

IV. Whether the Audit Division properly determined tax due of \$4,396.96 on the value of furniture, fixtures and equipment transferred as the result of King Bears' bulk sale of its business.

V. Whether reasonable cause existed for King Bear's failure to pay the proper sales tax due, thereby warranting cancellation of both the penalty imposed under Tax Law § 1145(a)(1) and those interest charges in excess of minimum interest.

FINDINGS OF FACT

1. On June 18, 1982 and February 25, 1983, the Audit Division, as the result of a field examination, issued notices of determination and demands for payment of sales and use taxes due to King Bear 46-16 Kissena Blvd. Corp. The notice dated June 18, 1982, which encompassed the period March 1, 1979 through May 31, 1979, assessed tax due of \$5,489.36, plus penalty of \$1,372.34 and interest of \$2,061.53, for a total amount due of \$8,923.23. The notice dated February 25, 1983, which included the period June 1, 1979 through February 28, 1981, assessed tax due of \$22,205.68, plus penalty of \$5,551.42 and interest of \$7,292.90, for a total amount due of \$35,050.00. Notices, also dated June 18, 1982 and February 25, 1983, were issued against Philip Iavino

[sic] individually as an officer of King Bear. The notices issued to Mr. Iovino assessed amounts slightly less than those assessed against King Bear since it was determined that Mr. Iovino was not liable for the use tax allegedly due from King Bear. Mr. Iovino does not contest his individual liability for any taxes due and owing from King Bear.

2. On February 25, 1983, the Audit Division issued notices of assessment review to both King Bear and Philip Iovino [sic] indicating that the tax asserted due had been reduced. The tax asserted due from King Bear in the notice dated June 18, 1982 was reduced from \$5,489.36 to \$5,026.00; while the tax assessed against Mr. Iovino pursuant to the June 18, 1982 notice was reduced from \$3,080.96 to \$2,614.48.

3. On September 1, 1982, King Bear executed a consent extending the period of limitation for assessment for the period June 1, 1979 through August 31, 1979 to December 20, 1982. King Bear executed a second consent, dated December 14, 1982, extending the period of limitation for assessment for the period June 1, 1979 through November 30, 1979 to March 20, 1983.

4. During the period at issue, King Bear operated a gasoline service station and automotive repair shop as a "King Bear Service Center" franchisee. Upon examination, the Audit Division determined that King Bear's books and records were incomplete and inadequate. King Bear did not maintain daily records of the number of gallons of gasoline sold or the selling price and did not provide the auditor with a complete set of purchase invoices or sales invoices. Also, deposits per bank statements exceeded reported taxable sales by \$126,711.00, while purchases per King Bear's books exceeded purchases claimed on Federal tax returns by \$45,182.00.

5. In order to verify the accuracy of reported taxable gasoline sales, the Audit Division obtained information from Alcor Petroleum Corporation

(hereinafter "Alcor") regarding the number of gallons of gasoline purchased by King Bear during the audit period. The information supplied by Alcor was in the form of a handwritten, unsigned summary of the gallons of gasoline purchased by King Bear on a monthly basis. Said summary indicated that King Bear had purchased a total of 197,000 gallons of gasoline from March of 1979 through February of 1981 and, through the use of average selling prices, the Audit Division computed taxable gasoline sales of \$197,492.00.

6. King Bear's purchases were recorded in a disbursements journal without separation as to nature of each expenditure (e.g. purchases of gasoline, repair parts, capital assets or supply items). The auditor reviewed the disbursements journal and determined that \$44,681.00 was spent for repair parts; that \$61,069.00 was spent for capital assets; and that \$268.00 was spent for supply items. Since the auditor was not furnished with purchase invoices or sales invoices she, based on experience and industry average, used an estimated markup of 250 percent to compute taxable repair sales of \$156,384.00 (\$44,681.00 x 350%). Use tax of \$4,906.96 was also assessed on expenditures for capital assets (\$4,885.52) and supply items (\$21.44) based on King Bear's failure to produce purchase invoices for said items. Finally, a sales tax of \$4,396.96 was assessed based on King Bear's bulk sale of its assets. The value of the assets transferred, i.e. \$54,962.10, was determined by reducing King Bear's acquisition of capital assets of \$61,069.00 by 10 percent for depreciation.

7. At the hearing held herein a number of adjustments were conceded by the Audit Division and said adjustments are summarized as follows:

- (a) that King Bear is entitled to a credit of \$400.00 for the bulk sales tax remitted by its escrow agent;

- (b) that purchases of repair parts subject to markup are reduced by \$5,000.00, from \$44,681.00 to \$39,681.00, to allow for an increase in inventory;
- (c) that King Bear's acquisition of fixed assets subject to use tax is reduced from \$61,069.00 to \$16,069.00 to allow for a nontaxable \$10,000.00 franchise fee and a nontaxable \$35,000.00 leasehold improvement. Although not specifically conceded, it is presumed that the Audit Division would also agree to reduce the value of these assets to \$14,462.10 (\$16,069.00 less 10 percent for depreciation) for the purpose of computing the bulk sales tax due on the sale of said assets.

8. On November 21, 1980, King Bear sold its business to Rabal Auto Repair, Inc., an unrelated third party. The sales agreement accurately placed a value of \$5,000.00, out of a total purchase price of \$60,000.00, on the furniture, fixtures and equipment transferred. Attached to the sales agreement was a complete list of all furniture, fixtures and equipment sold.

9. King Bear maintains that the information received by the Audit Division from Alcor concerning the volume of gasoline purchased was incorrect. King Bear's disbursements journal reported total gasoline purchases of \$32,230.00, while the data supplied by Alcor indicated that 197,000 gallons of gasoline was purchased at a cost of \$191,633.00. King Bear submitted in evidence a total of 29 sales invoices which indicated that it purchased 86,000 gallons of gasoline from Alcor at a cost of \$84,187.00. Said invoices were allegedly found just two weeks prior to the hearing held herein and allegedly represent all of King Bear's gasoline purchases for the audit period. These invoices were submitted at face value and were not tied into King Bear's books nor were any corroborating documents or evidence submitted from Alcor.

10. King Bear submitted a group of purchase invoices for repair parts and attached to each purchase invoice was the corresponding sales invoice. Purchases of repair parts in this group totaled \$19,971.52 and sales totaled \$30,697.77,

thus reflecting a markup of 53.71%. Every sales invoice submitted had been altered to the extent that the invoice number had been cut off. Mr. Iovino explained that it was his practice to remove the number from all sales invoices since estimates were given out on sales invoices and it was possible that the customer would not have the repair performed at his place of business. Consequently, even if the numbers had not been removed, King Bear would not have had a complete set of consecutively numbered sales invoices.

11. King Bear also submitted a second group of purchase invoices for repair parts which totaled \$13,330.41, however, this second group was not accompanied by corresponding sales invoices. It is King Bear's position that the \$33,301.93 of purchase invoices for repair parts submitted in evidence (\$19,971.52 and \$13,330.41) represent all of the repair parts purchased during the audit period and not the \$39,681.00 figure computed by the Audit Division. King Bear also maintains that it has established a markup percentage of 53.71% and that this percentage should be applied to parts purchases of \$33,301.93 to determine taxable repair sales. Once again the purchase invoices for repair parts were submitted at face value and were not tied into King Bear's books.

12. After King Bear sold its business to Rabal Auto Repairs, Inc. on November 21, 1980, it was not involved in the sale of gasoline or repair of automobiles. The information received by the Audit Division from Alcor that King Bear purchased gasoline after November 21, 1980 was erroneous.

CONCLUSIONS OF LAW

A. That section 1138(a) of the Tax Law provides that "if a return when filed is incorrect or insufficient, the amount of tax due shall be determined by the tax commission from such information as may be available" and authorizes, where necessary, an estimate of tax due "on the basis of external indices".

B. That section 1135(a) of the Tax Law provides that every person required to collect tax shall keep records of every sale and all amounts paid, charged or due thereon and of the tax payable thereon. Such records shall include a true copy of each sales slip, invoice, receipt or statement.

C. That King Bear provided inadequate and incomplete books and records for purposes of verifying taxable sales. Accordingly, the Audit Division's use of third party verification of purchases and average selling prices as a basis for determining King Bear's taxable gasoline sales was proper pursuant to section 1138(a) of the Tax Law. The 29 Alcor sales invoices submitted by King Bear as proof of its total purchases of gasoline are insufficient, by themselves, to refute the information received by the Audit Division directly from Alcor. King Bear has, however, proven that it sold its business on November 21, 1980, and that, after said date, it did not purchase or sell gasoline. Accordingly, taxable gasoline sales are to be recomputed, reducing the number of gallons of gasoline sold by 17,000¹ gallons.

D. That King Bear has shown that \$19,971.52 of purchases of repair parts were marked up 53.71% and not 250% as estimated by the Audit Division. King Bear has failed to show that the remaining purchases of repair parts should not be marked up using the estimated 250% figure. Furthermore, King Bear has failed to establish that total repair part purchases were \$33,301.93, and not \$39,681.00 as determined by the Audit Division. When a taxpayer's recordkeeping is

¹ Since the volume of gasoline sold by Alcor to King Bear was summarized on a monthly basis it was necessary to apportion the 6,000 gallons sold in November 1980 between King Bear and Rabal Auto Repair, Inc. Since King Bear operated the business for two-thirds of the month, a total of 4,000 gallons was apportioned to King Bear (2/3 of 6,000 gallons).

faulty, exactness is not required of the examiner's audit (Matter of Meyer v. State Tax Commn., 61 AD2d 223).

E. That King Bear has established that the proper value of the furniture, fixtures and equipment transferred upon the sale of its business was \$5,000.00.

F. That King Bear has failed to establish that reasonable cause existed for its failure to pay the proper sales tax due and, therefore, penalties and interest are sustained. (Tax Law § 1145[a][1][11].)

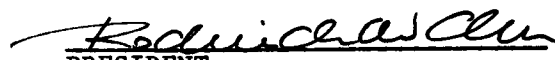
G. That pursuant to Finding of Fact "7", supra, King Bear is entitled to a credit of \$400.00 for the bulk sales tax paid by the escrow agent; that total purchases of repair parts subject to markup are reduced to \$39,681.00 (\$19,971.52 marked up at 53.71% and \$19,709.48 marked up at 250%); and that King Bear's acquisition of fixed assets subject to use tax is reduced to \$16,069.00.

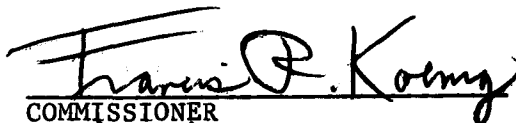
H. That the petitions of King Bear 46-16 Kissena Blvd. Corp. and Philip Iovino, Officer of 46-16 Kissena Blvd., Corp. are granted to the extent indicated in Conclusions of Law "C", "D", "E" and "G", supra; that the Audit Division is directed to recompute the notices of determination and demands for payment of sales and use taxes due dated June 18, 1982 and February 25, 1983 consistent with the conclusions rendered herein; and that, except as so granted, the petitions are in all other respects denied.


DATED: Albany, New York

STATE TAX COMMISSION

JAN 16 1987


PRESIDENT


COMMISSIONER


COMMISSIONER