



North Carolina Department of Revenue

Pat McCrory
Governor

Jeffrey M. Epstein
Secretary

December 7, 2016

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

RE: [REDACTED]
Redetermination Private Letter Ruling
FEIN: [REDACTED]

Dear [REDACTED]:

This letter is in response to your letter dated May 2, 2016, wherein you requested that the North Carolina Department of Revenue ("Department") authorize [REDACTED] ("Taxpayer") to file a combined return ("NC Combined Return") pursuant to N.C. Gen. Stat. 105-130.5A(c) beginning with tax year 2016. The entities to be included in the NC Combined Return are attached as Exhibit A.

Under N.C. Gen. Stat. 105-130.5A(c), the Secretary and a corporation may jointly determine and agree to an alternative filing methodology that accurately reports State net income if the Secretary has reason to believe that the corporation's State net income properly attributable to its business carried on in this State is not accurately reported on a separate return because of intercompany transactions. A finding that the intercompany transactions lack economic substance or are not at fair market value is not necessary.

After careful review of the information you provided, it is the finding of the Secretary that a NC Combined Return is warranted in order to arrive at the correct income attributable to Taxpayer on its business activities conducted in this State.

The methodology and procedures for filing the NC Combined Return shall be in accordance with the methodology and procedures set out in Sections V and VI of CD-12-01. Please note that although Taxpayer is permitted to file a combined income tax return, each legal entity doing business in this State must file a single entity franchise tax return using an apportionment factor computed on a single entity basis.

The required reporting methodology must be used beginning with tax year 2016 unless one of the following occurs:

- The North Carolina General Assembly enacts legislation that repeals the Secretary's authority to enter into voluntary redeterminations;
- The North Carolina General Assembly adopts combined or consolidated reporting;
- There is a final determination by a North Carolina Appellate Court that is not subject to further review that the Secretary does not have the authority to permit a taxpayer to file under the methodology set out in this letter; or
- The parties mutually agree to modify the methodology set out in this letter.

This methodology will be subject to review in the event of the reporting of a material change for income tax purposes.

In the event there is a material change in the operations, ownership or control of any of the entities included in the combined group, Taxpayer must notify the Director of the Income Tax Division of the Department of Revenue of the change, including the date and nature of the change, subsequent to the end of the tax period in which the material change occurred but at least 60 days prior to the due date, including any extension, for filing the income tax return for that tax period. A material change includes but is not limited to:

- A party that is not part of the combined group acquires more than 50% of the stock or assets of any entity or entities in the combined group;
- An entity in the combined group acquires an unrelated party with which any entity of the combined group has intercompany transactions;
- A related party is integrated into the unitary business of the combined group;
- Any entity in the combined group ceases intercompany transactions with any other entity in the group;
- Any entity in the combined group ceases to operate as part of the unitary business of the combined group;
- Any entity in the combined group transfers income-producing assets to a related party that is not part of the combined group; or
- Any entity in the combined group transfers to a related party that is not part of the combined group assets that result in deductions for any entity in the combined group.

Upon notification of a material change, the Department and Taxpayer will attempt to agree whether Taxpayer should continue to use the current methodology or whether a new methodology is appropriate. In the event there is no agreement, this ruling will be void for the tax year in which the material change occurs. Failure to notify the Department of a material change will void this ruling effective for the tax year in which the material change occurs at the option of the Department. In the event the ruling is void, all applicable penalties will apply.

Please sign, date and return the enclosed copy of this letter to indicate Taxpayer's agreement to the terms of this Redetermination Private Letter Ruling.

Very truly yours,

Lennie Collins, Director
Income Tax Division
Telephone: 919-814-1163
Fax: 919-733-1821

By: _____

Print name: _____

Title: _____

Date: _____