



DEPARTMENT OF FINANCE AUDIT DIVISION

AP/GCT - 2 8/27/90

STATEMENT OF AUDIT PROCEDURE

CORPORATE LIMITED PARTNERS

I. BACKGROUND

The Department of Finance has issued amended rules under the General Corporation Tax (§1-5. Corporations as Limited Partners). These rules discuss corporations whose activities in the City are limited to owning a partnership interest in a partnership doing business, employing capital, owning or leasing property, or maintaining an office in New York City. These corporations, with the exception of those that own an interest in certain publicly traded partnerships, are subject to the General Corporation Tax. This Statement of Audit Procedure ("SAP") is intended to provide guidance to auditors in following these rules in situations where the business income allocated to the City may be distorted.

Section 11-604.8 of the Administrative Code of the City of New York authorizes the Commissioner of Finance to adjust the business allocation percentage under circumstances where such an adjustment is necessary to accurately reflect a taxpayer's activity, business, income or capital within New York City.

II. GUIDELINES

Certain corporations are subject to the General Corporation Tax solely as a result of the ownership of a limited partnership interest in a limited partnership. Pursuant to the authority of Section 11-604.8 of the Administrative Code, on audit, the auditor may treat the share of the income and loss from such partnership on a separate accounting basis where the facts in such case indicate that the business income allocated to the City would otherwise be distorted.

The preceding paragraph does not provide guidance concerning corporations that are engaged, directly or indirectly, in the participation in or the domination or control of all or any portion of the business activities or affairs of a limited partnership doing business, employing capital, owning or leasing property, or maintaining an office in New York City. Additionally, the paragraph does not apply to corporations subject to the General Corporation Tax other than solely as a result of their ownership of a limited partnership interest. Auditors should consult Administrative Code Section 11-604.8 and Reg. Sec. 4-28(d) of the General Corporation Tax Regulations for guidance concerning adjustments of the business allocation percentage in the above instances and in any other situation not covered in this SAP.