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STATEMENT OF AUDIT PROCEDURE

CORPORATE LIMITED PARTNERS

I. BACKGROUND

19 RCNY §11-06 of the Rules of the City of New York relating to the General Corporation Tax, promulgated in 1998, discusses 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 are subject to the General Corporation Tax (unless all they own is an interest in certain publicly traded partnerships).

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 when an adjustment is necessary to accurately reflect a taxpayer's activity, business, income or capital within New York City. This Statement of Audit Procedure ("SAP") is intended to provide guidance to auditors in following rule §11-06 and applying Code §11-604.8 in situations where the business income allocated to the City may be distorted.

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 is not intended to apply to corporate limited partners 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.

