

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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January 16, 2001

Re: Our file number LR 00-248; Income Tax - Small Business Capital Formation Incentive Act and Rural Venture Capital Formation Incentive Act.

Dear

This is in response to your inquiry of November 29, 2000 wherein you requested guidance as to the income tax credits available under Small Business Capital Formation Incentive Act (68 O.S. § 2357.60 et seq.) and the Rural Venture Capital Formation Incentive Act (68 O.S. § 2357.71 et seq.). Specifically, you inquired as to the treatment of the available credits that would flow through a partnership to individual members.

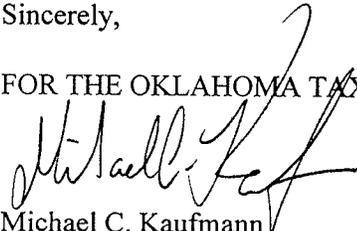
In the case of flow-through entities, such as LLC's, partnerships, and Sub S corporations, credits are generally distributed to either the appropriate partner or shareholder. The available credits are usually distributed on the basis of the partner's or shareholder's investment in the entity. The Tax Commission has also historically allowed the distributing entity to determine the amount of credits distributed so long as the following two conditions are met. One, the amount distributed does not exceed the amount of available credit and two, distribution must be made to a shareholder or partner of the flow through entity that has generated the credit.

This response applies only to the circumstances set out in your request of November 29, 2000. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to call me at (405) 521-3133.

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION


Michael C. Kaufmann
Tax Policy Analyst