

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

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August 13, 2001

Re: Our file Number LR-01-115; Sales Tax implications of a proposed restructuring of subsidiary entities.

Dear

This is in response to your inquiry concerning the subject referenced above. I have below set out your synopsis of the original structure, the proposed restructuring and your requested ruling. They are followed by our response.

ORIGINAL STRUCTURE

N is the ultimate parent company of two limited partnerships, A/LP and C/LP. N owns all of the issued and outstanding stock of X and Y. X is the 1% general partner of A/LP. Y is the 99% limited partner of A/LP. X and Y have no other assets other than the ownership of A/LP. A/LP has elected to be taxed as a corporation for federal tax purposes.

N also owns all of the issued and outstanding stock of B. B in turn owns all of the outstanding membership interests of D/LLC and all of the outstanding stock of E and F. B's sole assets are the stock of E and F and the membership interests of D/LLC. D/LLC, E and F own general and/or limited partner interests in C/LP. D/LLC is a single member LLC that has elected to be taxed as a corporation for federal tax purposes. D/LLC, E and F have no assets other than their ownership of C/LP.

PROPOSED RESTRUCTURING

N is proposing to reorganize as follows:

Restructuring Step 1 - N will contribute 1% of the stock of B to A/LP through X, the 1% general partner. N will contribute the remaining 99% of B's stock to A/LP through Y, the 99% limited partner.

Restructuring Step 2 - B, D/LLC, E and F will dissolve, liquidate and distribute their various limited partnership and general partnership interests in C/LP to A/LP under a plan of reorganization.

Restructuring Step 3 - C/LP will liquidate and distribute 100% of its assets and liabilities to A/LP, its sole remaining interest holder, upon its I.R.C. § 708(b)(1)(A) termination and pursuant to a plan of reorganization.

Request

We request a letter ruling confirming our conclusion that no Oklahoma sales tax should result to N or any of the other entities referenced in this letter from the aforementioned restructuring, based upon the facts and contentions stated herein.

Response

Based on the scenarios presented, no Oklahoma sales tax liability will result to either "N" or to any of the other entities referenced in your letter due to the fact that the transfers are specifically exempted by the language of 68 O.S. Section 1360.

This response applies only to the circumstances set out in your request of July 24, 2001. 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 contact me.

Sincerely,
OKLAHOMA TAX COMMISSION



Michael G. Pillow
Tax Policy Analyst