OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
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February 24, 2010

[redacted]

Re: LR-09-123
[redacted]

Dear [redacted]:

This letter ruling is in response to your letter dated February 22, 2010, requesting a clarification of the letter ruling request issued November 12, 2009.

The Tax Policy Division reaffirms LR-09-123 issued November 12, 2009. Paragraph seven (7) in the November 12th letter ruling states:

> *7. The Fund will raise capital by offering membership interests to qualifying accredited investors, including individuals, limited liability companies, and corporations. Individual and limited liability companies will be issued Class A Units and corporations will be issued Class B Units. It is possible, and in some cases likely, that Fund investors will use borrowed funds to make their investments.*

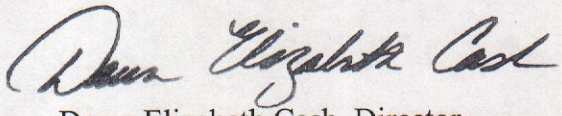
Pass-through entities are prohibited from agreeing to a disproportionate allocation of Small Business Formation Incentive Act tax credits among its members, partners or shareholders if the credits are being claimed for qualified investments made with borrowed funds from the pass-through entity.

The Supplemental Ruling Request dated February 22, 2010, states the Fund will not use borrowed funds to make qualified investments in the Capital Company or Venture, and the Fund will not accept subscriptions from pass-through entities that have used borrowed funds to make their investments. The restriction on the allocation of credits in 68 O.S. §§ 2357.62(G) and 2357.63(E) is only applicable when the qualified investment is made with funds borrowed by the pass-through entity. Therefore, based on the facts as presented in the February 22nd request, 68 O.S. §§ 2357.62(G) and

2357.63(E) do not limit the allocation of tax credits earned by the Fund as between the Fund's equity owners.

Sincerely,

OKLAHOMA TAX COMMISSION



Dawn Elizabeth Cash, Director
Tax Policy & Research Division