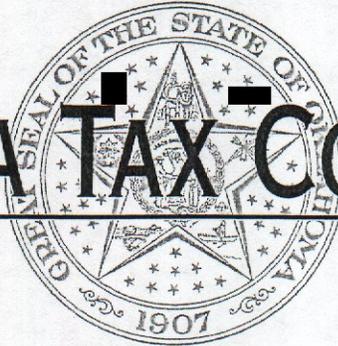


# OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION

PHONE (405) 521-3133  
FACSIMILE (405) 522-0063



April 10, 2012

Re: LR 12-015; Income Tax - Unused Investment Credits & New Jobs Credit - [REDACTED]  
[REDACTED]

Dear [REDACTED]

This is in response to your inquiry of February 6, 2012 wherein you requested a ruling concerning Unused Investment Credits & New Jobs Credit for [REDACTED] [REDACTED]. What follows is verbatim your facts and requested ruling and our response thereto.

## FACTS & REQUESTED RULING:

It is our understanding that [REDACTED] is a Subchapter S Corporation operating in [REDACTED] and that it has unused investment credits and new jobs credits totaling [REDACTED]. The present shareholder is [REDACTED].

Our client is negotiating the purchase from [REDACTED] of 100% of the shares of [REDACTED]. [REDACTED] unused investment credits and new jobs credits will in effect transfer to the new shareholder; that is, those unused credits will flow out from the S-corporation to the new shareholder.

Therefore we are requesting a Letter Ruling as to the impact of the transfer of 100% of shares of [REDACTED] to the new shareholder and, in particular, the impact of the transfer on the unused investment credits and new jobs credits generated by [REDACTED]. The OTC auditor with whom the corporation has been dealing is [REDACTED].

## OTC RESPONSE:

Under 68 O.S. § 2357.4 certain entities are entitled to a credit for investments made or the creation of new jobs. These credits, to the extent earned but not used, are allowed to be carried over to subsequent tax years.

Partnerships, LLCs and Subchapter S Corporations (pass-through entities) are typically

entitled to pass tax credits to the partners, members or shareholders. Unused credits may be passed to subsequent shareholders of a Subchapter S Corporation.

You also inquired as to any "unique reporting requirements pertaining to the transfer of said credits." While this is not a transfer of tax credits, rather an allocation credits, OTC Form 569 must be filed reporting the allocation of this tax credit.

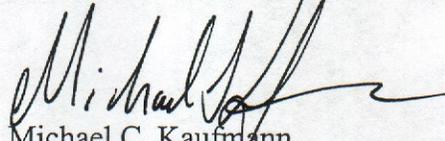
This response applies only to the circumstances set out in your request of February 6, 2012. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

Please be advised that the issuance of this ruling does not preclude the Oklahoma Tax Commission from conducting an audit or examination under 68 Okla. Stat. §206 of any report or return claiming a credit for the transactions outlined in this letter ruling. The Commission reserves the right to issue any assessment, correction, or adjustment authorized under 68 Okla. Stat. §221.

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

Sincerely,

OKLAHOMA TAX COMMISSION



Michael C. Kaufmann  
Tax Policy Analyst