

Ruling 92-10

Vermont Department of Taxes

Date: September 4, 1992

Written By: Gloria Hobson, Director, Business Taxes Division

Approved By: Joyce H. Errecart, Commissioner of Taxes

You have requested a ruling on whether your client qualifies for holding company status for Vermont corporate income tax under 32 V.S.A. Section 5837. This ruling relies on the factual representation in your letter of [Date] and a telephone conversation on [Date].

Your client, [Name], was a regular "C" corporation incorporated in 1948 and currently organized in [State]. The corporation actively conducted a business or trade until [Date]. Since that date, the corporation's activities have been limited to holding and managing stocks, bonds, and notes. The current shareholders of the corporation are an individual residing in [State], an individual residing in [State], and two trusts domiciled in [State]. The corporation does not have a fixed place of business and investment decisions are made by a board of directors who are not [State] residents. The corporation has now been classified by the Internal Revenue Service as a personal holding company under IRC Section 542.

You propose to reincorporate [Name] as a Vermont corporation, confine the corporation's activities to maintenance and management of intangible assets, have no fixed physical location in Vermont, and hold Board of Director meetings in Vermont for investment decisions, in order to qualify for holding company status under Vermont corporate income tax law.

32 V.S.A. section 5837 applies to corporations whose activities are confined to maintaining and managing their intangible assets. Vermont taxes this type of corporation at the \$150 minimum tax, regardless of the corporation's income. However, the corporation must be a taxable corporation to qualify as a Vermont holding company. A taxable corporation is defined in 32 V.S.A. Section 5811(15) as a corporation which at any time during the taxable year: 1) Was incorporated under the laws of Vermont; 2) Possessed a certificate of authority to do business in Vermont; or 3) Received any income allocable or apportionable to Vermont under the provisions of 32 V.S.A. Section 5833.

Based on the activities described in your letter, the corporation will qualify as a holding company provided it is incorporated under the laws of Vermont.

This ruling is issued solely to your firm and is limited to the facts presented as affected by current statutes and regulations. Other taxpayers may refer to this ruling to determine the Department's general approach, but the Department will not be bound by this ruling in the case of any other taxpayer or in the case of any change in relevant statutes or regulations.