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Sznajderman v. Tax Appeals Tribunal of State

Supreme Court, Appellate Division, Third Department, New York - January 3, 2019 - N.Y.S.3d - 2019 WL 80639 - 2019 N.Y. Slip Op. 00007

Article 78 was initiated to review Tax Appeals Tribunal determination sustaining a notice of deficiency.

The Supreme Court, Appellate Division, held that evidence was sufficient to support determination that investment in gas and oil partnership was an abusive tax avoidance transaction.

Evidence was sufficient to support Tax Appeals Tribunal's determination that overall financing structure of gas and oil partnership artificially inflated partners' actual capital contributions, allowing large tax deductions based upon intangible drilling costs derived through inflated turnkey contract, and thus that taxpayer's investment in partnership was an abusive tax avoidance transaction; collateral agreement had effect of satisfying the principal of taxpayer's subscription note by payment of only 15% of the face value, which was to be used to purchase bonds that were used to pay off the principal of the subscription note, taxpayer only paid interest paid sporadically, and turnkey contract's price bore no relationship to reasonably projected or actual drilling costs but instead was correlated with promised 250% tax deduction.

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