

STATE OF NEW YORK

DEPARTMENT OF TAXATION AND FINANCE

BOARD OF COMMISSIONERS - CORPORATION TAX BUREAU

In the Matter of the Application of

REPRODUSTA CO., INC.

Hearing Case No. 5623

for revision or refund of franchise
tax under Article 9A of the Tax Law
for the fiscal year ended June 30,
1962.

Taxpayer computed and paid a tax of \$23,273.65, without allocation,
for the fiscal year ended June 30, 1962, as follows:

Entire Net Income	\$419,402.31
Tax at 5½%	23,067.14
Plus Subsidiary Capital Tax	206.51
Total Tax	\$ 23,273.65

An added tax of \$206.35, without allocation, was assessed on
March 13, 1964 to reflect a Federal change.

Timely application for revision or refund was filed on September
15, 1965.

Taxpayer contends it had a regular place of business outside New
York so as to be entitled to allocate its business income.

Informal hearing was held in New York City on January 25, 1966,
before William F. Sullivan and John J. Genevich. The taxpayer was
represented by its president, Rudolph Schulhof, and Matthew Magidson
of Epstein, Rosenberg & Co., CPAs., 570 Seventh Avenue, New York City.

The taxpayer has a written agreement (Exhibit A) with a Ruth H.
Tauber residing in Milan, Italy, which provides for her employment
solely on behalf of taxpayer at a monthly salary. In addition, the agree-
ment contains a lease arrangement whereby the taxpayer pays rent for
a room in the combination office-residential building in which Miss
Tauber resides. The room is separate from the living quarters of Miss
Tauber. It is furnished by and all property therein belongs to the tax-
payer. The premises are utilized in connection with purchasing activities.
It is also made use of by the president of the corporation on his business
trips abroad.

Miss Tauber renders a monthly account of and is reimbursed for
all expenses incurred on behalf of the taxpayer, such as telephone,
postage, train and taxi fares. She is a member of the profit sharing
plan covering employees of the taxpayer. She contacts artists and
engravers and arranges for selection of art work and plates which are
shipped to the New York office for review and approval. If the item is
found to be acceptable, the New York office signs an agreement for the
use of the art work and plates for the purpose of making greeting cards.

The facts disclose that the taxpayer maintained, for its own exclusive use under a lease arrangement, an office in Milan, Italy, which was regularly used in carrying on the business of the corporation. Accordingly, the taxpayer is entitled to allocate its business income.

The Board recommends that the tax be corrected, as follows:

Entire Net Income including Federal changes	\$423,699.81
Investment Income	3,018.23
Investment allocation	1.00%
Allocated Investment Income	153.90
Business Income	420,681.58
Business allocation	83.21
Allocated business income	358,420.71
Total Allocated Income	358,574.61
Tax at 54%	19,721.60
Plus Subsidiary Capital Tax	200.51
Corrected Tax	19,920.11
Tax Previously Assessed	23,512.00
Reduction in Tax	\$ 3,581.89

/s/

WILLIAM F. SULLIVAN

Chairman

/s/

D. H. GILHOOLY

Approved
E. A. DORAN

/s/

J. J. GENEVICH

I agree
JAMES R. MACDUFF

JJB:MB

3-7-66

February 28, 1966

IRA J. PALESTIN
3/9/66

O.K. JHM
3-11-66