

Income/Franchise:

North Carolina: Private Letter Ruling Addresses Sourcing Receipts from Asset Management Services

Corporate Tax Private Letter Ruling 2021-01, N.C. Dept. of Rev. (6/7/21). The North Carolina Department of Revenue (Department) issued a redacted private letter ruling addressing how a taxpayer must source fees from asset management services provided to individuals, businesses, and “pooled fund” businesses for state corporate income tax purposes under North Carolina law. The letter ruling generally concludes the following:
URL: https://files.nc.gov/ncdor/documents/files/CPLR-2021-01_Redacted.pdf

- Fees from asset management services provided to private account individuals must be sourced to the individual’s state of primary residence, or if that cannot be reasonably identified, billing address; however, if the taxpayer derives more than 5% of its receipts from sales of all services from an individual customer, it must identify the customer’s state of primary residence and assign the receipts from the service or services provided to that customer to that state;
- Fees from asset management services provided to private account businesses must be sourced to the state where the customer principally manages the contract between the taxpayer and the customer; however, if the taxpayer derives more than 5% of its receipts from sales of all services from a business customer, it must identify the state where the contract of sale is principally managed by the customer; and
- Fees from asset management services provided to pooled funds must be sourced to the location where the customer (i.e., pooled fund) principally manages the contract between the taxpayer and the customer; however, if the taxpayer derives more than 5% of its receipts from sales of all services from a business customer, it must identify the state where the contract of sale is principally managed by the customer.

In all three of these scenarios, the Department explains that under North Carolina’s “safe harbor” provisions, such taxpayer may assign its receipts from sales to a particular customer based on the customer’s billing address in any taxable year when the taxpayer engages in substantially similar service transactions with more than 250 customers, whether individual or business, but does not derive more than 5% of its receipts from sales of all services from that customer. Please contact us with any questions.

— Art Tilley (Charlotte)
Managing Director
Deloitte Tax LLP
atilley@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

John Paek (Atlanta)
Principal
Deloitte Tax LLP
jpaek@deloitte.com

Emily Dean Kenemer (Charlotte)
Senior Manager
Deloitte Tax LLP
emdean@deloitte.com

Abdullah Saleh (Charlotte)
Senior Manager
Deloitte Tax LLP
absaleh@deloitte.com

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