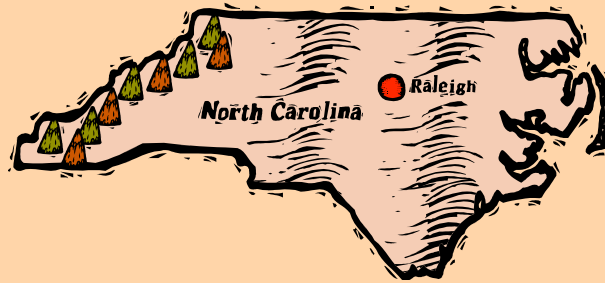


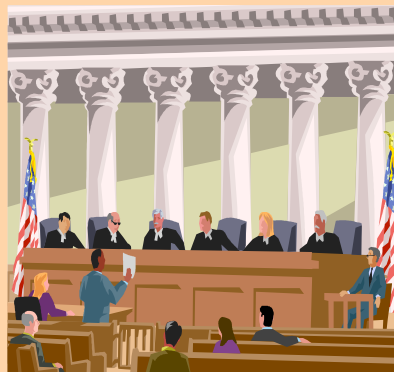
North Carolina's Voluntary Compliance Program



2005 SEATA

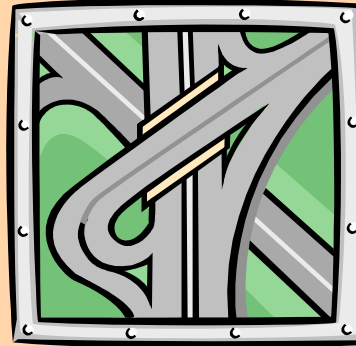
A&F Trademark

- ☀ Physical presence is not the *sine qua non* of a state's jurisdiction to tax for corporate income and franchise tax purposes under the Commerce Clause
- ☀ "Where a wholly-owned subsidiary licenses trademarks to a related retail company operating stores located within North Carolina, there exists a substantial nexus with the State sufficient to satisfy the Commerce Clause"



Now What?!?

- What to do with all the outstanding cases “on hold” waiting for the Limited?
- Could wait to see if the taxpayers sought review from the North Carolina Supreme Court or...



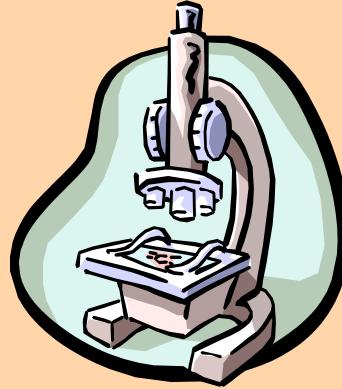
Department of Revenue Announces Voluntary Compliance Program

- ☐ One-time opportunity to come forward and pay all tax and interest due
- ☐ All penalties waived
- ☐ Taxpayer waives all rights to refund
- ☐ Extended to all types of tax shelters and strategies



Are you Type A or B?

- DOR divided taxpayers into 2 groups
- Category A = Taxpayers with outstanding tax assessments against them
- Category B = Taxpayers with no outstanding tax assessments
- Specific requirements and deadlines applied to each category



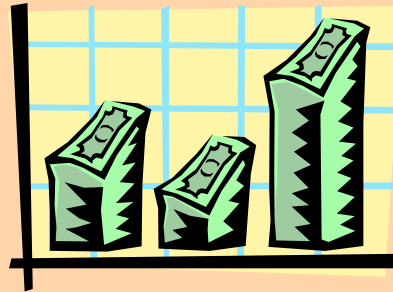
The Results . . .

- 389 taxpayers participated paying over \$255 million
- 60 individuals paid over \$50 million
- 329 corporations paid over \$205 million



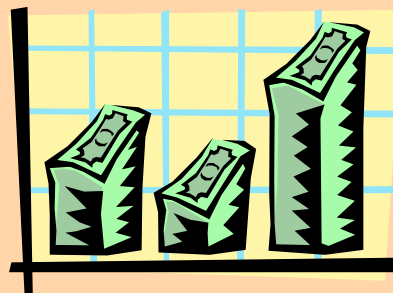
More details please . . .

- 57 Category A taxpayers paid over \$73 million
- 14 Category A corporations chose not to participate with liabilities totaling over \$39 million
- 3 Category A individuals chose not to participate with liabilities totaling over \$2.8 million



And from Category B . . .

- DOR received 345 participation agreements from Category B taxpayers, 281 corporations and 64 individuals
- 332 corporations paid over \$181 million
- 60 individuals paid over \$50 million
- 9 corporations and 4 individuals dropped out of the program



A BIG “THANK YOU”...

☀ To all the participating taxpayers and tax practitioners from the DOR!!!

☀ Thank you!!!



What's Next???

- DOR announces top priority is examination of nonparticipating taxpayers
- “The Department will vigorously pursue those taxpayers who have failed to come forward and will collect all taxes and penalties due,” said Secretary Tolson
- “We owe nothing less to those taxpayers that participated in the program, and to those that pay their taxes without trying to avoid them. It is simply a matter of tax fairness.”



THE END!



Thank you!!