



## North Carolina Department of Revenue

Pat McCrory  
Governor

Lyons Gray  
Secretary

August 11, 2015

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Re: [REDACTED] – North Carolina Mill Rehabilitation Tax Credit

Dear [REDACTED]:

This letter is in response to your letter dated [REDACTED], wherein you requested on behalf of your client, [REDACTED], that the North Carolina Department of Revenue ("Department") provide written guidance with respect to certain matters relating to the North Carolina Mill Rehabilitation Tax Credit.

The statement of facts submitted for the Department's consideration is as follows:

[REDACTED] ("The Company") owns and has completed the rehabilitation of an historic building located in [REDACTED] commonly known as [REDACTED] (the "Building"). The Building contains both residential and commercial space. The rehabilitation work on the residential portion of the Building was completed and placed in service on or about [REDACTED]. The rehabilitation work on the commercial portion of the Building was completed and placed in service on [REDACTED] [REDACTED]. On [REDACTED], an investor was admitted to the Company as a member pursuant to an operating agreement between the investor and the Company's managing member, [REDACTED]. The rehabilitation of the Building is expected to qualify for the federal rehabilitation tax credit (the "Federal Historic Credit") allowed under Section 47 of the Internal Revenue Code of 1986, as amended (the "Code"), and the North Carolina mill rehabilitation tax credit (the "Mill Credit") allowed under N.C.G.S. Section 105-129.71(a) for income-producing rehabilitated mill property.

*Ruling Requested:*

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<sup>1</sup> For purposes of this ruling request, the Company's taxable year ends March 31.

May a pass-through entity that qualifies for and is allowed the Mill Credit allocate the Mill Credit to a taxpayer that is admitted as an owner of the pass-through entity after the eligible site is placed in service but on or before the end of the pass-through entity's taxable year?

*Department's Response:*

Yes. A pass-through entity that qualifies for, and is allowed the Mill Credit, may allocate the Mill Credit to a taxpayer that is admitted as an owner of the pass-through entity after the eligible site is placed in service provided that (1) the taxpayer is an owner of the pass-through entity at the end of the pass-through entity's taxable year, and (2) the new owner's adjusted basis in the pass-through entity, as determined under the Code, at the end of the taxable year in which the property is placed in service, is at least forty percent (40%) of the amount of the credit allocated to that owner as required under N.C. Gen. Stat. § 105-129.71(b).

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. Your statement of facts and our findings are subject to audit verification. If the facts and circumstances given are not accurate, or if there are other facts that were not disclosed that might cause the Department to reach a different conclusion, then the taxpayer requesting this ruling may not rely on it. A letter ruling is not equivalent to a Technical Advice Directive that generally affects a large number of taxpayers. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Should you have any questions, please contact me.

Very truly yours,

[Redacted signature block]