

Exemption for Title Holding Companies (THC) and
Collective Investment Entities (CIE)

Chapter 240 of the Laws of 1987 added a new subdivision 9 to section 209 of Article 9-A of the Tax Law. New subdivision 9 provides that organizations described in sections 501(c)(2) and 501(c)(25) of the Internal Revenue Code shall be exempt from all taxes imposed by Article 9-A.

Internal Revenue Code section 501(c)(2) describes corporations that are organized for the exclusive purpose of holding title to property, collecting income from such property and distributing that income, less expenses, only to one or more tax-exempt organizations. Such organizations are known as Title Holding Companies (THC).

Internal Revenue Code section 501(c)(25) describes organizations, known as Collective Investment Entities (CIE), which are organized exclusively for the purpose of acquiring and holding title to real property, collecting the income from such property and remitting the entire amount of income (less expenses) to certain tax-exempt organizations that are shareholders of the CIE or beneficiaries of the CIE trust. A CIE must have only one class of stock or beneficial interest and must satisfy other requirements regarding the power of its shareholders or beneficiaries. A corporation or trust under section 501(c)(25) must permit its shareholders or beneficiaries-

(i) to dismiss the corporation's or trust's investment adviser, following reasonable notice, upon a vote of the shareholders or beneficiaries holding a majority of interest in the corporation or trust, and

(ii) to terminate their interest in the corporation or trust by either, or both, of the following alternatives, as determined by the corporation or trust:

(I) by selling or exchanging their stock in the corporation or interest in the trust (subject to any Federal or State securities law) to any organization described in subparagraph (C) of section 501(c)(25) so long as the sale or exchange does not increase the number of shareholders or beneficiaries in such corporation or trust above 35, or

(II) by having their stock or interest redeemed by the corporation or trust after the shareholder or beneficiary has provided 90 days notice to such corporation or trust.

A CIE may have up to 35 shareholders or beneficiaries.

Section 209.9 will take effect for taxable years beginning on or after January 1, 1987.