

**17 NCAC 05F .0202 REASONABLE BUSINESS PURPOSES**

(a) In proving that a transaction, or series of transactions of which the transaction is a part, has one or more reasonable business purposes other than the creation of State income tax benefits, the taxpayer must show:

- (1) The business purpose asserted was valid and realistic;
- (2) The transaction was a reasonable and realistic means to accomplish the asserted business purpose;
- (3) Evidence exists that shows the taxpayer took steps to achieve the asserted business purpose; and
- (4) The value of the non-State income tax benefits reasonably anticipated by the taxpayer from the transaction exceeds the additional cost associated with the transaction.

(b) Generally, reasonable business purpose is supported by contemporaneous documentation. Though not conclusive, the absence of contemporaneous documentation weakens the contention that the asserted business purpose is valid.

*History Note: Authority G.S. 105-130.5A; 105-262.1;  
Eff. January 31, 2013;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. August 19, 2017.*