APPELLATE DIVISION OF THE SUPREME COURT OF THE STATE OF NEW YORK, THIRD DEPARTMENT

Matter of Charter Communications, Inc. v. New York State Tax Appeals Trib.

2025 NY Slip Op 07255 · No. CV-24-0971 · Decided December 24, 2025

SUMMARY

The Appellate Division, Third Department, reviewed a Tax Appeals Tribunal determination sustaining a franchise tax assessment against Charter Communications and its combined affiliates. The court held that every taxpayer in the combined group had to independently qualify as a qualified emerging technology company to receive the reduced New York manufacturer tax rate. The court also rejected Charter's proposed partial application of the reduced rate and its dormant Commerce Clause challenge, confirmed the determination, and dismissed the proceeding.

CASE DETAILS

COURT	Appellate Division of the Supreme Court of the State of New York, Third Department
WRITING FOR THE COURT	Powers, J.; Garry, P.J.; Clark, J.; Aarons, J.; Lynch, J.
JURISDICTION	Appellate Division, Third Department, New York
DECIDED	December 24, 2025
DOCKET	CV-24-0971
DISPOSITION	dismissed
PROCEDURAL POSTURE	CPLR article 78 proceeding initiated in the Appellate Division under Tax Law § 2016 to review the Tax Appeals Tribunal's determination sustaining a franchise tax assessment under Tax Law article 9-A.
STANDARD OF REVIEW	Pure statutory interpretation is reviewed without deference to the Tax Appeals Tribunal's interpretation; deference is ordinarily given when interpretation or application involves the agency's operational expertise, factual evaluations, or inferences. Constitutional challenges to legislative enactments are reviewed under an exceedingly strong presumption of constitutionality.
PRECEDENTIAL VALUE	Published

PARTIES	Charter Communications, Inc. and Combined Affiliates, Formerly Known as Time Warner Cable, Inc. and Combined Affiliates v. New York State Tax Appeals Tribunal, et al.

TOPICS

tax deficiency · state and local tax · statutory interpretation · tax court procedure · appellate procedure

PRACTICE AREAS

state and local taxation · administrative law · constitutional law · appellate procedure

QUESTIONS PRESENTED

1. Whether every corporation in a combined group must independently qualify as a qualified emerging technology company for the group to receive the reduced franchise-tax rate under Tax Law § 210.
2. Whether the reduced-rate statutory scheme permits New York-located members of a combined group to receive the reduced rate while non-New York members are taxed at the ordinary rate.
3. Whether the differing franchise-tax rates violate the dormant Commerce Clause.

HOLDINGS

1. A combined group qualifies for the reduced rate under the qualified emerging technology company definition only if each taxpayer in the group independently qualifies, including by being located in New York and primarily producing or servicing emerging technologies.
2. The statutory scheme does not permit the combined group to be divided for purposes of applying the reduced rate; granting the benefit only to New York-located members would effectively decombine the group and distort its economic activity in New York.
3. Petitioner failed to establish that the reduced-rate statutory scheme violates the dormant Commerce Clause.

KEY QUOTATIONS

> *"Therefore, based upon the plain language of the statute, a combined group may only be a qualified New York manufacturer under the definition of a qualified emerging technology company if each taxpayer qualifies because, pursuant to the statute, the "taxpayer" is each corporation and not the combined group."* (*4)

> *"Thus, each taxpayer of petitioner's combined group must have been located in New York and primarily have been involved in the production or servicing of emerging technologies to meet the definition of a qualified emerging technology company."* (*5)

FACTUAL BACKGROUND

Charter Communications and its combined affiliates operated businesses providing video, high-speed data, and digital voice services in New York and other states. For tax years 2012, 2013, and 2014, the affiliated group claimed reduced franchise-tax rates available to qualified New York manufacturers based on its status as a qualified emerging technology company. Some members of the combined group were not located in New York, and the Department therefore assessed the difference between the reduced rate and the ordinary rate, plus interest.

PROCEDURAL HISTORY

The Department of Taxation and Finance audited petitioner's 2012–2014 combined franchise tax returns and issued a $7,805,767.54 notice of deficiency after determining that the combined group did not qualify for the reduced rate applicable to qualified emerging technology companies. An Administrative Law Judge denied petitioner's request for redetermination, and the Tax Appeals Tribunal affirmed after petitioner filed an exception. Petitioner then commenced this article 78 proceeding.

DISPOSITION

dismissed

CASES CITED

- Matter of Gruber [New York City Dept. of Personnel-Sweeney], 89 NY2d 225, 231 (1996)
- Matter of Schreiber v. New York State Tax Appeals Trib., 222 AD3d 1303, 1305 (3d Dept 2023)
- Matter of Saratoga Economic Dev. Corp. v. State of N.Y. Auths. Budget Off., 222 AD3d 1072, 1074 (3d Dept 2023), lv denied 41 NY3d 910 (2024)
- Matter of Gans v. New York State Tax Appeals Trib., 194 AD3d 1209, 1210 (3d Dept 2021)
- Matter of Purcell v. New York State Tax Appeals Trib., 167 AD3d 1101, 1103 (3d Dept 2018), lv denied 33 NY3d 913 (2019), lv dismissed 33 NY3d 999 (2019)
- Matter of Piccolo v. New York State Tax Appeals Trib., 108 AD3d 107, 110 (3d Dept 2013)
- Matter of Disney Enters., Inc. v. Tax Appeals Trib. of State of N.Y., 10 NY3d 392, 399 (2008)
- Matter of Pandolfi v. Plainedge Union Free Sch. Dist., 2025 NY Slip Op 06372, *1 (3d Dept 2025)
- Kokoska v. Joe Tahan's Furniture Liquidation Ctrs., Inc., 243 AD3d 15, 20 (3d Dept 2025)
- People v. Thomas, 33 NY3d 1, 12 n 9 (2019)
- People v. Corr, 42 NY3d 668, 673 (2024)
- Matter of Disney Enters., Inc. v. Tax Appeals Trib. of State of N.Y., 40 AD3d 49, 53 (3d Dept 2007), affd 10 NY3d 392 (2008)
- Matter of International Bus. Machs. Corp. & Combined Affiliates v. Tax Appeals Trib. of the State of N.Y., 214 AD3d 1125, 1127 (3d Dept 2023), affd 42 NY3d 538 (2024), cert denied ___ US ___, 145 S Ct 1126 (2025)
- Matter of Walt Disney Co. & Consol. Subsidiaries v. Tax Appeals Trib. of the State of N.Y., 210 AD3d 86, 92-93 (3d Dept 2022), affd 42 NY3d 538 (2024), cert denied ___ US ___, 145 S Ct 1125 (2025)
- Matter of Ciardullo v. McDonnell, 241 AD3d 45, 54 (3d Dept 2025)
- Matter of National Rest. Assn. v. Commissioner of Labor, 141 AD3d 185, 193-194 (3d Dept 2016)