

**UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

IN RE:

**JOINTLY ADMINISTERED AT BANKRUPTCY
NO. 17-22222-JAD**

**PITTSBURGH ATHLETIC
ASSOCIATION, *et al.*,**

Debtors

CHAPTER 11

Document Number:

**COMMONWEALTH OF
PENNSYLVANIA,
DEPARTMENT OF REVENUE**

Movant,

Related to Document #418

**PITTSBURGH ATHLETIC
ASSOCIATION, *et al.*,**

Respondent.

**OBJECTION BY THE COMMONWEALTH OF PENNSYLVANIA, PENNSYLVANIA
DEPARTMENT OF REVENUE TO THE CONFIRMATION OF THE DEBTORS'
JOINT CHAPTER 11 PLAN OF REORGANIZATION DATED DECEMBER 22, 2017**

AND NOW, comes the Commonwealth of Pennsylvania, Pennsylvania Department of Revenue (hereinafter PA DOR) by its Counsel, Senior Deputy Attorney General, T. Lawrence Palmer, Office of Attorney General, and makes the following statement in support of its *Objection to the Confirmation of Debtors' Joint Chapter 11 Plan of Reorganization Dated December 22, 2017*.

1. The PA DOR is a party in interest having filed a Proof of Claim asserting a Secured Claim, a Priority Claim, and an Unsecured Claim. PA DOR is also a prospective Administrative Creditor, since the Plan provides for a taxable sale of real property of either the Joint Debtors, or of one of the Debtors, and any gain from such sale will be subject to Pennsylvania Corporate Net Income, Capital Stock and Franchise Taxes.

2. Section 7.2 of the Joint Plan purports to claim the Debtors are exempt from Pennsylvania Corporate Net Income, Capital Stock and Franchise Taxes because the Debtors are completely exempt from Federal Tax because of the characterization of the Debtor Pittsburgh Athletic Association as a 501 c (7) non-profit organization and because part of the sale proceeds are to being used to acquire a replacement social club. However, Pittsburgh Athletic Association Land Company is a taxable entity that is the record owner of the real estate being sold, and the Land Company is not an operating social club.

3. Further, the Internal Revenue Service has filed an objection to Debtors' assertion that Plan land sale transaction is exempt from Federal Taxation, (Document #529) and has objected to Confirmation of the Joint Plan and has objected to this court's determination that the Paragraph 7.2 "tax exempt" statement is controlling law and that the IRS and PA DOR are not entitled to Administrative Claims for any taxes properly due under the applicable PA and Federal Tax laws. PA DOR hereby adopts the full Objection of the IRS (Document#529) as part of this Objection.

4. PA DOR objects to any confirmation order applicable to the Joint Plan of December 22, 2017 to the effect that Pennsylvania is not and "will not become holders of Allowed Administrative Expense Claims arising out of the sale of the Sale Assets" since that order would be: (1) contrary to the relevant facts and law applicable to such taxation; (2) that there is no present case or controversy since the closing has not and may not occur; and (3) the requested confirmation order would violate the Declaratory Judgment Act, 28 U.S.C. Sections 505 and 1146. Significantly, in the latter case the Debtors have not sought or even proposed to seek the court's permission to seek a determination, limited to questions of law, by Pennsylvania on the tax effect of the proposed sale, all as set forth in the Declaratory Judgment Act.

WHEREFORE, the Commonwealth of Pennsylvania, Pennsylvania Department of Revenue respectfully requests that the Joint Plan dated December 22, 2017, not be confirmed, and further respectfully requests that no amended or subsequent plan be confirmed that requires a finding that the prospective sale of assets as set forth in such plan does not create a taxable event under either the Internal Revenue Code or the tax laws of the Commonwealth of Pennsylvania.

Date: February 8, 2018

Respectfully submitted,

JOSH SHAPIRO
ATTORNEY GENERAL

By: /s/ T. Lawrence Palmer
T. Lawrence Palmer
Senior Deputy Attorney General
Office of Attorney General
Manor Complex
564 Forbes Avenue
Pittsburgh, PA 15219
(412) 565-2575
PA Attorney I.D. # 001333