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Larry Brant Quoted in Tax Notes on Santa Fe Natural Tobacco Co. v. Department of Revenue

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The Oregon Supreme Court has delivered a pivotal decision in the case of *Santa Fe Natural Tobacco Co. v. Department of Revenue*, addressing the scope of P.L. 86-272 protections concerning pre-book orders. This ruling confirms that the specific activities conducted by Santa Fe in Oregon exceed the limited protections offered under P.L. 86-272, making the company liable for Oregon's corporation excise tax.

The Supreme Court's decision was based on the economic realities and contractual obligations imposed on wholesalers by Santa Fe, which were deemed too directive to fall within the safe harbor of soliciting orders.

Santa Fe Natural Tobacco Co., a subsidiary of Reynolds American Inc., argued that their activities should be considered protected under P.L. 86-272, but both the tax court and the Supreme Court disagreed, highlighting the significant role that economic realities play in determining tax obligations.

[Larry Brant](#) shared his insights with Tax Notes on the Oregon Supreme Court's ruling, noting it was unsurprising and reflects the close monitoring by state and local tax authorities on out-of-state businesses. He highlighted that the protections under P.L. 86-272 are limited, particularly for businesses whose activities are confined to soliciting orders, and clarified that such orders must be sent outside the state for approval or rejection. However, in this case, the company's representatives encouraged retailers to buy products from wholesalers, effectively concluding the sales within the state and circumventing the need for out-of-state approval, thereby violating the conditions of P.L. 86-272 protection.

Read the full article in [Tax Notes](#).

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