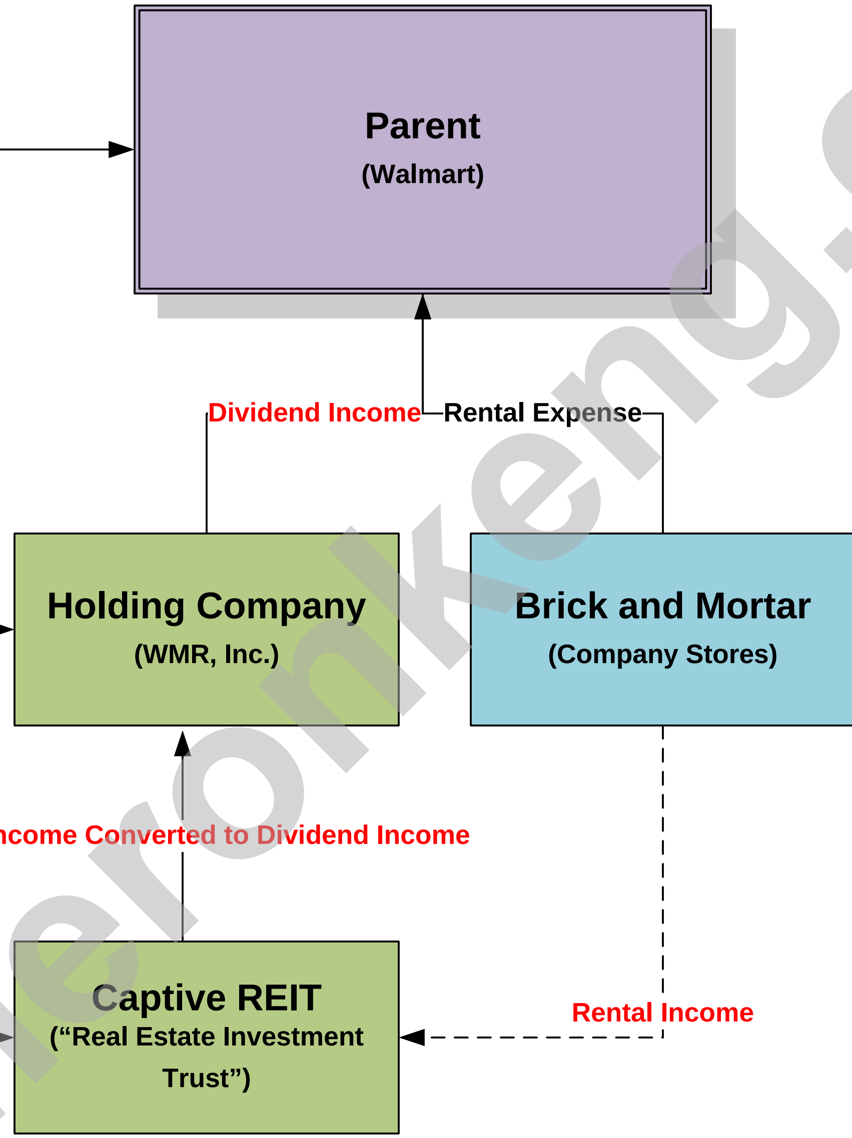
Walmart is Having its Cake and Eating it too
“Captive REIT”

The Parent is provided dividend income (rent that the parent paid itself) from the Holding Company. The dividend income is then deducted through the Dividend Received Deduction (“DRD”) or a combined unitary tax return. But, the Parent is still allowed to deduct the rental expense from its net income.



The Holding Company is usually incorporated in Delaware due to the favorable tax treatment of Delaware Holding Companies or Nevada because it doesn’t have a state level Corporate Income Tax. The Holding Company’s objective is to receive dividend income in a state that doesn’t charge corporate income tax and distribute its dividends to the parent for a “wash transaction.”

The Company Store is the retail business leases the property from the Captive REIT that will generate sales income and deduct the rental expense from its income. Thus, the expense is passed onto the Parent company through its dividends.

The Captive REIT is owned by the Parent through a subsidiary Holding Company that acts like an “blocker” for the Parent to tax plan. But, the REIT’s main objective is to convert the income from rental income to dividend income.