

**M e m o r a n d u m****395.1040**Sacramento  
March 10, 1959

To: San Diego Auditing (JHMcC)

From: Headquarters – Sales Tax Counsel (JDP)

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Account ---

Reference: Our letter of February 6, 1959, and your letters of January 19, 1959, and February 16, 1959.

This matter was discussed with Mr. E. H. Stetson, Tax Counsel, and Mr. H. A. Dickson, Principal Auditor, and it was agreed that an intangible was sold in connection with the sale of this business. Perhaps the term “goodwill” is an unfortunate one in that there are differences of opinion with respect to what goodwill is. However, it was the consensus of the above-mentioned men that an allowance should be made in the audit for this intangible. It is our opinion that 335 machines on location are more valuable than 335 machines in a warehouse. Some expense has been incurred to obtain these location privileges.

Mr. Dickson suggested that a Board representative contact someone other than the taxpayer’s representatives to determine what the fair value of a vending machine location is. It is also suggested that you determine what the fair market value of similar machines in similar quantities not on location, would be.

We are still of the opinion that part of the contract price should be allocated to an intangible.

Jack D. Paulson

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