

**STATE BOARD OF EQUALIZATION**

January 11, 1955

L---, H--- and H---
Certified Public Accountants
XXX --- Street
--- --- X, California

Your letter of October 27,
1954

Gentlemen:

You present a sales tax problem in which A corporation has two wholly owned subsidiary corporations, B and C. The principal business of the three corporations is the transportation of freight. Each corporation holds a seller's permit in connection with sales of miscellaneous items of equipment.

It is contemplated that B will be dissolved and all of its assets distributed to A in complete liquidation. These assets will forthwith be transferred by A to C.

The transfer from B to A will clearly be exempt pursuant to the last paragraph of Ruling 81 in that there is no change in the real or ultimate ownership and the transfer is of all the assets. Ruling 81 does not, however, appear to exempt the transfer from A to C because the transfer is not of "all or substantially all the property held or used in the course of an activity for which a seller's permit is required." To fall within this exemption there would have to be transferred from A to C all the assets of A including those received from B and those held before acquiring the assets of B.

It is possible, of course, that the transfer from A to C is not a "sale". Thus, if the transfer were made as a contribution to capital and if A did not receive stock, notes, or any other consideration, there would be no sale and the transfer would not be taxable. To the extent that A receives shares of stock, notes, or any other consideration, the transfer is taxable. You should particularly note the fact that an assumption of liabilities by C would be regarded as consideration received by A. Assuming A has received consideration for the transfer, tax will apply on the portion of the consideration received which is for the transfer of tangible personal property.

Yours very truly,

Bill Holden
Assistant Counsel

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Cc: --- --- - Auditing