

Occasional Sales (LTD)

Aug. 24, 1967

Tax Counsel (RHA)

"C", an individual, appears to have sold 3/4 interest in his personal yacht to a joint venture for \$67,500 and to have contributed 1/4 interest in the yacht to the joint venture.

The fact that he is president and majority stockholder of the three corporations that make up the other parties to the joint venture does not, in our opinion, afford him the tax exemption under Section 6281. This is because exempt transfers under Section 6281 are conditioned on transferring "all or substantially all of the property held or used in the course of a business activity of the person selling the property."

"C", as far as we can see, did not hold the yacht in any business activity before the sale and transfer to the joint venture.

The 1/4 interest in the yacht which he contributed as his share in the joint venture would not be subject to tax. It is an exempt contribution to a commencing joint venture.

The joint venture agreement indicates that the purchaser of the 3/4 interest in the yacht was the joint venture entity. Thus, it is the joint venture that owes use tax as a result of the sale. The measure would be \$67,500.

RHA:dse [1b]