STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

August 21, 1969

J. F. S--- Co., Inc.
XXXX --- --- Road
---, CA XXXXX

Attention: Mr. G. E. B---
Secretary-Controller SR -- XX XXXXXX

Gentlemen:

Your letter of July 11, 1969, to Mr. John T. Quick was referred to the undersigned for reply. Please excuse the delay in responding.

Your company is a member of a joint venture which consists of four partners. Certain pieces of equipment purchased by the joint venture are no longer needed for the project, and two of the partners propose to accept this equipment in lieu of cash as part of their pro-rata share of profits. The distribution does not appear to be a step in a plan of liquidation. You ask whether this distribution would be subject to tax.

A joint venture, or partnership, is an entity separate from its various constituent members. This property was owned by the joint venture and after the distribution, it will be owned by the two joint venturers as their separate property. The equipment was accepted in lieu of the cash to which each joint venturer is entitled. We thus have a transfer of title and possession for a consideration and a taxable "sale" under the law.

Very truly yours,

Lawrence A. Augusta
Assistant Counsel

LAA:ph