



STATE BOARD OF EQUALIZATION

June 29, 1954

F---, A--- & B---
Attorneys at Law
--- --- Building
--- XX, California

Attention: Mr M. W. D---

Gentlemen:

In your letter of June 22, 1954, you request our advice as to the application of sales tax to certain transactions.

We understand that a parent corporation has five wholly-owned subsidiaries. Subsidiary 1 and subsidiary 5 each own two wholly-owned subsidiaries which you call A and B, and C and D, respectively. The parent corporation owns two manufacturing plants which you call X and Y. In order to carry on certain operations more economically, the parent corporation (a) caused subsidiary Corporation 2 to transfer a plant and its equipment to subsidiary Corporation 3 in return for a promissory note, and (b) caused subsidiary Corporation A to transfer to Corporation 3 a similar type of plant and equipment in return for a promissory note. The parent corporation transferred the two manufacturing plants X and Y to Corporation 3 in return for a promissory note.

You state: "In each case, the transfers (a) include tangible personal property – machinery – equipment – automotive equipment – raw materials – supplies and some finished inventory; and (b) represent all or substantially Units X and Y are separate manufacturing plants of CORPORATION A, the parent) of the property of the subsidiaries.

We think that the transfers by subsidiary Corporation 2 and subsidiary Corporation A to the subsidiary Corporation 3, being in each case transfers of all or substantially all of the property of those corporations to a commonly owned corporation, are occasional sales within the meaning of Section 6006.5(b).

It is not clear from your statement of facts whether manufacturing plants X and Y constitute all or substantially all of the property of the parent corporation held or used in the course of an activity for which a seller's permit is required. If so, we think that transfer also would fall within the occasional sale definition of Section 6006.5(b). However, if these units are not all or substantially all of the property held or used by the parent corporation in an activity requiring a seller's permit, then this transfer would not be an occasional sale within the meaning of Section 6006.5(b).

Very truly yours,

John H. Murray
Associate Tax Counsel

JHM:tj

cc: Oakland - Compliance