220.0208 **Exclusions.** To qualify for the Revenue and Taxation Code section 64(b) exclusion afforded transfers by members of an "affiliated group", it is only necessary that there be at least two corporations related by common ownership. While the word "group" may suggest a necessity for three or more related corporations, there is nothing else to suggest the statutes or rules require more than two; nor does such a limitation appear reasonable or necessary. C 4/15/87.

STATE OF CALIFORNIA

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Executive Secretary

April 15, 1987

04105

Dear

Re: Moore Dry Dock Company

This is in response to your letter dated March 25, 1987, in which you request our written confirmation that Revenue and Taxation Code section 64(b) applies to the following transaction. The facts as outlined in your letter are as follows:

"Moore Dry Dock Company is a California corporation wholly owned by JAM Securities company, a California corporation. JAM Securities Company has no other subsidiaries. The corporations are an affiliated group for federal income tax purposes and file a consolidated tax return.

"We recently filed a deed in Butte County to transfer real property from Moore Dry Dock Company to JAM Securities Company. The real property was transferred as an intercorporate dividend. The assessor's office has now informed us that he believes this transfer may constitute a "change of ownership." He believes that Section 64(b) of the Revenue and Taxation code and Rule 462(j) by referring to corporations require that a parent corporation have more than one subsidiary corporation in order to be an "affiliated group." Under this approach, a transfer to a parent corporation which has only a single subsidiary does not qualify for exemption. He cites the example in Rule 462(j)(ii) as support for this interpretation since in that example the parent corporation has three subsidiaries."

The purpose of section 64(b) is to exempt all transfers of real property between a parent and its wholly owned subsidiary. This is the purpose of section 64(b) whether a parent has only a single subsidiary or has more than one subsidiary. Under the

Corp

facts in your letter, the transfer of real property by Moore Dry Dock Company to its parent corporation, JAM Securities Company, is not a change in ownership.

The views expressed in this letter are, of course, advisory only. If I can be of any further assistance in this matter, please contact me.

Very truly yours,

Michele F. Hicks

Michele F. Hicks
Tax Counsel

MFH:cb
0472D

cc: Hon. Ted Cleveland
Butte County Assessor
Mr. Gordon P. Adelman
Mr. Robert H. Gustafson
Mr. Verne Walton