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Executive Secretary

No. 83/49

April 12, 1983

TO COUNTY ASSESSORS:

CORRECTION TO LETTER NO. 83/20  
AMENDMENTS TO CHANGE IN OWNERSHIP  
AND TAXPAYER REPORTING STATUTES

Our letter (No. 83/20, dated February 18, 1983) erroneously states that all Section 368 reorganizations qualify for the exclusion in Revenue and Taxation Code, Section 64(b).

Only corporate reorganizations which meet Section 64(b) requirements are exempt from reassessment. Three tests must be satisfied:

- (1) All of the corporations involved are members of an affiliated group, and
- (2) The corporate reorganization qualifies as a reorganization under Section 368 of the United States Internal Revenue Code, and
- (3) The corporate reorganization is accepted as a nontaxable event by similar California statutes.

Additionally, Section 64(b) specifically places two restrictions upon "affiliated group:"

- "(1) One hundred percent of the voting stock, exclusive of any share owned by directors, of each of the corporations, except the parent corporation, is owned by one or more of the other corporations; and
- "(2) The common parent corporation owns, directly, 100 percent of the voting stock, exclusive of any shares owned by directors, of at least one of the other corporations."

It is important to remember that in order to qualify under Section 64(b), the organizations involved must be an affiliated group before the merger takes place; and, becoming an affiliated group cannot be just one step in the reorganization.

We are sorry if our prior letter caused you any problems. Any questions regarding this letter may be directed to Don Davis or Mike Shannon (916) 445-4982.

Sincerely,

Verne Walton, Chief  
Assessment Standards Division