

STOCK TRANSFER  
BY STOCKHOLDERS OF  
EXISTING CORP. IN  
EXCHANGE FOR STOCK  
IN COMMENCING CORP.  
IS EXEMPT.

March 25, 1968

[REDACTED]

[REDACTED]

Your letter of March 20, 1968, concerning the application of sales tax to a corporate reorganization, has been referred to the undersigned for reply.

We understand that \_\_\_\_\_ an Ohio corporation, has all of its operating assets in California. It is proposed that a California corporation to be known as \_\_\_\_\_ Company will be formed. Stock will be issued by \_\_\_\_\_ to the stockholders of \_\_\_\_\_ in exchange for their stock in \_\_\_\_\_. \_\_\_\_\_ will thereafter be dissolved as a wholly owned subsidiary of \_\_\_\_\_. We assume that all of the assets of \_\_\_\_\_ will thereby be transferred to \_\_\_\_\_.

Under these circumstances, the exchange of stock will not be subject to sales or use tax since the stock is not tangible personal property. The transfer of the tangible assets to \_\_\_\_\_ will not be taxable since it will fall within the scope of section 6006.5(b) of the Revenue and Taxation Code as a transfer of "all or substantially all" of the assets of \_\_\_\_\_, and the ultimate ownership will be "substantially similar" to that which existed before the transfer.

In summary, no sales or use tax will apply to the transaction or transactions herein described.

Very truly yours,

T. P. Putnam  
Tax Counsel

TPP:kc  
cc: Oakland - District Administrator