

Memorandum

495.0460

To: Sam Diego – Auditing (JHMcc)

Date: October 15, 1953

From: Headquarters – Legal Staff (JHM)

Subject: X-----

You inquire concerning whether sales tax applies to the sale of a business where the seller as security for the payment of the purchase price enters into an arrangement with the purchaser whereby the seller becomes a limited partner in the new operation.

It is our opinion that where the limited partnership is created as a security device, the transaction may be a taxable sale under either subsection (a) or subsection (e) of Section 6006 in that there has been a transfer of title or possession of tangible personal property for a consideration, and the seller retains title to some portion of the assets as security for the payment of the purchase price.

We do not have the details of the transaction between X----- and X-----.

However, if you have any doubt that the limited partnership here is other than a device for the retention of title as security for payment of the purchase price, please send us copies of the agreement of sale, escrow instructions, and the partnership agreement so that we may review them.

John H. Murray

JHM:tj