

STATE BOARD OF EQUALIZATION

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No. 79/191

October 26, 1979

TO COUNTY ASSESSORS:

CHANGE IN OWNERSHIP BY ACQUISITION OF CORPORATE
STOCK - SECTION 64(C) OF THE REVENUE AND TAXATION
CODE AS ADDED BY ASSEMBLY BILL 1488 (CHAPTER 242)
AND AMENDED BY ASSEMBLY BILL 1019 (CHAPTER 1161)

There have been questions raised about the applicability of Section 64(c) of the Revenue and Taxation Code to subsidiaries of an acquired corporation. It is the opinion of the Board's legal staff that the acquisition of a corporation through stock transfer is a change in ownership for both the parent company acquired and the subsidiaries of the parent.

Section 64(c) states that:

"Purchase or transfer of such stock shall be a change in ownership of property owned by the corporation in which the controlling interest is obtained."

In order to properly interpret this statement, we must know the meaning of the term "in which the controlling interest is obtained," Section 64(e) states that control is defined in Section 25105 of the Revenue and Taxation Code for purposes of change of ownership. Section 25105 states:

"Direct or indirect ownership or control of more than 50 percent of the voting stock of the taxpayer shall constitute ownership or control for purposes of this article."

This definition indicates that indirect ownership of stock constitutes sufficient control to be a change in ownership under Section 64(c). We view the purchase of stock of a holding company to be direct ownership of the holding company and indirect ownership of any subsidiaries of the holding company. Section 189 of the Corporations Code defines subsidiary in terms of more than 50 percent of the voting power owned directly or indirectly by the parent corporation.

Therefore, it is our opinion that when the stock of a holding company is purchased, there shall be a reappraisal of any real property owned by the holding company and a reappraisal of any real property owned by any corporation in which the acquired holding company owns more than 50 percent of the stock.

TO COUNTY ASSESSORS

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If you have further questions on this subject, contact the Real Property Technical Assistance Unit at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:dr