

395,2547

104
TRANSFER OF TAX PAID RENTAL EGPT.
WHICH IS ALL OF ASSETS

June 4, 1971

[REDACTED]

This is in response to your letter of May 26, 1971 addressed to Mr. T. P. Putnam, which was referred to the undersigned for reply.

You ask for our opinion as to the sales and use tax consequence of the following proposed transaction:

Your client is a corporation which we will call "Parent". Parent owns stock in numerous other corporations, three of which we will call Corporations "A", "B", and "C". Parent owns all of the issued and outstanding stock of Corporations A and B, and 75 percent of the issued and outstanding stock of Corporation C. Corporation A operates three equipment rental yards. Corporation B owns and leases equipment, but does not operate an equipment rental yard. Corporation C operates an equipment rental yard. Corporations A and C have elected to pay tax upon the acquisition of their equipment and not charge tax on the rental receipts.

The Parent is considering having Corporation A transfer all of its assets used in the operation of two of its three yards to Corporation B, and all of the assets of its third yard to Corporation C. The transfer would cover substantially all of the assets of Corporation A. In consideration for the transfer, Corporation C would issue additional stock to Parent, so that Parent would own 90 percent of the stock of Corporation C immediately after the transfer. Corporation B would then continue to operate the two equipment rental yards transferred to it by Corporation A, and Corporation C would continue the operation of the yard which it owned prior to the transfer and the additional equipment rental yard transferred to it by Corporation A.

It is your belief that under the foregoing facts the transfer by Corporation A of substantially all of its assets to Corporations B and C would qualify as an occasional sale pursuant to the provisions of Revenue and Taxation Code Section

June 4, 1971

6006.5(b), and that the rental of the equipment acquired from Corporation A by Corporations B and C would not be subject to the imposition of sales or use tax pursuant to the provisions of Revenue and Taxation Code Section 6006(g)(5)(A).

We agree with your conclusion.

Very truly yours,

Glenn L. Rigby
Tax Counsel

GLR:lt

bc: Los Angeles Dist. - Dist. Admin. ✓