



STATE BOARD OF EQUALIZATION

June 22, 1955

Dear Ms. --- ---:

You request our advice as to the application of tax under circumstances which often arise in the liquidation of assets of businesses.

From time to time the assignor or receiver of the assets of the insolvent business will sell property purchased by the insolvent under a conditional sale contract on which there is a balance due. Sometimes the buyer assumes and agrees to pay the unpaid balance. In other instances, the buyer acquires the property "subject to" the unpaid balance.

We think that where property is sold and the purchaser assumes the balance due under conditional sales contract such balance due is part of the consideration for the sale of the property and is subject to sales tax. (See U. S. v. Hendler, 303 U. S. 564.)

We also think there is no substantial difference between a sale in which the buyer assumes the balance due under a conditional sales contract and a sale where the buyer acquires the property "subject to" the unpaid balance since, in order to acquire the property, the purchaser must pay that unpaid balance.

If you have any further questions with respect to this matter, please feel free to call upon us.

Very truly yours,

John H. Murray
Associate Tax Counsel

JHM:ph

cc: Los Angeles – Auditing