

**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
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March 7, 1988

Mr. W--- D. S---  
S---, L---, G--- & G---  
Certified Public Accountants  
XXXXX --- Blvd., Suite XXX  
--- ---, CA XXXXX

Re: S--- E---, Inc. – SR -- XX-XXXXXX  
S--- F--- of Companies – No permit  
S--- E---[2] – No permit  
S--- D--- – No permit

Dear Mr. S---:

This is in response to your letter dated January 28, 1988 regarding the application of sales and use tax to the transfer of vehicles. You state:

“S--- E---, Inc., a wholly owned subsidiary of S--- F--- of Companies, intends to transfer the following vehicles to S--- F--- of Companies, as a dividend.

1984 Chevrolet El Camino  
1978 Ditch Witch Trailer  
1974 Fruhauf Trailer  
1961 Ford Tractor  
Cement Mixer Trailer  
1961 Trailmobile Van  
1928 Rolls Royce  
1976 Mercedes 450SLC  
1988 Lincoln Town Car

“S--- F--- of Companies will then transfer as a contribution to capital all of the vehicles except the Landall Trailer to S--- E---[2], a wholly owned subsidiary of S--- F--- of Companies. The Landall Trailer will be transferred as a contribution to capital to S--- D---, another wholly owned subsidiary of S--- F--- of Companies. No consideration will be paid to or received by any of the corporations as a result of the transfer.”

The transfer of property from a corporation to a sole shareholder which is shown on the books of both entities as a dividend is not a sale if the corporation declaring the dividend does not receive any consideration (which would include an assumption of indebtedness) for the property transferred. (Rev. & Tax. Code § 6006, Business Taxes Law Guide Annot. 495.0725 (7/22/76).) No sales or use tax would be due on such a transfer. (Rev. & Tax. Code §§ 6051, 6201.) We assume that no indebtedness will be assumed on behalf of S--- E---, Inc. for its transfer as a dividend to S--- F--- of Companies, and that it will receive no other consideration for the transfer. Based on this assumption, we conclude that the transfer will not be a sale and will not be subject to sales or use tax.

S--- F--- of Companies will then transfer all vehicles transferred to it from S--- E--- to its wholly owned subsidiaries, either S--- E---[2] or S--- D---. You state that no consideration will be paid or received by any of the corporations as a result of the transfer. We assume this also means that there will be no assumption of indebtedness by anyone with respect to these transfers. Since a sale and purchase is a transfer of tangible personal property for a consideration and these transfers will not be for a consideration, there will be no sale or purchase. (Rev. & Tax Code §§ 6006, 6010.) Since there will be no sale or purchase, there will be no sales or use tax. (Rev. & Tax. Code §§ 6051, 6201.)

This opinion is based on the specific facts and assumptions set forth herein. If you have further questions, feel free to write again.

Sincerely,

David H. Levine  
Tax Counsel

DHL:ss