



STATE BOARD OF EQUALIZATION

October 25, 1963

Gentlemen:

This is in reply to your letter of October 8 regarding the tax liability in connection with the transfer of assets between your related companies.

We understand that [A] Company has several wholly-owned subsidiaries occupying various buildings in the Santa Monica area, where the parent company also is located. Sometimes it is found that pieces of equipment purchased by one organization are needed in one of the other operations. In order to keep track of the fixed assets, you issue an invoice from one company to another at the time such equipment is transferred.

If the transfer of the equipment constitutes a sale as defined in section 6006 of the Sales and Use Tax Law, the sale is taxable even though it may occur between related corporations. The sections defines a "sale," in part, as follows:

"Any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property for a consideration. 'Transfer of possession,' 'lease,' or 'rental' includes only transactions found by the board to be in lieu of a transfer of title, exchange or barter."

The fact that an invoice is issued whenever one of the corporations in question transfers equipment to another corporation indicates that there is an actual transfer of title. Thus, on the basis of the facts presented in your letter, it is our opinion that the tax applies to the invoiced price. We assume that none of the transfers constitute "occasional sales" under ruling 81, copy enclosed.

Very truly yours,

E. H. Stetson
Tax Counsel

By _____
Patricia McKinney