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**STATE BOARD OF EQUALIZATION**

August 7, 1963

Mr. W--- G. N---  
Public Accountant  
XXX --- --- Avenue  
--- X, California

AP- XXXXX  
G--- H. D---

Dear Mr. N---:

This is to inform you of our recommendation to the board as respects the above named taxpayer's petition for redetermination. We regret that we must recommend that the petition be denied.

As you know, section 6006.5(b) of the California Sales and Use Tax Law provides:

“‘Occasional sale’ includes: (b) Any transfer of all or substantially all the property held or used by a person in the course of such an activity when after such transfer the real or ultimate ownership of such property is substantially similar to that which existed before such transfer. For the purposes of this section, stockholders, bondholders, partners, or other persons holding an interest in a corporation or other entity are regarded as having the ‘real or ultimate ownership’ of the property of such corporation or other entity.”

The question presented in this case was whether the sale from a sole proprietorship to a limited partnership involved any change in the real or ultimate ownership of the business assets. We are of the opinion that it does. While the limited partner is not personally bound by the obligations of the partnership (Corporation Code § 15501) as long as he does not take part in the control of the business (§ 15507), he nevertheless has substantial rights in the partnership.

He has a right to inspect and copy the books, receive true and full information on things affecting the partnership and a right to dissolution and winding up by decree of court (§ 15510). He has a right to the return of his contribution subject to the conditions set forth in section 15516. More important, section 15518 specifically states a limited partner's interest in a partnership is personal property. This property interest may be assigned (§ 15519) and his creditors may obtain a charge on the interest by application to a court of competent jurisdiction (§ 15522).

Mr. W--- G. N---  
Re: -- - XXXXX

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Accordingly, even though the limited partner is not entitled to a voice in management and is not personally liable for the debts of the partnership, he has, under the Uniform Limited Partnership Act, a proprietary interest in the partnership assets. Therefore, the sale of the fixed assets of the business from sold proprietorship to the limited partnership entailed a change in the real or ultimate ownership, and petitioner does not come within section 6006.5(b).

If you disagree with our conclusions and desire an oral hearing before the board, you may have one on request. Please let us know within thirty days so that we may make the necessary arrangements. Board hearings are held monthly in Sacramento.

Very truly yours,

John H. Knowles  
Associate Tax Counsel

JHK:o'b

cc: Pasadena – Subdistrict Administrator

Attached are two copies of the Report of Hearing Office dated July 31, 1963, which has been approved. The hearing was held in Pasadena on June 11, 1963.