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**STATE BOARD OF EQUALIZATION**

October 29, 1964

Gentlemen:

This is to inform you of the position of the legal staff with respect to the above-named taxpayer's petition for redetermination. We will recommend to the Board that the protested item be deleted from the audit and the tax redetermined to reflect this adjustment.

As we discussed at the preliminary hearing, the contract provision providing that the tools and dies for the production of the --- --- --- engine kit should be the property of the "Y" Corporation until the advance of \$135,000 was repaid, was made to secure the repayment of the debt. We conclude, therefore, that Civil Code Section 2924 which provides that every transfer of property made only as security for the performance of an act is a mortgage applicable in the situation and that a lien interest only was given to "Y" Corporation. The transfer of the lien interest, of course, is not such a transfer as would be subject to the sales tax (Revenue and Taxation Code Section 6006).

The Board will act upon our recommendation at its next meeting and you will receive official notice of their action in due course we trust that this meets with your approval.

Very truly yours,

John H. Knowles  
Associate Tax Counsel

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cc: West Los Angeles - Subdist.

<p>The transfer was of bare "security title." The transferee did not receive possession of the property nor use then in any way. Rather, the value of the property was used to secure the debt. i.e. the transfer was for security purposes, only.</p>
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