



STATE BOARD OF EQUALIZATION

November 24, 1953

Re:

Dear Mr.

We have considered your protest to the determination levied against the above - named taxpayer.

The first item of your protest is that no provision was made for the sale of a lease as a part of the selling price of the mill. It is our understanding that the sellers had only an oral lease, which we think probably had little, if any value. However, we will consider such evidence as you may wish to present as to the value of that lease.

The second item in your protest is that the auditors did not allow unpaid open accounts as a set off against the mill value. It is our understanding that the purchasers of the mill assumed all of the outstanding obligations against that mill. If that is correct, the assumption of those liabilities would be a part of the measure of tax under Sections 6006(a) and 6012. You will note that "sale" is defined as including any transfer of title or possession of tangible personal property for a consideration, and "gross receipts" includes the total amount of the sale price valued in money whether received in money or otherwise. It is our understanding of the law that the assumption of the liabilities of a seller by a buyer constitutes consideration and the amount of the assumed liabilities would be the gross receipts from the sale. Accordingly, we think our auditors were correct in not allowing as a set off unpaid open accounts.

Trusting that we will hear from you in the near future, we are

Very truly yours,

John H. Murray
Assistant Tax Counsel

JHM:tj
cc: Santa Rosa - Compliance