



---

**STATE BOARD OF EQUALIZATION**

May 12, 1966

Dear Mr. ---:

We have analyzed the proposed transaction upon which you request a ruling in your letter of May 2. From your description, we understand that "H" will transfer all of the business and assets except real property of its various divisions to wholly-owned subsidiaries. According to an analysis made by our audit staff of the data submitted with your letter, the percentage of the depreciated book value of the assets transferred to the total depreciated assets of "H" is well in excess of the 80 percent regarded as sufficient to meet the "substantially all" language of Section 6006.5(b) of the sales and Use Tax Law.

The audit staff has based its conclusions on (1) the figures as of June 30, 1965 shown on Exhibit C pages 1 and 2; (2) the assumption there were no substantial increases or decreases of assets of "H" since that date (Exhibit D, Proposed Capitalization of Subsidiaries June 30, 1966, showing "H" Balance Sheet figures, does not show any substantial increase or decrease of assets); (3) the assumption that depreciated book value of the Other Depreciable Assets applies to the assets transferred.

Assuming the correctness of assumptions noted, and that the transfer to the subsidiaries is simultaneous, rather than made at different times to the different subsidiaries, it is our opinion that the transfer meets the requirements of Section 6006.5(b) defining an occasional sale, exempted by Section 6367.

Very truly yours,

E. H. Stetson  
Tax Counsel

EHS:fb [1b]