



STATE BOARD OF EQUALIZATION

December 30, 1954

Attention: ---

Gentlemen:

Your letter of October 8, 1954, to Mr. J. C. Ingle has been referred to me for reply. We understand that you contend that the sale price of a Buick Riviera Sedan sold in February 1954 to Mr. --- should be \$2,400.86 rather than \$4,442.97 as set forth in our audit.

Our information is that, at the time taxpayer transferred the automobile to Mr. A., taxpayer still owed \$2,400.86 on the purchase price of the automobile and owed Mr. A \$2,042.11 on outstanding notes. Mr. A. assumed the indebtedness owing on the automobile and cancelled taxpayer's obligations to him. Both the assumption of taxpayer's indebtedness on the car and the cancellation of taxpayer's notes to Mr. A. would fall within the definition of "gross receipts" under Section 6012 of the Sales and Use Tax Law and thus be the measure of tax on the transaction.

In your letter of October 23 you state that the only consideration paid by Mr. A. for the automobile was the assumption of the unpaid balance which taxpayer owed on the purchase contract for the car and that Mr. A.'s cancellation (failure to file a claim with the assignee) of the indebtedness owed to him by taxpayer was in no way related to the purchase of the automobile. Our auditor advises us that your adjuster, Mr. B., in going over taxpayer's assets and liabilities notices that the assets included a 1953 Buick and the liabilities included a contract payable on this automobile and a note payable to Mr. A. Your adjuster's report dated April 14, 1954, in this regard reads as follows:

"Mr. A. was asked regarding the transfer of this car from the corp. to him and he stated that the corp. owed him \$2, 410.00 and he took the Buick and assumed the contract with a balance owing of around \$2,400.00. This car is not worth the balance owing on the contract."

Thereafter, the schedule of assets and liabilities submitted by you to the creditors for their consideration omitted the Buick automobile as an asset and the contract payable on the automobile and the note payable to Mr. A. as liabilities.

We think these facts clearly show that the automobile was transferred to Mr. A. in consideration of his assuming the balance due on the purchase price and cancelling the note payable to him from the corporation.

If you have any further information with respect to this matter, we will be pleased to consider it. Otherwise, if you desire, we will set the matter for Board hearing.

Yours very truly,

John H. Murray
Associate Tax Counsel

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