

**M e m o r a n d u m****410.0105**

To : Ms. Sally Carter  
Compliance Planning and Evaluation Section

Date: June 12, 1997

From : Warren L. Astleford  
Senior Tax Counsel

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Subject: H--- S--- B---  
SR -- XX-XXXXXX

This is in response to your May 13, 1997 memorandum to Assistant Chief Counsel Gary Jugum asking whether H--- S--- B---, --- is required to obtain a new seller's permit as a result of its reorganization from a California corporation to a federally chartered bank. H--- states that it converted its articles of incorporation as a California corporation into a federal charter effective June 19, 1995. As of that date, H--- S--- B--- became H--- S--- B---, ---.

Revenue and Taxation Code section 6066 requires every person desiring to engage in or conduct business as a seller inside this state to file an application for a permit with this agency. The application shall be made on a form prescribed by the board and shall set forth the name under which the applicant transacts or intends to transact business, the location of the place of business, and other such information as the board may require. (Rev. & Tax. Code § 6066.) Upon discontinuing or transferring a business, a permit holder shall notify the board and deliver its permit to the board for cancellation. (Reg. 1699(f).)

We understand that H--- converted to a federal association pursuant to the procedure outlined in sections 5701 through 5708 of the Financial Code. Upon the filing of its federal charter with the Secretary of State, H--- ceased to be a state association, immediately became a federal association, and was no longer supervised by this state. (Fin. Code §§ 5705, 5706.) All of H---'s property vested in the federal association under its new name and jurisdiction. (Fin. Code § 5706.)

We regard the conversion of H--- from a state to a federal association as the transfer of its business pursuant to Regulation 1699(f). This transfer requires H--- (the California corporation) to deliver its permit to the board for cancellation. (Reg. 1699(f).) H---, --- is required to obtain a new seller's permit for its operations. (Rev. & Tax. Code § 6066; Reg. 1699.) The transfer of

property between H--- (the corporation) and H--- --- is not, however, a taxable sale since that transfer occurs by operation of law. (Fin. Code §5706; cf. Reg. 1595(b)(3).)

We do not believe that Financial Code section 5707 precludes this agency from requiring H--- to obtain a new permit. We interpret section 5707 to mean that the newly chartered federal association will own all the property previously owned by the state association as if the conversion did not take place. This is consistent with our finding that tax does not apply on the transfer of property from the state association to the federal association pursuant to Financial Code section 5706. This does not mean, however, that the state association did not actually transfer its business to a new entity thereby requiring the cancellation of the corporation's permit and the issuance of a new permit to the federal association.

If you have any further questions, please write again.

WLA/cmm

cc: Culver City District Administrator (AS)