

M e m o r a n d u m**495.0740**

To: Los Angeles – Tax Administrator

Date: August 24, 1953

From: Headquarters – Legal Staff (JHM)

Subject: X-----

We have re-examined our position with respect to the application of tax to a transfer of equipment to a stockholder in return for his stock which stock is then retired or cancelled by the corporation.

We see no reason to retreat from the position previously taken that such a transaction is a taxable sale. It is our opinion that there is a transfer of tangible personal property for a consideration and, therefore, the transaction is a sale within the meaning of Section 6006.(a).

With respect to the enclosure, your memorandum of September 28, 1944, as amended April 25, 1946, we think the last illustration on page one is erroneous.

We think that where a sole proprietor sells an interest in his business to someone also and pockets the proceeds of the sale that he is making a sale of tangible personal property used in that business and such sale is subject to tax, if the property was held or used in an activity requiring the holding of a seller's permit.

John H. Murray

JHM:tj