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February 14, 1984

This is in response to your letter of February 8, 1984, and in furtherance of our telephone conversation of February 10. Generally, you ask whether a transfer of 100% of the stock in one corporation from another corporation to a third corporation constitutes a change in control for property tax purposes. It is my understanding that the specific facts of the transaction are as follows:

G, a corporation, owns 100% of the stock of O. H is owned by R (42.62%), P (19.67%), C (20.49%), B (8.21%), and V (3.27%). H then transfers 100% of the capital stock of O to B. BARPEC is a corporation owned by R (37.50%), P (18.75%), A (25%), and C (18.75%). (C is a wholly owned subsidiary of C (A B)). You ask whether the transfer of 100% of O by H to B is a change in control of the real property owned by O.

Section 64(a) of the Revenue and Taxation Code provides for the general rule, with noted exceptions, that the transfer of corporate stock does not constitute a change in ownership. One such noted exception is provided in Section 64(c), which states:

When a corporation, partnership, other legal entity or any other person obtains control, as defined in Section 25105, in any corporation, or obtains a majority ownership interest in any partnership or other legal entity through the purchase or transfer of corporate stock, partnership interest, or ownership interests in

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other legal entities, such purchase or transfer of such stock or other interest shall be a change in ownership of property owned by the corporation, partnership, or other legal entity in which the controlling interest is obtained.

Section 25105 of the Code provides:

Direct or indirect ownership or control of more than 50 percent of the voting stock of the taxpayer shall constitute ownership or control....

Based on the foregoing, it is our opinion that a change in ownership of O 's real property occurs when B acquires 100% of O 's stock because there is a change in direct control of that corporation pursuant to Section 64(c) of the Revenue and Taxation Code. This conclusion is reached notwithstanding the fact that H and B have some common owners and that no single owner has direct control of either of those two corporations.

Very truly yours,

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MSS:jlh