

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 309

August 25, 1966

CORPORATIONS: DEDUCTIONS: COSTS INCURRED TO ACQUIRE BRANCH LICENSE

Syllabus:

Under established law the cost of procuring an initial license having a useful life in excess of one year must be capitalized as an intangible asset. Hachman v. Commissioner, 12 T.C. 1204 (1949), aff'd. 191 F.2d 934 (1951); Pasadena City Lines, Inc., 23 T.C. 34 (1954).

Under Section 6002 of the Financial Code an additional license is required for a branch facility. Since for financial code purposes a branch is treated as a separate and distinct enterprise, the rule of the Hachman and Pasadena City Lines cases, supra, would be applicable. Furthermore, since under Section 6006 of the Financial Code the license to operate a branch has an unlimited life, the costs incurred to acquire the license may not be amortized. Hackman v. Commissioner, supra.