



STATE OF CALIFORNIA
LEGAL DIVISION MS A-260
FRANCHISE TAX BOARD
PO BOX 1720
SACRAMENTO CA 95741-1720

Notice of Third Interested Parties Meeting 1031 Exchange Sourcing Regulations - California Code of Regulations, Title 18, Sections 17951-7 and 25137(e)

RSVP Requested:

To attend this meeting, please RSVP by December 14, 2022, by email at: FTBRegulations@ftb.ca.gov, attn: Regulations Coordinator.

When:

Tuesday, December 20, 2022 at 10:00 a.m.

How:

This meeting will be held telephonically. To participate, dial: (888) 557-8511. When prompted, enter participant pass code 6286397, followed by the # sign. You may call five minutes prior to start time.

Teleconference Protocol:

Participant phones will initially be muted during the meeting, to minimize distractions. If participants wish to make a comment on matters discussed during the meeting, participants may direct that comment in an email to FTBIPM-Hearing@ftb.ca.gov. All comments will be reviewed in the order in which emails are received, and selected comments will be discussed by the moderator. The moderator will unmute participant phones to receive additional comments at the concluding portion of the meeting.

Topic:

On June 27, 2013, the California Legislature enacted Assembly Bill ("AB") 92. (Stats. 2013, Ch. 26.) Under AB 92, which added sections 18032 and 24953 to the Revenue and Taxation Code ("RTC"), taxpayers who perform Internal Revenue Code ("IRC") section 1031 exchanges of real or tangible personal property located in California for real or tangible personal property located outside of California are required to file an annual information return with the Franchise Tax Board ("FTB") for each year in which the gain or loss from that exchange has not been recognized. As a result of this reporting requirement, FTB has received requests for clarification of the determination of California source gain or loss in IRC section 1031 exchanges, especially in the context of multiple exchanges.

The documents for this Interested Parties Meeting are this Interested Parties Meeting Notice and a draft, for discussion purposes, of a new Regulation at Title 18, California Code of Regulations (CCR) Section 17951-7, under Part 10 of the RTC, which can be found on the department's [Regulatory Activity page](#). A draft of the new language to be

added as subsection (e) to CCR section 25137, under Part 11 of the RTC, is not yet available.

Purpose:

To elicit public input on the proposed adoption of a new Regulation at Title 18, California Code of Regulations (CCR) Section 17951-7, under Part 10 of the RTC, and a proposed amendment adding subsection (e) to CCR section 25137, under Part 11 of the RTC, regarding the sourcing of gain/loss arising from IRC section 1031 exchanges.

Comments:

Written comments may be submitted at the meeting, or should be provided to the contacts listed immediately below, by the deadline of January 20, 2023.

Contact:

Natasha Page, Tax Counsel IV

Email: FTBRegulations@ftb.ca.gov attn: Natasha Page

Address: Legal Division (MS-A260), P.O. Box 1720, Rancho Cordova, CA 95741-1720.

Cost Impacts of Proposed Rulemaking:

The department encourages submission of information from interested parties during the pre-Administrative Procedures Act process in order to assess the economic impact of a proposed rulemaking action on businesses (including small businesses), employees, jobs or occupations, competitiveness of California businesses, reporting requirements, or individuals.