

**CALIFORNIA FRANCHISE TAX BOARD**

Internal Procedures Manual  
Water's Edge Manual

Rev.: September 2001

**EXHIBIT 9.3B  
FOREIGN PERSONAL HOLDING COMPANY INCOME**

<b>Rents and Royalties</b>	<b>Includible Unless</b>  1. Income producing property is used in country of CFC  <b>AND</b>  2. It did not reduce the Subpart F income of the payor.	<b>Includible Unless:</b> CFC derives income in the active conduct of a trade or business.
<b>Gains From Sale or Exchange of Property</b>	<b>Includible Unless:</b> In general, the property is ordinary income property held in an active trade of business.	<b>Includible Unless:</b> In general, the property is ordinary income property held in an active trade of business.
<b>Gains From Commodity Transactions</b>	<b>Includible Unless:</b> Derived from a sale of inventory, and substantially all the business of the CFC is an active producer, processor, merchant, or handler of the commodity, or derived from a hedge of such sale.	
<b>Currency Gains</b>	<b>Includible Unless:</b> Directly related to a business need of the CFC.	<b>Includible Unless:</b> Directly related to a business need of the CFC.
<b>Income Equivalent to Interest</b>	<b>Includible</b>	<b>Includible</b>

The information provided in the Franchise Tax Board's internal procedure manuals does not reflect changes in law, regulations, notices, decisions, or administrative procedures that may have been adopted since the manual was last updated