chair John Chiang
member Judy Chu, Ph.D.
member Michael C. Genest

State of California
Franchise Tax Board

02.07.2008

To: Interested Parties

Results of LP 08-3: Controlled Foreign Corporations In Water's-Edge Combined Report January 15, 2008, Interested Parties Meeting

Dear Interested Parties,

The Department would like to thank you for participating in our interested parties meeting held at Franchise Tax Board on January 15, 2008, relating to Legislative Proposal 08-3. In addition, we would like to thank those that provided questions to us in advance of the January 15th meeting. We appreciate all of your questions, comments, and feedback and for making this meeting successful.

As a follow-up to the interested parties meeting, please find the attached information:

- Written responses to questions and comments received from interested parties.
- An example illustrating the mechanics of LP 08-3.
- An expanded revenue estimate discussion for LP 08-3. Additional details are highlighted in red.
- Two recommended amendments to LP 08-3's original language that resulted from discussions during the interested parties meeting. The amendments would accomplish the following:
    - Provide that Revenue and Taxation Code section 24425 does not apply to the exclusion from gross income of previously taxed earnings and profit.
    - Clarify that a taxpayer would be disallowed from receiving greater than a 100% dividend elimination or deduction against the dividend it receives.

The department plans on resubmitting LP 08-3, incorporating the attached amendments, for approval at the March 6, 2008, Franchise Tax Board meeting. Please email Gail.Hall@ftb.ca.gov if you have additional questions or comments relating to LP 08-3.

Sincerely,

Brian Putler
Director, FTB Legislative Services

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