Request to Proceed to Interested Parties Meeting for a Proposed Regulation under California Code of Regulations, Title 18, Section 25137, Relating to the Apportionment of Income Arising from Space Transportation Activities

Revenue and Taxation Code (RTC) section 19503 states that the Franchise Tax Board shall proscribe all rules and regulations necessary for the enforcement of the tax laws it administers, including Part 11 of the Revenue and Taxation Code (commencing with section 23001), the Corporation Tax Law. In the case of certain industries such as air, rail, trucking, and ship transportation, the standard apportionment provisions found in RTC sections 25120-25138 of the Uniform Division of Income for Tax Purposes Act (UDITPA) do not set forth appropriate procedures for determining the apportionment factors arising from such activities. In such cases, the Franchise Tax Board has promulgated special industry regulations under Revenue and Taxation Code section 25137.

Private companies now launch satellites into orbit above the earth and transport supplies to and from the International Space Station. In the near future, these companies anticipate transporting people to and from space as well. Like the other transportation activities mentioned above, the standard apportionment provisions of UDITPA do not set forth appropriate procedures for determining the apportionment factors arising from space transportation activities.

Industry has requested that the Franchise Tax Board develop a special industry regulation to determine the apportionment factors applicable to income arising from transportation of property and people to and from space. The purpose of the Interested Parties Meeting(s) (IPM) would be to elicit public input and discuss issues relating to a proposed regulation, and develop proposed regulatory language on specific methodologies for determining the apportionment factors arising from such activities. Staff anticipates presenting the results of the interested parties process to your Board and may request permission to enter into the formal regulatory process at a future Board meeting.