

INITIAL STATEMENT OF REASONS FOR THE
AMENDMENT OF REGULATION
SECTION 25137(c)(1)(A)
TITLE 18, CALIFORNIA CODE OF REGULATIONS

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR CIRCUMSTANCE THAT THE PROPOSED AMENDMENT TO THE EXISTING REGULATION IS INTENDED TO ADDRESS

The amendment to the regulation is intended to codify existing Franchise Tax Board policy, as set forth in Franchise Tax Board Legal Ruling 97-1, issued on October 15, 1997.

SPECIFIC PURPOSE OF THE PROPOSED AMENDMENT

The proposed regulatory action provides that the existing regulation's exclusion from the sales factor of substantial gross receipts derived from an occasional sale of a fixed asset, should apply to sales of intangible property as well.

NECESSITY

The Franchise Tax Board has an obligation to regulate when it seeks to prescribe rules of general application. Currently, Franchise Tax Board's position on this issue is contained only in Legal Ruling 97-1. The regulation will provide taxpayers with more convenient and more widely accessible notice of this rule of general application.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

The Franchise Tax Board examined and considered the regulatory history of 18 Cal. Code of Reg. Section 25137(c)(1)(A), including notices, statements of reasons, public hearing documents, written comments and responses thereto, and the reasoning for the language of Legal Ruling 97-1. Franchise Tax Board did not rely upon any other technical, theoretical, or empirical studies, reports or documents in proposing the adoption of this proposed amendment to the existing regulation.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON AFFECTED PRIVATE PERSONS OR SMALL BUSINESS

The Franchise Tax Board has determined that there were no alternatives considered which would be more effective in carrying out the purpose of the proposed amendment to the existing regulation or which would be as effective and less burdensome to affected private persons or small businesses than the proposed regulation. In addition, the proposed amendment to the existing regulation pertains to corporate taxpayers and therefore does not affect private individuals.

ADVERSE ECONOMIC IMPACT ON BUSINESS

The Franchise Tax Board has determined that the proposed amendments to Regulation Section 25137(c)(1)(A) will not have a significant overall economic impact on business. The amendment to the existing regulation is a codification of existing Franchise Tax Board policy.