

**FINAL STATEMENT OF REASONS
PROPOSED REGULATION SECTION 24465-3
RELATING TO TRANSFER OF APPRECIATED PROPERTY TO INSURER**

UPDATE OF INITIAL STATEMENT OF REASONS

SECTION 250. There have not been any changes to the text of the proposed regulation since the publication of the amended regulation text on December 31, 2014. The publication was accomplished by posting (1) Notice of Amendments to Text of Proposed Regulation Section 24465-3 in Title 18 of the California Code of Regulations Relating to Transfer of Appreciated Property to Insurer, (2) Supplemental Revised Initial Statement of Reasons For Proposed Regulation Section 24465-3 Relating to Transfer of Appreciated Property to Insurer and (3) the amended regulation text of Section 24465-3 to the Franchise Tax Board's public website and by mailing copies of the above-named documents to all persons listed on the Franchise Tax Board's regulation mailing list compiled for parties with a stated interest in the Board's regulations.

LOCAL MANDATE DETERMINATION

The proposed regulation does not impose any mandate on local agencies or school districts.

SUMMARY AND RESPONSE TO COMMENTS RECEIVED DURING THE INITIAL NOTICE PERIOD OF JUNE 27, 2014 THROUGH SEPTEMBER 11, 2014.

No comments were received during the initial notice period.

COMMENTS RECEIVED DURING THE PERIOD THE MODIFIED TEXT WAS AVAILABLE TO THE PUBLIC.

The modified text was made available to the public for comment from December 31, 2014 through January 16, 2015. The Franchise Tax Board did not receive any comments on the modified text.

ALTERNATIVES THAT WOULD LESSEN ADVERSE ECONOMIC IMPACT ON SMALL BUSINESS

Since RTC section 24465 is an anti-abuse provision and the proposed regulation only impacts certain entities that transfer appreciated property to insurers, the Franchise Tax Board has determined that there will be no adverse economic impact on small business and therefore there are no alternatives that would lessen adverse economic impact on small business. In addition, no alternatives were proposed to the Board that would lessen any adverse economic impact on small business.

ALTERNATIVES DETERMINATION

The Franchise Tax Board has determined that no alternative it considered or that was otherwise identified and brought to its attention would be more effective in carrying out the

purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The amendments adopted by the Franchise Tax Board are the only regulatory provisions identified by the Board that accomplish the goal of providing the Board with sufficient notice of the status of appreciated property transferred by a corporation to an insurer and subsequent trigger of deferred gain subject to Revenue and Taxation Code 24465. In addition, the amendments adopted by the Board are the only regulatory provisions that accomplish the goal of providing information to taxpayers regarding the type and amount of data that is required to be reported, when and how to file an annual statement and records retention.