

STATE OF CALIFORNIA
LEGAL DIVISION MS A260
FRANCHISE TAX BOARD
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RANCHO CORDOVA, CA 95741-1720

**NOTICE OF AMENDMENTS TO TEXT OF PROPOSED REGULATION SECTION 25136-2 IN TITLE
18 OF THE CALIFORNIA CODE OF REGULATIONS RELATING TO MARKET BASED SOURCING
RULES**

On August 7, 2015, the Franchise Tax Board (FTB) published a Notice of Proposed Rulemaking in the California Regulatory Notice Register in accordance with section 11346.4 of the Government Code, providing notice to the public of the FTB's intention to amend portions of Title 18 of the California Code of Regulations (CCR), section 25136-2. On September 22nd, 2015, the FTB held a hearing on the proposed amendments to CCR section 25136-2, with department staff serving as the "hearing officer." The proposed amendments to CCR Section 25136-2 for which the hearing was held are summarized here as follows: two different definitions of marketable securities, assignment rules for marketable securities, examples for asset management fee assignment, assignment rules for dividends and goodwill, assignment rules for interest, miscellaneous clean up fixes, and an effective date of the regulation.

Department staff reviewed the proposed regulation language and considered the comments submitted before and during the hearing. The hearing officer recommended changes to the proposed amended regulations and the FTB published a Notice of Modification to Text of the Proposed Regulation which provided the public with the opportunity to submit written comments through November 20, 2015.

Department staff has reviewed the proposed regulation language and determined certain additional changes to the proposed regulation are necessary. These changes constitute sufficiently related changes within the meaning of Government Code section 11346.8 and nonsubstantial changes within the meaning of Government Code section 11346.8. The proposed sufficiently related changes are summarized below as follows:

Subsections (c)(2)(E)6 and 7 in the previously proposed regulation text are examples that provide guidance on how to assign asset management fees. Due to concerns raised by some members of the public, the FTB is removing those subsections from the current proposed regulation language and revising the numbering for the immediately following two subsections as a result of this proposed removal.

These nonsubstantial and sufficiently related changes are being made available to the public for the 15-day period required by Government Code section 11346.8(c) and Section 44 of Title 1 of the California Code of Regulations.

A copy of the proposed amendment is being sent to all individuals who requested notification of such changes, as well as those who attended the hearing and those who commented orally or in writing, and will be available to other persons upon request.

All written comments concerning this notice should be directed to:

Melissa Williams

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All written comments received by January 13, 2016 which pertain to the indicated changes will be reviewed and responded to by FTB's staff as part of the compilation of the rulemaking file. Please limit your comments to the proposed modifications to the text.