



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
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Chair
JEROME E. HORTON
Member
MICHAEL COHEN
Member

Third Interested Parties Meeting*

To attend this meeting, please RSVP by July 3, 2014, by contacting Colleen Berwick at (916) 845-3306 or Email: Colleen.Berwick@ftb.ca.gov.

To participate in this meeting by telephone, use this number to dial in: (877) 923-3149. The participant pass code is 2233420.

When

Tuesday
July 8, 2014
11:00 am

Where

Franchise Tax Board
North Lobby
Valley Quail Room
9646 Butterfield Way
Sacramento, CA 95827

Topic

Possible amendments to California Code of Regulations (CCR), title 18, section 25136-2 (market-based sourcing rules for sales other than sales of tangible personal property), to address certain issues in connection with sales of services and intangible property that were not addressed in the original language of CCR section 25136-2, which became effective on March 27, 2012. Specifically, draft language includes a definition of "marketable securities" for general taxpayers and a stand-alone definition of "marketable securities" for registered broker-dealer type taxpayers. The language also includes rules on how to assign sales of marketable securities, examples of how to assign sales in connection with asset management services not subject to CCR section 25137-14, and assignment of dividends, interest and goodwill. The initial draft language discussed at the October 2013 Interested Parties Meeting included cascading rules for reasonable approximation of the factor information of the underlying corporation where a taxpayer does not have the factor information, for example where a taxpayer held a minority interest in an underlying corporation or the interest was in a startup company, and a definition for startup companies. These two latter provisions have been omitted in the second discussion draft.

Please see the [discussion draft](#) and the [Explanation of Discussion Draft Language](#) for Proposed Regulation Section 25136-2 posted with this notice. A [Summary of the Second Interested Parties Meeting](#) held on October 18, 2013 is also posted with this notice.

Purpose

To elicit public input on draft language for amendments to the current regulation that address certain sales of services and intangible property described above and not previously

addressed in CCR section 25136-2, which provides a market-based approach for assignment of sales other than sales of tangible personal property to the sales factor.

***Contact – please note the last name change of the primary drafter of the amendments to CCR Section 25136-2: Melissa Williams**

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[Visitors Parking Map](#)

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