



STATE OF CALIFORNIA
Franchise Tax Board

SUPPLEMENTAL REQUEST FOR COMMENTS

The second interested parties meeting (IPM) for possible amendments to California Code of Regulations, title 18, sections 25137-10 (Combination of General and Financial Corporations) and 25137-4.2 (Banks and Financial Corporations – Allocation and Apportionment of Income) regarding the proper treatment of mixed financial and non-financial combined reporting groups was held on April 20, 2016. At the second IPM, staff elicited and received public comments regarding possible proposed solutions to resolve the distortive effect of including banking entities and security broker-dealers in the same combined reporting group. Staff received further comments from affected industry members after the conclusion of the IPM.

This request for comments discusses the possible proposed amendments staff is considering making to regulatory language based on comments received. Staff is now asking for clarification of comments received at the IPM and thereafter, to aid in preparation of draft language.

Staff believes the most reasonable and legally supportable solution is to include in the sales factor the broker-dealer principal trade transaction receipts at net. However, as an alternative approach, staff is further considering the possibility of including broker-dealer principal transaction receipts at gross in the sales factor, provided that the principal transaction gross receipts are capped at a small percentage of the combined reporting group's total sales factor denominator.

Written comments regarding these possible approaches to amending the regulatory language will be accepted until 5:00 p.m. on August 7, 2017. All inquiries and written comments concerning this notice should be directed to John Su at the below contact information.

- Email: John.Su@ftb.ca.gov
- Telephone: (213) 897-5222
- Address: Legal Division (MS-A260), P.O. Box 1720, Rancho Cordova, CA 95741-1720.

The following related documents are available at the Franchise Tax Board's website at www.ftb.ca.gov:

- The [Meeting Notice](#) for the second interested parties meeting held on April 20, 2016
- The [Discussion Topics](#) handout for the second interested parties meeting

COST IMPACTS OF PROPOSED RULEMAKING

The department encourages submission of information from interested parties during the pre-APA process in order to assess the economic impact of a proposed rulemaking action on businesses (including small businesses), employees, jobs or occupations, competitiveness of California businesses, reporting requirements, or individuals.