

REVISED FINAL STATEMENT OF REASONS
FOR PROPOSED REGULATION SECTION 25137-2

The proposed amendments to the existing regulation do not impose any mandate on local agencies or school districts.

Update of Initial Statement of Reasons

The public notice required by Government Code section 11346.4 was mailed and published on September 20, 2002. The original notice specified that no oral hearing would be held unless a request was made at least 15 days before the close of the written comment period on November 8, 2002. Since no request for an oral hearing was received prior to that date, no oral hearing was held. No written comment was received during the public comment period.

Nonsubstantial changes were made to the proposed regulation:

Text added to subdivisions (d)(1), (d)(4)(B) and (C), and (d)(5)(C) was not underscored and has now been corrected.

Reference to 26 C.F.R. §§ 1.451-3(c) and 1.451-3(d) was added to subdivisions (d)(2) and (d)(3) respectively.

The word "included" is already shown in California Code of Regulations, title 18, section 25137-2, subdivision (d)(4)(A) and does not need to be changed.

The formula for gross receipts included in the numerator of the sales factor was corrected as referenced in California Code of Regulations, title 18, section 25137-2, subdivision (d)(6)(A) *Example 2*.

Typographical errors were made in subdivision (e)(2) *Example 1* and have been corrected. The reference to California Code of Regulations, title 18, section 25128(c) was changed to section 25128(b) and the closing quotation for "qualified business activities" was added.

The year 1972 was inadvertently left out in subdivision (e)(2) *Example 3*. It was put back in as a strikeout where 1992 was added as new text.

The word "income" in subdivision (g)(2) *Example* was inadvertently left in and has now been struck out with the word "taxable" added in.

The word "which" in subdivision (h) was inadvertently changed to "that". It has now been corrected.

Additional references have been added.

Alternatives Determined

The Franchise Tax Board has not received any proposed alternatives that would lessen the adverse economic impact that the proposed amendments to the existing regulation would have on small businesses. The Franchise Tax Board has determined that no alternative would be more effective in carrying out the purpose of the proposed amendments or would be as effective and less burdensome to affected private persons than the proposed amendments to the existing regulation.