

**FINAL STATEMENT OF REASONS
PROPOSED AMENDMENTS TO REGULATION SECTION 18001-1, RELATING TO THE
OTHER STATE TAX CREDIT**

UPDATE OF INITIAL STATEMENT OF REASONS

The public notice required by Government Code section 11346.4 was mailed and published in the California Notice Register on March 31, 2023. The notice stated that there would not be a public hearing unless requested by an interested person at least 15 days before the close of the written comment period, which ended May 16, 2023. No request was made for a public hearing, and no hearing was held.

Two comments were received during the period the text was available to the public during the notice period from March 31, 2023, through May 16, 2023. Both comments are summarized and the Franchise Tax Board (FTB) response for both comments is set forth below.

Updates Pertaining to the Proposed Text of the Regulation

There were no changes to the text of the proposed amendments to the regulation since the publication of the amended regulation text on March 31, 2023. The final text of CCR section 18001-1, as published with the notice on March 31, 2023, is included in the rulemaking file. The FTB has complied with the requirements of Section 44 of Title 1 of the California Code of Regulations.

COMMENTS RECEIVED DURING THE PERIOD THE PROPOSED AMENDED REGULATION WAS AVAILABLE TO THE PUBLIC DURING THE NOTICE PERIOD FROM MARCH 31, 2023 THROUGH MAY 16, 2023.

Comments: Two comments were received during the notice period. The comments were not specifically directed at the FTB's proposed action or to the FTB's procedures followed in proposing the action. Both commenters requested a copy of the proposed text of the regulation.

Response: The FTB accepts both comments. The FTB provided the commenters a link to the draft text on our website. A copy of the comments and the FTB's response are included in the rulemaking file.

ALTERNATIVES DETERMINED

The FTB has determined that no alternative to the proposed regulation it considered would be more effective in carrying out the purpose of the proposed regulation or would be as effective and less burdensome to affected private persons than the proposed regulation, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provisions of the law, in accordance with Government Code section 11346.9, subdivision (a)(4). The proposed regulation is the only text identified by or proposed to the FTB that

accomplishes the intent of the proposed regulation and no alternatives have been identified or proposed that would reduce costs to those regulated.

ALTERNATIVES THAT WOULD LESSEN ADVERSE ECONOMIC IMPACT ON SMALL BUSINESS

The FTB has determined that the proposed amendments to the regulation at CCR section 18001-1 will not have a significant impact on small business. The proposed amendment to the regulation provides clarification to the term “net income tax” for purposes of taxation of out-of-state business activity of California taxpayers and therefore would not affect small businesses.

LOCAL MANDATE DETERMINATION

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