

**FINAL STATEMENT OF REASONS
PROPOSED AMENDMENTS TO REGULATION SECTION 23663-1,
AND ADOPTION OF REGULATION SECTION 23663-6,
RELATING TO DEFINITIONS CORPORATE REORGNIZATIONS AND OTHER CORPORATE RESTRUCTURINGS**

UPDATE OF INITIAL STATEMENT OF REASONS

As referenced in the initial statement of reasons, the Board is relying upon the following documents:

- Notice of Third Interested Parties Meeting, and Summary of Third and First Interested Parties Meetings
- Notice and Summary Second Interested Parties Meeting

These documents were available from the Board during the course of this rulemaking.

Updates Pertaining to the Proposed Text of the Regulation

The public notice required by Government Code section 11346.4 was mailed and published in the California Notice Register on October 9, 2020. No comments were received during the period the text was available to the public during the notice period from October 9, 2020 through November 23, 2020.

Following publication of the original 45-day notice for these proposed amendments, the Franchise Tax Board (FTB) discovered thirteen nonsubstantial and sufficiently-related changes needed to the proposed text of the regulations. First, in Regulation section 23663-1 within the Note, the capitalization of the word "NOTE" was changed to "Note" to be consistent with proper style, and second the word "Section" was pluralized to "Sections" to reflect multiple sections provided. These changes bring the proposed regulatory text of the Note section back to matching with the existing text of the regulation currently published in the California Code of Regulations. Next, in Regulation section 23663-6 within the title of the section a period was added after the numeric portion of the regulation section as "23663-6." to be consistent with numbering style. In addition, for each of the nine examples in Regulation section 23663-6 underlining was added to reflect their addition as newly proposed text. Finally, in Regulation section 23663-6 within the Note, the capitalization of the word "NOTE" was changed to "Note" to be consistent with proper style. No public comments were received with respect to these inadvertent errors in the regulation text included with the original 45-day notice.

COMMENTS RECEIVED DURING THE PERIOD THE TEXT WAS AVAILABLE TO THE PUBLIC DURING THE NOTICE PERIOD FROM October 9, 2020, THROUGH November 23, 2020

No comments were received during the comment period.

ALTERNATIVES DETERMINED

The Franchise Tax Board has determined that no alternative to the proposed amendments to the regulation or the proposed regulation it considered would be more effective in carrying out the purpose of the proposed amendments to the regulation or the adopted regulation or would be as effective and less burdensome to affected private persons than the adopted amendments or adopted 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 amendments to the regulation and the proposed adopted text is the only text identified by or proposed to the Franchise Tax Board that accomplishes the intent of the regulation and no alternatives have been identified or proposed that would reduce costs to those regulated.

ALTERNATIVE THAT WOULD LESSEN ADVERSE ECONOMIC IMPACT ON SMALL BUSINESS

The FTB has determined the proposed regulatory language will not have a significant impact on small businesses. The proposed amended regulation and adopted regulation provide guidance to taxpayers who have some uncertainty regarding which entities are eligible to receive assigned credits, before they are determined to be invalid. This regulatory action impacts assignors and assignees in the same combined reporting group. The assignees are affiliated members of the same combined reporting group and not independent small businesses. This regulatory action therefore, would not affect small businesses

LOCAL MANDATE DETERMINATION

The proposed regulations do not impose any mandate on local agencies or school districts.