

FINAL STATEMENT OF REASONS
PROPOSED ADOPTION OF REGULATION SECTIONS 23663-1 THROUGH 23663-5
PERTAINING TO THE ASSIGNMENT OF CREDITS AMONG COMBINED GROUP
MEMBERS

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 November 24, 2017. No request was made for a public regulation hearing, and no hearing was held.

The public notice requested that comments be received by January 11, 2018. No comments were received during the period of November 24, 2017, to January 11, 2018.

The text of the proposed regulations has not changed since the publication of the notice on November 24, 2017. The Franchise Tax Board complied with the requirements of Section 44 of Title 1 of the California Code of Regulations.

ALTERNATIVES DETERMINED

The Franchise Tax Board has determined that no alternative to the proposed regulations it considered would be more effective in carrying out the purpose of the proposed regulations or would be as effective and less burdensome to affected private persons than the adopted regulations, 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 regulations are the only text identified by or proposed to the Franchise Tax Board that accomplishes the intent of the regulations and no alternatives have been identified or proposed that would reduce costs to those regulated. While no alternatives were proposed, the Franchise Tax Board did evaluate two alternative versions of the proposed regulations as possible alternatives. The first alternative removed Proposed Regulation section 23663-4 and the second alternative removed Proposed Regulation section 23663-2. These alternatives were determined to be less desirable since they would remove the provisions of the proposed regulations which allow taxpayers flexibility so that the proposed regulations produce an outcome consistent with the purpose of the statute.

ALTERNATIVE THAT WOULD LESSEN ADVERSE ECONOMIC IMPACT ON SMALL BUSINESS

The Board has determined that the proposed regulations do not affect small businesses as these regulations only apply to combined reporting groups that have multiple affiliated corporations. These corporations are typically large corporations that do business in multiple states.

LOCAL MANDATE DETERMINATION

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