

NOTE: This handout is intended only for purposes of facilitating discussion at the Interested Parties Meeting scheduled for August 7, 2019.

DISCUSSION TOPICS

The purpose of this Interested Parties Meeting (IPM) is to receive input from the taxpayer community regarding a potential regulation to clarify the statutory term "net income taxes paid to another state" for purposes of the Other State Tax Credit (OSTC).

Pursuant to California Revenue and Taxation Code ("CRTC") section 18001, California allows a credit against the net tax for net income taxes imposed by and paid to another state on specified income. Under CRTC section 18001 the payment of tax to a sister state is generally eligible for the OSTC only where the other state's tax is a net income tax.

On December 10, 2018, the Franchise Tax Board approved staff's request to begin the informal regulatory process and hold discussions with interested parties about a potential regulation concerning the "net income taxes paid to another state" for purposes of the OSTC.

Staff hopes to receive input from the taxpayer community concerning the adoption of a regulation in California that reflects current law.

In order to promote a robust examination of the issue, the following are possible topics to be discussed:

Should California adopt a regulation clarifying the statutory term "net income taxes paid to another state" for purposes of the OSTC?

If so, what should the regulation address (i.e., scope)?

To encourage private sector participation and public input in this project, staff is not proposing draft language at this time. Instead, at the IPM staff will solicit taxpayer proposals concerning the above-stated items. Staff hopes to receive draft language and/or comments related to the term "net income taxes paid to another state" for purposes of the OSTC from taxpayers impacted by this area.