

0800 NON-BUSINESS INCOME

Prior to January 1, 1996 CCR Section 25137-4.1(b) provided that "all income of banks and financial corporations shall be "business income" unless the income arises from an investment or activity that is not a banking function.

Effective for income years beginning on or after January 1, 1996, CCR Section 25137-4.2 provides that except for a bank or financial corporation subject to the provisions of CCR Section 25137-10, a bank or financial corporation whose income is taxable both within and without this state shall allocate and apportion its net income as provided in R&TC and CCR Section 25120.

CCR Section 25120(a) defines business income as income arising from transactions and activity in the regular course of the taxpayer's trade or business (transactional test) and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations (functional test).

Further discussion about business and nonbusiness classification of income can be found in MATM Section 4000.