

**MEMORANDUM**

**TO:** Task Force C, Working Group on Business/Nonbusiness Income  
**FROM:** John S. Warren *JSW*  
**DATE:** September 25, 1997  
**RE:** Final Disposition of the Three Subjects Assigned to Task Group

1. **Treatment of Expenses**

In our telephone conference of this date, I proposed that existing Reg. IV.1.(d) on proration of deductions covers this subject adequately. It was agreed that Task Force members would review Reg. IV.1.(d) and would respond in writing as to whether they agree or have specific changes, additions or deletions to propose

2. **Correlation With Property Factor**

In our July 17 teleconference we discussed whether the pro rata principle of the property factor regulation should prevail over the majority principle of the business income regulation. No compelling reasons were found to favor the pro rata principle over the majority principle, and it was observed that the majority principle is easier to administer. It has also been observed that the five-story building example and the 20-story building example have been in the business income regulation for years, and it is perhaps best not to disturb them. For these reasons I propose that we drop this issue and forego precise correlation with the property factor regulation.

3. **Definition/Tests of Nonbusiness Income**

No one has submitted anything in support of the proposition that nonbusiness income should be defined beyond saying that it is all income other than what we have defined as business income. Therefore, I think this subject can be abandoned.