



STATE OF CALIFORNIA  
Franchise Tax Board - Legal Branch

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## M E M O R A N D U M

FAX THIS DATE

TO: Public Participation Working Group  
Definition of A Unitary Business  
Task Force C Members  
Barry Weissman  
Val Oveson  
Steve Auster  
Michael Mazerov  
Paull Mines

DATE: October 10, 1997

FILE: 410:BWT:MTC15

FROM: Brian W. Toman

SUBJECT: Comments/Disposition of Subjects Assigned to Task Force C

1. Treatment of Expenses

I agree with John Warren's position that the existing Reg. IV.1.(d) on proration of deductions adequately covers this subject. I have no specific changes, additions or deletions to propose.

2. Correlation With Property Factor

I agree with John Warren's proposal that Task Force C drop this issue and forego precise correlation with the property factor regulation.

3. Definition/Tests of Nonbusiness Income

I agree with John Warren's suggestion that this subject be abandoned.

4. Mobil Factors Test (Basic Test) as the Primary Test

I continue to see merit in John Warren's suggestion that a basic test, patterned after the Mobil Factors Test, be used as the primary test. I understand Task Force C discussions will continue on this issue in

Washington, D.C. at the end of this month. Subsequently, a consensus/support form will be developed and distributed to formalize additional individual input.

There is one final item John and I have to address. In a September 11, 1997 letter to me, John set forth his reactions to the insertions and deletions I suggested be made to the proposed regulation in my memorandum of July 30, 1997 to Michael Mazerov. Some of my suggested insertions and deletions dealt with the Basic Test, some did not. I want to discuss all of John's reactions with him before continuing to pursue my suggestions. I have preliminarily arranged with John's secretary to have a discussion with him on his reactions next Thursday (John is out of his office today and I am out of my office Monday through Wednesday of next week). Once our discussion is complete, I will fax another memorandum to all of you with my revised suggested insertions and deletions.



Brian W. Toman  
Director, Multistate Tax Bureau