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September 11, 1997

Mr. Brian W. Toman  
Franchise Tax Board - Legal Branch  
P. O. Box 1720  
Rancho Cordova, CA 95741-1720

Re: **MTC Definition of Unitary Business**  
**Treatment of Expenses**

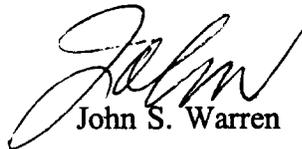
Dear Brian:

I have two comments on the statement drafted by Rick Pomp:

1. I think what you and I were looking for is a statement on the allocation of headquarters office general and administrative expenses when the taxpayer is engaged in two or more businesses which are not unitary. Such a statement is found in Cal. Reg. 25120(d), and the question is whether it would be well to include something like it in the MTC regulation.

2. Rick makes a good statement on the matching of income and deductions, but this subject has become a hot potato in California now that its interest offset statute, which denies matching, is under judicial attack.

Sincerely yours,

  
John S. Warren

JSW:jd3  
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WAJ13518.L01

cc: Michael Mazerov