



STATE OF CALIFORNIA
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M E M O R A N D U M F A X T H I S D A T E

TO: PPWG Task Force C Members
 Barry Weissman
 Val Oveson
 Steve Auster
 Michael Mazerov
 Paull Mines

DATE: October 17, 1997
FILE: 410:BWT:MTC16

FROM: Brian W. Toman

SUBJECT: Comments/Disposition of Subjects Assigned to Task Force C
 Definition of a Unitary Business Draft Regulation

I have discussed with John Warren his reactions (set forth in his letter to me dated September 11, 1997) to the insertions and deletions I suggested be made to the proposed regulation in my memorandum of July 30, 1997 to Michael Mazerov. My understanding of our agreed conclusions, for the information of, and recommended to, those involved in this process are as follows:

Line 8. Revise my suggested insertion to read "which utilize formulary apportionment".

Line 25. Leave the first insert in tact ("two or more business entities engaged in") and revise the second insert to read "and apportion income to the state".

Line 86-87. Agreed as to the language stated in my July 30, 1997 memorandum.

Line 90-97. Line 90 (beginning with the word "Evaluation") through line 93 (ending with the word "investment") should be struck. Line 93 (beginning with the word "If") through 97 should be revised to read "If the asset furthers the business being conducted within the taxing State beyond mere financial betterment in general, the investment with the asset is not a passive investment. A passive investment is an investment not related to the conduct of a unitary business."

Line 126-127. The entire paragraph containing these line are deleted in John's draft, and I agree such deletion.

Line 130. The words "may satisfy" should be revised to read "may support a finding for".

Line 132. Agreed as to the language stated in my July 30, 1997 memorandum.

Line 137. Agreed as to the language stated in my July 30, 1997 memorandum.

Line 139, 140, 142 and 144. Agreed as to the language stated in my July 30, 1997 memorandum.

Line 163. Agreed as to the language stated in my July 30, 1997 memorandum.

Lines 221-224. Agreed per John's September 11, 1997 comment (i.e., retain the sentence).

Line 226. Agreed as to the language stated in my July 30, 1997 memorandum.

Lines 294-295. Agreed per John's September 11, 1997 comment (i.e., retain accounting and tax administration, but strike financial reporting).

Lines 312, 317 & 318. Agreed as to the language stated in my July 30, 1997 memorandum.

Lines 322-325. Agreed this paragraph should be deleted.

Lines 336-337. Agreed per John's September 11, 1997 comment (i.e., the deletions should be retained.



Brian W. Toman
Director, Multistate Tax Bureau

cc: John S. Warren