

---

**To:** UDIPTA Sec. 1 Workgroup  
**Subject:** Suggested Hedging Language for UDITPA Section 1

Helen suggests the following language for Section 1.

“Receipts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities are excluded from the definition of receipts whether or not those events or transactions are engaged in for the purpose of hedging. Whether events or transactions not involving cash or securities are “hedging” shall be determined based on the primary purpose of taxpayer in engaging in the activity giving rise to the receipts, including the acquisition or holding of the underlying asset. If the primary purpose of engaging in the activity is to reduce the exposure to risks created by other business activities, then the receipts arising from the activity in question are receipts from hedging and excluded from the definition of receipts. The taxpayer’s treatment of the receipts as hedging receipts for accounting or federal tax purposes may serve as indicia of the taxpayer’s primary purpose, but shall not be determinative.”

In addition, we should note this as a possible Section 18 issue to avoid distortion.