



MULTISTATE TAX COMMISSION

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**Income & Franchise Tax Uniformity Subcommittee
Model Compact Art. IV.1(g) Amendments – Definition of “Sales”**

**DRAFT Policy Question List DRAFT
July 13, 2011**

1. What activity does the “sales factor” currently reflect?

- A. Compact – “all gross receipts of the taxpayer not allocated...”** The Compact currently defines “sales” broadly as “all gross receipts of the taxpayer not allocated under paragraphs of this Article.” (Art.IV(1)(g)) Thus, the definition of “sales” appears to include gross receipts associated with apportionable, business income. Under the Compact, apportionable “business income” is income that meets either the transactional test or the functional test: “income arising from transactions and activity in the regular course of the taxpayer’s trade or business and includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the taxpayer’s regular trade or business operations.” (Art.IV(1)(a)) Gross receipts associated with the transactional test could include, for example, receipts from the sale, lease, or license of the taxpayer’s product – goods or services – to its customers. Gross receipts associated with the functional test could include receipts from the sale or lease of non-inventory, business assets that are or were used in the operation of the taxpayer’s unitary business to produce or provide the product that it sells to its customers.
- B. Regulations – reference transactional, but not functional, test; exclude, or otherwise limit, treasury function and other financing receipts.**
- i. Transactional test.** MTC model regulations specify “the term ‘sales’ means all gross receipts derived by the taxpayer from transactions and activity in the regular course of the trade or business.” (Reg. IV.15.(a). Sales Factor: In General.) This clause – “transactions and activity in the regular course of the trade or business” – mirrors the Compact language for the first of the two tests for business income, the transactional test. The second, functional test – “income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the taxpayer’s regular trade or business operations” – is not referenced. The model regulations also specifically exclude certain types of receipts generally associated with the functional test as distortive, even though these might already be excluded if receipts are limited to transactional-test receipts (Reg.IV.18(c)):

- a. “substantial amounts of gross receipts from *an incidental or occasional sale* of a fixed asset used in the regular course of the taxpayer’s trade or business, for example, gross receipts from the sale of a factory or plant;
 - b. “insubstantial amounts of gross receipts arising *from incidental or occasional transactions or activities* unless their exclusion would materially affect the amount of income apportioned to this state, for example, the sale of office furniture, business automobiles, etc.” (emphasis added).
- ii. Treasury function - excluded or limited.** Other more recent regulations further limit the definition of gross receipts by listing specific types of receipts from treasury function transactions and other financial activity that is excluded, even though income associated with this activity could arguably meet the transactional test and would be included in apportionable income (MTC Reg. IV(2)(a)):
- a. repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;
 - b. the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;
 - c. proceeds from issuance of the taxpayer’s own stock or from sale of treasury stock;
- Current MTC regulations further specify that, where receipts from treasury function transactions are not excluded from the sales factor by other provisions, only the overall net gain from those transactions (for each treasury function for the tax period) is included in the sales factor. (MTC Reg. IV.18(c)(4)(A)):

2. What activity should the “sales factor” reflect?

A. Should the definition reference only the transactional test? Should the sales factor broadly include all receipts associated with business income or should it be more narrowly limited to transactional receipts? Transactional receipts would include, e.g., receipts from the sale of the taxpayer’s product – goods or services – to its customers. Functional receipts would include, e.g., receipts from the sale of the taxpayer’s used production assets – factory, equipment. At its March meeting, the Subcommittee chose the more narrow approach. But at its May teleconference, the subcommittee asked for the list of issues related to that choice, and to see an alternative that would reflect the broad approach.

- i. Rationale for narrow approach:** The role of the sales factor in the apportionment formula is to reflect the contribution of the market, or the demand side, to the earning of income. The property and payroll factors represent, respectively, the contribution of capital and labor or, collectively, the supply side. The factors themselves are not what is being taxed. Rather, they only reflect certain activities by which we will apportion the income that is to be taxed. As such, the items included in any factor do not need to broadly reflect all unitary activity, but need only reflect the activities the particular factor is designed to represent. It is therefore unnecessary, and in fact may be counter-productive, to include an item in the factor if it does not reflect that activity. In the case of the sales factor, only those items that represent the market for the taxpayer’s product, its sales to its customers, should be included. Because the sales factor is intended to balance the property and payroll factors it should be defined to offset rather than amplify the effects of the property and payroll factors. But including receipts from the sale of assets used in the business could double count the

property already included in the property factor. Because the purpose of the sales factor is to balance the other two factors, the use of those two elements to assign sales, costs of production from property and payroll, should be avoided.

If the narrow approach is maintained, then the drafting question is whether there is any need to move the regulatory language into the statute for clarity. For example:

Narrow Approach – A

1(g) “Sales” means ~~all gross receipts of the taxpayer not allocated under paragraphs of this Article~~ amounts that give rise to apportionable income and that are received by the taxpayer from transactions and activity in the regular course of its trade or business.

Or, Narrow Approach – B

1(g) “Sales” means ~~all~~ gross receipts of the taxpayer that are not allocated under paragraphs of this article, and that are received from transactions and activity in the regular course of the taxpayer’s trade or business.

- ii. Rationale for Broad approach:** Responsive to claim that: If a net receipt is included in the pool of income to be apportioned, the corresponding gross receipt should be included in the sales factor used to apportion it. Also, omitting receipts from a large asset sale could result in distortion to the extent the state does not include a property factor in its apportionment formula. For example, if taxpayer made a large gain on the sale of production assets located in a single sales factor state where it had made relatively few sales, and if that gain made up a significant part of the taxpayer’s apportionable income, then the State’s single sales factor apportionment formula may produce a mismatch between where the apportionable income arose and where it’s being apportioned. Including these types of receipts in the sales factor, and sourcing them to the location of the asset that produced the receipt, could alleviate this mismatch. Even states that do have a property factor could experience distortion if the sale took place early in the year (so that the property that produced the gain is not fully included in the property factor). If these situations occur and create distortion on a regular basis, then *ad hoc* relief under section 18 may not be the most efficient remedy. Rather, the notion of “market” could be expanded to include the market for *any* things that the taxpayer sells, including things sold to persons other than its customers. e.g., production assets that were once used in the taxpayer’s business operations to produce the product that it sold to its customers. Although this approach could potentially double count property already included in the state's property factor, in separate entity taxing states or states with single sales factor apportionment, there might not be double counting, and the inclusion might help to approximate an equitable result.

If the broad approach is chosen, then the Compact language may be fine as is. But the regulatory limitation should be deleted and the regulations reworked. So the Compact definition would continue to read:

1(g) "Sales" means all gross receipts of the taxpayer not allocated under paragraphs of this Article

iii. An intermediate approach? Possibilities include one or more of the following:

- a. Include receipts generally – transactional and functional – but include functional receipts at net rather than gross.** The "sales" included through the functional test could be limited to net receipts, or gain on the sale. This may alleviate potential double counting of the property factor, since property is generally included in the property factor at original cost. It might also help prevent distortion that could occur when including functional test receipts, since the gross receipts from such sales may be large, while net income to be apportioned from such sales may be small.
- b. Exclude functional receipts generally, except for specific types that can be reasonably sourced.** For example, the definition could include all transactional receipts and those functional receipts that arise from:
- sale or lease of real estate or tangible personal property.
 - sale or lease of intangible property that represents ownership or the right to use real estate or tangible personal property (e.g., stock sales where the receipts can be attributed to location of underlying tangible assets. Goodwill would be excluded under a theory that it is attributable to the location of the market, or to the market and the tangible assets, rather than merely to the tangible assets. See e.g., Massachusetts statute excluding the sale of the business "good will" or similar intangible value, including, without limitation, "going concern value" and "workforce in place.)
 - gain from sale, exchange or other disposition of a capital asset used in a taxpayer's trade or business, including a deemed sale or exchange of such asset (See, e.g., Massachusetts statute)
 - sale, lease, or license of a contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area.
 - interest income received on deferred payments on sales of tangible property (MTC Reg. IV.15.(a)(1)(A)) and income from the sale, licensing or other use of intangible personal property (MTC Reg. IV.17.(2)(D)) (MTC Reg. IV.18(c)(3))
- c. Include all gross receipts generally – both transactional and functional - except for specific types that cannot be reasonably sourced.** For example, the definition could include all gross receipts, except those related to:
- dividends received on stock, royalties received on patents or copyrights, or interest received on bonds, debentures or government securities that results from the mere holding of the intangible personal property by the taxpayer (MTC Reg. IV.18(c)(3); see also Massachusetts statute excluding interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities)

- damages and other amounts received as the result of litigation; (MTC Reg. IV.2.(a))
 - property acquired by an agent on behalf of another(MTC Reg. IV.2.(a));
 - tax refunds and other tax benefit recoveries(MTC Reg. IV.2.(a));
 - pension reversions(MTC Reg. IV.2.(a));
 - contributions to capital (except for sales of securities by securities dealers) (MTC Reg. IV.2.(a));
 - income from forgiveness of indebtedness(MTC Reg. IV.2.(a));
 - amounts realized from exchanges of inventory that are not recognized by the Internal Revenue Code(MTC Reg. IV.2.(a))
 - the sale of the business "good will" or similar intangible value, including, without limitation, "going concern value" and "workforce in place (Massachusetts statute)
- d. If an intermediate approach is chosen, then amendments would certainly be needed. An example of one intermediate approach would be:

1(g) “Sales” means all gross receipts of the taxpayer not allocated under paragraphs of this Article, except that includable amounts from the sale, exchange, loan, maturity, redemption, or other disposition of capital assets, cash, or securities shall be limited to the overall net gain from such transaction or activity for the tax period

Note that this rule would include gain from the sale of intangible assets such as contract rights, government license, etc. whether or not such rights are limited to a specific geographic area.

B. Treasury Function. Does the Compact need to be amended to either entirely exclude or limit treasury function receipts that are included in “sales”? It is this issue that prompted the Executive Committee to request Uniformity Committee review of the “sales” definition.

- i. **Exclude entirely or limit inclusion to net receipts?** Treasury function receipts may be associated with apportionable unitary income. Further, Taxpayer’s purpose in earning receipts from financial transactions (earn a return) is no different than purpose in earning receipts from all other transactions. So why treat differently from other receipts? If the reason is distortion, then perhaps the receipts should be included at net rather than gross. If the reason is inability to source properly, then perhaps the receipts should be excluded altogether.
- ii. **Drafting Options.** Assuming the Uniformity Committee continues to believe that treasury function receipts should be limited or excluded from the definition of sales, is it enough that they are limited excluded by regulation or does the Compact need to be amended to make the limitation or exclusion by statute? If by statute, there are at least three drafting methods for accomplishing this – a general statement, a list, or a combination of general statement and list.

- a. **Statement of the general rule.** The elimination of treasury and other financial type activities could be made clearer by stating the types of transactions that are excluded. For example:

Broad approach: 1(g) “Sales” means all gross receipts of the taxpayer not allocated under paragraphs of this Article, except that receipts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be [“excluded” or “limited to the overall net gain from such transaction or activity for the tax period.”].

Narrow approach. 1(g) “Sales” means amounts that give rise to apportionable income and that are received by the taxpayer from its customer for transactions and activity in the regular course of its trade or business, except that amounts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be [“excluded “or “limited to the overall net gain from such transaction or activity for the tax period”].

In addition, the term “customer” could be defined by regulation. For example, “customer” could be defined based on current MTC regulations defining transactional test to mean:

Customer means a person who purchases, leases or licenses (1) inventory or services which are commonly sold, leased, or licensed by the taxpayer in the regular course of the taxpayer’s trade or business, or (2) property used in the taxpayer’s production of business income of a kind that is sold, leased, or licensed, and replaced with some regularity, even if replaced less frequently than once a year. “Customer” does not include a person who engages with the taxpayer in the taxpayer’s investment activities, such as activities that are for the taxpayer’s mere financial betterment rather than for the operations of the trade or business, even if such activities are conducted frequently by the taxpayer. [OPTIONAL: “Customer” does not include a person whose unitary income is included with the taxpayer’s unitary income in the calculation of the total unitary income subject to apportionment.]

- b. **A specific list.** As an alternative, a specific list of excluded transactions, currently in regulation, could be added to the Compact definition. It would be important to specify whether this is a comprehensive list or a list of examples.. If examples only, then in theory a state could argue that a transaction that is not specifically referenced should be excluded because it is analogous to an item that is listed -- but inclusion of a general rule would help support that theory and guide the analogy. For example:

Broad approach: 1(g) “Sales” means all gross receipts of the taxpayer not allocated under paragraphs of this Article, but does not include:
1. repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;

2. the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;
3. proceeds from issuance of the taxpayer's own stock or from sale of treasury stock;
4. receipts from hedging transactions involving intangible assets, including options contracts to hedge foreign currency;
5. Receipts related to transactions involving liquid assets held in connection with one or more treasury function of the taxpayer (included in MTC reg, but only at net)
6. interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities.

Narrow Approach: 1(g) "Sales" means amounts that give rise to apportionable income and that are received by the taxpayer from transactions and activity in the regular course of its trade or business, but does not include:

1. repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;
2. the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;
3. proceeds from issuance of the taxpayer's own stock or from sale of treasury stock;
4. receipts from hedging transactions involving intangible assets, including options contracts to hedge foreign currency;
5. Receipts related to transactions involving liquid assets held in connection with one or more treasury function of the taxpayer (included in MTC reg, but only at net)
6. interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities.

c. Statement of the general rule, plus a specific list of excluded items. For example:

Broad approach: 1(g) "Sales" means all gross receipts of the taxpayer not allocated under paragraphs of this Article; except that receipts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities, including but not limited to the following transactions, shall be ["excluded" or "limited to the overall net gain from such transaction or activity for the tax period."]:

1. repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;
2. the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;
3. proceeds from issuance of the taxpayer's own stock or from sale of treasury stock;
4. receipts from hedging transactions involving intangible assets, including options contracts to hedge foreign currency;

5. Receipts related to transactions involving liquid assets held in connection with one or more treasury function of the taxpayer (included in MTC reg, but only at net)
6. interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities.

Narrow Approach: 1(g) “Sales” means amounts that give rise to apportionable income and that are received by the taxpayer from its customer for transactions and activity in the regular course of its trade or business, except that amounts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be [“excluded” or “limited to the overall net gain from such transaction or activity for the tax period.”].

Regulation: “customer” means a person who purchases, leases or licenses (1) inventory or services which are commonly sold, leased, or licensed by the taxpayer in the regular course of the taxpayer’s trade or business, or (2) property used in the taxpayer’s production of business income of a kind that is sold, leased, or licensed, and replaced with some regularity, even if replaced less frequently than once a year. “Customer” does not include a person who engages with the taxpayer in the taxpayer’s investment activities, such as activities that are for the taxpayer’s mere financial betterment rather than for the operations of the trade or business, even if such activities are conducted frequently by the taxpayer. [OPTIONAL: “Customer” does not include a person whose unitary income is included with the taxpayer’s unitary income in the calculation of the total unitary income subject to apportionment.] Examples of investment activities that are for the taxpayer’s mere financial benefit or are otherwise are not engaged in with a customer are:

1. repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;
2. the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;
3. proceeds from issuance of the taxpayer’s own stock or from sale of treasury stock;
4. damages and other amounts received as the result of litigation;
5. property acquired by an agent on behalf of another;
6. tax refunds and other tax benefit recoveries;
7. pension reversions;
8. contributions to capital (except for sales of securities by securities dealers);
9. income from forgiveness of indebtedness;
10. amounts realized from exchanges of inventory that are not recognized by the Internal Revenue Code;
11. receipts from hedging transactions involving intangible assets, including options contracts to hedge foreign currency.
12. insurance proceeds

13. substantial amounts of gross receipts from an incidental or occasional sale of a fixed asset used in the regular course of the taxpayer's trade or business, for example, gross receipts from the sale of a factory or plant;
14. insubstantial amounts of gross receipts arising from incidental or occasional transactions or activities unless their exclusion would materially affect the amount of income apportioned to this state, for example, the sale of office furniture, business automobiles, etc.; or
15. business income in the form of dividends received on stock, royalties received on patents or copyrights, or interest received on bonds, debentures or government securities results from the mere holding of the intangible personal property by the taxpayer.
16. Receipts related to transactions involving liquid assets held in connection with one or more treasury function of the taxpayer (included, but only at net)
17. interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities.
18. receipts from the sale of the business "good will" or similar intangible value, including, without limitation, "going concern value" and "workforce in place."

Sample Draft - Narrow Approach B, Excluding Treasury Function

Compact:

1(g) "Sales" means gross receipts of the taxpayer that are not allocated under paragraphs of this article, and that are received [from its customer] for transactions and activity in the regular course of the taxpayer's trade or business; except that amounts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be excluded.

Regulation:

[If the term "Customer" is used in the statute] "Customer means a person who purchases, leases or licenses (1) inventory or services which are commonly sold, leased, or licensed by the taxpayer in the regular course of the taxpayer's trade or business, or (2) property used in the taxpayer's production of business income of a kind that is sold, leased, or licensed, and replaced with some regularity, even if replaced less frequently than once a year. "Customer" does not include a person who engages with the taxpayer in the taxpayer's investment activities, such as activities that are for the taxpayer's mere financial betterment rather than for the operations of the trade or business, even if such activities are conducted frequently by the taxpayer. Examples of activities that are for the taxpayer's financial benefit or do not otherwise involve customer are:

1. repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;
2. the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;
3. proceeds from issuance of the taxpayer's own stock or from sale of treasury stock;
4. damages and other amounts received as the result of litigation;
5. property acquired by an agent on behalf of another;
6. tax refunds and other tax benefit recoveries;
7. pension reversions;
8. contributions to capital (except for sales of securities by securities dealers);
9. income from forgiveness of indebtedness;
10. amounts realized from exchanges of inventory that are not recognized by the Internal Revenue Code;
11. receipts from hedging transactions involving intangible assets, including options contracts to hedge foreign currency.
12. insurance proceeds
13. substantial amounts of gross receipts from an incidental or occasional sale of a fixed asset used in the regular course of the taxpayer's trade or business, for example, gross receipts from the sale of a factory or plant;
14. insubstantial amounts of gross receipts arising from incidental or occasional transactions or activities unless their exclusion would materially affect the amount of income apportioned to this state, for example, the sale of office furniture, business automobiles, etc.; or
15. business income in the form of dividends received on stock, royalties received on patents or copyrights, or interest received on bonds, debentures or government securities results from the mere holding of the intangible personal property by the taxpayer.
16. Receipts related to transactions involving liquid assets held in connection with one or more treasury function of the taxpayer (included, but only at net)
17. interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities.
18. receipts from the sale of the business "good will" or similar intangible value, including, without limitation, "going concern value" and "workforce in place."

Alternative Basic Rules

Broad Approach – Current Rule

1(g) “Sales” means all gross receipts of the taxpayer not allocated under paragraphs of this Article, except that amounts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be [“excluded” or “limited to the overall net gain from such transaction or activity for the tax period.”]

Narrow Approach – A

1(g) “Sales” means ~~all gross receipts of the taxpayer not allocated under paragraphs of this Article~~ amounts that give rise to apportionable income and that are received by the taxpayer from its customers for transactions and activity in the regular course of its trade or business, except that amounts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be [“excluded” or “limited to the overall net gain from such transaction or activity for the tax period.”].

Narrow Approach – B

1(g) “Sales” means ~~all~~ gross receipts of the taxpayer that are not allocated under paragraphs of this article, and that are received from its customers for transactions and activity in the regular course of the taxpayer’s trade or business, except that amounts from the maturity, redemption, sale, exchange, loan or other disposition of cash or securities shall be [“excluded” or “limited to the overall net gain from such transaction or activity for the tax period.”].

Consider Adding/Subtracting Receipts from Specific Transaction Types

Add to Narrow Rule?

- any sale, lease, or license of taxpayer’s real, tangible personal, or intangible property used in its trade or business. (e.g., equipment machinery, plant, contract rights, or other assets used in production of taxpayers product.)
 - i. Exceptions?
 - a. incidental or occasional sales (currently excluded by MTC Reg. IV.18(c)(1) if substantial) or
 - b. the sale of the business "good will" or similar intangible value, including, without limitation, "going concern value" and "workforce in place (See, e.g., exclusion by Massachusetts statute)
 - c. sale or lease of surplus assets
 - ii. General limitations?
 - a. Limit to net receipts (gain) from such transactions (see e.g. Massachusetts statute which adopts the broad approach, but limits receipts from “the sale, exchange, or other disposition of a capital asset ... used in a taxpayer’s trade or business, including a deemed sale or exchange of such asset” to the gain on such transaction.
 - iii. Limitations related to intangible property?
 - a. limit sale, lease, or license of intangible property to intangible property that represents ownership or the right to use real estate or tangible personal property (e.g., stock sales where the receipts can be attributed to location of underlying tangible assets, except that goodwill would continue to be excluded under a theory that it is attributable to the location of the market, or to the market and the

tangible assets, rather than merely to the tangible assets. See e.g., Massachusetts statute excluding the sale of the business “good will” or similar intangible value, including, without limitation, “going concern value” and “workforce in place.”)

- b.** limit sale, lease, or license of intangible property that is a contract right, government license, or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area (See, e.g., MA statute)
- include interest income received on deferred payments on sales of tangible property? (currently included by MTC Reg. IV.15.(a)(1)(A))

Subtract from Broad rule?

- receipts that result from the holding of intangible personal property by the taxpayer (currently excluded by MTC Reg. IV.18(c)(3) but limited to “mere” holding; see also Massachusetts statute excluding interest, dividends, and gross receipts from the maturity, redemption, sale, exchange or other disposition of securities)
 - i.** dividends received on stock,
 - ii.** royalties received on patents or copyrights,
 - iii.** interest received on bonds, debentures or government securities
- damages and other amounts received as the result of litigation; (currently excluded by MTC Reg. IV.2.(a))
- Insurance Proceeds
- property acquired by an agent on behalf of another (currently excluded by MTC Reg. IV.2.(a))
- tax refunds and other tax benefit recoveries (currently excluded by MTC Reg. IV.2.(a));
- pension reversions (currently excluded by MTC Reg. IV.2.(a));
- income from forgiveness of indebtedness (currently excluded by MTC Reg. IV.2.(a));
- amounts realized from exchanges of inventory that are not recognized by the Internal Revenue Code (currently excluded by MTC Reg. IV.2.(a))
- contributions to capital, e.g., proceeds from the issuance of taxpayer’s stock or securities , or sales of treasury stock (except for sales of securities by securities dealers) (currently excluded by MTC Reg. IV.2.(a));
- any treasury function receipts (security dealers excepted)
- Hedging transactions (See, e.g., California regulations)

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