



Financial Institutions Apportionment  
Property Factor Issues for Discussion Purposes Only

Showing Work Group Recommendations and Discussion Issues  
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**1. Should loans be retained in the property factor?** No. At its July 2013 meeting, the Subcommittee directed the workgroup to move forward with the approach of the property factor being real and tangible personal property and eliminating any aspect of SINAA from the property factor. Some subcommittee members understood the rationale for this decision to be that real and tangible personal property, or receipts, serve as a proxies for location of loans. On the other hand, industry believed and the BNA reported that the Subcommittee had voted to eliminate loans from the property factor.

**2. If loans should be excluded from the property factor, should the property factor be included at all?** At its July 2013 meeting, the subcommittee directed that the property factor should be retained, but that loans should be excluded. Some Subcommittee members noted that it is more reasonable to view exclusion of loans from the property factor as a return to traditional notions of apportionment. Physical property continues to be a useful reflection of activity in the state.

**3. If the property factor should be included even without loans, should there be alternative weighting for each of the factors?** No.

**4. Should COP be retained for a certain percentage of receipts?** Industry representatives noted that implementing changes to sourcing of receipts is not only time-consuming, but also costly. Thus they suggested not changing the sourcing for non-specified service receipts if the overall percentage of such receipts is under a certain percentage. Industry representatives noted that the revised receipts factor proposal includes the market sourcing of several new receipts (loan fees, ATM fees, etc.) and with removal of the SINAA loan sourcing (sourcing based on loan production state activity), Industry believes that most market sourcing states will see an increase in their apportionment percentages so industry participants requested that they be able to keep things as is (not incurring timely and costly changes) if the overall percentage of the non-specified service receipts is small. The state workgroup members do not accept this.