

**States' Conceptual Policy Goals
For Financial Institution Apportionment
February 2, 2009**

- I. Retain three factor model, rather than move to single sales factor model
- II. Sales factor: Overarching goal – reflect the market
 - A. ATM fees §3(c) – location of ATMs.
 - B. Merchant Discount §3(j) – location of merchant
 - C. Receipts from banks own investment and trading assets and activities §3(m) – clarify this rule applies to the bank's own assets and activities.
 - D. Receipts from investment and trading assets and activities on behalf of 3rd Party (trust accounts) new § –
 - 1. Overarching goal – reflect market, unless too easily manipulable or unreasonably difficult for banks to comply.
 - 2. List of Acceptable Options for the Sourcing Rule:
 - a. location of trust assets
 - b. location where trust formed
 - c. location of trustee
 - d. location of trustor
 - e. location of beneficiaries, or
 - f. a share of total trust account receipts equal to the ratio of deposits in the state to total deposits of the institution
 - E. Other? Are there other types of receipts, not covered under the current rule, that generally make up a large enough portion of total receipts to justify specified numerator sourcing? (RICs and REMICs, will be dealt with at end of project.)
 - F. Non-specified receipts, §§3(l) and (n), and specified receipts that fall below a certain percentage of total receipts –
 - 1. Not included in the apportionment factor, or
 - 2. Included in same proportion as all other receipts
- III. Property factor: Overarching goal – not trying to recreate the 1994 apportionment outcome (source to particular states), rather trying to recreate the 1994 policy (source to location of loan activity).

A. Location of Loans §4(g) – Clarify sourcing using California’s proposal dated 8/25/08.

B. Material Change §4(i) - Clarify “material change” using California’s proposal dated 8/25/08

IV. Definitions: Overarching goal – retain focus on financial Institution (rather than financial activity) and add other specified institutions that are heavily engaged in financial activity.

A. Retain appendix A

B. Add investment banks, if not already included

C. Are there other types of institutions that should be added?