
From: Yesnowitz, Jamie
Sent: Friday, March 2, 2018 3:57 PM
To: Helen Hecht
Subject: MTC -- comments on Proposed Reg. IV.18(c)

Hi Helen – it was good seeing you and the rest of the MTC team last week at the public hearing covering proposed regs. IV.18(c) and (d). Per your request, I wanted to email you the comments on proposed reg. IV.18(c) that I raised at the hearing. I am sorry for the delay on this, as I wanted to inform my SALT leadership team about the issue first. Please let me know if you have any questions.

- It is not surprising that the issues in this regulation needed to be addressed, given the growing need to consider how to treat situations under which income included in a state income tax base is not reflected in the apportionment factor.
- We appreciate the use of specific examples to show how Reg. IV.18(c) is intended to work.
- To fix what appears to be a typographical error, the word “proceeding” should be replaced by “preceding” in Reg. IV.18.(c)(3)(B).1 and .2.
- At the hearing, in Reg. IV.18(c)(3)(B), with respect to the treatment of gains from the disposition of stock versus the disposition of assets, we requested clarification regarding when gains from transactions would be classified as stock sales versus asset sales. From the MTC’s response at the hearing, we wanted to confirm that the model regulation intends to rely on state-specific definitions of what constitutes a stock sale versus an asset sale.
- While it is understandable that the MTC wants to apply a sourcing rule for virtually every type of situation in which a receipt could otherwise be excluded from consideration in a taxpayer’s sales factor, there may be fairness and/or constitutional concerns with an approach that substantially increases a taxpayer’s apportionment factor in a state solely based on the activities of related-party businesses, or incidental membership in a state combined or federal consolidated group.

Jamie Yesnowitz | Principal, SALT -- National Tax Office Leader



Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd. Grant Thornton International Ltd and its member firms are not a worldwide partnership, as each member firm is a separate and distinct legal entity. In the U.S., visit Grant Thornton LLP at GT.com. Please understand that, unless expressly stated otherwise, any written advice given by Grant Thornton LLP that is contained in, forwarded with, or attached to this e-mail is: (1) limited to the matters and potential tax consequences specifically addressed herein, and; (2) not intended or written by Grant Thornton LLP as advice on the application or potential application of any penalties that may be imposed under any federal, state, or foreign statute or regulation in any manner. This e-mail is intended solely for the person or entity to which it is addressed and may contain confidential and/or privileged information. Any review, dissemination, copying, printing or other use of this e-mail by persons or entities other than the addressee is prohibited.

If you have received this e-mail in error, please contact the sender immediately and delete the material from any computer.

Please consider the environment before printing this email.