UDITPA Section 1 (Definition of Receipts)
Issue List and Policy Checklist
(December 11, 2014)

1. Research existing MTC regs to see if any can be adopted/adapted for use in defining receipts under model. Do state statutes/regulations/judicial and administrative decisions provide guidance as to the definition of the apportionable income terms "maturity", "redemption", "sale", "exchange," "loan" or "other disposition?" Also, do they provide guidance as to how the collection or selling of accounts receivable should be treated under Section 1? Finally, can they provide guidance as to how receipts should be treated in a combined reporting state if the combined group engages in multiple lines of business, when the receipts for each line are realized at varying periods of regularity?
2. As Section 1 is based on the transactional test alone, do state statutes/regulations/judicial and administrative decisions provide any guidance as to the treatment of receipts that would fall exclusively under the functional test? Are rules needed to govern when receipts would be regarded as exclusively realized under the functional test? The definition of gross receipts should explicitly exclude receipts from the application of the functional test.
3. What issues should the work group identify as falling within Section 18 rather than Section 1? For example, receipts from the sale of securities in the ordinary course of business. Should special industry regulations be promulgated for such cases? Determine which MTC special industry regulations can/should be adapted for use under Section 1 and which can/should possibly be adapted for use under Section 18. For example, should regulations governing the treatment of receipts from the sale of intangible assets be included under Section 1, or under Section 18? Similarly, how should capital gains or other income streams from special purpose entities be treated? For example, how should one-time sales be treated? (Bruce Fort suggested looking at Idaho's approach). Should hedging transactions be dealt with under Section 1 or under Section 18?

4. Does California (or other states) have rules governing the treatment of receipts from the sale of securities in the ordinary course of business?
5. The definition of gross receipts should include an exclusion for receipts as a result of the Treasury function and hedging transactions.
6. Should "income" from the sales of accounts receivable be excluded from gross receipts?
7. How do combined reporting states treat securities dealers if only some members of the unitary group are securities dealers within the statutory definition?
8. Should the word "gross" be stricken from the term "gross receipts?" Should it only modify the word "amounts": "gross amounts?"
9. Should the treasury function exclusion be clarified to include language to the following effect? "Amounts received from transactions in intangible assets not held in the ordinary (or regular) course of business." Should this language be limited to intangible assets or should it apply to any asset not held in the ordinary course of business?
10. Everyone should reread the hearing officer report; compare the definition of gross receipts with CA definition.
11. Identify someone from securities industry and/or states to prepare presentation for workgroup regarding treatment of receipts from transactions in securities in the ordinary course of business. For example, apart from the treasury function, does the term "hedging" have a fixed meaning in the industry? Should that definition be used in relation to the treasury function?
12. Examine receipts from various intangibles to see which are more appropriately dealt with under Section 1 and which under Section 18. Example: one-time sales should be dealt with under Section 18 while receipts from transactions in intangibles in the ordinary course of business should be dealt with under Section 1.
13. Are receipts from factoring receivables a receipt appropriately treated under Section 1 or are they really a return of principal on the loan?