

## Income/Franchise:

### California FTB to Hold January 30 Public Hearing on Proposed Market-Based Sourcing Rule Changes

*Modified Proposed Amended California Code of Regulations, Title 18, section 25136-2, Cal. FTB (1/6/25); Notice of Modifications to Text and Notice of Hearing, Cal. FTB (1/6/25).* The California Franchise Tax Board (FTB) has scheduled a public hearing on January 30, 2025, which may be attended live or by telephone, to discuss modified proposed amendments to its market-based sourcing regulation for sales other than sales of tangible personal property under California Code of Regulations, Title 18, section 25136-2. These latest proposed changes follow the FTB's earlier version from September 2024 [see previously issued Multistate Tax Alert for details on the earlier version of these proposed changes]. The modified proposed amendments to the regulation continue to include:

**URL:** <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/25136-2-Draft-Language-12.16.24.pdf>

**URL:** <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/Notice-of-Public-Hearing-Amendments.pdf>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/california-franchise-tax-board-proposes-adoption-of-market-based-sourcing-regulation.pdf>

- Important definitions used throughout the regulation, including a definition for “asset management services;”
- Clarification of existing rules on the assignment for sales of services and new provisions for specific service industries;
- Clarifying amendments and examples for sales of intangible property;
- New rules for sales that are a blend of services and intangible property; and
- Clarifying rules for sales of marketable securities.

The modified proposed regulation amendments, if approved, generally would apply to taxable years beginning on or after January 1, 2025. Written comments on these modified proposed changes must be received by February 5, 2025. Note that these formally proposed rule changes follow six Interested Parties Meetings (IPMs) held by the FTB during 2017 through 2021 that addressed draft changes to the same market-based sourcing regulation. Please contact us with any questions.

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