

Income/Franchise:

California FTB Posts Second Modified Text of Proposed Market-Based Sourcing Rule Changes with Comments Due by June 5

Second Modified Text of Proposed Amended California Code of Regulations, Title 18, section 25136-2, Cal. FTB (5/20/25); *Second Notice of Modifications to Text of Proposed Regulation Section 25136-2 in Title 18 of the California Code of Regulations Relating to Sales Other than Sales of Tangible Personal Property*, Cal. FTB (5/20/25). The California Franchise Tax Board (FTB) posted a second set of 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 [see *State Tax Matters*, Issue 2025-1, for details on the FTB's earlier version of modified proposed text], and announced that any written comments on this latest proposal are due by June 5, 2025. These latest proposed changes seek to clarify how to apply proposed Regulation 25136-2(c)(1)(A)'s four presumptions applicable to when a service predominantly relates to real property, tangible personal property, intangible personal property, or individuals, and how the presumptions interact with certain other rules in proposed amended Regulation 25136-2(c)(1).

URL: <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/05202025-second-modified-text.pdf>

URL: <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/05202025-second-notice-of-modifications-to-text.pdf>

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/STM/250110_3.html

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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