

**THIRTY-DAY NOTICE OF PROPOSED AMENDMENTS
CALIFORNIA CODE OF REGULATIONS,
TITLE 18, SECTION 18662-7
JUNE 25, 2020**

Background

The second interested parties meeting (IPM) for proposed draft language to California Code of Regulations, Title 18, Section 18662-7, Domestic Pass-Through Entity Withholding Regulation (Regulation), was held on September 8, 2017. At the second IPM, Franchise Tax Board (FTB) staff elicited and received public comments on proposed draft Regulation language. The FTB posted a summary of the second IPM that is available online on the FTB's website at the [Regulatory Activity](#) page.

Additionally, after considering comments made at the second IPM and during the comment period, FTB staff issued a 90-day notice, as well as revised proposed draft Regulation language, and a discussion of these revisions. These additional documents also are available online at the FTB's website.

Purpose

The purpose of this 30-day notice is to elicit comments on additional revisions to the proposed draft Regulation language, affecting the applicability date and adding a Note section, as described below. Please submit written comments regarding the newly revised proposed draft Regulation language by 5:00 p.m. on **July 27, 2020**.

Following the close of this 30-day comment period, FTB staff intends to present the newly revised proposed draft Regulation language to the 3-member Franchise Tax Board (Board itself) to request permission to proceed with the formal Administrative Procedures Act (APA) regulatory process.

Discussion

The revisions to the proposed draft Regulation language are summarized below:

The first revision to the proposed draft Regulation language deletes "subsection" and adds "regulation" to clarify that the definition of distributive share of income in subsection (b)(1) of the Regulation applies to the entire Regulation.

The second revision adds language to specify that the provisions of the Regulation, including the payment due date, are applicable commencing with the first full quarter beginning after the effective date of the Regulation. After making the revision, with regard to the first withholding payment due date, the first payment will be due on the first federal estimated tax due date after the first full quarter following the effective date of the Regulation. As illustrated by example, if the effective date of the Regulation is February 2nd, then the first full quarter will be April 1st through May 31st and the first payment will be due on the following first federal estimated tax due date of June 15th. Because the provisions of the Regulation are applicable commencing with the first full quarter beginning after the effective date of the Regulation, the Form 592-PTE due on January 31st after the taxable year will not include a reconciliation of withholding before the applicability date of the Regulation.

The final revision to the proposed draft Regulation language adds a "Note" section to the Regulation as required by Government Code Section 11346.2(a)(2). This section provides the authority authorizing the adoption of the Regulation and the references to the specific statutes being implemented, interpreted or made specific by the Regulation.

Written comments regarding the newly revised proposed Regulation language will be accepted until 5:00 p.m. on **July 27, 2020**. All inquiries and written comments concerning this notice should be directed to Leah Thyberg per the below contact information.

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Mailing Address: Franchise Tax Board
Legal Division (MS A260)
Attn: Leah Thyberg
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This notice and the newly revised proposed draft Regulation language also will be made available at the [Regulatory Activity](#) page of the Franchise Tax Board's website.

COST IMPACTS OF PROPOSED RULEMAKING

The department encourages submission of information from interested parties during the pre-APA process in order to assess the economic impact of a proposed rulemaking action on businesses (including small businesses), employees, jobs or occupations, competitiveness of California businesses, reporting requirements, or individuals.