

THIRTY-DAY NOTICE OF PROPOSED AMENDMENTS
CALIFORNIA CODE OF REGULATIONS, TITLE 18, SECTION 17951-7
August 21, 2024

Background

The third interested parties meeting (Third IPM) for proposed draft language to adopt California Code of Regulations, Title 18, Section 17951-7, Tax Deferred Exchanges Regulation (Regulation), was held on December 20, 2022. At the Third IPM, Franchise Tax Board (FTB) staff elicited and received public comments on proposed draft language for the Regulation. The FTB posted a summary of the Third IPM, and comments received by the comment deadline, on its public website.

Purpose

After considering comments made at the Third IPM and during the comment period, FTB staff made revisions to the proposed draft Regulation language. The purpose of this notice is to explain the availability of the newly revised proposed draft Regulation language, now available at the [Regulatory Activity page](https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/) of the Franchise Tax Board's website at <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/>.

Discussion

The revisions to the proposed draft Regulation language first added subsection titles to the regulatory provisions at subsection (d)(4) and (d)(5). Then subsection (g)(4) was replaced to provide a new example of the immediate recognition of income upon receiving Non-Like Kind property in a series of exchanges. As a result, previous subsections (g)(4) and (g)(5) were renumbered as subsections (g)(5) and (g)(6). FTB Staff also revised the proposed draft Regulation language to remove the phrase "plus \$100 of additional cash" from the example at new subsection (g)(5) since that issue is addressed in the added example at subsection (g)(4). In addition, NOTE references to the Internal Revenue Code sections were removed. Finally, grammatical edits were made to provide additional clarity and consistency.

Written comments regarding the newly revised proposed Regulation language will be accepted until 5:00 p.m. on September 23. All inquiries and written comments concerning this notice should be directed to Lawrence Xiao per the below contact information.

- Email: Lawrence.Xiao@ftb.ca.gov
- Telephone: (916) 845-6973
- Facsimile: (916) 843-0102

- Mailing Address: Franchise Tax Board
Legal Division (MS A260)
Attn: Lawrence Xiao
PO Box 1720
Rancho Cordova, CA 95741-1720

This notice and the newly revised proposed draft Regulation language are available online at the Regulatory Activity page on FTB's website at <https://www.ftb.ca.gov/tax-pros/law/regulatory-activity/>.

COST IMPACTS OF PROPOSED RULEMAKING

The department encourages submission of information from interested parties during the pre-APA process 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.