



This Week in State Tax (TWIST)

August 25, 2025



California: FTB submits rule on sourcing receipts from intangibles and services for final approval

The California Franchise Tax Board has submitted proposed amendments to the sourcing rules for sales of services and intangibles for final approval, culminating a project begun in 2017. On July 25, 2025, the FTB submitted a final version of the proposed rule to the California Office of Administrative Law, which has 30 working days to approve or deny the proposed amendments.

If approved, the amendments would be applied to tax years beginning on or after January 1, 2026. The goal of the proposed amendments is to provide clarity and simplicity for the market-based sourcing of various types of receipts, including adding specific provisions for providers of asset management and professional services. In the most recent version, the FTB adopted consistent language throughout the amendments and reordered various subsections and paragraphs. Previous iterations of the proposed amended included presumptions to indicate that the benefit of service is in the state if the services involve real property located in the state, tangible personal property located in the state, intangible property used in the state, or individuals physically present in the state. The most recent amendment clarifies the service provider must maintain books and records in the normal course of business to substantiate the sourcing. Should the benefit of the service not be capable of substantiation by the company's books and records, then methods for reasonable approximation have also been provided.

Other notable proposed amendments include: (1) allowing professional service providers that sell a given service to over 250 customers to use customer billing addresses to source the receipts, with an exception for large volume customers; and (2) allowing the assignment of receipts from sales of asset management services to California proportionate to the average value of interest in the assets belonging to investors and owners domiciled in California. Contact [Candace Axline](#) or [Geoffrey Way](#) with questions about the [Proposed Amendments to Cal. Code Regs. tit. 18 § 25136-2](#).

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