



# TaxNewsFlash

United States

No. 2025-205

July 2, 2025

## California: Governor signs bill providing for single factor apportionment for financial institutions

Governor Gavin Newsom on June 27, 2025, signed [SB 132](#), a budget trailer bill requiring financial institutions, for purposes of the California franchise / income tax, to apportion business income using a single sales factor (Section 22), effective for tax years beginning on or after January 1, 2025.

### Background

Historically, financial institutions were required to use a three-factor formula to apportion business income in California. Previously, a trade or business deriving more than 50% of its gross receipts from conducting one or more "qualified business activities" was required to use an equally weighted three-factor formula in apportioning income to the state. The term "qualified business activities" was defined to include, among other things, a savings and loan and a banking and financial business activities.

### SB 132

SB 132, for tax years beginning on or after January 1, 2025, removed savings and loans, as well as banking and financial business activities, from the definition of "qualified business activities." Note that the special sourcing rules implemented by the Franchise Tax Board via regulations (CCR 25137-4.2) for banks and financial institutions will remain in place, at least for now.

**For more information on SB 132 (Section 22), contact a KPMG professional in the State and Local Tax (SALT) group:**

Heidi Newton | [hnewton@kpmg.com](mailto:hnewton@kpmg.com)

Oksana Jaffe | [ojaffe@kpmg.com](mailto:ojaffe@kpmg.com)

Geoff Way | [geoffreyway@kpmg.com](mailto:geoffreyway@kpmg.com)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)