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**From:** [REDACTED]

**Sent:** Tuesday, May 30, 2023 3:37:16 PM

**To:** [REDACTED]

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**Subject:** RE: TPC 2023 Form 5074 - WLI#2

My reading of 863(b)(2) is that the production rule for sourcing only applies where the taxpayer-seller is also the producer (“from the sale or exchange of inventory property [...] produced (in whole or in part) **by the taxpayer**”). Where the taxpayer-seller merely purchased the property, the general rule may apply. However, 863(b)(3) is yet another exception to the general rule. It applies where inventory is purchased in a territory, and then sold in the US, in which case source is again allocated between the two jurisdictions. Therefore, I think a disclaimer along the lines of “However, the income from the sale of inventory purchased or produced by a seller within a U.S. territory and sold within the United States is sourced based on an allocation” would be enough to clarify where the general rule does not apply.