

July 15, 2015

Virginia Department of Taxation
Attn: Matthew Huntley
Tax Policy Analyst
1957 Westmoreland Street
Richmond, VA 23230

Re: Market-Based Sourcing Report Comments

Dear Mr. Huntley:

On behalf of Northrop Grumman Corporation, I am writing to provide comments regarding the report to be published in connection with the market-based sourcing study conducted by the working group convened by the Department of Taxation. The Commonwealth's adoption of market-based sourcing for the sales of intangible property and services would be a significant change in Virginia's corporate tax structure impacting many companies.

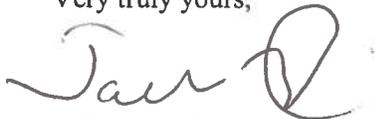
Northrop Grumman is a leading global security company providing innovative systems, products and solutions in unmanned systems, cyber, C4ISR strike aircraft, and logistics and modernization to government and commercial customers worldwide. We have approximately 6,800 employees in Virginia and spent \$687 million with approximately 1,700 suppliers in 2014. We have a significant footprint in the Commonwealth, occupying 2.9 million square feet of real property.

In today's business environment, global security companies face increasing challenges to remain competitive. We relocated our corporate headquarters to Northern Virginia due to its proximity to the federal government and favorable business environment. The adoption of market-based sourcing would disrupt the long-standing stability of the Commonwealth's tax laws that many businesses find attractive.

The evaluation of a shift to market-based sourcing is inherently complex, and such a shift would require the drafting of new regulations and other guidance. It is unlikely that these items could be drafted and appropriately vetted within the proposed timeframe. Further, we believe the working group currently lacks the diversity necessary to thoroughly evaluate the potential advantages and disadvantages of the adoption of market-based sourcing.

Thank you for your consideration of this matter. Should you have any questions, please do not hesitate to contact me at 703-280-4393.

Very truly yours,



Talha A. Zobair
Vice President, Tax