

# California

# 1994

# 100

Forms & Instructions

Corporation Income Tax Booklet

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[Form 100](#), California Corporation Franchise or Income Tax Return, page, 13

[Schedule P \(100\)](#), Alternative Minimum Tax and Credit Limitations - Corporations, page 17

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Members of the  
Franchise Tax Board

Gray Davis, Chairman  
Brad Sherman, Member  
Russell Gould, Member



State of California  
Franchise Tax Board

# Instructions for Form 100

## Corporation Franchise or Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

### Important Information

#### 25% Foreign Owned U.S. Corporations and Foreign Corporations That Are California Taxpayers

If you were required to file federal Form(s) 5472, Information Return of a Foreign Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, with your federal return, and you are a California taxpayer, you must attach copy(s) to your California return. The penalty for failing to include Form(s) 5472 as required is \$10,000 per form. See page 3 for more information

### Tax Law Changes

#### 1993 Federal Law Changes

In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

#### Net Operating Loss (NOL)

Carryover periods varying from 5 to 8 years, and carryover deductions varying from 50% to 100%, are now allowed for net operating losses sustained by qualified corporations for income years beginning on or after January 1, 1994. For more information, see FTB 3805Q and instructions.

#### Manufacturers' Investment Credit

This credit is equal to 6% of the amount paid or incurred on or after January 1, 1994, for qualified property placed in service in California. However, credits for expenses paid or incurred in 1994 must be claimed on returns filed for income years beginning on or after January 1, 1995. For more information, get FTB Pub. 1137, Manufacturers' Investment Credit.

#### Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Once a corporation remits an estimated tax payment or extension payment in excess of \$20,000 or has a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, the Franchise Tax Board (FTB) will notify the corporation that all future payments must be made by EFT. Those that wish to participate on a voluntary basis may do so. For more information, call 1-800-852-2753.

#### New Return Filing Requirements

Recent legislation created an additional return filing requirement for any bank or corporation whose total worldwide assets (including related entities) exceed \$200 million. For more information, get form FTB 2427, Worldwide Affiliation Schedule.

#### Nonprofit Farm Cooperative Associations

For income years beginning on or after January 1, 1994, county certified nonprofit farm cooperative associations may be exempt from the minimum franchise tax for five consecutive income years. To qualify for this exemption, the associations must meet the following conditions.

- the county board of supervisors where the cooperative's principal place of business is located

certifies that the cooperative is located in an economically distressed area, and 90% or more of the association's members have been unemployed or dependent upon public social services for their income within the previous 12 months; and

- the certificate is requested in the association's first income year.

#### Water's-Edge Elections

All existing water's-edge contracts entered into prior to January 1, 1994, are rescinded. Corporations that wish to continue filing on a water's-edge basis must enter into a new water's-edge contract for income years beginning on or after January 1, 1994. For more information, see General Information S.

#### Limited Liability Companies

Beginning in 1994, California law authorizes the formation of limited liability companies (LLCs) and recognizes out-of-state LLCs doing business in California. For more information, see General Information W.

#### Amortization

California has conformed to the 1993 Federal Revenue Reconciliation Act (Public Law 103-66) for the amortization of intangibles under IRC Section 197 for income years beginning on or after January 1, 1994.

### General Information

Form 100 is California's tax return for corporations, banks, financial corporations, real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), real estate investment trusts (REITs), Massachusetts or business trusts, publicly traded partnerships (PTPs), homeowners associations (HOAs), political action committees (PACs) and limited liability companies (LLCs) treated as corporations. (REMICs that are partnerships must file Form 565.)

S corporations must file Form 100S, S Corporation Franchise or Income Tax Return.

### A Franchise or Income Tax

Form 100 is used to file either a California corporation franchise tax return or a California corporation income tax return. Unless stated otherwise, the term "corporation" as used in these instructions applies to all the entities listed above.

#### Corporation franchise tax

The corporation franchise tax is imposed on all corporations "doing business," incorporated or qualified in California and is prepaid for the privilege of doing business. It is measured by the income of the preceding year (the income year) for the privilege of doing business in the following year (the taxable year). For purposes of these instructions, the term "income year" means taxable year for corporations that are subject to the corporate income tax under Chapter 3 of the Bank and Corporation Tax Law.

The term "doing business" means actively engaging in any transaction for the purpose of financial gain.

Entities subject to this tax are:

- all corporations incorporated or qualified to do business in California;

- all corporations doing business in California, whether or not incorporated or qualified under California law; and
- banks doing business in California.

#### Corporation income tax

The corporation income tax is imposed on all corporations that derive income from sources within California but are not doing business in California.

For purposes of the corporation income tax, the term "corporation" includes:

- associations;
- Massachusetts trusts; and
- business trusts.

This term does not include banks.

Political organizations that are exempt under Revenue and Taxation Code (R&TC) Section 23701r and have political taxable income in excess of \$100 also must file a Form 100. Political taxable income is defined as all amounts received during the income year other than:

- contributions of money or property;
- membership fees, dues or assessments; or
- proceeds from the sale of political campaign material that are not received in the ordinary course of any trade or business.

Homeowners' associations that are exempt under R&TC Section 23701t and have nonexempt gross income in excess of \$100 also must file Form 100. Nonexempt gross income of a homeowners' association is defined as all income other than amounts received from membership fees, dues or assessments.

**Note:** An exempt homeowners' association may be required to file Form 199, Exempt Organization Annual Information Statement or Return.

### B Tax Rates

The tax rates below apply to corporations subject to either the corporation franchise tax or the corporation income tax.

- Corporations other than banks and financial corporations . . . . . 9.3%
- Banks and financial corporations (calendar year) . . . . . 11.470%

Banks and financial corporations that file returns for fiscal years beginning in 1994 and ending in 1995 pay tax at a composite rate based on the month in 1995 on which the last day of the fiscal year falls. Banks and financial corporations that file on a fiscal year basis should obtain form FTB 1017B to find out their composite tax rate. See "Where To Get Tax Forms" on page 23.

### C Minimum Franchise Tax

All corporations subject to the corporation franchise tax, including banks, financial corporations, and corporate partners of partnerships doing business in California, must file Form 100 and pay at least the minimum franchise tax as required by law. The minimum franchise tax, as indicated below, must be paid whether the corporation is active, inactive, operates at a loss or files a return for a short period.

- Qualified inactive gold or quicksilver mining corporations . . . . . \$25

- All other corporations (see General Information A for definitions) subject to franchise tax . . . . . \$800

There is no minimum franchise tax for credit unions, exempt HOAs, PACS, qualified nonprofit farm cooperative associations or for corporations that are subject to income tax and that are not incorporated or qualified under the laws of California.

## D Accounting Period/Method

The income year of a corporation must not be different from the tax year used for federal purposes, unless initiated or approved by the Franchise Tax Board (FTB) (R&TC Section 24632).

A change in accounting method requires consent from the FTB. However, a corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to make a change in its accounting method without prior approval and does so, is deemed to have the FTB's approval if: (1) the corporation files Form 100 consistent with the change for the first year the change becomes effective; and (2) the change is consistent with California law. A copy of federal Form 3115, Application for Change in Accounting Method, and a copy of the federal consent to the change must be attached to Form 100. FTB may modify a requested change if the change would distort income for California purposes.

## E When to File

File Form 100 by the 15th day of the 3rd month after the close of the income year. Farmer's cooperative associations must file Form 100 by the 15th day of the 9th month after the close of the income year. For final returns, see General Information N and O.

## F Extension of Time to File

If the corporation cannot file its California return by the 15th day of the third month after the close of the income year it may file on or before the 15th day of the tenth month, without filing a written request for an extension unless the corporation is suspended on the original due date. This does not extend the time for payment; the full amount of tax must be paid by the original due date of Form 100. If there is an unpaid tax liability send form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, with the payment.

**Note:** If the corporation must pay its tax liability using electronic fund transfer (EFT), all payments must be remitted by EFT to avoid penalties. Do not send form FTB 3539.

## G Where to File

For returns with payments make the check or money order payable to the "Franchise Tax Board." Write the California corporation number on the check or money order. Mail the return and payment to:

**Franchise Tax Board**  
P.O. Box 942857  
Sacramento, CA 94257-0501

Mail all other returns to:

**Franchise Tax Board**  
P.O. Box 942857  
Sacramento, CA 94257-0500

## H Net Income Computation

The computation of net income, on Form 100, Side 1, generally follows the determination of taxable income as provided in the IRC. However, there are

differences that must be taken into account when completing Form 100.

### There are two ways to complete Form 100:

#### 1. Federal reconciliation

- Attach a copy of federal Form 1120 or Form 1120A, Page 1, U.S. Corporation Income Tax Return and all pertinent supporting schedules, or transfer the information from federal Form 1120 or Form 1120A, Page 1, on to Schedule F and attach all pertinent schedules;
- Enter the amount of federal taxable income before any NOL, on Form 100, Side 1, line 1; and
- Enter state adjustments on lines 2 through 16 to arrive at net income after state adjustments, Side 1, line 17.

See the specific line instructions for more information.

#### 2. California computation

If the corporation has no federal filing requirement, or if the corporation maintains separate records for state purposes, complete Form 100, Schedule F, Computation of Net Income, to determine state income. If net income is computed under California laws, generally no state adjustments are necessary. Transfer the amount from Schedule F, line 30, to Side 1, line 1. Complete Form 100, Side 1, lines 2 through 16, only if applicable.

**Substitution of federal schedules.** Corporations may substitute federal schedules for California schedules as long as the corporation attaches all supporting federal schedules and reconciles any differences between federal and California amounts.

## I Alternative Minimum Tax

Corporations that claim certain types of deductions, exclusions and credits may be subject to California's alternative minimum tax (AMT). Generally, corporations that completed federal Form 4626, Alternative Minimum Tax — Corporations, must also complete California Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations. For more information, see Schedule P (100) (included in this booklet).

## J Estimated Tax

Every bank and corporation, unless exempt by law, must pay estimated tax using Form 100-ES, Corporation Estimated Tax. Estimated tax is generally due and payable in four installments:

- the first payment is due by the 15th day of the 4th month of the income year (note that this payment may not be less than the minimum franchise tax, if applicable); and
- the 2nd, 3rd and 4th installments are due and payable by the 15th day of the 6th, 9th and 12th months respectively, of the income year.

**Note for first-time filers:** The prepayment of tax made to the Office of the Secretary of State at the time of incorporation or qualification is for the privilege of "doing business" during the corporation's first income year. Do not claim this payment as an estimated tax payment or credit against the tax liability shown on the return for the corporation's first year.

The first tax return the corporation files reports the income of its first income year. The tax shown on that return is the tax for the privilege of doing business in the corporation's second taxable year.

For more information, get the instructions for Form 100-ES.

## K Commencing Corporations

The tax measured by the income in the first year of business (first income year) is for the privilege of "doing business" during the second year.

Even if the first income year is for a period of less than 12 months, or if the corporation is inactive during the first income year, the corporation must pay at least the minimum franchise tax by the first estimate installment due date and file Form 100 by the due date.

For more information, get FTB Pub. 1060, Guide for Corporations Starting Business in California.

## L Penalties

### Failure to file a timely return

Any corporation that fails to file Form 100 on or before the extended due date is assessed a penalty. The penalty is 5% of the unpaid tax for each month, or part of the month, the tax remains unpaid from the due date of the return until filed. The penalty may not exceed 25% of the unpaid tax. If a corporation does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty plus interest will be assessed.

### Failure to pay total tax by the due date

Any corporation that fails to pay the total tax shown on Form 100 by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months), the tax remains unpaid. This penalty may not exceed 25% of the unpaid tax.

**Note:** If a corporation is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total will not exceed 25% of the unpaid tax.

### Underpayment of estimated tax

Any corporation that fails to pay, pays late or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment for the under payment period.

Get form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

**Note:** If the corporation uses Exception B or Exception C for any of the four installments, form FTB 5806 must be attached to Form 100.

### Information reporting penalty

Certain domestic corporations that are 25% or more foreign-owned, and foreign corporations engaged in a U.S. trade or business, must include federal Form(s) 5472, Information Return of a Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, with this return. Attach a copy of Form(s) 5472 to Form 100. The penalty for failing to include Form(s) 5472, as required, is \$10,000 per form.

If the corporation does not file the tax return on the due date or extended due date, whichever is later, copies of federal Form(s) 5472 must still be filed on time. Attach a cover letter indicating the taxpayer's name, California corporation number and income year. Mail to the same address used for returns without payments. When the corporation files Form 100, also attach copies of the federal Form(s) 5472.

### Secretary of State penalty

The California Corporations Code requires the FTB to assess a penalty for failure to file an annual state-

ment of corporate officers with the Office of the Secretary of State.

For more information, contact:

**California Secretary of State**  
**P.O. Box 944230**  
**Sacramento, CA 94244-0230**  
**Telephone: (916) 445-2020**

#### Accuracy and fraud related penalties

California conforms to IRC Sections 6662 through 6664 which authorize the imposition of an accuracy-related penalty equal to 20% of the related underpayment, and the imposition of a fraud penalty equal to 75% of the related underpayment.

#### Other penalties

Other penalties may be imposed for a check returned for insufficient funds, failure to pay by EFT when required, non U.S., foreign corporations operating while forfeited or without qualifying to do business in California and domestic corporations operating while suspended in California. For more information, see Chapter 4 of Article 7 of Part 10.2 of the R&TC.

## M Interest

Interest is due and payable on any tax due if not paid by the original due date of Form 100. Interest is also due on some penalties. An extension of time to file Form 100 does not stop interest from accruing. California follows federal rules for the calculation of interest. For more information, get FTB Pub. 1138, Bank and Corporation Billing Information — Interest Rates.

## N Dissolution/Withdrawal

The franchise tax for the period in which the corporation formally dissolves or withdraws is measured by the income of the year in which it ceased doing business in California, unless such income has already been taxed at the rate prescribed for the taxable year of dissolution or withdrawal.

A corporation that commenced doing business in California before January 1, 1972, is allowed a credit that may be refunded in the year of dissolution or withdrawal. The amount of the refundable credit is the difference between the minimum franchise tax for the corporation's first full 12 months of doing business and the total tax paid for the same period.

The return for the final taxable period is due on or before the 15th day of the 3rd full month following formal dissolution or withdrawal.

For more information, get FTB Pub. 1038, Guide for Corporations Dissolving, Surrendering (Withdrawing) or Merging.

Samples and/or forms for a dissolution, surrender or merger agreement filing may be obtained by addressing your request to:

**California Secretary of State**  
**Attn: Legal Review**  
**1230 J Street**  
**Sacramento, CA 95814**  
**Telephone: (916) 445-0620**

**Note:** The office of the Secretary of State will move in February or March of 1995. Call the general information number, (916) 445-0620, for the new address.

## O Ceasing Business

Because the corporation franchise tax is a prepaid tax, a special tax computation is necessary when a corporation ceases to do business. The tax for the

final year in which the corporation does business in California is:

- the tax measured by the income of the preceding year; PLUS
- the tax measured by the income of the year in which the corporation ceases to do business.

The tax due must be at least the minimum franchise tax. Generally, the corporation will remain subject to the minimum franchise tax for each year it is in existence until it files a certificate of dissolution or withdrawal with the Office of the Secretary of State. For more information, see General Information N and R&TC Sections 23331-23335.

## P Suspension/Forfeiture

If a corporation fails to file a return and/or fails to pay any tax, penalty or interest due, its powers, rights and privileges may be suspended (in the case of a domestic corporation) or forfeited (in the case of a foreign corporation).

Corporations that operate while suspended or forfeited are subject to a \$2,000 penalty, which is in addition to any tax, penalties and interest already accrued. Also, any contracts entered into during suspension or forfeiture are voidable at the request of any party to the contract other than the suspended or forfeited corporation.

The contracts will remain voidable and unenforceable by the corporation unless the corporation applies for relief from contract voidability and FTB grants the relief.

For more information, see R&TC Sections 19135, 19719, 23301, 23305.1 and 23305.2

## Q Apportionment of Income

Corporations with business income attributable to sources both within and outside of California are required to apportion such income. To calculate the apportionment percentage, use Schedule R, Apportionment and Allocation of Income.

## R Combined Report

If two or more corporations engaged in a unitary business derive income from sources within and outside of California, the members of the group that are subject to California's franchise or income tax are required to apportion the combined unitary income of the entire group in order to compute the measure of the tax.

If the income of a unitary group is derived wholly from California sources, its members may either file returns on a separate accounting basis or file on a combined report basis.

Members of a unitary group may elect to file a group single return by filing Schedule R-7, Election to File a Combined Unitary Group Single Return and List of Affiliated Corporations.

A combined unitary group single return must present the group's data by separate corporation, as well as in combined format.

The total combined tax, which must include at least the minimum franchise tax for each corporation subject to the franchise tax, must be shown on Form 100, Side 1, line 22.

For more information, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

## S Water's-Edge Reporting

To make a water's-edge election, each unitary taxpayer must enter into a contract with FTB by filing

Form 100-WE, Water's-Edge Contract. For the election to be valid, Form 100-WE must be signed and attached to the original return and a copy of the contract must be attached to all subsequent returns filed during the contract period.

In consideration for being allowed to file on a water's-edge basis, the taxpayer must, among other things, agree to:

- file returns on a water's-edge basis for a period of 84 months;
- the business income treatment of dividends received from certain corporations; and
- consent to the taking of certain depositions and the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

For more information, get the Form 100-WE Booklet.

Effective for income years beginning on or after January 1, 1994:

- all existing water's-edge contracts, entered into prior to January 1, 1994, are rescinded;
- new contracts must be entered into to continue or to begin filing on a water's-edge basis for an election period of 84 months for income years beginning on or after January 1, 1994;
- the election fee is eliminated;
- the Domestic Disclosure Spreadsheet filing requirement is replaced with an information return, form FTB 2427, Worldwide Affiliation Schedule, which is required to be filed by all taxpayers with more than \$200 million in total assets; and
- the FTB can not disregard a water's-edge election.

For more information regarding these changes, get FTB Notice 93-7.

## T Amended Return

To correct or change Form 100 file Form 100X, Amended Corporation Franchise or Income Tax Return. If the IRS examined and changed the corporation's federal return or if the corporation filed an amended federal return, file Form 100X within six months of the final federal determination.

## U Information Returns

Every corporation engaged in a trade or business and making or receiving certain payments in the course of the trade or business is required to file information returns to report the amount of such payments.

Payments that must be reported include, but are not limited to, compensation for services not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties and pensions exceeding \$600 annually, interest and dividends exceeding \$10 annually and cash payments over \$10,000 received in a trade or business. Payments of any amount by a broker or barter exchange must also be reported.

Report payments on federal Form 1099 (series). Reports must be made for the calendar year and generally are due on February 28th of the year following payment.

## V Net Operating Loss (NOL)

R&TC Sections 24416, 24416.1 and 25108 provide for NOL carryovers incurred in the conduct of a trade or business.

R&TC Section 24347.5 provides special treatment for the carryover of disaster losses incurred in an area designated by the President of the United

States or the Governor of California as a disaster area.

Significant changes were made to the NOL provisions for income years beginning on or after January 1, 1994. For more information, see form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations (included in this booklet), or get form FTB 3805Z, Enterprise Zone and Program Area Business Booklet, and form FTB 3806, Los Angeles Revitalization Zone Booklet. See R&TC Sections 24416, 24416.1, 24416.2 and 24347.5.

## W Limited Liability Companies

Beginning in 1994, California law authorizes the formation of LLCs and recognizes out-of-state LLCs doing business in California. The taxation of an LLC in California depends upon its classification as a corporation or partnership for federal tax purposes.

If an LLC is classified as a corporation for federal tax purposes, it must file Form 100, Corporation Franchise or Income Tax Return. LLCs classified as corporations will be subject to the applicable provisions of the Bank and Corporation Tax Law, including the requirement that corporations prepay the minimum franchise tax when they incorporate or qualify to do business with the Secretary of State.

If an LLC is classified as a partnership for federal tax purposes, it must file Form 568, Limited Liability Company Return of Income. LLCs classified as partnerships will determine their income, deductions and credits under the Personal Income Tax Law and will be subject to an annual tax as well as a schedule of fees based on gross receipts.

For more information, get FTB Pub. 1034, Limited Liability Companies in California.

## Specific Line Instructions

Filing Form 100 without errors will expedite processing. Before mailing Form 100, make sure entries have been made for the:

- income year, beginning and ending dates;
- California corporation number;
- federal employer identification number (FEIN); and
- corporation name.

### Questions A through L

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions M through Y on Side 2. Note the following instructions when answering:

#### Question D — REMIC

If a corporation is a REMIC for federal purposes, it is deemed to be a REMIC for California purposes. A REMIC is subject to the minimum franchise tax but is not subject to the income or franchise tax. The income of a REMIC is taxable to the holders of the REMIC interests. In order to qualify, substantially all of the assets of the entity must consist of "qualified mortgages" and "permitted investments." California law is the same as federal law, except California does not impose a tax on prohibited transactions, as defined in IRC Section 860F. See the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, to determine if the corporation qualifies. If the corporation is a REMIC for federal purposes, answer "yes" to Question D, complete Form 100 and attach a copy of federal Form 1066.

#### Question F — Foreign activity and total assets

All corporations must answer Question F.

**Related entities.** A related entity is a corporation that is a member of a commonly controlled group of which the taxpayer is also a member. Common control is established by ownership or control of more than 50% of the voting stock.

**Total assets.** Total assets are all tangible and intangible property valued at original cost net of depreciation, amortization or depletion as reflected on a consolidated balance sheet prepared for reporting to shareholders.

#### Question G — Transfer or acquisition of voting stock

All corporations must answer Question G. Answer "yes" if:

- the percentage of outstanding voting shares of this corporation or its subsidiary(ies) owned by **one** person or **one** entity cumulatively exceeded 50% during this year; or
- the total of voting shares transferred to one irrevocable trust cumulatively exceeded 50% during this year; or
- one or more irrevocable proxies transferred voting rights to more than 50% of the outstanding shares to **one** person or **one** entity during this year; or
- this corporation's cumulative ownership or control of the stock or other ownership interest in any legal entity exceeded 50% during this year; or
- cumulatively more than 50% of the total outstanding shares of this corporation have transferred, changed ownership or control during this year.

R&TC Section 64(e) requires this information for use by the State Board of Equalization.

#### Question H — Principal business activity code

Using the list found on page 12, enter the code number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income.

If, as its principal business activity, the corporation: (1) purchases raw material; (2) subcontracts out for labor to make a finished product from the raw materials; and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

#### Question I — Enterprise zone, program area or Los Angeles Revitalization Zone (LARZ) tax benefits

Answer "yes" if the corporation claims:

- a net interest deduction for enterprise zone, program area or LARZ investments (claimed on Side 1, line 14);
- an enterprise zone, program area or LARZ business expense deduction (claimed on Side 1, line 15);
- an enterprise zone hiring/sales and use tax credit (claimed on Side 3, Schedule C, line 2, or Schedule P (100), Part II, line 12); or
- a program area hiring/sales and use tax credit (claimed on Side 3, Schedule C, line 3, or Schedule P (100), Part II, line 13).
- a LARZ hiring/sales and use tax credit (claimed on Side 3, Schedule C, line 4, or Schedule P (100), Part II, line 21).

Corporations must also attach form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary, or form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary, to

Form 100 to claim these tax benefits. If the proper form is not attached, these tax benefits may be disallowed.

#### Question J — Technological property contribution tax benefits

Check the box if the corporation claims:

- a deduction under R&TC Section 24357.8 for contributing scientific equipment or apparatus (claimed on Side 1, line 13); or
- a credit carryover for contributing a computer, scientific equipment or apparatus (claimed on Side 3, Schedule C, line 9, or Schedule P (100), Part II, line 19).

#### Question L — Limited liability company

Answer "yes" only if the business entity for which the Form 100 is being filed is organized as a limited liability company but is classified as a corporation for federal tax purposes. A limited liability company classified as a **partnership** for federal tax purposes should file **Form 568**, Limited Liability Company Return of Income.

#### Be sure to answer questions M through Y on Side 2.

#### Line 1 — Net income (loss) before state adjustments

Corporations using federal reconciliation to figure net income (see General Information H) must:

- transfer the amount from federal Form 1120, line 28, or federal Form 1120A, line 24, to line 1 and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120 or Form 1120A, Page 1, onto Schedule F and transfer the amount from Schedule F, line 30, to line 1.
- then, complete Form 100, Side 1, line 2 through line 16, State Adjustments.

Corporations using the California computation to figure net income (see General Information H) must transfer the amount from Side 3, Schedule F, line 30, to line 1. Complete Form 100, Side 1, line 2 through line 16, only if applicable.

#### Lines 2 through 16 — State adjustments

To figure net income for California purposes, corporations using federal reconciliation must enter California adjustments to the federal net income on line 2 through line 16. If a specific line for the adjustment is not on Form 100, corporations must enter the adjustment on line 7, Other additions, or line 15, Other deductions, and attach a schedule.

#### Lines 2 and 3 — Taxes not deductible

California does not permit a deduction of California corporation franchise or income taxes or any other taxes on, according to, or measured by income or profits. Such taxes that are shown on Form 100, Schedule A must be added to income by entering the amount on Side 1, line 2 or line 3 (see Schedule A, column (d) for the amount to be added to income). California does not permit a deduction for environmental taxes imposed by IRC Section 59A.

#### Line 4 — Interest on government obligations

Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state or municipal bonds) even though exempt from state or federal income tax. Add interest on government obligations that is not reported on the federal return to income by entering the amount on line 4.

Corporations subject to California corporation income tax see instructions for line 15.

**Line 5 – Net capital gain**

Complete Side 2, Schedule D and enter the California net capital gain from Schedule D, line 11.

Adjust the federal capital gain taxable income out of California taxable income on line 12.

**Line 6 – Depreciation and amortization**

California law is substantially different from federal law.

Complete form FTB 3885, Corporation Depreciation and Amortization (included in this booklet), to determine the amounts to be entered on line 6.

**Line 7 – Other additions**

Any miscellaneous items that must be added to arrive at net income after state adjustments (line 17) should be shown on this line. Attach a schedule to itemize amounts.

**California ordinary net gain or loss.** Enter any California ordinary net gain or loss from Schedule D-1, Sales of Business Property. Attach Schedule D-1.

**Note:** Business expense deductions are not allowed for payments to a club that restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin. "Club" means a club as defined in the Business and Professions Code, Div. 9, Ch. 3, Art. 4, beginning with Section 23425. Add back such deductions on this line.

**Lines 9, 10, and 11 – Dividends**

See Schedule H instructions.

**Line 12 – Federal capital gain net income**

Enter the federal capital gain net income. The California net capital gain should have been added on line 5.

**Line 13 – Contributions**

Generally, corporations must make a contribution adjustment because California law is different from federal law. California law limits the contribution deduction to 5% of California net income, without regard to charitable contributions and special deductions (i.e. the deduction for dividends received). Federal law limits the contribution deduction to 10% of federal taxable income. The definition of California net income differs from federal taxable income for computing the contribution deduction.

On a separate worksheet, using the Form 100 format, complete Form 100, Side 1, through line 17 without regard to line 13, Contributions. Then complete the worksheet that follows to determine the contributions to enter on this line.

1. Net income after state adjustments from Side 1, line 17. . . . . \_\_\_\_\_
2. Deduction for dividends received \_\_\_\_\_
3. Net income for contribution calculation purposes. Add line 1 and line 2. . . . . \_\_\_\_\_
4. Contributions. Multiply line 3 by 5% (.05) . . . . . \_\_\_\_\_
5. Enter the amount actually contributed. . . . . \_\_\_\_\_
6. Enter the smaller of line 4 or line 5 here and on Side 1, line 13 . . . . . \_\_\_\_\_

If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 7.

**Line 14 – Net interest deduction for enterprise zone, program area or LARZ investment**

A deduction may be claimed on this line for the amount of net interest on loans made to an individual or company doing business within an enterprise zone, program area or the LARZ. For more information, get form FTB 3805Z and form FTB 3806, for 1994. Be sure to answer "yes" to Question I and attach form FTB 3805Z or form FTB 3806 if any of these benefits are claimed. If the proper form is not attached, these tax benefits may be disallowed.

**Line 15 – Other deductions**

Include on this line deductions not claimed on any other line. Attach a schedule that clearly shows how each deduction was computed and explain the basis for the deduction.

For corporations subject to income tax (instead of the franchise tax), interest received on obligations of the federal government and on obligations of the State of California and its political subdivisions is exempt from income tax. If such interest is reported on line 4, it must be deducted on line 15.

**Federal ordinary net gain or loss.** Enter any federal ordinary net gain or loss from federal Form 4797, Sales of Business Property.

**Line 18 – Net income (loss) for state purposes**

If all corporate income is derived from California sources, transfer the amount on line 17 directly to line 18. If only a portion of income is derived from California sources, complete Schedule R, Apportionment and Allocation of Income, before entering any amount on line 18. Transfer the amount from Schedule R, line 24, to line 18. If this line is a net loss, complete and attach the 1994 form FTB 3805Q, to Form 100.

**Line 19 – Net operating loss (NOL) carryover deduction**

The NOL carryover deduction is the amount of the NOL carryover from prior years that may be deducted in the current income year.

If line 18 is a positive amount, enter the NOL carryover from the 1994 form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, on line 19. Attach to Form 100 a copy of the 1994 form FTB 3805Q.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 1994 form FTB 3805Q, showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, corporations may not claim an NOL carryover deduction. Enter -0- on line 19. See the 1994 form FTB 3805Q instructions to compute the NOL carryover to future years.

If the corporation terminates its election to be taxed as an S corporation, thus becoming a C corporation, then only that portion of the prior NOL carryover incurred while it had C corporation status may be used to the extent it has not expired.

If the corporation has an enterprise zone, program area or LARZ loss, enter the amount from form FTB 3805Z or form FTB 3806.

**Line 20 – Disaster loss carryover deduction**

If you have a disaster loss carryover deduction, enter the total amount from Section B, column (e), of the 1994 form FTB 3805Q.

**Line 22 – Tax**

See General Information B and C.

**Line 23 – Tax credits**

A variety of tax credits are available to California corporations to reduce tax. However, corporations

may not reduce the tax (line 22) below the minimum franchise tax, if applicable.

Also, the amount of the credit that a corporation is allowed to claim may be limited. Generally, if the corporation completed federal Form 4626, Alternative Minimum Tax — Corporations, the corporation may have limited credits. Complete Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, to compute this limitation.

Corporations claiming only

- enterprise zone hiring/sales and use tax credit;
- program area hiring/sales and use tax credit;
- LARZ construction hiring/sales and use tax credit;
- solar energy credit carryover;
- commercial solar energy credit carryover;
- commercial solar electric system credit;
- research credit;
- orphan drug credit carryover; and
- low-income housing credit

are not subject to this type of limitation.

To figure tax credits, use the appropriate form or schedule. If the corporation claims a credit carryover for an expired credit use form FTB 3540, Credit Carryover Summary, to figure the amount of this credit, unless the corporation is required to complete Schedule P (100). In that case, enter the amount of the credit on Schedule P (100) and complete Schedule P (100). Do not attach form FTB 3540. Transfer the credits from Form 100, Side 3, Schedule C, line 10, or Schedule P (100), Part II, line 43, to Form 100, Side 1, line 23.

Attach the credit form or schedule and Schedule P (100), if applicable, to Form 100.

**Jobs credit**

A credit is allowed to a corporation that hires employees who have been certified by the Employment Development Department to meet the requirements of the Unemployment Insurance Code Section 328. Get form FTB 3524, Jobs Credit, to figure this credit.

**Low-emission vehicles credit**

You may claim this credit only for the amount that was authorized by the California Energy Commission. The credit is only allowed on vehicles registered in California. To apply for certification, write to:

**California Energy Commission  
1516 Ninth Street, MS 41  
Sacramento, CA 95814**

**Employer ridesharing credits**

Employers that sponsor a ridesharing incentive program or provide subsidized public transit passes to their employees may claim these credits. Get form FTB 3518, Employer Ridesharing Credits, to figure the amount of these credits. If Schedule P (100) is not required, get form FTB 3540 to figure this credit carryover for the employee rideshare program you subsidized or for operating a private third-party ridesharing program.

**Enterprise zone, program area or Los Angeles Revitalization Zone (LARZ) hiring/sales and use tax credit**

Corporations operating in enterprise zones, program areas and the LARZ may be eligible for:

- a hiring credit that may be claimed for a portion of wages paid to qualified employees; and
- a sales and use tax credit that may be claimed for the sales or use tax paid to purchase qualified property.

Get form FTB 3805Z or form FTB 3806 to figure this credit, and answer "yes" on Side 1, Question I. If the

proper form is not attached, these tax benefits may be disallowed.

#### **Solar pump credit carryover**

A carryover is allowed for any solar pump credit carryover that exceeded the tax for last year. If Schedule P (100) is not required, get form FTB 3540 to figure this credit carryover.

#### **Energy conservation credit carryover**

A carryover is allowed for any energy conservation credit carryover that exceeded the tax for last year. If Schedule P (100) is not required, get form FTB 3540 to figure this credit carryover.

#### **Employer child care program credit**

Employers may claim a credit (not to exceed \$50,000) equal to 30% of the costs for establishing a child care program or constructing a child care facility for use primarily by their employees. The credit is also available to lessors who provide a program or facility for the tenants employees. Get form FTB 3501, Employer Child Care Program/Contribution Credit, to figure this credit.

#### **Employer child care contribution credit**

Employers may claim a credit (not to exceed \$600) equal to 50% of their contributions to a qualified child care plan made on behalf of any dependent, under age 15, of the employer's California employee. Get form FTB 3501, Employer Child Care Program/Contribution Credit, to figure this credit.

#### **Technological property contribution credit carryover**

A carryover is allowed for any technological property contribution credit carryover that exceeded the tax for last year. If Schedule P (100) is not required, get form FTB 3540, to figure this credit carryover.

#### **Contribution of computer software credit carryover**

A carryover is allowed for any contribution of computer software credit carryover that exceeded the tax for last year. If Schedule P (100) is not required, get form FTB 3540, to figure this credit carryover.

#### **Recycling equipment credit**

Corporations may claim a credit equal to 40% of the cost (not to exceed \$625,000 per facility) of purchasing qualified property used by the corporation to manufacture products composed of secondary waste material. Get form FTB 3527, Recycling Equipment Credit, to figure this credit.

#### **Agricultural products credit carryover**

A carryover is allowed for any agricultural products credit carryover that exceeded the tax for last year. If Schedule P (100) is not required, get form FTB 3540, to figure this credit carryover.

#### **Commercial solar energy and solar energy credit carryovers**

A carryover is allowed for any commercial solar energy credit and solar energy credit carryovers that exceeded the tax for last year. If Schedule P (100) is not required, get form FTB 3540, to figure this credit carryover.

#### **Commercial solar electric system credit carryover**

A carryover is allowed for any commercial solar electric system credit carryover that exceeded the tax for last year. Get form FTB 3540 to figure this credit carryover.

#### **Research credit**

This credit is similar to the federal credit but is limited to costs for increasing research activities

incurred in California. Get form FTB 3523, Research Credit, to figure this credit.

#### **Orphan drug credit carryover**

A carryover is allowed for any credit carryover that exceeded the tax for last year. The credit is limited to testing in California. If Schedule P (100) is not required, get form FTB 3540, to figure this credit.

#### **Low-income housing credit**

This credit is available to corporations that undertake the development of low-income housing in California. Get form FTB 3521, Low-Income Housing Credit, to figure this credit.

#### **Prison inmate labor credit**

This credit is equal to 10% of the wages paid to a prisoner employed in California under an approved joint venture agreement. Get form FTB 3507, Prison Inmate Labor Credit, to figure this credit.

#### **Line 24 – Balance**

Subtract line 23 from line 22. Enter the result or the applicable minimum franchise tax, whichever is greater. See General Information C.

#### **Line 25 – Alternative minimum tax**

Enter on this line the alternative minimum tax from Schedule P (100), Part I, line 19, or Part II, line 47, whichever is applicable.

#### **Lines 28 and 29 – Tax due or overpayment**

Revise the amount of tax due or overpayment, if applicable, by the amount on side 2, Schedule J, line 5. See Schedule J instructions.

#### **Line 32**

Complete and attach form FTB 5806, Underpayment of Estimated Tax by Corporations, only if Exception B or Exception C is used in computing the penalty.

## Schedules

#### **Schedule A — Taxes Deducted**

Enter the nature of the tax, the taxing authority and the amount of the nondeductible tax on Form 100, Schedule A.

#### **Schedule D — Capital Gain or Loss**

California law is the same as federal law, except California does not allow a three-year carryback of capital losses. For more information, refer to the instructions for federal Schedule D (Form 1120).

Enter any unused capital loss carryover from 1993 on line 3.

#### **Schedule F — Computation of Net Income**

##### **Line 28 – Specific deduction for 23701r or 23701t organizations**

##### **Political organizations**

A political organization exempt under R&TC Section 23701r must file Form 100 and report "political taxable income" in excess of \$100.

"Political taxable income" means all amounts received during the income year other than:

- contributions of money or other property;
- membership fees, dues, or assessments; and
- proceeds from political fund raising or entertainment events, or proceeds from the sale of political campaign material not received in the ordinary course of any trade or business.

Political organizations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

#### **Exempt homeowners' associations**

A homeowners' association exempt under R&TC Section 23701t must file Form 100 if it received non-exempt gross income in excess of \$100. Form 100 may be required in addition to Form 199.

Nonexempt gross income means gross income received during the income year other than amounts received from membership fees, dues, or assessments. Nonexempt gross income includes the gross amount of such items as, but not limited to: interest, dividends, rents, royalties, sale of assets and income from nonmembers.

Exempt homeowners' associations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law. Under Chapter 3, estimated tax payments may be required. Form 100 is due within 2 months and 15 days after the close of the income year.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

#### **Schedule J — Add-On Taxes or Recapture of Tax Credits**

Complete Schedule J, if the corporation has credit amounts to recapture or is required to include installment payments of "add-on" taxes from:

- LIFO recapture resulting from an S corporation election;
- interest computed under the look-back method for completed long-term contracts; or
- interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations,

Revise the amount of tax due or overpayment on Form 100, line 28 or line 29, as applicable by the amount from Schedule J, line 5.

#### **Installment payment of tax attributable to LIFO recapture for corporations making an S corporation election.**

A corporation that uses the LIFO inventory pricing method and makes an S corporation election must include a "LIFO recapture amount" in income for its last year as a C corporation. The corporation's LIFO recapture amount is equal to the excess of the inventory amount using the FIFO method, over the inventory amount using the LIFO method, at the close of the corporation's last income year as a C corporation.

The additional tax resulting from inclusion of the LIFO recapture in income is payable in four equal installments. The first installment is due on the original due date of Form 100 of the electing corporation's last year as a C corporation.

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100, Side 1, through line 26, based on income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100 format, the corporation must complete the equivalent of Form 100, Side 1, lines 18 through 26, based on taxable income including the LIFO recapture amount. Form 100, Side 1, line 26, must then be compared to line 26 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 1, line 26, does not include the additional tax due to LIFO recapture, corporations must include 1/4 of the additional tax on Schedule J, line 1. Attach the worksheet showing the computation.

**Note:** Corporations must pay the remaining three installments of deferred tax with Form 100. The payments must be made by the original due date of Form 100, for each succeeding year.

**Long-term contracts.** If the corporation must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the corporation owes or the amount of interest to be credited or refunded to the corporation on Schedule J, line 2. If interest is to be credited or refunded, enter as a negative amount. Attach form FTB 3834 to Form 100.

**Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots.** If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453(l)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138, Bank and Corporation Billing Information. Attach a schedule showing the computation.

**Interest on tax deferred under the installment method for certain nondealer installment obligations.** If an obligation arising from the disposition of property to which IRC Section 453A(c) applies is outstanding at the close of the year, the corporation must include the interest due under IRC Section 453A on Schedule J, line 3b. For the applicable interest rates, get FTB Pub. 1138.

**Credit recapture.** Complete Schedule J, line 4, if the corporation completed the credit recapture portion of:

- FTB 3501, Employer Child Care Program/Contribution Credit; or
- FTB 3518, Employer Ridesharing Credits; or
- FTB 3805Z, Part VI, Enterprise Zone and Program Areas Recapture Credits; or
- FTB 3806, Part VI, Los Angeles Revitalization Zone Recapture Credits.

**Schedule C — Tax Credits**

If the corporation is not required to complete Schedule P (100), use this schedule to list those credits claimed on Form 100, line 23.

**Schedule G — Bad Debts Reserve Method Savings and loan associations, banks and financial corporations only:** Use the format below to prepare Schedule G. Attach Schedule G to Form 100.

**Schedule H — Dividend Income**

A corporation may eliminate dividend income when certain requirements are met. There are three different methods to eliminate dividends received from income.

**Intercompany**

A corporation may deduct dividends received from unitary subsidiaries, but only to the extent that the dividends are paid from income that has been included in a combined report of a unitary business (R&TC Section 25106). Complete Form 100, Schedule H, columns (a) through (e) and enter the total of column (e) on Form 100, Side 1, line 9.

**Water's-Edge**

A corporation may deduct a percentage of the dividends received that are included in the corporation's water's-edge return (R&TC Section 24411). Dividends received from banks do not qualify for the water's-edge dividend deduction. To calculate the deduction, get form FTB 2411, Water's-Edge Dividend Deduction. Enter the total from form FTB 2411 on Form 100, Side 1, line 11.

**Other**

Corporations may reduce dividend income for dividends:

- paid by a corporation taxed by California on earnings from which such dividends are paid (R&TC Section 24402); or
- received from a California insurance company subject to tax imposed by Part 7 of the R&TC and not previously deducted under R&TC Sections 24411 or 25106 (to qualify for this deduction, the recipient corporation must be commercially domiciled in California and must own at least 80% of each class of stock of the insurance company).

To determine the deductible percentage of a dividend (Schedule H, column (f)), send a written request showing the complete name of the dividend-paying corporation to:

**Special Activities Group,  
Deductible Dividends  
Franchise Tax Board  
P.O. Box 942857  
Sacramento, CA 94257-0540  
FAX: 1-916-845-0800**

Or call the FTB at the telephone numbers on the back page of this booklet. Allow six to eight weeks for a written reply.

To determine the amount of dividends to enter on Form 100, line 10, determine the corporation's percentage of ownership of the dividend paying corporation and enter on Schedule H, column (h):

- 70%, if the dividend paying corporation is less than 20%-owned;
- 80%, if the dividend paying corporation is 20% but not more than 50%-owned; or
- 100% if the dividend paying corporation is more than 50% owned.

Multiply dividend received (column (c)) by the deductible percentage (column (f)) and enter the result in column (g). Multiply the amount in column (g) by the limitation percentage (column (h)) and enter the result in column (i).

Enter the total from Schedule H, column (i) on Form 100, line 10.

**Schedule G Bad Debts — Reserve Method** Complete only if a savings and loan association, bank or financial corporation.

(a) Income year	(b) Accounts outstanding at the end of the year	Amount added to reserve		(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
		(c) Current year's provision	(d) Recoveries		
1989					
1990					
1991					
1992					
1993					
1994					

# Instructions for Schedule P (100)

## Alternative Minimum Tax and Credit Limitations — Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

### General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100) and in these instructions includes banks, financial corporations, limited liability companies classified as corporations, and certain exempt organizations, but not S corporations.

California tax laws give special treatment to some types of income and allow special deductions and credits for some types of expenses. Corporations that benefit from these laws may have to pay alternative minimum tax (AMT) in addition to the minimum franchise tax. AMT is in addition to any minimum franchise tax the corporation must pay. Use this schedule to figure AMT.

Also use this schedule to figure credits that are limited by the tentative minimum tax (TMT) or that may reduce AMT.

See IRC Sections 55 through 59 for more information on figuring AMT. But note that R&TC Sections 23455, 23456, 23457 and 23459 modify IRC Sections 55 through 59.

#### Who Must File

Banks and corporations should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; and other items as specified under IRC Section 59 and state net income exceeds \$40,000. Exempt organizations with unrelated business income should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; and items specified under IRC Section 59 and state net unrelated business taxable income exceeds \$40,000.

In addition, if the corporation claims credits that are limited by TMT (Part I, line 17), or if the corporation claims credits that reduce the AMT (Part I, line 19), the corporation must file Schedule P (100).

#### Members of a Combined Report

AMTI and ACE are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for EACH member of a combined report. See instructions for line 4b, line 5a, line 5d, line 7b, line 9, and line 10.

#### Short Period Return

For a short period return, use the formula in IRC Section 443(d) to determine AMTI and AMT.

#### Credit for Prior Year Alternative Minimum Tax

If the corporation paid alternative minimum tax for 1993 or has a carryover of credit for prior year alternative minimum tax and has no AMT liability for 1994, the corporation may use this credit in 1994 to reduce its regular tax liability. Complete Part III to figure this credit.

### Specific Line Instructions

#### Part I — Adjustments

##### Line 2a — Depreciation of tangible property placed in service after 1986

Do not include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows: For property other than real property and property on which the straight-line method was used, use the 150% declining balance method, switching to straight-line for the first income year that method will give a better result. Use the same useful life and federal conventions as used for regular tax. For personal property having no ADR class life, use 12 years. For residential rental and nonresidential real property, use the straight-line method over 40 years. Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this line.

If the corporation elected to depreciate a grapevine that was replanted in a vineyard as a result of phylloxera infestation over 5 years instead of 20 years for regular tax, it must depreciate the grapevine over 10 years for AMT.

**Note:** If inventory was depreciated, refigure the inventory based on the depreciation adjustment discussed above.

##### Line 2b — Amortization of certified pollution control facilities placed in service after 1986

For any certified pollution control facility placed in service after 1986, figure the entry for this line in the same manner as line 2a (without reducing the basis by 20% under IRC Section 291(a)(5)), but use the straight-line method of depreciation instead of 150% declining balance.

##### Line 2c — Amortization of mining exploration and development costs incurred after 1987

If the corporation elected the optional 10-year write-off under IRC Section 59(e) for all assets in this category, skip this line.

With respect to each mine or other natural deposit (other than an oil, gas or geothermal well) refigure the expenses (before the 30% reduction under IRC Section 291(b)) by amortizing them over 10 years beginning with the year in which the expenses were paid or incurred. Figure the adjustment by subtracting the refigured amount from the deduction taken under IRC Section 616(a) or 617(a) after the 30% reduction. Enter the amount on this line. If a loss resulted with respect to those expenses, see IRC Section 56(a)(2)(B).

##### Line 2d — Basis adjustments in determining gain or loss from sale or exchange of property

If the corporation disposed of property during the year, refigure the gain or loss from such sale taking into account the AMT adjustments on line 2a through line 2c. Enter the difference between the gain or loss reported for regular tax and the recomputed gain or loss. If the recomputed gain

is less, or the loss is more, enter the difference as a negative amount.

##### Line 2e — Long-term contracts entered into after February 28, 1986

If the corporation entered into a long-term contract after February 28, 1986, determine the taxable income from the contract under the percentage of completion method of accounting as modified by IRC Section 460(b) and R&TC Section 24673.2, using AMT adjustments and tax preference items.

Determine the difference between that result and the amount determined for the contract in figuring the regular tax, and enter the difference on this line. If the refigured taxable income is less than the result when determining the regular tax, enter the difference as a negative amount.

IRC Section 460(b)(2), to which California has conformed, requires the taxpayer to "look back" to previous years during which the contract work for certain contracts was in progress and compute interest on the difference between the tax that was actually paid and the tax that would have been paid if the taxpayer had known the actual contract prices and costs that would finally result.

Get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the "look-back method."

##### Line 2f — Installment sales of certain property

For regular tax, corporations may use the installment method of accounting for sales of certain property. For AMT, corporations may not determine income from dispositions of inventory or other property described in IRC Section 1221(1) using the installment method, except for certain dispositions of timeshares or residential lots, if the corporation elected to pay interest under IRC Section 453(l)(2)(B) (R&TC Section 24667).

If the corporation used the installment method for regular tax purposes but was required for AMT to report the entire gain in the year of disposition, the corporation may have adjustments with respect to those dispositions. Enter on this line as a negative amount the current year income the corporation reported for regular tax.

##### Line 2g — Tax shelter farm activities (personal service corporations only)

**Caution:** To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Complete this line only if the corporation has a gain or loss from a tax shelter farm activity, as defined in IRC Section 58(a)(2), that is not a passive activity. If the tax shelter farm activity is a passive activity, the corporation must include the gain or loss with its other passive activities on line 2h.

Refigure all gains and losses reported for regular tax purposes from tax shelter farm activities using the AMT adjustments and tax preference items.

Figure the tax shelter farm activity gain or loss for AMT using the same rules the corporation used for regular tax except:

- do not take any recomputed loss unless the corporation is insolvent. See IRC Section 58(c)(1); and
- do not offset gains from other tax shelter activities with any recomputed loss.

Instead, suspend and carry over the loss to future income years until:

- the corporation has a gain in a future income year from that same tax shelter farm activity; or
- the corporation disposes of the activity.

Enter on this line the difference between the AMT tax shelter farm loss and the regular tax shelter farm loss.

### Line 2h – Passive activities (closely held corporations and personal service corporations only)

**Caution:** To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Corporations may enter two kinds of adjustments on this line:

**Regular passive activities.** Refigure passive activity gains and losses for AMT by taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses that apply to the passive activity. When refiguring the passive activity loss, do not use the phase-in of the disallowance under IRC Section 469(m).

**Tax shelter passive farm activities.** Refigure any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses. If the amount is a gain, it can be included on the AMT form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, but if it is a loss, the adjustment for tax shelter passive farm activity is the loss the corporation reported for regular tax. The AMT loss to carry over is the refigured AMT loss.

**Note:** If, at the end of the income year, the corporation's liabilities exceed the fair market value of the corporation's assets (insolvency), increase the passive activity loss allowed by that excess (but not more than the total loss). See IRC Section 58(c)(1).

### Line 2i – Certain loss limitations

Refigure the allowable losses from at-risk activities and basis limitations applicable to partnerships, taking into account the AMT adjustments and tax preference items. See IRC Sections 59(h), 465, and 704(d). If the recomputed loss is more than the loss reported for purposes of the regular tax, enter on this line the difference between the loss reported on the tax return for purposes of the regular tax and the recomputed loss as a negative amount.

## Tax Preference Items

### Line 3a – Depletion

In the case of mines, wells and other natural deposits, enter the amount by which the deduction for depletion under IRC Section 611, is more than the adjusted basis of the property at the end of the corporation's income year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

California conformed in 1993 to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. See federal Form 4626. However, your California depletion costs may continue to be different from the federal amounts because of prior differences in law and different bases.

See IRC Section 291(a)(2) for reduction in the amount allowable as a deduction in the case of iron ore and coal.

### Line 3b – Appreciated property charitable deduction

Contributions deducted in excess of adjusted basis for regular tax purposes (R&TC Section 24357) must be included as a tax preference item.

### Line 3c – Intangible drilling costs

If the corporation elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

Enter the amount by which excess intangible drilling costs exceed 65% of net income from oil, gas, and geothermal properties.

Figure excess intangible drilling costs as follows. From the intangible drilling and development costs allowable under IRC Section 263(c) or 291(b) (except costs in drilling a nonproductive well), subtract the amount that would have been allowable if these costs had been capitalized and either amortized over the 120 months that started when production began or treated according to an election made under IRC Section 57(b)(2).

Net income from oil, gas and geothermal properties is gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 3c amount separately for oil and gas properties that are not geothermal deposits and for oil and gas properties that are geothermal deposits.

**Note:** California conformed in 1993 to the limited federal repeal of intangible drilling costs preferences for independent producers. See federal Form 4626 and instructions. Also, note that your intangible drilling costs amounts may differ from federal amounts because of differences in the law.

### Line 3d – Reserves for losses on bad debts of savings and loan associations

In the case of a savings and loan association to which IRC Section 593 applies, enter the excess of the deduction allowable for a reasonable addition to a reserve for bad debts over the amount that would have been allowable had the institution maintained its bad debt reserve for all income years based on actual experience.

### Line 3e – Accelerated depreciation of real property placed in service before 1987

Enter on this line, but not less than zero, the difference between the depreciation taken for this property in determining the regular tax and depreciation as refigured using the straight-line method. Figure this amount separately for each property and include only positive adjustments. For 18-year real property, use the straight-line method over 18 years, using the half-year convention and no salvage value.

### Line 3f – Amortization of certified pollution control facilities placed in service before 1987

For any certified pollution control facility in California placed in service before 1987 (or before August 1, 1986, if an election was made), figure the amount by which the amortization allowable under IRC Section 169 is more than the depreciation deduction otherwise allowable. Before figuring this tax preference item, reduce the amortizable basis by 20% (15% if the facility was placed in service in 1983 or 1984, 0% if placed in service before 1983), as required under IRC Section 291. Multiply the difference above by 59 5/6% (71.6% if the facility was placed in service in 1983 or 1984, 100% if placed in service before 1983). Enter only positive amounts.

### Line 4b – Apportioned Pre-adjustment AMTI

For taxpayers required to apportion their income, pre-ACE adjusted AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, Apportionment and Allocation of Income, line 1a. Recompute the Schedule R taking into account any AMT adjustments, then transfer the recomputed net income from Schedule R, line 24 to Schedule P (100), line 4b.

For combined reports, each taxpayer's pre-ACE adjusted AMTI is the sum of (1) that corporation's apportioned share of combined business pre-ACE adjusted AMTI and (2) any of that corporation's California source pre-ACE adjusted AMTI. For additional guidance in making these computations, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

### Line 5a – Adjusted current earnings (ACE) adjustment

If this schedule is for a regulated investment company or a real estate investment trust, skip this line.

The ACE adjustment is the pre-adjustment AMTI from line 4b with additional adjustments. California's ACE adjustment generally follows the federal ACE adjustment rules in IRC Section 56(g). To compute the California ACE, the federal ACE worksheet included in the instructions for the federal Form 4626 can be used by taking into account the modifications of R&TC Section 23456 (e) and (f), if applicable. For example:

**Taxes.** Taxes on, according to or measured by income are not deductible from earnings and profits (E&P). Foreign taxes on, according to or measured by income are not deductible even though a foreign tax credit is not taken for federal purposes. Environmental taxes imposed by IRC Section 59A are not deductible from E&P.

**Depreciation and amortization.** For property placed in service on or after January 1, 1981, and before January 1, 1987, the amount allowable as depreciation or amortization must be determined using the straight-line method for each income year of useful life (determined without regard to R&TC Section 24354.2) that the corporation has held the property.

For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the income year beginning before January 1, 1990 and applying IRC Section 168(g).

**Dividends.** Dividends deductible for regular California tax purposes are deductible from E&P.

The provision of IRC Section 56(g)(4)(C)(ii), for 100 percent dividend, does not apply.

The provisions of IRC Section 56(g)(4)(C)(iii) and (iv), for dividends from IRC Section 936 companies and certain dividends received by certain cooperatives, do not apply.

**Certain amortization provisions.** IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under R&TC Section 24364 and organizational expenditures under R&TC Section 24407 do not apply to expenditures paid or incurred in income years beginning on or after January 1, 1990.

**Interest income.** For entities not subject to the minimum franchise tax, interest income included in E&P must not exceed the amount of interest income included for regular tax purposes.

Appropriate adjustments must be made to limit deductions from adjusted current earnings for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425.

**Apportioning taxpayers and members of a combined report.** ACE is apportioned and allocated to California in the same manner as net income for purposes of the regular tax and AMTI (FTB Legal Ruling 94-3). The method described in the instructions for line 4b may be used to compute the California ACE.

**Line 5d – Excess of AMTI increases over AMTI reductions from prior year ACE adjustments**

For combined reports, each taxpayer corporation enters the excess of its prior year positive California ACE adjustments over its prior year negative California ACE adjustments.

**Line 7a**

If a disaster loss carryover is claimed in 1994, enter the amount on this line.

**Line 7b – Alternative minimum tax net operating loss deduction**

The alternative minimum tax net operating loss is the net operating loss (NOL) determined for regular tax except:

1. for any income year beginning before 1988, reduce the NOL amount by any preference items attributable to the deferred tax that has not been paid;
2. in the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
  - (a) reduced by the positive AMT adjustments and increased by the negative AMT adjustments; and
  - (b) reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax);
3. reduce the AMT NOL by any expired losses; and
4. the AMT NOL may not offset more than 90% of the AMTI, Part I, line 6.

Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

Taxpayers that are members of a unitary group filing a combined report must separately compute the NOL carryover and application of the NOL carryover for each corporation in the group (R&TC Section 25108).

Taxpayers who have made a water's-edge election must recompute the NOL carryover to include only those NOLs carried over from affli-

ated banks and corporations in the current year's water's-edge group.

The amount carried over for AMT is likely to differ from the amount (if any) that is carried over for regular tax; therefore, it is essential that the corporation retain adequate records for both AMT and regular tax.

If you had a loss from business activity within an enterprise zone, a program area or the Los Angeles Revitalization Zone (LARZ), get form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary or FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary.

**Line 9 and Line 10**

The \$40,000 exemption and the \$150,000 limitation apply to each bank or corporation included in the combined report to the extent that each bank or corporation has alternative minimum taxable income.

**Line 18 – Regular tax before credits**

For installment obligations subject to IRC Sections 453 (l)(2)(B) (Timeshares and Residential Lots) and 453A (Nondealer dispositions greater than \$150,000), do not include tax increases for interest on the deferred tax liability.

**Part II – Credit Limitations**

**Reminder:** The corporation should have figured the amount of its credits using the appropriate credit form or schedule and attached it to Form 100. For a complete list of all credits, see Form 100, line 23 instructions.

**Important:** Corporations must claim credits in the order listed in Part II. To claim the solar pump credit carryover, technological property contribution credit carryover, the contribution of computer software credit carryover, or the LARZ general hiring credit, enter the name and amount of the credit on line 17 or line 18.

The manufacturer's investment credit (R&TC Section 23649) can not be claimed until a return is filed for income years beginning on or after January 1, 1995.

**Section A – Excess regular tax over tentative minimum tax (TMT)**

Certain credits may reduce the corporation's regular tax down to TMT. The calculation in Section A will result in the amount of regular tax that corporations may reduce using the credits in Section B.

**Section B – Credits that reduce excess tax**

Corporations may use these credits to reduce the regular tax down to but not below TMT. The corporation may be able to, if applicable, use them in Section C or Section D or carry them over to future years. The credits that do not have shading in column (d) can be used in Section C, or carried over to future years, if applicable, after reducing the regular tax down to TMT.

In column (a), enter the total amount of the credit available from the appropriate form or schedule.

In column (b), enter the smaller of the amount in column (a) or the amount in column (c) from the previous line. The amount in column (b) may not be larger than the amount in column (a) or (c).

In column (c), enter the result of subtracting the amount in column (b) from the balance on the previous line in column (c).

In column (d), enter the result of subtracting the amount in column (b) from the amount in column

(a), if applicable. This is the amount the corporation may use in Section C and Section D or carry over to future years.

Example:

(a) Credit amount	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0
0	0	4,500	0
6,000	4,500	0	1,500
200	0	0	200

**Section C – Credits that may reduce regular tax below TMT**

Corporations may use these credits to reduce the regular tax below TMT. And corporations may carry over to future income years any credits remaining after reducing the regular tax to zero. But, if the corporation has a tax balance and can continue to use the credit in Section D, apply the carryover in Section D.

Follow the instructions for Section B when completing columns (a) through (d).

**Section D – Credits that may reduce AMT**

If the corporation has AMT and remaining solar energy credit carryover and commercial solar energy credit carryover after reducing the regular tax to zero, the corporation may reduce AMT using these credits. And corporations may carry over to future income years any credits remaining after reducing the AMT to zero.

Follow the instructions for Section B when completing columns (a) through (d).

**Part III – Credit for Prior Year AMT**

Use this part to figure the 1994 credit for prior year AMT if the corporation paid AMT for 1993 or had an alternative minimum tax credit carryover from 1993.

For members of a unitary group filing a combined report, compute the credit for prior year AMT for each entity in the current year's group.

**Line 1**

Enter the AMT from the 1993 Schedule P (100), Part I, line 20. If this amount was reduced by any commercial solar energy credit carryover or solar energy credit carryover, use the AMT from Part II, line 47 of the 1993 Schedule P (100).

**Line 2**

Enter the credit for prior year alternative minimum tax carryover from the 1993 Schedule P (100), Part II, line 28, column (d).

**Line 3**

Enter this amount on Part II, line 28, column (a).

# Principal Business Activity Code Chart

<p><b>Agriculture, Forestry, and Fishing</b></p> <p><i>Code</i></p> <p>0400 Agricultural production</p> <p>0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping</p>	<p><i>Code</i></p> <p><b>Chemicals and allied products</b></p> <p>2815 Industrial chemicals, plastics materials, and synthetics</p> <p>2830 Drugs</p> <p>2840 Soap, cleaners, and toilet goods</p> <p>2850 Paints and allied products</p> <p>2898 Agricultural and other chemical products</p>	<p><b>Transportation and Public Utilities</b></p> <p><b>Transportation</b></p> <p><i>Code</i></p> <p>4000 Railroad transportation</p> <p>4100 Local and interurban passenger transit</p> <p>4200 Trucking and warehousing</p> <p>4400 Water transportation</p> <p>4500 Transportation by air</p> <p>4600 Pipe lines, except natural gas</p> <p>4700 Miscellaneous transportation services</p>	<p><b>Finance, Insurance, and Real Estate</b></p> <p><b>Banking</b></p> <p><i>Code</i></p> <p>6030 Mutual savings banks</p> <p>6060 Bank holding companies</p> <p>6090 Banks, except mutual savings banks and bank holding companies</p>
<p><b>Mining</b></p> <p><b>Metal mining</b></p> <p>1010 Iron ores</p> <p>1070 Copper, lead and zinc, gold and silver ores</p> <p>1098 Other metal mining</p> <p>1150 Coal mining</p>	<p><b>Petroleum refining and related industries (including those integrated with extraction)</b></p> <p>2910 Petroleum refining (including integrated)</p> <p>2998 Other petroleum and coal products</p>	<p><b>Communication</b></p> <p>4825 Telephone, telegraph, and other communication services</p> <p>4830 Radio and television broadcasting</p>	<p><b>Credit agencies other than banks</b></p> <p>6120 Savings and loan associations</p> <p>6140 Personal credit institutions</p> <p>6150 Business credit institutions</p> <p>6199 Other credit agencies</p>
<p><b>Oil and gas extraction</b></p> <p>1330 Crude petroleum, natural gas, and natural gas liquids</p> <p>1380 Oil and gas field services</p> <p><b>Nonmetallic minerals, except fuels</b></p> <p>1430 Dimension, crushed and broken stone; sand and gravel</p> <p>1498 Other nonmetallic minerals, except fuels</p>	<p><b>Rubber and misc. plastics products</b></p> <p>3050 Rubber products, plastics footwear, hose and belting</p> <p>3070 Misc. plastics products</p> <p><b>Leather and leather products</b></p> <p>3140 Footwear, except rubber</p> <p>3198 Other leather and leather products</p> <p><b>Stone, clay, and glass products</b></p> <p>3225 Glass products</p> <p>3240 Cement, hydraulic</p> <p>3270 Concrete, gypsum, and plaster products</p> <p>3298 Other nonmetallic mineral products</p>	<p><b>Electric, gas and sanitary services</b></p> <p>4910 Electric services</p> <p>4920 Gas production and distribution</p> <p>4930 Combination utility services</p> <p>4990 Water supply and other sanitary services</p>	<p><b>Security, commodity brokers and services</b></p> <p>6210 Security brokers, dealers and flotation companies</p> <p>6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services</p> <p><b>Insurance</b></p> <p>6355 Life insurance</p> <p>6356 Mutual insurance, except life or marine and certain fire or flood insurance companies</p> <p>6359 Other insurance companies</p> <p>6411 Insurance agents, brokers, and service</p>
<p><b>Construction</b></p> <p><b>General building contractors and operative builders</b></p> <p>1510 General building contractors</p> <p>1531 Operative builders</p> <p><b>1600 Heavy construction contractors</b></p> <p><b>Special trade contractors</b></p> <p>1711 Plumbing, heating, and air conditioning</p> <p>1731 Electrical work</p> <p>1798 Other special trade contractors</p>	<p><b>Primary metal industries</b></p> <p>3370 Ferrous metal industries; misc. primary metal products</p> <p>3380 Nonferrous metal industries</p> <p><b>Fabricated metal products</b></p> <p>3410 Metal cans and shipping containers</p> <p>3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products</p> <p>3430 Plumbing and heating, except electric and warm air</p> <p>3440 Fabricated structural metal products</p> <p>3460 Metal forgings and stampings</p> <p>3470 Coating, engraving, and allied services</p> <p>3480 Ordnance and accessories, except vehicles and guided missiles</p> <p>3490 Misc. fabricated metal products</p>	<p><b>Wholesale Trade</b></p> <p><b>Durable</b></p> <p>5008 Machinery, equipment, and supplies</p> <p>5010 Motor vehicles and automotive equipment</p> <p>5020 Furniture and home furnishings</p> <p>5030 Lumber and construction materials</p> <p>5040 Sporting, recreational, photographic, and hobby goods, toys and supplies</p> <p>5050 Metals and minerals, except petroleum and scrap</p> <p>5060 Electrical goods</p> <p>5070 Hardware, plumbing and heating equipment and supplies</p> <p>5098 Other durable goods</p> <p><b>Nondurable</b></p> <p>5110 Paper and paper products</p> <p>5129 Drugs, drug proprietaries, and druggists' sundries</p> <p>5130 Apparel, piece goods, and notions</p> <p>5140 Groceries and related products</p> <p>5150 Farm-product raw materials</p> <p>5160 Chemicals and allied products</p> <p>5170 Petroleum and petroleum products</p> <p>5180 Alcoholic beverages</p> <p>5190 Misc. nondurable goods</p>	<p><b>Real estate</b></p> <p>6511 Real estate operators and lessors of buildings</p> <p>6516 Lessors of mining, oil, and similar property</p> <p>6518 Lessors of railroad property and other real property</p> <p>6530 Condominium management and cooperative housing associations</p> <p>6550 Subdividers and developers</p> <p>6599 Other real estate</p>
<p><b>Manufacturing</b></p> <p><b>Food and kindred products</b></p> <p>2010 Meat products</p> <p>2020 Dairy products</p> <p>2030 Preserved fruits and vegetables</p> <p>2040 Grain mill products</p> <p>2050 Bakery products</p> <p>2060 Sugar and confectionary products</p> <p>2081 Malt liquors and malt</p> <p>2088 Alcoholic beverages, except malt liquors and malt</p> <p>2089 Bottled soft drinks, and flavorings</p> <p>2096 Other food and kindred products</p> <p><b>2100 Tobacco manufacturers</b></p> <p><b>Textile mill products</b></p> <p>2228 Weaving mills and textile finishing</p> <p>2250 Knitting mills</p> <p>2298 Other textile mill products</p> <p><b>Apparel and other textile products</b></p> <p>2315 Men's and boys' clothing</p> <p>2345 Women's and children's clothing</p> <p>2388 Other apparel and accessories</p> <p>2390 Miscellaneous fabricated textile products</p>	<p><b>Machinery, except electrical</b></p> <p>3520 Farm machinery</p> <p>3530 Construction and related machinery</p> <p>3540 Metalworking machinery</p> <p>3550 Special industry machinery</p> <p>3560 General industrial machinery</p> <p>3570 Office, computing, and accounting machines</p> <p>3598 Other machinery except electrical</p> <p><b>Electrical and electronic equipment</b></p> <p>3630 Household appliances</p> <p>3665 Radio, television, and communication equipment</p> <p>3670 Electronic components and accessories</p> <p>3698 Other electrical equipment</p> <p><b>3710 Motor vehicles and equipment</b></p>	<p><b>Retail Trade</b></p> <p><b>Building materials, garden supplies, and mobile home dealers</b></p> <p>5220 Building materials dealers</p> <p>5251 Hardware stores</p> <p>5265 Garden supplies and mobile home dealers</p> <p><b>5300 General merchandise stores</b></p> <p><b>Food stores:</b></p> <p>5410 Grocery stores</p> <p>5490 Other food stores</p> <p><b>Automotive dealers and service stations</b></p> <p>5515 Motor vehicle dealers</p> <p>5541 Gasoline service stations</p> <p>5598 Other automotive dealers</p> <p><b>5600 Apparel and accessory stores</b></p> <p><b>5700 Furniture and home furnishings stores</b></p> <p><b>5800 Eating and drinking places</b></p> <p><b>Misc. retail stores</b></p> <p>5912 Drug stores and proprietary stores</p> <p>5921 Liquor stores</p> <p>5995 Other retail stores</p>	<p><b>Holding and other investment companies, except bank holding companies</b></p> <p>6744 Small business investment companies</p> <p>6749 Other holding and investment companies except bank holding companies</p> <p><b>Services</b></p> <p><b>7000 Hotels and other lodging places</b></p> <p><b>7200 Personal services</b></p> <p><b>Business services</b></p> <p>7310 Advertising</p> <p>7389 Business services, except advertising</p> <p><b>Auto repair; misc. repair services</b></p> <p>7500 Auto repair and services</p> <p>7600 Misc. repair services</p> <p><b>Amusement and recreation services</b></p> <p>7812 Motion picture production, distribution, and services</p> <p>7830 Motion picture theaters</p> <p>7900 Amusement and recreation services, except motion pictures</p>
<p><b>Lumber and wood products</b></p> <p>2415 Logging, sawmills, and planing mills</p> <p>2430 Millwork, plywood, and related products</p> <p>2498 Other wood products, including wood buildings and mobile homes</p> <p><b>2500 Furniture and fixtures</b></p> <p><b>Paper and allied products</b></p> <p>2625 Pulp, paper, and board mills</p> <p>2699 Other paper products</p> <p><b>Printing and publishing</b></p> <p>2710 Newspapers</p> <p>2720 Periodicals</p> <p>2735 Books, greeting cards, and miscellaneous publishing</p> <p>2799 Commercial and other printing, and printing trade services</p>	<p><b>Transportation equipment, except motor vehicles</b></p> <p>3725 Aircraft, guided missiles and parts</p> <p>3730 Ship and boat building and repairing</p> <p>3798 Other transportation equipment, except motor vehicles</p> <p><b>Instruments and related products</b></p> <p>3815 Scientific instruments and measuring devices; watches and clocks</p> <p>3845 Optical, medical, and ophthalmic goods</p> <p>3860 Photographic equipment and supplies</p> <p><b>3998 Other manufacturing products</b></p>	<p><b>7400 Amusement, recreation, and other services</b></p> <p>7410 Amusement and recreation services, except motion pictures</p> <p><b>7500 Auto repair and services</b></p> <p>7510 Auto repair and services</p> <p>7600 Misc. repair services</p> <p><b>7700 Amusement and recreation services</b></p> <p>7710 Amusement and recreation services, except motion pictures</p> <p><b>7800 Motion picture production, distribution, and services</b></p> <p>7812 Motion picture production, distribution, and services</p> <p>7830 Motion picture theaters</p> <p>7900 Amusement and recreation services, except motion pictures</p> <p><b>7900 Amusement and recreation services</b></p> <p>7910 Amusement and recreation services, except motion pictures</p> <p><b>Other services</b></p> <p>8015 Offices of physicians, including osteopathic physicians</p> <p>8021 Offices of dentists</p> <p>8040 Offices of other health practitioners</p> <p>8050 Nursing and personal care facilities</p> <p>8060 Hospitals</p> <p>8071 Medical laboratories</p> <p>8099 Other medical services</p> <p>8111 Legal services</p> <p>8200 Educational services</p> <p>8300 Social services</p> <p>8600 Membership organizations</p> <p>8911 Architectural and engineering services</p> <p>8930 Accounting, auditing, and bookkeeping</p> <p>8980 Miscellaneous services (including veterinarians)</p>	

1994 California Corporation Franchise or Income Tax Return

100

For income year beginning			MONTH	DAY	YEAR	, and ending			MONTH	DAY	YEAR
					1994						
<b>Affix Preaddressed Label</b>											
California corporation number				Federal employer identification number							
Corporation name											
Address											
City				State				ZIP code			
<p>A Final return? <input checked="" type="radio"/> <input type="checkbox"/> Dissolved <input type="checkbox"/> Surrendered (Withdrawn) <input type="checkbox"/> Merged/Reorganized  <input type="checkbox"/> IRC Section 338 sale If a box is checked, enter date <input type="checkbox"/></p> <p>B Is income included in a combined report of a unitary group? <input checked="" type="radio"/> Yes <input type="checkbox"/> No  If yes, indicate: <input type="checkbox"/> wholly within California (R&amp;TC 25101.15) <input type="checkbox"/> within and outside of California</p> <p>C Is this corporation to be treated as a credit union? <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p> <p>D Is this corporation to be treated as a Real Estate Mortgage Investment Conduit (REMIC) for California purposes? <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p>											
<p>E Was the corporation's income included in a consolidated federal return? <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p> <p>F Does this corporation or bank and its related entities have total assets everywhere that exceed \$200,000,000? <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p> <p>G Did this corporation or its subsidiary(ies) have a change in control or ownership, or acquire ownership or control of any other legal entity this year? (Do not leave blank) <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p> <p>H Principal business activity code (Do not leave blank) <input checked="" type="radio"/></p> <p>I Is this corporation claiming enterprise zone, program area or Los Angeles Revitalization Zone (LARZ) tax benefits? <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p> <p>J Check here if claiming technological property contribution tax benefits: <input checked="" type="radio"/></p> <p>K Date incorporated: <input checked="" type="radio"/> Where: <input type="checkbox"/></p> <p>L Is this corporation a limited liability company classified as a corporation by the IRS? <input checked="" type="radio"/> Yes <input type="checkbox"/> No</p>											
<b>Questions continued on Side 2</b>											

<b>State Adjustments</b>	1 Net income (loss) before state adjustments. See instructions	0	1		
	2 Amount deducted for foreign or domestic tax based on income or profits	0	2		
	3 Amount deducted for tax under the provisions of the Bank and Corporation Tax Law	0	3		
	4 Interest on government obligations	0	4		
	5 Net capital gain from Schedule D, line 11	0	5		
	6 Depreciation and amortization in excess of amount allowed under California law. Attach form FTB 3885	0	6		
	7 Other additions. Attach schedule(s)	0	7		
	8 Total. Add line 1 through line 7	0	8		
	9 Intercompany dividends (Schedule H)	0	9		
	10 Other dividends (Schedule H)	0	10		
	11 Water's-edge dividend deduction. Attach form FTB 2411	0	11		
	12 Capital gain from federal Form 1120 or Form 1120A, line 8	0	12		
	13 Contributions	0	13		
	14 Net interest deduction for enterprise zone, program area or LARZ investment	0	14		
	15 Other deductions. Attach schedule(s)	0	15		
	16 Total. Add line 9 through line 15	0	16		
	17 Net Income (loss) after state adjustments. Subtract line 16 from line 8	0	17		

If all income is derived from California sources, transfer the amount from line 17 to line 18. If income is derived from sources both within and outside of California, complete Schedule R and transfer the amount from Schedule R, line 24 to line 18 below.

<b>Calif. Net Income</b>	18 Net income (loss) for state purposes. If net loss, see instructions	<input checked="" type="radio"/>	18		
	19 Net operating loss (NOL) carryover deduction. See instructions	<input checked="" type="radio"/>	19		
	20 Disaster loss carryover deduction. See instructions	<input checked="" type="radio"/>	20		
	21 Net income for tax purposes. Combine lines 19 and 20, then subtract from line 18	<input checked="" type="radio"/>	21		
<b>Taxes</b>	22 Tax. _____% x line 21 (not less than minimum franchise tax, if applicable)	<input checked="" type="checkbox"/>	22		
	23 Tax credits. See instructions	<input checked="" type="checkbox"/>	23		
	24 <b>Balance.</b> Subtract line 23 from line 22 (not less than minimum franchise tax, if applicable)	<input type="checkbox"/>	24		
	25 Alternative minimum tax. Attach Schedule P (100). See General Information I.	<input checked="" type="checkbox"/>	25		
	26 <b>Total tax.</b> Add line 24 and line 25	<input checked="" type="checkbox"/>	26		
<b>Payments</b>	27 a Overpayment from prior year allowed as a credit	<input type="checkbox"/>	27a		
	b 1994 estimated tax payments	<input type="checkbox"/>	27b		
	c Amount paid with extension of time to file return	<input type="checkbox"/>	27c		
	d Dissolving/Withdrawing (not applicable if formed after 1971). See Gen. Info. N	<input type="checkbox"/>	27d		
	27 Total. Add line 27a through line 27d	<input type="checkbox"/>	27		
<b>Amount Due or Refund</b>	28 <b>Tax due.</b> If line 26 is more than line 27, subtract line 27 from line 26. Go to line 32	<input checked="" type="checkbox"/>	28		
	29 <b>Overpayment.</b> If line 27 is more than line 26, subtract line 26 from line 27	<input checked="" type="checkbox"/>	29		
	30 Amount of line 29 to be credited to 1995 estimated tax	<input checked="" type="checkbox"/>	30		
	31 Amount of line 29 to be refunded	<input checked="" type="checkbox"/>	31		
	32 Penalties and interest. See General Information L and M	<input type="checkbox"/>	32		
	<input type="checkbox"/> Check box if estimate penalty was computed using Exception B or Exception C and attach form FTB 5806.				
	33 <b>Total amount due.</b> Add line 28 and line 32. Pay this amount with this return	<input type="checkbox"/>	33		

**Schedule A Taxes Deducted** Use additional sheet(s) if necessary.

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount

**Total.** Enter total of column (c) on Schedule F, line 17, and amounts in column (d) on Side 1, line 2 or line 3 . . .

**Schedule D California Capital Gains and Losses**

**Part I Short-Term Capital Gains and Losses — Assets Held One Year or Less** Use additional sheet(s) if necessary.

(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) ((d) less (e))
1					
2	Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37 . . . . .				2
3	Unused capital loss carryover from 1993 . . . . .				3
4	Net short-term capital gain (loss). Combine lines 1 through 3 . . . . .				4

**Part II Long-Term Capital Gains and Losses — Assets Held More Than One Year** Use additional sheet(s) if necessary.

5					
6	Enter gain from Schedule D-1, line 7 or line 9 . . . . .				6
7	Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37 . . . . .				7
8	Net long-term capital gain (loss). Combine lines 5 through 7 . . . . .				8
9	Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8) . . . . .				9
10	Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4) . . . . .				10
11	Total line 9 and line 10. Enter here and on Form 100, Side 1, line 5. <b>Note:</b> If losses exceed gains, carry forward losses to 1995 . . . . .				11

**Schedule J Add-On Taxes or Recapture of Tax Credits.** See instructions.

1) LIFO recapture due to S corporation election (IRC Sec. 1363(d) deferral: \$ _____) . . . . .	1
2) Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834) . . . . .	2
3) Interest on tax attributable to installment:	
a) Sales of certain timeshares and residential lots . . . . .	3a
b) Method for nondealer installment obligations . . . . .	3b
4) Credit recapture name: _____ . . . . .	4
5) Combine lines 1 through 4. Revise the amount on Side 1, line 28 or line 29, whichever applies, by this amount. Write "Schedule J" to the left of line 28 or line 29 . . . . .	5

**Questions (continued from Side 1)**

- M Date business began in California or date income was first derived from California sources  \_\_\_\_\_
- N Accounting method used \_\_\_\_\_
- O Location of principal accounting records \_\_\_\_\_
- P Has the IRS redetermined the corporation's income tax liability for any prior year(s) which has not previously been reported to California? . . . . .  Yes  No  
If yes, furnish a copy of the Revenue Agent's Report under separate cover.
- Q First return? Check appropriate box(es).  
 New business or successor to previously existing business operated as a:  
 sole proprietorship  partnership  joint venture  corporation  other  
(attach statement showing name, address and FEIN of previous business)
- R "Doing business as" name:  \_\_\_\_\_
- S Did this bank or corporation or one of its subsidiaries make an election to be treated as a foreign sales corporation (FSC) or a domestic international sales corporation (DISC)? . . . . .  Yes  No
- T Is this corporation a regulated investment company for California purposes? . . . . .  Yes  No

- U At any time during the income year, was more than 50% of the voting stock:  
  - a of the corporation owned by any single interest? . . . . .  Yes  No
  - b of another corporation owned by this corporation? . . . . .  Yes  No
  - c of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? . . . . .  Yes  No
 If a, b or c is "yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If the owner(s) is an individual, provide the social security number.
- V Have all required information returns (e.g. federal Forms 1099) been filed with the Franchise Tax Board? . . . . .  N/A  Yes  No
- W Corporation headquarters are:  Within California  
 Outside of California, within the U.S.  Outside of the U.S.
- X Corporation is:  Apportioning income to California  
 Not apportioning income
- Y How many affiliates are claiming immunity under Public Law 86-272?  \_\_\_\_\_

**Please Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer <input type="checkbox"/>	Title	Date	Telephone ( )
Preparer's signature <input type="checkbox"/>	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN/FEIN
Paid Preparer's Use Only Firm's name (or yours, if self-employed) and address <input type="checkbox"/>			FEIN <input type="checkbox"/>
			Telephone <input type="checkbox"/> ( )

**Schedule C Tax Credits** If the corporation completed Schedule P (100), do not complete this schedule.

1 Jobs credit (FTB 3524) . . . . .		6 Employer child care contribution credit (FTB 3501) . . . . .	
2 Enterprise zone hiring/sales and use tax credit (FTB 3805Z) . . . . .		7 Research credit (FTB 3523) . . . . .	
3 Program area hiring/sales and use tax credit (FTB 3805Z) . . . . .		8 Low-income housing credit (FTB 3521) . . . . .	
4 LARZ hiring/sales and use tax credit (FTB 3806) . . . . .		9 Other (attach form, schedule or statement) . . . . .	
5 Employer child care program credit (FTB 3501) . . . . .		10 Total. Enter here and on Side 1, line 23 . . . . .	

**Schedule F Computation of Net Income** See General Information H.

Income	1 a) Gross receipts or gross sales _____ b) Less returns and allowances _____ Balance	1c	
	2 Cost of goods sold. Attach federal Schedule A (California Schedule V) . . . . .	2	
	3 Gross profit. Subtract line 2 from line 1c . . . . .	3	
	4 Dividends. Attach federal Schedule C (California Schedule H) . . . . .	4	
	5 a Interest on obligations of the United States and U.S. instrumentalities . . . . .	5a	
	b Other interest. Attach schedule . . . . .	5b	
	6 Gross rents . . . . .	6	
	7 Gross royalties . . . . .	7	
	8 Capital gain net income. Attach federal Schedule D (California Schedule D) . . . . .	8	
	9 Ordinary gain (loss). Attach federal Form 4797 (California Schedule D-1) . . . . .	9	
	10 Other income. Attach schedule . . . . .	10	
11 <b>Total income.</b> Add line 3 through line 10 . . . . .	11		
Deductions	12 Compensation of officers. Attach federal Schedule E or equivalent schedule . . . . .	12	
	13 Salaries and wages (not deducted elsewhere) . . . . .	13	
	14 Repairs . . . . .	14	
	15 Bad debts . . . . .	15	
	16 Rents . . . . .	16	
	17 Taxes (California Schedule A) . . . . .	17	
	18 Interest . . . . .	18	
	19 Contributions. Attach schedule . . . . .	19	
	20 Depreciation. Att. fed. Form 4562 (CA FTB 3885) . . . . .	20	
	21 Less depreciation claimed elsewhere on return . . . . .	21a	21b
	22 Depletion. Attach schedule. . . . .	22	
	23 Advertising . . . . .	23	
	24 Pension, profit-sharing, etc., plans . . . . .	24	
	25 Employee benefit plans . . . . .	25	
	26 a) Total travel and entertainment _____ b) Deductible amounts . . . . .	26b	
	27 Other deductions. Attach schedule . . . . .	27	
	28 Specific deduction for 23701r or 23701t organizations. See instructions . . . . .	28	
	29 <b>Total deductions.</b> Add line 12 through line 28 . . . . .	29	
	30 Net income before state adjustments. Subtract line 29 from line 11. Enter here and on Side 1, line 1 . . . . .	30	

**Schedule H Dividend Income** Attach additional sheet(s) if necessary. See Schedule H Instructions.

(a) Payer	(b) Common or preferred stock	(c) Dividend received	(d) Unitary (Yes/No) if yes, enter Col. (c) amt. in Col. (e)	(e) Allowable intercompany dividend deduction (Side 1, line 9)	(f) Deductible %	(g) Deductible dividend	(h) Limitation %	(i) Allowable other dividend deduction (Side 1, line 10)
Total. Add columns (e) and (i). Enter here and on the applicable line of Side 1								

**Schedule V Cost of Goods Sold**

1 Inventory at beginning of year . . . . .	1	
2 Purchases . . . . .	2	
3 Cost of labor . . . . .	3	
4 a Additional IRC Section 263A costs. Attach schedule . . . . .	4a	
b Other costs. Attach schedule . . . . .	4b	
5 Total. Add line 1 through line 4b . . . . .	5	
6 Inventory at end of year . . . . .	6	
7 Cost of goods sold. Subtract line 6 from line 5 . . . . .	7	

Method of inventory valuation ► \_\_\_\_\_

Was there any substantial change in the manner of determining quantities, costs or valuations between opening and closing inventory? . . .  Yes  No

If "Yes," attach an explanation. Enter California seller's permit number, if any ► \_\_\_\_\_

Check if the LIFO inventory method was adopted this income year for any goods. If checked, attach federal Form 970 . . . . .

If the LIFO inventory method was used for this income year, enter the percentage (or amounts) of closing inventory under LIFO \_\_\_\_\_

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the corporation? . . . . .  Yes  No

Schedule L Balance Sheets	Beginning of income year		End of income year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
1 Cash				
2 a Trade notes and accounts receivable				
b Less allowance for bad debts	( )		( )	
3 Inventories				
4 Federal and state government obligations				
5 Other current assets. Attach schedule(s)				
6 Loans to stockholders/officers. Attach schedule				
7 Mortgage and real estate loans				
8 Other investments. Attach schedule(s)				
9 a Buildings and other fixed depreciable assets				
b Less accumulated depreciation	( )		( )	
10 a Depletable assets				
b Less accumulated depletion	( )		( )	
11 Land (net of any amortization)				
12 a Intangible assets (amortizable only)				
b Less accumulated amortization	( )		( )	
13 Other assets. Attach schedule(s)				
14 <b>Total assets.</b>				
<b>Liabilities and stockholders' equity</b>				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule(s)				
18 Loans from stockholders				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule(s)				
21 Capital stock: a Preferred stock				
b Common stock				
22 Paid-in or capital surplus. Attach reconciliation				
23 Retained earnings — Appropriated. Attach schedule				
24 Retained earnings — Unappropriated				
25 Less cost of treasury stock		( )		( )
26 <b>Total liabilities and stockholders' equity.</b>				

Schedule M-1 **Reconciliation of income (loss) per books with income (loss) per return**

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than \$25,000.

1 Net income per books		7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest \$ _____	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize) _____		8 Deductions in this return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		a Depreciation . . . \$ _____	
a Depreciation . . . \$ _____		b State tax refunds \$ _____	
b State taxes . . . \$ _____			
c Travel and entertainment \$ _____		9 Total. Add line 7 and line 8 . . . . .	
6 Total. Add line 1 through line 5 . . . . .		10 Net income per return. Subtract line 9 from line 6.	

Schedule M-2 **Analysis of unappropriated retained earnings per books** (Schedule L, line 24)

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than \$25,000.

1 Balance at beginning of year		5 Distributions: a Cash . . . . .	
2 Net income per books		b Stock . . . . .	
3 Other increases (itemize) _____		c Property . . . . .	
_____		6 Other decreases (itemize) _____	
_____		_____	
4 Total. Add line 1 through line 3 . . . . .		7 Total. Add line 5 and line 6 . . . . .	
		8 Balance at end of year. Subtract line 7 from line 4.	

1994

Alternative Minimum Tax and Credit Limitations — Corporations

P (100)

Corporation name

California corporation number

Part I Tentative Minimum Tax and Alternative Minimum Tax Computation

1	Net income (loss) after state adjustments. Enter the amount from Form 100, line 17 or Form 109, line 6 . . . . .	1	
2	<b>Adjustments.</b> See instructions		
a	Depreciation of tangible property placed in service after 1986 . . . . .	2a	
b	Amortization of certified pollution control facilities placed in service after 1986 . . . . .	2b	
c	Amortization of mining exploration and development costs incurred after 1987 . . . . .	2c	
d	Basis adjustments in determining gain or loss from sale or exchange of property . . . . .	2d	
e	Long-term contracts entered into after February 28, 1986 . . . . .	2e	
f	Installment sales of certain property . . . . .	2f	
g	Tax shelter farm activities (personal service corporations only) . . . . .	2g	
h	Passive activities (closely held corporations and personal service corporations only) . . . . .	2h	
i	Certain loss limitations . . . . .	2i	
j	Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 8 . . . . .	2j	
k	Combine line 2a through line 2j . . . . .	2k	
3	<b>Tax preference items.</b> See instructions		
a	Depletion . . . . .	3a	
b	Appreciated property charitable deduction . . . . .	3b	
c	Intangible drilling costs . . . . .	3c	
d	Reserves for losses on bad debts of savings and loan associations . . . . .	3d	
e	Accelerated depreciation of real property placed in service before 1987 . . . . .	3e	
f	Amortization of certified pollution control facilities placed in service before 1987 . . . . .	3f	
g	Add line 3a through line 3f . . . . .	3g	
4	<b>Pre-adjustment AMTI.</b>		
a	Combine line 1, line 2k and line 3g. See instructions . . . . .	4a	
b	<b>Apportioned pre-adjustment AMTI.</b> If income is derived from sources both within and outside of California see instructions. Otherwise, enter amount from line 4a . . . . .	4b	
5	<b>Adjusted current earnings (ACE) adjustment:</b>		
a	Enter ACE. See instructions . . . . .	5a	
b	Subtract line 4b from line 5a (even if one or both of the figures are negative). If negative, use brackets . . . . .	5b	
c	Multiply line 5b by 75% (.75) and enter the result as a positive number . . . . .	5c	
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note:</b> Enter an amount on line 5d (even if line 5b is positive) . . . . .	5d	
e	<b>ACE adjustment:</b>		
	• If line 5b is a positive amount or zero, enter the amount from line 5c on line 5e as a positive amount.		
	• If line 5b is a negative amount, enter the smaller of line 5c or line 5d on line 5e as a negative amount.	5e	
6	Combine line 4b and line 5e. If zero or less, enter -0- . . . . .	6	
7	<b>a</b> Reduction for disaster loss carryover deduction, if any from Form 100, line 20 . . . . .	7a	
	<b>b</b> Alternative minimum tax net operating loss deduction. See instructions . . . . .	7b	
c	Combine line 7a and line 7b . . . . .	7c	
8	Alternative minimum taxable income. Subtract line 7c from line 6 . . . . .	8	
9	Enter \$40,000 exemption. See instructions . . . . .	9	
10	Enter \$150,000 limitation. See instructions . . . . .	10	
11	Subtract line 10 from line 8. If zero or less, enter -0- . . . . .	11	
12	Multiply line 11 by 25% (.25) . . . . .	12	
13	Exemption. Subtract line 12 from line 9. If zero or less, enter -0- . . . . .	13	
14	Subtract line 13 from line 8. If zero or less, enter -0- . . . . .	14	
15	Multiply line 14 by 7% (.07) . . . . .	15	
16	Banks and financial corporations. Multiply Form 100, line 21 by 2.170% (.0217) . . . . .	16	
17	<b>Tentative minimum tax.</b> Add line 15 and line 16 . . . . .	17	
18	Regular tax before credits. Enter amount from Form 100, line 22 or Form 109, line 7. See instructions . . . . .	18	
19	<b>Alternative minimum tax.</b> Subtract line 18 from line 17. If zero or less, enter -0- . . . . .	19	

If line 17 is more than zero and if the corporation has credits or credit carryovers, continue to Part II. Otherwise, stop here and enter the amount, if any, from line 19 on Form 100, line 25 or Form 109, line 19.

**Part II Credit Limitations**

**Section A — Excess regular tax over tentative minimum tax**

1 Regular tax from Form 100, line 22, or Form 109, line 7 . . . . .	1		
2 Tentative minimum tax (before credits) from Part I, line 17 (but not less than the minimum franchise tax) . . . . .	2		
3 Amount of excess regular tax that may be reduced by credits. Subtract line 2 from line 1. If less than zero, enter -0- . . . . .	3		

**Section B — Credits that reduce excess regular tax**

		(a) Credit amount	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
4 Enter the amount from Part II, Section A, line 3 . . . . .	4				
5 Prison inmate labor credit (FTB 3507) . . . . .	5				
6 Jobs credit (FTB 3524) . . . . .	6				
7 Low-emission vehicles credit . . . . .	7				
8 Ridesharing credit: Carryover . . . . .	8				
9 Ridesharing credit: Large employer program (FTB 3518) . . . . .	9				
10 Ridesharing credit: Small employer program (FTB 3518) . . . . .	10				
11 Ridesharing credit: Employer subsidized public transit passes (FTB 3518) . . . . .	11				
12 Energy conservation credit carryover . . . . .	12				
13 Employer child care program credit (FTB 3501) . . . . .	13				
14 Employer child care contribution credit (FTB 3501) . . . . .	14				
15 Recycling equipment credit (FTB 3527) . . . . .	15				
16 Agricultural products credit carryover . . . . .	16				
17 Enter credit name _____	17				
18 Enter credit name _____	18				
19 Enterprise zone hiring/sales and use tax credit (FTB 3805Z) . . . . .	19				
20 Program area hiring/sales and use tax credit (FTB 3805Z) . . . . .	20				
21 Los Angeles Revitalization Zone hiring/sales and use tax credit (FTB 3806). See instructions	21				
22 Solar energy credit carryover . . . . .	22				
23 Commercial solar energy credit carryover . . . . .	23				
24 Commercial solar electric system credit carryover . . . . .	24				
25 Research credit (FTB 3523) . . . . .	25				
26 Orphan drug credit carryover . . . . .	26				
27 Low-income housing credit (FTB 3521) . . . . .	27				
28 Credit for prior year alternative minimum tax from Part III, line 3 . . . . .	28				
29 Subtotal. Add column (b) of line 5 through line 28 . . . . .	29				

**Section C — Credits that may reduce tax below tentative minimum tax**

30 If Part II, Section A, line 3 is zero, enter the amount from line 1 minus the minimum franchise tax. If line 3 is more than zero, enter the total of Part II, Section A, line 2 minus the minimum franchise tax plus line 28 column (c) . . . . .	30				
31 Enterprise zone hiring/sales and use tax credit from line 19, column (d) . . . . .	31				
32 Program area hiring/sales and use tax credit from line 20, column (d) . . . . .	32				
33 Los Angeles Revitalization Zone hiring/sales and use tax credit from line 21, column (d) . . . . .	33				
34 Solar energy credit carryover from line 22, column (d) . . . . .	34				
35 Commercial solar energy credit carryover from line 23, column (d) . . . . .	35				
36 Commercial solar electric system credit carryover from line 24, column (d) . . . . .	36				
37 Research credit from line 25, column (d) . . . . .	37				
38 Orphan drug credit carryover from line 26, column (d) . . . . .	38				
39 Low-income housing credit from line 27, column (d) . . . . .	39				
40 Subtotal. Add column (b) of line 31 through line 39 . . . . .	40				
41 Enter the amount from line 29 . . . . .	41				
42 Enter the amount from line 40 . . . . .	42				
43 Total allowable credits. Add line 41 and line 42. Enter here and on Form 100, line 23 . . . . .	43				

**Section D — Credits that may reduce alternative minimum tax (AMT)**

44 Enter your AMT from Part I, line 19 . . . . .	44				
45 Solar energy credit carryover from line 34, column (d) . . . . .	45				
46 Commercial solar energy credit carryover from line 35, column (d) . . . . .	46				
47 Adjusted AMT. Enter the balance from line 46, column (c), here and on Form 100, line 25 . . . . .	47				

**Part III Credit for Prior Year AMT**

1 Enter the alternative minimum tax from the 1993 Schedule P (100), Part I, line 20. See instructions . . . . .	1		
2 Carryover of unused credit for prior year alternative minimum tax. See instructions . . . . .	2		
3 Total available credit. Add line 1 and line 2. See instructions . . . . .	3		

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Corporations

1994

3805Q

Attach to your California tax return.

Corporation name as shown on the return

California corporation number

During the year the corporation incurred the NOL, the corporation was a(n): [ ] C Corporation [ ] S Corporation [ ] Exempt Corporation
If the corporation previously filed California returns under another corporate name, enter the corporation name and California corporation number:

Note: If the corporation is included in a combined report of a unitary group, see instructions, General Information Section C.

PART I Computation of current year NOL

- 1 Net loss for state purposes from Form 100, line 18; Form 109, line 2; or Form 100S, combined amount of lines 16 and 17, if a net loss results (enter as a positive number)
2 1994 disaster loss included in line 1 (enter as a positive number)
3 Subtract line 2 from line 1. See instructions
4 a Enter the amount of the loss incurred by a new business included in line 3
b Enter the amount of the loss incurred by an eligible small business included in line 3
c Add line 4a and 4b
5 Subtract line 4c from line 3
6 General NOL. Multiply line 5 by 50% (.50)
7 1994 NOL carryover. Add line 4c and line 6. See instructions

PART II NOL carryover and disaster loss carryover limitations

Table with columns for (a) Year, (b) Code, (c) Loss, (d) Carryover from 1993, (e) 1994 Deduction, (f) Available Balance, and (g) Carryover to 1995. Includes sections for General NOL, Disaster Loss, New Business, Eligible Small Business, and Title 11 Bankruptcy.

PART III 1994 NOL deduction

- 1 Total the amounts in column (e) for all sections
2 Enter the total amount from Section B, column (e). Also enter this amount on Form 100, line 20 or Form 100S, line 19. For Form 109, enter zero
3 Subtract line 2 from line 1. Enter this amount on Form 100, line 19; Form 109, line 4; or Form 100S, line 18

# 1994 Instructions for Form FTB 3805Q

## Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

### Important Law Change

There are two new types of net operating losses (NOL). Taxpayers starting a new business after December 31, 1993, or an eligible small business incurring a loss for an income year beginning on or after January 1, 1994, with total business receipts of less than \$1 million, can carry 100% of a NOL to subsequent years. See Section A for more information.

R&TC Section 24416(a)(2) disallows the carryover of net operating losses sustained in taxable years beginning before January 1, 1987. Therefore, qualified loss carryovers from a new small business or farming activity incurred in 1984 through 1986 are no longer deductible.

### General Information

#### A Purpose of Form

Use form FTB 3805Q to figure the current year NOL and to limit NOL and disaster loss carryover deductions.

The California NOL is figured the same way as the federal NOL, except that for California:

- an NOL may be carried over only to future years (no carrybacks are allowed); and
- the carryover period and percentages differ from federal allowances.

Only a portion of the NOL may be eligible for carryover to future years because California has established different categories of NOL. The following table shows the percentages and carryover periods for the various kinds of losses.

Type of NOL	NOL That Can Be Carried Over	Carryover Period
General NOL	50%	5 Years
<b>New Business – 1/1/94</b>		
NOL Incurred:		
Year 1	100%	8 Years
Year 2	100%	7 Years
Year 3	100%	6 Years
Eligible Small Business Gross receipts < \$1 million	100%	5 Years
Taxpayer in Title 11 Bankruptcy	50%	10 Years
Disaster Losses	100% 50%	5 Years 10 Years

#### B Apportioning Corporations

The loss carryover for a corporation that apportions income is the amount of the corporation's loss, if any, after adding income or loss apportioned to California to income or loss allocable to California under Chapter 17 of the Bank and Corporation Tax Law. The loss carryover may be deducted from income apportioned and allocable to California in subsequent years.

#### C Combined Reporting

Corporations that are members of a unitary group filing a single return must use intrastate apportionment, separately computing the loss carryover for each corporation in the group using their individual apportionment factors (R&TC Section 25108). Complete a separate form FTB 3805Q for each taxpayer included in the combined report.

Unlike the loss treatment for a federal consolidated return, a California loss carryover for one member in a combined report may not be applied to the income of another member included in the combined report. Get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report, for more information.

#### D Water's-Edge

Each taxpayer's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The carryover may not be increased as a result of the recomputation.

### E S Corporations

An S corporation is allowed to carry over a loss that is incurred during a year in which it has in effect a valid election to be treated as an S corporation. The loss is also passed through to the shareholders in the year incurred and is taken into account in determining each shareholder's NOL carryover, if any.

If a corporation changes from a C corporation to an S corporation, the loss incurred while the corporation was a C corporation may not be applied to offset income subject to the 1.5% tax imposed on an S corporation. However, losses incurred while the corporation was a C corporation may be applied against the built-in gains and excess net passive income which is subject to tax. If the corporation incurred losses while it was a C corporation and an S corporation, the corporation must complete two forms FTB 3805Q and attach them to Form 100S, S Corporation Franchise or Income Tax Return. The unused losses incurred while the corporation was a C corporation are "suspended" except as provided for above until the S corporation reverts back to a C corporation or the carryover expires.

### Specific Line Instructions

#### Part I

Use Part I of this form to figure the current year NOL, if any, eligible for carryover.

**Line 1** – Enter the net loss from Form 100, line 18 or Form 109, line 2. S corporations enter the combined amount from Form 100, line 16 and line 17. If that combined amount results in a net loss enter the amount as a positive number.

**Line 2** – If the corporation incurred a disaster loss during 1994, enter the amount of the loss on this line. Enter as a positive number.

**Line 3** – Subtract line 2 from line 1 and enter the amount here, then go to line 4a. If the amount is less than zero, enter -0- here, (the corporation does not have an NOL), skip line 4 and go to Part II for computation of carryovers.

**Line 7** – If you have operating losses from more than one source, assign the computed loss to the correct Section. For 1994 Disaster Losses and General NOLs, complete Part II, columns (a), (b), (c), and (g) only.

#### Part II

Use Part II to limit loss carryover deductions to current year income and to record all of the corporation's loss carryover information.

If the corporation has losses from more than one source and/or more than one category, the corporation must compute the allowable NOL carryover for **each** loss separately.

There is no requirement to deduct NOL carryovers before disaster loss carryovers.

**Section A – General NOL carryover** means the general NOL available as a result of a loss incurred in years after 1986 under R&TC Section 24416. The carryover period for these NOLs is 5 years (6 years for losses incurred in 1991, 7 years for losses incurred from 1987 through 1990). 1994 is the 7th and final carryover year for General NOLs incurred in 1987.

**Note:** If the corporation has a current year NOL loss under R&TC Section 24416.2 (relating to enterprise zone, program area or LARZ NOLs), it must **elect** to carry over the loss under that section or under R&TC Section 24416 (relating to general NOLs). The election is irrevocable. Get form FTB 3805Z or form FTB 3806, for more information.

**Section B – Disaster loss carryover** is a casualty loss in a certain area of California declared by the President of the United States or the Governor of California to be in a state of disaster and that has had special legislation enacted to authorize such relief (R&TC Section 24347.5).

If a specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to 5 income years. If any of the excess loss remains

after the 5-year period, 50% of that remaining loss may be carried over for up to 10 additional years.

Following is a list of events that have had special legislation enacted:

Year	Code	Event
1994	14	San Luis Obispo fire and other related casualties.
1994	13	Los Angeles, Orange, and Ventura County Earthquake and related casualties.
1993	12	Storms, floods and other related casualties.
1992	11	Wildfires and other related casualties in Calaveras and Shasta Counties.
1992	10	San Bernardino County earthquake and other related casualties.
1992	9	Riots, arson and related casualties in California during April and May.
1992	8	Humboldt County earthquake and related casualties.
1992	7	Storms, floods and other related casualties.
1991	6	Oakland/Berkeley fire and other related casualties.
1990	5	Santa Barbara fires and other related casualties.
1989	4	Bay Area earthquake and other related casualties.
1987	3	Forest fires, October earthquake and other related casualties.
1986	2	Storms, floods, and other related casualties.
1985	1	Forest fires and related casualties.

**Section C – New business** means any entity starting business activities in California on or after January 1, 1994. Taxpayers may carry 100 percent of an NOL incurred in the first 3 years of operation over an extended period. The carryover period for losses incurred during the first year of business activity is 8 years; during the second year is 7 years; and during the third year is 6 years. A new business does not include any business activity that was used in any predecessor trade or business conducted by the taxpayer or that was conducted by any other taxpayer.

**Note:** Taxpayers who incurred losses from more than one "new business" activity must compute the allowable carryover for **each** loss in Section C.

**Section D – Eligible Small Business carryover** means an NOL incurred in an income year beginning on or after January 1, 1994, by a taxpayer having gross receipts less returns and allowances of less than \$1 million. Taxpayers are allowed to carry over 100 percent of the computed net operating loss for a period of up to 5 years.

**Section E – Title 11 bankruptcy** means NOLs incurred from 1987 through 1993 by taxpayers who were under the jurisdiction of the court in Title 11 bankruptcy proceedings **prior** to January 1, 1994. The allowable deduction is 50 percent of the computed loss. The carryover period is 10 years and applies to each of the 10 taxable years following the year of the loss. This provision does not apply to any loss incurred in a year when the taxpayer is not under the jurisdiction of the bankruptcy court.

**Column (a)** – Enter the year(s) the loss was incurred, earliest year first.

**Column (b)** – If the loss is due to a disaster, enter the disaster code from the list above. If the loss is from a New Business or Eligible Small Business, enter the Principal Business Code from Question H of Form 100 or Form 100S. If the loss was from a pass-through entity, enter the entity's F.E.I.N. number from Schedule K-1.

**Column (c)** – Enter the amount of the initial loss for the year given in Column (a).

**Column (d)** – Enter the carryover amount from the 1993 form FTB 3805Q, Limitations — Corporations, Part II, column (e).

**Column (e)** – Enter the smaller of the amount in column (d) or the amount in column (f) of the previous line.

**Column (f)** – Enter the result of subtracting column (e) from the balance in column (f) of the previous line.

**Column (g)** – Subtract the amount in column (e) from the amount in column (d) and enter the result. For 1994 General NOLs, enter the amount from Part I, line 6 in Section A. For 1994 Disaster losses, enter the amount from Part I, line 1 if line 3 is zero; otherwise enter the line 2 amount in Section B.



# Instructions for Form FTB 3885

## Corporation Depreciation and Amortization

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

Unless stated otherwise, the term "corporation," as used in form FTB 3885 and these instructions, includes banks and financial corporations.

In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

### General Information

#### A Purpose of this Form

Use this form to figure California depreciation and amortization for corporations. S corporations must use Schedule B (100S). Individuals must use form FTB 3885A. Fiduciaries must use form FTB 3885F. Partnerships must use form FTB 3885P.

Depreciation and amortization are deductions corporations claim for reasonable exhaustion, wear and tear, and normal obsolescence of property used in a trade or business or held for the production of income.

For purposes of this form, depreciation is used in connection with tangible property, while amortization is used for intangible assets.

**Note:** For amortizing the cost of certified pollution control facilities, use form FTB 3580, Application to Amortize Certified Pollution Control Facility.

There are important differences between federal and California laws that affect the calculation of depreciation and amortization. Some of the major differences are briefly described below:

- California law allows additional first-year depreciation under R&TC Section 24356, rather than IRC Section 179;
- California has not conformed to federal statutes allowing depreciation under Modified Accelerated Cost Recovery System (MACRS);
- California has adopted provisions of the federal Class Life Asset Depreciation Range System (ADR), which specifies a useful life for various types of property. However, California law does not allow the federal provision that enables a corporation to choose a depreciation period that varies from the specified asset guideline system.

#### B Depreciation Calculation Methods

For depreciation methods, refer to R&TC Sections 24349 through 24354. For rules regarding child development services facilities, refer to R&TC Section 24371.5

R&TC Section 24349 describes the methods to use for calculating depreciation:

**Straight-Line.** The straight-line method divides the cost or other basis of property, less its estimated salvage value, into equal amounts over the estimated useful life of the property. An asset may not be depreciated below a reasonable salvage value.

**Declining Balance.** Under this method, depreciation is greatest in the first year and smaller in each succeeding year. The property must have a useful life of at least three years. Salvage value is not taken into account in determining the basis of the property, but the property may not be depreciated below a reasonable salvage value.

The amount of depreciation for each year is subtracted from the basis of the property and a uniform rate of up to 200% of the straight-line rate is applied to the resulting balance.

For example the annual depreciation allowances for property with an original basis of \$100,000 are:

Year	Remaining basis	Declining-balance rate	Depreciation allowance
First . . . . .	\$100,000	20%	\$20,000
Second . . . . .	80,000	20%	16,000
Third . . . . .	64,000	20%	12,800
Fourth . . . . .	51,200	20%	10,240

**Sum-of-the-years-digits method.** This method may be used whenever the declining balance method is allowed. The depreciation deduction is figured by subtracting the salvage value from the cost of the property and multiplying the result by a fraction. The numerator of the fraction is the number of years remaining in the useful life of the property. Therefore, the numerator changes each year as the life of the property decreases. The denominator of the fraction is the total number of years of useful life of the property. The denominator remains constant every year.

**Other consistent method.** Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first two-thirds of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

#### C Period of Depreciation

Use the following information as a guide to determine reasonable periods of useful life for purposes of calculating depreciation. Actual facts and circumstances will determine useful life. Note, however, that the figures listed below represent the normal periods of useful life for the types of property listed.

- Office furniture, fixtures, machines, and equipment . . . . . 10 yrs.  
This category includes furniture and fixtures (that are not structural components of a building), and machines and equipment used in the preparation of papers or data.  
Examples include: desks; files; safes; typewriters; accounting, calculating and data processing machines; communications equipment; and duplicating and copying equipment.
- Transportation equipment, automobiles (including taxis) . . . . . 3 yrs.  
General-purpose trucks:  
Light (unloaded weight less than 13,000 lbs.) . . . . . 4 yrs.  
Heavy (unloaded weight 13,000 lbs. or more) . . . . . 6 yrs.
- Buildings  
This category includes the structural shell of a building and all of its integral parts that service normal heating, plumbing, air conditioning, fire prevention, and power requirements and equipment such as elevators and escalators.  
Type of building:  
Apartments . . . . . 40 yrs.  
Dwellings (including rental residences) . . . . . 45 yrs.  
Office buildings . . . . . 45 yrs.  
Warehouses . . . . . 60 yrs.

#### D Depreciation Method to Use

Corporations may use the straight-line method for any depreciable property. Before using other methods, consider the kind of property, its useful life, whether it is new or used and the date it was acquired. Use the following chart as a general guide to determine which method to use.

Property description	Maximum depreciation method
Real estate acquired 12/31/70 or earlier	
• New (useful life 3 yrs. or more) . . . . .	200% Declining balance
• Used (useful life 3 yrs. or more) . . . . .	150% Declining balance
Real estate acquired 1/1/71 or later	
• Residential Rental:	
New . . . . .	200% Declining balance
Used (useful life 20 yrs. or more) . . . . .	125% Declining balance
Used (useful life less than 20 yrs.) . . . . .	Straight-line
• Commercial and industrial:	
New (useful life 3 yrs. or more) . . . . .	150% Declining balance*
Used . . . . .	Straight-line
Personal property	
• New (useful life 3 yrs. or more) . . . . .	200% Declining balance*
• Used (useful life 3 yrs. or more) . . . . .	150% Declining balance

\* Other depreciation methods may be used as long as the total accumulated depreciation at the end of any

income year during the first two-thirds of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

The Guideline Class Life System of depreciation may be used for certain classes of assets placed in service before 1971.

The Class Life (ADR) System of depreciation may be used for designated classes of assets placed in service after 1970.

### E Amortization

California has conformed to the 1993 federal Revenue Reconciliation Act (Public Law 103-66) for the IRC Section 197 amortization of intangibles for income years beginning on or after January 1, 1994. However, there may be differences in the federal and California amounts for intangible assets acquired in income years beginning prior to January 1, 1994. See R&TC Section 24355.5 for more information

Amortization of the following assets is governed by California law:

Bond Premiums	R&TC 24360 – 24363
Research Expenditures	R&TC 24365
Reforestation Expenses	R&TC 24372.5
Leased Property Improvements	R&TC 24373
Organizational Expenditures	R&TC 24407 – 24409
Start-up Expenses	R&TC 24414

Other intangible assets may be amortized if it is proved with reasonable accuracy that the asset has an ascertainable value that diminishes over time and has a limited useful life.

### Specific Line Instructions

#### Line 1 —

Corporations may enter each asset separately or group assets into depreciation accounts. Figure the depreciation separately for each asset or group of assets. The basis for depreciation is the cost or other basis reduced by a reasonable salvage value (except when using the declining balance method), additional first-year depreciation, if it applies, and tax credits claimed on depreciable property, where specified. This may cause the California basis to be different from the federal basis.

If the Guideline Class Life System or Class Life (ADR) System is used, enter the amount, from a schedule showing the computation, on form FTB 3885, column (g), and identify as such.

#### Line 1, Column (h), Additional first-year depreciation —

Corporations may deduct up to 20 percent of the cost of "qualifying property" in the year acquired, in addition to the regular depreciation deduction. The maximum additional first-year depreciation deduction is \$2,000. Corporations must reduce the basis used for regular depreciation by the amount of additional first-year depreciation claimed.

"Qualifying property" is tangible personal property used in business and having a useful life of at least six years. Land, buildings and structural components do not qualify. Property converted from personal use, acquired by gift, inheritance or from related parties also does not qualify.

See R&TC Section 24356 and the applicable regulations for more information.

**Note:** Property described in R&TC Sections 24356.2, 24356.3 and 24356.4 does not qualify for additional first-year depreciation. For more information, get Form 3805Z, Enterprise Zone and Program Area Business Booklet, or Form 3806, Los Angeles Revitalization Zone Booklet.

# How to Get California Tax Information

## In Person

Addresses of FTB district offices are shown below. You can get information and California tax forms and you can resolve problems involving your corporation account. Our district offices are open Monday through Friday from 8:00 a.m. to 5:00 p.m.

### California Offices

Bakersfield . . . . . 1430 Truxtun Avenue  
Burbank . . . . . 333 N. Glenoaks Boulevard  
Fresno . . . . . 2550 Mariposa Street  
Long Beach . . . . . 245 West Broadway  
Los Angeles . . . . . 300 South Spring Street  
Oakland . . . . . 1970 Broadway  
Sacramento . . . . . 8745 Folsom Boulevard  
San Bernardino . . . . . 215 North D Street  
San Diego . . . . . 5353 Mission Center Road  
San Francisco . . . . . Office to be relocated\*  
San Jose . . . . . 96 North Third Street  
Santa Ana . . . . . 600 West Santa Ana Boulevard  
Santa Barbara . . . . . 360 South Hope Avenue  
Santa Rosa . . . . . 50 D Street  
Stockton . . . . . 31 East Channel Street  
West Covina . . . . . 100 North Barranca Street

\*For address information, call our F.A.S.T. toll-free phone number at 1-800-338-0505 (enter code 214 after you reach the number). For more information about how to use F.A.S.T., see page 24.

## Letters

We can serve you quickly if you call us or visit a district office for information to complete your California tax return. However, you may want to write to us if you are replying to a notice we sent you, or to get a reply in writing.

If you write to us, be sure to include the California corporation number and your daytime and evening telephone numbers in your letter.

Send your letter to:

**Franchise Tax Board  
P.O. Box 942857  
Sacramento, CA 94257-0540**

We will acknowledge your letter within six to eight weeks. In some cases, we may need to call you for additional information.

## Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected, so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by writing or calling the FTB using the address listed under "Letters" or the telephone numbers listed on the back page of this booklet.

## Where to Get Tax Forms

**In person** – You can get California tax forms at the FTB district offices listed at left. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee.) Note that employees at libraries and quick print businesses cannot provide tax information or assistance.

**By phone** – For 1994 California tax forms, call our toll-free number listed under "F.A.S.T. Toll-Free Phone Service." For prior year California tax forms, call our toll-free number listed under "Regular Toll-Free Phone Service."

**By mail** – Use the order blank below to request forms. Print or type your name and address on the lines below. On the back of the order blank, check the boxes for those forms you need. We will send you two copies of each tax form and one copy of each set of instructions you order. Please allow two weeks to receive your order. Address your envelope to:

**Tax Forms Request Unit  
Franchise Tax Board  
P.O. Box 307  
Rancho Cordova, CA 95741-0307**

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Franchise Tax Board  
Tax Forms Request  
P.O. Box 307  
Rancho Cordova, CA 95741-0307

\_\_\_\_\_  
Name

\_\_\_\_\_  
Number and street

\_\_\_\_\_  
City or town, State and ZIP code



### FORMS REQUEST

Enter your name and address on this label. It will be used to speed your order for forms to you.

# How to Get California Tax Information

## F.A.S.T. Toll-Free Phone Service

Fast Answers about State Taxes (F.A.S.T.) is the toll-free phone service you can use to get recorded answers to many of your questions about California taxes. You can also order current year California tax forms.

F.A.S.T. is available in English and Spanish to callers with touch-tone or rotary dial telephones.

### When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms F.A.S.T. is available from 6:00 a.m. to 10:00 p.m. seven days a week, except state holidays.

### How To Use F.A.S.T.

1. Have paper and pencil handy to take notes.
2. Call the F.A.S.T. toll-free phone number:  
From within the United States . . . . . 1-800-338-0505  
From outside the United States (not toll-free) . . . . . 1-916-845-6600

**To Order Forms** — You can use F.A.S.T. to order forms listed on the order blank below. To order a listed form, press the form's entry code (shown preceding each form on the order blank below) in response to the recorded instructions.

**To Get Information** — If you need an answer to any of the following questions, enter the correct code after you reach the F.A.S.T. number.

### Code — Prefiling Assistance

- 715 — If my actual tax is less than the minimum franchise tax, what figure do I put on line 22 of Form 100?
- 717 — What are the tax rates for corporations?
- 718 — How do I get an extension of time to file?
- 722 — When do I have to file a short-period return?
- 730 — May I claim net operating losses in the first year?
- 731 — Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 — Can the prepayment to the Secretary of State be applied to my last year of business?

- 734 — What is the difference between franchise tax and income tax?

### S Corporations

- 704 — Is an S corporation subject to the minimum franchise tax?
- 705 — Are S corporations required to file estimate payments?
- 706 — What forms do S corporations file?
- 707 — The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 21 of Form 100S?
- 708 — Where do S corporations make the state tax adjustment on Schedule K-1(100S)?

### Exempt Organizations

- 709 — How do I get tax exempt status?
- 710 — Does an exempt organization have to file Form 199?
- 735 — How can an exempt organization incorporate without paying corporation fees and costs?
- 736 — I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

### Minimum Tax and Estimate Tax

- 711 — Why can't I claim my prepayment tax as credit or estimate payment on my return?
- 712 — What is the minimum franchise tax?
- 714 — I'm not doing business; do I have to pay the minimum franchise tax?
- 716 — When are my estimate payments due?

### Billings and Miscellaneous Notices

- 713 — Why do I have an additional \$200 adjustment on my corporation return?
- 723 — I received a bill for \$250. What is this for?
- 728 — Why was my corporation suspended?
- 729 — Why is my subsidiary getting a request for a return when we file a combined report?

### Tax Clearance

- 724 — How do I dissolve my corporation?
- 725 — What do I have to do to get a tax clearance?
- 726 — How long will it take to get a tax clearance certificate?

- 727 — My corporation was suspended/forfeited. Can I still get a tax clearance?

### Miscellaneous

- 700 — Who do I need to contact to start a business?
- 701 — I need a state ID number for my business. Who do I contact?
- 702 — Can you send me an employer's tax guide?
- 703 — How do I incorporate?
- 719 — How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 — How do I change my corporation name?
- 721 — How do I change my accounting period?
- 732 — What is the water's-edge election?
- 737 — Where do I send my payment?
- 738 — What is electronic funds transfer?
- 739 — How do I get a copy of my state corporate tax return?

## Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 3 through April 17, 1995. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturdays, April 8, and April 15, from 8:00 a.m. until 5:00 p.m. After April 17, service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

- From within the United States, call . . . . . 1-800-852-5711
- From outside the United States, call (not toll-free) . . . . . 1-916-845-6500
- For hearing impaired with TDD . . . . . 1-800-822-6268
- For federal tax questions, call 1-800-829-1040.

**To Order 1994 Tax Forms By Mail** — Cut along the dotted line and write or type your name and address on the other side. Mail to: **Tax Forms Request Unit, Franchise Tax Board, P.O. Box 307, Rancho Cordova, CA 95741-0307.** Please allow two weeks for a reply.

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|---|---|---|
| <ul style="list-style-type: none"> <li><input type="checkbox"/> 817 — California Corporation Tax Forms and Instructions. This booklet contains:                             <ul style="list-style-type: none"> <li>— Form 100, California Corporation Franchise or Income Tax Return</li> </ul> </li> <li><input type="checkbox"/> 821 — Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations</li> <li><input type="checkbox"/> 822 — FTB 3885, Depreciation/Amortization</li> <li><input type="checkbox"/> 807 — FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations</li> <li><input type="checkbox"/> 816 — California S Corporation Tax Forms and Instructions. This booklet contains:                             <ul style="list-style-type: none"> <li>— Form 100S, California S Corporation Franchise or Income Tax Return</li> </ul> </li> <li><input type="checkbox"/> 823 — Schedule B (100S), S Corporation Depreciation and Amortization                             <ul style="list-style-type: none"> <li>— Schedule C (100S), S Corporation Tax Credits</li> <li>— Schedule H (100S), Dividend Income</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> 824 — Schedule D (100S), Capital Gains and Losses and Built-In Gains</li> <li><input type="checkbox"/> 825 — Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits</li> <li><input type="checkbox"/> 826 — FTB 3830, S Corporation's List of Shareholders and Consents</li> <li><input type="checkbox"/> 807 — FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations</li> <li><input type="checkbox"/> 814 — Form 109, Exempt Organization Business Income Tax Return</li> <li><input type="checkbox"/> 818 — Form 100-ES, Corporation Estimated Tax</li> <li><input type="checkbox"/> 813 — Form 100X, Amended Corporation Return</li> <li><input type="checkbox"/> 815 — Form 199, Exempt Organization Return</li> <li><input type="checkbox"/> 819 — Schedule R, Apportionment and Allocation of Income</li> <li><input type="checkbox"/> 812 — FTB Pub. 1038, Guide for Corporations Dissolving, Withdrawing or Merging</li> <li><input type="checkbox"/> 809 — FTB Pub. 1060, Guide for Corporations Starting Business in California</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> 810 — FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report</li> <li><input type="checkbox"/> 827 — Form 100-WE, Water's-Edge Booklet</li> <li><input type="checkbox"/> 829 — FTB 2427, Worldwide Affiliation Schedule Booklet</li> <li><input type="checkbox"/> 820 — FTB Pub. 1068, Exempt Organizations Requirements for Filing Returns and Paying Filing Fees</li> <li><input type="checkbox"/> 802 — FTB 3500, Exemption Application</li> <li><input type="checkbox"/> 808 — FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations</li> <li><input type="checkbox"/> 803 — FTB 3555, Request for Tax Clearance</li> <li><input type="checkbox"/> 804 — FTB 3557, Application for Revivor</li> <li><input type="checkbox"/> 811 — FTB 3560, S Corporation Election or Termination/Revocation</li> <li><input type="checkbox"/> 806 — FTB 5806, Underpayment of Estimated Tax by Corporations</li> <li><input type="checkbox"/> Other _____</li> </ul> |
|---|---|---|