

# C California

# 1994

# 3806

Forms & Instructions

Los Angeles Revitalization Zone Booklet

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**This booklet contains:**

[Form FTB 3806](#), Los Angeles Revitalization Zone Deduction and Credit Summary

Members of the  
Franchise Tax Board

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**State of California  
Franchise Tax Board**

# Instructions for Los Angeles Revitalization Zone Businesses

## — Form FTB 3806

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### General Information

California has established three types of economic development areas that have related tax incentives:

- enterprise zones;
- program areas; and
- the Los Angeles Revitalization Zone, (LARZ).

A business may qualify for special deductions and credits if it operates or invests in a trade or business located within the geographical boundaries of one of these economic development areas.

**Note:** For information about Enterprise Zone or Program Area tax incentives, get form FTB 3805Z, Enterprise Zone and Program Area Business Booklet.

#### A What's New

The following changes are the result of 1994 legislation:

**Hiring Credit** – The general hiring credit can now reduce regular tax below tentative minimum tax. The computation of tentative minimum tax is computed on Schedule P, Alternative Minimum Tax and Credit Limitations.

**Boundaries** – The LARZ boundaries may be changed. See General Information F, Geographic Boundaries, for more information.

**Apportionment** – The computation of LARZ income has been revised for entities doing business within and outside of California. See Part VI, Doing Business Within and Outside

the Los Angeles Revitalization Zone, for more information.

#### B Los Angeles Revitalization Zone

The LARZ was established to aid economic development in areas that suffered damage during the civil unrest that occurred in the County of Los Angeles during April and May 1992. The LARZ became operative on May 1, 1992, and applies to businesses with taxable or income years beginning on or after January 1, 1992. The LARZ will remain in effect until December 1, 1998.

Businesses operating within the LARZ do not need to receive prior approval to take advantage of the special tax incentives.

#### C Purpose

Use this booklet to determine the correct amount of deductions and credits that the business may claim for operating or investing in a trade or business within the LARZ. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary.

#### D How to Claim Deductions and Credits

Form FTB 3806 must be attached to the California business tax return to claim LARZ deductions or credits. So that the return will be processed correctly:

**Form 540 filers:** Write "LARZ" in the top margin of Side 1 of Form 540.

**All others:** Check the yes box for the enterprise zone, program area or Los Angeles Revitalization Zone on the top of Side 1 of the tax return.

**Note:** Be sure to keep all completed worksheets and supporting documents for your records.

#### E Survey

An informational survey is included in this booklet on page 21. Please take the time to fill it out, fold it as indicated on the back, tape it closed, add postage and mail it to the Franchise Tax Board, Research Bureau. The purpose of this survey is to gather information regarding how many businesses are using the tax incentives, which incentives the businesses are using, and in which economic development area they are located. This information will help the California Legislature make future decisions regarding the LARZ.

#### F Geographic Boundaries

The geographic boundaries of the LARZ are used to determine whether tax incentives are available to a business in a particular location. Information about the geographic boundaries of the LARZ is available from the individual communities listed below.

A recent law change (Stats. 1994, Ch 606) requires the Trade and Commerce Agency to review the LARZ boundaries and to remove areas that were not damaged during the civil unrest of April and May 1992, from the LARZ. For fiscal year beginning 11/1/94 or after, you can determine if your business is still within the LARZ by calling the applicable phone number listed below.

For information about the geographic boundaries of the LARZ call:

Compton . . . . .	(310) 605-5580
Hawthorn . . . . .	(310) 970-7939
Huntington Park . . . . .	(213) 584-6258
Inglewood . . . . .	(310) 412-5290
Lawndale . . . . .	(310) 970-2130
Long Beach . . . . .	(310) 570-3871
Los Angeles . . . . .	(213) 485-2956
Lynwood . . . . .	(310) 603-0220, ext. 253
Pomona . . . . .	(909) 620-2034
Signal Hill . . . . .	(310) 989-7328
Unincorporated LA County . . . . .	(213) 260-2136

If your business is located within and outside the LARZ, see Part VI, on page 13 for instructions on how to allocate income.

#### G Forms Table

The titles of forms referred to in this booklet are:

Form 100	– California Corporation Franchise or Income Tax Return
Form 100S	– California S Corporation Franchise or Income Tax Return
Form 109	– California Exempt Organization Business Income Tax Return
Form 540	– California Resident Income Tax Return
Schedule CA	– California Adjustments
Schedule P	– Alternative Minimum Tax and Credit Limitations
Schedule R	– Apportionment and Allocation of Income

## Part I Hiring Credits

### Construction Hiring Credit

Employers conducting a trade or business inside the LARZ may claim the construction hiring credit for a new employee who is:

- a resident of the LARZ;
- hired by the employer to perform construction work in the LARZ; and
- hired on or after 5/1/92.

Construction work is any work performed by a qualified employee directly related to building, demolishing, repairing or renovating a structure located within the LARZ.

The credit is equal to a percentage of qualified wages paid to qualified employees during a specified time period as shown in the chart below.

If the employee was hired between:	The percentage is:
1/1/94 – 12/31/97	50%
After 12/31/97	0%

### Hiring Credit

Employers conducting a trade or business inside the LARZ may claim the hiring credit for a new employee who:

- was a resident of the LARZ;
- was hired on or after 5/1/92;
- spends at least 90 percent of work time on activities directly related to the conduct of a trade or business located within the LARZ; and
- performs at least 50 percent of the work within the boundaries of the LARZ.

The credit is equal to a percentage of qualified wages paid to qualified employees during a specified time period as shown in the chart below:

For an employee's:	The percentage is:
1st 12 months	50%
2nd 12 months	40%
3rd 12 months	30%
4th 12 months	20%
5th 12 months	10%
After 60 months	0%

### Construction Hiring Credit and Hiring Credit

**Qualified Wages.** Both the construction hiring credit and the hiring credit are based on the lesser of the following:

- the actual hourly rate paid or incurred by the employer for work performed by the employee; or
- \$6.37 (150 percent of the minimum hourly wage (currently \$4.25) established by the Industrial Welfare Commission).

**Note:** An employee may qualify under the LARZ construction hiring credit, the LARZ hiring credit, and an enterprise zone or program area hiring credit. You should figure each credit for that employee and claim the one that is the largest.

**Record Keeping.** For each qualified employee, keep a schedule showing the:

- employee's name;
- date the employee was hired;
- number of hours the employee worked for each month of employment;
- lesser of the hourly rate of pay for each month of employment or 150 percent of the minimum wage; and
- total qualified wages per month for each month of employment.

### Example:

John Doe

Month	Hours	Hourly Rate	Qualified Wages
1	170	\$6.00	\$1,020.00
2	175	6.25	1,093.75
3	172	6.37*	1,095.64

Continue for each month of employment

\*John's hourly rate is \$6.50, however, the hourly rate is limited to 150 percent of the minimum wage (\$6.37).

**Credit limitations.** The amount of hiring credits claimed may not exceed the amount of tax on LARZ income in any year. Use Worksheet VII on FTB 3806, Side 2, to compute the credit limitation.

Any unused credit may be carried over and applied against the tax imposed on LARZ income in future years.

The credit must be reduced by any federal or state jobs credit that was allowed.

The business must also reduce any business expense deduction for wages by the amount of this credit.

S corporations must reduce their wage deduction by one-third of the amount on Worksheet I, Section B, line 6. Make the wage deduction adjustment on form FTB 100S, Side 1, line 7. In addition, the S corporation must add the entire amount of the credit on Schedule K, line 1 column C.

**Example:** In 1994, an S corporation earned a \$3,000 LARZ hiring credit. The S corporation must reduce its wage deduction by \$1,000 (\$3,000 x 1/3). On Schedule K, line 1, column C, the S corporation would combine \$3,000 with the S corporation's ordinary income or loss.

For additional information about the treatment of credits for S corporations, see the instructions for Worksheet VII on Page 15.

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## Instructions for Worksheet I — Hiring Credits

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### Section A — Construction Hiring Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee.

**Line 1, column (b)** – Enter the qualified wages paid to employees hired after December 31, 1993.

**Line 2, column (b)** – Add the amounts of qualified wages.

**Line 4** – Jobs credits are figured on the following forms:

- federal Form 5884, Jobs Credit; or
- federal Form 3800, General Business Credit; and
- California form FTB 3524, Jobs Credit.

### Section B - Hiring Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee.

**Line 1, column (b) through column (d)** – Enter the qualified wages paid during the taxable or income year to each qualified employee in the appropriate column.

**Line 2, column (b) through column (d)** – Add the amounts in each column.

**Line 5** – Jobs credits are figured on the following forms:

- federal Form 5884, Jobs Credit; or

- federal Form 3800, General Business Credit; and
- California form FTB 3524, Jobs Credit.

### Section C — Recapture of Construction Hiring Credit and Hiring Credit

If the employer terminates an employee at any time during the first 270 days of employment (whether or not consecutive) or before the close of the 270th calendar day after the day the employee completes 90 days of employment, the employer must recapture the full amount of credit attributable to that employee's wages.

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years attributable to the terminated employee.

**Note:** The credit recapture does not apply if the termination of employment was:

- voluntary on the part of the employee;
- in response to misconduct of the employee;
- caused by the employee becoming disabled, (unless the employee was able to return to work and the employer did not offer to re-employ the individual);
- carried out so that other qualified individuals could be hired, creating a net increase in the number of qualified employees and their hours worked; or

- caused by a substantial reduction in the trade or business operations of the employer.

**Line 1, column (a)** – Enter the name of the terminated employee.

**Line 1, column (b) and column (c)** – Enter the amount of credit recapture for each employee. If the construction hiring credit (Section A) was claimed, enter the amount in column (b). If the hiring credit (Section B) was claimed, enter the amount in column (c).

**Line 2** – Add the amounts in column (b) and column (c). Enter the total from line 2, column (b) on form FTB 3806, line 6. Enter the total from line 2, column (c) on form FTB 3806, line 7.

S corporations and their shareholders must recapture the portion of credit that they previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Side 2, Schedule J.

Include the amount of hiring credit recapture on your tax return as follows:

- Form 100, Side 2, Schedule J;
- Form 100S, Side 2, Schedule J;
- Form 109, Side 4, Schedule K; or
- Form 540, line 36.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3806" in the space provided on the schedule or form.



**Part II Sales and Use Tax Credit**

Businesses may elect to claim a credit equal to the sales or use tax paid or incurred during the taxable or income year for qualified property.

**Qualification.** Types of property that qualify for this credit are:

- building materials used to replace or repair the business's building and fixtures within the boundaries of the LARZ; and
- machinery or equipment (excluding inventory) to be used by the business **exclusively** within the boundaries of the LARZ.

**Depreciation.** To calculate California depreciation, the business must make an adjustment to reduce the cost basis of the qualified property by any sales and use tax credit claimed.

To compute the difference between California and federal depreciation use the following forms:

- Form 100 filers: FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers: Schedule B, S Corporation Depreciation and Amortization;
- Form 540 filers: FTB 3885A, Depreciation and Amortization Adjustments.

**Limitation.** The amount of the sales and use tax credit claimed may not exceed the amount of tax on LARZ income in any year. Use Worksheet VII on side 2 of form FTB 3806 to compute the credit limitation.

Any unused credit may be carried over and applied against the tax imposed on LARZ income in future years.

You may not claim the LARZ sales and use tax credit and the manufacturers' investment credit for the same property. Get Pub. 1137, Manufacturers' Investment Credit, for more information.

**Election.** In the case where the sales and use tax credit may also be allowed for qualified property under the enterprise zone or program area sales and use tax credit provisions, the business must make an election on the return for each year, declaring which credit is being claimed. Claiming the LARZ credit constitutes an election to treat the property as LARZ property. The election cannot be revoked except with the written consent of the Franchise Tax Board.

**Instructions for Worksheet II – Sales and Use Tax Credit**

**Section A – Credit Computation**

**Line 1, column (a)** – List the items of qualified property purchased during your taxable or income year. For each item, include the location (street address and city) where it is used.

**Line 1, column (b)** – Enter the cost of the qualified property listed in column (a).

**Line 1, column (c)** – Enter the amount of sales or use tax paid or incurred on the qualified property listed in column (a).

**Section B – Credit Recapture**

The full amount of credit must be recaptured (added back to tax) if the property is no longer used in the LARZ before the close of the second taxable or income year after the property was placed into service.

S corporations and their shareholders must recapture the portion of credit that they previously claimed. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Side 2, Schedule J.

**Line 1, column (a)** – Enter a description of the property.

**Line 1, column (b)** – Enter the amount of the sales and use tax credit which must be recaptured.

**Line 2** – Add the amounts in column (b). Enter the total here, on form FTB 3806, line 8, and on the California tax return as follows:

- Form 100, Side 2, Schedule J;
- Form 100S, Side 2, Schedule J;
- Form 109, Side 4, Schedule K; or
- Form 540, line 36.

Indicate that you included the sales and use tax recapture on the tax return by writing "FTB 3806" in the space provided on the schedule or form.

**Worksheet II Sales and Use Tax Credit – Los Angeles Revitalization Zone**

**Section A Credit Computation**

	(a) Property Description/Location	(b) Cost	(c) Sales and Use Tax
1			
2	Add the amounts in column (b) and column (c). Enter the total from column (c), here, and on Worksheet VII . . . . .	2	

**Section B Credit Recapture**

	(a) Property Description	(b) Credit Recapture
1		
2	Total recapture amount. Add the amounts in column (b). Enter here and on FTB 3806, line 8. See instructions above for where to report on the tax return . . . . .	2

**Part III Business Expense Deduction**

LARZ businesses may elect to treat the cost of qualified property as a business expense deduction rather than a capital expense. For the year the property is placed in service, the business may deduct the cost in that year rather than depreciate it over several years.

**Qualified property** is IRC Section 1245 property acquired by purchase and used exclusively in a trade or business within the LARZ. Qualified property includes, but is not limited to, tangible personal property (excluding buildings and inventory). Most equipment and furnishings purchased for exclusive use within the LARZ qualifies for the deduction.

If the expense election is made, the business must treat the cost of qualified property as a business expense in the year the property is first placed in service. However, this election is not allowed if the property was:

- transferred between members of an affiliated group;
- acquired as a gift or inherited;
- traded for other property;
- received from a personal or business relation as defined in IRC Sections 267 and 707; or
- described in IRC Section 168(f).

**Instructions for Worksheet III — Business Expense Deduction**

**Section A — Business Expense Deduction Computation**

**Line 1, column (a)** – Enter a description of the property, and the location (street address and city) of its use.

**Line 1, column (b)** – Enter the cost of the qualified property listed in column (a).

**Line 2** – Add the amounts in column (b). Enter the total here, on form FTB 3806, line 2, and on the California tax return as follows:

- Form 100, line 15;
- Form 100S, line 13;
- Form 109, Side 2, Part II, line 24; or
- Form 540, Schedule CA, column B, on the applicable line for your business activity.

**Note:** If filing Form 540, indicate that you are claiming the business expense deduction by writing “FTB 3806” below the dotted line to the left of Form 540, line 14.

**Section B — Deduction Recapture**

The deduction is subject to recapture (added back to income) if, before the close of the second taxable or income year after the property was placed in service, the business disposes of, or no longer uses the property whose cost was previously taken as a business expense in the LARZ. In that case, add to income the amount previously deducted for that property.

**Line 1, column (a)** – Enter a description of the property.

**Line 1, column (b)** – Enter the amount of the business expense deduction claimed for the property that must be recaptured.

**Line 2** – Add the amounts in column (b). Enter the total here, on form FTB 3806, line 9, and on the California tax return as follows:

- Form 100, line 7;
- Form 100S, line 7;
- Form 109, Side 2, Part I, line 12; or
- Form 540, Schedule CA, column C, on the applicable line for your business activity.

**Worksheet III Business Expense Deduction — Los Angeles Revitalization Zone**

**Section A Business Expense Deduction — Computation**

	(a) Property Description/Location		(b) Cost
1			
2	Total. Add the amounts in column (b). This is the amount deductible as a business expense. Enter here and on form FTB 3806, line 2. See instructions above for where to report on the tax return. . . . .	2	

**Section B Deduction Recapture**

	(a) Property Description		(b) Business Expense Deduction Recapture
1			
2	Total recapture amount. Add the amounts in column (b). Enter here and on form FTB 3806, line 9. See instructions above for where to report on the tax return. . . . .	2	

## Part IV Net Interest Deduction for Lenders

A deduction from income is allowed for the amount of net interest received from loans made to a trade or business located within the LARZ.

**Net interest** is defined as the amount of interest received, less any direct expenses incurred in making the loan. Examples of direct expenses include, but are not limited to:

- commissions paid to a loan representative; and
- the cost of money incurred in funding the loan.

Types of loans that qualify for this deduction include business loans, mortgages and loans from noncommercial sources. The following requirements must be met to qualify for the deduction:

- the loan is made to a trade or business located solely within the LARZ;
- the money lent is used strictly for the business activities within the LARZ;
- the lender has no equity or other ownership interest in the trade or business; and
- the loan was made on or after May 1, 1992.

**Example:** You lend \$5,000 to a LARZ business that meets the requirements listed above. You receive \$550 in interest and incur \$300 in expenses directly related to the loan. You may deduct \$250 (\$550 – \$300) of net interest from your taxable income.

**Record Keeping.** You should maintain records for each loan showing:

- the identity and location of the trade or business to which you lent the money;
- the amount of the loan, interest received and any direct expenses associated with the loan; and
- the use of the loan.

## Instructions for Worksheet IV – Net Interest Deduction for Lenders

**Line 1, column (e)** – Enter the direct expenses incurred in making the loan. Examples of direct expenses include:

- commissions paid to a loan representative; and
- the cost of money incurred in funding the loan.

**Line 2** – Add the amounts in column (f). Enter the total here, on form FTB 3806, line 3, and on the California tax return as follows:

- Form 100, line 14;
- Form 100S, line 12;
- Form 109, Side 2, Part II, line 24; or
- Form 540, Schedule CA, column B, on line 8 or the applicable line for your business activity.

### Worksheet IV Net Interest Deduction for Lenders — Los Angeles Revitalization Zone

	(a) Name and Location of Business to Which Loan was Made	(b) Date of Loan	(c) Amount of Loan	(d) Interest Received	(e) Direct Expenses Incurred	(f) Net interest col. (d) minus col. (e)
1						
2	Total. Add the amounts in column (f). Enter here and on form FTB 3806, line 3. See instructions above for where to report on the tax return. . . . .					2

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## Part V Net Operating Loss (NOL) Computation and Loss Limitations

An NOL generated by a business that operates or invests within the LARZ can be carried forward for 15 years but cannot be carried back. In addition, 100 percent of the NOL generated in the LARZ can be carried forward.

**Limitation.** A LARZ NOL deduction can only offset income attributable to business activities within the LARZ.

**Election.** Businesses must elect the carryover category (general or specific, enterprise zone, program area or LARZ NOL) on the return for the year of a loss and file form FTB 3806 each year in which an NOL deduction is being taken. The election is **irrevocable**. Filing form FTB 3806 constitutes an election and the annual designation to apply only the LARZ NOL deduction.

**Note:** If you elect the LARZ NOL deduction, you cannot carry over any other type of NOL from this year.

To determine which type of NOL will provide the greater benefit, businesses that have both LARZ NOLs and prior year general or specific NOLs, or enterprise zone or program area NOLs, or that may qualify for the new special NOLs should complete Worksheet V and forms:

- FTB 3805Z, Enterprise Zone and Program Area Business Booklet, Worksheet V (if your business is in more than one designated economic incentive area);
- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts; or
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.

**Alternative Minimum Tax.** Businesses claiming a LARZ NOL deduction must determine their NOL for alternative minimum tax purposes. Use Schedule P to compute the NOL for alternative minimum tax purposes.

**S Corporations.** LARZ NOLs incurred prior to becoming an S corporation may not be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a LARZ NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5 percent tax. The NOL is also passed through to the shareholders in the year the loss is incurred.

**Corporations Subject to Apportionment.**

The loss amount available to carryover for corporations that apportion their income is the amount of the corporation's loss (if any) after the business income or loss is apportioned to California under R&TC Chapter 17. The loss carryover is deducted against income apportionable by each corporation to the LARZ in subsequent years.

Corporations that are members of a unitary group filing a combined report must separately compute the loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors.

Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For water's-edge purposes, each corporation'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.

## Instructions for Worksheet V — NOL Computation and Loss Limitations

Individuals with a current year loss complete Section A. Corporations with a current year loss complete Section B. Individuals and corporations with current year income and a prior year NOL carryover complete Section C.

### Section A — Computation of Current Year NOL — Individuals

Use this section to compute the LARZ NOL to be carried over to future years by individuals. Complete Section A **only** if you have a current year loss.

To compute a LARZ NOL, it is necessary to separate business income and deductions from nonbusiness income and deductions. See Part VI, Doing Business Within and Outside the Los Angeles Revitalization Zone, for a complete discussion of business and nonbusiness income.

**Line 4 through line 7** — You may not deduct any excess of nonbusiness capital losses over nonbusiness capital gains.

**Line 8** — Enter deductions that are not from a trade or business and are not related to your employment (such as medical expense, alimony, charitable contributions and your contributions to individual retirement plans). If you do not itemize your deductions, enter the standard deduction. A casualty loss is considered a business expense whether or not it is connected with a trade or business; do not include it as a nonbusiness deduction.

**Line 9** — Enter your income that is not from a trade or business (such as dividends, annuities, income from an endowment or interest earned on investments).

**Line 10 through line 12** — Nonbusiness deductions may be subtracted only from nonbusiness income, including any nonbusiness capital gains that remain after deducting nonbusiness capital losses and other nonbusiness deductions. A net capital loss may not be deducted.

**Line 17** — Add line 6 and line 16, but also reduce this amount by the difference between line 7 and line 10 of Schedule D, California Capital Gain or Loss Adjustments. For purposes of this computation, treat line 7 and line 10 of Schedule D as positive.

For purposes of this computation net nonbusiness capital losses cannot offset net business capital gains. Complete the following:

Is line 5 greater than line 4?

Yes  No

Is line 13 greater than line 14?

Yes  No

If you answered yes to either or both of these questions, add line 6 and line 16, but do not enter an amount greater than your capital loss deduction.

If you answered no to both of these questions, reduce line 6 by the difference between line 7 and line 10 of Schedule D.

**Line 19** — This is your net operating loss. Generally, this loss will be more than the loss on line 3c. If this line is zero or more, you do not have an NOL.

### Section B — Computation of Current Year NOL — Corporations

Use this section to compute the LARZ NOL to be carried over to future years for corporations. Complete Section B **only** if the corporation has a current year loss.

### Section C — Computation of Net Operating Loss Carryover and Carryover Limitations

Use this section to compute the LARZ NOL deduction for individuals and corporations. The NOL deduction is used to reduce current year income from the LARZ.

**Line 1** — Enter the amount from Form 540, line 17; Form 100, line 18; Form 100S, combined amount line 16 and line 17; or Form 109, line 1 or line 10.

**Apportioning corporations:** Enter the amount from Schedule R, line 13b for the corporation doing business in the zone.

**Line 2** — In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number, any net capital losses included in line 1. **Corporations:** enter -0-.

**Line 3** — Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Form 100 filers:** Enter the amount from Form 100, line 20; **Form 100S filers:** Enter the total

of the amounts from Form 100S line 17 and line 19; **Form 109 filers and Form 540 filers:** enter -0-.

**Line 6** — This is your modified taxable income. Reduce this amount by your LARZ NOL deduction. The LARZ NOL deduction may not be larger than your modified taxable income. If your modified taxable income is a loss in the current year, or if it limits the amount of NOL you may use this year, you must carryover the NOL to future years.

**Line 7** — Enter the amount from line 6. If this amount is zero or negative, transfer the amount from line 8 and line 9 column (b) to column (e).

**Line 8 and line 9** — Enter the amounts as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

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

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

#### Example:

(b) Carry-over from prior years	(c) Amount used this year	(d) Balance available to offset losses	(e) Carry-over
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0
6,000	4,500	0	1,500

**Line 10** — Enter the amount of your current year NOL. Individuals: enter the amount from Section A, line 23. Corporations: enter the amount from Section B, line 5.

**Line 11** — Add the amounts in column (b) through column (e). Enter the totals from line 11, columns (b), (c) and (e) on form FTB 3806, line 4a, line 4b, and line 4c, respectively.

The LARZ NOL deduction for 1994 is the total of column (c). Enter this amount on the California tax return as follows:

- Form 100, line 19;
- Form 100S, line 18;
- Form 109, line 3 or line 11; or
- Form 540, Schedule CA, line 21e, column B.

Worksheet V **Net Operating Loss (NOL) — Los Angeles Revitalization Zone**

**Section A Computation of Current Year NOL — Individuals**

1	Adjusted gross income from Form 540, line 17. If negative, use brackets . . . . .	1	
2	Deductions from Form 540, line 18. . . . .	2	( )
3	a Combine line 1 and line 2. If positive, enter -0- here and on line 19; you do not have a current year NOL . . . . .	3a	
	b 1994 Disaster relief loss. See form FTB 3805V instructions . . . . .	3b	
	c Decrease the amount on line 3a by the amount on line 3b. If line 3c is zero or more, do not complete the rest of this section; you do not have a current year NOL . . . . .	3c	

**Adjustments:**

Enter amounts on lines 4 through 18 as if they were all **positive** numbers.

4	Enter your nonbusiness capital losses . . . . .	4		
5	Enter your nonbusiness capital gains . . . . .	5		
6	If line 4 is greater than line 5, enter the difference; otherwise enter -0- . . . . .	6		
7	If line 4 is less than line 5, enter the difference; otherwise enter -0- . . . . .	7		
8	Nonbusiness deductions . . . . .	8		
9	Nonbusiness income . . . . .	9		
10	Add line 7 and line 9 . . . . .	10		
11	If line 8 is greater than line 10, enter the difference; otherwise enter -0- . . . . .	11		
12	If line 8 is less than line 10, enter the difference; otherwise enter -0- . . . . .	12		
13	Enter your business capital losses . . . . .	13		
14	Enter your business capital gains . . . . .	14		
15	Add line 12 and line 14 . . . . .	15		
16	If line 13 is greater than line 15, enter the difference; otherwise enter -0- . . . . .	16		
17	Add line 6 and line 16. See instructions on page 8. . . . .	17		
18	Add line 11 and line 17 . . . . .	18		
19	1994 NOL. Combine line 3c and line 18. If zero or more, you do not have a current year NOL . . . . .	19		
20	Enter the amount on line 19 as a positive number (if line 19 is greater than zero, enter -0-) . . . . .	20		
21	Enter the average apportionment percentage from Worksheet VI, line 4 . . . . .	21		
22	Multiply line 20 by the percentage on line 21 . . . . .	22		
23	Enter the smaller of line 20 or line 22 here and on section C, line 10, column (e) . . . . .	23		

This is the LARZ NOL carryover from 1994 to 1995.

**Section B Computation of Current Year NOL — Corporations**

**Note:** If you have both a LARZ NOL and a prior year general NOL, see instructions on page 8.

During the year the corporation incurred the NOL, the corporation was a:  C Corporation  S Corporation  Exempt Corporation

1	Net loss for state purposes from Form 100, line 18; Form 100S, combined amounts of line 16 and line 17; or Form 109, line 2. Apportioning corporations enter the amount from Schedule R, line 13b for the corporation doing business in the zone. Enter as a positive number . . . . .	1	
2	1994 disaster relief loss included in line 1. Enter as a positive number. . . . .	2	
3	Subtract line 2 from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL . . . . .	3	
4	Enter the average apportionment percentage from Worksheet VI, line 4 . . . . .	4	
5	Multiply line 3 by line 4. Enter here and on Section C, line 10, column (e). This is the LARZ NOL carryover from 1994 to 1995 . . . . .	5	

Section C **NOL Carryover and Carryover Limitations — Individuals and Corporations.**

1	Enter the amount from Form 540, line 17; Form 100, line 18; Form 100S, combined amounts of line 16 and line 17; or Form 109, line 1 or line 10. Apportioning corporations enter the amount from Schedule R, line 13b for the corporation doing business in the zone . . . . .	1		
2	Net capital loss deduction included in line 1. Enter as a positive number. Corporations enter -0- . . . . .	2		
3	Form 100 Filers: Enter the amount from Form 100, line 20. Form 100S Filers: Enter the total of the amounts on Form 100S, line 17 and line 19. Form 540 Filers and Form 109 Filers: Enter -0- . . . . .	3		
4	Combine line 1 through line 3. . . . .	4		
5	Enter the average apportionment percentage from Worksheet VI, line 4 . . . . .	5		
6	Modified taxable income. Multiply line 4 by line 5 . . . . .	6		

(a) Description	(b) Carryover from prior years	(c) Amount deducted this year	(d) Balance available to offset losses	(e) NOL Carryover
7 Modified taxable income from line 6 . . . . .				
8 NOL carryover beginning in 1992 . . . . .				
9 NOL carryover beginning in 1993 . . . . .				
10 NOL carryover beginning in 1994 . . . . .				
11 Add the amounts in column (b) through column (e). Enter the totals from column (b), column (c) and column (e) on form FTB 3806, line 4a, line 4b and line 4c respectively . . . . .				

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## Part VI Doing Business Within and Outside the Los Angeles Revitalization Zone

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The LARZ tax incentives are limited to the tax on income attributable to business operations within the zone. If the business is located both within and outside of the LARZ, the portion of total business operations that are attributable to the LARZ must be determined.

Use Worksheet VI, Apportionment Formula — Los Angeles Revitalization Zone, to determine the percentage of zone income to total income. This percentage determines the amount of the tax incentives that can be used.

For taxable or income years beginning 1/1/94 and after the method of apportioning income has been revised. The LARZ property and payroll factors used in the determination of allocable business income or loss should now only include the taxpayer's California amounts in the denominator. For purposes of the LARZ, taxpayer means only those businesses operating in the LARZ.

**Note:** If the business operates only within the LARZ, you do not have to complete this worksheet. Enter 100% on line 4, and go to Worksheet VII.

### Business Income vs. Nonbusiness Income

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the regular trade or business operations.

Only business income is apportioned to the LARZ. A taxpayer's LARZ business income is its California apportioned business income multiplied by the LARZ apportionment percentage.

In general, all transactions and activities of the business that are dependent upon or contribute to the operations of the economic enterprise as a whole constitute trade or business.

### Property Factor

The property factor is the average value of all real and tangible personal property owned or rented and used during the taxable or income year to produce business income.

**Note:** Property is included in the factor if it was available for use during the year.

Property owned by the business is valued at its original cost. **Original cost** is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements, and partial dispositions because of sale or exchange.

**Rented property** is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less aggregate annual subrental rates paid by subtenants. Allowance for depreciation is not considered.

The **numerator** of the property factor is the average value of the business's real and tangible personal property owned or rented and used within the LARZ during the year to produce LARZ business income (column (b)).

The **denominator** of the property factor is the total average value of all real and tangible personal property owned or rented and used during the year to produce business within California (column (a)).

### Payroll Factor

The payroll factor is the total amount paid to the business's employees for compensation for the production of business income during the taxable or income year.

**Compensation** means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

### Compensation Within LARZ

Compensation is considered to be within the LARZ if any one of the following tests is met:

- the employee's services are performed within the geographical boundaries of the LARZ; or
- the employee's services are performed both within and outside the LARZ, but the services performed outside the LARZ are incidental to the employee's service within the LARZ.

**Note:** Incidental means any temporary or transitory service rendered in connection with an isolated transaction.

### Compensation Within and Outside LARZ

If the employee's services are performed both within and outside the LARZ, the employee's compensation will be attributed to the LARZ if:

- the employee's base of operations is within and outside the LARZ; or
- there is no base of operations in any other part of the state in which some part of the service is performed, but the place from which the service is directed or controlled is within the LARZ.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

The **numerator** of the payroll factor is the total compensation paid to employees for working within the LARZ during the taxable or income year (column (b)).

The **denominator** of the payroll factor is the total compensation paid for the production of business income during the year within California (column (a)).

Use Worksheet VI if your business has income from sources both within and outside the LARZ.	(a) Total Within California	(b) Total Within LARZ	(c) Percent Within LARZ column (b) ÷ column (a)
<b>PROPERTY FACTOR</b>			
1 <b>Average</b> yearly value of owned real and tangible personal property used in the business (at original cost). See instructions on page 13. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule) . . . . .			
Rented property used in the business:			
See instructions on page 13 . . . . .			
<b>Total property values.</b> . . . . .			
<b>PAYROLL FACTOR</b>			
2 Employees' wages, salaries, commissions and other compensation related to business income included in the return.			
<b>Total payroll.</b> . . . . .			
3 Total percent (sum of the percentages in column (c)) . . . . .			
4 Average apportionment percentage (½ of line 3). Enter here and on form FTB 3806, line 5 . . . . .			

The average apportionment percentage shown on line 4 represents the portion of the total business that is attributable to activities conducted within the LARZ. Use this figure to prorate credits and losses where these amounts are to be divided between activities within and outside the LARZ.

## Part VII Computation of Credits

**Credit Limitations.** The amount of credit you may claim on your California tax return is limited by the amount of tax attributable to the LARZ income. Use Worksheet VII on form FTB 3806, Side 2 to compute this limitation.

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), the alternative minimum tax (corporations and individuals), the built-in gains tax (S corporations) or the net passive income tax (S corporations). Refer to the credit instructions in your tax booklet for more information.

### S corporations and the application of LARZ credits.

An S corporation may use its LARZ credits to reduce LARZ tax both at the corporate and shareholder levels.

An S corporation may use one-third of the LARZ credit to reduce the tax on the S corporation's LARZ income. In addition, S corporation shareholders may claim their distributive share of the entire amount of the LARZ credits calculated under the Personal Income Tax Law.

**Example:** In 1994, an S corporation earned a \$3,000 LARZ hiring credit. The S corporation will be able to use \$1,000 of the credit ( $\$3,000 \times 1/3$ ), to offset the tax on the corporation's LARZ income.

The S corporation will also pass through a \$3,000 credit to its shareholders to offset their individual tax on LARZ income.

S corporations must attach form FTB 3806 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. If FTB 3806 is not attached to the return, the credits may be disallowed.

Shareholders must attach Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

**Carryover.** If the amount of credit available this year exceeds your tax, you may carry over any excess credit to future years until the LARZ ceases to exist or fifteen years, if longer. When the LARZ ceases to exist, the tax must continue to be computed on income as if the LARZ were still in existence.

**Credit Code Number.** Individuals – When transferring the hiring credits and sales and use tax credit to Form 540, you must use credit code number **159**. Using the incorrect code number may cause a delay in allowing the credit.

## Instructions for Worksheet VII — Computation of Credits

**Note:** Worksheet VII is on Side 2 of form FTB 3806.

### Part I

**Line 2** – If your business is located entirely within the zone, enter 1.

**Line 6a** – Compute the tax as if the LARZ taxable income represented all of your taxable income.

**Individuals:** Use the tax table or tax rate schedule for your filing status in your tax booklet. **Exempt organizations:** Use the applicable tax rate in your tax booklet. **Corporations and S corporations:** Use the applicable tax rate.

**Line 6b – Corporations and S corporations:** If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your LARZ credits this year. You should complete Part III of the worksheet to figure the amount of credit carryover.

### Part II

Use Part II if you are a corporation, individual, estate or trust. Corporations that are subject to paying only the minimum tax go to Part III.

**Line 8A, column (e)** – Enter the amount from line 7. This is the amount of limitation based on the tax on LARZ income.

**Line 8A, column (f)** – Enter the amount of credit that is used on Schedule P, column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 8B, column (d). **Note:** For most taxpayers this figure will probably come from Schedule P (540), Part IV, line 26 for individuals; Schedule P (100), Part II, line 21 for corporations; and Schedule P (541), Part IV, line 21 for estates and trusts.

**Line 8B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet I.

**Line 8B, column (c)** – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I minus the amount that was allowed to be taken on the prior year return).

**Line 8B, column (d)** – Add the amount of the current year credit in column (a) and the amount of the total prior year carryover in column (b).

**Line 8B, column (e)** – Compare the amount of line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P limitation and the limitation based on LARZ income.

**Line 9A, column (e)** – Subtract the amount of line 8B, column (e) from the amount of line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amounts from line 9B, column (d) and line 10B, column (d) on line 9B and 10B in column (g).

**Line 9A, column (f)** – Enter the amount of credit that is used on Schedule P, column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 9B, column (d).

**Line 9B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet I.

**Line 9B, column (c)** – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I minus the amount that was allowed to be taken on the prior year return).

**Line 9B, column (d)** – Add the amount of the current year credit in column (a) and the amount of the total prior year carryover in column (b).

**Line 9B, column (e)** – Compare the amount of line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P limitation and the limitation based on LARZ income.

**Line 10A, column (e)** – Subtract the amount of line 9B, column (e) from the amount of line 9A, column (e). If the result is zero, your remaining credit is limited and must be carried over to future years. In this case, enter the amount from line 10B, column (d) in column (g).

**Line 10A, column (f)** – Enter the amount of credit that is used on Schedule P, column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 10B, column (d).

**Line 10B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet II.

**Line 10B, column (c)** – Enter the amount of total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet II minus the amount that was allowed to be taken on the prior year return).

**Line 10B, column (d)** – Add the amount of the current year credit in column (a) and the amount of the total prior year carryover in column (b).

**Line 10B, column (e)** – Compare the amount of line 10A, column (e) and line 10A, column (f). Enter the smaller amount.

**Line 10B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P limitation and the limitation based on LARZ income.

**Example:**  
The ABC Business has \$8,000 of tax. The business has a credit limitation of \$7,000 computed on Worksheet VII, line 7. The business has the following credits:

Construction hiring credit – \$5,000  
General hiring credit – \$500 and a \$300 carryover  
Sales and use tax credit – \$9,000  
Worksheet VII, Part II would be computed as follows:

**Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts**

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LARZ Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (e)
8	Construction Hiring	A			7,000	2,000	
		B	5,000	-0-	5,000		3,000
9	General Hiring	A			5,000	800	
		B	500	300	800		-0-
10	Sales and Use Tax	A			4,200	3,200	
		B	9,000	-0-	9,000		5,800

**Part III**

**Line 11 through line 13, column (b)** – Enter the credit computed this year from the appropriate worksheet.

S corporations – Also enter this amount on Form 100S:

- Schedule C, line 6 or line 7; and,
- Schedule K, line 13.

You may need to adjust your Schedule C to reflect the LARZ tax limitation (Part I, line 7) to your credits after completing this worksheet.

Partnerships – Also enter this amount on Form 565, Schedule K, line 13.

**Corporations and S corporations subject to paying only the minimum tax** – Complete line 11 through line 13, columns (b), (c) and (d). Enter the result of column (d) in column (g). This is the amount of your credit carryover. S corporations see instructions for line 11 through line 13, column (b) for how to report the current year credit on Form 100S.

**Line 11, column (e)** – Enter the amount from line 7. This is the amount of limitation based on the tax on LARZ income.

**Line 12 and line 13, column (e)** – The amount in this column must be reduced by the amount of credit allowed on the previous column (f).

**Example:** The Y & Z partnership has a credit limitation of \$10,000 computed on Worksheet VII, line 7. The partnership has no prior year credit carryover, and has the following current year credits:

Construction hiring credit – \$1,000  
General hiring credit – \$5,000  
Sales and use tax credit – \$9,000

**Part III Limitation of Credits for Partnerships and S corporations**

	(a) Credit Name	(b) Credit Amount See Instructions	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LARZ Income	(f) Credit used this year (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (f)
11	Construction Hiring	1,000	-0-	1,000	10,000	1,000	-0-
12	General Hiring	5,000	-0-	5,000	9,000	5,000	-0-
13	Sales and Use Tax	9,000	-0-	9,000	4,000	4,000	5,000

1994

Los Angeles Revitalization Zone Deduction and Credit Summary

3806

Attach to your California tax return.

Name(s) as shown on return California Identification Number

Enter the name of the LARZ business and its location:

Part I Credits Used

- 1 Hiring and sales and use tax credits claimed on the current year return:
a Construction hiring credit from Worksheet VII, line 8A, column (f) or line 11, column (f)
b General hiring credit from Worksheet VII, line 9A, column (f) or line 12, column (f)
c Sales and use tax credit from Worksheet VII, line 10A, column (f) or line 13, column (f)
Add line 1a, line 1b, and line 1c

ELECTION: The act of claiming the sales and use tax credit on this form constitutes the irrevocable election to claim the credit under R&TC Section 17052.15 or 23612.6. That election may not be revoked except with the written consent of the Franchise Tax Board.

Note: To figure the amount of credits to carry over complete Worksheet VII on Side 2.

Part II Equipment Purchases Deducted as Business Expense

- 2 Enter the cost of qualified property purchased for the LARZ that is being deducted as a current year business expense, from Worksheet III, Section A, line 2, column (b)

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17266 or 24356.4. That election may not be revoked except with the written consent of the Franchise Tax Board.

Part III Net Interest Deduction for Lenders

- 3 Enter the amount of net interest received on loans to businesses located in the LARZ from Worksheet IV, line 2, column (f)

Part IV Net Operating Loss Carryover

- 4a Enter the LARZ NOL carryover from prior years from Worksheet V, Section C, line 11, column (b)
4b Enter the total LARZ NOL deduction used in the current year from Worksheet V, section C, line 11, column (c). Enter this amount on Form 540, Schedule CA, line 21e, column B; Form 100, line 19; Form 100S, line 18; or Form 109, line 3 or line 11
4c Enter the LARZ NOL to carryover to future years from Worksheet V, section C, line 11, column (e)

ELECTION: For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276 or 24416, the act of claiming an NOL carryover on this form constitutes the irrevocable election to apply the loss under R&TC Section 17276.2(c) or 24416.2(c) for taxpayers operating a trade or business within the LARZ. If you elect to carry over an NOL under the LARZ provisions, you cannot carry over any other type and amount of NOL from this year.

Part V Portion of Business Attributable to LARZ

- 5 Enter the average apportionment percentage of your business that is in the LARZ from Worksheet VI, line 4. If your operation is wholly within the LARZ the average apportionment percentage is 100% (1.00)

Part VI Recapture of Deduction and Credits

- 6 Recapture of construction hiring credit from Worksheet I, Section C, line 2, column (b)
7 Recapture of hiring credit from Worksheet I, Section C, line 2, column (c)
8 Recapture of sales and use tax credit from Worksheet II, Section B, line 2, column (b)
9 Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b)

Part I Computation of Limitation

1	Trade or business income. Enter the amount from Form 540, line 17; Form 100, line 18; Form 100S, combined amounts of line 16 and line 17; or Form 109; line 1 or line 10. Apportioning corporations enter the amount from Schedule R, line 13b for the corporation doing business in the zone . . . . .	1	
2	Enter the average apportionment percentage from Worksheet VI, line 4. See instructions on page 15 . . . . .	2	
3	Multiply line 1 by line 2 . . . . .	3	
4	Enter the LARZ NOL deduction from Worksheet V, Section C, line 11, column (c) . . . . .	4	
5	LARZ taxable income. Subtract line 4 from line 3 . . . . .	5	
6a	Compute the amount of tax due using the amount on line 5. See instructions on page 15 . . . . .	6a	
6b	Enter the amount of tax from Form 540, line 24; Form 100, line 22 or Form 100S, line 21. Corporations and S corporations see instructions on page 15 . . . . .	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on zone income. Partnerships and S corporations enter here and on Part III, line 12, column (e) . . . . .	7	

Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LARZ Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (e)
8	Construction Hiring	A					
		B					
9	General Hiring	A					
		B					
10	Sales and Use Tax	A					
		B					

Part III Limitation of Credits for Partnerships and S corporations

	(a) Credit Name	(b) Credit Amount See Instructions	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LARZ Income	(f) Credit used this year (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (f)
11	Construction Hiring						
12	General Hiring						
13	Sales and Use Tax						

1994

# Los Angeles Revitalization Zone Deduction and Credit Summary

3806

Attach to your California tax return.

Name(s) as shown on return	California Identification Number
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Enter the name of the LARZ business and its location:

### Part I Credits Used

- 1 Hiring and sales and use tax credits claimed on the current year return:
  - a Construction hiring credit from Worksheet VII, line 8A, column (f) or line 11, column (f) . . . . .
  - b General hiring credit from Worksheet VII, line 9A, column (f) or line 12, column (f) . . . . .
  - c Sales and use tax credit from Worksheet VII, line 10A, column (f) or line 13, column (f) . . . . .
- Add line 1a, line 1b, and line 1c . . . . . **1**

**ELECTION:** The act of claiming the sales and use tax credit on this form constitutes the irrevocable election to claim the credit under R&TC Section 17052.15 or 23612.6. That election may not be revoked except with the written consent of the Franchise Tax Board.

**Note:** To figure the amount of credits to carry over complete Worksheet VII on Side 2.

### Part II Equipment Purchases Deducted as Business Expense

- 2 Enter the cost of qualified property purchased for the LARZ that is being deducted as a current year business expense, from Worksheet III, Section A, line 2, column (b) . . . . . **2**

**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17266 or 24356.4. That election may not be revoked except with the written consent of the Franchise Tax Board.

### Part III Net Interest Deduction for Lenders

- 3 Enter the amount of net interest received on loans to businesses located in the LARZ from Worksheet IV, line 2, column (f) . . . . . **3**

### Part IV Net Operating Loss Carryover

- 4a Enter the LARZ NOL carryover from prior years from Worksheet V, Section C, line 11, column (b) . . . . . **4a**
- 4b Enter the total LARZ NOL deduction used in the current year from Worksheet V, section C, line 11, column (c). Enter this amount on Form 540, Schedule CA, line 21e, column B; Form 100, line 19; Form 100S, line 18; or Form 109, line 3 or line 11 . . . **4b**
- 4c Enter the LARZ NOL to carryover to future years from Worksheet V, section C, line 11, column (e) . . . . . **4c**

**ELECTION:** For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276 or 24416, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.2(c) or 24416.2(c) for taxpayers operating a trade or business within the LARZ. If you elect to carry over an NOL under the LARZ provisions, you cannot carry over any other type and amount of NOL from this year.

### Part V Portion of Business Attributable to LARZ

- 5 Enter the average apportionment percentage of your business that is in the LARZ from Worksheet VI, line 4. If your operation is wholly within the LARZ the average apportionment percentage is 100% (1.00) . . . . . **5**

### Part VI Recapture of Deduction and Credits

- 6 Recapture of construction hiring credit from Worksheet I, Section C, line 2, column (b) . . . . . **6**
- 7 Recapture of hiring credit from Worksheet I, Section C, line 2, column (c) . . . . . **7**
- 8 Recapture of sales and use tax credit from Worksheet II, Section B, line 2, column (b) . . . . . **8**
- 9 Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b) . . . . . **9**

Part I Computation of Limitation

1	Trade or business income. Enter the amount from Form 540, line 17; Form 100, line 18; Form 100S, combined amounts of line 16 and line 17; or Form 109; line 1 or line 10. Apportioning corporations enter the amount from Schedule R, line 13b for the corporation doing business in the zone . . . . .	1	
2	Enter the average apportionment percentage from Worksheet VI, line 4. See instructions on page 15 . . . . .	2	
3	Multiply line 1 by line 2 . . . . .	3	
4	Enter the LARZ NOL deduction from Worksheet V, Section C, line 11, column (c) . . . . .	4	
5	LARZ taxable income. Subtract line 4 from line 3 . . . . .	5	
6a	Compute the amount of tax due using the amount on line 5. See instructions on page 15 . . . . .	6a	
6b	Enter the amount of tax from Form 540, line 24; Form 100, line 22 or Form 100S, line 21. Corporations and S corporations see instructions on page 15 . . . . .	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on zone income. Partnerships and S corporations enter here and on Part III, line 12, column (e) . . . . .	7	

Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LARZ Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (e)
8	Construction Hiring	A					
		B					
9	General Hiring	A					
		B					
10	Sales and Use Tax	A					
		B					

Part III Limitation of Credits for Partnerships and S corporations

	(a) Credit Name	(b) Credit Amount See Instructions	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LARZ Income	(f) Credit used this year (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (f)
11	Construction Hiring						
12	General Hiring						
13	Sales and Use Tax						



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Place  
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Here

Los Angeles Revitalization Zone Survey  
Franchise Tax Board  
Research Bureau  
P.O. Box 1468  
Sacramento, CA 95812-1468

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PLACE  
TAP  
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# How to Get California Tax Information

(Keep This Page For Future Use)

## Regular Toll-Free Phone Service

Our regular toll-free telephone 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 federal tax questions, call the IRS at 1-800-829-1040.

### Bilingual Assistance

Para obtener servicio bilingüe de información sobre impuestos o formularios, llame al número de teléfono (anotado arriba) que le corresponde.

### Hearing Impaired

Toll-free phone service is provided for the hearing impaired with a Telecommunications Device (TDD). Call 1-800-822-6268. The Franchise Tax Board will also accept calls for, and relay messages to, any California state agency.

## Letters

If you find it necessary to write rather than call, please address your letter to:

**Franchise Tax Board**  
**Attn: Resource Development Section**  
**P.O. Box 1468**  
**Sacramento, CA 95812-1468**

Please allow six to eight weeks for a reply. Include your California identification number and daytime telephone number on all correspondence.

## Your Rights as a Taxpayer

Our goal at the Franchise Tax Board 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 Franchise Tax Board on whether a particular transaction is taxable. You can order FTB Pub. 4058 by writing or calling the Franchise Tax Board using the address or phone numbers listed on this page.

## Personal Assistance

### District Offices

District Offices	Address
Bakersfield . . . . .	1430 Truxtun Avenue
Burbank . . . . .	333 North 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).

## Where to Get Income Tax Forms

**In person** – You can get California tax forms at the Franchise Tax Board district offices listed below. 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** – Call our toll-free phone number listed under "Regular Toll-Free Phone Service" to get the California tax forms you need.

**By mail** – 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:

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



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

Fast Answers about State Taxes is the F.A.S.T. toll-free phone service you can use to get recorded answers to many of your questions about California taxes. You can also find out about your tax refund using the F.A.S.T. number.

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

### To Find Out About Your Personal Income Tax Refund

You should wait at least eight weeks after you file your tax return before you call to find out about your refund. To use F.A.S.T. you must know the first social security number shown on your tax return and the exact dollars and cents amount of your refund.

### 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 number:
  - From within the United States . . . . . 1-800-338-0505
  - From outside the United States (not toll-free) . . . . . 1-916-845-6600

### 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 or to find out about your tax refund, F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

## Personal Income Tax Information

### Code – Question

- Filing Assistance:**
- 200 – Where can I pick up a form today?
  - 201 – How can I get an extension to file?
  - 202 – There is no envelope in the booklet. Where do I send my return?
  - 203 – How much do I get for renter's credit?
  - 204 – I never received a Form W-2. What do I do?
  - 205 – I have no withholding taken out. What do I do?
  - 206 – Do I have to attach a copy of my federal return?
  - 207 – Should I file my return even though I do not have the money to pay?
  - 208 – How do I figure my estimate tax payments?
  - 209 – I lived in California for part of the year. Do I have to file a return?
  - 210 – I do not live in California. Why do I have to file a return?
  - 211 – How do I figure my IRA deduction?
  - 212 – How do I claim my disaster related loss?
  - 213 – How do I file using Form 540-ADS?
  - 215 – Who is the qualifying individual for the purpose of head of household filing status?
  - 216 – I'm due a refund. Do I still need to file a return?
  - 217 – I am currently or was in the military. Do I have to file a California return?
  - 218 – I'm in the military. Do I have to use the same filing status as federal?
  - 219 – I sold my personal residence. How do I report the sale to California?

- 220 – There is no difference in my state and federal depreciation, business income and capital gain income. What do I do?
  - 221 – What is community property?
  - 222 – How much can I deduct for vehicle license fees?
- Refunds:**
- 300 – My spouse has passed away. You sent a refund with both our names on it. What do I do?
  - 301 – I got a letter saying you sent my refund to another agency. Why?
- Penalties:**
- 400 – I have an extension of time to file my return. Why did I get a penalty?
  - 401 – I filed my return on time. Why did I get a penalty?
  - 402 – How can I protest a penalty?
- Notices and Bills:**
- 500 – I received a bill and I cannot pay it in full. What do I do?
  - 501 – Why didn't you give me credit for my withholding?
  - 502 – You didn't give me credit for my child as a dependent. What do I do?
  - 503 – I don't have a homeowner's exemption. Why did you deny my renter's credit?
  - 504 – I'm head of my house. Why was I denied head of household filing status?

- 505 – Why was my IRA denied?
  - 506 – How do I get my Form 1099-G corrected?
  - 507 – Why did I receive a questionnaire?
  - 508 – I received a notice that didn't show all payments made. How do I get credit for them?
- Tax For Children Under 14:**
- 600 – My child has to file a return. Does he or she get the credit for taxpayers with limited income?
  - 601 – Can my child take a personal exemption credit when I claim her or him as a dependent on my return?
  - 602 – Federal law limits the standard deduction. Is the state law the same?
- Miscellaneous**
- 610 – Can I pay my taxes with a credit card?
  - 611 – What address do I send my payment to?
  - 612 – I mailed my return and haven't heard anything. Should I send a copy of my return?
  - 613 – I forgot to attach my Form(s) W-2 when I mailed my return. What do I do?
  - 614 – I forgot to attach a copy of my federal return. What do I do?
  - 615 – How do I get a copy of my state tax return?
  - 616 – What should I do if my federal tax return was examined or changed by the IRS?
  - 617 – What are the current interest rates?

## Corporation Franchise and Income Tax Information

### Code – Question

- Filing 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**
- 617 – What are the current interest rates?
  - 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?