



**1995**  
Corporation Tax Booklet

Members of the Franchise Tax Board  
Kathleen Connell, Chair  
Johan Klehs, Member  
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**This booklet contains:**

[Form 100](#), California Corporation Franchise or Income Tax Return, page 15  
[Schedule P \(100\)](#), Alternative Minimum Tax and Credit Limitations — Corporations, page 19  
[FTB 3539](#), Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, page 27  
[FTB 3565](#), Small Business Stock Questionnaire, page 29  
[FTB 3805Q](#), Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, page 21  
[FTB 3885](#), Corporation Depreciation and Amortization, page 25



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

#### California Tax Forms on the Internet!

Do you need a California franchise or income tax form or publication? Do you have Internet access? If so, you may download, view and print 1994 and 1995 California tax forms and publications. Go to the California Home Page at <http://www.ca.gov> and access the California Franchise Tax Board under state servers.

#### 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 4 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 a few specific provisions of the 1993 federal changes. All other references in these instructions are to the IRC as it existed on January 1, 1993.

#### Manufacturers' Investment Credit

The manufacturers' investment credit is 6% of costs paid or incurred by qualified taxpayers for acquiring, constructing or reconstructing qualified property. The credit is figured on form FTB 3535, Manufacturers' Investment Credit.

#### Local Agency Military Base Recovery Area (LAMBRA)

LAMBRA are economic development areas that have experienced military base closures. These areas are designated by the California Trade and Commerce Agency and have special tax incentives such as: a hiring credit, a sales and use tax credit, a business expense and special net operating loss treatment. Get form FTB 3807, Local Agency Military Base Recovery Area Booklet for more information.

#### Salmon and Steelhead Trout Habitat Restoration Credit

This credit is 10% of the costs paid or incurred for salmon and steelhead trout habitat restoration and improvement projects. The credit can only be taken if the project has been certified by the Department of Fish and Game. You can get further information by writing: TIMBER TAX CREDITS PROGRAM,

PO BOX 944209, SACRAMENTO CA 95244-2090.

#### Filing Requirements

Recent legislation repealed R&TC Section 18634, thereby eliminating the filing requirement (Form FTB 2427, Worldwide Affiliation Schedule) for any bank or corporation with total worldwide assets (including related entities) exceeding \$200 million, operative for information returns due on or after January 1, 1996. The due date includes approved extensions to file the information return.

#### Small Business Stock Questionnaire

An information questionnaire, form FTB 3565, Small Business Stock Questionnaire, is included with this booklet. Please take the time to fill it out and send it back to: FRANCHISE TAX BOARD, PO BOX 942857, SACRAMENTO CA 94257-0500. The purpose of this questionnaire is to determine how many corporations are using the tax incentives of R&TC Section 18152.5. This information will help the California Legislature to determine the effectiveness of legislation regarding tax incentives.

### 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). . . . . 11.3%

For income years ending on or after 12-31-95 use a rate 2% above the corporate rate (currently 9.3%). See R&TC Section 23186(f).

## 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 unless the return is for a short period as required under R&TC Section 24634. See R&TC Section 18601(c) for the due date of the short period return. 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 O and P.

## F Extension of Time to File

If the corporation cannot file its California return by the 15th day of the 3rd month after the close of the income year it may file on or before the 15th day of the 10th 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 complete and 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 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 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 the FTB EFT Section at 916-845-4025.

## H 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  
PO BOX 942857  
SACRAMENTO, CA 94257-0501**

Mail all other returns to:

**FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO, CA 94257-0500**

## I 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

- a. 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;
- b. Enter the amount of federal taxable income before any NOL, on Form 100, Side 1, line 1; and
- c. Enter state adjustments on line 2 through line 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, line 2 through line 16, only if applicable.

## J 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).

## K 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.

## L 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 cor-

poration 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.

## M 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 will be assessed from the original due date of the return.

### 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 underpayment 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 statement of corporate officers with the Office of the Secretary of State.

For more information, contact:

**CALIFORNIA SECRETARY OF STATE  
PO BOX 944230  
SACRAMENTO CA 94244-0230  
Telephone: (916) 657-3537**

### 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.

## N 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, Refund/Billing Information.

## O 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.

To claim this credit enter the amount on line 33. Make a notation to the right of line 33: "Dissolving/Withdrawing."

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:

**ATTN: LEGAL REVIEW  
CALIFORNIA SECRETARY OF STATE  
1500 11TH ST 3RD FLOOR  
SACRAMENTO CA 95814-5701  
Telephone: (916) 657-5448**

## P 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; PLUS
- the tax due on unreported income attributable to installment obligations.

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 O and R&TC Sections 23331 through 23335.

## Q 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

## R 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.

## S Combined Report

If two or more corporations are engaged in a unitary business and 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 income of the entire unitary 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.

## T 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.

## U 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.

## V Information Returns

Every corporation engaged in a trade or business and making or receiving certain pay-

ments 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.

## W Net Operating Loss (NOL)

R&TC Sections 24416, 24416.1, 24416.2, 24416.3 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.

## X Limited Liability Companies

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.

## 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 Y

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

### Question D — REMIC

If a corporation is a Real Estate Mortgage Investment Conduit (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 — Transfer or acquisition of voting stock

All corporations **must** answer Question F. 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 G — Principal business activity code

Using the list found on page 24, 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 H — Enterprise zone, program area, Los Angeles Revitalization Zone (LARZ) or Local Agency Military Base Recovery Area (LAMBRA) 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 Form 100, line 23 through line 25 or Schedule P (100), Part II);
- a program area hiring/sales and use tax credit (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II);
- a LARZ hiring/sales and use tax credit (claimed on Form 100, line 23 through line 25 or Schedule P (100), Part II); or
- a net operating loss from an enterprise zone, program area, LARZ or LAMBRA.

Corporations must also attach form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary, form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary or Form 3807, Local Agency Military Base Recovery Area 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 I — 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 Form 100, line 23 through line 25 or Schedule P (100), Part II).

**Question K — 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.

**Line 1 – Net income (loss) before state adjustments**

Corporations using federal reconciliation to figure net income (see General Information I) 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 fed-

eral 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 I) 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.

**Line 2 through Line 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 that explains the adjustment.

**Line 2 and Line 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.

The Limited Liability Company fee is not a tax (R&TC Section 23092), therefore it is deductible. Do not enter the amount of the fee on line 2 or line 3.

**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.

**Line 9, Line 10, and Line 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 to income 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.

Get Schedule R, Apportionment and Allocation of Income, to figure the contribution computation for apportioning corporations.

**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 LARZ. For more information, get form FTB 3805Z or form FTB 3806, for 1995. Be sure to answer "yes" to Question H 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 1995 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 1995 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 1995 form FTB 3805Q.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 1995 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 1995 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, LARZ or LAMBRA loss, enter the amount from form FTB 3805Z, form FTB 3806 or form FTB 3807.

**Line 20 – Disaster loss carryover deduction**

If you have a disaster loss carryover deduction, enter the total amount from Part II, column (f), of the 1995 form FTB 3805Q.

**Line 22 – Tax**

See General Information B and C.

**Line 23 through Line 27 – 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.

Each credit is identified by a code number. To claim one, two or three credits enter the credit name, code number and the amount of the credit on line 23, line 24 and line 25. To claim more than three credits, use Schedule P (100). List three of the credits on line 23, line 24 and line 25. Enter the total of any remaining credits from Schedule P (100) on line 26.

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.

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

CREDIT NAME	CODE	DESCRIPTION
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employers: Cost of establishing a child care program or constructing a child care facility
Employer Ridesharing – FTB 3518	191 192 193	Employer: Cost of sponsoring a ridesharing program for employees or for operating a private, third-party ridesharing program
Enterprise Zone Hiring & Sales and Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Jobs Credit – FTB 3524	166	10% of the amount of wages paid to employees certified by EDD
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales and Use Tax – FTB 3807	198	Business incentives for LAMBRAS
Los Angeles Revitalization Zone (LARZ) Hiring & Sales and Use Tax – FTB 3806	159	Business incentives for LARZ
Low-Emission Vehicles – Obtain certification from: CA ENERGY COMMISSION 1516 9TH ST MS 41 SACRAMENTO CA 95814	160	55% of the differential cost of purchasing a low emission vehicle or 55% of the cost of converting a vehicle to a low-emission vehicle
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturers' Investment – FTB 3535	199	6% of the cost of qualified property

CREDIT NAME	CODE	DESCRIPTION
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 1995
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program Area Hiring & Sales and Use Tax – FTB 3805Z	177	Business incentives for program areas
Recycling Equipment – FTB 3527	174	40% of the cost of qualified equipment purchased before 1/1/94
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Salmon & Steelhead Trout Habitat Restoration – Obtain certification from: DEPARTMENT OF FISH AND GAME C/O TIMBER TAX CREDITS PROGRAM PO BOX 944209 SACRAMENTO CA 95244-2090	200	10% of qualified costs
Agricultural Products	175	The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits if there is a carryover available from prior years. If you are not required to complete Schedule P (540), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.
Commercial Solar Electric System	196	
Commercial Solar Energy	181	
Contribution of Computer Software	202	
Energy Conservation	182	
Orphan Drug	185	
Political Contributions	184	
Ridesharing	171	
Solar Energy	180	
Solar Pump	179	
Technological Property Contributions	201	

**Line 28 – Balance**

Subtract line 27 from line 22. Enter the result or the applicable minimum franchise tax, whichever is greater. See General Information C.

**Line 29 – Alternative minimum tax**

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

**Line 35 and Line 36 – Tax due or overpayment**

Revise the amount of tax due or overpayment, if applicable, by the amount on Side 2, Schedule J, line 6. See Schedule J instructions.

**Line 39**

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 tax that is not deductible 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 1994 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 nonexempt gross income in excess of \$100. Form 100 may be required in addition to Form 199, California Exempt Organization Annual Information Statement or Return.

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, esti-

mated 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;
- interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations; or
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of a IRC Section 197 intangible.

Revise the amount of tax due or overpayment on Form 100, line 35 or line 36, as applicable by the amount from Schedule J, line 6.

**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 30, 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, line 18 through line 30, based on taxable income including the LIFO recapture amount. Form 100, Side 1, line 30, must then be compared to line 30 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 1, line 30, 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, Refund/Billing Information. Attach a schedule showing the computation.

**Interest on tax deferred under the installment method for certain nondealer install-**

**ment 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.

**IRC Section 197(f)(9)(B)(ii) election.** Complete Schedule J, line 4 if the corporation elected to pay tax on the gain from the sale of an intangible under the related person exception to the anti-churning rules.

**Credit recapture.** Complete Schedule J, line 5, 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; or
- FTB 3807, Part VI, Local Agency Military Base Recovery Area Recapture Credits.

**Schedule G — Bad Debts Reserve Method**  
**Only savings and loan associations, banks and financial corporations may use the bad debt reserve method.** Use the format below to prepare Schedule G. Attach Schedule G to Form 100.

**Schedule H — Dividend Income**

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

**Intercompany Dividends**

A corporation may eliminate dividends received from unitary subsidiaries, but only to the extent that the dividends are paid from unitary earnings and profits accumulated while the subsidiary was a member of the combined report. (R&TC Section 25106). Complete Form 100, Schedule H, column (a) through column (f) and enter the total of column (f) on Form 100, Side 1, line 9.

**Water's-Edge Dividends**

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 Dividends**

Corporations may claim a deduction 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) (R&TC Section 24410).

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

**DEDUCTIBLE DIVIDENDS  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468  
FAX: 1-916-845-6888**

Or call the FTB at the telephone numbers on the back page of this booklet. Allow six to eight weeks for a written reply. Enter this amount on Schedule H, column (g).

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 from Schedule H, column (f) and enter on Schedule H, column (i):

- 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 (d)) by the deductible percentage (column (g)) and enter the result in column (h). Multiply the amount in column (h) by the limitation percentage (column (i)) and enter the result in column (j).

Enter the total from Schedule H, column (j) 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		
1990					
1991					
1992					
1993					
1994					
1995					

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# 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

Alternative minimum taxable income (AMTI) and adjusted current earnings (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 AMT

If the corporation paid AMT for 1994 or has a carry-over of credit for prior year AMT and has no AMT liability for 1995, the corporation may use this credit in 1995 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 asset depreciation range (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)), using 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. Otherwise, enter a positive 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 purposes, 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 purposes 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 carryover 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 as a negative amount, the difference between the loss reported on the tax return for purposes of the regular tax and the recomputed loss.

## 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 120 months starting 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. However, California did not conform to the limit on the benefit of the exclusion of the preference for intangible drilling costs from 30% to 40% of AMTI in 1994. 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. Use the straight-line method over the life of the property 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 alternative minimum taxable income (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.

**Note:** For federal purposes the ACE depreciation adjustment is no longer required. California has not conformed to this provision of the Revenue Reconciliation Act of 1993.

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 for E&P calculations.

**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 ACE 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 1995, enter the amount on this line.

**Line 7b – AMT net operating loss deduction (NOL).**

The AMT net operating loss is the NOL determined for regular tax except:

- 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;
- in the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
  - reduced by the positive AMT adjustments and increased by the negative AMT adjustments; and
  - reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax);
- reduce the AMT NOL by any expired losses; and
- 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 affiliated 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, the Los Angeles Revitalization Zone (LARZ) or the Local Agency Military Base Recovery Area (LAMBRA), get form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary, FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary, or FTB 3807, Local Agency Military Base Recovery Area 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 AMTI.

**Line 16 – Banks and financial corporations**

Corporations with negative or zero taxable income on Form 100, line 21, enter -0-.

**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 – Credits that Reduce Tax**

Complete Part II only if the corporation has tax credits.

**Use Part II to determine:**

- the amount of credit that may be used to offset tax;
- the tax that may be offset;
- the amount of credit, if any, that may be carried over to future years; and
- the order in which to claim credits, if the corporation has more than one credit to claim.

**Before you begin Part II:**

- Complete Form 100 through line 22.
- Figure the amount of credit(s) using a schedule or the credit form identified in the Credit Table. Be sure to attach the credit form or schedule to the return, if applicable.

**To complete Part II:**

- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits without carryover provisions are listed on Schedule P in Section A1 and may be taken only in that section. Credits with carryover provisions are listed on the Credit Table on the next page. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 12 in addition to the line(s) for the corporation's credit(s).
- If the corporation's credit is taken in Section A2, or B, enter the credit code and the credit name in the space provided. Refer to the Credit Table for the credit code.
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. Refer to specific column instructions below.
- If the corporation credit(s) are taken in more than one section, complete each section before going to the next section.
- Once the corporation has completed Section II, see How to Claim Credits on page 14.

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

**Section A Instructions**

**Line 3 –** Subtract line 2 from line 1. If the amount is zero or less than zero continue to Question 1. If the amount is greater than zero go to the Section A1 instructions.

- Does the Credit Table show that the corporation may take the credit ONLY in Section A1 or A2?

**Yes.** Do not take the credit this year. Go to question 2.

**No.** Go to Section B to figure the amount of credit the corporation may take this year. Then continue to Section C if the corporation's credit is listed in that section.

- Does the credit have carryover provisions?

**Yes.** Enter the credit code, credit name and credit amount (column (a)) in the section indicated by the table. Enter -0- in column (b). Enter the credit amount in

column (d). This is the amount of the credit the corporation may carry over and use in future years.

**No.** Do not take the credit this year or in future years.

**Section A1 Instructions**

**Line 4 and Line 5 –** If the corporation has any of the credits listed in this section, complete column (a) through column (c) for each credit in the order listed.

**Section A2, Instructions**

**Line 6 through Line 10 –** Follow the Credit Table Instructions to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

**Note:** Generally it is to the corporations advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on carryover first if that is more advantageous.

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

**Section B – Credits that may reduce tax below tentative minimum tax**

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 C, apply the carryover in Section C.

**Section B Instructions**

**Line 12 through Line 15 –** Follow the Credit Table Instructions to find out in which section to claim your credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

**Note:** Generally it is to the corporations advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on carryover first if that is more advantageous.

**Section C – Credits that may reduce alternative minimum tax**

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.

**Section C Instructions**

**Line 17 and Line 18 –** If the corporation has any of the credits listed in this section, complete column (a) through column (d) for each credit in the order listed.

**Column Instructions –** In column:

- Enter the amount of credit available to offset tax;
- Figure the amount of credit the corporation is able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line;
- Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line; and

(d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a).

**How to Claim Credits**

Claim credits by transferring them to Form 100 as follows:

**Credits on line 4 through line 18** – If the corporation claims only one, two or three credits, enter the name, code number and amount of the credit from column (b) on Form 100, line 23, line 24 and/or line 25. To claim credits that are listed in more than one section, total column (b) of the credits that have the same code numbers. Then enter the name, code number and amount of the credit on Form 100, line 23, line 24 and/or line 25.

**Other Credits** – If the corporation has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 100, line 26.

**Credit Table Instructions**

To use the table:

1. Find the corporations credit(s) listed in the table.
2. See which sections are identified in the columns under "Offset tax in Section."
3. Take the credit only in sections the table identifies for the corporations credit.
4. Use the credit in the earliest section possible.
5. Complete each section before going to the next section.

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

Use this part to figure the 1995 credit for prior year AMT if the corporation paid AMT for 1994 or had an alternative minimum tax credit carryover from 1994.

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 1994 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 1994 Schedule P (100.)

**Line 2**

Enter the credit for prior year alternative minimum tax carryover from the 1994 Schedule P (100), Part II, line 28, column (d).

**Line 3**

Enter this amount on Part II, line 11, column (a).

**Credit Table**

Code	Current Credits	Form	Offset tax in Section:			
			A	B	C	D
189	Employer Child Care Program	FTB 3501		A2		
190	Employer Child Care Contribution	FTB 3501		A2		
191 192 193	Employer Ridesharing	FTB 3518		A2		
176	Enterprise Zone Hiring & Sales and Use Tax 1 = hiring credit 2 = sales and use tax credit	FTB 3805Z		A2 <sub>1</sub> A2 <sub>2</sub>	B <sub>1</sub> B <sub>2</sub>	
166	Jobs Credit	FTB 3524	A1			
159	Los Angeles Revitalization Zone (LARZ) Hiring & Sales and Use Tax	FTB 3806		A2	B	
198	Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales and Use Tax	FTB 3807		A2		
160	Low-Emission Vehicles	N/A		A2		
172	Low-Income Housing	FTB 3521		A2	B	
199	Manufacturers' Investment	FTB 3535		A2	B	
188	Prior Year Alternative Minimum Tax	FTB 3510		A2		
162	Prison Inmate Labor	FTB 3507	A1			
177	Program Area Hiring & Sales and Use Tax	FTB 3805Z		A2	B	
174	Recycling Equipment	FTB 3527		A2		
183	Research	FTB 3523		A2	B	
200	Salmon & Steelhead Trout Habitat Restoration	N/A		A2		
Code	Expired credits with carryover provisions	Form	Offset tax in Section:			
175	Agricultural Products	FTB 3540		A2		
196	Commercial Solar Electric System	FTB 3540		A2	B	
181	Commercial Solar Energy	FTB 3540		A2	B	C
202	Contribution of Computer Software	FTB 3540		A2		
182	Energy Conservation	FTB 3540		A2		
185	Orphan Drug	FTB 3540		A2	B	
184	Political Contributions	FTB 3540		A2		
171	Ridesharing	FTB 3540		A2		
180	Solar Energy	FTB 3540		A2	B	C
179	Solar Pump	FTB 3540		A2		
201	Technological Property Contribution	FTB 3540		A2		

1995 California Corporation Franchise or Income Tax Return

100

For income year beginning		MONTH	DAY	YEAR	, and ending		MONTH	DAY	YEAR
				1995					
Affix Preaddressed Label	California corporation number			Federal employer identification number					
	Corporation name								
	Address								
	City			State			ZIP code		
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 checked="" type="radio"/> _____									
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 CA (R&TC 25101.15) <input type="checkbox"/> within and outside of CA									
C Is this corporation to be treated as a credit union? <input checked="" type="radio"/> Yes <input type="checkbox"/> No									
D Is this corporation treated as a REMIC for California purposes? <input checked="" type="radio"/> Yes <input type="checkbox"/> No									
E Was the corporation's income included in a consolidated federal return? <input checked="" type="radio"/> Yes <input type="checkbox"/> No									

Questions continued on Side 2

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

Calif. Net Income	18 Net income (loss) for state purposes. If net loss, see instructions . . . . .	● 18		
	19 Net operating loss (NOL) carryover deduction. See instructions . . . . .	● 19		
	20 Disaster loss carryover deduction. See instructions . . . . .	● 20		
	21 Net income for tax purposes. Combine lines 19 and 20, then subtract from line 18 . . . . .	● 21		
Taxes	22 Tax. _____% x line 21 (not less than minimum franchise tax, if applicable) . . . . .	■ 22		
	23 Enter credit name _____ code no. _____ and amount . . . . .	▶ 23		
	24 Enter credit name _____ code no. _____ and amount . . . . .	▶ 24		
	25 Enter credit name _____ code no. _____ and amount . . . . .	▶ 25		
	26 To claim more than three credits, see instructions . . . . .	● 26		
	27 Add line 23 through line 26 . . . . .	■ 27		
	28 <b>Balance.</b> Subtract line 27 from line 22 (not less than minimum franchise tax, if applicable) . . . . .	■ 28		
	29 Alternative minimum tax. Attach Schedule P (100). See General Information J . . . . .	■ 29		
	30 <b>Total tax.</b> Add line 28 and line 29. . . . .	■ 30		
Pay-ments	31 Overpayment from prior year allowed as a credit. . . . .	■ 31		
	32 1995 estimated tax payments. . . . .	■ 32		
	33 Amount paid with extension of time to file return . . . . .	■ 33		
	34 Total payments. Add line 31 through line 33 . . . . .	■ 34		
Amount Due or Refund	35 <b>Tax due.</b> If line 30 is more than line 34, subtract line 34 from line 30. Go to line 39 . . . . .	■ 35		
	36 <b>Overpayment.</b> If line 34 is more than line 30, subtract line 30 from line 34. . . . .	■ 36		
	37 Amount of line 36 to be credited to 1996 estimated tax . . . . .	■ 37		
	38 Amount of line 36 to be refunded . . . . .	■ 38		
	39 Penalties and interest. See General Information M and N. . . . .	39		
	● <input type="checkbox"/> Check box if estimate penalty was computed using Exception B or Exception C and attach form FTB 5806.			
	40 <b>Total amount due.</b> Add line 35 and line 39. Pay this amount with this return . . . . .	40		

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 1994					3
4 Net short-term capital gain (loss). Combine line 1 through line 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. Note: If losses exceed gains, carry forward losses to 1996					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 IRC Section 197(f)(9)(B)(ii) election	4
5 Credit recapture name: _____	5
6 Combine line 1 through line 5. Revise the amount on Side 1, line 35 or line 36, whichever applies, by this amount. Write "Schedule J" to the left of line 35 or line 36	6

Questions (continued from Side 1)

- F 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?  Yes  No
- G Principal business activity code (Do not leave blank)  \_\_\_\_\_
- H Is this corporation claiming enterprise zone, program area, LARZ or LAMBRA tax benefits?  Yes  No
- I Check here if claiming technological property contribution tax benefits:  Yes  No
- J Date incorporated: \_\_\_\_\_ Where: \_\_\_\_\_
- K Is this corporation an LLC classified as a corporation by the IRS?  Yes  No
- L Date business began in California or date income was first derived from California sources  \_\_\_\_\_
- M Accounting method used \_\_\_\_\_
- N Location of principal accounting records \_\_\_\_\_
- O Is the corporation under audit by the IRS or has it been audited in a prior year?  Yes  No
- P 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)
- Q "Doing business as" name:  \_\_\_\_\_

- R 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
- S Is this corporation a RIC for California purposes?  Yes  No
- T 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 or c is "yes" enter the country of the ultimate parent  \_\_\_\_\_  
 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 SSN.
- U Have all required information returns (e.g. federal Forms 1099) been filed with the Franchise Tax Board?  N/A  Yes  No
- V Corporation headquarters are:  Within California  
 Outside of California, within the U.S.  Outside of the U.S.
- W Corporation is:  Apportioning income to California  Not apportioning income
- X How many affiliates are claiming immunity under Public Law 86-272?  \_\_\_\_\_
- Y Is this corporation a REIT for California purposes?  Yes  No

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

**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 F Computation of Net Income** See General Information I.

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 <b>Net income before state adjustments.</b> Subtract line 29 from line 11. Enter here and on Side 1, line 1 . . . . . ●	30		

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

(a) Payer	(b) Common or preferred stock	(c) % of stock owned	(d) Dividend received	(e) Unitary (Yes/No)	(f) Allowable intercompany dividend deduction (Side 1, line 9)	(g) Deductible %	(h) Deductible dividend	(i) Limitation %	(j) Allowable other dividend deduction (Side 1, line 10)

**Total.** Add columns (f) and (j). 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) _____	
_____		_____	
_____		7 Total. Add line 5 and line 6 . . . . .	
4 Total. Add line 1 through line 3 . . . . .	●	8 Balance at end of year. Subtract line 7 from line 4.	

1995

Alternative Minimum Tax and Credit Limitations – Corporations

P (100)

Corporation name

California corporation number

Part I Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation

Table with 19 main rows and sub-rows (a-j) for adjustments and tax preference items. Includes columns for line numbers and shaded areas for disallowed items.

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 29 or Form 109, line 19.

**Part II Credits that Reduce 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		

	(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by credits	(d) Credit carryover
<b>Section A – Credits that reduce excess tax</b>				
3 Subtract line 2 from line 1. If zero or less enter -0- and see instructions. This is your excess tax which may be offset by credits . . . . .	3			
<b>A1 Credits that reduce excess tax and have no carryover provisions</b>				
4 Code: 162 Prison inmate labor credit . . . . .	4			
5 Code: 166 Jobs credit . . . . .	5			
<b>A2 Credits that reduce excess tax and have carryover provisions</b> <b>See instructions.</b>				
6 Code: _____ Credit Name: _____	6			
7 Code: _____ Credit Name: _____	7			
8 Code: _____ Credit Name: _____	8			
9 Code: _____ Credit Name: _____	9			
10 Code: 188 Credit for prior year alternative minimum tax from Part III, line 3 . . . . .	10			
<b>Section B – Credits that may reduce tax below tentative minimum tax</b>				
11 If Part II, 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, line 2, minus the minimum franchise tax plus line 10, column (c) . . . . .	11			
<b>B Credits that reduce net tax and have limited carryover provisions</b> <b>See instructions.</b>				
12 Code: _____ Credit Name: _____	12			
13 Code: _____ Credit Name: _____	13			
14 Code: _____ Credit Name: _____	14			
15 Code: _____ Credit Name: _____	15			
<b>Section C – Credits that may reduce alternative minimum tax</b>				
16 Enter your alternative minimum tax from Side 1, Part I, line 19 . . . . .	16			
17 Code: 180 Solar energy credit carryover from Section B, column (d) . . . . .	17			
18 Code: 181 Commercial solar energy credit carryover from Section B, column (d) . . . . .	18			
19 Adjusted AMT. Enter the balance from line 18, column (c) here and on Form 100, line 29 . . . . .	19			

**Part III Credit for Prior Year AMT**

1 Enter the alternative minimum tax from the 1994 Schedule P (100), Part I, line 19. 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

1995

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 [ ] Limited Liability Company (corporations only)

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. If you do not have a current year NOL, go to Part II.

- 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) 1
2 1995 disaster loss included in line 1 (enter as a positive number) 2
3 Subtract line 2 from line 1. If zero or less enter zero and see instructions 3
4 a Enter the amount of the loss incurred by a new business included in line 3 4a
b Enter the amount of the loss incurred by an eligible small business included in line 3. 4b
c Add line 4a and 4b 4c
5 Subtract line 4c from line 3 5
6 General NOL. Multiply line 5 by 50% (.50) 6
7 1995 NOL carryover. Add line 2, line 4c and line 6. See instructions 7

PART II NOL carryover and disaster loss carryover limitations. See Instructions.

Table with 2 columns: Description and (g) Available Balance. Row 1: Net income (loss) - Enter the amount from Form 100, line 18; Form 109, line 2; or Form 100S, line 16 less line 17.

Prior Year NOLs

Table with 8 columns: (a) Year of loss, (b) Code, (c) Type of NOL, (d) Initial loss, (e) Carryover from 1994, (f) Amount used in 1995, (g) Available Balance, (h) Carryover to 1996. Row 1: 2

Current Year NOLs

Table with 8 columns: (a) Year of loss, (b) Code, (c) Type of NOL, (d) Initial loss, (e) Carryover from 1994, (f) Amount used in 1995, (g) Available Balance, (h) Carryover to 1996. Row 1: 3 1995 15 DIS

Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), Title 11 (T11), or Disaster (DIS).

PART III 1995 NOL deduction

- 1 Total the amounts in column (f) for Part II, line 2, except disaster losses. 1
2 Enter the total amount from column (f) that represents disaster loss carryovers here and on Form 100, line 20 or Form 100S, line 19. For Form 109, enter zero. 2
3 Subtract line 2 from line 1. Enter this amount on Form 100, line 19; Form 109, line 4; or Form 100S, line 18. 3

# 1995 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).

### General Information

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 are to the IRC as it existed on January 1, 1993.

#### 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
New Business – 1/1/94		
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%	5 Years
	50%	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 100S, 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 1995, enter the amount of the loss on this line. Enter as a positive number.

**Line 3** – If the amount is zero or less the corporation does not have a current year general NOL. Go to Part II for computation of carryovers and the current year NOL and carryover from disaster losses.

**Line 7** – Go to Part II, Current Year NOLs, to record your 1995 NOL carryover to 1996. Complete columns (b), (c), (d) and (h) only, for each type of loss that you incurred.

If you have a business that qualifies as a new business or a small business and your NOL is greater than the amount of net loss from such a business, use the general NOL first. If you operate one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es) and to the small business(es). The NOL deduction will be taken in the following order:

- the new business NOL;
- the small business NOL; and
- any remaining NOL (treat as an NOL under the general rules).

#### 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.

**When to use an NOL carryover** – Use your NOLs in the order the losses were incurred. There is no requirement to deduct net operating loss carryovers before disaster loss carryovers.

#### Prior Year NOLs

**Column (a)** – Enter the year the loss was incurred.

**Column (b)** – If the loss is due to a disaster, enter the disaster code from the list on page 23. If the loss is from a New Business or Eligible Small Business, enter the Principal Business Activity Code from Question G on Form 100 or Question C on Form 100S. If the loss was from a pass-through entity, enter the entity's FEIN number from Schedule K-1.

**Column (c)** – Enter the type of loss from the following list:

**General NOL carryover** is the 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).

1995 is the 7th and final carryover year for General NOLs incurred in 1988.

**Note:** If the corporation has a current year NOL loss under R&TC Section 24416.2 (relating to enterprise zone, program area, LAM-BRA or LARZ NOLs), it must **elect** to carry over either one of the losses under that section or the loss under R&TC Section 24416 (relating to general NOLs). The election is irrevocable. Get form FTB 3805Z, form FTB 3807 or form FTB 3806, for more information.

**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.

For specific disaster losses as listed below, a California deduction is allowed under IRC Section 165 (i) permitting the loss to be taken against the previous year's income. If you made this election, see Current Year NOLs, Part II, line 3.

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

Year	Code	Event
1995	15	Storms, flooding and other related casualties.
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 occurring in California.

**New business NOL** is the NOL incurred by a trade or business that first commenced activity in California on or after January 1, 1994. For taxable years beginning on or after January 1, 1994, taxpayers engaged in a new business may carry over 100 percent of an NOL incurred in the first three years of operation for an extended period but only to the extent of the net loss from the new business. If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over at 50 percent as a general NOL.

The carryover period for new business NOLs is based on when the loss occurred.

Loss occurred	Carryover Period
1st year of business activity. . . .	8 years
2nd year of business activity. . . .	7 years
3rd year of business activity. . . .	6 years

If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business thereafter conducted by the taxpayer or related person is not a new business if the fair market value of the acquired assets exceeds twenty percent of the fair market value of the total assets of the trade or business conducted by the taxpayer or any related person.

If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and thereafter commences an additional trade or business in this state, the additional trade or business qualifies as a new business only if the activity is classified under a different division of the Standard Industrial Classification (SIC) manual, 1987 edition.

For taxpayers who first commence doing business in this state after December 31, 1993, business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Section 267 or 318.

**Eligible small business NOL** is the NOL incurred by a trade or business whose gross receipts less returns and allowances is less than \$1 million during the taxable year. For income years beginning on or after January 1, 1994, taxpayers engaged in an eligible small business may carry over 100 percent of an NOL but only to the extent of the net loss from an eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business the excess may be carried over at 50 percent as a general NOL.

The carryover period for an eligible small business NOL is five years.

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

**Column (e)** – Enter the carryover amount from the 1994 form FTB 3805Q, Part II, column (g).

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

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

**Column (h)** – Subtract the amount in column (f) from the amount in column (e) and enter the result.

**Current Year NOLs**

**Line 3, Column (d)** – Enter your 1995 disaster loss from Part I, line 2. However, if you elected to claim your 1995 disaster loss on your 1994 return, and you have an excess amount to be carried over to 1995, enter the carryover amount from your 1994 form FTB 3805Q, Part II, Section B on Part II, line 2. Use the Prior Year NOL instructions for column (a) through column (h) except:

- in column (a), enter 1995;
- in column (b), enter 15; and
- in column (d), enter disaster loss carryback.

If you did not elect to carryback your disaster loss:

- in column (f), enter the disaster loss used in 1995.
- in column (h), enter column (d) less column (f).

**Line 4** – If you have a current year NOL from more than one source, list each loss separately. Enter the initial loss to be carried over to subsequent years in column (d) and column (h) for each NOL.

# Principal Business Activity Code Chart

## Agriculture, Forestry, and Fishing

*Code*  
 0400 Agricultural production  
 0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping

## Mining

**Metal mining**  
 1010 Iron ores  
 1070 Copper, lead and zinc, gold and silver ores  
 1098 Other metal mining  
 1150 Coal mining

**Oil and gas extraction**  
 1330 Crude petroleum, natural gas, and natural gas liquids  
 1380 Oil and gas field services

**Nonmetallic minerals, except fuels**  
 1430 Dimension, crushed and broken stone; sand and gravel  
 1498 Other nonmetallic minerals, except fuels

## Construction

**General building contractors and operative builders**  
 1510 General building contractors  
 1531 Operative builders

**1600 Heavy construction contractors**

**Special trade contractors**  
 1711 Plumbing, heating, and air conditioning  
 1731 Electrical work  
 1798 Other special trade contractors

## Manufacturing

**Food and kindred products**  
 2010 Meat products  
 2020 Dairy products  
 2030 Preserved fruits and vegetables  
 2040 Grain mill products  
 2050 Bakery products  
 2060 Sugar and confectionary products  
 2081 Malt liquors and malt  
 2088 Alcoholic beverages, except malt liquors and malt  
 2089 Bottled soft drinks, and flavorings  
 2096 Other food and kindred products

**2100 Tobacco manufacturers**

**Textile mill products**  
 2228 Weaving mills and textile finishing  
 2250 Knitting mills  
 2298 Other textile mill products

**Apparel and other textile products**  
 2315 Men's and boy's clothing  
 2345 Women's and children's clothing  
 2388 Other apparel and accessories  
 2390 Miscellaneous fabricated textile products

**Lumber and wood products**  
 2415 Logging, sawmills, and planing mills  
 2430 Millwork, plywood, and related products  
 2498 Other wood products, including wood buildings and mobile homes

**2500 Furniture and fixtures**

**Paper and allied products**  
 2625 Pulp, paper, and board mills  
 2699 Other paper products

**Printing and publishing**  
 2710 Newspapers  
 2720 Periodicals  
 2735 Books, greeting cards, and miscellaneous publishing  
 2799 Commercial and other printing, and printing trade services

*Code*

**Chemicals and allied products**  
 2815 Industrial chemicals, plastics materials, and synthetics  
 2830 Drugs  
 2840 Soap, cleaners, and toilet goods  
 2850 Paints and allied products  
 2898 Agricultural and other chemical products

**Petroleum refining and related industries (including those integrated with extraction)**

2910 Petroleum refining (including integrated)  
 2998 Other petroleum and coal products

**Rubber and misc. plastics products**  
 3050 Rubber products, plastics footwear, hose and belting  
 3070 Misc. plastics products

**Leather and leather products**  
 3140 Footwear, except rubber  
 3198 Other leather and leather products

**Stone, clay, and glass products**  
 3225 Glass products  
 3240 Cement, hydraulic  
 3270 Concrete, gypsum, and plaster products  
 3298 Other nonmetallic mineral products

**Primary metal industries**  
 3370 Ferrous metal industries; misc. primary metal products  
 3380 Nonferrous metal industries

**Fabricated metal products**  
 3410 Metal cans and shipping containers  
 3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products  
 3430 Plumbing and heating, except electric and warm air  
 3440 Fabricated structural metal products  
 3460 Metal forgings and stampings  
 3470 Coating, engraving, and allied services  
 3480 Ordnance and accessories, except vehicles and guided missiles  
 3490 Misc. fabricated metal products

**Machinery, except electrical**  
 3520 Farm machinery  
 3530 Construction and related machinery  
 3540 Metalworking machinery  
 3550 Special industry machinery  
 3560 General industrial machinery  
 3570 Office, computing, and accounting machines  
 3598 Other machinery except electrical

**Electrical and electronic equipment**  
 3630 Household appliances  
 3665 Radio, television, and communication equipment  
 3670 Electronic components and accessories  
 3698 Other electrical equipment

**3710 Motor vehicles and equipment**

**Transportation equipment, except motor vehicles**  
 3725 Aircraft, guided missiles and parts  
 3730 Ship and boat building and repairing  
 3798 Other transportation equipment, except motor vehicles

**Instruments and related products**  
 3815 Scientific instruments and measuring devices; watches and clocks  
 3845 Optical, medical, and ophthalmic goods  
 3860 Photographic equipment and supplies

**3998 Other manufacturing products**

## Transportation and Public Utilities

**Transportation**  
*Code*  
 4000 Railroad transportation  
 4100 Local and interurban passenger transit  
 4200 Trucking and warehousing  
 4400 Water transportation  
 4500 Transportation by air  
 4600 Pipe lines, except natural gas  
 4700 Miscellaneous transportation services

**Communication**  
 4825 Telephone, telegraph, and other communication services  
 4830 Radio and television broadcasting

**Electric, gas and sanitary services**  
 4910 Electric services  
 4920 Gas production and distribution  
 4930 Combination utility services  
 4990 Water supply and other sanitary services

## Wholesale Trade

**Durable**  
 5008 Machinery, equipment, and supplies  
 5010 Motor vehicles and automotive equipment  
 5020 Furniture and home furnishings  
 5030 Lumber and construction materials  
 5040 Sporting, recreational, photographic, and hobby goods, toys and supplies  
 5050 Metals and minerals, except petroleum and scrap  
 5060 Electrical goods  
 5070 Hardware, plumbing and heating equipment and supplies  
 5098 Other durable goods

**Nondurable**  
 5110 Paper and paper products  
 5129 Drugs, drug proprietaries, and druggists' sundries  
 5130 Apparel, piece goods, and notions  
 5140 Groceries and related products  
 5150 Farm-product raw materials  
 5160 Chemicals and allied products  
 5170 Petroleum and petroleum products  
 5180 Alcoholic beverages  
 5190 Misc. nondurable goods

## Retail Trade

**Building materials, garden supplies, and mobile home dealers**  
 5220 Building materials dealers  
 5251 Hardware stores  
 5265 Garden supplies and mobile home dealers

**5300 General merchandise stores**

**Food stores**  
 5410 Grocery stores  
 5490 Other food stores

**Automotive dealers and service stations**  
 5515 Motor vehicle dealers  
 5541 Gasoline service stations  
 5598 Other automotive dealers

**5600 Apparel and accessory stores**

**5700 Furniture and home furnishings stores**

**5800 Eating and drinking places**

**Misc. retail stores**  
 5912 Drug stores and proprietary stores  
 5921 Liquor stores  
 5995 Other retail stores

## Finance, Insurance, and Real Estate

**Banking**  
*Code*  
 6030 Mutual savings banks  
 6060 Bank holding companies  
 6090 Banks, except mutual savings banks and bank holding companies

**Credit agencies other than banks**  
 6120 Savings and loan associations  
 6140 Personal credit institutions  
 6150 Business credit institutions  
 6199 Other credit agencies

**Security, commodity brokers and services**  
 6210 Security brokers, dealers and flotation companies  
 6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

**Insurance**  
 6355 Life insurance  
 6356 Mutual insurance, except life or marine and certain fire or flood insurance companies  
 6359 Other insurance companies  
 6411 Insurance agents, brokers, and service

**Real estate**  
 6511 Real estate operators and lessors of buildings  
 6516 Lessors of mining, oil, and similar property  
 6518 Lessors of railroad property and other real property  
 6530 Condominium management and cooperative housing associations  
 6550 Subdividers and developers  
 6599 Other real estate

**Holding and other investment companies, except bank holding companies**  
 6744 Small business investment companies  
 6749 Other holding and investment companies except bank holding companies

## Services

**7000 Hotels and other lodging places**

**7200 Personal services**

**Business services**  
 7310 Advertising  
 7389 Business services, except advertising

**Auto repair; misc. repair services**  
 7500 Auto repair and services  
 7600 Misc. repair services

**Amusement and recreation services**  
 7812 Motion picture production, distribution, and services  
 7830 Motion picture theaters  
 7900 Amusement and recreation services, except motion pictures

**Other services**  
 8015 Offices of physicians, including osteopathic physicians  
 8021 Offices of dentists  
 8040 Offices of other health practitioners  
 8050 Nursing and personal care facilities  
 8060 Hospitals  
 8071 Medical laboratories  
 8099 Other medical services  
 8111 Legal services  
 8200 Educational services  
 8300 Social services  
 8600 Membership organizations  
 8911 Architectural and engineering services  
 8930 Accounting, auditing, and bookkeeping  
 8980 Miscellaneous services (including veterinarians)

1995 Corporation Depreciation and Amortization

3885

Attach to Form 100.

Corporation name California corporation number

Part I Depreciation

Table with 8 columns: (a) Description of property, (b) Date acquired, (c) Cost or other basis, (d) Depreciation allowed or allowable in earlier years, (e) Method of figuring depreciation, (f) Life or rate, (g) Depreciation for this year, (h) Additional first year depreciation. Includes summary rows 2-5.

Part II Amortization

Table with 7 columns: (a) Description of property, (b) Date acquired, (c) Cost or other basis, (d) Amortization allowed or allowable in earlier years, (e) R&TC section, (f) Period or percentage, (g) Amortization for this year. Includes summary rows 2-4.

General Information

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).

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) . . . . . 5 yrs.  
General-purpose trucks:  
Light (unloaded weight less than 13,000 lbs.) . . . . . 5 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 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. Generally, assets that meet the definition under IRC Section 197 are amortized on a

straight-line basis over 15 years. 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 qualifies for an expanded expense election. For more information, get Form 3805Z, Enterprise Zone and Program Area Business Booklet, Form 3806, Los Angeles Revitalization Zone Booklet, or Form 3807, Local Agency Military Base Recovery Area Booklet.

# Instructions for Automatic Extension for Corporations and Exempt Organizations

1995

3539

## Reminder: 1994 Tax Law Change

Effective for income years beginning on or after January 1, 1994, the water's-edge election fee is no longer required.  
**Note:** Payment of water's-edge election fees for calendar year 1993 (or fiscal years beginning in 1993), is still required.  
**DO NOT** use this form for those payments. Use the 1993 form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations.

For more information regarding water's-edge reporting, get Form 100-WE, Water's-Edge Booklet and FTB Notice 93-7.

Save the completed worksheet as a permanent part of the corporation's or exempt organization's tax records along with a copy of the return.

**Note:** Exempt pension trusts should use form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries, if a payment is required.

## General Information

If a corporation, including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs) and limited liability companies (LLCs) treated as corporations, or an exempt organization in good standing cannot file its California tax return by the original due date, a seven month extension will be allowed automatically without filing a written request. To qualify for the automatic extension, the corporation's or exempt organization's tax return must be filed by the extended due date. The extended due date for corporations is the 15th day of the tenth month following the close of the income year (fiscal year filers) or October 15, 1996 (calendar year filers). The extended due date for exempt organizations is the 15th day of the twelfth month following the close of the taxable year (fiscal year filers) or December 16, 1996 (calendar year filers).

However, to avoid late payment penalties and interest, 100 percent of the tax liability must be paid by the 15th day of the third month (fiscal year corporations), or the 15th day of the fifth month (fiscal year exempt organizations) following the close of the income year or March 15, 1996 (calendar year corporations), or May 15, 1996 (calendar year exempt organizations).

Complete the tax payment worksheet on Side 2 to see if additional tax is due. **Only send in the voucher if a payment is due.**

## Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Corporations that remit an estimated tax payment or extension payment in excess of \$20,000 or that have a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, must pay through EFT. The Franchise Tax Board will notify corporations that are subject to this requirement. If you are an EFT taxpayer, **DO NOT USE THIS FORM**. Those that wish to participate on a voluntary basis may do so. For more information, call 1-800-852-2753.

## Where to File

If tax is due, and the corporation is not required to use EFT, attach a check or money order for the tax due to form FTB 3539 and **mail only the voucher portion** with the payment to:

**Franchise Tax Board  
P.O. Box 942857  
Sacramento, CA 94257-0551**

## Penalties and Interest

Remember, an extension of time to file the tax return is not an extension of time to pay the tax. If the corporation or exempt organization fails to pay its total tax by the original due date, a late payment penalty plus interest will be added to the tax due. If the corporation or exempt organization does not file its return by the extended due date, the automatic extension will not apply and a late filing penalty plus interest will be assessed.

CUT HERE

(Calendar year corporations — Due March 15, 1996)  
 (Calendar year exempt organizations — Due May 15, 1996)

YEAR

# Payment Voucher for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM

1995

3539

For income year beginning		MONTH	DAY	YEAR	, and ending		MONTH	DAY	YEAR	
California corporation number			Federal employer identification number			Tax due				
Corporation/Exempt Organization name						\$	00		3 5 3 9	
Address										
City		State			ZIP code					

**IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM  
EFT TAXPAYERS, DO NOT USE THIS FORM**

**Payment Voucher 5**

## Combined Reports

If members of a combined unitary group have made or intend to make an election to file a Combined Unitary Group Single Return, only the key corporation designated to file the return should submit form FTB 3539. Payment of at least the minimum franchise tax must be made for each corporation of the combined unitary group that is subject to tax in California.

If members of a combined unitary group intend to file separate returns with the Franchise Tax Board, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the worksheet.

## Exempt Organizations

The due dates for corporations also apply to the filing of Form 100, California Franchise or Income Tax Return, by political action committees and exempt homeowners' associations.

Political action committees and exempt homeowners' associations that file Form 100 should **not** enter the minimum franchise tax on line 1 of the Tax Payment Worksheet below.

Form 199 Filers:

Form 199, California Exempt Organization Annual Information Statement or Return, requires a \$10 filing fee to be paid with the return on the original or extended due date.

Use form FTB 3539 **only** if paying the fee early. Enter the amount of the fee on line 3 of the Tax Payment Worksheet below.

## How to Complete the Tax Payment Worksheet

- Line 1** - Enter the total tentative tax, including the alternative minimum tax for the income year.
- If filing Form 100 or 100S, the tentative tax may not be less than the minimum franchise tax.
  - If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.
- Line 2** - Enter the estimated tax payments, including prior year overpayment applied as a credit.
- Line 3** - **Tax due.** If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tax. The corporation or exempt organization has no tax due. **DO NOT SEND THE PAYMENT VOUCHER.** The corporation or exempt organization will automatically qualify for an extension if the tax return is filed by the extended due date. If the amount on line 1 is more than the amount on line 2, then the corporation's or exempt organization's tax is more than its payments and credits. The corporation or exempt organization has tax due.
- Subtract line 2 from line 1. Enter this amount on line 3 below and on form FTB 3539.

### TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tentative tax. Include alternative minimum tax if applicable. See instructions . . . . .	1		
2	Estimated tax payments including prior year overpayment applied as a credit . . . . .	2		
3	<b>Tax Due.</b> If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1. Enter the result here and on form FTB 3539 . . . . .	3		

1995 Small Business Stock Questionnaire

3565

California corporation number Federal employer identification number

Corporation name

Address

City State ZIP code

A. Income year B. Date of incorporation C. State of incorporation D. Date of qualification in California E. Principal business activity F. Principal business activity code

If the answer to any of the following questions is NO, STOP, do not complete this form.

- G. Did the corporation issue non-treasury stock between August 10, 1993 and the end of the current accounting period?
H. Was the non-treasury stock issued, in whole or in part, for money, property other than stock or for services provided to the corporation?
I. Were the corporation's aggregate gross assets less than or equal to \$50,000,000 from the period beginning July 1, 1993 to the date of issuance of the non-treasury stock?
J. Was at least 80% of the corporation's payroll in California at the date of issuance of the non-treasury stock?
K. Was the corporation a domestic corporation at the date of issuance of the non-treasury stock?
L. Since the issuance of non-treasury stock, was this corporation a C corporation for California purposes?
M. Since the issuance of non-treasury stock, was this a corporation other than a:
N. Since the issuance of non-treasury stock, were at least 80% (by value) of the assets of the corporation used in the active conduct of one or more qualified trades or business in California?
O. During the corporation's existence prior to August 10, 1993, what was the aggregate subscription amount for all non-treasury stock issuances?
P. What was the aggregate subscription amount of non-treasury stock issued between August 10, 1993 and the end of the current accounting period?
Q. What was the date of the first non-treasury issuance between August 10, 1993 and the end of the current accounting period?
R. What was the date of the last non-treasury stock issuance between August 10, 1993 and the end of the current accounting period?
S. How were the proceeds from the issuance of non-treasury stock between August 10, 1993 and the end of the current accounting period used by the corporation?
T. If proceeds of non-treasury stock issued between August 10, 1993 and the end of the current accounting period were used for purchase of equipment or other business assets:
U. For the accounting period preceding your first issuance of non-treasury stock between August 10, 1993 and the end of the current accounting period:
V. For the current accounting period:
W. If provisions for the 50 percent exclusion from income on sale of small business stock did not exist, how would the qualified small business have raised funds?

Under penalties of perjury, I declare that I have examined this form, and to the best of my knowledge and belief, it is true, correct and complete. Signature of officer Print name and title Date

# 1995 Instructions for Form FTB 3565

## Small Business Stock Questionnaire

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### General Information

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#### A Purpose of Form

Use form FTB 3565, Small Business Stock Questionnaire, to provide information regarding issuance of stock pursuant to R&TC Section 18152.5. This information will help the California legislature determine the effectiveness of this tax incentive.

#### B Who Must File

A corporation must file form FTB 3565 if it qualifies as a "qualified small business" and issued stock pursuant to R&TC Section 18152.5 during the period from August 10, 1993 through the end of the current accounting period. For purposes of this form all corporations which are members of the same parent-subsidiary controlled group shall be treated as one corporation. A parent-subsidiary controlled group is defined in IRC Section 1563(a)(1), except that "more than 50%" shall be substituted for "at least 80%."

Failure to file this form by the corporation's original return due date for the current accounting period may disqualify

stockholders from excluding 50% of the gain from the sale or exchange of small business stock.

#### C When and Where to File

File form FTB 3565 on or before the original filing due date of Form 100.

Send a copy of the completed form to:

**FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0500**

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### Specific Instructions

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**Questions G through N** – If the answer to any of these questions is no, stop. You do not need to complete the rest of the form. Do not mail this form to the Franchise Tax Board if you do not need to complete the form.

**Question K** – A domestic corporation is defined in IRC Section 7701(a)(4) as any corporation created or organized in any state in the United States.

**Question N** – A qualified trade or business is defined as any trade or business other than:

- any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or business is the reputation or skill of one or more of its employees;
- any banking, insurance, financing, leasing, investing, or similar business;
- any farming business (including the business of raising or harvesting trees);
- any business involving the production or extraction of products of a character with respect to which a deduction is allowable under Section 613 or 613A of the Internal Revenue Code; or
- any business of operating a hotel, motel, restaurant, or similar business.

**Question Q** – The amount that is entered in Question Q should not include the value of stock issued in exchange for stock.

# How to Get California Tax Information

## 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 2 through April 15, 1996. 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 6, and April 13, from 8:00 a.m. until 5:00 p.m. After April 15, 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 the IRS at . . . . . 1-800-829-1040

## Bilingual Assistance

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

## 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 written reply.

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  
PO 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.

## 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 . . . . . 50 Fremont Street
- 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

## Where to Get Tax Forms

**By Internet** – If you have Internet access, you may download, view and print California tax forms and publications. Go to the California Home Page at <http://www.ca.gov> and access the California Franchise Tax Board under state servers.

**By phone** – For 1995 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  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307**

**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.

## 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.

TAX FORMS REQUEST  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

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\_\_\_\_\_  
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 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.

### 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?



**To Order 1995 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, PO 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</li> <li>— Schedule C (100S), S Corporation Tax Credits</li> <li>— Schedule H (100S), Dividend Income</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> |
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