



California

Forms & Instructions

100S

1995

S Corporation Tax Booklet

Members of the Franchise Tax Board
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Do you need help? 1-800-338-0505 F . A . S . T

Most of your questions can be answered by reading the instructions in this booklet. But if you find that you need help, use our [F.A.S.T. \(Fast Answers about State Taxes\) toll-free phone service](#) available 24 hours a day. If you cannot get the answer you need, call our [regular toll-free phone service](#) listed on page 39. 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. If you need in-person assistance, visit one of our [district offices](#). Addresses are shown on page 39.



State of California
Franchise Tax Board

Instructions for Form 100S

California S 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

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 claimed on form FTB 3535, Manufacturers' Investment Credit.

Local Agency Military Base Recovery Area (LAMBRA)

LAMBRA's 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.

General Information

Form 100S is used if a corporation has elected to be a California small business corporation (S corporation).

All federal S corporations that are subject to California laws and that did not make a California C corporation election must file Form 100S and pay the greater of the minimum franchise tax or the 1.5% income or franchise tax. The tax rate for financial S corporations is 3.5%. Generally, California law follows federal law. However, under California law, if a corporation is treated as an S corporation, and has one or more shareholders who are nonresidents of California, or a trust with a nonresident fiduciary, the S corporation must file form FTB 3830, S Corporation's List of Shareholders and Consents (included in this booklet). This list must include the names and social security numbers or federal employer identification numbers of all shareholders and each nonresident shareholder's or fiduciary's signed consent to be subject to California's jurisdiction to tax the shareholder's pro rata share of income attributable to California sources.

R&TC Section 23801 authorizes the FTB to make a retroactive revocation of the S corporation status if the S corporation fails to meet the requirements outlined above.

The taxable income of the S corporation is calculated two different ways for two different purposes. First, it is calculated in the same manner as for C corporations, with certain modifications, for purposes of the 1.5% franchise tax. Second, it is calculated using federal rules for the pass-through of income and deductions, etc. to the shareholders.

A Franchise or Income Tax

Corporation franchise tax

Entities subject to the corporation franchise tax include all S corporations:

- incorporated in California;
- qualified in California; or
- doing business in California, whether or not incorporated or qualified under California law.

The tax must be 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 S corporations that are taxed 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.

Corporation income tax

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

For purposes of filing a corporation income tax return, the term "corporation" is not limited to incorporated entities, but also includes:

- associations;
- Massachusetts trusts; and

- business trusts.

B Tax Rate and Minimum Franchise Tax

The tax rate for S corporations that are subject to either the franchise or the income tax is 1.5%. If the S corporation is a financial S corporation, and is a calendar year filer, the tax rate is 3.5%.

The tax rate for certain capital gains, built-in gains and excess net passive income is 9.3%. If the S corporation is a financial S corporation, and is a calendar year filer, the tax rate is 11.3%.

For income years ending on or after 12-31-95, use a rate of 2% above the corporate rate (currently 1.5% or 9.3% for certain capital gains, built-in gains and excess net passive income). See R&TC Section 23186(f).

All S corporations subject to the corporation franchise tax and any S corporation "qualified" to do business in California must file Form 100S and pay at least the minimum franchise tax as required by law. The minimum franchise tax is \$800 and must be paid whether the S corporation is active, inactive, operates at a loss or files a return for a short period.

S corporations are not subject to the alternative minimum tax.

C Elections and Terminations

Elections

Corporations that elect federal S corporation status are deemed to have made a California S election on the same date as the federal election. These corporations must report the federal S election to the FTB using form FTB 3560, S Corporation Election or Termination/Revocation.

If a federal S corporation wants to be a California C corporation, it must elect such treatment using form FTB 3560. Only corporations incorporated or qualified to do business in California may make this election. Such an election is treated as a revocation of the California election and will be disregarded if not filed when due.

A federal S corporation that previously elected to be a California C corporation may elect to become a California S corporation unless the California S corporation status was terminated within the past five years. Use form FTB 3560 to make this election.

Terminations

A corporation may terminate its S corporation status by:

- revoking the election (federal or state); or
- ceasing to qualify as an S corporation; or
- violating the passive investment income restrictions on corporations with earnings and profits.

An S corporation may terminate, by revocation, its S election for California, without terminating its federal S election. (R&TC Section 23801(a)(4)(A)(ii) or 23801(a)(4)(F)(i)).

If the corporation terminates its S corporation status, short period returns are required for the S corporation short year and the C corporation short year if applicable. For more information, get federal Pub. 589, Tax Information on S Corporations.

During the five years after the termination of the S corporation status, the corporation may not make another California S election unless the FTB consents.

For more information about elections and terminations, get form FTB 3560.

D Accounting Period and Method

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

A change in accounting method by an S corporation requires consent from the FTB. However, an S 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 that does so, is deemed to have the FTB's approval if: (1) the S corporation files a timely Form 100S consistent with the change for the first year the change is effective, and (2) the change is consistent with California law. Attach to Form 100S a copy of federal Form 3115, Application for Change in Accounting Method, and a copy of the federal consent to the change. The FTB may modify requested changes if the adjustments would distort income for California purposes.

E When to File

File Form 100S no later than the 15th day of the third month after the close of the income year.

For final returns, see General Information O and General Information P.

F Extension of Time to File

An S corporation that cannot file its California return by the 15th day of the 3rd month following the close of the income year 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 as of 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 100S. If there is an unpaid tax liability on the original due date, get form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations.

Note: If the corporation must pay its tax liability using EFT, all taxes due **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 from trade and business activities 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 100S. There are two ways to complete Form 100S:

1. Federal reconciliation method

- Attach a copy of federal Form 1120S, Page 1, U.S. Income Tax Return for an S Corporation, and all pertinent supporting schedules, or transfer the information from federal Form 1120S, Page 1, onto Schedule F and attach all pertinent supporting schedules;
- Enter the amount of federal taxable income (loss) from trade or business activities before any NOL on Form 100S, Side 1, line 1; and
- Enter the state adjustments (including any adjustments required to report items not included in ordinary trade or business income or loss) on line 2 through line 13 to arrive at California net income, Side 1, line 15.

See the specific line instructions for more information.

2. Schedule F – California computation

If you have no federal filing requirement, or if you maintain separate records for state purposes, complete Form 100S, 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 22, to Side 1, line 1. Complete Form 100S, Side 1, line 2 through line 13, only if applicable.

Substitution of federal schedules

S corporations may not substitute federal schedules for California schedules.

J Certain Capital Gains/Built-in Gains

For California purposes, when a C corporation elects to be an S corporation, certain items recognized in S corporation years are subject to the C corporation 9.3% tax rate instead of the S corporation 1.5% tax rate.

Former IRC Section 1374 allowed a threshold amount in determining if the S corporation was subject to the 9.3% tax. However, former IRC Section 1374 was replaced by current IRC Section 1374, which does not allow the threshold amount and is applicable to more forms of income.

Capital gains under former IRC Section 1374.

Generally, S corporations that made the federal S election before January 1, 1987, or during 1987 or 1988 and are under the transition relief rules applicable to built-in gains may be subject to a tax on capital gains (under former IRC Section 1374) for California purposes for certain sales or dispositions.

Based on former IRC Section 1374, a tax is imposed at 9.3% (or the financial S corporation tax rate) if:

- the S corporation is not subject to tax on the gain under the new built-in gains rules (see below);
- the excess of the net long-term capital gain over the net short-term capital loss is more than \$25,000;
- the excess is more than 50% of the corporation's taxable income; and
- the taxable income is more than \$25,000.

The capital gains tax under former IRC Section 1374 does not apply if the corporation was an S corporation during each of the preceding 3 years or for the entire period in the case of new corporations in existence for less than 4 years. However, see the instructions for federal Form 1120S, Schedule D, for rules applicable to certain carryover basis assets.

Built-in gains under current IRC Section 1374.

For those S corporations that made the initial federal S election after December 31, 1986, certain income items reported by the S corporation are taxed at 9.3% (or the financial tax rate). This provision applies for a period of 10 years following the C corporation's election to become an S corporation. The amount of built-in gain that is taxed at 9.3% (or the financial corporation tax rate) is the excess of recognized built-in gains over recognized built-in losses, limited by taxable income as determined under IRC Section 1374(d)(2)(A). The following items are treated as built-in gains subject to this tax:

- accounts receivable of cash basis taxpayers from C corporation years;
- long-term contract deferred income from C corporation years;
- deferred income from installment sales made in C corporation years;
- recapture of depreciation from C corporation years;
- income from unreplaced LIFO inventory from C corporation years; and
- any other income item that is attributable to C corporation years.

Note: For purposes of current IRC Section 1374, the effective date of any California S election made in 1987 and 1988 reverts back to the date of the federal S election if the corporation was previously a federal S corporation.

Transitional rules under current IRC

Section 1374. The Tax Reform Act of 1986, Act Section 633(d)(8), to which California conforms, provides special transitional relief from the built-in gains tax for qualified S corporations. A "qualified S corporation" is any S corporation that has an applicable value of \$10 million or less on August 1, 1986, all times thereafter and before the corporation is completely liquidated, and is more than 50% owned by ten or fewer qualified persons. A "qualified person" is an individual, an estate or a trust that is described in IRC Section 1361(c)(2)(A)(ii) or (iii).

This transitional relief applies to qualified corporations that elected S corporation status after

December 31, 1986, and before January 1, 1989. The relief is not available to an otherwise qualified S corporation in the case of the sale or distribution of capital assets held six months or less or in the case of the sale or distribution of assets which results in ordinary income (loss).

K Estimated Tax

Every S corporation, unless exempt by law, must pay estimated tax using Form 100-ES, Corporation Estimated Tax.

Note: If the corporation must pay its tax liability using EFT, all estimate payments due **must** be remitted by EFT to avoid penalties.

Generally, estimated tax is due and payable in four equal installments:

- the first payment is due on 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 on the 15th day of the 6th, 9th and 12th months, respectively, of the income year.

Note for first-time filers: 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. 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 S corporation's **first** taxable year. **Do not** claim this prepayment as an estimated tax payment or credit against the tax liability shown on the return for any given year.

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

L Commencing S 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.

If the first income year is for a short period of less than 12 months, or if the S corporation is inactive during the first income year, pay at least the minimum franchise tax by the first estimate installment due date, and file Form 100S 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 S corporation that fails to file Form 100S 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 the 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 S corporation that fails to pay the total tax shown on Form 100S 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 an S 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 S 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. Use form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

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

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 attach 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 Form 100S. The penalty for failing to include Form(s) 5472 as required is \$10,000 per person.

If the S 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 or the penalty will be imposed. Mark these separate Form(s) 5472 and mail them to the same address used for Form 100S that do not have a balance due. Then, when the S corporation files Form 100S, 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 the:

**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, failure to report property transfers to non U.S. foreign persons or required information by a non U.S. foreign corporation operating in the U.S., domestic non California, 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 General Information Q and R&TC Sections 19029, 19134, 19135, 19141.5 and 19164.

N Interest

Interest is due and payable on any tax due but not paid by the original due date of Form 100S. Interest is also due on some penalties. The automatic extension of time to file Form 100S does not stop interest from accruing. California follows federal rules for the calculation of interest. Get FTB Pub. 1072, Explanation of Interest, for more information.

O Dissolution/Withdrawal

The franchise tax for the period in which the S 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.

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

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

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

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

**CALIFORNIA SECRETARY OF STATE
ATTN: LEGAL REVIEW
1500 11TH ST 3RD FLOOR
SACRAMENTO CA 95814-5701**

P Ceasing Business

Because the corporation franchise tax is a prepaid tax, a special tax computation is necessary when an S corporation ceases to do business. The tax for the final year in which the S corporation does business in California is:

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

The tax due must be at least the minimum franchise tax. Generally, the S corporation will remain subject to the minimum franchise tax for each year it is in existence until it is formally dissolved or withdrawn through 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 an S corporation fails to file Form 100S 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 S corporation) or forfeited (in the case of a foreign S corporation).

S corporations that operate while suspended or forfeited are subject to a \$2,000 penalty per income year, 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.

Such contracts will remain voidable and unenforceable by the corporation unless relief from contract voidability is applied for and granted by the FTB.

For more information, see R&TC Sections 19135, 19179, 23301, 23305.1 and 23305.2.

R Apportionment of Income

S 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.

Note: A corporation that has made a valid election to be treated as an "S corporation" is generally not included in a combined report. (However, in some cases, the FTB may use combined reporting methods to clearly reflect income of an S corporation (R&TC Section 23801(d)(1).))

S Excess Net Passive Investment Income

California conforms to IRC Section 1375 for income years beginning on or after January 1, 1988. If an S corporation does not have excess net passive investment income for federal purposes, then the S corporation will not have excess net passive investment income for California purposes.

If at the close of the income year, an S corporation has undistributed earnings and profits (defined in IRC Section 1362(d)(3)(B)) from previous years as a C corporation, and has passive investment income that represents more than 25% of total gross receipts, then the S corporation may be subject to a tax on the excess net passive investment income. This tax, imposed under R&TC Section 23811, may not be reduced by any financial offset under R&TC Section 23184.

T Water's-Edge Reporting

To make the water's-edge election, an S corporation must enter into a contract with the 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 Form 100S and a copy 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 S corporation must, among other things, agree to:

- file 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 and the required forms, get the Form 100-WE Booklet.

U Amended Return

To correct or change Form 100S, file Form 100X, Amended Corporation Franchise or Income Tax Return. Also, if the IRS examined and changed

the S corporation's federal return or if the S corporation filed an amended federal return, file Form 100X within six months of the final federal determination.

V Information Returns

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

S corporations must report payments made to California residents by providing copies of federal Form 1099. S corporations must also submit federal Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, within 15 days after the date of the transaction. 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)

Carryover periods varying from 5 to 8 years, and carryover deductions varying from 50% to 100% are allowed for net operating losses sustained by qualified corporations for income years beginning on or after January 1, 1994.

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 the State of California as a disaster area.

For more information, see form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations (included in this booklet), or get form FTB 3805Z, Enterprise Zone and Program Area Business Booklet, form FTB 3806, Los Angeles Revitalization Zone Booklet and form FTB 3807, Local Agency Military Base Recovery Area Booklet. See R&TC Sections 24416, 24416.1, 24416.2 and 24347.5.

X At-Risk Rules

California S corporations are subject to IRC Section 465 relating to the at-risk rules. For more information, see federal Form 6198, At-Risk Limitations. Losses from passive activities are first subject to the at-risk rules and then to the passive activity rules.

Y Passive Activity Loss Limitation

Caution: Federal legislation in 1993 made several changes to the passive activity loss provisions of the IRC. California has not conformed to those changes.

California S corporations must follow prior IRC Section 469 and the regulations thereunder that

allow losses from passive activities to be applied only against income from passive activities.

California law also differs from federal law in that the passive activity loss rules are applied at both the S corporation level and at the shareholder level. The passive activity loss rules must be applied in determining the net income of the S corporation that will be taxed using the 1.5% tax rate. Subsequent to the income and deductions flowing through to the shareholders, the rules are again applied in determining the net income of the shareholder. Treatment at the shareholder level is the same as the federal treatment prior to January 1, 1994.

The passive activity loss rules apply to the S corporation as if it were an individual (i.e., losses from passive activities may not be used to offset other income, except for \$25,000 in losses from rental real estate). However, when determining whether the S corporation materially participates in the activity, the material participation rules that apply to a "closely held C corporation" should be applied to the S corporation. For more information, see IRC Section 469(h)(4).

S corporations must use form FTB 3801, Passive Activity Loss Limitations, to figure the allowable net loss from passive activities.

Z Passive Activity Credits

S corporation credits subject to the passive activity credit limitation rules include:

- research credit;
- jobs credit;
- orphan drug credit carryover; and
- low-income housing credit.

Get form FTB 3801-CR, Passive Activity Credit Limitations, for more information.

AA Tax Credits

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to one-third and transferred to the S corporation. The remaining two-thirds were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These carryovers may not be passed through to shareholders. Refer to Schedule C (100S), S Corporation Tax Credits, included in this booklet.

S corporations may generate credits from both the Bank and Corporation Tax Law and the Personal Income Tax Law. Follow the guidelines below:

- if a credit listed on page 7 or page 8 is allowed under the Bank and Corporation Tax Law, only one-third of the credit may be used to offset tax. The remaining two-thirds must be disregarded and may not be carried over, and no part of the credit may be passed through to the shareholders; or
- if the credit is allowed only under Personal Income Tax Law, the full credit may be passed through to the shareholders, and no part may be used by the S corporation; or
- if a credit is allowed under both the Bank and Corporation Tax Law and Personal Income Tax Law, the S corporation may use one-third of the credit. The remaining two-thirds must be disregarded and may not be carried over. The full amount of the credit, as calculated under the Personal Income Tax Law, may also be passed through to the shareholders.

Credits and credit carryovers may not reduce the minimum franchise tax, built-in gains tax, excess net passive income tax, credit recaptures, the increase in tax imposed for the deferral of installment sale income, or an installment of LIFO recapture tax.

BB Group Nonresident Shareholder Return

Nonresident shareholders of an S corporation doing business in California may elect to file a group nonresident return on Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. For more information, get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR for Nonresident Shareholders of an S Corporation.

Specific Line Instructions

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

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

Caution: California law is different from federal law. California taxes S corporations under Chapter 2 (commencing with Section 23101) or Chapter 3 (commencing with Section 23501) of the Bank and Corporation Tax Law.

Questions A through P

Answer all applicable questions. Be sure to answer questions F through P on Side 2. Note the following instructions when answering:

Question B – Transfer or acquisition of voting stock

All S corporations **must** answer Question B.

Answer "yes" to Question B on Side 1 if:

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

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

Question C – Principal business activity code

All S corporations must answer Question C.

Using the list found on page 17, 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. The California code number may be different from the federal code number.

Question D – Enterprise zone, program area, Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recover Area (LAMBRA) tax benefits

Answer "yes" if the S corporation claims:

- net interest deduction for enterprise zone, program area or LARZ investments (Side 1, line 12);
- an enterprise zone, a program area, the LARZ or the LAMBRA business expense deduction (Side 1, line 13);
- enterprise zone hiring/sales and use tax credit (Schedule C (100S));
- program area hiring/sales and use tax credit (Schedule C (100S));
- LARZ hiring/sales and use tax credit (Schedule C (100S)); or
- LAMBRA hiring/sales and use tax credit (Schedule C (100S)).

S corporations must 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 FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, to Form 100S to claim any of these tax benefits. If form FTB 3805Z, form FTB 3806 or form FTB 3807 is not attached, these tax benefits may be disallowed.

Question E – Technological property contribution tax benefits

Check this box if the S corporation claims:

- a deduction under R&TC Section 24357.8 for the contribution of scientific equipment or apparatus (Side 1, line 11); or
- a credit carryover for the contribution of a computer or scientific equipment.

Line 2 through Line 16 – State adjustments

To figure net income for California purposes, corporations using federal reconciliation (see General Information I) must enter California adjustments to the federal net income on line 2 through line 13. If a specific line for the adjustment is not on Form 100S, enter the adjustment on line 7, Other Additions, or line 13, Other Deductions, and attach a schedule.

Line 2 – Taxes not deductible

California law does not permit a deduction for California corporation franchise or income taxes or any other taxes on, according to, or measured by income or profits. Add these taxes to income on line 2. Examples of these taxes are California's minimum franchise tax, and the 1.5% income or franchise tax. California law does not permit a deduction for the environmental taxes imposed by IRC Section 59A.

Line 3 – Interest on government obligations

S corporations subject to the California franchise tax must report interest received on government obligations even though it may be exempt from state or federal income tax. This interest must be added to income on line 3. See line 13 instructions for S corporations subject to the California corporation income tax.

Line 4 – Net capital gain

Enter on this line any net capital gain subject to the 1.5% tax rate shown on Schedule D (100S), Section B.

Line 5 – Depreciation and Amortization

California law is substantially different from federal law. Complete Schedule B for assets subject

to depreciation and for assets subject to amortization. Enter the total of Schedule B, Part I, line 4 and Part II, line 4, on Form 100S Side 1, line 5.

Line 6 – Portfolio income

Enter on this line net portfolio income not included in line 1, but that must be included in the S corporation's net income for computing the 1.5% tax. Include interest, dividends and royalties. Do not include any passive activity amounts on this line. Instead include passive activity amounts on line 7 or line 13.

Line 7 – Other additions

Include on this line other items not added on any other line to arrive at net income. Attach a schedule that clearly shows how each item was computed and explain the basis for the adjustment.

If a federal contribution deduction was taken in arriving at the amount entered on line 1, enter that amount on line 7. See line 11.

Enter any passive activity income on line 7.

California ordinary net gain or loss

Before entering the amount from Schedule D-1, line 18, determine whether the gain is classified as "built-in gain." If so, enter that amount on Schedule D (100S), Part IV, and enter the difference between the amount on line 18 and the amount subject to the built-in gains tax on Side 1, line 7.

Note: Business expense deductions are not allowed with respect to 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 – Deductible dividends

Complete Schedule H and enter the total from Schedule H, column (g) on this line.

Line 10 – Water's-edge dividend deduction

S corporations electing to file on a water's-edge basis may qualify for a dividend deduction, see instructions for form FTB 2411, Water's-Edge Dividend Deduction, included in the Form 100-WE Booklet.

Line 11 – Contributions

California law limits the contribution deduction to 5% of California net income, without regard to charitable contributions and special deductions (e.g., the deduction for dividends received).

On a separate worksheet, using the Form 100S format, complete Form 100S, Side 1, through line 15 (without regard to line 11). Then complete the worksheet below to determine the contribution deduction to enter on this line.

1. Net income after state adjustments from Side 1, line 15. _____
2. Deduction for dividends received. _____
3. Net income for contribution calculation purposes. Add line 1 and line 2. _____
4. Allowable 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 11

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

Line 12 – Net interest deduction

A deduction may be claimed on this line for the amount of net interest on loans made to an individual or company doing business inside an enterprise zone, a program area or the LARZ. For more information, get form FTB 3805Z and the 1995 Enterprise Zone and Program Area Business Booklet or form FTB 3806 and the 1995 Los Angeles Revitalization Zone Booklet. If form FTB 3805Z or form FTB 3806 is not attached, these tax benefits may be disallowed.

Be sure to answer “yes” to Question D on Form 100S, Side 1.

Line 13 – Other deductions

Include on this line other 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.

Enter on line 13 any passive activity loss. Also enter any IRC Section 179 expense from Schedule B, line 5a.

For S corporations subject to income (and not 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 3, deduct it on this line.

Federal ordinary net gain or loss. Enter any federal ordinary net gain or loss from federal Form 4797, Sales of Business Property, line 20, if the amount is included in income on line 1.

Line 16 – Net income (loss) for state purposes

If all the S corporation income is derived from California sources, transfer the amount from line 15 to this line. If only a portion of income is

derived from California sources, complete Schedule R, Apportionment and Allocation of Income, before entering any amount on this line. Transfer the amount from Schedule R, line 24, to this line.

If this line is a net loss, complete and attach the 1995 form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitation – Corporations, to Form 100S.

Line 17 – R&TC Section 23802(e) deduction

If the S corporation has a tax imposed on excess net passive income, certain capital gains and built-in gains, a deduction is allowed against the net income taxed at the 1.5% rate. See the instructions for the “Excess Net Passive Income and Income Tax Worksheet,” on page 8, to determine if the S corporation is subject to the tax on excess net passive income. If a tax is shown on this worksheet, enter the amount of excess net passive income from line 8 of the worksheet on Form 100S, Side 1, line 17.

Line 18 – Net operating loss carryover deduction

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

If line 16 less line 17 is a positive amount, enter the NOL carryover (but not more than line 16 less line 17) from the S corporation’s 1994 form FTB 3805Q, Net Operating Loss (NOL) Deduction and Disaster Loss Deduction - Corporations, on line 18. This NOL carryover may not exceed line 16 less line 17. Attach a copy of the 1994 form FTB 3805Q to Form 100S. 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 16 less line 17 is a negative amount, S corporations may not claim an NOL carryover deduction. Enter zero on this line. See form FTB 3805Q instructions for the computation of the NOL carryover to future years.

No NOL carryover arising from a year in which an S corporation was a C corporation may be applied against the 1.5% tax. See IRC Section 1371(b)(1) and R&TC Section 23802(d). However, if the corporation terminates its S election, thus becoming a C corporation, then the prior year NOL carryover may be used to the extent it has not expired.

Note: NOL carryovers arising from a year in which the S corporation was a C corporation may be used in computing the tax on built-in gains.

If the S corporation has an enterprise zone, a program area, a LARZ or LAMBRA loss, enter the amount from form FTB 3805Z, Worksheet V or form FTB 3806, Worksheet V or form FTB 3807, worksheet V.

Line 19 – Disaster loss carryover deduction

If the corporation has a disaster loss carryover deduction, enter the total amount from Part III, line 2 of the 1995 FTB 3805Q.

Line 21 – Tax

S corporations must use a tax rate of 1.5%. Financial S corporations must use the financial tax rate of 3.5% if a calendar year filer. The tax on this line may not be less than the minimum franchise tax, if applicable. See General Information B.

Line 22 through Line 25 – Tax credits

Transfer the total credits from Schedule C (100S), to line 22 through line 25. Credits may be used to reduce the California tax liability but may not be used to reduce the tax on line 21 to an amount less than the minimum franchise tax, if applicable. See General Information Z and AA. Complete and attach to Form 100S, the applicable credit form for each credit claimed. The S corporation is allowed to claim only 1/3 of the total credit against the 1.5% franchise tax. For carryover credits complete and attach form FTB 3540, Credit Carryover Summary, to Form 100S. If more than three credits are claimed list the remaining total on line 25.

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 LAMBRA
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 only if there is a carryover available from prior years. If you are not required to complete Schedule P (100), 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	
Residential Rental & Farm Sales	186	
Ridesharing	171	
Solar Energy	180	
Solar Pump	179	
Technological Property Contributions	201	
Water Conservation	178	

Line 28 – Tax from Schedule D (100S)

S corporations must enter the tax from Schedule D (100S) (included in this booklet). See General Information J for more information.

Line 29 – Excess net passive income tax

If the corporation has always been an S corporation for California purposes or has no federal excess net passive income, the excess net passive income tax does not apply. See General Information S for more information.

To determine if the S corporation owes this tax, complete line 1 through line 3 and line 9 of the “Excess Net Passive Income and Income Tax Worksheet” on page 8. If line 2 is greater than

line 3 and the S corporation has taxable income, it must pay the tax. Complete a separate schedule using the format of line 1 through line 11 of the worksheet to figure the tax. Enter the tax on Form 100S, Side 1, line 29. Attach the schedule showing the computation. Reduce each item of passive income passed through to shareholders by its portion of the tax on line 29. See IRC Section 1366(f)(3) and R&TC Section 23803(b)(2).

R&TC Section 23811(e) provides a deduction for C corporation earnings and profits attributable to California sources for any income year by the amount of a consent dividend paid after the close of the income year. The amount of the consent dividend is limited to the difference between

earnings and profits attributable to California sources and earnings and profits for federal purposes.

Line 35 and Line 36

In addition to any amount entered on line 35 or line 36, tax due or overpayment, also include any amounts required to be included from Schedule J, Add-On Taxes or Recapture of Tax Credits.

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.

Excess Net Passive Income and Income Tax Worksheet

1 Enter gross receipts for the income year (see IRC Section 1362(d)(3)(C) for gross receipts from the sale of capital assets)*.	1	
2 Enter passive investment income as defined in IRC Section 1362(d)(3)(D)*	2	
3 Enter 25% (.25) of line 1. If line 2 is less than line 3, the corporation is not liable for this tax.	3	
4 Excess passive investment income. Subtract line 3 from line 2	4	
5 Enter expenses directly connected with the production of income on line 2 (see IRC Section 1375(b)(2))*	5	
6 Net passive income. Subtract line 5 from line 2	6	
7 Divide the amount on line 4 by the amount on line 2	7	
8 Excess of net passive income. Multiply line 6 by line 7 (see instructions on line 11, below)	8	
9 Enter taxable income**	9	
10 Enter the smaller of line 8 or line 9	10	
11 Excess net passive income tax. Enter 9.3% (financial S corporations must use financial rate) of line 10 here and on Form 100S, Side 1, line 29. (If an amount is entered here go to line 8 above, and carry the line 8 amount to Form 100S, line 17.)	11	

* Income and expenses on lines 1, 2 and 5 are from total operations for the income year. This includes applicable income and expenses from Form 100S, Side 1. See IRC Sections 1362(d)(3)(D) and 1375(b)(4) for exceptions regarding line 2 and line 5.

** Taxable income is defined in federal Treas. Regulations Section 1.1374-1A(d). Figure taxable income by completing lines 1 through 17 of Form 100, Corporation Franchise or Income Tax Return. Clearly mark “ENPI Taxable Income” on the Form 100 computation and attach it to Form 100S.

Schedules

Schedule B (100S)

California generally conforms to the provisions of IRC Section 197 for amortization of intangibles for income years beginning on or after January 1, 1994. However, there may be differences in the federal and California amounts for intangible assets acquired in income years beginning prior to January 1, 1994. See R&TC Section 24355.5 for more information.

California did not allow depreciation under the federal accelerated cost recovery system (ACRS) for years prior to 1987. California also does not allow depreciation under ACRS for assets placed in service while the corporation was taxable as a C corporation.

S corporations must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987, in the same manner as in prior years. Refer to form FTB 3885, Corporation Depreciation and Amortization, to determine how to continue depreciating these assets. The following were the most common methods used to calculate depreciation for years prior to 1987:

- straight-line;
- declining balance; and
- sum-of-the-years digits.

For assets placed in service after 1987, S corporations may use the same method for California as was used for federal purposes. S corporations conducting a trade or business inside an enterprise zone, program area, the LARZ or the LAMBRA may elect to treat a portion of the cost of qualified property as a business expense in the first year it is placed in service. This expense deduction is in lieu of the IRC Section 179 expense deduction. For more information, get form FTB 3805Z, form FTB 3806 or form FTB 3807.

Schedule C (100S)

Use Schedule C (100S) to determine the allowable amount of credits for 1995 and the credit carryover to future years. For more information, see General Information Y, Z and AA.

Column (a)

The amount entered in column (a) must be limited to 1/3 the amount of the total credit.

Schedule D (100S)

Schedule D (100S) is divided into Section A and Section B. Use Section A to report all built-in gains and certain capital gains subject to the 9.3% tax rate. Use Section B to report all other capital gains subject to the 1.5% tax rate. For more information, see General Information J.

Section A

Part I and Part II

S corporations use Part I to report and summarize gains and losses attributable to: (1) sale or exchange of capital assets; and (2) gains on distributions to shareholders of appreciated assets that are capital assets. Be sure to use the California basis for all assets when computing the gain or loss. Refer to the instructions for federal Schedule D (Form 1120S) for more information.

Part III

To determine if the S corporation is subject to the tax on certain capital gains, see the instruc-

tions for federal Schedule D (Form 1120S) and General Information J.

Part IV

Line 16

To determine if the S corporation is subject to tax on built-in gains, see the instructions for federal Schedule D (Form 1120S) and General Information J.

Apportioning corporations only: All recognized built-in gains and all recognized built-in losses apportioned and allocated to California must be included on line 16.

Line 19

Enter the amount from form FTB 3805Q that reflects prior year NOLs, on this line. Reduce future NOL carryovers by the amount applied on this line.

Section B

S corporations use Part I and Part II to report the sale or disposition of all capital assets acquired as an S corporation or which are not reported in Section A. For more information, see the instructions for federal Schedule D (Form 1120S).

Schedule F

Line 7 – Compensation of Officers

If the S corporation's total receipts are \$150,000 or more, complete and attach federal Schedule E (1120S) or a schedule showing the compensation of officers. On the schedule list:

- name of officer;
- social security number of officer;
- percentage of time devoted to the business;
- percentage of stock owned; and
- amount of compensation.

Also show the calculation of compensation of officers deducted:

- total compensation of officers, minus
- compensation of officers claimed in the cost of goods sold schedule and elsewhere on the return.

Schedule H

S corporations may claim a deduction for dividends paid by a corporation taxed by California on earnings from which the dividends are paid.

To determine the deductible percentage of a dividend (Schedule H, column (d)) 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**

Or call the FTB at the phone numbers listed on page 39 of this booklet. Allow six to eight weeks for a written reply.

To figure the amount of dividends to enter on Form 100S, determine the corporation's percentage of ownership of the dividend-paying corporation, as shown below, and enter on Schedule H, column (f):

- 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.

Enter the amount from column (g) on Form 100S, line 9.

Schedule J

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

- 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 tax due or overpayment on Form 100S, line 34 or line 35, as appropriate, by the amount from Schedule J, line 5.

LIFO recapture tax. If the S corporation computed the LIFO recapture tax in the final year as a C corporation, include on Schedule J, line 1 any LIFO installment due this income year.

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

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots. If the S 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) (R&TC Section 24667), it must include the interest due on this line. For the applicable interest rates, get FTB Pub. 1138, Bank and Corporation Billing Information. Complete Schedule J, line 3a and attach a schedule showing the computation.

Interest on tax deferred under the installment method for certain nondealer installment obligations. If an obligation arising from the disposition of property to which IRC Section 453A (R&TC Section 24667) applies is outstanding at the close of the income year, the corporation must include the interest due under IRC Section 453A(c) on this line. For the applicable interest rates, get FTB Pub. 1138, Bank and Corporation Billing Information. Complete Schedule J, line 3b.

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

- FTB 3501, Employer Child Care Program/Contribution Credit;
- FTB 3518, Employer Ridesharing Credits;
- FTB 3805Z, Worksheet I, Hiring Credit — Enterprise Zone & Program Areas;
- FTB 3806, Los Angeles Revitalization Zone (LARZ) Hiring Credit/Sales and Use Tax Credit; or
- FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Hiring Credit/Sales and Use Tax Credit.

Schedule K and Schedule K-1

Shareholders' shares of income, deductions, credits, etc.

Purpose of schedules

Schedule K (100S) is a summary schedule of all the shareholders' shares of the S corporation's income, deductions, credits, etc. Schedule K-1 (100S) shows each shareholder's separate share of pass-through items and adjusted basis. Use federal Schedule K and Schedule K-1 (Form 1120S) as a basis for preparing California Schedule K and Schedule K-1 (Form 100S).

Note: Amounts on Schedule K-1 may not add up to amounts reflected on Form 100S, Side 1 because Side 1 calculates tax at the S corporation level while Schedule K-1 amounts are calculated using different rules.

Attach one copy of each Schedule K-1 (100S) to the Form 100S filed with the FTB. Keep one copy of each Schedule K-1 (100S) for the S corporation's records, and give each shareholder a copy of Schedule K-1 (100S) on or before the day on which Form 100S is due.

Note: Be sure to give each shareholder a copy of either the Shareholder's Instructions for Schedule K-1 (100S) (included in this booklet) or specific instructions for each item reported on the shareholder's Schedule K-1 (100S).

Substitute forms

You need approval from the FTB to use a substitute Schedule K-1 (100S). The substitute schedule must include the Shareholder's Instructions for Schedule K-1 (100S) or other prepared specific instructions. For more information, get FTB Pub. 1098, Guidelines for the Use of Substitute and Reproduced Tax Forms.

General Instructions

In column (b) on Schedules K and K-1 (100S), enter the corresponding amounts from federal Schedules K and K-1 (Form 1120S). In column (c), enter adjustments resulting from differences between California and federal law for each of the specific line items. In column (d), enter the California amount, which is the result of combining column (b) and column (c).

Reminder: When entering California adjustments in column (c) of Schedule K (100S) or K-1 (100S), be sure to adjust for differences between federal and California amounts (or taxes), as applicable to individuals, for:

- built-in gains tax (Schedule D (100S));
- capital gains tax (Schedule D (100S)); and
- excess net passive income tax (Form 100S, Side 1, line 29).

This column must not be used to adjust for apportionment or allocation of income.

Column (e) is used to report California Source income amounts and credits. Include the following items in column (e):

- gross income less allowable deductions from separate businesses, trades or professions conducted wholly within the state (see 18 Cal. Code Reg. Section 17951-4 (a));
- business income from unitary businesses, trades or professions of the S corporation apportioned to California determined by application of R&TC Sections 25128 through 25137, inclusive (see 18 Cal. Code Reg. Section 17951-4 (c)). Generally, income will be apportioned using either a 3 or 4 factor for-

mula depending upon whether more than 50% of the business receipts of the apportioning activity are from agricultural, extractive, savings and loan, bank or financial activity. In most cases, the determination of whether or not the 3 or 4 factor apportionment applies could be determined by reference to the gross business receipts of the S corporation itself. Apply the apportionment factors from Schedule R, Apportionment and Allocation of Income, to the business income portion of each line item. However, if the shareholder conducts a trade or business that is unitary with the S corporation, the determination of whether the 3 or 4 factor apportionment applies must be determined at the shareholder level. In such case, the apportionment items on Schedule K-1 (100S), table 1 will be used by the shareholder in making that determination. Amounts in column (e) will only be used if the shareholder is not unitary with the S corporation (For more information, see Total Amounts Using California Law on page 33). **Note:** A 4 factor formula is defined as property, payroll and a double-weighted sales factor;

- nonbusiness income allocated to this state under the provisions of R&TC Sections 25124 through 25127 (see 18 Cal. Code Reg. Sections 17951-3, 17951-4 (c) and 17952). Do not enter nonbusiness items whose source is based on the residency or commercial domicile of the shareholder. Enter these amounts on the applicable lines on Schedule K-1 (100S), table 2 (attach a schedule if necessary); and
- California tax credits.

If a husband and wife each had a separate interest in the S corporation, you must prepare a separate Schedule K-1 (100S) for each of them.

If a husband and wife held an interest together, prepare one Schedule K-1 (100S) if the two of them are considered to be one shareholder.

On each Schedule K-1 (100S), enter the name, address and identifying number of the shareholder and the S corporation and the shareholder's distributive share of each item. For an individual shareholder, enter the shareholder's social security number. For all other shareholders, enter their federal employer identification number.

Special reporting requirements for passive activities

If items of income (loss), deduction or credit from more than one activity are reported on Schedule K-1 (100S), the S corporation must attach a statement to Schedule K-1 (100S) for each activity that is a passive activity to the shareholder. Rental activities are passive activities to all shareholders. Trade or business activities are passive activities to shareholders who do not materially participate in the activity.

The attachment must include all the information explained in the instructions for federal Schedule K-1 (Form 1120S).

Specific Line Instructions

Items A through E (Schedule K-1 (100S) only)

To insure correct processing of Schedule K-1 (100S), answer all items that are appropriate.

Items A and B (Schedule K-1 (100S) only)

See the instructions for Items A and C of federal Schedule K-1 (Form 1120S).

Income

Line 1 – Ordinary income (loss) from trade or business activities

Enter in column (c) any adjustments to ordinary income that do not need to be separately stated. Include in this column the adjustment to add back the minimum franchise tax or the 1.5% tax.

Line 2 – Net income (loss) from rental real estate activities

Enter the net of income and expenses of any rental real estate activity of the S corporation. If the S corporation has more than one rental real estate activity reported on these lines, attach a separate schedule or use Schedule K-1 (100S), line 22 to list the income or loss from each activity, plus any other information required under the rules for passive activities. Attach form FTB 3801, Passive Activity Loss Limitations, to Form 100S.

Line 3a, Line 3b and Line 3c – Net income (loss) from other rental activities

Enter the net of income and expenses of other rental activity not listed on line 2 above. If the S corporation has more than one rental activity reported on these lines, attach a separate schedule listing the income or loss from each activity, plus any other information required under the rules for passive activities.

Line 4a through Line 4f – Portfolio income (loss)

Portfolio income (loss) is any gross income from interest, dividends, annuities or royalties that is not derived in the ordinary course of business. Portfolio income must be separately accounted for as such. Portfolio income also includes gains or losses from the sale or other disposition of property (other than an interest in a passive activity) producing portfolio income or held for investment.

Line 4a, Line 4b and Line 4c – Interest, dividend and royalty income

Enter only taxable interest, dividend and royalty income that is portfolio income.

Line 4d and Line 4e – Net capital gain (loss)

Enter on line 4d and line 4e the amount of capital gains and losses that is portfolio income (loss). If any of the income (loss) is not portfolio income (loss), include it on line 6.

Line 4f – Other portfolio income (loss)

Enter any other portfolio income (loss) not entered on line 4a through line 4e.

Line 5 – Net gain (loss)

The amount for line 5 comes from Schedule D-1, Sales of Business Property. Do not include specially allocated ordinary gains and losses or net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 6.

If the S corporation has more than one activity and the amount on line 5 is a passive activity amount to the shareholder, attach a statement to Schedule K-1 (100S) (or use Schedule K-1 (100S), line 22) to identify to which activity the IRC Section 1231 gain (loss) relates.

Line 6 – Other income (loss)

Enter any other item of income or loss not included on line 1 through line 5, such as:

- Wagering gains and losses. See IRC Section 165(d).

- b. Recovery of tax benefit items. See IRC Section 111.
- c. Any gain or loss where the S corporation was a trader or dealer in IRC Section 1256 contracts or property related to such contracts. See IRC Section 1256(f).
- d. Net gain (loss) from involuntary conversions due to casualty or theft.
- e. Loss(es) from qualified low-income housing projects for shareholders that are qualified investors.

Deductions

Line 7 – Charitable contributions

Enter the total amount of charitable contributions made by the S corporation during its income year on Schedule K (100S) and each shareholder's distributive share on Schedule K-1 (100S). On an attachment to each schedule, separately show the dollar amount of contributions subject to each of the 50%, 30% and 20% of adjusted gross income limits.

A resident shareholder is allowed a deduction for contributions to a qualified organization as provided in IRC Section 170.

Line 8 – Expense deduction for recovery property

The amount of expense deduction for recovery property that can be claimed from all sources will vary depending on the type of property and the year of designation. For more information, see IRC Section 179 and R&TC Sections 17201, 17252.5, 17265 and 17268.

Line 9 – Deductions related to portfolio income (loss)

Enter on this line the deductions allocable to portfolio income (loss) other than interest expenses. Generally, these deductions are IRC Section 212 expenses and are subject to IRC Section 212 limitations at the shareholder level. However, interest expense related to portfolio income (loss) is generally investment interest expense and is reported on line 11a.

Investment Interest

Line 11a through Line 11b(2)

These lines must be completed whether or not a shareholder is subject to the investment interest rules.

Line 11a – Interest expense on investment debts

Include on this line interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on Schedules K and K-1 (100S), line 11a rather than Schedules K and K-1 (100S), line 9. Investment interest does not include interest expense allocable to a passive activity. A passive activity is a rental activity or a trade or business activity in which the shareholder does not materially participate.

Property held for investment includes a shareholder's interest in a trade or business activity that is not a passive activity to the shareholder and in which the shareholder does not materially participate. An example would be a shareholder's working interest in oil and gas property (i.e., the shareholder's interest is not limited) if the share-

holder does not materially participate in the oil and gas activity.

The amount on line 11a will be reflected (after applying the investment interest expense limitations) by individual shareholders on their Schedule CA, California Adjustments.

For more information, get form FTB 3526, Investment Interest Expense Deduction.

Line 11b(1) and Line 11b(2) – Investment income and expenses

Enter on line 11b(1) only the investment income included on Schedules K and K-1 (100S), line 4a through line 4f. Enter on line 11b(2) only the investment expense included on Schedules K and K-1, line 9 (100S).

If there are items of investment income or expense included in the amounts that are required to be passed through separately to the shareholder on Schedule K-1 (100S) (items other than the amounts included on Schedule K-1 (100S), line 4a through line 4f and line 9), give each shareholder a schedule identifying these amounts.

Investment income includes gross income from property held for investment, gain attributable to the disposition of property held for investment and other amounts that are gross portfolio income. Investment income and investment expenses do not include any income or expenses from a passive activity.

Property subject to a net lease is not treated as investment property because it is subject to the passive loss rules. Do not reduce investment income by losses from passive activities.

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income.

For more information get form FTB 3526.

Tax Credits

Line 12a – Low-income housing credit

R&TC Section 23610.5 provides a credit that may be claimed by owners of residential rental projects providing low-income housing. The credit is generally effective for buildings placed in service after 1986. If the shareholders are eligible to claim the low-income housing credit, attach a copy of form FTB 3521, Low-Income Housing Credit, to Form 100S and to each shareholder's Schedule K-1 (100S).

Line 12b – Other credits related to rental real estate activities

Report any information that the shareholder needs to figure credits related to a rental real estate activity other than the low-income housing credit. Attach to each shareholder's Schedule K-1 (100S) a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 12c – Credits related to other rental activities

Use this line to report information that the shareholder needs to figure credits related to a rental activity other than a rental real estate activity. Attach to each shareholder's Schedule K-1 (100S) a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 13 – Other credits

Enter on an attached schedule each shareholder's allocable share of any credit or credit

information reported on Schedule C (100S) that is related to a trade or business activity.

The following are examples of credits that may apply to each shareholder:

- enterprise zone and program area hiring/sales and use tax credit (get form FTB 3805Z);
- Los Angeles Revitalization Zone (LARZ) hiring/sales and use tax credit (get form FTB 3806);
- Local Agency Military Base Recovery Area (LAMBRA) hiring/sales and use tax credit (get form FTB 3807);
- jobs credit (get form FTB 3524);
- employer child care program/contribution credit (get form FTB 3501);
- research credit (get form FTB 3523); or
- manufacturers' investment credit (get form FTB 3535).

Adjustments and Tax Preference Items

Line 14a through Line 14e

Enter the items of income and deductions that enter into each shareholder's computation of adjustments and tax preference items. A shareholder with alternative minimum tax items may be required to file Schedule P (540, 540NR or 541), Alternative Minimum Tax and Credit Limitations.

For more information, get the instructions for federal Schedules K and K-1 (Form 1120S), Adjustments and Tax Preference Items, line 14a through line 14e.

Other State Taxes

Line 15a through Line 15e

Subject to certain conditions, shareholders may claim a credit against their individual tax for net income taxes paid by the S corporation to another state which either taxes the corporation as an S corporation or does not recognize S corporation status. For purposes of this credit, net income taxes include the shareholder's share of taxes on, according to, or measured by income. Enter the name of the other state(s), the income reported to the other state(s) and the amount of tax paid. Attach a copy of the return filed with the other state.

Residents are taxable on all their pro rata share of income and generally receive a credit for taxes paid to other states. Nonresidents must use the amounts shown in column (e). For more information, see R&TC Sections 18001, 18002 and 18006.

Other Items

Line 16a through Line 21

Refer to the instructions for federal Schedules K and K-1 (Form 1120S).

Supplemental Information

Line 22 (Schedule K-1 only)

If the S corporation completed the credit recap- ture portion of:

- FTB 3501, Employer Child Care Program/Contribution Credit;
- FTB 3518, Employer Ridesharing Credits;
- FTB 3805Z, Worksheet II, Hiring Credit Enterprise Zone and Program Areas;

- FTB 3806, Los Angeles Revitalization Zone (LARZ) Hiring Credit/Sales and Use Tax Credit; or
- FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Hiring Credit/Sales and Use Tax Credit.

include the recapture amount on line 22.

Schedule L

Line 23

Retained earnings include balances in the accumulated adjustments account (AAA), the other adjustments account, and other retained earnings.

Schedule M-2

The computation of the California AAA and other adjustments account is similar to the federal computation applying California amounts. Get the instructions for federal Form 1120S and IRC Section 1368 for additional information.

Column (a) – The AAA is an account of the S corporation that generally reflects the accumulated undistributed net income of the corporation for the corporation's post-1986 years. S corporations with accumulated earnings and profits (E&P) from C corporation years must maintain the AAA to determine the tax effect of distributions during S years and the post-termination transition period. An S corporation without accumulated E&P does not need to maintain the AAA in order to determine the tax effect of distributions. However, if an S corporation without accumulated E&P engages in certain transactions to which IRC Section 381(a) applies, such as a merger into an S corporation with accumulated E&P, the S corporation must be able to calculate its AAA at the time of the merger for purposes of determining the tax effect of post-merger distributions. Therefore, it is recommended that all S corporations maintain the AAA account.

At the end of the income year the AAA is determined by taking into account all items of income, loss and deductions for the income year (including nondeductible losses and expenses which are not capitalized but excluding certain exempt income and state taxes attributable to C years). After the year-end income and expense adjustments are made, the account is reduced by distributions made during the income year.

Note: The amount on Form 100S, Side 1, line 2 should be included as an other addition on Schedule M-2, line 3 and as an other reduction on Schedule M-2, line 5. Also include any other adjustments to arrive at California income.

Note: The AAA may have a negative balance at year end.

Column (b) – The other adjustments account is adjusted for tax-exempt income (and related expenses) of the S corporation. After adjusting for tax-exempt income, the account is reduced for any distributions made during the year.

Column (c) – Other retained earnings include appropriated and unappropriated retained earnings accumulated in prior years when the S corporation was a C corporation. Line 1, column (c) for the first S corporation return will be the sum of the ending balances of appropriated and unappropriated retained earnings for the previous year. Any dividend distributions should be entered on line 5, column (c).

Distributions

Generally, property distributions (including cash) are applied in the following order to reduce accounts of the S corporation that are used to compute the tax effect of distributions made by the S corporation to its shareholders:

1. Reduce AAA (but not below zero). If distributions during the income year exceed the AAA at the close of the income year, the AAA is allocated pro rata to each distribution made during the year. (IRC Section 1368(c))

2. Reduce accumulated E&P. Generally, the S corporation has accumulated E&P only if it has not distributed E&P accumulated in prior years when the S corporation was a C corporation (IRC Section 1361(a)(2)). The only adjustments that can be made to the accumulated E&P of an S corporation are:

- a. reductions for dividend distributions;
- b. adjustments for redemptions, liquidations, reorganizations, etc.; and
- c. reductions for R&TC Section 24356.2, Section 24356.3 or Section 24356.4 property income recapture (relating to additional depreciation deduction for program areas, enterprise zones and LARZ) for which the S corporation is liable.

3. Reduce the other adjustment account.

4. Reduce any remaining shareholders' equity account.

Note: Shareholders' previously taxed income (PTI) (Column (c), federal Form 1120S, Schedule M-2, 1120S) — California S corporations will **never** have undistributed PTI. The federal code section which created PTI was removed from the Internal Revenue Code before California incorporated the federal S corporation provisions into the Revenue and Taxation Code.

C corporation E&P

Check the box below Schedule M-2, line 9, if the S corporation was a C corporation in a prior year(s) and has C corporation E&P at the end of the income year. For this purpose, C corporation E&P means E&P of any S corporation for any income year when it was not an S corporation. If the S corporation has C corporation E&P, it may be liable for excess net passive income tax and the distributions to shareholders may have different tax consequences for federal and California purposes. See instructions for Form 100S, Side 1, line 28 and line 29, for details on these taxes.

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 of net income/loss and (g) Available Balance.

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.

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.

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

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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

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

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1995

100S

For income year beginning	MONTH	DAY	YEAR	1995	, and ending	MONTH	DAY	YEAR
Affix Preaddressed Label					A Final return? <input checked="" type="radio"/> 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"/> _____			
California corporation number		Federal employer identification number			B Did this S corporation have a change in control or ownership, or acquire ownership or control of any other legal entity this year? (Do not leave blank) <input checked="" type="radio"/> Yes <input type="checkbox"/> No			
Corporation name					C Principal business activity code. (Do not leave blank): <input checked="" type="radio"/> _____			
Address					D Is this corporation claiming enterprise zone, program area, LARZ or LAMBRA tax benefits?. <input checked="" type="radio"/> Yes <input type="checkbox"/> No			
City		State		ZIP code		E Check here if claiming technological property contribution tax benefits: <input checked="" type="radio"/> <input type="checkbox"/>		
					<i>Questions continue on Side 2</i>			

State Adjustments	1 Ordinary income (loss) from trade or business activities from federal Form 1120S, line 21. If Schedule F (Form 100S, Side 2) was not completed, attach federal Form 1120S, page 1, and supporting schedules	<input checked="" type="radio"/> 1		
	2 Foreign or domestic tax based on income or profits and California franchise or income tax deducted	<input checked="" type="radio"/> 2		
	3 Interest on government obligations.	<input checked="" type="radio"/> 3		
	4 Net capital gain from Schedule D (100S), Section B. Attach Schedule D (100S)	<input checked="" type="radio"/> 4		
	5 Depreciation and amortization adjustments. Attach Schedule B (100S).	<input checked="" type="radio"/> 5		
	6 Portfolio income	<input checked="" type="radio"/> 6		
	7 Other additions. Attach schedule(s)	<input checked="" type="radio"/> 7		
	8 Total. Add line 1 through line 7	<input checked="" type="radio"/> 8		
	9 Deductible dividends. Attach Schedule H (100S)	<input checked="" type="radio"/> 9		
	10 Water's-edge dividend deduction. Attach form FTB 2411	<input checked="" type="radio"/> 10		
	11 Contributions. See instructions	<input checked="" type="radio"/> 11		
	12 Net interest deduction. See instructions	<input checked="" type="radio"/> 12		
	13 Other deductions. Attach schedule(s)	<input checked="" type="radio"/> 13		
	14 Total. Add line 9 through line 13.	<input checked="" type="radio"/> 14		
	15 Net income (loss) after state adjustments. Subtract line 14 from line 8	<input checked="" type="radio"/> 15		

If all income is derived from California sources, transfer the amount from line 15 to line 16. 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 16 below.

Calif. Net-Income	16 Net income (loss) for state purposes. If net loss, see instructions	<input checked="" type="radio"/> 16		
	17 R&TC Section 23802(e) deduction. See instructions	<input checked="" type="radio"/> 17		
	18 Net operating loss carryover deduction. See instructions.	<input checked="" type="radio"/> 18		
	19 Disaster loss carryover deduction. See instructions.	<input checked="" type="radio"/> 19		
	20 Net income for tax purposes. Combine line 17 through line 19 and subtract from line 16	<input checked="" type="radio"/> 20		
Taxes	21 Tax. _____% x line 20 (not less than minimum franchise tax, if applicable)	<input checked="" type="radio"/> 21		
	22 Enter credit name _____ code no. _____ and amount	<input checked="" type="radio"/> 22		
	23 Enter credit name _____ code no. _____ and amount	<input checked="" type="radio"/> 23		
	24 Enter credit name _____ code no. _____ and amount	<input checked="" type="radio"/> 24		
	25 To claim more than three credits, see instructions	<input checked="" type="radio"/> 25		
	26 Add line 22 through line 25.	<input checked="" type="radio"/> 26		
	27 Balance. Subtract line 26 from line 21 (not less than minimum franchise tax, if applicable)	<input checked="" type="radio"/> 27		
	28 Tax from Schedule D (100S). Attach Schedule D (100S). See instructions.	<input checked="" type="radio"/> 28		
	29 Excess net passive income tax. See instructions	<input checked="" type="radio"/> 29		
	30 Total tax. Add line 27 through line 29	<input checked="" type="radio"/> 30		
Payments	31 Overpayment from prior year allowed as a credit.	<input checked="" type="radio"/> 31		
	32 1995 estimated tax payments	<input checked="" type="radio"/> 32		
	33 Amount paid with extension of time to file return.	<input checked="" type="radio"/> 33		
Amount Due or Refund	34 Total payments. Add line 31 through line 33	<input checked="" type="radio"/> 34		
	35 Tax due. If line 30 is more than line 34, subtract line 34 from line 30. Go to line 39	<input checked="" type="radio"/> 35		
	36 Overpayment. If line 34 is more than line 30, subtract line 30 from line 34.	<input checked="" type="radio"/> 36		
	37 Amount of line 36 to be credited to 1996 estimated tax.	<input checked="" type="radio"/> 37		
	38 Amount of line 36 to be refunded	<input checked="" type="radio"/> 38		
	39 Penalties and interest. See General Information M and N.	<input checked="" type="radio"/> 39		
	40 Total amount due. Add line 35 and line 39. Pay this amount with this return	<input checked="" type="radio"/> 40		

Check box if estimate penalty was computed using Exception B or Exception C and attach form FTB 5806.

Schedule F **Computation of Trade or Business Income** See General Information H.

Income	1	a) Gross receipts or sales _____ b) Less returns and allowances _____	Balance	1c	
	2	Cost of goods sold		2	
	3	Gross profit. Subtract line 2 from line 1c		3	
	4	Net gain (loss)		4	
	5	Other income (loss). Attach schedule	●	5	
	6	Total income (loss). Combine line 3 through line 5.		6	
Deductions	7	Compensation of officers. Attach schedule. See instructions		7	
	8	Salaries and wages		8	
	9	Repairs		9	
	10	Bad debts	●	10	
	11	Rents		11	
	12	Taxes		12	
	13	Interest		13	
	14	a) Depreciation _____ b) Less depreciation reported elsewhere on return _____	Balance	14	
	15	Depletion		15	
	16	Advertising		16	
	17	Pension, profit-sharing, etc. plans		17	
	18	Employee benefit programs		18	
	19	a) Total travel and entertainment _____ b) Deductible amount		19b	
	20	Other deductions. Attach schedule	●	20	
	21	Total deductions. Add line 7 through line 20	●	21	
	22	Ordinary income (loss) from trade or business. Subtract line 21 from line 6. Enter here and on Side 1, line 1	●	22	

Schedule V **Cost of Goods Sold** Method of inventory valuation

1	Inventory at beginning of year		5	Other costs. Attach schedule	
2	Purchases	●	6	Total. Add line 1 through line 5.	
3	Cost of labor	●	7	Inventory at end of year	
4	Other IRC Sec. 263A costs. Attach schedule	●	8	Cost of goods sold. Line 7 minus line 6.	●

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 computed 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 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 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
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 Date incorporated: _____ ● Where? _____
- G Maximum number of shareholders in the corporation at any time during the year ● _____
- H Date business began in California or date income was first derived from California sources: ● _____
- I Is the corporation under audit by the IRS or has it been audited in a prior year? ● Yes No

- J Effective date of federal S election: ● _____
- K Effective date of California S election: ● _____
- L Accounting method used: _____
- M Location of principal accounting records: _____
- N "Doing business as" name: ● _____
- O Have all required information returns (e.g. federal Form 1099 series) been filed with the Franchise Tax Board? N/A Yes No
- P S corporation is: ● Apportioning income to California Not apportioning income

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 the taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of officer ▶	Title	Date	Telephone ()
Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN/FEIN
	Firm's name (or yours, if self-employed) and address ▶	FEIN ▶		Telephone ▶ ()

Schedule K **S Corporation Shareholders' Shares of Income, Deductions, Credits, etc.**

	(a) Pro rata share items	(b) Amount from federal Schedule K (1120S)	(c) California adjustment	(d) Total amount using California law Combine (b) and (c)
Income (Loss)	1 Ordinary income (loss) from trade or business activities			●
	2 Net income (loss) from rental real estate activities			●
	3 a Gross income from other rental activities.			
	b Expenses from other rental activities. Attach schedule			
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a			
	4 Portfolio income (loss):			
	a Interest			●
	b Dividends			●
	c Royalties			●
	d Net short-term capital gain (loss). Attach Schedule D (100S)			●
e Net long-term capital gain (loss). Attach Schedule D (100S)			●	
f Other portfolio income (loss). Attach schedule			●	
5 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft) .			●	
6 Other income (loss). Attach schedule			●	
Deductions	7 Charitable contributions			
	8 Expense deduction for recovery property (R&TC Sections 17252.5 and 17265 and IRC Section 179). Attach Schedule B (100S)			
	9 Deductions related to portfolio income (loss). Attach schedule			
	10 Other deductions. Attach schedule			
Investment Interest	11 a Interest expense on investment debts			●
	b (1) Investment income included on lines 4a through 4f above (2) Investment expenses included on line 9 above.			
Tax Credits	12 a Low-income housing credit. See instructions. Attach schedule			●
	b Credits related to rental real estate activities other than on line 12(a). Attach schedule			●
	c Credits related to other rental activities. See instructions. Attach schedule .			●
	13 Other credits. Attach schedule			●
Adjustments and Tax Preference Items	14 a Depreciation adjustment on property placed in service after 12/31/86.			
	b Adjusted gain or loss			
	c Depletion (other than oil and gas)			
	d (1) Gross income from oil, gas and geothermal properties (2) Deductions allocable to oil, gas and geothermal properties.			
	e Other adjustments and tax preference items. Attach schedule			
Other State Taxes	15 a Type of income _____			
	b Name of state _____			
	c Total gross income from sources outside California. Attach schedule			
	d Total applicable deductions and losses. Attach schedule.			
	e Total other state taxes. Check one: <input type="checkbox"/> Paid <input type="checkbox"/> Accrued			●
Other Items	16 a Total expenditures to which an IRC Section 59(e) election may apply			
	b Type of expenditures _____			
	17 Tax-exempt interest income.			
	18 Other tax-exempt income			
	19 Nondeductible expenses			
	20 Total property distributions (including cash) other than dividend distributions reported on line 22 below			●
	21 Other items and amounts not included in line 1 through line 20 above that are required to be reported separately to shareholders. Attach schedule . . .			●
	22 Total dividend distributions paid from accumulated earnings and profits			●
	23 Income (loss) (required only if Schedule M-1 must be completed). Combine line 1, line 2 and line 3c through line 6. From the result, subtract the sum of line 7 through line 11a and line 16a.			

Schedule L Balance Sheets	Beginning of income year		End of income year	
	(a)	(b)	(c)	(d)
Assets				
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 shareholders		●		●
7 Mortgage and real estate loans				
8 Other investments. Attach schedule		●		●
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				
14 Total assets.		●		●
Liabilities and shareholders' equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule(s)				
18 Loans from shareholders		●		●
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule(s)				
21 Capital stock		●		●
22 Paid-in or capital surplus		●		●
23 Retained earnings		●		●
24 Less cost of treasury stock		()		()
25 Total liabilities and shareholders' equity.		●		●

Schedule M - 1 **Reconciliation of income (loss) per books with income (loss) per return** Do not complete this schedule if the amount on Schedule L, line 14, column (d), is less than \$25,000.

1 Net income per books		5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize)	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize)	●	a Tax-exempt interest \$	●
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a and line 16a (itemize)		6 Deductions included on Sch. K lines 1 through 11a and line 16a, not charged against book income this year (itemize)	
a Depreciation \$		a Depreciation \$	
b State taxes \$		b State tax refunds \$	
c Travel and entertainment \$		7 Total. Add line 5 and line 6	●
4 Total. Add lines 1 through 3	●	8 Income (loss) (Sch. K, line 23, col. d). Line 4 less line 7	

Schedule M - 2 **California accumulated adjustments account, other adjustments account, and other retained earnings** See instructions.

Important: Use California figures and federal procedures.	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Other retained earnings (see instructions)
	1 Balance at beginning of year	●	
2 Ordinary income from Form 100S, Side 1, line 1			
3 Other additions			
4 Loss from Form 100S, Side 1, line 1	()		
5 Other reductions	()	()	
6 Combine lines 1 through 5			
7 Distributions other than dividend distributions	●		
8 Balance at end of year. Subtract line 7 from line 6	●		
9 Retained earnings at end of year. Add line 8, columns (a) through (c)			●
<input type="checkbox"/> If the corporation has C corporation E&P at the end of the income year, check the box and enter the amount. See instructions.			●

1995

100S

MONTH	DAY	YEAR	MONTH	DAY	YEAR
For income year beginning			, and ending		
Affix Preaddressed Label			A Final return? <input checked="" type="radio"/> Dissolved <input type="radio"/> Surrendered (withdrawn) <input type="radio"/> Merged/Reorganized <input type="checkbox"/> IRC Section 338 sale If a box is checked, enter date <input checked="" type="radio"/> _____		
California corporation number		Federal employer identification number			
Corporation name					
Address					
City		State		ZIP code	
B Did this S corporation have a change in control or ownership, or acquire ownership or control of any other legal entity this year? (Do not leave blank) <input checked="" type="radio"/> Yes <input type="radio"/> No C Principal business activity code. (Do not leave blank): <input checked="" type="radio"/> _____ D Is this corporation claiming enterprise zone, program area, LARZ or LAMBRA tax benefits? <input checked="" type="radio"/> Yes <input type="radio"/> No E Check here if claiming technological property contribution tax benefits: <input checked="" type="radio"/> <input type="checkbox"/>					
<i>Questions continue on Side 2</i>					

State Adjustments	1 Ordinary income (loss) from trade or business activities from federal Form 1120S, line 21. If Schedule F (Form 100S, Side 2) was not completed, attach federal Form 1120S, page 1, and supporting schedules	● 1		
	2 Foreign or domestic tax based on income or profits and California franchise or income tax deducted	● 2		
	3 Interest on government obligations.	● 3		
	4 Net capital gain from Schedule D (100S), Section B. Attach Schedule D (100S)	● 4		
	5 Depreciation and amortization adjustments. Attach Schedule B (100S).	● 5		
	6 Portfolio income	● 6		
	7 Other additions. Attach schedule(s)	● 7		
	8 Total. Add line 1 through line 7	● 8		
	9 Deductible dividends. Attach Schedule H (100S)	● 9		
	10 Water's-edge dividend deduction. Attach form FTB 2411	● 10		
	11 Contributions. See instructions	● 11		
	12 Net interest deduction. See instructions	● 12		
	13 Other deductions. Attach schedule(s)	● 13		
	14 Total. Add line 9 through line 13.	● 14		
	15 Net income (loss) after state adjustments. Subtract line 14 from line 8	● 15		

If all income is derived from California sources, transfer the amount from line 15 to line 16. 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 16 below.

Calif. Net-Income	16 Net income (loss) for state purposes. If net loss, see instructions	● 16		
	17 R&TC Section 23802(e) deduction. See instructions	● 17		
	18 Net operating loss carryover deduction. See instructions.	● 18		
	19 Disaster loss carryover deduction. See instructions.	● 19		
	20 Net income for tax purposes. Combine line 17 through line 19 and subtract from line 16	● 20		
Taxes	21 Tax. _____% x line 20 (not less than minimum franchise tax, if applicable)	■ 21		
	22 Enter credit name _____ code no. _____ and amount	▶ 22		
	23 Enter credit name _____ code no. _____ and amount	▶ 23		
	24 Enter credit name _____ code no. _____ and amount	▶ 24		
	25 To claim more than three credits, see instructions	● 25		
	26 Add line 22 through line 25.	■ 26		
	27 Balance. Subtract line 26 from line 21 (not less than minimum franchise tax, if applicable)	■ 27		
	28 Tax from Schedule D (100S). Attach Schedule D (100S). See instructions.	■ 28		
	29 Excess net passive income tax. See instructions	■ 29		
	30 Total tax. Add line 27 through line 29	■ 30		
Payments	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		
Amount Due or Refund	34 Total payments. Add line 31 through line 33	■ 34		
	35 Tax due. If line 30 is more than line 34, subtract line 34 from line 30. Go to line 39	■ 35		
	36 Overpayment. 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 Total amount due. Add line 35 and line 39. Pay this amount with this return	40			

Schedule F **Computation of Trade or Business Income** See General Information H.

Income	1	a) Gross receipts or sales _____ b) Less returns and allowances _____	Balance	1c	
	2	Cost of goods sold		2	
	3	Gross profit. Subtract line 2 from line 1c		3	
	4	Net gain (loss)		4	
	5	Other income (loss). Attach schedule	●	5	
	6	Total income (loss). Combine line 3 through line 5.		6	
Deductions	7	Compensation of officers. Attach schedule. See instructions		7	
	8	Salaries and wages		8	
	9	Repairs		9	
	10	Bad debts	●	10	
	11	Rents		11	
	12	Taxes		12	
	13	Interest		13	
	14	a) Depreciation _____ b) Less depreciation reported elsewhere on return _____	Balance	14	
	15	Depletion		15	
	16	Advertising		16	
	17	Pension, profit-sharing, etc. plans		17	
	18	Employee benefit programs		18	
	19	a) Total travel and entertainment _____ b) Deductible amount		19b	
	20	Other deductions. Attach schedule	●	20	
	21	Total deductions. Add line 7 through line 20	●	21	
	22	Ordinary income (loss) from trade or business. Subtract line 21 from line 6. Enter here and on Side 1, line 1	●	22	

Schedule V **Cost of Goods Sold** Method of inventory valuation

1	Inventory at beginning of year		5	Other costs. Attach schedule	
2	Purchases	●	6	Total. Add line 1 through line 5.	
3	Cost of labor	●	7	Inventory at end of year.	
4	Other IRC Sec. 263A costs. Attach schedule	●	8	Cost of goods sold. Line 7 minus line 6.	●

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 computed 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 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 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
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 Date incorporated: _____ ● Where? _____
- G Maximum number of shareholders in the corporation at any time during the year ● _____
- H Date business began in California or date income was first derived from California sources: ● _____
- I Is the corporation under audit by the IRS or has it been audited in a prior year? ● Yes No

- J Effective date of federal S election: ● _____
- K Effective date of California S election: ● _____
- L Accounting method used: _____
- M Location of principal accounting records: _____
- N "Doing business as" name: ● _____
- O Have all required information returns (e.g. federal Form 1099 series) been filed with the Franchise Tax Board? N/A Yes No
- P S corporation is: ● Apportioning income to California Not apportioning income

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 the taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of officer ▶	Title	Date	Telephone ()
Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN/FEIN
	Firm's name (or yours, if self-employed) and address ▶	FEIN ▶		Telephone ▶ ()

Schedule K **S Corporation Shareholders' Shares of Income, Deductions, Credits, etc.**

	(a) Pro rata share items	(b) Amount from federal Schedule K (1120S)	(c) California adjustment	(d) Total amount using California law Combine (b) and (c)
Income (Loss)	1 Ordinary income (loss) from trade or business activities			●
	2 Net income (loss) from rental real estate activities			●
	3 a Gross income from other rental activities.			
	b Expenses from other rental activities. Attach schedule			
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a			
	4 Portfolio income (loss):			
	a Interest			●
	b Dividends			●
	c Royalties			●
	d Net short-term capital gain (loss). Attach Schedule D (100S)			●
e Net long-term capital gain (loss). Attach Schedule D (100S)			●	
f Other portfolio income (loss). Attach schedule			●	
5 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft) .			●	
6 Other income (loss). Attach schedule			●	
Deductions	7 Charitable contributions			
	8 Expense deduction for recovery property (R&TC Sections 17252.5 and 17265 and IRC Section 179). Attach Schedule B (100S)			
	9 Deductions related to portfolio income (loss). Attach schedule			
	10 Other deductions. Attach schedule			
Investment Interest	11 a Interest expense on investment debts			●
	b (1) Investment income included on lines 4a through 4f above (2) Investment expenses included on line 9 above.			
Tax Credits	12 a Low-income housing credit. See instructions. Attach schedule			●
	b Credits related to rental real estate activities other than on line 12(a). Attach schedule			●
	c Credits related to other rental activities. See instructions. Attach schedule .			●
	13 Other credits. Attach schedule			●
Adjustments and Tax Preference Items	14 a Depreciation adjustment on property placed in service after 12/31/86.			
	b Adjusted gain or loss			
	c Depletion (other than oil and gas)			
	d (1) Gross income from oil, gas and geothermal properties (2) Deductions allocable to oil, gas and geothermal properties.			
	e Other adjustments and tax preference items. Attach schedule			
Other State Taxes	15 a Type of income _____			
	b Name of state _____			
	c Total gross income from sources outside California. Attach schedule			
	d Total applicable deductions and losses. Attach schedule.			
	e Total other state taxes. Check one: <input type="checkbox"/> Paid <input type="checkbox"/> Accrued			●
Other Items	16 a Total expenditures to which an IRC Section 59(e) election may apply			
	b Type of expenditures _____			
	17 Tax-exempt interest income.			
	18 Other tax-exempt income			
	19 Nondeductible expenses			
	20 Total property distributions (including cash) other than dividend distributions reported on line 22 below			●
	21 Other items and amounts not included in line 1 through line 20 above that are required to be reported separately to shareholders. Attach schedule . . .			●
	22 Total dividend distributions paid from accumulated earnings and profits			●
	23 Income (loss) (required only if Schedule M-1 must be completed). Combine line 1, line 2 and line 3c through line 6. From the result, subtract the sum of line 7 through line 11a and line 16a.			

Schedule L Balance Sheets	Beginning of income year		End of income year	
	(a)	(b)	(c)	(d)
Assets				
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 shareholders		●		●
7 Mortgage and real estate loans				
8 Other investments. Attach schedule		●		●
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				
14 Total assets		●		●
Liabilities and shareholders' equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule(s)				
18 Loans from shareholders		●		●
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule(s)				
21 Capital stock		●		●
22 Paid-in or capital surplus		●		●
23 Retained earnings		●		●
24 Less cost of treasury stock		()		()
25 Total liabilities and shareholders' equity		●		●

Schedule M - 1 **Reconciliation of income (loss) per books with income (loss) per return** Do not complete this schedule if the amount on Schedule L, line 14, column (d), is less than \$25,000.

1 Net income per books		5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize)	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize)	●	a Tax-exempt interest \$	●
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a and line 16a (itemize)		6 Deductions included on Sch. K lines 1 through 11a and line 16a, not charged against book income this year (itemize)	
a Depreciation \$		a Depreciation \$	
b State taxes \$		b State tax refunds \$	
c Travel and entertainment \$		7 Total. Add line 5 and line 6	●
4 Total. Add lines 1 through 3	●	8 Income (loss) (Sch. K, line 23, col. d). Line 4 less line 7	

Schedule M - 2 **California accumulated adjustments account, other adjustments account, and other retained earnings** See instructions.

Important: Use California figures and federal procedures.	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Other retained earnings (see instructions)
	1 Balance at beginning of year	●	
2 Ordinary income from Form 100S, Side 1, line 1			
3 Other additions			
4 Loss from Form 100S, Side 1, line 1	()		
5 Other reductions	()	()	
6 Combine lines 1 through 5			
7 Distributions other than dividend distributions	●		
8 Balance at end of year. Subtract line 7 from line 6	●		
9 Retained earnings at end of year. Add line 8, columns (a) through (c)			●
<input type="checkbox"/> If the corporation has C corporation E&P at the end of the income year, check the box and enter the amount. See instructions.			●

1995 S Corporation Depreciation and Amortization

B (100S)

For use by S corporations only. Attach to Form 100S.

Corporation name as shown on Form 100S

California corporation number

Part I Depreciation. Use additional sheet(s) if necessary.

Form B (100S) Part I Depreciation. Includes lines 1-5c and a table with 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 dep., (f) Life or rate, (g) Depreciation for this year.

Part II Amortization. Use additional sheet(s) if necessary.

Form B (100S) Part II Amortization. Includes lines 1-4 and a table with 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.

1995 S Corporation Tax Credits

C (100S)

See instructions for Form 100S, General Information Y, Z and AA. Be sure to complete and attach all supporting credit forms.

Form C (100S) Tax Credits table. Columns: (a) Credit amount limited to 1/3 of total, (b) Carryover from prior year, (c) Credit used this year (not more than (a) + (b)), (d) Tax balance, (e) Credit carryover to 1996. Rows include Regular tax, Minimum franchise tax, Jobs credit, and Code entries.

1995 S Corporation Dividend Income

H (100S)

See instructions for Form 100S, Schedule H. Use additional sheet(s) if necessary.

Form H (100S) Dividend Income table. Columns: (a) Payer, (b) Common or preferred stock, (c) Dividend received, (d) Deductible %, (e) Deductible dividend ((c) x (d)), (f) Limitation %, (g) Allowable dividend deduction ((e) x (f)).

Total. Add column (g). Enter here and on form 100S, Side 1, line 9

S Corporation
Capital Gains and Losses and Built-In Gains

D (100S)

Corporation name as shown on Form 100S

California corporation number

SECTION A - 9.3% Tax on Certain Capital Gains and Built-In Gains

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

Table with 6 columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Cost or other basis, plus expense of sale, (f) Gain (loss) ((d) less (e)). Includes summary rows 2 and 3.

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

Table with 6 columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Cost or other basis, plus expense of sale, (f) Gain (loss) ((d) less (e)). Includes summary rows 5 and 6.

Part III Tax on Certain Capital Gains. See instructions before completing this part.

Table with 2 columns: Description and Amount. Includes rows 7 through 15 for calculating tax on capital gains.

Part IV Tax on Built-In Gains. See instructions before completing this part.

Table with 2 columns: Description and Amount. Includes rows 16 through 21 for calculating tax on built-in gains.

SECTION B - 1.5% Tax on Capital Gains

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

Table with 6 columns: (a) Kind of property and description, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Cost or other basis, plus expense of sale, (f) Gain (loss) ((d) less (e)). Includes summary rows 2a, 2b, and 3.

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

Table with 6 columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Cost or other basis, plus expense of sale, (f) Gain (loss) ((d) less (e)). Includes summary rows 5 through 10.

Shareholder's Share of Income, Deductions, Credits, etc.

1995

K-1 (100S)

For use by S corporations and their shareholders only.

For income year beginning MONTH DAY YEAR 1995, and ending MONTH DAY YEAR .

Shareholder's identifying number, California corporation number, Shareholder's name, address and ZIP code, Corporation's name, address and ZIP code

- A Shareholder's percentage of stock ownership for income year. %
B Tax shelter registration number Type:
C Check here if this is: (1) A final Schedule K-1 (2) An amended Schedule K-1
D Is this shareholder a foreign shareholder. Yes No
E Is this shareholder a nonresident of California. Yes No

Caution: Refer to the separate shareholder's instructions for Schedule K-1 (100S) before entering information from this schedule on your tax return.

Table with 5 columns: (a) Pro rata share items, (b) Amount from federal Schedule K-1 (1120S), (c) California adjustment, (d) Total amounts using California law. Combine (b) and (c), (e) California source amounts and credits. Rows include Income (Loss), Deductions, Investment Interest, and Tax Credits.

	(a) Pro rata share items	(b) Amount from federal Schedule K-1 (1120S)	(c) California adjustment	(d) Total amounts using California law. Combine (b) and (c)	(e) California source amounts and credits
Adjustments and Tax Preference Items	14 a Depreciation adjustment on property placed in service after 12/31/86				
	b Adjusted gain or loss				
	c Depletion (other than oil and gas)				
	d (1) Gross income from oil, gas and geothermal properties				
	(2) Deductions allocable to oil, gas and geothermal properties				
	e Other adjustments and tax preference items. Attach schedule				
Other State Taxes	15 a Type of income _____				
	b Name of state _____				
	c Total gross income from sources outside California. Attach schedule				
	d Total applicable deductions and losses. Attach schedule				
	e Total other state taxes. Check one: <input type="checkbox"/> Paid <input type="checkbox"/> Accrued				
Other Items	16 a Total expenditures to which an IRC Section 59(e) election may apply				
	b Type of expenditures				
	17 Tax-exempt interest income				
	18 Other tax-exempt income				
	19 Nondeductible expenses				
	20 Total dividend distribution paid from accumulated earnings and profits			●	▶
	21 Property distributions (including cash) other than dividend distributions reported to you on federal Form 1099-DIV			●	▶
22 Amount of loan repayments for "Loans from Shareholders"			●	▶	

23 Supplemental information that is required to be reported separately to each shareholder. Attach additional sheet(s) if necessary.

Table 1 – Unitary shareholder's share of distributive items

- Apportionment

Factors	Total within and outside California	Total within California
Property		
Payroll		
Sales		

- Nonbusiness items allocated to California (not dependent on residence or commercial domicile of the shareholder) — attach a schedule.
- California tax credits — attach a schedule.

Table 2 – Shareholder's share of nonbusiness income from intangibles (dependent on residence or commercial domicile of the stockholder):

Dividends	Interest	Other (attach schedule)
\$	\$	\$

1995 S Corporation's List of Shareholders and Consents

3830

For use by S corporations with one or more nonresident shareholders or trusts with nonresident fiduciaries. Attach to Form 100S and give a copy to each nonresident shareholder or fiduciary. Use additional sheet(s) if necessary.

Corporation name	California corporation number
------------------	-------------------------------

Note: Completion of this form does not satisfy the requirements for filing an individual income tax return for California.

List below the names and identification numbers of shareholders of record at the end of the corporation's income year.

Number	Shareholder's name	Only nonresident shareholders and nonresident fiduciaries must sign: I consent to the jurisdiction of the State of California to tax my pro rata share of the S corporation income attributable to California sources.		Social security no./Federal employer identification no.
		Signature	Date	
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				

List below the names and identification numbers of shareholders who sold or transferred their ownership interest before the end of the corporation's income year.

Number	Shareholder's name	Only nonresident shareholders and nonresident fiduciaries must sign: I consent to the jurisdiction of the State of California to tax my pro rata share of the S corporation income attributable to California sources.		Social security no./Federal employer identification no.
		Signature	Date	
1				
2				
3				
4				
5				

General Information

A Purpose of Form

When an S corporation has one or more shareholders who are nonresidents of California, or a trust with a nonresident fiduciary, use form FTB 3830 to:

- list the names and social security numbers or federal identification numbers of all shareholders; and
- obtain the signature of each nonresident shareholder or fiduciary evidencing consent to the jurisdiction of California to tax their pro rata share of income attributable to California sources.

Note: Failure to complete this form is grounds for retroactive revocation of the S corporation election by the Franchise Tax Board.

B Nonresidents Who Must File a California Return

If you are a nonresident shareholder, in addition to form FTB 3830, you may also need to file Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. Form 540NR must be filed if you had income from California sources and:

- you were single or unmarried in 1995 and your gross income from all sources was more than \$10,000; or adjusted gross income from all sources was more than \$8,000; or
- you were married in 1995, and you and your spouse had a combined gross income

from all sources, of more than \$20,000; or adjusted gross income from all sources of more than \$16,000, or

- you can be claimed as a dependent as set in Internal Revenue Code (IRC) Section 63(c)(5) when the individual's gross income from all sources exceeds the standard deduction allowed under the IRC; or
- if you owe the state of California \$1 or more of tax.

C Group Nonresident Shareholder Return

Nonresident shareholders of an S corporation doing business in California may elect to file a group nonresident return using Form 540NR. For more information, get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR for Nonresident Shareholders of an S Corporation.

Shareholder's Instructions for Schedule K-1 (100S)

For S Corporation Shareholder's Use Only

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).

Purpose of Schedule K-1 (100S)

The S corporation uses Schedule K-1 (100S) to report your share of the S corporation's income, deductions, credits, etc. Please keep it for your records.

Although the S corporation is subject to various taxes, you are liable for the income tax on your share of the S corporation's income, whether or not distributed, and you must include your share on your individual tax return.

The amount of losses and deductions that you may claim on your individual tax return may be less than the amount reported on Schedule K-1 (100S). Generally, the amount of losses and deductions you may claim is limited to your basis in the S corporation, debt owed to you by the S Corporation and the amount for which you are considered at risk. If the S corporation has losses, deductions or credits from a passive activity, you must also apply the passive activity rules. It is your responsibility to consider and apply any applicable limitations. See Limitations on Losses, Deductions and Credits. Use these instructions to help you report the items shown on Schedule K-1 (100S) on your California tax return.

For the line items where "attach schedule" appears, the S corporation should have provided additional information applicable to that line or the S corporation should have made an entry on Side 2, line 23.

Line 1 through Line 22

If you are an individual shareholder, take the amounts in column (c) that are from nonpassive activities and enter these amounts on the appropriate form or schedule as explained in these instructions.

Report the amounts in column (d) or column (e) that are from passive activities on the California form or schedule where they are normally reported. Bring the total amounts figured on the appropriate California form or schedule to form FTB 3801, Passive Activity Loss Limitations, to figure the amount of your passive activity loss limitation. Then transfer the passive activity loss back to the form or schedule it is normally reported on to figure your California adjustment amount. Enter this adjustment amount on the corresponding line of Schedule CA (540 or 540NR), California Adjustments, or Form 541.

If there is no California schedule or form to figure your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Adjustment Worksheet in the instructions for form FTB 3801. Enter the total of your adjustments from all passive activities

from line 1 and line 2 of this worksheet on Schedule CA (540 or 540NR), as applicable. If you have losses, deductions, credits, etc., from a prior year that were not deductible or usable because of certain limitations, such as the at-risk rules, they may be taken into account in determining your net income, loss, etc., for this year. However, do not combine the prior year amounts with any amounts shown on this Schedule K-1 (100S) to get a net figure to report on any supporting schedules, statements or forms attached to your return. Instead, report the amounts on an attached schedule, statement or form on a year-by-year basis.

Line 1 through Line 3

The amounts shown on line 1 through line 3 reflect your share of income or loss from the S corporation's business or rental operations without reference to your limitations on losses or adjustments that may be required because of:

- the adjusted basis of your S corporation interest;
- the amount for which you are at risk as determined under IRC Section 465; and
- the passive activity limitations of IRC Section 469.

See the federal Schedule K-1 (Form 1120S) instructions for line 1 through line 3 for more information.

Limitations on Losses, Deductions and Credits

Basis rules

Generally, you may not claim your share of the S corporation loss (including capital loss) that is larger than the adjusted basis of your shareholder interest at the end of the S corporation's income year.

Basis is increased by:

1. All income (including tax-exempt income) reported on Schedule K-1 (100S).

Note: Taxable income must be reported on your tax return (if a return is required) for it to increase your basis.

2. Money and adjusted basis in property contributed to the corporation.
3. The excess of the deduction for depletion over the adjusted basis of the property subject to depletion.

Basis is decreased by:

1. Property distributions (including cash) made by the corporation (excluding dividend distributions reported on Form 1099-DIV and distributions in excess of basis) reported on Schedule K-1 (100S), line 20.

2. All losses and deductions (including non-deductible expenses) reported on Schedule K-1 (100S).

These items are not a complete list of factors that determine basis.

At-risk rules

Generally, if you have (1) a loss or other deduction from an activity carried on as a trade or business or for the production of income by the corporation and (2) amounts in the activity for which you are not at risk, you will have to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your return. For California purposes, you must complete federal Form 6198 using California amounts.

The at-risk rules generally limit the amount of loss (including loss on disposition of assets) and other deductions (such as IRC Section 179 or R&TC Sections 17252.5, 17265 and 17268 deductions), that you may claim, to the amount you could actually lose in the activity. See the federal Schedule K-1 (Form 1120S) instructions for At-Risk Limitations for more information.

Passive activity limitations

Caution: During 1993 the U.S. Congress made several changes to the passive activity loss provisions of the Internal Revenue Code. At the time this form went to press, California had not conformed to those changes.

California tax law conforms to prior federal IRC Section 469 rules that limit the deduction of certain losses and credits.

These rules apply to shareholders who:

- are individuals, estates or trusts; and
- have a loss or credit from a passive activity.

A passive activity is generally a rental activity, or a trade or business activity in which the shareholder does not materially participate.

If you have a loss or deductions from a passive activity, you will need to complete form FTB 3801 to figure the allowable amounts to report on your individual return. You will also need to complete form FTB 3801 if you have passive activity income from this S corporation and passive activity loss or deduction from another source.

The amounts reported on line 2 and line 3 of Schedule K-1 (100S) are from rental activities of the S corporation and are generally passive activity income (loss) to all shareholders.

There is an exception to this rule for losses incurred by qualified investors in qualified low-income housing projects. The S corporation will identify any of these qualified amounts on an attachment for line 2.

California Adjustment — Column (c)

Use this column to account for your proportionate share of the differences in the computation of federal and California income.

The major items are:

- California minimum franchise tax;
- depreciation expense due to different basis of the assets;
- gain or loss on sale of assets due to the effects of different depreciation methods or basis; and
- government bond interest income:
 - a) U.S. bond interest is taxable for federal purposes but not for California purposes; and
 - b) state bond interest (other than from California bonds) is taxable for California purposes but not for federal purposes.

Total amounts using California law — Column (d) and California income amounts and credits — Column (e)

Shareholders who are California residents will use amounts shown in column (d) because California resident individuals are subject to personal income tax on all income from whatever source derived (R&TC Section 17071). Nonresident shareholders who do not conduct a trade or business that is unitary with the S corporation should use the amounts in column (c) and column (d) (for total income purposes), and column (e) (for California source income purposes). If the nonresident shareholder conducts a unitary business with the S corporation, data in column (e) should not be used. Instead, the shareholder must combine its share of the S corporation's income with the income from its trade or business, and apportion that income using an apportionment percentage consisting of a combination of the factors from its trade or business and the shareholder's share of the factors from the S corporation from Table 1. Amounts in Table 2 should be allocated at the shareholder level (attach schedule).

Income

Line 1 — Ordinary income (loss) from trade or business activities

The amount reported for line 1, column (d) or column (e), is your share of the ordinary income (loss) from the trade or business activities of the S corporation. Generally, where you report this amount on Form 540, Form 540NR or Form 541 depends on whether or not the amount is from an activity that is a passive activity to you.

If, in addition to this passive activity income, you have a passive activity loss from this S corporation or from any other source, report the line 1, column (d) or column (e), income on form FTB 3801.

If a loss is reported on line 1, column (d) or column (e), report the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

Line 2 — Net income (loss) from rental real estate activities

Generally, the income (loss) reported on line 2, column (d) or column (e), is a passive activity amount to all shareholders. There is an exception, however, for losses from a qualified low-income housing project. The loss limitations do not apply to qualified investors in qualified low-income housing projects. The S corporation will have attached a schedule for line 2 to identify such amounts, if applicable. You will have to report the California adjustment amount from column (c) on Schedule CA (540 or 540NR).

Use the following instructions to determine where to enter a line 2 amount.

- If you have a loss on line 2, column (d) or column (e) (other than a qualified low-income housing project loss), enter this passive activity loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

Note: If you are a qualified investor reporting a qualified low-income housing project loss, report the California adjustment amount from column (c) directly on Schedule CA (540 or 540NR).

- If you have income on line 2, column (d) or column (e), and no passive losses, enter the California adjustment from column (c) on Schedule CA (540 or 540NR).

Line 3 — Net income (loss) from other rental activities

The amount on line 3, column (d) or column (e), is a passive activity amount for all shareholders.

- If line 3, column (d) or column (e), is a loss, report the loss on the applicable line of form FTB 3801.
- If income is reported on line 3, column (d) or column (e), and you have no passive losses, report the California adjustment from column (c) on Schedule CA (540 or 540NR).

Line 4 — Portfolio income (loss)

Income (loss) referred to as "portfolio" income (loss) in these instructions is not part of a passive activity subject to the rules of IRC Section 469. Portfolio income includes income not derived in the ordinary course of a trade or business from interest, dividends, annuities or royalties and gain (loss) on the sale of property that produces these types of income or is held for investment. If you have amounts on Schedule K-1 (100S), line 4a through line 4f, report these amounts as follows:

- line 4a, column (c) and/or column (e) — Report on Schedule CA (540 or 540NR), line 8 whichever column is applicable;
- line 4b, column (c) and/or column (e) — Report on Schedule CA (540 or 540NR), line 9 whichever column is applicable;

- line 4c, column (c) and/or column (e) — Report on Schedule CA (540 or 540NR), line 17 whichever column is applicable;
- line 4d and line 4e, column (d) or column (e) — Report on Schedule D; and
- line 4f, column (d) or column (e) — Report on the applicable schedule.

Caution: Generally, amounts reported on line 4d and line 4e are gains or losses attributable to the disposition of property held for investment and are therefore classified as portfolio income (loss). If, however, an amount reported on line 4d or line 4e, column (d) or column (e), is a passive activity amount, the S corporation should identify the amount.

The S corporation uses line 4f, column (d) or column (e), to report portfolio income other than interest, dividend, royalty and capital gain (loss) income. A statement will be attached to tell you what kind of portfolio income is reported on line 4f, column (d) or column (e).

Line 5 — Net gain (loss)

If the amount on line 5 relates to a rental activity, the IRC Section 1231 gain (loss) is a passive activity amount.

- If the amount is not a passive activity amount to you, report it on Schedule D-1, Sales of Business Property, line 2, column (g) or column (h), whichever is applicable. You do not have to complete the information called for in columns (b) through (f). Write "From Schedule K-1 (100S)" across these columns.
- If a gain is reported on line 5, column (d) or column (e), and it is a passive activity amount to you, report the gain on Schedule D-1, line 2, column (h), and be sure to refer to "Passive Loss Limitations" on page 1 of the instructions for Schedule D-1.
- If a loss is reported on line 5, column (d) or column (e), and it is a passive activity amount to you, refer to "Passive Loss Limitations" on page 1 of the instructions for Schedule D-1. You will need to use form FTB 3801 to determine how much of the loss is allowed on Schedule D-1.

Line 6 — Other income (loss)

Amounts on this line are other items of income, gain or loss not included on line 1 through line 5. The S corporation should give you a description of your share for each of these items.

Report loss items that are passive activity amounts to you on form FTB 3801.

Report income or gain items that are passive activity amounts to you as instructed below. If, in addition to this passive activity income or gain, you have passive activity losses from any other source, also report the passive activity income or gain on form FTB 3801.

Line 6 items may include the following.

- S corporation gains from the disposition of farm recapture property (refer to Schedule

D-1) and other items to which IRC Section 1252 applies;

- Recovery of bad debts, prior taxes and delinquency amounts (IRC Section 111). Report the amount from line 6, column (c), on Schedule CA (540 or 540NR), line 22 whichever column is applicable;
- Gains and losses from gambling (IRC Section 165(d));
- Any income, gain or loss to the S corporation under IRC Section 751(b). Report this amount on Schedule D-1, line 10;
- Specially allocated ordinary gain (loss). Report this amount on Schedule D-1, line 10; and
- Net gain (loss) from involuntary conversions due to casualty or theft. The S corporation will give you a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, line 34, column (b)(i), column (b)(ii) and column (c).

Deductions

Line 7 – Charitable contributions

The S corporation will give you a schedule that shows which contributions were subject to the 50%, 30% and 20% limitations. For more information, refer to the federal Form 1040 instructions.

If there is an amount on Schedule K-1 (100S), line 7, column (c), enter this amount on Schedule CA (540 or 540NR), line 36.

Line 8 – Expense deduction for recovery property

The maximum amount of expense deduction for recovery property (IRC Section 179 deduction) that you may claim from all sources is \$10,000. The S corporation will give you information on your share of the cost of the S corporation's IRC Section 179 property so that you can compute this limitation. Your IRC Section 179 deduction is also limited to your taxable income from all your trades or businesses. See form FTB 3885A, Depreciation and Amortization Adjustments, and federal Publication 534, Depreciation, for more information.

If the S corporation reported R&TC Sections 24356.2, 24356.3 or 24356.4, enterprise zone, program area, LARZ or LAMBRA business expense deduction on this line, complete form FTB 3805Z, form FTB 3806 or form FTB 3807, to report your pro rata share.

Line 9 – Deductions related to portfolio income (loss)

Amounts entered on this line are the expenses (other than investment interest expense and expenses from a REMIC) paid or incurred to produce portfolio income. If you have an amount on Schedule K-1 (100S), line 9, column (c), enter this amount on Schedule CA (540 or 540NR), line 36. If, however, any line 9 amount should not be reported on Schedule CA (540 or 540NR), the S corporation will identify that amount for you.

Line 10 – Other deductions

Amounts on this line are other deductions not included on line 7 through line 9. If there is an amount on Schedule K-1 (100S), line 10, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR).

Investment Interest

Line 11a and Line 11b

If the S corporation paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, Investment Interest Expense Deduction, and the federal Publication 550, Investment Income and Expenses.

Line 11a – Interest expense on investment debts

Enter the amount from column (d) or column (e) on form FTB 3526 along with your investment interest expense from other sources. Form FTB 3526 will help you determine how much of your total investment interest is deductible.

Line 11b(1) and Line 11b(2) – Investment income and investment expenses

Use the column (d) or column (e) amounts on these lines to determine the amount to enter on form FTB 3526, line 4.

Caution: The amounts shown on line 11b(1) and line 11b(2) include only investment income and expenses included on line 4 and line 9 of this Schedule K-1 (100S). The S corporation should attach a schedule that shows you the amount of any investment income and expenses included in any other lines of your Schedule K-1 (100S). Use these amounts, if any, to adjust line 11b(1) and line 11b(2) to determine your total investment income and total investment expenses from this S corporation. Combine these totals with investment income and expenses from all other sources to determine the amount to enter on form FTB 3526, line 4.

Tax Credits

The S corporation will provide you the information needed to compute a credit allowable on your return.

Line 12a – Low-income housing credit

Your share of the S corporation's low-income housing credit is shown on line 12a, column (d) or column (e). Any available credit is entered on form FTB 3521, Low-Income Housing Credit. To claim this credit, attach a copy of form FTB 3521 to your return.

Caution: You may not claim the low-income housing credit on any qualified low-income housing project for which any person was allowed any benefit under Section 502 of the federal Tax Reform Act of 1986.

For more information, see the instructions for line 13.

Line 12b – Other credits related to rental real estate activities

If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to rental real estate activities other than the low-income housing credit.

For more information, see the instructions for line 13.

Line 12c – Credits related to other rental activities

If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to rental activities other than rental real estate activities.

For more information, see the instructions for line 13.

Line 13 – Other credits

If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported on line 12c or line 13 (depending on the type of activity they relate to) include but are not limited to:

- enterprise zone/program area hiring/sales and use tax credit (FTB 3805Z);
- Los Angeles Revitalization Zone (LARZ) hiring/sales and use tax credit (FTB 3806);
- Local Agency Military Base Recovery Area (LAMBRA) hiring/sales and use tax credit (FTB 3807);
- jobs credit (FTB 3524);
- research credit (FTB 3523);
- research credit for start-up companies (FTB 3505); or
- manufacturers' investment credit (FTB 3535). Separately state the 1994 and 1995 credit amounts allocated to each shareholder in the space below line 23.

Note: The at-risk limitations of IRC Section 465, the passive activity limitations of IRC Section 469 and the pass-thru rules of IRC Section 1369 may limit the amount of credits on line 12a, line 12b, line 12c and line 13 that you may take. Credits on line 12a, line 12b and line 12c are related to the rental activities of the S corporation and are passive activity credits to all shareholders. Credits on line 13 are related to the trade or business activities of the S corporation and may be passive activity credits to shareholders who do not materially participate.

In general, except to the extent phase-in relief is available, credits from passive activities are limited to tax attributable to passive activities. The following credits on line 13 may be limited under the passive activity credit rules:

- jobs credit; and
- research credit.

If you have an amount on line 12b or if the amount on line 13 is either of the two credits

listed above, enter the amount in column (d) or column (e) on form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of the credit that may be limited under the passive activity credit limitations.

Adjustments and Tax Preference Items

Line 14a through Line 14e

Use the information reported on line 14a through line 14e (as well as adjustments and tax preference items from other sources) to prepare Schedule P (540, 540NR or 541), Alternative Minimum Tax and Credit Limitations.

For more information, get federal Schedule K-1 (Form 1120S) instructions for Adjustments and Tax Preference Items.

Other State Taxes

Line 15a through Line 15e

You may claim a credit against your individual tax for your share of net income taxes paid by

the S corporation to certain other states which either tax the corporation as an S corporation or do not recognize S corporation status. For purposes of this credit, net income taxes include your share of taxes on, according to, or measured by income.

Residents are taxed on their pro rata share of all income and receive a credit for taxes paid to other states. Nonresidents, and part-year residents use column (e) for your pro rata share of California source pass-through income.

For more information, get California Schedule S, Other State Tax Credit.

Other Items

Line 16a through Line 19

Refer to the instructions for federal Schedule K-1, line 20 (Form 1120S).

Line 20

The S corporation will issue a Form 1099-DIV to you for this distribution. Report this amount as a dividend.

Line 21

Reduce your basis in stock of the S corporation by the distributions on line 21. If these distributions exceed your basis in stock, the excess is treated as gain from the sale or exchange of property and is reported on Schedule D.

Line 22

If the line 22 payments are made on indebtedness with a reduced basis, the repayments result in income to you to the extent the repayments are more than the adjusted basis of the loan. See IRC Section 1367(b)(2) for information on reduction in basis of a loan and restoration of basis of a loan with a reduced basis. See federal Revenue Ruling 68-357, 1968-2 C.B. 372, for more information.

Supplemental Information

Line 23

If the S corporation listed any credit recapture on this line, see your tax booklet for information on how to report the credit recapture.

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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.

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.

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.**

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	3 5 3 9
California corporation number			Federal employer identification number			Tax due				
Corporation/Exempt Organization name						\$	00			
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	Tax Due. 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		

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 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 reply in writing.

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

**FRANCHISE TAX BOARD
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?



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