California

Forms & Instructions

100-WE

1995

Water's-Edge Booklet

Members of the Franchise Tax Board
Kathleen Connell, Chair
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This booklet contains:

Form 100-FEE-A, Amended Water's-Edge Election Fee Supplemental Schedule
Form 100-FEE-X, Amended Water's-Edge Election Fee
Form 100-WE, Water's-Edge Contract
FTB 1116, Notice of Nonrenewal of Water's-Edge Election
FTB 1117, Request to Terminate Water's-Edge Election
FTB 2411, Water's-Edge Dividend Deduction
FTB 2416, Retained Earnings of Controlled Foreign Corporations
FTB 2424, Water's-Edge Foreign Investment Interest Offset
FTB 2426, Water's-Edge Cover Sheet

Taxpayers that elect to file their California return on a water's-edge basis under Revenue and Taxation Code Section 25110 must attach form FTB 2426, Water's-Edge Cover Sheet, to Form 100 or Form 100S.

State of California
Franchise Tax Board

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Other Publications

Other publications prepared by the Franchise Tax Board include:

- FTB Pub. 1038, Guide for Corporations Dissolving, Surrendering (Withdrawing) or Merging
- FTB Pub. 1050, Application and Interpretation of Public Law 86-272
- FTB Pub. 1060, Guide for Corporations Starting Business in California
- FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report

These publications may be obtained by writing to:

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

Instructions for Taxpayers Making a Water's-Edge Election

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).

Tax Law Changes

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Recent legislation repealed R&TC Section 18634, thereby eliminating the filing requirement (Form FTB 2427, Worldwide Affiliation Schedule) for any bank or corporation with total worldwide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.

Introduction

For income years beginning on or after January 1, 1988, California law allows corporate taxpayers to elect to compute income attributable to California on the basis of a water's-edge combined report. In general, affiliated foreign corporations are excluded from the combined report.

The statute allowing the election to file on a water's-edge basis does not supersede the concept of unity however; it merely limits the unitary entities included in the combined report. (For a discussion of the concepts of the unitary method of taxation and its application by the State of California, refer to FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.) Once the taxpayer has computed its income attributable to California on the water's-edge combined report basis, the taxpayer can either file a separate return or can elect to file a single return with the other taxpayers in the water's-edge group (See Schedule R-7, Election to File a Combined Unitary Group Single Return and List of Affiliated Corporations).

This booklet explains how the water's-edge election is made, which entities must be included in the water's-edge combined report and other key features of the law. This booklet should be used in conjunction with Form 100, California Corporation Franchise or Income Tax Return, or Form 100S, California S Corporation Franchise or Income Tax Return.

Significant Changes to Water's-Edge Provisions

There are significant changes to the water's-edge provisions effective for **income years beginning on or after January 1, 1994.** The changes include:

- revocation of all water's-edge contracts entered into for income years beginning prior to January 1, 1994;

  Note: All taxpayers that are members of a water's-edge group consisting of taxpayers with different income years will continue to be bound by the contract in effect as of December 31, 1993, until the income years beginning before January 1, 1994, and ending in 1994, have ended.
- requiring new water's-edge elections for bank and corporations desiring to file on a water's-edge basis for income years beginning on or after January 1, 1994;
- a seven year (eighty-four month) contract period;
- elimination of the election fee;
- elimination of the Domestic Disclosure Spreadsheet for water's-edge filers;
- revisions to the termination provisions of the water's-edge election; and
- elimination of provisions that allowed FTB to disregard water's-edge elections for specified reasons.

All contracts entered into for income years beginning prior to January 1, 1994, are rescinded. If a taxpayer wishes to continue filing on a water's-edge basis, the taxpayer must make a **new** water's-edge election for their income year beginning on or after January 1, 1994.

For information regarding these changes, get FTB Notice 93-7 and Legal Ruling 95-4.

Water's-Edge Combined Report

Entities Included

For income years beginning on or after January 1, 1988, taxpayers may elect to determine their income derived from or attributable to California sources on the basis of a water's-edge combined report. The water's-edge combined report includes only the income and apportionment factors of the members of the unitary group that meet the criteria listed below. If an entity meets any one of the criteria **and** is unitary, it must be included in the combined report. If an entity does not meet any of the criteria, it must be excluded from the combined report.

1. Any bank or corporation eligible for inclusion in a federal consolidated return, as defined in IRC Sections 1501 to 1505, inclusive, except for corporations making an election under IRC Section 936.
2. Any domestic international sales corporation, as defined in IRC Section 992 and any foreign sales corporation, as defined in IRC Section 922.
3. Any corporation, regardless of where incorporated, if the average of its property, payroll and sales factors within the U.S. is 20 percent or more. This rule does not apply to foreign incorporated banks.
4. Any bank or corporation incorporated in the U.S., more than 50 percent of whose stock is controlled directly or indirectly by the same interests, except for corporations making an election under IRC Section 936.
5. Any export trade corporation as defined in IRC Section 971.
6. Any controlled foreign corporation, as defined in IRC Section 957, that has Subpart F income as defined in IRC Section 952. The income and apportionment factors of such corporations are included in the combined report based on the ratio of the total Subpart F income of such entity for the year to its current year earnings and profits. If the current year earnings and profits are zero or less, none of the income and factors of the entity are included in the combined report. Subpart F income defined in IRC Sections 956 and 956A is not included.
7. Any foreign organized bank, or any corporation not described in items 1 through 6 with less than 20 percent of its average property, payroll and sales in the U.S., that has income attributable to sources within the U.S. Such entities are included in the combined report only to the extent of their U.S. located income and factors. In general, U.S. located income includes income which is effectively connected (ECI) with a U.S. trade or business, or is treated as effectively connected, under the provisions of the IRC. Immunity provisions of a tax treaty are not considered in determining ECI. U.S. source income that is business income under R&TC Section 25120 is included in the water's-edge combined report regardless of whether such income is considered effectively connected income under the IRC.

For more information, see R&TC Section 25110(a) and the regulations thereunder.

Intercompany Transactions

FTB Notice 89-601, dated September 20, 1989, states that the Franchise Tax Board (FTB) will issue proposed regulations prescribing the treatment of transactions between two or more entities engaged in a single unitary business, and it provides interim guidance for the treatment of certain intercompany transactions in water's-edge combined reports. No timetable has been established for issuing the proposed regulations. The interim water's-edge treatment can be summarized as:

1. If a combined group has deferred gain or loss from intercompany transactions a water's-edge election under R&TC

Section 25111 will cause certain previously deferred gains or losses to be taxed over a 60 month period beginning with the first day of the election period. This applies only to transactions where either the transferee, the transferor, or both, are to be excluded from a combined report by reason of the water's-edge election. It does not apply if both the transferor and the transferee are included in the water's-edge combination.

2. Generally, such gains or losses will be apportioned using the percentage used in the last worldwide combined report which preceded the first water's-edge year. FTB Notice 89-601 provides that the percentage of the year of the original transaction can be used in certain circumstances.

When a combined group uses the elimination/carryover basis method to account for transfer of certain assets between members of the combined report, the transferor's basis will carryover to the transferee. Any profit eliminated as a result of using this method would be recognized by the transferee when the asset is sold outside the combined reporting group.

Taxpayers may wish to review the treatment of intercompany transactions prescribed in FTB Pub. 1061 and the federal rules under Treas. Reg. Section 1.1502-13.

Water's-Edge Election

Contract Requirement

To make the water's-edge election, **each taxpayer** must enter into a contract with the FTB by filing Form 100-WE, Water's-Edge Contract. In consideration for being allowed to file on a water's-edge basis, the taxpayer must:

- agree to file on a water's-edge basis for a period of 84 months;
- agree to business income treatment of dividends received from: (1) over 50 percent owned entities engaged in the same general line of business as the members of the water's-edge group, or (2) entities that are a significant source of supply to, or a significant purchaser of the output of the members of the water's-edge group. Significant means an amount equal to 15 percent or more; and
- consent to the taking of depositions from key employees or officers of the members of the water's-edge group and to the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

For more information, see R&TC Section 25110(b) and the regulations thereunder.

Taxpayers Covered by Election

For the election to be effective, all affiliated taxpayers engaged in a single unitary business must file on a water's-edge basis. A taxpayer or an affiliated group of taxpayers that is engaged in more than one unitary business may make a water's-edge election with respect to any one or more of its businesses, but it need not elect for all of its businesses. For example, a taxpayer engaged in two unitary businesses may elect water's-edge for one of the businesses and may remain subject to worldwide combined reporting treatment for the other business.

The common parent of a controlled group that files a consolidated federal return, or the common parent wherever domiciled or organized, may file an election binding upon all members of the controlled group that are part of the water's-edge combined report group. The common parent need not be a California taxpayer.

In cases where the water's-edge election is not entered into by a common parent, each taxpayer included in the combined report must enter into a separate contract.

Time of Making the Contract

The contract must be entered into by all unitary taxpayers at the time the original return is filed for the first income year the contract is to be effective. The contract may not be entered into through an amended return.

CAUTION: The contract must be attached to the original return for the election to be valid.

A copy of the original contract must be attached to all subsequent returns filed during the election period.

Taxpayers With Different Fiscal-Year Ends

Taxpayers engaged in a unitary business with different fiscal-year ends will make the election with each of its individual returns. For each member of the group, the election period will begin on the first day of the income year of the last member of the water's-edge group to file its return and make the election. Each taxpayer's initial return, whose income year is earlier than the last member of the group, will compute its tax liability using a hybrid worldwide/water's-edge combination method.

For more information see 18 Cal. Code Reg. Section 25111-1(g).

Automatic Renewal

Once the contract period starts, it will automatically renew on the anniversary date of the contract. The anniversary date of the contract is the later of the original due date of the return or the due date of the return as extended. The anniversary date is determined by the first income year of the election and does not change. The automatic renewal provision extends the 84-month period of the contract for an additional 12 months. The contract period will automatically renew each annual anniversary date, unless the taxpayer files form FTB 1116, Notice of Nonrenewal of Water's-Edge Contract, at least 90 days prior to an anniversary date.

Notice of Nonrenewal

A taxpayer may file form FTB 1116 at any time during the contract period. To prevent the automatic renewal provisions, form FTB 1116 must be filed with the FTB at least 90 days prior to the anniversary date of the contract. **Form FTB 1116 must be filed separately from any other form.**

Mail form FTB 1116 to:

FRANCHISE TAX BOARD
PO BOX 1779
RANCHO CORDOVA CA 95741-1779

Example:

Corporation A, a calendar year taxpayer, makes a water's-edge election with its return filed October 15, 1996. The contract covers income years 1995 through 2001. If Corporation A does not file form FTB 1116 at least 90 days prior to its anniversary date on October 15, 1997, the contract automatically renews and extends the election through the 2002 income year. If Corporation A, files form FTB 1116 at least 90 days prior to October 15, 1997, the contract period will end on December 31, 2001.

All members of the water's-edge group must consent to the notice of nonrenewal. Similar to the water's-edge contract, the common parent of a controlled group may file form FTB 1116 for all taxpayers in the water's-edge combined group. If the water's-edge election was not entered into by a common parent, each taxpayer must timely file form FTB 1116.

Form FTB 1116 prevents the automatic renewal provision that extends the contract period. Once form FTB 1116 is filed, the taxpayer must continue to file on a water's-edge basis until the contract period expires.

Effect of Changes in Affiliations

In general, taxpayers are bound by any contract they enter into, or by any contract entered into by a unitary affiliate, for the entire term of the contract. For example, a bank or corporation subject to California tax that becomes a member of an electing water's-edge group subsequent to an election having been made by the group, or a unitary affiliate of an electing taxpayer that becomes subject to California tax subsequent to the election, is deemed to have consented to and is bound by the original election and contract for the remaining term of the contract. A water's-edge election is a tax attribute that carries over to the surviving entity in a reorganization or liquidation. When a taxpayer ceases to be a member of the water's-edge group, the taxpayer

must continue to file on a water's-edge basis until the contract period expires.

A nonelecting bank or corporation that is subsequently proven to be unitary with a water's-edge group pursuant to an audit determination of the FTB is deemed to have made a water's-edge election.

When an affiliation change occurs, a statement should be attached to the return identifying which affiliates were included in the original group, the appropriate California corporation numbers and what changes have occurred.

For more information, see 18 Cal. Code Reg. Section 25111-1(d)(2).

Under certain circumstances, taxpayers adversely affected by the above rules may terminate their election.

Termination of Election

Under the tax law changes made by SB 671 (Stats. 1993, Ch. 881, Sec. 23), all water's-edge contracts entered into for income years beginning before January 1, 1994, will automatically be rescinded for the income years remaining on the contract that began on or after January 1, 1994. (**Note:** All taxpayers that are members of a water's-edge group consisting of taxpayers with different income years will continue to be bound by the contract in effect as of December 31, 1993, until the income years beginning before January 1, 1994 and ending in 1994, have ended.) It is not necessary to file termination requests to cause the contracts to be automatically rescinded.

A taxpayer may terminate its water's-edge election prior to the expiration of the contract period only if:

- the taxpayer is acquired by an unrelated, nonelecting entity or group of entities that has larger equity capital than the taxpayer; or
- the FTB grants the taxpayer written permission to terminate the election. A taxpayer may request permission to change its election at any time. In general, the request will be granted only if the taxpayer demonstrates to the satisfaction of the FTB that filing on a water's-edge basis instead of a worldwide basis results in a significant disadvantage to the taxpayer, and that such disadvantage is the result of an extraordinary and significant event that could not have been reasonably anticipated at the time the election was originally made.

In general, the effective date of any request that is granted by the FTB will be for the income year immediately following the income year in which the qualifying event occurs. Form FTB 1117, Request to Terminate Water's-Edge Election, must be filed no later than the due date of the return for the income year the termination is effective.

A taxpayer must timely file form FTB 1117, **separately from any other form** to terminate its water's-edge election. Mail form FTB 1117 to:

FRANCHISE TAX BOARD
PO BOX 1779
RANCHO CORDOVA CA 95741-1779

For more information, see R&TC Section 25111 and the regulations thereunder.

Water's-Edge Election Fee

Effective for income years beginning on or after January 1, 1994, the water's-edge election fee provisions have been repealed.

Form 100-FEE-X, Amended Water's-Edge Election Fee, and Form 100-FEE-A, Amended Water's-Edge Election Fee Supplemental Schedule, are included in this booklet if the taxpayer finds it necessary to amend a prior year's water's-edge election fee.

Electronic Funds Transfer (EFT)

Corporations that remit a bank or corporation estimated tax or extension payment in excess of $20,000 or that have a total tax liability in excess of $80,000 must pay through EFT. Corporations that meet the threshold must remit all payments, including Water's-Edge Fee payments, through EFT rather than by paper check. The FTB will notify corporations that are subject to this requirement. Those that wish to participate on a voluntary basis may do so. For more information, call FTB's EFT Section at (916) 845-4025.

Foreign Dividend Deduction

R&TC Section 24411 provides a percentage deduction of a portion of the dividends received by members of the water's-edge group. Attach form FTB 2411, Water's-Edge Dividend Deduction, to Form 100 or Form 100S in support of the deduction.

Generally, the allowable deduction will be 75 percent of the current year qualifying dividends unless current year qualifying dividends exceed base year qualifying dividends. Qualifying dividends are those received by a member of the water's-edge group from a corporation: (1) of which more than 50 percent of its voting stock is owned, directly or indirectly, by the water's-edge group; and (2) that has an average of less than 20 percent of its property, payroll and sales factor in the U.S.

When current year qualifying dividends exceed the base year qualifying dividends, a larger or smaller dividend deduction will be allowed depending on whether there is an increase or decrease in foreign investment as measured by the foreign payroll factor.

A deduction of 100 percent is allowed for dividends derived from certain foreign construction projects, regardless of base period dividends or foreign payroll amounts.

For more information on the foreign dividend deduction, see R&TC Section 24411 and the regulations thereunder, and page 19 of this booklet.

Foreign Investment Interest Offset

R&TC Section 24344(c) provides that interest expense incurred for purposes of foreign investment is offset against the dividends deductible under R&TC Section 24411. The offset will not be greater than the deduction allowed pursuant to R&TC Section 24411. Complete and attach form FTB 2424, Water's- Edge Foreign Investment Interest Offset, to the return. For these purposes, foreign investment means stock or other equity investment, including accumulated earnings and profits, in a foreign entity owned by a member of the water's-edge group.

In general, the amount of interest expense incurred for purposes of foreign investment is determined by multiplying the total interest expense of the water's-edge group by the ratio of the group's total foreign investments to its total assets. However, direct tracing of interest expense to specific assets is required if:

- the underlying debt was incurred in connection with a specific property;
- the proceeds of the borrowing were actually applied to the specific property; and
- the creditor's only security is the specific property.

In addition, interest expense paid with respect to debt incurred on or after January 1, 1988, will not be considered incurred for purposes of foreign investment if the proceeds of the debt are paid into an account that is restricted to preclude its use for foreign investment and the account is not in fact used for foreign investment.

Total amounts of interest, foreign investment and assets are reduced by any items qualifying for specific tracing before the application of the apportionment formula based on assets.

The remaining interest expense, after the amount of interest expense offset against dividends deductible under R&TC Section 24411, is subject to the provisions of R&TC Section 24344(b).

For more information, see R&TC Section 24344(c) and the regulations thereunder.

Retained Earnings of Controlled Foreign Corporations

R&TC Section 25110(a)(7) provides that a portion of the income and apportionment factors of any controlled foreign corporation (defined in IRC Section 957) that has IRC Subpart F income, as defined in IRC Sec-

tion 952, must be included in the combined report of a taxpayer making a water's-edge election. See form FTB 2416, Retained Earnings of Controlled Foreign Corporations, on pages 21 and 22 to compute the income and apportionment factors to be included in the combined report.

Key Corporation

A key corporation must be designated if the California taxpayers elect to file a single return on a combined basis. Generally, the key corporation is the California taxpayer with the most assets included in the water's-edge group. Once a corporation is designated as the key corporation, it must continue to be the key corporation so long as the water's-edge contract remains in effect and the corporation is a taxpayer in the water's-edge group.

Example:

Corporation A, the common parent of the federal controlled group A, B, C, D and E, is not a California taxpayer. Corporation A elects water's-edge treatment for the unitary group B, C and E, which are all California taxpayers. The largest of either B, C or E will be designated as the key corporation if the taxpayers file a single tax return on a combined basis.

If the key corporation is changed, a statement should be attached to the return identifying the original key corporation with its California corporation number and the new key corporation with its California corporation number.

Return Filing Requirements

Any year a corporation files a return determining its California taxable income on a water's-edge basis, it is required to attach the following:

- a copy of the filed Form 100-WE, Water's-Edge Contract, effective for the current year; and
- Form 2426, Water's-Edge Cover Sheet.

Corporations must attach Form 2426 to the front of the return.

INCOME YEAR | CALIFORNIA FORM

1995 Water's-Edge Cover Sheet 2426

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

Attach this form to the face of Form 100 or Form 100S.

Corporation and Contract Information

Corporation name	California corporation number

THE WATER'S-EDGE CONTRACT PERIOD BEGINS MONTH DAY YEAR AND ENDS MONTH DAY YEAR.

Indicate which of the following forms are included with this return by checking all applicable boxes:

☐ FTB 2411 ☐ FTB 2416 ☐ FTB 2424 ☐ Form 100-FEE-A ☐ Form 100-FEE-X ☐ Form 100-WE ☐ Copy of Form 100-WE from prior year election

THIS FORM MUST BE ATTACHED TO THE FRONT OF FORM 100 OR FORM 100S

Please Sign Here	Signature of officer	Title	Date	Telephone
	Print or type name of signing officer			( )

General Information

Purpose of Form

Use form FTB 2426 as a cover sheet whenever a corporation files a return determining its California income on a water's-edge basis.

General Instructions

Form FTB 2426 should be attached to the front of Form 100 or Form 100S.

Do not attach form FTB 1116, Notice of Nonrenewal of Water's-Edge Contract, or form FTB 1117, Request to Terminate Water's-Edge Election, to this form. Mail each form separately from any other form.

Form 100-WE, Water's-Edge Contract, must be signed and attached to the original return to be valid.

A copy of the contract must be attached to all subsequent returns filed during the contract period.

California Corporation Number for Unitary Group Single Return

Enter the California corporation number of the member designated to make the election to file a Unitary Group Single Return.

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INCOME YEAR | CALIFORNIA FORM

1995 Water's-Edge Contract 100-WE

Attach this form to the back of Form 100 or Form 100S.

Corporation name	California corporation number

Number and street

City	State	ZIP code

WATER'S-EDGE CONTRACT

Pursuant to Revenue and Taxation Code (R&TC) Section 25111 and subject to the representations and conditions set forth herein and in the R&TC, the parties agree and contract as follows:

I The Franchise Tax Board (FTB) shall allow the **ELECTOR** to determine the amount of income derived from or attributable to sources within this state pursuant to R&TC Section 25110 and related provisions (including incorporated federal provisions, as may be amended during the contract period); and

II The **ELECTOR** consents to the taking of depositions from key domestic corporate individuals, wherever located, and acceptance of subpoenas duces tecum, both as provided in R&TC Section 25110(b)(2)(A), and agrees that the dividends described in R&TC Section 25110(b)(2)(B) are functionally related and presumed to be business income.

PARTIES: The parties to this Contract shall be the **FTB and** _____**, ELECTOR.**

This contract shall only be effective if each and every bank and corporation that is or was required to file a return under the R&TC which is or was a member of the water's-edge group **at any time** during the income year joins in the election.

☐ Check here if the common parent is electing on behalf of the water's-edge group. List each bank or corporation covered by this contract on Side 2. As the common parent of a controlled group, the bank or corporation hereby contracts for all members of the controlled group which are includable in the water's-edge combined report.

Any taxpayer which subsequently becomes a member of the water's-edge group or is subsequently proved to be a member of the water's-edge group will be deemed to have consented to the election subject to the provisions of R&TC Section 25111 and the regulations thereunder.

PERIOD: The contract shall begin on _____ (MONTH) _____ (DAY) _____ (YEAR), the first day of the income year for which the election can be made and shall, except as otherwise provided by statute or herein, continue for seven years (84 calendar months) from that date.

RENEWAL: Unless a notice of nonrenewal is filed at least ninety (90) days prior to the anniversary date, the contract shall automatically be extended for one year (12 calendar months). The ''anniversary date'' shall be defined as the original due date or the due date as extended for the income year for which the election was made.

TERMINATION: If the **ELECTOR** requests, the FTB may, subject to conditions as provided by statute or regulation, allow this contract to be terminated prior to the expiration of its term.

JURISDICTION: This is a legally binding contract. Any disputes arising under this contract shall be subject to the jurisdiction of the Superior Court of the State of California.

_____
Corporation Name

_____ Date

_____
Signature of Officer

_____
Print or type name and title of signing Officer

SIGN FORM 100-WE AND ATTACH TO FORM 100 OR FORM 100S
KEEP A COPY FOR YOUR RECORDS

Corporations Covered by the Water's-Edge Contract

Key California corporation name *	Key California corporation number
Common parent name	Federal employer identification number (if applicable)
List of corporations covered by the election	California corporation number

* See page 5 for definition of Key corporation.

Attach additional sheets if necessary.

INCOME YEAR | CALIFORNIA FORM

1995 Notice of Nonrenewal of Water's-Edge Contract 1116

Key corporation name (as filed on original water's-edge return)	**Key California corporation number**
Number and street	Federal employer identification number
City, state, ZIP code	

☐ **INDIVIDUAL TAXPAYER NOTICE OF NONRENEWAL**

hereby notifies the Franchise Tax Board (FTB) of its intention not to renew its water's-edge contract dated _____ (MONTH) | _____ (DAY) | _____ (YEAR) providing for a water's-edge election pursuant to Revenue and Taxation Code (R&TC) Section 25110. The last day of the income year for which the contract shall continue in effect is _____ (MONTH) | _____ (DAY) | _____ (YEAR) .

In order for nonrenewal of the water's-edge contract to be effective, each taxpayer making a water's-edge election within the group must file a separate notice of nonrenewal of water's-edge contract.

Date

Signature of Officer

Print or type name and title of signing Officer

☐ **COMMON PARENT NOTICE OF NONRENEWAL**

a common parent hereby notifies the FTB of its intention not to renew its contract dated _____ (MONTH) | _____ (DAY) | _____ (YEAR), providing for a water's-edge election pursuant to R&TC Section 25110.

The last day of the income year for which the contract shall continue in effect is _____ (MONTH) | _____ (DAY) | _____ (YEAR) .

Date

Signature of Officer

Print or type name and title of signing Officer

Affiliated taxpayers included in the water's-edge group must be listed on the back of this form.

THIS FORM MUST BE FILED SEPARATELY FROM THE TAX RETURN

Notice of Nonrenewal of Water's-Edge Contract

Key corporation name *	Key California corporation number
Common parent name	Federal employer identification number (if applicable)
List of corporations covered by the election	California corporation number

* See page 5 for definition of Key corporation.

Attach additional sheets if necessary.

1995 Request to Terminate Water's-Edge Election 1117

For use only by taxpayers filing on a water's-edge basis. **Note:** Parts I, II, III and VII must be completed in all cases.

Part I Complete in all cases.

Corporation name (as reflected on original water's-edge return)	**California corporation number**

Address (number and street)

City	State	ZIP code

Do not change the method of filing until it has been approved by the Franchise Tax Board (FTB).

Request to terminate the water's-edge election effective for income year ending MONTH ____ DAY ____ YEAR ____

Current expiration date of the water's-edge election MONTH ____ DAY ____ YEAR ____

Part II Complete in all cases.

1. This is a request to terminate the water's-edge election ☐ ; or
2. This is a request for FTB's permission to terminate the water's-edge election ☐ .
3. Basis for request to terminate the election (attach additional sheets if necessary).

Part III Complete in all cases.

List Taxpayers Currently Covered by Original Contract	**List Taxpayers Requesting to Terminate Election**

THIS FORM MUST BE FILED SEPARATELY FROM THE TAX RETURN

Parts IV, V and VI apply only if you are requesting permission to terminate the election. Otherwise, go to Part VII.

Part IV Complete only by taxpayers requesting permission to terminate the election.

Provide a list of all gains or losses on stock or assets during the water's-edge election period of any affiliated banks or corporations included in the combined report prior to the water's-edge election. See Part F.

Bank or Corporation Name	Item Disposed Of	Date Sold/Disposed Of	Gain/Loss

Part V Complete only by taxpayers requesting permission to terminate the election.

	Tax As Computed		
Income Year Ended	Water's-Edge Method	Worldwide Method	Difference

Attach a statement showing computations, estimates and assumptions made.

Part VI Applies only to taxpayers requesting permission to terminate the election.

Conditions:

A request for permission to terminate an election is subject to the following.

1. Dividends received during the remaining period of the contract from affiliated banks or corporations not included in the water's-edge combined report will be considered to have been paid first out of the earnings and profits not included in the combined report of a unitary business for purposes of computing any allowable dividend exclusion under R&TC Section 25106. To the extent the dividends exceed such earnings and profits, they may be subject to the exclusion.
2. Gains on distribution with respect to stock that is not a dividend or from the sale or other disposition of assets received during the remaining period of the contract from affiliated banks or corporations not included in the water's-edge combined report will not be deferred or eliminated. Losses from the sale or worthlessness of stock or from the sale or other disposition of assets of affiliated banks or corporations not included in the water's-edge combined report will be allowed only to the extent of dividend income or other gains recognized as a result of the change in election.
3. Gains or losses on the disposition of stock or assets of an affiliated bank or corporation that was included in a combined report prior to the election and that was excluded from the water's-edge combined report will be included in income in the first return filed after permission is granted. Losses will only be included to the extent of gains recognized as a result of the change in election.
4. The books and records with respect to the gains and losses listed above, earnings and profits of affiliated banks and corporations, the nature of the event giving rise to the request, the consequences of such event, and such other relevent matters must be made available upon request of the FTB.

By signing this form the taxpayers requesting permission to terminate the water's-edge election agree to the four conditions listed above.

Part VII Signature and Verification. Complete in all cases.

1. I attest to the accuracy of factual statements.
2. I attest to the belief that the termination of the water's-edge election is permitted by law.
3. I agree to the terms and conditions for all affected taxpayers.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge, it is true, correct and complete.

Signature of officer | Title | Date

Print or type name of person to contact | Telephone

Mail separately to:

FRANCHISE TAX BOARD
PO BOX 1779
RANCHO CORDOVA CA 95741-1779

Instructions for form FTB 1117

Request to Terminate Water's-Edge Election

General Information

Purpose of Form

Use form FTB 1117 to request to terminate the water's-edge election or to request the FTB's permission to terminate the water's-edge election.

Under the tax law changes made by SB 671 (Stats. 1993, Ch. 881, Sec. 23), all water's-edge contracts entered into for income years beginning before January 1, 1994, will automatically be rescinded for the income years remaining on the contract that began on or after January 1, 1994. (**Note:** All taxpayers that are members of a water's-edge group consisting of taxpayers with different income years will continue to be bound by the contract in effect as of December 31, 1993, until the income years beginning before January 1, 1994 and ending in 1994, have ended.) It is not necessary to file termination requests to cause the contracts to automatically be rescinded.

R&TC Section 25111 provides how and when the water's-edge election is to be made. In addition, this section provides the manner in which the water's-edge election may be terminated at any time prior to the expiration of the contract period. The election may be terminated if the taxpayer requests:

- to terminate the election; or
- the FTB's permission to terminate the election.

The taxpayer should clearly state under which criteria it is requesting the termination and the specific facts involved.

Specific Instructions

Request to Terminate

Part II, Line 1

An electing water's-edge taxpayer may terminate its water's-edge election if it is acquired directly or indirectly by an unrelated nonelecting entity that is larger in terms of equity capital than the taxpayer.

In the case of termination by reason of acquisition by a larger entity, the request to terminate an election will affect only the member of the water's-edge group making the request.

Permission to Terminate

Part II, Line 2

In general, the request for permission to terminate the water's-edge election will be granted only if the taxpayer demonstrates that the requirement to file returns on a water's-edge basis, rather than on a worldwide combined basis, for the unexpired term of the contract will result in a significant disadvantage to the taxpayer and that such disadvantage is the consequence of an extraordinary and significant event that could not have been reasonably anticipated at the time the original election was made.

An example of an event that could be considered extraordinary and significant includes, but is not limited to change in ownership or affiliation.

A taxpayer requesting permission to terminate the water's-edge election by reason of change in ownership or affiliation must request permission to terminate no later than the due date of the return for the income year immediately succeeding the income year in which the change in ownership or affiliation occurred.

The basis for permission to terminate the water's-edge election must be in writing and must state the reason(s) for the request. In addition, the statement should explain why filing on the water's-edge combined basis results in a significant disadvantage to the taxpayer and how such disadvantage is the consequence of an extraordinary and significant event that could not have been reasonably anticipated at the time the original election was made.

A significant disadvantage includes a material difference that is unfavorable to the taxpayer between the tax under the water's-edge reporting and the tax under worldwide reporting for the remaining life of the election. Any assumptions, estimates, and computations made to determine such material difference must be included with the request for permission to terminate the election.

Taxpayers requesting permission to terminate must complete Part IV and Part V of form FTB 1117.

Basis for Request to Terminate

Part II, Line 3

Provide a detailed explanation of the basis for requesting permission to terminate.

Changing an Election

A request for permission to terminate an election under Part II, line 2 of this form is subject to the conditions outlined in Part VI of form FTB 1117.

Action on Request

Within ninety (90) days of receipt of a request to terminate the water's-edge election, the FTB will either act on the request or advise the taxpayer what additional information is needed to consider the request. Upon receipt of the additional information requested, the FTB will act on the request within ninety (90) days.

If the FTB takes no action or requests no additional information, the request to terminate the water's-edge election under Part II, line 1 of this form is deemed allowed upon expiration of the ninety (90) day period unless this time period is specifically extended by the taxpayer.

If the FTB takes no action or requests no additional information, the request for permission to terminate the water's-edge election under Part II, line 2 of this form is deemed disallowed upon expiration of the ninety (90) day period unless this time period is specifically extended by the taxpayer.

The taxpayer may withdraw its request at any time prior to the FTB's taking action on such request.

Effective Date

The effective date of a terminated election varies depending on whether the taxpayer is requesting to terminate or requesting permission to terminate and on the basis for the change. A terminated election, based on acquisition by a larger entity, is effective for the succeeding income year.

In general, requests for permission to terminate the water's-edge election are effective for the first income year of the return that is due, including extensions, after the date the qualifying event occurred.

The FTB may grant the change effective for a later income year. However, requests will not be allowed retroactively.

For additional information, refer to R&TC Section 25111 and the regulations thereunder.

Due Date of form FTB 1117

Any request to terminate an election described in Part II, line 1 must be filed with the FTB no later than the due date, including extensions, of the return for which the termination would be effective. A request for permission to terminate an election described in Part II, line 2 may be filed at any time.

Where to Mail form FTB 1117

A taxpayer must file form FTB 1117, Request to Terminate Water's-Edge Election, separately from any other form to request termination of its water's-edge election. Form FTB 1117 filed with a return is **not** valid, and **will not** terminate a taxpayer's water's-edge election. Mail form FTB 1117 to:

FRANCHISE TAX BOARD
PO BOX 1779
RANCHO CORDOVA CA 95741-1779

For more information, see R&TC Section 25111 and the regulations thereunder.

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1995 Water's-Edge Dividend Deduction 2411

Attach this form to the back of Form 100 or Form 100S.

Corporation name	California corporation number

Note: If there were no base period dividends and no base period foreign payroll percentages, the corporation does not qualify for the water's-edge dividend deduction except for construction project dividends, if applicable.

PART I

STEP 1

	(a) Base Period Year-End (12 full months)	**(b)** Base Period Qualifying Dividends
1		
2		
3		

4 Enter the largest of line 1, column (b), line 2, column (b) or line 3, column (b) . . . . . .

STEP 2

	(a) Current Year	**(b)** Qualifying Dividends
5		

6 Construction project dividends . . . . . .

7 Subtract line 6 from line 5 . . . . . .

8 If line 7 is equal to or **less** than line 4, skip steps 3, 4 and 5, go to PART II.
If line 7 is **larger** than line 4, continue to STEP 3.

STEP 3

	(a) Base Period Year-End	**(b)** Payroll Outside U.S.	**(c)** Payroll Everywhere	**(d)** Base Period Foreign Payroll % (b ÷ c)
9				
10				
11				

12 Enter the largest of line 9, column (d), line 10, column (d) or line 11, column (d) . . . . . .

STEP 4

	(a) Current Year-End	**(b)** Payroll Outside U.S.	**(c)** Payroll Everywhere	**(d)** Current Year Foreign Payroll % (b ÷ c)
13				

STEP 5

14 If line 12 is zero, and you have an amount on line 4, go to PART III.

15 If line 13, column (d) is less than line 12, go to PART IV.

16 If line 13, column (d) is equal to or greater than line 12, go to PART V.

17 If line 4 and line 12 are both zero, STOP. If there are construction project dividends on Part I, Step 2, line 6, enter that amount on Form 100, Side 1, line 11 or Form 100S, Side 1, line 10. Otherwise, you do not qualify for the dividend deduction.

PART II — **Current year dividends less than or equal to base period**

1	Enter the current year dividends (from Part I, Step 2, line 7)	1		
2	Multiply line 1 by 75%	2		
3	Construction project dividends (from Part I, Step 2, line 6)	3		
4	Dividend deduction. Add line 2 and line 3. Enter here and on Form 100, Side 1, line 11 or Form 100S, Side 1, line 10	4		

PART III — **No foreign activity during base period**

1	Enter the **largest** base period dividends (from Part I, Step 1, line 4)	1		
2	Multiply line 1 by 75%	2		
3	Construction project dividends (from Part I, Step 2, line 6)	3		
4	Dividend deduction. Add line 2 and line 3. Enter here and on Form 100, Side 1, line 11 or Form 100S, Side 1, line 10	4		

PART IV — **Current dividends more than base period; decreased foreign investment**

1	Enter the **largest** base period dividends (from Part I, Step 1, line 4)	1		
2	Multiply line 1 by 75%	2		
3	Enter the **largest** base period foreign payroll % (from Part I, Step 3, line 12)	3		
4	Enter the current year foreign payroll % (from Part I, Step 4, line 13)	4		
5	Percentage of foreign payroll decrease. Subtract line 4 from line 3	5		
6	Enter amount from line 3	6		
7	Fully excludable percentage. Divide line 5 by line 6	7		
8	Enter the current year dividends (from Part I, Step 2, line 7)	8		
9	Multiply line 7 by line 8	9		
10	Enter amount from line 8	10		
11	Enter amount from line 1	11		
12	Balance. Subtract line 11 from line 10	12		
13	Enter the **smaller** of line 9 **or** line 12	13		
14	Subtract line 13 from line 12	14		
15	Multiply line 14 x 75%	15		
16	Balance. Add line 2 and line 15	16		
17	Enter the **smaller** of line 9 **or** line 12	17		
18	Construction project dividends (from Part I, Step 2, line 6)	18		
19	Dividend deduction. Add line 16, line 17 and line 18. Enter here and on Form 100, Side 1, line 11 or Form 100S, Side 1, line 10	19		

PART V — **Current dividends more than base period; equal or increased foreign investment**

1	Enter the **largest** base period dividends (from Part I, Step 1, line 4)	1		
2	Multiply line 1 by 75%	2		
3	Enter the current year foreign payroll % (from Part I, Step 4, line 13)	3		
4	Enter the **largest** base period foreign payroll % (from Part I, Step 3, line 12)	4		
5	Percentage of foreign payroll increase. Subtract line 4 from line 3	5		
6	Enter amount from line 3	6		
7	Fully excludable percentage. Divide line 5 by line 6	7		
8	Enter the current year dividends (from Part I, Step 2, line 7)	8		
9	Balance. Multiply line 7 by line 8	9		
10	Enter amount from line 8	10		
11	Enter amount from line 1	11		
12	Balance. Subtract line 11 from line 10	12		
13	Enter the **smaller** of line 9 **or** line 12	13		
14	Balance. Subtract line 13 from line 12	14		
15	Multiply line 14 x 75%	15		
16	Enter amount from line 2	16		
17	Construction project dividends (from Part I, Step 2, line 6)	17		
18	Dividend deduction. Add line 15, line 16 and line 17. Enter here and on Form 100, Side 1, line 11 or Form 100S, Side 1, line 10	18		

Instructions for Form FTB 2411

Water's-Edge Dividend Deduction

General Instructions

R&TC Section 24411 provides a percentage deduction of a portion of the dividends received and included in the water's-edge return. Dividends received from banks **do not qualify** for the water's-edge dividend deduction.

Unless stated otherwise, the term ''corporation'' as used in this form and instructions **does not** include banks.

Both business and nonbusiness dividends qualify for the dividend deduction. The allowable business dividend deduction is determined by multiplying the total dividend deduction (business and nonbusiness) by the ratio of business dividends to total dividends. The remaining dividend deduction is the nonbusiness dividend deduction.

If there were no base period dividends and no base period foreign payroll percentages, the corporation does not qualify for the water's-edge dividend deduction except for construction project dividends, if applicable.

In no event will a R&TC Section 24411 deduction be allowed with respect to a dividend for which a deduction was allowed under R&TC Section 24402 or 24410 or which was eliminated under R&TC Section 25106.

A Deduction Amount

Intercompany dividends received within the current year's water's-edge group should be eliminated pursuant to R&TC Section 25106, before computing the dividend deduction.

Generally, the R&TC Section 24411 deduction is 75 percent of current year qualifying dividends unless the current year qualifying dividends exceed the base year qualifying dividends. When current year qualifying dividends exceed the base year qualifying dividends, then a larger or smaller dividend deduction results depending on whether there is an increase or decrease in foreign investment as measured by the foreign payroll factor.

If the current year's foreign payroll factor has decreased as compared to the greatest base year foreign payroll factor, then a larger portion of the dividends may be deductible.

If the current year's foreign payroll factor is larger than the greatest base year foreign payroll factor, then a smaller portion of the dividends may be deductible.

A deduction of 100 percent is provided for dividends derived from certain foreign construction projects, regardless of base period dividend or foreign payroll amounts.

B Reorganizations

In the case of reorganizations, special rules for determining base period qualifying dividends and foreign payroll may be found in 18 Cal. Code Reg. Section 24411(h) and the regulations thereunder. In general, base period qualifying dividends and base period foreign payroll of a corporation no longer in existence are deemed to be that of its survivor or successor corporation.

C Sources of Distributions

In general, dividends will be considered to be paid first out of current earnings and profits and then out of accumulated earnings and profits in reverse order of accumulation (LIFO method).

For an entity that is partially included in the combined report, earnings and profits eligible for elimination under R&TC Section 25106 shall be computed based on the ratio of current year income included in the water's-edge combined report to the total earnings and profits of the entity for the year.

Dividends are subject to exclusion under R&TC Sections 24402, 24410 and 25106 prior to R&TC Section 24411.

D Subpart F Income

Since California does not conform to IRC Subpart F provisions, Subpart F income is not treated as a deemed dividend for California purposes and is not subject to a dividend deduction. California does not follow the federal rules set forth in IRC Section 959 as to the sources of distributions from an entity with Subpart F income.

E Definitions

1. **Base period**
   This is the last 12-month income year that ended immediately prior to January 1, 1987, and the two immediately preceding 12-month income years, if any.

   If there are not three 12-month income years, the base period shall include only the number of 12-month income years which did exist.

2. **Base period qualifying dividends**
   These are dividends received during the base period by any current member of the water's-edge group from a corporation (regardless of the place of incorporation) if:

   - the average of the payer's property, payroll and sales factors within the U.S. is less than 20 percent; and
   - more than 50 percent of the payer's total combined voting power of all classes of voting stock was owned directly or indirectly by a member of the current water's-edge group during the base period.

   Both business and nonbusiness dividends may qualify as base period dividends.

   The recipient need not own the stock nor be unitary with the payer during the current year.

   Base period qualifying dividends are considered regardless of whether they were eliminated from income in the base period pursuant to R&TC Section 25106.

3. **Base dividends**

   The base dividends are the largest total amount of base period qualifying dividends received in a single 12-month base period income year.

4. **Current year qualifying dividends**

   These are dividends received by any current member of the water's-edge group from a corporation (regardless of the place of incorporation) if:

   - the average of the payer's property, payroll and sales factors within the U.S. is less than 20 percent; and
   - more than 50 percent of the total combined voting power of all classes of voting stock is owned directly or indirectly by a member of the water's-edge group at the time the dividend is received.

   The payer need not be in a unitary relationship with the recipient or any other member of the water's-edge group.

5. **Foreign payroll percentage**

   The foreign payroll percentage is the ratio of compensation paid outside the U.S. to the total compensation paid everywhere by the water's-edge group and those entities that would have been combined with the water's-edge group had the water's-edge election not been made. ''Compensation paid'' is wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

6. **Construction project**

   A construction project is defined as an activity attributable to an addition to real property or to an alteration of land or any improvement thereto. The construction project, the location of which is not subject to the taxpayers control, must be undertaken for an entity, including a governmental entity, that is not affiliated with the water's-edge group.

   For more information, see R&TC Section 24111 and the regulations thereunder.

Specific Line Instructions

Part I

Step 1

Line 1, column (a) through line 3, column (b) – Enter the year-end for the base periods

and the respective qualifying dividends for the entities included in the tax return.

Line 4 – Enter the amount of the largest base period dividends from line 1, column (b), line 2, column (b) or line 3, column (b).

Step 2

Line 5, column (b) – Enter the total qualifying dividends for the current year.

Line 6 – Enter the amount of foreign construction project dividends, if any (See definition 6 on page 19).

Line 8 – Compare the largest base period dividends (Step 1, line 4) with the current year dividends (Step 2, line 7) to determine which is larger. If the current year dividends are equal to or less than the base period dividends, STOP HERE AND GO TO PART II to determine the dividend deduction. If not, go to STEP 3.

Step 3

Line 9, column (a) through line 11, column (d) – Enter the base period years, payroll outside the U.S., payroll everywhere and calculate the foreign payroll percentages. The foreign payroll percentage is a fraction, the numerator which is total compensation paid outside the U.S. and the denominator which is total compensation paid everywhere. Only compensation paid by the water's-edge group and corporations that would have been combined with the water's-edge group, had the water's-edge election not been made during the income year, are considered for purposes of this computation.

Line 12 – Enter the largest base period foreign payroll percentage from line 9, column (d), line 10, column (d) or line 11, column (d).

Step 4

Line 13, column (d) – Enter the foreign payroll percentage for the current year.

Step 5

Compare the largest base period foreign payroll percentage (Step 3, line 12) with the current year foreign payroll percentage (Step 4, line 13, column (a)) to determine the larger base period foreign payroll percentage.

- If the base period foreign payroll percentage is zero and there are base period qualifying dividends, use Part III to determine the deduction.
- If the current year foreign payroll percentage is less than the base period foreign payroll percentage, use Part IV to determine the dividend deduction.
- If the current year foreign payroll percentage is equal to or greater than the base period foreign payroll percentage, use Part V to determine the dividend deduction.

Parts II, III, IV and V

Follow the line instructions on form FTB 2411 to determine the dividend deduction.

Instructions for Form FTB 2416

Retained Earnings of Controlled Foreign Corporations

General Instructions

A Purpose of Form

R&TC Section 25110(a)(7) provides that the income and apportionment factors of any controlled foreign corporation (CFC) (as defined in IRC Section 957) that has Subpart F income (defined in IRC Section 952) are to be included in the combined report of a taxpayer making a water's-edge election. For these purposes, Subpart F income does not include income defined in IRC Section 956 or 956A.

Use form FTB 2416 to compute the net income and apportionment factors required to be included in the water's-edge combined report.

B Controlled Foreign Corporation

In general, a foreign corporation is a corporation that is not created or organized in the U.S. or under the laws of the U.S. or any other state.

A CFC is any foreign corporation if more than 50 percent is owned or considered to be owned (per IRC Section 958(b)) by U.S. shareholders.

C Apportionment

The amounts included in income and the apportionment factors are determined by multiplying the total income and each component of the apportionment factors by a fraction. The numerator of the fraction is the current year total Subpart F income defined in IRC Section 952 and the denominator is the current year earnings and profits.

See R&TC Section 25110(a)(7) and the regulations thereunder for more information.

Specific Instructions

Column (b) – Country of incorporation

Enter the country of incorporation in column (b). Use the list of country codes on page 22.

Column (c) – Country of primary business activity

Enter the country in which the CFC conducts its primary trade or business in column (c). Use the country codes listed on page 22. This country may be different from the country of incorporation.

Column (d) – Principal business activity code

Enter the principal business activity code of the CFC. These codes are listed on page 24 of the 1995 California Corporation Tax Forms and Instructions and on page 17 of the 1995 California S Corporation Tax Forms and Instructions.

Column (e) – Subpart F income

In determining whether a bank or corporation has Subpart F income for purposes of R&TC Section 25110(a)(7) and the regulations thereunder, the limitation and exclusions provided for in IRC Section 954(b) shall apply and IRC Section 952(c) shall not apply.

Include both business and nonbusiness income as defined under R&TC Section 25120 for the current year.

Column (f) – Current year earnings and profits

Earnings and profits, as defined in IRC Section 964, include both business and nonbusiness income for the current year. In most cases, this figure can be taken from federal Form 5471, Schedule H, line 9.

If there are no earnings and profits, STOP; none of the income or factors of this corporation will be included in the water's-edge combined report.

Column (g) – Percentage

The percentage may not exceed one hundred or be less than zero.

Column (h) –- Net income

Report the total net income as reflected on the corporation's books and records, adjusted to conform to California tax law.

Columns (j), (l), (n) and (p) – Apportionment factors

Determine the apportionment factors for the foreign corporation to be included in the water's-edge combined report including total average property everywhere, rent expense everywhere, payroll everywhere and sales everywhere based on the apportionment factor rules set forth in R&TC Sections 25129 through 25137. See Schedule R, Apportionment and Allocation of Income, for more information.

INCOME YEAR 1995

CALIFORNIA FORM 2416

Retained Earnings of Controlled Foreign Corporations

Corporation name

California corporation number

	(a) Corporation name	(b) Country of incorporation	(c) Country of primary bus. activity	(d) Principal bus. activity code	(e) Subpart F income	(f) Current year earnings and profits	(g) Percentage (e) ÷ (f)
1							
2							
3							
4							
5							
6							
7							
8							

	(h) Net income	(i) (g) x (h)	(j) Average property everywhere	(k) (g) x (j)	(l) Rent expense Capitalized (x 8)	(m) (g) x (l)	(n) Payroll everywhere	(o) (g) x (n)	(p) Sales everywhere	(q) (g) x (p)
1										
2										
3										
4										
5										
6										
7										
8										
9 TOTAL										

Attach additional sheets if necessary.

ATTACH TO FORM 100 OR FORM 100S

Alphabetic Listing of Countries and Codes for form FTB 2416

A

Afghanistan	AF
Albania	AL
Algeria	AG
American Samoa	AQ
Andorra	AN
Angola	AO
Anguilla	AV
Antartica	AY
Antigua and Barbuda	AC
Argentina	AR
Armenia	AM
Aruba	AA
Ashmore and Cartier Island	AT
Australia	AS
Austria	AU
Azerbaijan	AJ
Azores	PO

B

Bahamas	BF
Bahrain	BA
Baker Island	FQ
Bangladesh	BG
Barbados	BB
Bassas de India	BS
Belgium	BE
Belize	BH
Benin (formerly People's Republic of Dahomey)	BN
Bermuda	BD
Bhutan	BT
Bolivia	BL
Bosnia-Herzegovina	BK
Botswana	BC
Bouvet Island	BV
Brazil	BR
British Indian Ocean Territory	IO
Brunei	BX
Bulgaria	BU
Burkina Faso	UV
Burma	BM
Burundi	BR

C

Cambodia (formerly Kampuchea)	CB
Cameroon, Federal Republic of	CM
Canada	CA
Canary Islands	SP
Calpe Verde, Republic of	CV
Cayman Islands	CJ
Central African Republic	CT
Chad	CO
Chile	CI
China	CH
Christmas Island	KT
Clipperton Islands	IP
Cocos Islands	CK
Colombia	CO
Comoros (formerly Comoro Islands)	CN
Congo, Democratic Republic of (Zaire)	CF
Cook Islands	CW
Coral Sea Island Territory	CR
Costa Rica	CS
Cuba	CU
Cyprus	CY
Czechoslovakia	CZ

D

Denmark (except Greenland)	DA
Djibouti	DJ
Dominica	DO
Dominican Republic	DR

E

Ecuador	EC
Egypt	EG
El Salvador	ES
Equatorial Guinea	EK
Eritrea	ER
Estonia	EN
Ethiopia	ET
Europa Island	EU

F

Falkland Islands (Islas Malvinas)	FA
Faroe Islands	FO
Fiji Island	FJ
Finland	FI
France	FR
French Guiana	FG
French Polynesia	FP
French Southern and Antartic Lands	FS

G

Gabon	GB
Gambia	GA
Gaza Strip	GZ
Georgia	GG
Germany	GM
Ghana	GH
Gibraltar	GI
Glorioso Islands	GO
Greece	GR
Greenland	GL
Grenada	GJ
Guadeloupe	GP
Guam	GQ
Guatemala	GT
Guinea	GV
Guinea Bissau	PU
Guyana	GY

H

Haiti	HA
Heard Island and McDonald Islands	HM
Honduras	HO
Hong Kong	HK
Howland Island	HQ
Hungary	HU

I

Iceland	IC
India	IN
Indonesia	ID
Iran	IR
Iraq	IZ
Iraq-Saudi Arabia Neutral Zone	IY
Ireland (Eire) except six counties of Northern Ireland	EI
Isle of Mann	IM
Israel	IS
Italy	IT

J

Jamaica	JM
Jan Mayen Island	JN
Japan	JA
Jersey	JE
Johnston Atoll	JQ
Jordan	JO
Juan de Nova Island	JU

K

Kazakhstan	KZ
Kenya	KR
Kingman Reef	KQ
Kiribati	KR
Korea, Democratic People's Republic of (North)	KN
Korea, Republic of (South)	KS
Kuwait	KU
Kyrgyzetan	KG

L

Laos	LA
Latvia	LG
Lebanon	LE
Lesotho	LT
Liberia	LI
Libya	LY
Liechtenstein	LS
Lithuania	LH
Luxembourg	LU

M

Macau (Macao)	MC
Macedonia	MK
Madgascar	MA
Malawi	MI
Malaysia	MY
Maldive Islands	MV
Mali	ML
Malta	MT
Marshall Islands	RM
Martinique	MB
Mauritania	MR
Mauritius	MP
Mayotte	MR
Mexico	MX
Micronesia, Federated States of	FM
Midway Island	MQ
Moldova	MD
Monaco	MN
Mongolia	MG
Montenegro	MW
Montserrat	MH
Morocco	MO
Mozambique	MZ

N

Namibia	WA
Nauru Island	NR
Nepal	NP
Netherlands (Holland)	NL
Netherlands Antilles	NT
New Caledonia	NO
New Zealand	NZ
Nicaragua	NU
Niger	NG
Nigeria	NI
Niue Islands	NE
Norfolk Island	NF
Northern Ireland (comprising the counties of Londonderry, Antrim, Down, Tyrone, Armagh, and Fermanagh)	UK
Northern Marian Island	CQ
Norway	NO

O

Oman	MU

P

Pakistan	PH
Palmyra Atoll	LQ
Panama	PM
Papua New Guinea	PP
Paracel Islands	PF
Paraquay	PA
Peru	PE
Philippines	RP
Pitcairn Island	PC
Poland	PL
Portugal	PO
Puerto Rico	RQ

Q

Qatar	QA

R

Reunion Island	RE
Romania	RQ
Rwanda	RW
Russia	RS

S

Saint Christopher - Nevis	SC
Saint Helena Island	SH
St. Lucia	ST
St. Vincent & Grenadines	VC
Sao Tome and Principe	TP
Saint Pierre and Miguelon	SB
San Marino	SM
Saudi Arabia	SA
Senegal	SG
Seychelles	SE
Sierra Leone	SL
Singapore	SN
Slovakia	LO
Slovenia	SI
Solomon Islands	SP
Somalia (Somali Republic)	SO
South Africa, Republic of	SF
South Georgia and South Sandwich Island	SX
Spain	SP
Spratty Island	PG
Sri Lanka	CE
Sudan	SU
Suriname	NS
Svalbard	SV
Swaziland	WZ
Sweden	SW
Switzerland	SZ
Syria	SY

T

Taiwan	TW
Tajikistan	TI
Tanzania	TZ
Thailand	TH
Tokelau (Union)	TL
Tonga	TN
Trinidad and Tobago	TD
Tromelin Island	TE
Trust Territory of the Pacific Islands	PS
Tunisia	TS
Turkey (in Europe and Asia)	TU
Turks and Calicos Islands	TK
Tuvalu	TV

U

Uganda	UG
Ukraine	UP
United Arab Emirates	TC
United Kingdom of Great Britain and Northern Ireland	UK
Uruguay	UY
Uzbekistan	UZ

V

Vanuatu (formerly New Hebrides)	NH
Vatican City	VT
Venezuela	VE
Vietnam	VM
Virgin Islands (British)	VI
Virgin Islands (U.S.)	VQ

W

Wake Island	WQ
Wallis and Futuna	WF
West Bank	WE
Western Sahara	WI
Western Samoa	WS

Y

Yemen	YM

Z

Zaire	CG
Zambia	ZA
Zimbabwe (formerly Rhodesia)	ZI

1995 Water's-Edge Foreign Investment Interest Offset 2424

Attach this form to the back of Form 100 or Form 100S.

Key Corporation name

Key California corporation number

1	Section 24411 dividend deduction from form FTB 2411. See instructions	1	
	If line 1 is zero, this offset is zero. Do not complete this form.		
2	Total interest expense	2	
3	Interest expense specifically assignable to foreign investment	3	
4	Interest expense specifically assignable to domestic investment or other property	4	
5	Unassigned interest expense, add line 3 and line 4, and subtract from line 2	5	
6	Unassigned interest expense from line 5, paid on debt incurred prior to January 1, 1988	6	
7	Unassigned interest expense from line 5, paid on new debt incurred on or after January 1, 1988	7	
8	Interest expense included in line 7, paid with respect to debt proceeds deposited in restricted accounts	8	
9	Subtract line 8 from line 7	9	
10	Unassigned interest expense subject to allocation. Add line 6 and line 9	10	
11	Unassigned foreign investment	11	
12	Unassigned total assets	12	
13	Percentage. Divide line 11 by line 12	13	
14	Interest expense assigned to foreign investment. Multiply line 10 by line 13	14	
15	Interest expense attributable to foreign investment. Add line 3 and line 14	15	
16	Enter the amount from line 1 or line 15, whichever is less. Enter here and on Schedule R, Side 1, line 1(b) and Schedule R-5, line 2	16	

Note: The remaining interest expense is subject to the provisions of R&TC Section 24344(b).

Instructions for Form FTB 2424

Water's-Edge Foreign Investment Interest Offset

General Instructions

R&TC Section 24344(c) provides that interest expense incurred for purposes of foreign investment (as defined below) may be offset against the foreign dividend deduction allowed under R&TC Section 24411. The foreign investment interest offset may not exceed the total foreign dividend deduction allowed for the income year.

The amount of interest expense subject to the foreign investment interest offset is equal to the amount of interest expense specifically assigned to foreign investment plus the amount of unassigned interest expense allocated to foreign investment. Unassigned interest expense is allocated by formula.

To the extent that the interest expense specifically assigned and allocated to foreign investment is greater than the foreign dividend deduction, it will be subject to the usual interest offset computation of R&TC Section 24344(b).

Note: If there is no foreign dividend deduction, then no foreign interest offset computation will be necessary.

A Definitions

1. Foreign investment

Foreign investment is stock or other equity investment, regardless of when it was made, in:

- an entity whose dividends would be qualifying dividends for purposes of R&TC Section 24411; and/or
- a nonaffiliated bank or corporation that is organized under the laws of a country or political subdivision of a country other than the U.S.

2. Interest expense assigned to specific property

If the existence of all of the facts and circumstances described below is established, interest expense is considered to be related solely to specific property. Specific property may be either a foreign investment, domestic investment or other property.

- The indebtedness on which the interest was paid was specifically incurred for the purpose of purchasing, maintaining or improving the specific property;
- The proceeds of the borrowing were actually applied to the specified purpose;
- The creditor can look only to the specific property (or any lease or other interest therein) as security for payment of the principal and interest of the loan and, thus, has no secured interest in any other property of the borrower or the borrower itself with respect to repayment of the loan.

Even though the above facts and circumstances are present in substance as well as form, a deduction for interest will not be considered definitely related to a specific property where the motive for structuring the transaction in the manner described above was without any economic significance.

3. Unassigned interest expense

Interest expense paid that does not meet the above conditions is unassigned interest expense.

4. Interest expense on restricted accounts

Interest expense on restricted accounts is interest expense paid on new debt incurred on or after January 1, 1988, if the proceeds of the debt are deposited into an account that prevents its use for foreign investment and the account is not, in fact, used for foreign investment. However, debt shall not be treated as incurred on or after January 1, 1988, if the majority of the proceeds were used to refinance debt incurred prior to January 1, 1988, or the debt arises pursuant to a line of credit or similar arrangement.

5. Total assets

Total assets means all of the assets of a bank or corporation included in a water's-edge combined report by reason of R&TC Section 25110, after the intercompany elimination.

6. Average values of assets

An average of values shall be computed for the year on the basis of values of assets at the beginning and the end of the year.

B Asset Values

Assets other than stock or other equity investments are taken into account at federal tax book value (original cost for federal tax purposes less depreciation, amortization or depletion).

Stock or other equity investments are taken into account at adjusted basis for federal tax purposes:

- increased by the amount of the earnings and profits of such bank or corporation attributable to such stock or other equity investment and accumulated during the period the stock or other equity investment was owned by another affiliated bank or corporation; and
- reduced (but not below zero) by any deficit in earnings and profits of such bank or corporation attributable to such stock or other equity investment for such period.

For more information see R&TC Section 24344(c) and the regulations thereunder.

Specific Instructions

Line 1

Enter amount from form FTB 2411, Water's-Edge Dividend Deduction, Part II, III, IV or V, whichever applies.

Line 2

Total interest expense for all entities included in the water's-edge combined report filed pursuant to R&TC Section 25110.

Line 3

Enter the interest expense specifically assignable to foreign investments. See R&TC Section 24344(c) and the regulations thereunder for further information.

Line 4

Enter the interest expense specifically assignable to domestic investments or other property.

Line 6

Enter unassigned interest expense included in line 5 that is for debt incurred prior to January 1, 1988.

Line 7

Enter unassigned interest expense included in line 5 that is for debt incurred on or after January 1, 1988.

Line 8

Enter interest expense paid on restricted accounts.

Line 11

Unassigned foreign investment is the average value of all foreign investment to which interest is not specifically assigned.

Line 12

Unassigned total assets is the average value of all assets to which interest is not assigned.

Line 13

In calculating the ratio, foreign investment and assets to which interest expense has been specifically assigned are not to be considered.

INCOME YEAR | CALIFORNIA FORM

19__ Amended Water's-Edge Election Fee 100-FEE-X

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

Please Type or Print Corporation Name and Address

California corporation number

Corporation name

Number and street

City State ZIP code

Was the original Form 100-FEE paid on a combined report basis? ☐ **YES** ☐ **NO**

Has Form 100 or Form 100S, been amended? ☐ **YES** ☐ **NO**

Part I **Election Fee**

On line 1, enter the DIFFERENCE between the amount reported on your original Form 100-FEE-A and the amount reported on the attached Amended Form 100-FEE-A. Use brackets to indicate negative amounts.

1	Election fee (net change)		**1**

Part II **Payments and Credits**

2	Overpayments from prior year allowed as credit	**2**	
3	Estimated election fee payments	**3**	
4	Amount paid with form FTB 3539	**4**	
5	Payment with original Form 100-FEE	**5**	
6	Amount credited from franchise or income tax	**6**	
7	Other payments (explain)	**7**	
8	Total payments. Add line 2 through line 7	**8**	
9	Overpayment, if any, shown on original Form 100-FEE	**9**	
10	Balance. Subtract line 9 from line 8		**10**

Part III **Election Fee Due or Refund**

11	Total correct election fee (from Amended Form 100-FEE-A)		**11**
12	Additional election fee due. Subtract line 10 from line 11		**12**
13	Refund. Subtract line 11 from line 10	☐	**13**

Part IV **Explanation of Changes to Property, Payroll, Sales, etc. (see General Instruction C)**

THIS FORM MUST BE ATTACHED TO THE FRONT OF FORM 100-FEE-A

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 ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | FEIN | Telephone ( )

Instructions for Form 100-FEE-X

Amended Water's-Edge Election Fee

General Instructions

For corporations that are taxed under Chapter 3 of the R&TC, the term ''income year,'' as used in these instructions, means taxable year.

Use Form 100-FEE-X, Amended Water's-Edge Election Fee to amend Form 100-FEE, Water's-Edge Election Fee. Form 100-FEE-X must be used as a cover form and attached to the front of the revised Form 100-FEE-A, Amended Water's-Edge Election Fee Supplemental Schedule.

First complete Form 100-FEE-A for the income year you wish to amend. Then clearly mark the word ''REVISED'' on the top of that form and attach it and any supporting schedules to the Form 100-FEE-X. Form 100-FEE-X must be attached to the face of the package.

For corporations filing on a water's-edge basis that wish to amend their tax return, refer to Form 100X, Amended Corporation Franchise or Income Tax Return.

Replacement Property

If new investment in California, used in a prior year to reduce the election fee base, subsequently becomes replacement property, **do not file Form 100-FEE-X.** Refer to Form 100-FEE-A, Specific Line Instructions, line 24 - Investment Property Recalculation.

A When to File

Form 100-FEE-X may be filed only after the original Form 100-FEE is filed. Generally, a claim for refund may be filed within four years from the original due date, or within one year from the date the fee was paid, whichever is later. Original Form 100-FEE and Form 100-FEE-A filed before the due date are considered to be filed on the due date.

B Where to File

Mail Form 100-FEE-X with a refund or an election fee due to the address listed to the right. When an election fee is due, attach a separate check or money order payable to the Franchise Tax Board.

Write ''Form 100-FEE-X'' and the California corporation number on the check or money order and mail with Form 100-FEE-X to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-4091

Electronic Funds Transfer (EFT)

Corporations that remit a bank or corporation estimated tax or extension payment in excess of $20,000 or that have a total tax liability in excess of $80,000 must pay through EFT. Corporations that meet the threshold must remit all payments, including Water's-Edge payments, through EFT rather than by paper check. The FTB will notify corporations that are subject to this requirement. Those that wish to participate on a voluntary basis may do so. For more information, call the FTB's EFT Section at (916) 845-4025.

Note: If Form 100X is also being filed, attach a separate check for any additional tax due.

C Explanation of Changes to Property, Payroll, Sales, etc.

A detailed explanation of changes to the election fee must be shown in Part IV. Show line number references and any needed computations. Attach additional sheets if necessary.

1995 Instructions for Form 100-FEE-A, Amended Water's-Edge Election Fee Supplemental Schedule

General Information

Effective for income years beginning on or after January 1, 1994, the annual water's-edge election fee provisions have been repealed. Form 100-FEE-A, Amended Water's-Edge Election Fee Supplemental Schedule, should only be used when amending the election fee for an income year beginning prior to January 1, 1994.
Form 100-FEE-A should be attached to Form 100-FEE-X, Amended Water's-Edge Election Fee.

Definitions

1. Base Year

A. The base year used to calculate property and payroll for purposes of the election fee is an income year of 12 full months ending in the calendar year 1986. If there is no income year of 12 full months ending in the calendar year 1986, property and payroll for the first immediately preceding income year of 12 full months must be used if it exists.

B. The base year used to calculate sales for purposes of the fee shall be the current income year. Such income year need not be 12 full months.

2. Short Period Return

If a taxpayer files a short period return on a water's-edge basis, the fee shall be based on: (1) sales for the current period; and (2) the base year amounts for California property and payroll, multiplied by a fraction, the numerator of which is the number of months in the short period and the denominator of which is 12.

3. New Investment in California

For purposes of computing the election fee using the .0003 calculation, new investment (a new plant or facility) in California can be used to reduce the fee base. A new plant or facility is both certain tangible personal property and real property, as described in R&TC Section 70, acquired during the income year. The annual new investments acquired since January 1, 1987, to the last day of the income year that is being amended are then accumulated.

Certain tangible personal property includes any new tangible personal property acquired by the taxpayer during the income year, when the original use commences in this state.

Examples: New machinery and equipment for industry, profession and trade; new tools, molds, dies and jigs; or new computers and related equipment.

R&TC Section 70 defines a new plant or facility as ''newly constructed'' and ''new construction.'' ''Newly constructed'' and ''new construction'' include:

- Any substantial addition (including fixtures) to land or the improvements on the land. For purposes of R&TC Section 70, ''fixtures'' are improvements to property, the use or purpose of which directly applies to or augments the process or function of a trade, industry, or profession.

Examples: The construction of a new building; a swimming pool, retaining wall, or sewer; or the addition of square-footage to an existing building.

- For purposes of R&TC Section 70, ''major rehabilitation'' is any rehabilitation, renovation, or modernization that converts an improvement or fixture to the substantial equivalent of a new improvement or fixture. This includes the substitution of a new fixture for an old one. ''Substantial equivalency'' is ascertained by comparing the productive capacity, normally expressed in units per hour, of the rehabilitated fixture to its original productive capacity.

Examples: Alteration to a warehouse making it usable as a retail store or a restaurant; preparation of a vacant lot for use as a parking facility; alteration of rolling, grazing land to level irrigated crop land; and site development of rural land for the purpose of establishing a residential subdivision.

The term ''newly constructed'' or ''new construction'' does **not** include:

- Any active solar energy system constructed or added before January 1, 1991.
- The portion of reconstruction or improvement to a structure constructed of unreinforced masonry bearing wall construction, necessary to comply with a local seismic safety ordinance for the first 15 years after the reconstruction or improvement.
- The construction or installation of any of the following fire protection improvements that are constructed or installed in an existing building on or after November 7, 1984:
  1. Fire sprinkler systems;
  2. Other fire extinguishing systems;
  3. Fire detection systems; and
  4. Fire-related egress improvements.
- Ordinary maintenance and repair.
  Examples: Routine annual preparation of agricultural land; interior or exterior painting; replacement of roof coverings; the addition of aluminum siding for improvements; or the replacement of work machine parts.
- Any land, improvement, or fixture that is restored, reconstructed or repaired in a timely manner following a disaster and that is substantially equivalent to that which existed prior to the disaster. Any reconstruction of real property that is not substantially equivalent to the damaged or destroyed property is deemed to be ''new construction,'' unless the exception noted above applies. However, a new plant or facility may not be a replacement, in whole or in part, of an existing plant or facility in California.

New investment in California that meets the definition of replacement property cannot reduce the fee base.

4. Replacement Property

A plant or facility which includes both certain tangible personal property and real property as described in R&TC Section 70, will be deemed a replacement if the taxpayer, or an affiliated bank or corporation closes, takes out of service, sells or leases to an unrelated party, a plant or facility with a cost basis equal to 25 percent or more of the cost basis of the new plant or facility. The replacement property test must be applied to the three calendar years immediately preceding and the three calendar years immediately succeeding the date the new plant or facility is first included in the property factor for apportionment purposes.

5. California Work Years

For purposes of computing work years in California (Form 100-FEE-A, lines 6, 7, 8 and 10), a work year means:

- 2,000 paid hours in the case of employees who are paid an hourly wage; or
- a total of 12 paid months in the case of salaried employees.

To determine the total amount ''paid'' to employees, see the instructions for Schedule R, Apportionment and Allocation of Income.

Specific Line Instructions for Form 100-FEE-A

Side 1

Line 1 – Base Year California Property
Enter the total amount of California property for the base year. See General Information Definitions. See the instructions for Schedule R for the definition of California property.

Note: Intangibles included in the factor pursuant to R&TC Section 25137 are not includible in the property factor for determining the fee base regardless of the fact that they may be

included in the apportionment formula. Intangible drilling costs included in the factor pursuant to R&TC Section 25130 are included in the fee base.

Line 2 – Base Year California Payroll
Enter the total amount of California payroll for the base year. See General Information Definitions. See the instructions for Schedule R for the definition of California payroll.

Note: If a taxpayer files a short period return, modifications must be made:

> The base year amounts on line 1 and line 2, respectively, must be multiplied by a fraction, the numerator of which is the number of months in the short period and the denominator of which is 12.

Line 3 – California Sales for the Income Year Being Amended
Enter the total amount of California sales for the income year that is being amended. See the instructions for Schedule R for the definition of California sales.

Note: If a taxpayer files a short period return, no proration to line 3 is required.

Line 5 – New Investment in California Property
Enter the cumulative amount expended from January 1, 1987, to the last day of the income year that is being amended, for investment in new plants or facilities located in California. See General Information Definitions for the definition of "new investment in California."

If a taxpayer files a short period return, enter the cumulative amount expended since January 1, 1987 on new investment in California property through the end of the short period income year.

Line 6, Line 7 and Line 8 – 1985, 1986 and 1987 California Work Years
Enter the total number of California work years for income years 1985, 1986 and 1987, respectively. See General Information Definitions for the definition of a California work year.

Line 10 – California Work Years for the Income Year Being Amended
Enter the total number of California work years for the income year being amended.

Line 12 – New California Employees
The number of new employees in California is determined by comparing the total number of California work years for the income year to the greater of the average of the total number of California work years for income years 1985, 1986 and 1987, or the total number of California work years for income year 1987.

Line 13 – California Payroll for the Income Year Being Amended
Enter the total amount of California payroll for the income year being amended.

Line 15 – Increase in California Payroll
The increase in California payroll is determined by multiplying the number of new California employees by the average California payroll for the income year being amended.

Line 16 – Total Adjusted California Property, Payroll and Sales
The total adjusted California property, payroll and sales is determined by adding the new investment in California property (line 5) and the increase in the California payroll (line 15) and subtracting the result from the total of base year California property and payroll and amended income year California sales (line 4).

Line 18 – California Property for the Income Year Being Amended
Enter the total amount of California property for the income year being amended.

If a taxpayer files a short period return, multiply the California property by a fraction, in which the numerator is the number of months in the short period and the denominator is 12.

Line 19 and Line 20 – California Payroll and Sales for the Income Year Being Amended
Enter the total amount of California payroll and sales for the income year being amended.

Note: If a taxpayer files a short period return, no modification to line 19 or line 20 is required.

Line 24 – Investment Property Recalculation
If a plant or facility considered to be new investment property in a prior year becomes replacement property in the current year, the prior year's fee(s) must be recalculated to exclude the new investment now considered to be replacement property. Enter the difference between the prior year's fee(s) as filed and the prior year's fee(s) recalculated to exclude any investment property deemed to be replacement property.

Line 25 – Total Amended Election Fee
Enter the amount on Form 100, Side 1, line 30, total tax, identifying the amount as a water's-edge fee recalculation.

INCOME YEAR

19___

Amended Water's-Edge Election Fee Supplemental Schedule

CALIFORNIA FORM

100-FEE-A

Corporation name	California corporation number
Key California corporation number	

1	Base year California property	**1**	
2	Base year California payroll	**2**	
3	California sales for the income year being amended	**3**	
4	Total California property, payroll and sales. Add line 1 through line 3	**4**	
5	New investment in California property (amount expended since January 1, 1987, on new plants or facilities located in California). See instructions	**5**	
6	1985 California work years	**6**	
7	1986 California work years	**7**	
8	1987 California work years	**8**	
9	Average California work years. Add line 6 through line 8 and divide the result by 3	**9**	
10	California work years for the income year being amended	**10**	
11	Greater of average or 1987 California work years. Enter the greater of line 8 or line 9	**11**	
12	New California employees. Subtract line 11 from line 10. If less than zero, enter -0-	**12**	
13	California payroll for the income year being amended	**13**	
14	Average California payroll for the income year being amended. Divide the amount on line 13 by the amount on line 10	**14**	
15	Increase in California payroll. Multiply the amount on line 12 by the amount on line 14	**15**	
16	Total adjusted California property, payroll and sales. Add line 5 and line 15 and subtract the result from line 4	**16**	
17	Multiply line 16 by 0.03% (.0003)	**17**	
18	California property for the income year being amended	**18**	
19	California payroll for the income year being amended	**19**	
20	California sales for the income year being amended	**20**	
21	Total. Add line 18 through line 20	**21**	
22	Multiply line 21 by 0.01% (.0001)	**22**	
23	Amended Election Fee. Enter the greater of line 17 or line 22. Enter -0- if no tax liability is owed under Revenue and Taxation Code Sections 25101 and 25110	**23**	
24	Amount of investment property recalculation. See instructions	**24**	
25	Add line 23 and line 24. Total Amended Election Fee	**25**	

Complete one form for each taxpayer.

THIS FORM MUST BE COMPLETED AND ATTACHED TO THE BACK OF FORM 100-FEE-X.

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How to Get California Tax Information

Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 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	1-800-852-5711
From outside the United States	1-916-845-6500 (not toll-free)
For hearing impaired with TDD	1-800-822-6268
For federal tax questions, call the IRS at	1-800-829-1040

Bilingual Assistance

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

Letters

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

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

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

We will acknowledge receipt of 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 North Glenoaks Boulevard
Fresno	2550 Mariposa Street
Long Beach	245 West Broadway
Los Angeles	300 South Spring Street
Oakland	1970 Broadway
Sacramento	8745 Folsom Boulevard
San Bernardino	215 North D Street
San Diego	5353 Mission Center Road
San Francisco	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 income 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 telephone numbers listed on the back page of this booklet.

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

Name

Number and street

City or town, State and ZIP code

FORMS REQUEST

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

How to Get California Tax Information

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

Fast **A**nswers about **S**tate **T**axes (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.

Have paper and pencil handy to take notes.

Call the F.A.S.T. toll-free phone number:

From within the United States 1-800-338-0505

From outside the United States (not toll-free) 1-916-845-6600

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

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

Code – Prefiling Assistance

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

S Corporations

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

Exempt Organizations

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

Minimum Tax and Estimate Tax

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

Billings and Miscellaneous Notices

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

Tax Clearance

724 – How do I dissolve my corporation?
725 – What do I have to do to get a tax clearance?
726 – How long will it take to get a tax clearance certificate?
727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

Miscellaneous

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

To Order 1995 Tax Forms By Mail — Cut along the dotted line and write or type your name and address on the other side. Mail to: **TAX FORMS REQUEST UNIT, FRANCHISE TAX BOARD, PO BOX 307, RANCHO CORDOVA CA 95741-0307.** Please allow two weeks for a reply.

- ☐ 817 – California Corporation Tax Forms and Instructions. This booklet contains:
  - — Form 100, California Corporation Franchise or Income Tax Return
  - ☐ 821 – Schedule P (100), Alternative Minimum Tax and Credit Limitations – Corporations
  - ☐ 822 – FTB 3885, Depreciation/Amortization
- ☐ 816 – California S Corporation Tax Forms and Instructions. This booklet contains:
  - — Form 100S, California S Corporation Franchise or Income Tax Return
  - ☐ 823 – Schedule B (100S), S Corporation Depreciation and Amortization
  - — Schedule C (100S), S Corporation Tax Credits
  - — Schedule H (100S), Dividend Income
  - ☐ 824 – Schedule D (100S), Capital Gains and Losses and Built-In Gains
  - ☐ 825 – Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits
  - ☐ 826 – FTB 3830, S Corporation's List of Shareholders and Consents
- ☐ 807 – FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
- ☐ 814 – Form 109, Exempt Organization Business Income Tax Return
- ☐ 818 – Form 100-ES, Corporation Estimated Tax
- ☐ 813 – Form 100X, Amended Corporation Return
- ☐ 815 – Form 199, Exempt Organization Return
- ☐ 819 – Schedule R, Apportionment and Allocation of Income
- ☐ 812 – FTB Pub. 1038, Guide for Corporations Dissolving, Withdrawing or Merging
- ☐ 809 – FTB Pub. 1060, Guide for Corporations Starting Business in California
- ☐ 810 – FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report
- ☐ 827 – Form 100-WE, Water's-Edge Booklet
- ☐ 820 – FTB Pub. 1068, Exempt Organizations Requirements for Filing Returns and Paying Filing Fees
- ☐ 802 – FTB 3500, Exemption Application
- ☐ 808 – FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations
- ☐ 803 – FTB 3555, Request for Tax Clearance
- ☐ 804 – FTB 3557, Application for Revivor
- ☐ 811 – FTB 3560, S Corporation Election or Termination/Revocation
- ☐ 806 – FTB 5806, Underpayment of Estimated Tax by Corporations
- ☐ 829 – FTB 2427, Worldwide Affiliation Schedule
- ☐ Other _____