



This booklet contains:

[Form FTB 3807](#), Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary

1995

Local Agency Military Base
Recovery Area Booklet

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State of California
Franchise Tax Board

Instructions for Local Agency Military Base Recovery Areas — Form FTB 3807

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).

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General Information

California has established four types of economic development areas that have similar tax incentives:

- enterprise zones;
- program areas;
- the Los Angeles Revitalization Zone (LARZ); and
- local agency military base recovery areas (LAMBRA).

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

Note: For information about:

- enterprise zone or program area tax incentives, get form FTB 3805Z, Enterprise Zone and Program Area Business Booklet; or
- LARZ, get form FTB 3806, Los Angeles Revitalization Zone Business Booklet.

A Local Agency Military Base Recovery Areas

LAMBRA are being established to stimulate growth and development in areas that experience military base closures. Businesses that locate in a LAMBRA after designation may qualify for special incentives.

B Purpose

Use this booklet to determine the correct amount of deductions and credits that may be claimed for operating a trade or business within a LAMBRA. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary.

C How to Claim Deductions and Credits

Form FTB 3807 must be attached to the California business tax return to claim LAMBRA deductions or credits. So that the return will be processed correctly:

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

All others: Check the "yes" box for the enterprise zone, program area, LARZ or LAMBRA on the top of Side 1 or Side 2 of the return.

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

Net Job Increase Requirement – In order to qualify for the LAMBRA tax incentives, a business must have a net increase of one or more jobs during the first two taxable or income years.

The net increase to jobs is computed on form FTB 3807. See page 14 for the instructions on how to compute the increase.

D Survey

An informational survey is included in this booklet on page 19. Please take the time to fill it out, and either:

- fold it as indicated on the back, tape it closed, add postage and mail it to the Franchise Tax Board, Economic and Statistical Analysis Bureau; or
- fax it to the number indicated on the front of the survey.

The purpose of this survey is to gather information regarding how many businesses are using the tax incentives, which incentives the businesses are using, and in which LAMBRA the business is located. This information will help the California Legislature make future decisions regarding LAMBRA.

E LAMBRA Designation

The California Trade and Commerce Agency (CTCA) is authorized to designate LAMBRA. When this booklet went to press, the CTCA designated the Southern California International Airport LAMBRA Zone, formerly known as George Air Force Base. Two other areas pending designation are Mare Island Naval Shipyard in Vallejo and Castle Air Force Base in Atwater.

For information about the designation of an area call the California Trade and Commerce Agency at (916) 327-2236.

If your business is located totally within and within and outside the LAMBRA, see Part IV, on page 9 for instructions on how to allocate income.

F Forms Table

The titles of forms referred to in this booklet are:

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

Part I Hiring Credit

Employers conducting a trade or business inside a LAMBRA may claim the hiring credit for a qualified employee.

Qualified employee

A qualified employee is an employee who:

- was hired after the LAMBRA received its final designation (see General Information E);
- spends at least 90 percent of work time on activities directly related to the conduct of a trade or business located within the economic development area; and
- performs at least 50 percent of the work within the boundaries of the LAMBRA.

A qualified employee must be:

- a civilian or military employee of a base or former base who has been displaced as a result of a federal base closure act; or
- certified at the time of hire as:
 1. receiving subsidized employment, training or services under the terms of the federal Job Training Partnership Act;
 2. registered under Greater Avenues for Independence Act; or
 3. eligible under the federal Targeted Jobs Tax Credit Program.

Qualified wages

Qualified wages means the wages paid or incurred by the business during the taxable or income year to a qualified employee. The qualified wages are the lesser of:

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

Record Keeping. For each qualified employee keep a schedule for the first 60 months (5 years) of employment, showing:

- employee name;
- date employee was hired;
- number of hours employee worked per month;
- the hourly rate of pay for each month;
- qualified wages paid per month; and
- location of each employee's job site.

Example:

John Doe July 1, 1995

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

*John's hourly rate is \$6.50, however the hourly rate is limited to 150 percent of the minimum wage (\$4.25).

Credit Limitations

The cumulative qualified wages used to compute the credit for years one through five cannot exceed \$2,000,000.

The amount of hiring credit claimed may not exceed the amount of tax on LAMBRA income in any year. Use Worksheet VI on FTB 3807, Side 2, to compute the credit limitation.

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

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

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

S corporations are allowed only one-third of any LAMBRA credit by operation of law.

S corporations must reduce their wage deduction by one-third of the amount on Worksheet I, Line 6. Make the wage deduction adjustment on Form 100S, Side 1, line 7. In addition, the S corporation must make an

adjustment for the entire amount of the credit on Schedule K, line 1, column (c).

Example: In 1995 an S corporation earned a \$3,000 LAMBRA hiring credit. The S corporation can claim a credit for \$1,000 and must reduce its wage deduction by \$1,000 (\$3,000 X 1/3). On Schedule K, line 1, column (c), the S corporation would add \$3,000 to the corporation's ordinary income or loss to reflect the credit taken by the shareholder.

For additional information about the treatment of credits for S corporations, see Part VI on page 13.

Instructions for Worksheet I – Hiring Credit

Section A – Credit Computation

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

Line 1, column (b) – Enter the qualified wages paid to each employee.

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

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

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

Section B – Recapture of Hiring Credit

If the employer terminates an employee at any time during the first 270 days of employment (whether or not consecutive) or before the close of the 270th calendar day after the day the employee completes 90 days of employment, the employer must recapture the amount of credit attributable to that employee's wages. The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior

years attributable to the terminated employee. **Note:** The credit recapture does not apply if the termination of employment was:

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

This credit is also subject to recapture if the net increase to jobs requirement is not met. See the instructions for Part I of FTB 3807.

Line 1, column (a) – Enter the name of the terminated employee. Attach additional schedules if necessary.

Line 1, column (b) – Enter the amount of credit recapture for each employee.

Line 2 – Add the amounts in column (b). Enter the result on form FTB 3807, line 6. Include the amount of hiring credit recapture on your tax return as follows:

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

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3807" in the space provided on the schedule or form. In addition, S corporation shareholders must recapture the portion of credit that was previously claimed, based on the terminated employees wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Side 2, Schedule J.

Section A Credit Computation

	Year of Employment					
	(a) Employee Name	(b) First Year	(c) Second Year	(d) Third Year	(e) Fourth Year	(f) Fifth Year
1						
2 Total						
3 Multiply line 2 by percentage in column (b).50	.40	.30	.20	.10	
4 Enter the amount from line 3, column (b)						4
5 Enter the amount of federal or state jobs credit allowed for the employees shown in column (a). See instructions						5
6 Subtract the amount on line 5 from the amount on line 4. Enter the amount on Worksheet VI						6

Section B Credit Recapture

(a) Terminated Employee's Name	(b) LAMBRA Recapture Amount
1	
2 Total amount of credit recapture. Add the amounts in column (b). See instructions	2

Part II Sales and Use Tax Credit

Individuals, partnerships, estates and trusts may claim a credit equal to the sales or use tax paid or incurred to purchase the first \$1 million of qualified property. Corporations may claim a credit equal to the sales or use taxes paid or incurred to purchase the first \$20 million of qualified property.

Qualified property is:

- high technology equipment, such as computers and electronic processing equipment;
- aircraft maintenance equipment, such as engine stands, hydraulic mules, power carts, test equipment, handtools, aircraft start carts, and tugs;
- aircraft components, such as engines, fuel control units, hydraulic pumps, avionics, starts, wheels and tires; and
- IRC Section 1245 property.

The business must use the property exclusively within the boundaries of the LAMBRA. Use tax paid on purchases of property manufactured outside of California qualify for the credit only if property of a comparable quality and price was not available for timely purchase and delivery from a California manufacturer.

The sales tax price on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales and use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease see Revenue Ruling 55-540, 1955-2 C.B. 3a and FTB Legal Ruling 94-2, March 23, 1994.

Limitation. The amount of sales and use tax credit claimed may not exceed the amount of tax on the LAMBRA income in any year. After completing Worksheet II, use Worksheet VI on Side 2 of form FTB 3807 to compute the credit limitation. Any unused credit may be

carried over and applied against the tax on LAMBRA income in future years.

Depreciation. Any taxpayer that elects this credit cannot increase the basis of the qualified property by sales or use tax paid or incurred in connection with the purchase of qualified property.

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

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

Instructions for Worksheet II — Sales and Use Tax Credit

Section A – Credit Computation

Line 1, column (a) – List the items of qualified property purchased during the year. For each item, provide the location of its use.

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

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

Line 2, column (b) – Add the amounts in column (b).

Caution: This amount cannot exceed \$1 million for individuals, estates or trusts or \$20 million for corporations. When computing the credit to pass through to S corporation shareholders use \$1 million.

Line 2, column (c) – Add the amounts in column (c). Enter the total here and on Worksheet VI, line 7 or line 9. **Caution:** Only the sales and use tax paid on the cost of qualified

property up to the limitations on column (b) may be claimed as a credit.

Section B – Credit Recapture

The sales and use tax credit is subject to recapture (added back to tax) if, before the close of the second taxable or income year after the property was placed in service, it is disposed of or is no longer used exclusively in the LAMBRA trade or business. In that case, the credit amount for that property is added to tax in the current taxable or income year.

This credit is also subject to recapture if the net increase to jobs requirement is not met. See the instructions for Part I of FTB 3807.

Line 1, column (a) – Enter a description of the qualified property and the location of its use.

Line 1, column (b) – Enter the amount of credit recapture for the property.

Line 2 – Add the amounts in column (b). Enter the amount from line 2, column (b) on form FTB 3807, line 7. Include the amount of sales and use tax credit recapture on your tax return as follows:

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

Indicate that you included the sales and use tax credit recapture on your tax return by writing “FTB 3807” in the space provided on the schedule or form. S corporations and their shareholders must recapture the portion of credit that was previously claimed. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Side 2, Schedule J. Partnerships and limited liability companies (LLC’s) should also identify the recapture amount for partners and members on Schedule K-1 (565) and Schedule K-1 (568).

Worksheet II **Sales and Use Tax Credit — LAMBRA**

Section A Credit Computation

	(a) Qualified Property Description/Location	(b) Cost	(c) Sales/Use Tax
1			
2	Add the amounts in column (b) and column (c). Enter the total from column (c) on Worksheet VI, line 7 or line 9	2	

Section B Credit Recapture

	(a) Qualified Property Description	(b) Recapture Amount
1		
2	Total recapture amount. Add the amounts in column (b). Enter the amount here and on form FTB 3807, line 7. See instructions for where to report on the tax return	2

Part III Business Expense Deduction

Businesses conducting a trade or business within a LAMBRA may elect to treat a portion of the cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the cost in that year rather than depreciate it over several years.

Qualified property is any recovery property that is IRC Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings), most equipment, and furnishings acquired by purchase for exclusive use within a LAMBRA. Office supplies and other small nondepreciable items are not included. The maximum aggregate deduction the business may claim in any taxable or income year is determined by the number of years which have elapsed since the LAMBRA received final designation. For the income year of designation and the first income year thereafter, the deduction shall not exceed, in the aggregate, \$5,000. See General Information E for the designation dates.

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

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

Note: If you elect to expense qualified property, you may not claim the manufacturers' investment credit for that property.

A husband and wife filing separate returns may each claim one-half of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner.

Depreciation. If the business elects to deduct the amount computed in Worksheet III, Section A as a business expense the depreciable basis of the property must be reduced by the deduction. Subtract the amount claimed as a business expense from the basis or cost of the property and claim depreciation for the remaining basis or cost. The deduction allowed under IRC Section 179 does not apply to property for which the LAMBRA deduction is claimed. Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of its cost was deducted as a business expense.

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

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

Instructions for Worksheet III — Business Expense Deduction

Section A —

Line 1, column (a) – Enter a description of the qualified property, and the location of its use.

Line 1, column (b) – Enter the cost of the property.

Line 2 – Enter the amount of expense that flowed through from partnerships, S corporations and limited liability companies.

Line 3 – Add the amounts from column (b). Enter the amount of the expense or \$5,000 whichever is smaller. Enter the amount on line 3, on form FTB 3807, line 2, and on the California tax return as follows:

- Form 100, line 15;
- Form 100S, line 13;
- Form 109, Side 2, Part II, line 24;

- Form 565, Schedule K and Schedule K-1, line 9;
- Form 568, Schedule K and Schedule K-1, line 9; or
- Form 540, Schedule CA (540), column B, on the applicable line for your activity.

Note: If filing Form 540, indicate that you are claiming the business expense deduction by writing "FTB 3807" below the dotted line to the left of Form 540, line 14.

Section B — Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable or income year after the property was placed in service, the property is no longer used exclusively in the LAMBRA trade or business. In that case, the amount previously deducted for that property is added to the income for the taxable or income year.

This deduction is also subject to recapture if the net increase to jobs requirement is not met. See the instructions for Part I of FTB 3807.

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

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

Line 2 – Add the amounts in column (b).

Enter the total here, on form FTB 3807, line 8, and on the California tax return as follows:

- Form 100, line 7;
- Form 100S, line 7, Schedule K and Schedule K-1, line 6;
- Form 109, Side 2, Part I, line 12;
- Form 565, Schedule K and Schedule K-1, line 7;
- Form 568, Schedule K and Schedule K-1, line 7; or
- Form 540, Schedule CA (540), column C, on the applicable line for your activity.

Note: If filing Form 540, indicate that you are recapturing the business expense deduction by writing "FTB 3807" below the dotted line to the left of Form 540, line 16.

Worksheet III **Business Expense Deduction – LAMBRA**

Section A

(a) Qualified Property Description/Location	(b) Cost
1	
2 Flow through credit from pass-through entities	2
3 Total. Add the amounts in column (b). Do not enter more than \$5,000	3

Section B **Deduction Recapture**

(a) Property Description/Location	(b) Recapture Amount
1	
2 Total recapture amount. Add the amounts in column (b). Enter the amount here and on form FTB 3807, line 8. See instructions for where to report on the tax return	2

Part IV Doing Business Totally Within, Within and Outside a LAMBRA or in More than One LAMBRA

The LAMBRA tax credits are limited to the tax on income attributable to the business operations within the area. If the business is located both within and outside of, or in more than one LAMBRA, it must determine the portion of total business operations that are attributable to each LAMBRA.

Use Worksheet IV, Apportionment — LAMBRA to determine the percentage of LAMBRA income to total income. This percentage determines the amount of the tax incentives that can be used.

Note: If the business location(s) is solely within a single LAMBRA, and does not operate outside the LAMBRA, you do not have to complete this worksheet. Enter 100 percent on line 4 and go to Worksheet VI.

Business Income vs. Nonbusiness Income

Only business income is apportioned to the LAMBRA where operations are conducted. LAMBRA tax incentives are limited to tax on income attributable to the business operations within the LAMBRA.

Business income is income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Nonbusiness income is all income other than business income. Get 18 Cal. Code Reg. Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or Form 4797 if you did not have to file a Schedule D-1), E and F, and wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on Schedule A as itemized deductions.

Note: If you elected to carryback part or all of your current year disaster loss, do not include the amount of the loss that was carried back

in your current year business income for the LAMBRA.

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

When a corporation is part of a group of corporations engaged in a unitary business, the income and apportionment factors of the unitary group must be combined. For more information, see Schedule R.

Property Factor

The property factor is the average value of all real and tangible personal property owned or rented and used during the taxable or income year to produce business income. **Note:** Property is included in the factor if it could be used during the year.

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

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

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

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

Payroll Factor

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

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services. Payments made to independent contractors or any other person not properly classified as an employee are excluded.

Compensation Within the LAMBRA

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

- employee services are performed within the geographical boundaries of a LAMBRA; or
- the employee services are performed both within and outside the LAMBRA, but the services performed outside the LAMBRA are incidental to the employee services within the area.

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

Compensation Within and Outside the LAMBRA

If employee services are performed both within and outside the LAMBRA employee compensation will be attributed to the LAMBRA if:

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

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

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

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

Worksheet IV Apportionment — LAMBRA

Use Worksheet IV if your business has income from sources within and outside the LAMBRA.

	(a) Total Within and Outside LAMBRA	(b) Total Within LAMBRA	(c) Percent Within LAMBRA Column (b) ÷ Column (a)
1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions on page 9. Exclude property not connected with the business and the value of construction in progress.			
Inventory			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Delivery equipment			
Land			
Other tangible assets (attach schedule)			
Rented property used in the business: See instructions on page 9			
Total property values.			
2 Employee's wages, salaries, commissions and other compensation related to business income included in return.			
Total payroll.			
3 Total percent (sum of the percentages in column (c))			
4 Average apportionment percentage (½ of line 3). Enter here and on form FTB 3807, line 5			

The average apportionment percentage shown on line 4 represents the portion of the business conducted everywhere attributable to activities conducted within the LAMBRA. Use this figure to apportion income and losses where these amounts are to be divided between activities within and outside the LAMBRA.

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

An NOL generated by a business that operates or invests within a LAMBRA can be carried forward for 15 years but may not be carried back. In addition, up to 100 percent of the NOL generated in a LAMBRA can be carried forward. The business cannot generate NOLs from activities within the LAMBRA area until the first taxable or income year beginning on or after the date the LAMBRA is officially designated. See General Information E for pending designations for LAMBRA's.

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

Election. Businesses must elect the carryover category (general or specific, enterprise zone, program area, LARZ or LAMBRA NOLs) on the return for the year of a loss and file form FTB 3807 for each year in which an NOL deduction is being taken. The election is **irrevocable**. Filing form FTB 3807 constitutes an election and the annual designation to apply the LAMBRA deduction.

Note: If you elect the LAMBRA NOL deduction, you are prohibited by law from carrying over any other type of NOL from this year.

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

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts.
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.
- FTB 3805Z, Enterprise Zone and Program Area Business Booklet, Worksheet V (if your business is in more than one designated economic incentive area).
- FTB 3806, Los Angeles Revitalization Zone Business Booklet, Worksheet V (if your business is in more than one designated economic incentive area).

Alternative Minimum Tax. Businesses claiming a LAMBRA NOL deduction must deter-

mine their NOL for alternative minimum tax purposes. Use Schedule P, to compute the NOL for alternative minimum tax purposes.

S Corporations. LAMBRA NOLs incurred prior to becoming an S corporation may not be used against S corporation income. See IRC Section 1371(b). However, an S corporation is allowed to deduct a LAMBRA or program area NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5 percent tax. The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

NOL Carryover Amount — Nonapportioning Corporations That Are Totally Within the LAMBRA

The NOL carryover is determined by computing the business loss that results from business activity in the LAMBRA.

NOL Carryover Amount — Apportioning Corporations and Nonapportioning Corporations

If the business is located both within and outside of, or in more than one LAMBRA, the NOL carryover is determined by apportioning the total business loss of the corporation to the LAMBRA based on a special zone apportionment percentage computed in Worksheet IV.

Corporations that are members of a unitary group filing a combined report must separately compute the loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors. Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

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

Instructions for Worksheet V — NOL Computation and Loss Limitations

Individuals with a current year loss complete Section A. Corporations with a current year loss complete Section B.

Section A Computation of Current Year NOL — Individuals and Exempt Organizations Treated As Trusts

Use this section to compute the NOL to be carried over to future years by individuals. Complete Section A only if you have a current year loss. To compute an NOL, it is necessary to separate business income and deductions from nonbusiness income and deductions. See Part IV, Doing Business Totally Within, Within and Outside a LAMBRA, or in More than One LAMBRA, for a complete discussion of business and nonbusiness income.

To compute an NOL, it is necessary to separate business income and deductions from nonbusiness income and deductions. See Part IV, Doing Business Totally Within, Within and Outside, or in More than One LAMBRA, for a complete discussion of business and nonbusiness income.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates and Trusts, before you can compute the allowable LAMBRA loss.

Section B Computation of Current Year NOL — Corporations

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

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations, before you can compute the allowable LAMBRA loss.

See Part IV for a discussion of business and nonbusiness income.

Section A Computation of Current Year NOL — Individuals and Exempt Organizations Treated as Trusts

1	Net trade or business loss from all sources. Enter as a positive number. See definition of business income on page 9. Exempt Organizations Treated as Trusts: Enter the amount from Form 109, line 10	1	
2	Total business capital losses included in line 1. Enter as a positive number	2	
3	Total business capital gains included in line 1.	3	
4	If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0-	4	
5	1995 disaster relief loss included in line 1. Enter as a positive number	5	
6	Deduction for prior year disaster losses included in line 1. Enter as a positive number.	6	
7	Add line 5 and line 6	7	
8	Add line 4 and line 7	8	
9	Subtract line 8 from line 1. If the result is zero or more, do not complete the rest of this section. You do not have a current year NOL from a LAMBRA	9	
10	Enter the average apportionment percentage from Worksheet IV, line 4	10	
11	Multiply line 9 by line 10.	11	
12	Enter the amount from form FTB 3805V, Part I, Section A, line 20.	12	
13	Enter the smaller of line 11 or line 12 here and in Section C, line 1, column (e) This is the LAMBRA NOL carryover from 1995 to 1996.	13	

Section B Computation of Current Year NOL — Corporations

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

1	Net loss for state purposes from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number	1	
2 a	1995 disaster relief loss included in line 1. Enter as a positive number.	2a	
b	Nonbusiness income included in line 1. Enter as a negative number	2b	
c	Nonbusiness losses included in line 1. Enter as a positive number	2c	
d	Combine line 2a through line 2c	2d	
3	Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL from a LAMBRA.	3	
4	Enter the average apportionment percentage from Worksheet IV, line 4	4	
5	Multiply line 3 by line 4	5	
6	Enter the amount from form FTB 3805Q, Part I, line 3.	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 1, column (e). This is the LAMBRA NOL carryover from 1995 to 1996.	7	

Section C NOL Carryover — Individuals and Corporations

(a) Description	(b) Carryover from prior years	(c) Amount deducted this year	(d) Balance available to offset losses	(e) NOL carryover
1 NOL carryover beginning in 1995 Enter the total from column (e) on form FTB 3807, line 4.				

Part VI Computation of Credits

Credit Limitations. The amount of credit you may claim on your California tax return is limited by the amount of tax attributable to LAMBRA income. Use Worksheet VI on form FTB 3807, Side 2 to compute this limitation.

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

S corporations and the application of LAMBRA Credits

An S corporation may use its LAMBRA credits to reduce LAMBRA tax both at the corporate and shareholder levels. An S corporation may use one-third of the LAMBRA credits to reduce the tax on the S corporation's LAMBRA income. In addition, S corporation shareholders may claim their distributive share of the entire amount of the LAMBRA credits calculated under the personal income tax law.

Example: In 1995, an S corporation earned a \$3,000 LAMBRA hiring credit. The S corporation will be able to use one-third of the credit ($\$3,000 \times 1/3 = \$1,000$), to offset the tax on the corporation's LAMBRA income. The S corporation will also pass through a \$3,000 credit, determined under the Personal Income Tax provisions, to its shareholders to offset their individual tax on LAMBRA income.

S corporations must attach form FTB 3807 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. If form FTB 3807 is not attached to the return, the credits may be disallowed.

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

Carryover. If the amount of credit available this year exceeds your tax, you may carry over any excess credit to future years until the LAMBRA ceases to exist or fifteen years, if longer.

Credit Code Number. You must use credit code number **198** to claim the LAMBRA hiring or sales and use tax credit. Using an incorrect code number may cause a delay in allowing the credit.

Instructions for Worksheet VI — Computation of Credits

Worksheet VI is on Side 2 of form FTB 3807.

Part I

Line 1 – See page 9 for a definition of trade or business income.

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

Line 4a – Compute the tax as if the LAMBRA taxable income represented all of your taxable income.

Individuals: Use the tax table or tax rate schedule for your filing status in your tax booklet.

Exempt organizations: Use the applicable tax rate in your tax booklet. Corporations and S corporations: Use the applicable tax rate.

Line 4b – Corporations and S corporations: If the amount on line 4b is the minimum franchise tax (\$800), you cannot use your LAMBRA credits this year. You should complete Part III of the worksheet to figure the amount of credit carryover.

Part II

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

Line 6A, column (c) – Enter the amount from line 5. This is the amount of limitation based on the tax on LAMBRA income.

Line 6A, column (d) – Enter the amount of credit that is used on Schedule P, column (b). The amount cannot be greater than the amount in column (c).

Line 6B, column (b) – Enter the amount of the current year credit that was computed on Worksheet I.

Line 6B, column (c) – Compare the amount of line 6A, column (c) and line 6A, column (d). Enter the smaller amount.

Line 6B, column (e) – Subtract the amount of column (c) from the amount of column (b). Enter the result in column (e). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P limitation and the limitation based on LAMBRA income.

Line 7A, column (c) – Subtract the amount of line 6B, column (c) from the amount of line 6A, column (c). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amounts from line 7B, column (b) on line 7B, column (e).

Line 7A, column (d) – Enter the amount of credit that is used on Schedule P, column (b). The amount cannot be greater than the amount in column (c).

Line 7B, column (b) – Enter the amount of the current year credit that was computed on Worksheet I.

Line 7B, column (c) – Compare the amount of line 7A, column (c) and line 7A, column (d). Enter the smaller amount.

Line 7B, column (e) – Subtract the amount of column (c) from the amount of column (b). Enter the result in column (e). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P limitation and the limitation based on LAMBRA income.

Part III

Line 8 and line 9, column (b) – Enter the credit computed this year from the appropriate worksheet.

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

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

You may need to adjust your Schedule C to reflect the LAMBRA tax limitation (Part I, line 5) to your credits after completing this worksheet.

Partnerships. Also enter this amount on Form 565, Schedule K, line 14.

Limited Liability Companies. Also enter this amount on Form 568, Schedule K, line 14.

Corporations and S Corporations Subject To Paying Only The Minimum Tax.

Complete line 8 and line 9, column (b). Enter the result of column (b) in column (e). This is the amount of your credit carryover. S corporation see instructions for line 8 and line 9, column (b) for how to report the current year credit on Form 100S.

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

Line 8, column (c) – Enter the amount from line 5. This is the amount of limitation based on the tax on LAMBRA income.

Line 8, column (d) – Compare the amount of column (b) and column (c). Enter the smaller amount in column (d).

Line 8, column (e) – Subtract the amount of column (d) from the amount in column (b). Enter the result in column (e). This is the amount of your hiring credit carryover.

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

Line 9, column (c) – Subtract the amount on line 8 column (d) from the amount on line 8 column (c) and enter the result on line 9 column (c).

Line 9, column (d) – Compare the amount of column (b) and column (c). Enter the smaller amount in column (d).

Line 9, column (e) – Subtract the amount of column (d) from the amount in column (b). Enter the result in column (e). This is the amount of your sales and use tax credit carryover.

Example:

The ABC Business has \$8,000 of tax. The business computed a credit limitation based on zone income of \$7,000 on Worksheet VI, line 5. The business has the following credits:

Hiring Credit — \$ 500
 Sales and Use Tax Credit — \$9,000

Worksheet VI, Part II would be computed as follows:

Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts						
	(a) Credit Name		(b) Credit Amount	(c) Limitation Based on LAMBRA Income	(d) Used on Schedule P (Can never be greater than Col. (b) or Col. (c).)	(e) Carryover Col. (b) Minus Col. (c)
6	Hiring Credit	A		7,000	500	
		B	500	500		-0-
7	Sales and Use Tax Credit	A		6,500	6,500	
		B	9,000	6,500		2,500

Example:

You have credits of \$5,000 hiring credit
 \$9,000 sales and use tax credit

You have no prior year credit carryover.

Your credit limitation based on zone income is \$10,000 (from Part I, line 5).

Part III Limitation of Credits for Partnerships and S Corporations						
	(a) Credit Name		(b) Credit Amount	(c) Limitation Based on LAMBRA Income	(d) Credit Used this Year (Can never be greater than Col. (b) or Col. (c).)	(e) Carryover Col. (b) Minus Col. (d)
8	Hiring Credit		5,000	10,000	5,000	-0-
9	Sales and Use Tax Credit		9,000	5,000	5,000	4,000

Specific Line Instructions

Part I Net Increase to Jobs

A taxpayer or partnership that conducts a trade or business within a LAMBRA and, for the first two taxable years, has a *net increase in jobs* (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA may claim a sales or use tax credit against the "tax" or "net tax." The credit allowed is an amount equal to the sales or use tax paid or incurred by the taxpayer or partnership in connection with the purchase of qualified property to the extent that the qualified property does not exceed a value of \$1 million. See Part II, Sales and Use Tax Credit, for more information about qualified property.

The net increase in jobs is determined by subtracting the total number of full-time employees in California prior to starting business in the LAMBRA from the number of full-time employees in California in the second year after operation in the LAMBRA. For this purpose, the number of full-time employees for each year is determined as the:

- the total number of hours worked by hourly employees (not to exceed 2,000 hours per employee) divided by 2,000; and

- the total number of months worked in the LAMBRA by salaried employees divided by 12.

If your only business in California began with your LAMBRA business, your number of California employees prior to starting business in the LAMBRA is zero.

If your business began during the taxable or income year, the first year employment information is prorated. Multiply the divisors 2,000 (hours for hourly employees) and 12 (months for salaried employees) by a fraction, the numerator is the number of months of doing business and the denominator is 12.

If your business does not have a net increase in jobs for the first two taxable or income years in the LAMBRA, you must recapture (in the current year) any LAMBRA credits or deductions that were taken.

Example – In 1995 you employed:

- 5 employees that are paid by the hour, that worked 2,000 hours each;
- 1 employee that was paid by the hour that worked 1,000 hours;
- 2 employees that are paid by the hour that worked 2,150 hours each;

- 1 salaried employee that worked for 12 months; and
- 2 salaried employees that worked for 8 months each.

How many full-time employees does the business employ?

$$\begin{aligned}
 5 \times 2,000 &= 10,000 \\
 1 \times 1,000 &= 1,000 \\
 2 \times 2,000^* &= 4,000 \\
 \hline
 &15,000 \text{ hours} \\
 &2,000 = 7.50 \text{ full-time} \\
 &\text{hourly employees}
 \end{aligned}$$

*The 300 hours that these two employees worked over 2,000 cannot be included in the computation.

$$\begin{aligned}
 \text{Salaried employee 1} & \quad 12 \text{ months} \\
 \text{Salaried employee 2} & \quad 8 \text{ months} \\
 \text{Salaried employee 3} & \quad 8 \text{ months} \\
 & \quad \underline{28 \text{ months}} \\
 & \quad 12 = 2.33 \text{ salaried employees}
 \end{aligned}$$

For purposes of computing the net jobs increase requirement, you would have 9.83 full-time employees (7.50 + 2.33).

1995

Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary

3807

Attach to your California tax return.

Name(s) as shown on return

California Identification Number

Enter the name of the LAMBRA business and its location:

Part I Net Increase in Jobs

1 Number of full-time employees in California prior to starting business in the LAMBRA. See instructions. 1

Part II Credits Used and Carried Over to Future Years

2 Hiring and sales and use tax credit claimed on the current year return:
a Hiring credit from Worksheet VI, line 6A column (d) or line 8 column (d).
b Sales and use tax credit from Worksheet VI, line 7A column (d) or line 9 column (d).
Add line 2a and line 2b 2
Note: S corporations, see Form 100S instructions.

Part III Equipment Purchases Deducted as Business Expense

3 Enter the cost of qualified property purchased for the LAMBRA that is being deducted as a current year business expense from Worksheet III, Section A, line 3 3

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17268 or 24356.8. That election may not be revoked except with the consent of the Franchise Tax Board.

Part IV Net Operating Loss Carryover and Deduction

4 Enter the NOL carryover to future years from Worksheet V, Section C, line 1, column (e) 4

ELECTION: For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276.2 or 24416.2, the act of claiming an NOL carryover on this form constitutes the irrevocable election to apply the loss under subdivision (a), for qualified businesses within a LAMBRA. If you elect to carry over an NOL under any of these provisions, you are prohibited by law from carrying over any other type of NOL from this year.

Part V Portion of Business Attributable to LAMBRA

5 Enter the average apportionment percentage of your business that is in the LAMBRA from Worksheet IV, line 4. If your business is wholly within one LAMBRA the average apportionment percentage is 100% (1.00) 5

Part VI Recapture of Deduction and Credits

6 Recapture of hiring credit from Worksheet I, Section B, line 2, column (b). 6
7 Recapture of sales or use tax credit from Worksheet II, Section B, line 2, column (b) 7
8 Recapture of business expense deduction from Worksheet III, Section B, line 2. 8

Worksheet VI **Computation of Credits — LAMBRA**

Part I Computation of Limitation

1	Trade or business income. See instructions on page 9.	1	
2	Enter the average apportionment percentage from Worksheet V, line 4. See instructions on page 13.	2	
3	Multiply line 1 by line 2. This is your LAMBRA taxable income	3	
4a	Compute the amount of tax due using the amount on line 3. See instructions on page 13	4a	
4b	Enter the amount of tax from Form 540, line 24; Form 100, line 22 or Form 100S, line 21. Corporations and S corporations see instructions.	4b	
5	Enter the smaller of line 4a or line 4b. This is the limitation based on zone income. Partnerships and S corporations enter here and in Part III, line 8, column (c). All others go to Part II, column (c)	5	

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

(a) Credit Name		(b) Credit Amount	(c) Limitation Based on LAMBRA Income	(d) Used on Schedule P (Can never be greater than Col. (b) or Col. (c).)	(e) Carryover Col. (b) Minus Col. (c)
6	Hiring Credit	A			
		B			
7	Sales and Use Tax Credit	A			
		B			

Part III Limitation of Credits for Partnerships and S Corporations

(a) Credit Name		(b) Credit Amount See Instructions	(c) Limitation Based on LAMBRA Income	(d) Credit used this year (Can never be greater than Col. (b) or Col. (c).)	(e) Carryover Col. (b) Minus Col. (d)
8	Hiring Credit				
9	Sales and Use Tax Credit				

1995

Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary

3807

Attach to your California tax return.

Name(s) as shown on return

California Identification Number

Enter the name of the LAMBRA business and its location:

Part I Net Increase in Jobs

1 Number of full-time employees in California prior to starting business in the LAMBRA. See instructions. 1

Part II Credits Used and Carried Over to Future Years

2 Hiring and sales and use tax credit claimed on the current year return:
a Hiring credit from Worksheet VI, line 6A column (d) or line 8 column (d).
b Sales and use tax credit from Worksheet VI, line 7A column (d) or line 9 column (d).
Add line 2a and line 2b 2
Note: S corporations, see Form 100S instructions.

Part III Equipment Purchases Deducted as Business Expense

3 Enter the cost of qualified property purchased for the LAMBRA that is being deducted as a current year business expense from Worksheet III, Section A, line 3 3

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17268 or 24356.8. That election may not be revoked except with the consent of the Franchise Tax Board.

Part IV Net Operating Loss Carryover and Deduction

4 Enter the NOL carryover to future years from Worksheet V, Section C, line 1, column (e) 4

ELECTION: For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276.2 or 24416.2, the act of claiming an NOL carryover on this form constitutes the irrevocable election to apply the loss under subdivision (a), for qualified businesses within a LAMBRA. If you elect to carry over an NOL under any of these provisions, you are prohibited by law from carrying over any other type of NOL from this year.

Part V Portion of Business Attributable to LAMBRA

5 Enter the average apportionment percentage of your business that is in the LAMBRA from Worksheet IV, line 4. If your business is wholly within one LAMBRA the average apportionment percentage is 100% (1.00) 5

Part VI Recapture of Deduction and Credits

6 Recapture of hiring credit from Worksheet I, Section B, line 2, column (b). 6
7 Recapture of sales or use tax credit from Worksheet II, Section B, line 2, column (b) 7
8 Recapture of business expense deduction from Worksheet III, Section B, line 2. 8

Worksheet VI **Computation of Credits — LAMBRA**

Part I Computation of Limitation

1	Trade or business income. See instructions on page 9.	1	
2	Enter the average apportionment percentage from Worksheet V, line 4. See instructions on page 13.	2	
3	Multiply line 1 by line 2. This is your LAMBRA taxable income	3	
4a	Compute the amount of tax due using the amount on line 3. See instructions on page 13	4a	
4b	Enter the amount of tax from Form 540, line 24; Form 100, line 22 or Form 100S, line 21. Corporations and S corporations see instructions.	4b	
5	Enter the smaller of line 4a or line 4b. This is the limitation based on zone income. Partnerships and S corporations enter here and in Part III, line 8, column (c). All others go to Part II, column (c)	5	

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

(a) Credit Name		(b) Credit Amount	(c) Limitation Based on LAMBRA Income	(d) Used on Schedule P (Can never be greater than Col. (b) or Col. (c).)	(e) Carryover Col. (b) Minus Col. (c)
6	Hiring Credit				
	A				
7	Sales and Use Tax Credit				
	A				

Part III Limitation of Credits for Partnerships and S Corporations

(a) Credit Name	(b) Credit Amount See Instructions	(c) Limitation Based on LAMBRA Income	(d) Credit used this year (Can never be greater than Col. (b) or Col. (c).)	(e) Carryover Col. (b) Minus Col. (d)
8	Hiring Credit			
9	Sales and Use Tax Credit			

1995 Local Agency Military Base Recovery Area (LAMBRA) Survey

The Franchise Tax Board is required to provide the California Legislature with information regarding the use of local agency military base recovery area tax incentives. The legislature uses this information in a continuing effort to improve these programs.

The purpose of this survey is to gather information regarding how many businesses are using the tax incentives, which incentives the businesses are using and in which areas the incentives are being used.

Please complete the survey below, fold it as indicated on the back, tape it closed, add postage, and mail it to the Franchise Tax Board:

LAMBRA
ECONOMIC AND STATISTICAL ANALYSIS BUREAU
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

or fax the survey to (916) 845-5472.

Please **do not** attach this survey to your California tax return or mail this survey with your California tax return. Please send the survey to the address shown above.

Name(s) as shown on return

Address (actual location) where the LAMBRA business is conducted.

California identification number

A Check the appropriate box: Individual Corporation S Corporation
 Partnership Limited Liability Company Exempt Organization

B Enter the name of the LAMBRA in which the business is located. See General Information E on page 2.

C Check the appropriate box(es) indicating the tax incentives claimed in 1995:

Hiring Credit Net Operating Loss Deduction
 Sales & Use Tax Credit
 Business Expense Deduction

D Comments/Suggestions:

FOLD HERE FIRST

Place
Stamp
Here

LAMBRA
ECONOMIC AND STATISTICAL ANALYSIS BUREAU
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

FOLD HERE SECOND

PLACE
TAP
HERE



PLACE
TAP
HERE



How to Get California Tax Information

(Keep This Page For Future Use)

Regular Toll-Free Phone Service

Our regular toll-free telephone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1996. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturdays, April 6 and April 13, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

From within the United States, call 1-800-852-5711
From outside the United States, call (not toll-free) 1-916-845-6500

For federal tax questions, call the IRS at 1-800-829-1040.

Bilingual Assistance

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

Hearing Impaired

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

Letters

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

**ATTN RESOURCE DEVELOPMENT UNIT
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468**

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

Geographic Boundaries

Further information about geographic boundaries of the LAMBRA is available from:

**ATTN ENTERPRISE ZONE PROGRAMS
CALIFORNIA TRADE AND
COMMERCE AGENCY
801 K Street Suite 1700
SACRAMENTO CA 95814
Telephone: (916) 327-2236**

Where to Get Income 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 – Call our toll-free phone number listed under “Regular Toll-Free Phone Service” to get the California tax forms you need.

By mail – We will send you two copies of each tax form and one copy of each set of instructions you order. Please allow two weeks to receive your order. Address your envelope to:

**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 Franchise Tax Board district offices listed below. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries and quick print businesses cannot provide tax information or assistance.

Personal Assistance

District Offices

Bakersfield
Burbank
Fresno
Long Beach
Los Angeles
Oakland
Sacramento
San Bernardino
San Diego
San Francisco
San Jose
Santa Ana
Santa Barbara
Santa Rosa
Stockton
West Covina

Address

1430 Truxtun Avenue
333 North Glenoaks Boulevard
2550 Mariposa Street
245 West Broadway
300 South Spring Street
1970 Broadway
8745 Folsom Boulevard
215 North D Street
5353 Mission Center Road
50 Fremont Street
96 North Third Street
600 West Santa Ana Boulevard
360 South Hope Avenue
50 D Street
31 East Channel Street
100 North Barranca Street

Your Rights as a Taxpayer

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



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

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

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

To Find Out About Your Personal Income Tax Refund

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

Personal Income Tax Information

Code – Question

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

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

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

Corporation Franchise and Income Tax Information

Code – Question

- Filing Assistance**
- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 22 of Form 100?
 - 717 – What are the tax rates for corporations?
 - 718 – How do I get an extension of time to file?
 - 722 – When do I have to file a short-period return?
 - 730 – May I claim net operating losses in the first year?
 - 731 – Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
 - 733 – Can the prepayment to the Secretary of State be applied to my last year of business?
 - 734 – What is the difference between franchise tax and income tax?
- S Corporations**
- 704 – Is an S corporation subject to the minimum franchise tax?
 - 705 – Are S corporations required to file estimate payments?
 - 706 – What forms do S corporations file?
 - 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 21 of Form 100S?

- 708 – Where do S corporations make the state tax adjustment on Schedule K-1(100S)?
- Exempt Organizations**
- 709 – How do I get tax exempt status?
 - 710 – Does an exempt organization have to file Form 199?
 - 735 – How can an exempt organization incorporate without paying corporation fees and costs?
 - 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?
- Minimum Tax and Estimate Tax**
- 711 – Why can't I claim my prepayment tax as credit or estimate payment on my return?
 - 712 – What is the minimum franchise tax?
 - 714 – I'm not doing business; do I have to pay the minimum franchise tax?
 - 716 – When are my estimate payments due?
- Billings and Miscellaneous Notices**
- 713 – Why do I have an additional \$200 adjustment on my corporation return?
 - 723 – I received a bill for \$250. What is this for?
 - 728 – Why was my corporation suspended?
 - 729 – Why is my subsidiary getting a request for a return when we file a combined report?

- Tax Clearance**
- 724 – How do I dissolve my corporation?
 - 725 – What do I have to do to get a tax clearance?
 - 726 – How long will it take to get a tax clearance certificate?
 - 727 – My corporation was suspended/forfeited. Can I still get a tax clearance?
- Miscellaneous**
- 617 – What are the current interest rates?
 - 700 – Who do I need to contact to start a business?
 - 701 – I need a state ID number for my business. Who do I contact?
 - 702 – Can you send me an employer's tax guide?
 - 703 – How do I incorporate?
 - 719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
 - 720 – How do I change my corporation name?
 - 721 – How do I change my accounting period?
 - 732 – What is the Water's-Edge Election?
 - 737 – Where do I send my payment?
 - 738 – What is electronic funds transfer?
 - 739 – How do I get a copy of my state corporate tax return?