



1996

Local Agency Military Base
Recovery Area Booklet

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This booklet contains:

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



**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 FTB 3805Z, Enterprise Zone and Program Area Business Booklet; or
- LARZ, get FTB 3806, Los Angeles Revitalization Zone Booklet.

A What's New

- **Newly Designated LAMBRA.** Southern California International Airport LAMBRA in Victorville (formerly George Air Force Base) received final LAMBRA designation on February 1, 1996. Castle Airport LAMBRA in Atwater (formerly Castle Air Force Base) received final LAMBRA designation on June 1, 1996.
- **Minimum Wage.** The minimum hourly wage increased on October 1, 1996 from \$4.25 to \$4.75 pursuant to Public Law

104-188. The next increase will occur on March 1, 1997, when the California minimum wage (pursuant to the passage of Proposition 210, the Living Wage Act of 1996) increases from \$4.75 to \$5.00. The subsequent increase will occur on September 1, 1997, when the federal minimum wage (pursuant to Public law 104-188) increases to \$5.15. See Part I for how the minimum wage increase will affect the hiring credit.

- **Jobs Credits.** The federal Jobs Credit (computed on federal Form 5884 or Form 3800, General Business Credit) expired (for employees who began work after December 31, 1994). The California Jobs Credit (computed on form FTB 3524) expired (for employees who began work after December 31, 1993).

B Local Agency Military Base Recovery Areas

LAMBRA's are established to stimulate growth and development in areas that experience military base closures. Businesses operating in a LAMBRA or locating in a LAMBRA, may qualify for special incentives.

C Purpose

Use this booklet to determine the correct amount of deductions and credits that the business may claim for operating or investing in a trade or business within 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.

D How to Claim Deductions and Credits

To claim any LAMBRA deduction or credit, the business must attach form FTB 3807 (included in this booklet) to the California return. 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's on the top of Side 1 or Side 2 of the return.

Attach a separate form FTB 3807 for each LAMBRA the business operates or invests in.

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 within the first two taxable or income

years of the commencing business within the LAMBRA. **Note:** Taxpayers engaged in operations within a LAMBRA are allowed to utilize the designated LAMBRA tax incentives beginning in the first year of operation in the LAMBRA even though they have not yet fulfilled the net jobs increase requirement. However, if after the end of the second taxable or income year of operations within the LAMBRA a taxpayer does not fulfill the net jobs increase requirement, all LAMBRA tax incentives claimed in the prior years must be recaptured.

The net increase to jobs is computed on form FTB 3807. See page 17 for the instructions on how to compute the increase.

E Survey

An informational survey is included in this booklet on page 23. 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 Economic and Statistical Analysis Bureau of the Franchise Tax Board, 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's.

F LAMBRA Designation

The California Trade and Commerce Agency (CTCA) is authorized to designate LAMBRA's. The CTCA has designated the following LAMBRA's with the following designation dates:

- Southern California International Airport LAMBRA in Victorville (formerly known as George Air Force Base) on February 1, 1996; and
- Castle Airport LAMBRA in Atwater (formerly known as Castle Air Force Base) on June 1, 1996.

At the time this booklet went to press, designation was **pending** for Mare Island Naval Shipyard in Vallejo, Antelope Valley and Watsonville.

For information about the designation of an area call the CTCA at (916) 327-2236.

If your business is located totally within a LAMBRA, within and outside a LAMBRA or in more than one LAMBRA, see Part IV, on page 9 for instructions on how to allocate income.

G Forms Table

The titles of forms referred to in this booklet are:

Form 100	– California Corporation Franchise or Income Tax Return
Form 100S	– California S Corporation Franchise or Income Tax Return
Form 109	– California Exempt Organization Business Income Tax Return
Form 540	– California Resident Income Tax Return
Form 565	– Partnership Return of Income
Form 568	– Limited Liability Company Return of Income
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 F);
- Spends at least 90% of work time on activities directly related to the conduct of a trade or business located within the LAMBRA; and
- Performs at least 50% 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 as long as that program exists.

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
- **150% of the minimum hourly wage** established by the Industrial Welfare Commission shown in column (c) of the following table.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the LAMBRA hiring credit. The following table represents the applicable minimum wage and 150% of the minimum wage for purposes of computing the LAMBRA hiring credit:

	(a)	(b)	(c)
	Wages paid or incurred during the following time periods:	Minimum wage	150% of the minimum wage
	Prior to October 1, 1996	\$4.25	\$6.37
	October 1, 1996 through February 28, 1997	\$4.75	\$7.12
	March 1, 1997 through August 31, 1997	\$5.00	\$7.50
	September 1, 1997 through February 28, 1998	\$5.15	\$7.72

Credit Limitations

- The cumulative qualified wages used to compute the credit cannot exceed \$2,000,000. The limit applies to **each** taxpayer for **each** taxable or income year.
- The amount of hiring credit claimed may not exceed the amount of tax on LAMBRA business income in any year. 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 imposed on LAMBRA business income in future years.
- The business must reduce any deduction for wages by the amount of this credit.
- S corporations are allowed only 1/3 of the LAMBRA hiring credit by operation of law.
- S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, Line 4. 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 1996 an S corporation qualified for 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 15.

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, and duties performed.

Example:

John Doe	July 1, 1996		
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	
4	170 7.12*	1,210.40	

*John's hourly rate is \$7.50, however the hourly rate is limited to 150% of the minimum wage (\$6.37 through September 30, 1996, and \$7.12 on or after October 1, 1996).

Election. In the case where the wage expense qualifies the business to take the LAMBRA hiring credit as well as any other additional credit, the business must make an election on the original return for each year stating which one credit is being claimed. The election cannot be revoked without the consent of the Franchise Tax Board (FTB).

Instructions for Worksheet I – Hiring Credit & Recapture

Section A – Credit Computation

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

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

Line 2, column (b) and column (c) – Add the amount of qualified wages in each column.

Line 3, column (b) and column (c) – Multiply the total in each column of line 2 by the percentage in each column.

Line 4 – Add the amounts on line 3, column (b) and column (c). Enter this amount on line 4 and on Worksheet VI, line 6B, line 8 or line 10, column (b).

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 in which the credit was claimed for 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 employer's trade or business operations.

This credit is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for Part I of form FTB 3807 on page 17.

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, Side 1,

line 6. Include the amount of hiring credit recapture on your California tax return as follows:

- Form 100, Side 2, Schedule J;
- Form 100S, Side 2, Schedule J;
- Form 109, Side 4, Schedule K;
- Form 540, line 36;
- Form 565, Schedule K and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 20 and Schedule K-1 (568), line 22.

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. Partnerships and limited liability companies must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568). In addition, S corporation shareholders must recapture the portion of credit that was previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Side 2, Schedule J.

Worksheet I Hiring Credit & Recapture — LAMBRA

Section A Credit Computation

Qualified Wages Paid or Incurred for 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 the percentage in each column50	.40	.30	.20	.10
4 Add the amounts from line 3, column (b) and column (c). Enter here and on Worksheet VI, line 6B, line 8 or line 10, column (b)					4

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 for where to report on the California tax return	2

Part II Sales or Use Tax Credit

Individuals, partnerships, limited liability companies and 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 tax 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 qualifies for the credit only if property of a comparable quality and price was not available for timely purchase and delivery from a California manufacturer.

Leased Property

The sales tax paid on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or 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. 39 and FTB Legal Ruling 94-2, March 23, 1994.

Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the LAMBRA business 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 business income in future years.

Election. In the case where an item of property qualifies the business to take the LAMBRA sales or use tax credit as well as any other credit (e.g., the enterprise zone sales or use tax credit or the manufacturers' investment credit), the business must make an election on the original return for each year stating which one credit is being claimed. The election cannot be revoked except with the written consent of the Franchise Tax Board.

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 – Individuals.
- Form 565 filers – FTB 3885P, Depreciation and Amortization - Partnerships; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization - Limited Liability Companies.

Record Keeping. In order to support the sales or use tax credit claimed, keep all records that document the purchase of the machinery, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The machinery purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid on its purchase;
- The location where it is used;
- If purchased from a manufacturer located outside California, records must be provided to substantiate that machinery of comparable quality and price was not available for purchase in California.

Instructions for Worksheet II — Sales or Use Tax Credit & Recapture

Section A - Credit Computation

Line 1, column (a) – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) 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 7B, line 9 or line 11, column (b). **Caution:** Only the sales or 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 or 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 form FTB 3807 on page 17.

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, Side 1, 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;
- Form 540, line 36;
- Form 565, Schedule K and Schedule K-1 (565) line 22; or
- Form 568, Schedule K, line 20 and Schedule K-1 (568), line 22.

Indicate that you included the sales or 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 (LLCs) should also identify the recapture amount for partners and members on Schedule K-1 (565 and 568).

Worksheet II **Sales or Use Tax Credit & Recapture — LAMBRA**

Section A Credit Computation

	(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 7B, line 9 or line 11, column (b)	2	

Section B Credit Recapture

	(b) Recapture Amount
1	
2 Total recapture amount. Add the amounts in column (b). Enter the amount here and on form FTB 3807, Side 1, line 7. See instructions for where to report on the California 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 that 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 F 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 Sections 267 or 707(b); or described in IRC Section 168(f).

A husband and wife filing separate returns may each claim 1/2 of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner. Each partner's business expense deduction passed-through from the partnership is based on their allocable share of the allowable deduction.

The LAMBRA business expense deduction does not apply to estates and trusts.

The deduction allowed under IRC Section 179 does not apply to property for which the

LAMBRA business expense 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;
- Form 540 filers – FTB 3885A, Depreciation and Amortization Adjustments – Individuals;
- Form 565 filers – FTB 3885P, Depreciation and Amortization – Partnerships; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization – Limited Liability Companies.

Election. The LAMBRA business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

Instructions for Worksheet III – Business Expense Deduction & Recapture

Section A – Business Expense Deduction – LAMBRA

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 – Add the amounts from column (b). Enter the amount of the expense or \$5,000 whichever is smaller. Enter the amount on line 2, on form FTB 3807, Side 1, line 3, and on the California tax return as follows:

- Form 100, line 15;
- Form 100S, line 13, Schedule K and Schedule K-1 (100S), line 8;

- Form 109, Side 2, Part II, line 24;
- Form 540, Schedule CA (540), column B, on the applicable line for your activity;
- Form 565, Schedule K and Schedule K-1 (565), line 9; or
- Form 568, Schedule K and Schedule K-1 (568), line 9.

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 sold, disposed, or no longer used exclusively in the LAMBRA trade or business. In that case, add to the current year income the amount previously deducted for that property.

This deduction is also subject to recapture if the net increase to jobs requirement is not met. See the instructions for Part I of form FTB 3807 on page 17.

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, Side 1, line 8, and on the California tax return as follows:

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

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 & Recapture – LAMBRA**

Section A

	(b) Cost
(a) Qualified Property Description/Location	
1	
2 Total. Add the amounts in column (b). (Do not enter more than \$5,000). Enter here and on form FTB 3807, Side 1, line 3. See instructions for where to report on the California tax return	2

Section B **Deduction Recapture**

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

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

The LAMBRA tax credits are limited to the tax on business income attributable to operations within the area. If the business is located both within and outside a LAMBRA 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 business income to total business 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% on line 4.

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 business income attributable to 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 Title 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, Sales of Business Property, 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 under IRC Section 165(i)(1), 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.			Column (b) ÷ Column (a)
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 (1/2 of line 3). Enter here and on form FTB 3807, Side 1, 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% 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 F for pending designations for LAMBRA's.

Limitation. A LAMBRA NOL deduction can only offset business income attributable to operations 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 a LAMBRA NOL deduction is being taken. The election is **irrevocable**.

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 or worksheets 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.
- FTB 3806, Los Angeles Revitalization Zone Business Booklet, Worksheet V.

Alternative Minimum Tax. Businesses claiming a LAMBRA NOL deduction must determine their NOL for alternative minimum tax purposes by using Schedule P (100, 540, 540NR or 541).

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

Instructions for Worksheet V — NOL Computation and Loss Limitations

Individuals and exempt organizations treated as trusts 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.

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.

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

Section B Computation of Current Year NOL — Corporations

Use this section to compute the LAMBRA 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.

Section C — Computation of NOL Carryover and Carryover Limitations — Individuals and Corporations

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

Line 1 — See Part IV, Doing Business Totally Within a LAMBRA, Within and Outside a LAMBRA or in More than One LAMBRA for a discussion of business vs. nonbusiness income. **Note to Form 540 filers:** Be sure to include on line 1, the amount of deduction for prior year disaster losses reported on Schedule CA (540).

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

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

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

Line 7 — Enter the amount from line 6. If this amount is zero or negative, transfer the amount from line 8, column (b) to line 8, column (e). Go to line 10.

Line 8 — Enter the amounts as positive numbers.

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

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

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

Example:

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

Line 9 – Enter the amount of your current year NOL. Individuals: enter the amount from Section A, line 13. Corporations: enter the amount from Section B, line 7.

The LAMBRA NOL deduction for 1996 is the total of column (c). Enter this amount on the California tax return as follows:

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

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	1996 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 9, column (e) This is the LAMBRA NOL carryover from 1996 to 1997.	13	

Section B Computation of Current Year NOL — Corporations

Note: If you have both a LAMBRA NOL and a prior year general NOL, see instructions on page 11.

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 1996 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 9, column (e). This is the LAMBRA NOL carryover from 1996 to 1997.	7	

Section C Computation of NOL Carryover and Carryover Limitations — Individuals and Corporations.

1	Enter the amount from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 filers enter your trade or business income or losses. See instructions.	1		
2	a Form 100, 100S, and 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 filers leave blank.	2a		
	b Form 100, 100S, and 109 filers: Enter any nonbusiness losses included in line 1 as a positive number. Form 540 filers leave blank	2b		
	c Combine line 2a through line 2b.	2c		
3	Form 100 Filers: Enter the amount from Form 100, line 20. Form 100S Filers: Enter the total of the amounts on Form 100S, line 17 and line 19. Form 540 Filers and Form 109 Filers: Enter -0-. Enter this amount as a negative number	3		
4	Combine line 1, line 2c and line 3.	4		
5	Enter the average apportionment percentage from Worksheet IV, line 4.	5		
6	Modified taxable income. Multiply line 4 by line 5		6	

(a) Description	(b) Carryover from prior years	(c) Amount deducted this year	(d) Balance available to offset losses	(e) NOL Carryover
7 Modified taxable income from line 6				
8 LAMBRA NOL carryover beginning in 1995				
9 LAMBRA NOL carryover beginning in 1996				
10 Add the amounts in column (b) through column (e). Enter the totals from column (b), column (c) and column (e) on form FTB 3807, Side 1, line 4a, line 4b and line 4c respectively				

Part VI Computation of Credit Limitations

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, limited liability 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 1/3 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 1996, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation will be able to use 1/3 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 Law 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), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

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

Credit Code Number. You must use credit code number 198 to claim the LAMBRA hiring and sales or 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.

Partnerships and limited liability companies classified as partnerships do not complete Worksheet VI. The partners or members of these types of entities should complete Worksheet VI in order to determine the amount of LAMBRA credits that they may claim on their California tax

returns. The apportionment percentage, computed by or for the partnership at the partnership entity level on form FTB 3807, Worksheet IV (Apportionment Worksheet) and filed with the entity's return (Form 565 or 568), should be reported to each partner or member. Each partner or member should use this apportionment percentage to complete Worksheet VI, Part I by applying the entity's apportionment percentage to the pass-through income reported to each partner or member on their Schedule K-1 (565 or 568). The amount computed on Worksheet VI, line 5 is the limitation based on tax attributable to the LAMBRA business income. The amount of pass-through LAMBRA credits claimed by the partners or members may not exceed this amount for the year.

S corporations: Complete only Part III of this worksheet if your entity level tax before credits is more than the minimum franchise tax.

Corporations and S corporations subject to the minimum tax only: Complete only Part IV of this worksheet.

All others: Complete Part I and Part II of this worksheet.

Part I

Line 1 – Enter all trade or business income. See Part IV for the definition of trade or business income. **Shareholders, partners and members of S corporations, partnerships or limited liability companies:** Enter any pass-through trade or business income reported to you on Schedule K-1 (100S, 565 or 568). For shareholders, partners or members with ownership interests in multiple entities in which you received pass-through LAMBRA incentives, see the instructions for line 2.

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

Shareholders, partners and members of S corporations, partnerships or limited liability companies: If the only amount that you have entered on line 1 is the pass-through trade or business income reported to you on Schedule K-1 (100S, 565 or 568) from your ownership in a single pass-through entity, the apportionment percentage that you must enter on line 2 is the apportionment percentage of the pass-through entity from which you received the Schedule K-1 (100S, 565 or 568). The S corporation, partnership or limited liability company from which you received LAMBRA incentives should report this apportionment percentage to you. Specifically, this percentage is the apportionment percentage computed by the entity using form FTB 3807, Worksheet IV, and represents the percentage of the entity's business attributable to the LAMBRA.

Multiple Pass-through Entities

If you are a shareholder, partner or member in multiple pass-through entities with businesses located within and outside the LAMBRA from which you received LAMBRA incentives, attach a separate schedule that computes the apportioned pass-through LAMBRA income. For example:

Pass-through Entity	Trade or Business Income from Schedule K-1 (100S, 565 or 568)	Entity's LAMBRA Apportionment Percentage	LAMBRA Apportioned Income
ABC, Inc.	\$40,000	80%	\$32,000
A, B & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
			\$40,000

(Reported on Worksheet VI, Part I, line 3.)

Business Income

Taxpayers with LAMBRA trade or business income from Schedules C, D, D-1, E (other than pass-through income as discussed above) or F use the LAMBRA apportionment factor from the trade or business activity that generated such income. Attach separate schedules, if necessary, where there are multiple LAMBRA business activities.

Wages

Taxpayers with wages from a company located within and outside the LAMBRA must determine the LAMBRA wage income by entering the percentage of their time (during the period for which the wages entered on line 1 were earned) that they worked within the LAMBRA. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

Line 3 – Taxpayers who received wages from a company operating within and outside the LAMBRA, should compute the amount on line 3 by multiplying the percentage of their time (during the period such wages were earned) worked within the LAMBRA. See the instructions for line 2.

If the amount on line 3 is negative you are not allowed to use any incentives to offset the current year tax liability. Enter -0- on line 5. Carryover of the unused incentives is allowed as provided. See the specific incentive for further information.

Example (Determination of LAMBRA Income for Shareholders, Partners or Members of Pass-through Entities):

John Smith is vice president of ABC, Inc., an S corporation that has two locations: one within a LAMBRA and one outside the LAMBRA. Eighty percent (80%) of the S corporation's business is attributable to the LAMBRA. (Note: This percentage was determined by ABC, Inc. using form FTB 3807, Worksheet IV — Apportionment Worksheet, when ABC's California S corporation return (Form 100S) was prepared). John divides his time equally (50%/50%) between the two offices of ABC, Inc.

Mary Smith (John's spouse) works for ABC, Inc. at its office located within the LAMBRA.

John and Mary Smith have the following 1996 items of California income and expense:

John's salary from ABC, Inc.	\$100,000
Mary's salary from ABC, Inc.	75,000
Interest on savings account	1,000
Dividends	3,000
Schedule K-1(100S) from ABC, Inc.:	
Ordinary income	40,000
LAMBRA business expense deduction	(5,000)*
John's unreimbursed employee expenses from Schedule A	(2,000)

*The LAMBRA business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Smith's LAMBRA income (total amount to be reported on line 3) is computed as follows:

John's LAMBRA salary (\$100,000 x 50%)	\$50,000
Mary's LAMBRA salary (\$75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. (\$40,000 x 80%)	32,000
LAMBRA business expense deduction from ABC, Inc.	(5,000)
John's unreimbursed employee business expenses (2,000 x 50%)	<u>(1,000)</u>
Total LAMBRA income (Worksheet VI, Part I, line 3)	\$151,000

Note: The standard deduction and personal or dependency exemptions are not included in the computation of LAMBRA income since they are not related to trade or business activities.

John and Mary must compute the tax (to be entered on Worksheet VI, Part I, line 4a) on the total LAMBRA income of \$151,000 (as if it represents all of their income), using the tax rate schedule in their tax booklet.

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 IV 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 IV.

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

Line 6A, column (f) – Enter the amount of credit that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 6B, column (d).

Line 6B, column (b) – Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 4.

Line 6B, column (c) – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I, Section A, in the prior year, minus the amount that was allowed to be taken on the prior year return).

Line 6B, column (d) – Add the amount of the current year credit in column (b) and the amount of the total prior year carryover in column (c).

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

Line 6B, column (g) – Subtract the amount of column (e) from the amount of column (d).

Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LAMBRA business income.

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

Line 7A, column (f) – Enter the amount of credit that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 7B, column (d).

Line 7B, column (b) – Enter the amount of the current year credit that was computed on Worksheet II, Section A, line 2, column (c).

Line 7B, column (c) – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet II, Section A minus the amount that was allowed to be taken on the prior year return).

Line 7B, column (d) – Add the amount of the current year credit in column (b) and the amount of the total prior year carryover in column (c).

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

Line 7B, column (g) – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LAMBRA business income.

Example:

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

Hiring Credit	—	\$ 500
Sales or 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) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LAMBRA Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (e)
6	Hiring Credit	A			7,000	500	
		B	500	-0-	500	500	-0-
7	Sales or Use Tax Credit	A			6,500	6,500	
		B	9,000	-0-	9,000	6,500	2,500

Part III

Use Part III only if you are an S corporation.

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 5; and
- Schedule K, line 13.

You may need to adjust your Schedule C (100S) to reflect the LAMBRA tax limitation (Part I, line 5) to your credits after completing this worksheet.

Line 8 and line 9, column (b) – Enter the amount of current year credits (that were computed on Worksheet I and Worksheet II) in column (b) for line 8 and line 9 as applicable.

Line 8 and line 9, column (c) – Multiply the amount on line 8, column (b) and line 9, column (b) each by 1/3. Enter the result in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its entity level S corporation tax.

Line 8 and line 9, column (d) – Enter the amount of the total prior year carryover of the credit (these are the amount of credits that were previously figured on the prior year Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return).

Line 8 and line 9, column (e) – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

Line 8 and line 9, column (f) – Enter the amount of credit that was used by the S corporation in the current year to offset its entity level S corporation tax.

Line 8 and line 9, column (g) – Subtract the amount in column (f) for each line from the amounts in column (e). These are the amount of credits that can be carried over to future years and used by the S corporation.

Part IV

Use Part IV if you are a corporation or S corporation subject to paying only the minimum tax.

Line 10 and line 11, column (b) – Enter the amount of current year credits (that were computed on Worksheet I and Worksheet II) on line 10 column (b), and line 11 column (b), as

applicable. **S corporations** may only enter 1/3 of the amounts from Worksheet I and II.

Line 10 and line 11, column (c) – Enter the amount of the total prior year carryover of the credit. (These are the amounts of credits that were previously figured on Worksheet I and Worksheet II in the prior years, minus the amount that was allowed to be taken on the prior year return). S corporations may only enter 1/3 of the amounts from Worksheet I and Worksheet II.

Line 10 and line 11, column (d) – Add the amounts in column (b) and column (c) for line 10 and line 11. These are the amount of credits that can be carried over to future years.

Specific Line Instructions

Net Increase in Jobs

Complete line 1 on form FTB 3807, Side 1, Part I, only if you have been doing business in a LAMBRA for two years. Use the Net Jobs Worksheet on the following page to determine the amount to enter on line 1.

A taxpayer or partnership that conducts a trade or business within a LAMBRA and that 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 certain economic incentives.

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 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 in the LAMBRA 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 1996 you employed:

- 5 employees who were paid by the hour and who worked 2,000 hours each;
- 1 employee who was paid by the hour and who worked 1,000 hours;
- 2 employees who were paid by the hour and who worked 2,150 hours each;
- 1 salaried employee who worked for 12 months; and
- 2 salaried employees who worked for 8 months each.

How many full-time employees does the business employ?

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

*The 150 hours that these two employees each worked over 2,000 cannot be included in the computation.

Salaried		
employee 1	12 months	
Salaried		
employee 2	8 months	
Salaried		
employee 3	8 months	
	<u>28 months</u>	
	$\frac{28}{12} = 2.33$	salaried employees

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

Use the worksheet on the following page to determine the amounts to enter on form FTB 3807, Side 1, Part I, Net Increase in Jobs. (See the example following the worksheet for how to complete the worksheet).

Net Jobs Worksheet

(a) Taxable/Income Year prior to operating in LAMBRA	(b) 2nd Taxable/Income Year after starting operations in LAMBRA
---	--

Taxable or Income Year		
1 Enter the total number of hours worked by hourly employees during the taxable/income year for column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1.		
2 Divide line 1 of each column by 2,000.		
3 Enter the total number of months worked by salaried employees. The total months per salaried employee cannot exceed 12		
4 Divide line 3 of each column by 12		
5 Add line 2 and line 4 of each column Enter the amount on line 5, column (a) on form FTB 3807, Side 1, Part I, line 1b. Enter the amount on line 5, column (b) on form FTB 3807, Side 1, Part I, line 1a.		

Example – A corporation employs four individuals prior to establishing operations in the LAMBRA. The following is the employment information for the employees for the income year prior to operating in the LAMBRA:

- Employee #1: Salaried; employed for 12 months.
- Employee #2: Hourly, full-time; worked 2,080 hours per year.
- Employee #3: Hourly, part-time; worked 1,500 hours per year.
- Employee #4: Hourly, part-time; worked 1,500 hours per year.

At the end of the 2nd year of operation in the LAMBRA, the corporation employed the following individuals:

- Employee #1: Salaried; employed 36 months.
- Employee #2: Hourly, full-time; worked 2,080 hours per year.
- Employee #3: Hourly, part-time; worked 1,700 hours per year.
- Employee #4: Hourly, part-time; worked 1,700 hours per year.
- Employee #5: Hourly, part-time; worked 1,700 hours per year.

The worksheet above would be completed as follows:

Net Jobs Worksheet Example

(a) Taxable/Income Year prior to operating in LAMBRA	(b) 2nd Taxable/Income Year after starting operations in LAMBRA
---	--

1 Enter the total number of hours worked by hourly employees during the taxable/income year for column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1.	5,000	7,100
2 Divide line 1 of each column by 2,000.	2.5	3.55
3 Enter the total number of months worked by salaried employees. The total months per salaried employee cannot exceed 12	12	12
4 Divide line 3 of each column by 12	1	1
5 Add line 2 and line 4 of each column Enter the amount on line 5, column (a) on form FTB 3807, Side 1, Part I, line 1b. Enter the amount on line 5, column (b) on form FTB 3807, Side 1, Part I, line 1a.	3.5	4.55

1996

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

Note: Complete Part I only if you have been doing business in a LAMBRA for two years.

- 1 a Number of full-time employees in California in the 2nd year after operation in a LAMBRA
b Number of full-time employees in California prior to starting business in the LAMBRA. See instructions.
Subtract line 1b from line 1a. This is the net jobs increase 1

Part II Credits Used and Carried Over to Future Years

- 2 Hiring and sales or use tax credit claimed on the current year return:
a Hiring credit from Worksheet VI, line 6A column (f) or line 8 column (f)
b Sales or use tax credit from Worksheet VI, line 7A column (f) or line 9 column (f)
Add line 2a and line 2b 2

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 2 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

- 4a Enter the NOL carryover from prior years from Worksheet V, Section C, line 10, column (b) 4a
4b Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 10, column (c). Enter this amount on Schedule CA (540), line 21e, column B; Form 100, line 19; Form 100S, line 18; or Form 109, line 3 or line 11 4b
4c Enter the NOL carryover to future years from Worksheet V, Section C, line 10, column (e) 4c

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 6
7 Recapture of sales or use tax credit from Worksheet II, Section B, line 2 7
8 Recapture of business expense deduction from Worksheet III, Section B, line 2 8

Worksheet VI **Computation of Credit Limitation — LAMBRA**

Part I Computation of Limitation. See Instructions.

1	Trade or business income. See instructions on page 15	1	
2	Enter the average apportionment percentage from Worksheet IV, line 4. See instructions on page 15	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 16	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 LAMBRA business income. Go to Part II, Part III or Part IV. See instructions.	5	

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

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

Part III Limitation of Credits for S Corporations Only

	(a) Credit Name	(b) Credit Amount See Instructions	(c) S Corporation Credit (Multiply Col. (b) by 1/3)	(d) Total Prior Year Carryover	(e) Total Credit Add Col. (c) and Col. (d)	(f) Credit Used this Year by S Corporation	(g) Carryover (Col. (e) Minus Col. (f))
8	Hiring Credit						
9	Sales or Use Tax Credit						

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Tax

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Carryover. (Add Col. (b) and Col. (c))
10	Hiring Credit			
11	Sales or Use Tax Credit			

1996

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

Note: Complete Part I only if you have been doing business in a LAMBRA for two years.

- 1 a Number of full-time employees in California in the 2nd year after operation in a LAMBRA
b Number of full-time employees in California prior to starting business in the LAMBRA. See instructions.
Subtract line 1b from line 1a. This is the net jobs increase 1

Part II Credits Used and Carried Over to Future Years

- 2 Hiring and sales or use tax credit claimed on the current year return:
a Hiring credit from Worksheet VI, line 6A column (f) or line 8 column (f)
b Sales or use tax credit from Worksheet VI, line 7A column (f) or line 9 column (f)
Add line 2a and line 2b 2

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 2 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

- 4a Enter the NOL carryover from prior years from Worksheet V, Section C, line 10, column (b) 4a
4b Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 10, column (c). Enter this amount on Schedule CA (540), line 21e, column B; Form 100, line 19; Form 100S, line 18; or Form 109, line 3 or line 11 4b
4c Enter the NOL carryover to future years from Worksheet V, Section C, line 10, column (e) 4c

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 6
7 Recapture of sales or use tax credit from Worksheet II, Section B, line 2 7
8 Recapture of business expense deduction from Worksheet III, Section B, line 2 8

Worksheet VI **Computation of Credit Limitation — LAMBRA**

Part I Computation of Limitation. See Instructions.

1	Trade or business income. See instructions on page 15	1	
2	Enter the average apportionment percentage from Worksheet IV, line 4. See instructions on page 15	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 16	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 LAMBRA business income. Go to Part II, Part III or Part IV. See instructions.	5	

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

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

Part III Limitation of Credits for S Corporations Only

	(a) Credit Name	(b) Credit Amount See Instructions	(c) S Corporation Credit (Multiply Col. (b) by 1/3)	(d) Total Prior Year Carryover	(e) Total Credit Add Col. (c) and Col. (d)	(f) Credit Used this Year by S Corporation	(g) Carryover (Col. (e) Minus Col. (f))
8	Hiring Credit						
9	Sales or Use Tax Credit						

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Tax

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Carryover. (Add Col. (b) and Col. (c))
10	Hiring Credit			
11	Sales or Use Tax Credit			

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, 1997. 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 5 and April 12, 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.

Letters

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

ATTN RESOURCE DEVELOPMENT SECTION
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 enterprise zones or program areas and certification is available from:

ATTN ENTERPRISE ZONE PROGRAMS
CALIFORNIA TRADE AND COMMERCE
AGENCY
801 K STREET SUITE 1600
SACRAMENTO CA 95814
Telephone: (916) 324-8211

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.

Where to Get Income Tax Forms

By Internet – If you have Internet access, you may download, view and print California tax forms and publications. Our Internet address is: <http://www.ftb.ca.gov>

By phone – Use F.A.S.T. to order 1994, 1995 and 1996 California tax forms and 1996 federal forms. To order a form call 1-800-338-0505.

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 – Most libraries, post offices and banks provide free California tax booklets during the filing season. 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.



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 and order California or federal income tax forms using the F.A.S.T. number.

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

To Get Information

If you need an answer to any of the following questions below, call 1-800-338-0505, select general tax information, follow the recorded instructions and enter the three-digit code when you are instructed to do so.

How To Use F.A.S.T.

1. Have paper and pencil handy to take notes.
2. Call the F.A.S.T. toll-free number:
From within the United States 1-800-338-0505
From outside the United States
(not toll-free) 1-916-845-6600

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms or to find out about your tax refund, F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

Personal Income Tax Information

Code – Question

Filing Assistance:

- 100 – Do I need to file a return?
- 111 – Which form should I use?
- 112 – How do I file electronically and get a fast refund?
- 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?
- 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/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?
- 227 – How do I get a refund of excess SDI?
- 239 – Where can I get help with filing my income tax return?
- 240 – Does a tax return have to be filed for a deceased taxpayer?
- 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?
- 403 – What is the estimate penalty rate?

- 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:

- 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**
- 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?

