

1996 Underpayment of Estimated Tax by Corporations

5806

For income year beginning Corporation name and ending California corporation number

Part I Figure the Underpayment If line 8 shows an underpayment for any installment, complete the balance of this form.

Table with 5 columns (1-5) and 8 rows (1-8) for calculating underpayment.

Part II Exceptions to the Penalty If line 8 shows an underpayment for any installment, go to Part IV, Exceptions Worksheets.

Note: If Exception A line 9a, is met for all four installments, do not attach this form to the return.

Table with 10 columns (9a-9d, 10, 11) and 3 rows (9a-9b, 10, 11) for exceptions.

Part III Figure the Penalty If line 8 shows an underpayment for any installment and one of the three exceptions was not met, figure the penalty for that installment by completing line 12 through line 23.

Table with 5 columns (12-17, 18-21, 22) and 10 rows (12-23) for calculating penalty.

Part IV Exceptions Worksheets Even if line 8 shows an underpayment for any installment, FTB will not assess a penalty if timely payments were made and they equal or exceed the amount determined under any of the three exceptions for the same installment period.

Exception A — Prior Year's Tax — Regular Corporations

Table with 10 columns (24-27) and 3 rows (24-27) for Exception A.

Part IV **Exceptions Worksheets** Continued

Exception A — Prior Year's Tax — Large Corporations

Use this exception only if the prior year tax is less than 95% of the current year tax.

28	Prior year's tax				
29	Current year's tax				
30	Multiply line 29 by 95% (.95)				
		1st Installment		2nd Installment	
31a	Installment due. Enter line 28 x 25% (.25)				
31b	Installment due. Enter line 30 x 50% (.50)				
32	Amount paid by the installment due date (cumulative)				
33	Compare the amount on line 31 with the amount on line 32. If the amount on line 31 is greater than the amount on line 32, the exception was not met. Circle "yes" or "no" and enter the answer on line 9b . . .	Yes	No	Yes	No

To meet this exception you must have circled yes for **both** installments. See instructions regarding amounts to use for installment 3 and installment 4.

Exception B — Tax on Annualized Current Year Income

(Check applicable boxes) ▶

	Form	(a)	(b)	(c)	(d)
	100 & 100S	3 Months	<input type="checkbox"/> 3 <input type="checkbox"/> 5 Months	<input type="checkbox"/> 6 <input type="checkbox"/> 8 Months	<input type="checkbox"/> 9 <input type="checkbox"/> 11 Months
	109	2 Months	<input type="checkbox"/> 2 <input type="checkbox"/> 4 Months	<input type="checkbox"/> 6 <input type="checkbox"/> 7 Months	<input type="checkbox"/> 9 <input type="checkbox"/> 10 Months
34a	Taxable income for each period				
34b	Divide the amount on line 34a by the number of months checked above				
34c	Annualized income for the installment period. Multiply line 34b by 12				
34d	R&TC Section 23802(e) deduction (S corporations only)				
34e	Enterprise zone, program area, LARZ or LAMBRA losses				
34f	Taxable income. Subtract line 34d and line 34e from line 34c				
35	Tax. Line 34f x current tax rate. See tax return booklet				
36	Tax credits				
37	Subtract line 36 from line 35				
38	Other taxes*				
39	Total tax. Add line 37 and line 38				
40	Percentage required (short period filers: see instructions for Part I, line 4)	23.75%	47.5%	71.25%	95%
		(not less than min.)			
41	Installment due. Multiply line 39 by line 40				
42	Amount paid by the installment due date (cumulative)				
43	Exception met? Circle "yes" or "no" and enter the answer on line 10.	Yes	No	Yes	No

Exception C — Tax on Annualized Seasonal Income

		1st 3 months	1st 5 months	1st 8 months	1st 11 months
44a	Taxable income for each period				
44b	Enter the % from Form 100-ES Instructions (1995), Worksheet III, Section B, line 4	%	%	%	%
44c	Divide line 44a by line 44b				
44d	R&TC Section 23802(e) deduction (S corporations only)				
44e	Enterprise zone, program area, LARZ or LAMBRA losses				
44f	Taxable income. Subtract line 44d and line 44e from line 44c				
45	Tax. Line 44f x current tax rate. See tax return booklet				
46	Tax credits				
47	Subtract line 46 from line 45				
48	Other taxes*				
49	Total tax. Add line 47 and line 48				
50	Enter the % from Form 100-ES Instructions (1995), Worksheet III, Section C, line 8	%	%	%	%
51a	Multiply line 49 by line 50				
		(not less than min.)			
51b	Installment due. Multiply line 51a by 95% (.95)				
52	Amount paid by the installment due date (cumulative)				
53	Exception met? Circle "yes" or "no" and enter the answer on line 11.	Yes	No	Yes	No

*Include alternative minimum tax, taxes from Schedule D (S corporations only), excess net passive income tax (S corporations only), LIFO recapture tax, and credit recapture.

Instructions for Form FTB 5806

Underpayment of Estimated Tax by Corporations

General Information

California has not conformed to the federal estimated tax changes to estimate basis or the expanded annualization periods. Use California Revenue and Taxation Code Sections 19142 through 19150, and the 1993 Internal Revenue Code to determine the estimate tax requirement for California.

Purpose of Form

Corporations may use form FTB 5806 to determine if they:

- Paid the correct estimated tax; or
- Are subject to the penalty for underpayment of estimated tax, and if so, the amount of the penalty.

Estimated tax is a corporation's expected tax liability after credits.

Caution: A corporation subject to the franchise tax must always pay at least the required minimum franchise tax by the 15th day of the fourth month of the income year.

Attach form FTB 5806 **to the front** of Form 100, Form 100S or Form 109 **only** when the corporation uses Exception B or C in figuring or eliminating the estimate penalty. Be sure to check the penalty box on Form 100, line 39; Form 100S, line 38; or Form 109, line 29. Also see Specific Line Instructions, Part II, Exceptions to the Penalty.

The term **corporation**, as used in form FTB 5806 and in these instructions, includes banks, financial corporations, regulated investment trusts, exempt organizations with unrelated business taxable income in excess of \$1,000, exempt homeowner's association with nonexempt function taxable income in excess of \$100, limited liability companies organized as corporations, and S corporations.

Income year, as used in form FTB 5806 and in these instructions, means taxable year for corporations that are subject to income tax under Chapter 3 (i.e., corporations that are not doing business within California but derive

income from sources within California) of the California Bank and Corporation Tax Law.

Tax, for purposes of estimates, includes alternative minimum tax, taxes from Schedule D, excess net passive income tax, LIFO recapture tax, and the minimum franchise tax. This differs from federal law.

Specific Line Instructions

Part I Figure the Underpayment

Generally, an underpayment is the difference between the amount that would be due for each installment of estimated tax if the estimated tax were equal to 95% of the tax shown on the return, prorated to each installment, and the amount actually paid or credited on or before the due date of that installment.

Line 1 – Enter the total tax from Form 100, line 30; Form 100S, line 30; or Form 109, line 20. Also include any add-on taxes (except interest computed under the look-back method for completed long-term contracts and the increase in tax for the deferral of installment sale income) or credits recaptured on Form 100 or Form 100S, Schedule J; or Form 109, Schedule K.

Line 3 – Enter in column (a) through column (d) the estimated tax installment due dates that correspond to the 15th day of the 4th, 6th, 9th and 12th months of the income year.

Line 4 – Short period filers. Use the table below to determine the required percentage.

Line 5, column (a) – Enter 25 percent of the amount on line 2. **Do not enter an amount less than the minimum franchise tax for the income year.**

Exception:

You can enter an amount less than minimum tax if you have been granted a tax exemption by the Franchise Tax Board (FTB), or are subject to income tax only under Chapter 3 (i.e., corporations that are not doing business within California but derive income from

sources within California) of the California Bank and Corporation Tax Law.

Line 5, column (b) – Enter 50 percent of the amount on line 2 minus the amount entered in column (a).

Line 5, column (c) – Enter 75 percent of the amount on line 2 minus the total of the amounts entered on line 5, columns (a) and (b).

Line 5, column (d) – Enter 100 percent of the amount on line 2 minus the total of the amounts entered on line 5, columns (a), (b) and (c).

Line 6a – The overpayment from a timely filed prior year return is credited as of the first estimate installment due date or the date of payment, whichever is later.

The overpayment from a delinquent filed prior year return is credited as of the first estimate installment due date, the date of the payment or the date the delinquent return was filed, whichever is later.

For more information, refer to federal Rev. Rul. 84-58, 1984-1 C.B. 254.

Line 6b – Enter the overpayment from the previous installment. **However, if an underpayment existed on any prior installment, pay that underpayment first.**

Line 8 – If line 8 shows an underpayment for an installment, complete Part IV, Exceptions Worksheet and Part II, Exceptions to the Penalty, for that installment.

Part II Exceptions to the Penalty

The FTB will not assess a penalty if all of the estimated tax was paid on time and the payments satisfied the exception rules. A corporation may qualify for more than one exception. Complete Part IV, Exceptions Worksheet, to see if the corporation qualifies to use any of the exceptions.

California difference: Under California law, the exceptions are computed on a cumulative basis. This differs from federal law which requires only 25 percent of the annual payment for each installment.

Accounting Period Less Than 12 Months (Short Period)

Fiscal year corporations, adjust dates accordingly.

If income year (calendar year) begins:	Number of Installments Due	Percentage of Estimated Tax Due On or Before the 15th Day of			
		April	June	September	December
January 1 through January 16	4	25%	50%	75%	100%
January 17 through March 16	3		33⅓%	66⅔%	100%
March 17 through June 15	2			50%	100%
June 16 through September 15	1				100%
September 16 through December 31	None				

Exception A – Prior Year’s Tax

Regular Corporations

Generally, this exception applies if the amount paid or credited on or before the installment due date equals or exceeds the tax shown on the return for the preceding year, prorated to each installment. For banks and financial corporations, the tax shown on the return includes the amount of the bank and financial tax rate adjustment. The return for the preceding year must have covered a full 12 months.

“Large” Corporations

A large corporation is any bank or corporation, including a predecessor bank or corporation, that had California net income (computed without regard to the net operating loss deduction) of \$1 million or more for any income year during the three income years immediately preceding the current income year.

This exception allows a large corporation to use prior year’s tax for the first installment only. The difference between using the prior year’s tax and 95% of the current year’s tax for the first installment must have been added to the second installment (calculated using current year’s tax) to meet the exception.

Installments 3 and 4

Because Exception A for large corporations can only be used for the first two installments, you must use the amounts computed in Part I or Exception B or Exception C, columns (c) and (d) for your 3rd and 4th installments.

Exception B – Tax on Annualized Current Year Income

This exception applies if the estimated tax paid on or before the installment due date was equal to or more than 95% of the amount the corporation would owe if its estimated tax was computed on annualized taxable income for the months preceding an installment due date.

Attach form FTB 5806 to the front of Form 100, Form 100S or Form 109. Be sure to check the penalty box on Form 100, line 39; Form 100S, line 38; or Form 109, line 29.

Exception C – Tax on Annualized Seasonal Income

This exception applies if the estimated tax paid on or before the installment due date was equal to or more than 95% of the amount the corporation would owe if its estimated tax was computed on annualized seasonal taxable income for the months preceding an installment due date. Use Form 100-ES

Instructions (1995), Worksheet III, to annualize seasonal income. Attach a copy of Worksheet III to form FTB 5806.

Attach form FTB 5806 to the front of Form 100, Form 100S or Form 109. Be sure to check the penalty box on Form 100, line 39; Form 100S, line 38; or Form 109, line 29.

Part III Figure the Penalty

If line 8 shows an underpayment for any installment and the corporation did not meet one of the exceptions in Part II, complete the penalty computation on line 12 through line 23.

Figure the penalty on the underpayment on line 8, from the installment due date to the return due date (excluding extension of time) or to the payment date, whichever is earlier.

Additional payments

If the corporation made additional payments for an installment, figure the penalty on the revised underpaid amount (amount on line 8 minus the amount of the last payment) from the last payment date to the return due date (excluding extension of time) or to the date of the next payment, whichever is earlier. Attach a separate computation for each additional payment.

If the prior year’s tax was the minimum franchise tax and the corporation is not a large corporation, figure the penalty on the minimum franchise tax.

Line 12 – Enter the date payment was made or the return due date (excluding extension of time), whichever is earlier.

Form 109 filers – Enter the date payment was made, or the 15th day of the 5th month after the close of the income year, whichever is earlier.

If the installment due date fell on a Saturday, Sunday or a holiday and the corporation paid the estimate installment on the next business day, consider it paid on the due date.

Note: Days means calendar days unless otherwise noted.

Line 13 – Enter the number of days from the installment due date (line 3) to the date shown on line 12.

Line 14 – Enter the number of days on line 13 that are before 7/1/96 or the payment date, whichever is earlier.

Line 15 – Enter the number of days on line 13 that fall within the period after 6/30/96 and before 7/1/97 or the payment due date, whichever is earlier.

Calendar year corporations – Enter the number of days on line 13 that fall within the period after 6/30/96 and before 3/15/97 or the payment date, whichever is earlier. The total of line 14 and line 15 cannot be more than the number of days shown on line 13. Skip line 16 and line 17 and proceed to line 18.

Line 16 — For fiscal year corporations only, enter the number of days on line 13 that fall within the period after 6/30/97 and before 1/1/98 or the payment date, whichever is earlier.

Line 17 – For fiscal year corporations only, enter the number of days on line 13 that fall within the period after 12/31/97 and before 2/15/98 or the payment date, whichever is earlier. The total days on line 14 through line 17 cannot be more than the number of days shown on line 13.

Line 18 – Divide the number of days shown on line 14 by the number of days in the income year. Multiply the result by 9% and by the underpaid amount shown on line 8.

Line 19 – Divide the number of days shown on line 15 by the number of days in the income year. Multiply the result by 9% and by the underpaid amount shown on line 8.

Line 20 and Line 21 – Divide the number of days shown on line 16 or line 17, by the number of days in the income year. Multiply the result by the percentage, which FTB will determine at a later date. Then multiply the result by the underpaid amount shown on line 8.

Penalty Rates — Call FTB’s phone service, **Fast Answers about State Taxes (F.A.S.T.)**, to get updated penalty rates.

For the interest rate for line 20, call after March 1997. For the interest rate for line 21, call after September 1997.

How to Use F.A.S.T.

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

F.A.S.T. is available 24 hours a day, seven days a week, from 6:00 a.m. to 10:00 p.m., except state holidays.

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

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

After you reach the F.A.S.T. number, select General Tax Information, follow the recorded instructions and enter code number 403 to get the updated penalty rate.