



California

Forms & Instructions

100

1998

Corporation Tax Booklet

This booklet contains:

Form 100, California Corporation Franchise or Income Tax Return, page 21

Schedule H (100), Dividend Income Deduction, page 25

Schedule P (100), Alternative Minimum Tax and Credit Limitations— Corporations, page 27

FTB 2426, Water's-Edge Cover Sheet, page 26

FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, page 35

FTB 3565, Small Business Stock Questionnaire, page 37

FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, page 29

FTB 3885, Corporation Depreciation and Amortization, page 33

Members of the Franchise Tax Board

Kathleen Connell, Chair
Dean Andal, Member
Craig L. Brown, Member

Do you need help? 1-800-338-0505



F.A.S.T

Most of your questions can be answered by reading the instructions in this booklet. If you need additional help, use our F.A.S.T. (Fast Answers about State Taxes) toll-free phone service available 24 hours a day. Or, if you have Internet access, our website address is <http://www.ftb.ca.gov>. If you cannot get the answer you need, call our general toll-free phone service listed on page 39.



**State of California
Franchise Tax Board**

Instructions for Form 100

California Corporation Franchise or Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

What's New

California has implemented the new federal Principal Business Activity (PBA) code chart that is based on the North American Industrial Classification System (NAICS). The new PBA codes are 6 digits not 4 digits.

Form FTB 2426, Water's-Edge Cover sheet is now available in this booklet on page 26.

Tax Law Changes

In general, California tax law conforms to the IRC as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) or the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California conforms to federal law for the following provisions for income years beginning on or after January 1, 1998:

- Deferral of gain on involuntary conversion. For livestock sold after December 31, 1996, an election may be made to defer the recognition of gain or treat the sale as an involuntary conversion, if the sale was due to drought, floods, or other weather related conditions.
- Deferral of income recognition of suspense accounts. Family farm corporations with income over \$25 million may defer tax on income that was a result of changes in accounting methods required of these corporations. For calendar year taxpayers, the suspense account for these deferrals must be recaptured starting with income years beginning on or after January 1, 1998. For fiscal year taxpayers, the suspense account should be recaptured starting in income years beginning after June 8, 1997, if the fiscal year taxpayer's income year ends on or after December 31, 1997.
- Repeal of the 30% gross income test for Regulated Investment Companies (RICs).
- The provisions relating to Real Estate Investment Trusts (REITs), other than the provisions relating to retained capital gain tax credit added by Section 1254 of the Taxpayer Relief Act of 1997. California law retains its non-conformity to the various alternative taxes imposed on certain income and activities of REITs, although such income amounts remain includible in the California tax base. An election to treat property as foreclosure property made for federal property under IRC Section 856(e)(5) is considered to be an election for California. No separate elections are allowed.
- Repeal of installment method alternative minimum tax (AMT) adjustment for farmers for payments received in income years beginning on or after January 1, 1997, for installment sales made in income years beginning after December 31, 1987.
- Enhanced charitable contribution deduction for corporate contributions of computer technology and equipment. Corporations will receive an additional deduction for contributing computer technology and

equipment to be used for educational purposes by schools located in California. The additional deduction is equal to the corporation's basis in the property plus one-half of the amount of ordinary income that would have been realized if the property had been sold. This provision does not apply to contributions made during any income year beginning on or after January 1, 2000.

- Repeal of depreciation adjustment for AMT. The same recovery periods are used for regular tax and AMT. The depreciation methods used may be different.
- Expensing of Environmental Remediation Costs. Certain environmental remediation expenditures that would otherwise be chargeable to capital accounts may be expensed and taken as a deduction in the year the expense was paid or incurred. An election to expense environmental remediation costs for federal purposes is considered an election for state purposes and a separate election is not allowed.
- Shrinkage Estimates for Inventory Accounting. For purposes of inventory accounting, an adjustment for shrinkage, based on an estimate, may be made. Taxpayers can voluntarily change their method of accounting if the method currently being used does not utilize estimates of inventory shrinkage and the taxpayer now wishes to use that method.
- Timeshare associations may qualify for tax-exempt status like other homeowners' associations.
- Temporary suspension of income limitations on percentage depletion for production from marginal wells. The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is no longer restricted from exceeding 100% of the net income derived from the oil or gas well property.
- Required recognition of gain on certain appreciated financial positions in personal property.
- Election of mark-to-market for securities and commodities traders. Allows securities traders and commodities traders and dealers to elect to use mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt with in the organized commodities exchange. An election to use the mark-to-market method for federal purposes is considered an election for state purposes and a separate election is not allowed.
- Limitation on exception for investment companies under IRC Section 351.
- Expansion of deduction for certain interest and premiums paid for company-owned life insurance.
- Modification of holding period applicable to dividends received deduction.
- Repeal of special installment sales rule for manufacturers of tangible personal property.
- Required registration for abusive tax shelters.
- 1995 ESOPs provisions. Existing federal law provides special tax rules for the purchase of employer securities by employees of the

issuing company under IRC Section 1042. State law previously conformed to these provisions except for the 1995 income year. California law now conforms to these provisions for the year 1995.

California law does not conform to federal law for the following:

- Decreased capital gains tax rate.
- Exemption from AMT for small corporations.
- Accelerated depreciation for property on Indian Reservations.
- AMT treatment of contributions of appreciated property.
- The elimination of the deduction for club membership fees. Also, California law does not conform to the disallowance of the deduction for employee remuneration in excess of \$1 million.
- The federal provisions disallowing the deduction for lobbying expenses. The expense is still deductible for California purposes.
- The treatment of Subpart F and Section 936 income.
- The IRC passive activity loss rules for real estate activities.

California law changes effective for income years beginning on or after January 1, 1998:

- Dividends received from banks now qualify for the water's-edge dividend deduction.
- The applicable percentage for estimate basis is 100%. Get Form 100-ES instructions, for more information.
- New Manufacturing Enhancement Areas (MEAs) provide incentives for businesses located in a MEA. Get form FTB 3808, for more information.
- A new targeted Tax Area (TTA) Hiring and Sales or Use Tax Credit. Get form FTB 3809, for more information.
- Newly generated credits and NOLs for the Los Angeles Revitalization Zone (LARZ) are not allowed. LARZ credit and NOL carryovers may still be utilized.
- A number of Legal Rulings that the FTB has issued are no longer applicable due to subsequent court decisions and legislative changes. Get Legal Ruling 98-2, issued on May 12, 1998, for a list of Legal Rulings that have been withdrawn.
- The FTB will follow IRS Rev. Proc. 97-44 which grants relief to certain automobile dealers that elect the last-in, first-out (LIFO) inventory method of accounting. FTB will permit those taxpayers who qualify for relief to continue to use the LIFO method if a copy of the memorandum furnished to the IRS is attached to the Form 100. See FTB Notice 98-10, for more information.

Important Information

California Tax Forms on the Internet!

Do you need a California franchise or income tax form or publication? Do you have Internet access? If so, you may download, view and print 1994 through 1998 California tax forms, instructions and publications. Legal Notices and Rulings numbered 96-1 and later are also available. Our Internet website address is:

<http://www.ftb.ca.gov>

California Taxpayers that are 25% Foreign-Owned U.S. Corporations and Foreign Corporations

Corporations that are required to file federal Form(s) 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, with the federal return must attach a copy(s) to the California return. The penalty for failing to include Form(s) 5472 as required is \$10,000 per form. See General Information M, for more information.

Information Return for U.S. Taxpayers Who Have Ownership (directly or indirectly) in a Foreign Corporation

For income years beginning on or after January 1, 1997, U. S. taxpayers who have an ownership interest (directly or indirectly) in a foreign corporation and were required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(s) to the California return. The penalty for failure to include a copy of federal Form(s) 5471 as required is \$1,000 per required form for each year the failure occurs. See General Information M, for more information.

Records Maintenance Requirements

Any taxpayer filing on a water's-edge or worldwide basis is required to keep and maintain records and make available upon request the following:

- Any records needed to determine the correct treatment of items reported on the worldwide or water's-edge combined report for purposes of determining the income attributable to California;
- Any records needed to determine the treatment of items as nonbusiness or business income;
- Any records needed to determine the apportionment factor; and
- Documents and information needed to determine the proper attribution of income to the U.S. or foreign jurisdictions under IRC Subpart F, IRC Section 882, or other similar provisions of the IRC.

See R&TC Section 19141.6 and the regulations thereunder, for more information. A corporation may be required to authorize an agent to act on its behalf in response to requests for information or records pursuant to R&TC Section 19504. The penalty for failure to maintain the above required records is \$10,000 for each income year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the corporation of the failure, in general, a penalty of \$10,000 may be assessed for each additional 30-day period of continued failure. For income years beginning on or after January 1, 1996, there is no maximum amount of penalty that may be assessed. See General Information M, for more information.

Small Business Stock Questionnaire

An information questionnaire, form FTB 3565, Small Business Stock Questionnaire, is included on page 37 of this booklet. The purpose of this questionnaire is to provide information regarding the issuance of stock pursuant to R&TC Section 18152.5. For income years beginning on or after January 1, 1996, corporations that issue stock intended to be qualified small business stock are required to attach form FTB 3565 to

Form 100. See the instructions for form FTB 3565 on page 38 of this booklet.

Publicly Traded Partnerships

California publicly traded partnerships that are not eligible to make the special federal election under IRC Section 7704(g)(2), and that do not qualify for the exception for partnerships with passive-type income under IRC Section 7704(c), must file Form 100 for income years beginning on or after January 1, 1998. An election under IRC Section 7704(g)(2) for federal purposes is considered an election for state purposes, and a separate election is not allowed.

Financial Asset Securitization Investment Trusts (FASITs)

The provisions of the IRC relating to FASITs apply for California with certain modifications. The FASIT is subject to the \$800 minimum tax. A separate Form 100 should be filed to report the \$800 minimum tax, write "FASIT" in red in the top margin of the return. If a corporation holds an ownership interest in a FASIT, it should report all the items of income, gain, deductions, losses and credits on the corporation's return and attach a schedule showing the breakdown of items from the FASIT.

Classification of Certain Business Trusts and Certain Single Member Foreign LLCs

Normally, the classification of a business entity should be the same for California purposes as it is for federal purposes. However, an exception may apply for certain existing eligible business entities (business trusts and single member LLCs) that were taxed as corporations for California purposes under the former R&TC Section 23038. If such an existing eligible business entity is, without an election for federal purposes, classified as a partnership (in the case of a business trust) or disregarded (in the case of a single member LLC) for income years beginning on or after January 1, 1997, the entity may elect to be classified the same as federal for income years beginning on or after January 1, 1997, for California. If this election is not made, the existing eligible business entity will continue to be classified and taxed as a corporation for California purposes. Get form FTB 3574, Special Election for Business Trusts and Certain Single Member Foreign LLCs, for more information.

General Information

Form 100 is California's tax return for corporations, banks, financial corporations, real estate mortgage investment conduits (REMICs), RICs, REITs, Massachusetts or business trusts, publicly traded partnerships (PTPs), exempt homeowners' associations (HOAs), political action committees (PACs), FASITs and limited liability companies (LLCs) and partnerships taxed as corporations. REMICs that are partnerships must file Form 565, Partnership Return of Income.

S corporations must file Form 100S, California S Corporation Franchise or Income Tax Return.

A Franchise or Income Tax

Corporation franchise tax

Entities subject to the corporation franchise tax include all corporations that are:

- Incorporated in California; or
- Qualified to do business in California; or

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

The tax must be prepaid for the privilege of doing business. It is measured by the income of the preceding income year for the privilege of doing business in the following taxable year. For purposes of these instructions, the term "income year" means taxable year for corporations that are taxed under Chapter 3 (i.e., corporations that are not doing business within California but derive income from sources within California) of the Bank and Corporation Tax Law.

The term "doing business" means actively engaging in any transaction for the purpose of financial gain or profit.

Corporation income tax

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

For purposes of the corporation income tax, the term "corporation" generally includes:

- Associations;
- Massachusetts or business trusts;
- Real estate investment trusts; and
- LLCs and partnerships electing to be taxed as corporations.

Political organizations that are exempt under R&TC Section 23701r and have political taxable income in excess of \$100 also must file Form 100. Political organization taxable income is the amount by which gross income (other than exempt function income) less deductions directly connected with production of such gross income exceeds \$100. See the instructions for Schedule F, Computation of Net Income, included in this booklet. Exempt function income includes amounts received as:

- Contributions of money or property;
- Membership fees, dues or assessments; or
- Proceeds from the sale of political campaign material that are not received in the ordinary course of any trade or business.

Get FTB Pub. 1075, Exempt Organizations - Guide for Political Organizations, for more information.

Homeowners' associations that are exempt under R&TC Section 23701t and have homeowners' association taxable income also must file Form 100. Homeowners' association taxable income is the amount by which gross income (other than exempt function income) less deductions directly connected with the production of such gross income exceeds \$100. See the instructions for Schedule F, Computation of Net Income, included in this booklet. Exempt function income means amounts received as membership fees, dues and assessments. Nonexempt gross income of a homeowners' association is defined as all income other than amounts received from membership fees, dues or assessments.

Note: An exempt homeowners' association may also be required to file Form 199, California Exempt Organization Annual Information Return. Get FTB Pub. 1028, Guidelines for Homeowners' Associations, for more information.

B Tax Rates

The tax rates below apply to corporations subject to either the corporation franchise tax or the corporation income tax.

- Corporations other than banks and financial corporations 8.84%
- Banks and financial corporations 10.84%

C Minimum Franchise Tax

All corporations subject to the franchise tax, including banks, financial corporations, corporate partners of general partnerships and corporate members of limited liability companies doing business in California, must file Form 100 and pay at least the minimum franchise tax as required by law. The minimum franchise tax, as indicated below, must be paid whether the corporation is active, inactive, operates at a loss or files a return for a short period of less than 12 months.

- Domestic qualified inactive gold or quicksilver mining corporations \$25
- All other corporations subject to franchise tax (see General Information A for definitions). \$800

A combined group filing a single return must pay at least the minimum franchise tax for each corporation in the group that is subject to franchise tax.

There is no minimum franchise tax for:

- Corporations that derive income from sources within California but are subject only to income tax because they are not "doing business" in California, and are not incorporated or qualified under the laws of California (get FTB Pub. 1050, FTB Pub. 1060, or FTB Pub. 1063 for more information regarding "doing business");
- Credit unions;
- Exempt homeowners' associations;
- Exempt political organizations;
- Qualified non-profit farm cooperative associations;
- Exempt organizations; and
- Corporations that are not incorporated under the laws of California; whose sole activities in this state are engaging in convention and trade show activities for seven or fewer days during the income year; and do not derive more than \$10,000 of gross income reportable to this state during the income year. These corporations are not "doing business" in California. Get FTB Pub. 1060, for more information.

D Accounting Period/Method

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

A change in accounting method requires consent from the FTB. However, a corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to change its accounting method without prior approval and does so, is deemed to have the FTB's approval if: (1) the corporation files Form 100 consistent with the change for the 1st year the change becomes effective for federal law; and (2) the change is consistent with California law. A copy of federal Form 3115, Application for Change in Accounting Method,

and a copy of the federal consent to the change must be attached to Form 100 for the 1st year the change becomes effective. FTB may modify a requested change if the change would distort income for California purposes.

Note: California is not following the automatic consent procedure for a change of accounting method involving previously unclaimed allowable depreciation or amortization of Federal Revenue Procedure 96-31. Get FTB Notice 96-3, for more information.

If the corporation is a bank, a savings and loan association or a financial corporation, it can no longer use the bad debt reserve method of accounting and elect to be, or continue to be, an S corporation for income years beginning on or after January 1, 1997. However, the S corporation status can be maintained or elected if the corporation changes accounting method from the bad debt reserve method to the specific write-off method. Get FTB Notice 98-3, for more information.

E When to File

File Form 100 by the 15th day of the 3rd month after the close of the income year unless the return is for a short period as required under R&TC Section 24634. See R&TC Section 18601(c) for the due date of a short period return. Generally, the due date of a short period return is the same as the due date of the federal short period return. Farmers' cooperative associations must file Form 100 by the 15th day of the 9th month after the close of the income year. See General Information O and P, for information on final returns.

F Extension of Time to File

If the corporation cannot file its California return by the 15th day of the 3rd month after the close of the income year, it may file on or before the 15th day of the 10th month, without filing a written request for an extension unless the corporation is suspended on the original due date. This does not extend the time for payment of tax; the full amount of tax must be paid by the original due date of Form 100. If there is an unpaid tax liability, complete form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, included in this booklet, and send it with the payment by the original due date of the Form 100.

Note: If the corporation must pay its tax liability using electronic funds transfer (EFT), all payments must be remitted by EFT to avoid penalties. Do not send form FTB 3539.

G Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks to avoid penalties. Once a corporation remits an estimated tax payment or extension payment in excess of \$20,000 or has a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, the FTB will notify the corporation that all future payments must be made by EFT. Those that wish to participate on a voluntary basis may do so. For more information, call the FTB EFT Section at (916) 845-4025, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

H Where to File

If a tax is due, and the corporation is not required to use EFT, make the check or money order payable to the Franchise Tax Board. Write the California corporation number and "1998 Form 100" on the check or money order. Mail the return and payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0501

Mail all other returns, including those with payment by EFT to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0500

Private Delivery Services

California law conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See federal Form 1120, U.S. Corporation Income Tax Return, for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

Caution: Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO box.

I Net Income Computation

The computation of net income from trade or business activities generally follows the determination of taxable income as provided in the IRC. However, there are differences that must be taken into account when completing Form 100. There are two ways to complete Form 100, the federal reconciliation method or the California computation method:

1. Federal reconciliation method

- a. Attach a copy of federal Form 1120 or Form 1120A, Page 1, U.S. Corporation Income Tax Return and all pertinent supporting schedules, or transfer the information from federal Form 1120 or Form 1120A, Page 1, to Schedule F and attach all pertinent schedules;
- b. Enter the amount of federal ordinary income (loss) from trade or business activities before any net operating loss (NOL), on Form 100, Side 1, line 1; and
- c. Enter state adjustments on line 2 through line 16 to arrive at net income after state adjustments, Side 1, line 17.

2. Schedule F – California computation

If the corporation has no federal filing requirement or if the corporation maintains separate records for state purposes, complete Form 100, Schedule F, Computation of Net Income, to determine state ordinary income. If ordinary income is computed under California laws, generally no state adjustments are necessary. Transfer the amount from Schedule F, line 30, to Side 1, line 1. Complete Form 100, Side 1, line 2 through line 16, only if applicable.

For more information, see the specific line instructions.

Note: Regardless of the net income computation method used, the corporation must attach any

form, schedule or supporting document referred to on the return, schedules or forms filed with the FTB.

J Alternative Minimum Tax

Corporations that claim certain types of deductions, exclusions and credits may be subject to California's alternative minimum tax (AMT). Generally, corporations that completed federal Form 4626, Alternative Minimum Tax — Corporations, must also complete California Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations. See Schedule P (100), included in this booklet, for more information.

K Estimated Tax

Every bank and corporation must pay estimated tax using Form 100-ES, Corporation Estimated Tax. Estimated tax is generally due and payable in 4 installments:

- The 1st payment is due by the 15th day of the 4th month of the income year (note that this payment may not be less than the minimum franchise tax, if applicable); and
- The 2nd, 3rd and 4th installments are due and payable by the 15th day of the 6th, 9th and 12th months respectively, of the income year.

Note for first-time filers: The prepayment of tax made to the California Secretary of State (SOS) at the time of incorporation or qualification is for the privilege of "doing business" during the corporation's 1st taxable year. **Do not** claim this payment as an estimated tax payment or credit against the tax liability shown on the return for the corporation's 1st year.

California law has conformed to the federal expanded annualization periods for the computation of estimate payments. For income years beginning on or after January 1, 1998, the applicable percentage for estimate basis is 100%.

Get the instructions for Form 100-ES, for more information.

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

L Commencing Corporations

The tax measured by the income in the 1st year of business (1st income year) is for the privilege of "doing business" during the 2nd year.

Even if the 1st income year is for a period of less than 12 months or if the corporation is inactive during the 1st income year, the corporation must pay at least the minimum franchise tax by the 1st estimate installment due date and file Form 100 by the due date.

Get FTB Pub. 1060, Guide for Corporations Starting Business in California, for more information.

M Penalties

Failure to file a timely return

Any corporation that fails to file Form 100 on or before the extended due date is assessed a penalty. The penalty is 5% of the unpaid tax for each month, or part of the month, the return remains unfiled from the due date of the return until filed. The penalty may not exceed 25% of the unpaid tax. If a corporation does not file its

return by the extended due date, the automatic extension will not apply and the late filing penalty will be assessed from the original due date of the return.

Failure to pay total tax by the due date

Any corporation that fails to pay the total tax shown on Form 100 by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months), the tax remains unpaid. This penalty may not exceed 25% of the unpaid tax.

Note: If a corporation is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total penalty may not exceed 25% of the unpaid tax.

Underpayment of estimated tax

Any corporation that fails to pay, pays late or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment for the underpayment period.

Get form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

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

EFT Penalty

If the corporation must pay its tax liability using EFT, all payments must be remitted by EFT to avoid penalties. The EFT penalty is 10% of the amount not paid by EFT. See R&TC Section 19011 and General Information G, for more information.

Information reporting penalties

For income years beginning on or after January 1, 1997, U. S. taxpayers who have an ownership interest in (directly or indirectly) a foreign corporation and were required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(s) to the California return. A penalty for failure to include a copy of federal Form(s) 5471, as required, is \$1,000 per required form for each year the failure occurs. The penalty applies for income years beginning on or after January 1, 1998. The penalty will not be assessed if the taxpayer provides a copy of the form(s) within 90 days of request from the FTB and the taxpayer agrees to attach a copy(s) of Form 5471 to all returns filed for subsequent years.

Certain domestic corporations that are 25% or more foreign-owned and foreign corporations engaged in a U.S. trade or business must attach federal Form(s) 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, to Form 100. The penalty for failing to include Form(s) 5472, as required, is \$10,000 per required form for each year the failure occurs. See R&TC Section 19141.5.

If the corporation does not file the Form 100 by the due date or extended due date, whichever is later, copies of federal Form(s) 5472 must still be filed on time or the penalty will be imposed. Attach a cover letter to the copies indicating the

taxpayer's name, California corporation number and income year. Mail to the same address used for returns without payments. See General Information H. When the corporation files Form 100, also attach copies of the federal Form(s) 5472.

Record maintenance penalties

The penalty for failure to maintain certain records is \$10,000 for each income year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the corporation of the failure, in general, a penalty of \$10,000 may be assessed for each additional 30-day period of continued failure. For income years beginning on or after January 1, 1996, there is no maximum amount of penalty that may be assessed.

See the Important Information section for a discussion of the records required to be maintained. See R&TC Section 19141.6 and the regulations thereunder, for more information

Accuracy and fraud related penalties

California conforms to IRC Sections 6662 through 6665 that authorize the imposition of an accuracy-related penalty equal to 20% of the related underpayment, and the imposition of a fraud penalty equal to 75% of the related underpayment. See R&TC Section 19164, for more information.

Secretary of State penalty

The California Corporations Code requires the FTB to assess a penalty for failure to file an annual statement of corporate officers with the California SOS. See R&TC Section 19141.

For more information, contact:

CALIFORNIA SECRETARY OF STATE
PO BOX 944230
SACRAMENTO CA 94244-2300
Telephone: (916) 657-3537

Other penalties

Other penalties may be imposed for a check returned for insufficient funds, non-U.S. foreign corporations operating while forfeited or without qualifying to do business in California and domestic corporations operating while suspended in California. See R&TC Sections 19134 and 19135, for more information.

N Interest

Interest is due and payable on any tax due if not paid by the original due date of Form 100. Interest is also due on some penalties. The automatic extension of time to file Form 100 does not stop interest from accruing. California follows federal rules for the calculation of interest. Get FTB Pub. 1138, Refund/Billing Information, for more information.

O Dissolution/Withdrawal

The franchise tax for the period in which the corporation formally dissolves or withdraws is measured by the income of the year in which it ceased doing business in California, unless such income has already been taxed at the rate prescribed for the taxable year of dissolution or withdrawal.

A corporation that commenced doing business in California before January 1, 1972, is allowed a credit that may be refunded in the year of dissolution or withdrawal. The amount of the refundable credit is the difference between the

minimum franchise tax for the corporation's first full 12 months of doing business and the total tax paid for the same period.

To claim this credit, enter the amount on line 33. Make a notation to the right of line 33: "Dissolving/Withdrawing."

The return for the final taxable period is due on or before the 15th day of the 3rd full month after the month during which the corporation formally dissolved or withdrew.

Get FTB Pub. 1038, Guide for Corporations Dissolving, Surrendering (Withdrawing) or Merging, for more information.

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

CALIFORNIA SECRETARY OF STATE
LEGAL REVIEW
1500 11TH ST 3RD FLOOR
SACRAMENTO CA 95814-5701
Telephone: (916) 657-5448

P Ceasing Business

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

- The tax measured by the income of the preceding year; PLUS
- The tax measured by the income of the year in which the corporation ceases to do business; PLUS
- The tax due on unreported income attributable to installment obligations.

The tax due must be at least the minimum franchise tax. Generally, the corporation will remain subject to the minimum franchise tax for each year it is in existence until it files a certificate of dissolution or withdrawal with the California SOS. See General Information O and R&TC Sections 23331 through 23335 for more information.

Q Suspension/Forfeiture

If a corporation fails to file a Form 100 and/or fails to pay any tax, penalty or interest due, its powers, rights and privileges may be suspended (in the case of a domestic corporation) or forfeited (in the case of a foreign corporation).

Corporations that operate while suspended or forfeited are subject to a \$2,000 penalty, which is in addition to any tax, penalties and interest already accrued. Also, any contracts entered into during suspension or forfeiture are voidable at the request of any party to the contract other than the suspended or forfeited corporation.

Such contracts will remain voidable and unenforceable unless the corporation applies for relief from contract voidability and the FTB grants relief.

See R&TC Sections 19135, 19719, 23301, 23305.1 and 23305.2, for more information.

R Apportionment of Income

Corporations with business income attributable to sources both within and outside of California are required to apportion such income. To calculate the apportionment percentage, use Schedule R, Apportionment and Allocation of Income. Be sure to answer Question H on Form 100, side 2.

S Combined Report

If two or more corporations are engaged in a unitary business and derive income from sources within and outside of California, the members of the unitary group that are subject to California's franchise or income tax are required to apportion the combined income of the entire unitary group in order to compute the measure of the tax.

If the income of a unitary group is derived wholly from California sources, its members may either file returns on a separate accounting basis or file on a combined report basis.

Members of a unitary group may elect to file a group single return by filing Schedule R-7, Election to File a Unitary Taxpayers' Group Return and List of Affiliated Corporations. For more information get Schedule R.

A combined unitary group single return must present the group's data by separate corporation, as well as in combined format.

The total combined tax, which must include at least the minimum franchise tax for each corporation subject to the franchise tax, must be shown on Form 100, Side 1, line 23.

For more information, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

T Water's-Edge Reporting

To make a water's-edge election, each unitary taxpayer must enter into a contract with the FTB by filing Form 100-WE, Water's-Edge Contract. For the election to be valid for any income year, Form 100-WE must be signed and attached to the original Form 100. A copy of the contract must be attached to all subsequent returns filed during the contract period.

In consideration for being allowed to file on a water's-edge basis, the taxpayer must, among other things:

- File returns on a water's-edge basis for a period of 84 months;
- Agree to business income treatment of dividends received from certain corporations; and
- Consent to the taking of certain depositions and the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

Water's-edge returns must have form FTB 2426, Water's-Edge Cover Sheet (included in this booklet), attached to the front of Form 100.

Get the Form 100-WE, Water's-Edge Booklet, for more information.

U Amended Return

To correct or change Form 100, file the most current Form 100X, Amended Corporation Franchise or Income Tax Return. Using the incorrect form may delay processing of the amended return. If the Internal Revenue Service (IRS) examined and changed the corporation's federal return or if the corporation filed an amended federal return, file Form 100X within 6 months after the final federal determination.

V Information Returns

Every corporation engaged in a trade or business and making or receiving certain payments in the course of the trade or business is required to file

information returns to report the amount of such payments.

Payments that must be reported include, but are not limited to, compensation for services not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties and pensions exceeding \$600 annually, interest and dividends exceeding \$10 annually and cash payments over \$10,000 received in a trade or business. Payments of any amount by a broker or barter exchange must also be reported.

Report payments on federal Form 1099 (series). Reports must be made for the calendar year and are due to the IRS no later than February 28th of the year following payment. Corporations must also submit federal Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, within 15 days after the date of the transaction.

Corporations must report interest paid on municipal bonds held by California taxpayers and issued by a state other than California, or a municipality other than a California municipality. Entities paying interest to California residents on these types of bonds are required to report interest payments aggregating \$10 or more and paid after January 1, 1998. Information returns will be due June 1, 1999. Get form FTB 4800, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment, for more information.

California conforms to the information reporting requirements of IRC Section 6045(f) for certain payments made to attorneys. If the corporation has complied with the requirements for federal purposes, the corporation will be treated as having complied with the requirements for California purposes and no penalty will be imposed.

California conforms to the information reporting requirements imposed under IRC Sections 6038, 6038A and 6038B. Any information returns required to be filed for federal purposes under these IRC Sections are also required to be filed for California purposes. These federal information returns should be attached to the Form 100 when filed. If these information returns are not provided, penalties may be imposed under R&TC Sections 19141.2 and 19141.5.

Mail all information returns required to be filed separate from the tax return to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0500

W Net Operating Loss (NOL)

Carryover periods varying from 5 to 15 years and carryover deductions varying from 50% to 100% are allowed for NOLs sustained by corporations.

R&TC Sections 24416 through 24416.6 and R&TC Section 25108 provide for NOL carryovers incurred in the conduct of a trade or business.

R&TC Section 24347.5 provides special treatment for the carryover of disaster losses incurred in an area designated by the President of the United States or the Governor of California as a disaster area.

For more information, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations (included in this booklet), or get form FTB 3805Z, Enterprise Zone Business Booklet; form

FTB 3806, Los Angeles Revitalization Zone Business Booklet, form FTB 3807, Local Agency Military Base Recovery Area Business Booklet or form FTB 3809, Targeted Tax Area Business Booklet.

X Limited Liability Companies (LLCs)

California law authorizes the formation of LLCs and recognizes out-of-state LLCs registered or doing business in California. The taxation of an LLC in California depends upon its classification as a corporation, partnership or "disregarded entity" for federal tax purposes.

If an LLC elects to be taxed as a corporation for federal tax purposes, it must file Form 100. LLCs electing to be taxed as corporations are subject to the applicable provisions of the Bank and Corporation Tax Law, including the requirement that corporations prepay the minimum franchise tax to the California SOS when they incorporate or qualify to do business.

If an LLC is treated as a partnership for federal tax purposes, it generally must file Form 568. LLCs taxed as partnerships determine their income, deductions and credits under the Personal Income Tax Law and are subject to an annual tax as well as an annual fee based on total income.

If a single member LLC is disregarded for federal tax purposes, it must file page 1 of Form 568, Limited Liability Company Return of Income. A disregarded LLC reports its income, deductions and credits on the return of its owner. However, an LLC that is disregarded is subject to the annual LLC tax as well as a fee based on total income. The Form 568, page 1, provides the FTB with information on the sole owner of the LLC, contains the owner's consent to be taxed on the income of the LLC, and provides for the computation of the LLC tax and fee.

Y Qualified New Corporations (QNCs)

SOS prepayment tax

Effective for income years beginning on or after January 1, 1997, and before January 1, 1999, the minimum tax prepaid to the California SOS for the 1st income year is \$600 for a QNC. For purposes of the \$600 prepaid minimum tax a QNC is a corporation that reasonably estimates it will:

- Have gross receipts, less returns and allowances, reportable to California of \$1 million or less;
- Have tax liability that does not exceed \$800; and
- Not have 50% or more of its stock owned, upon initial issuance, by another corporation.

Gross receipts includes the gross receipts of each member of the commonly controlled group, as defined in R&TC Section 25105, of which the bank or corporation is a member.

For income years beginning on or after January 1, 1999, the prepaid minimum tax for a QNC is \$300. For purposes of the \$300 prepaid minimum tax, a QNC is a corporation that meets the criteria listed above and also must:

- Begin operations at or after the time of its incorporation; and

- Not have begun business prior to its incorporation as a single proprietorship, partnership or other form of business entity.

If during the 1st income year, the corporation's gross receipts exceed \$1 million or tax liability exceeds \$800, the corporation must pay an additional amount of:

- \$200, if the corporation prepaid the \$600 minimum tax to the SOS; or
- \$500, if the corporation prepaid the \$300 minimum tax to the SOS.

The corporation must pay the additional tax on or before the original due date of its 1st required return without regard to extension. See R&TC Section 23221, for more information.

Minimum franchise tax

For income years beginning on or after January 1, 1999, the minimum franchise tax for a QNC for the 1st return required to be filed is \$500. The minimum franchise tax for the 1st return is due as an estimate payment on the 15th day of the 4th month of the QNC's 1st income year. For purposes of the QNC minimum franchise tax, the corporation must meet the following criteria:

- Incorporate on or after January 1, 1999;
- Begin business operations at or after the time of incorporation;
- Reasonably estimate that it will have gross receipts, less returns and allowances, reportable to California of \$1 million or less;
- Reasonably estimate it will not have a tax liability that exceeds the minimum franchise tax of \$800; and
- Did not begin business as a single proprietorship, partnership or other form of business entity prior to its incorporation.

Gross receipts includes the gross receipts of each member of the commonly controlled group, as defined in R&TC Section 25105, of which the bank or corporation is a member.

If during the income year, the corporation's gross receipts exceed \$1 million or the tax liability exceeds the minimum franchise tax of \$800, the corporation must pay an additional amount of \$300. The corporation must pay the additional amount on or before the original due date of its 1st required return without regard to extension. See R&TC Section 23153, for more information.

Specific Line Instructions

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

- California corporation number (7 digits);
- Federal employer identification number (FEIN) (9 digits); and
- Corporation name and address.

File the 1998 Form 100 for calendar year 1998 and fiscal years that begin in 1998. Enter income year beginning and ending dates **only** if the return is for a short year or a fiscal year. If the corporation reports its income using a calendar year, leave blank. If the return is being filed for a short period of less than 12 months, write "short year" in red in the top margin. Convert all foreign monetary amounts to U.S. dollars.

Note: The 1998 Form 100 may also be used if:

- The corporation has an income year of less than 12 months that begins and ends in 1999; and

- The 1999 Form 100 is not available at the time the corporation is required to file its return. The corporation must show its 1999 income year on the 1998 Form 100 and incorporate any tax law changes that are effective for income years beginning after December 31, 1998.

Questions A through Z

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions E through Z on Side 2. Note the following instructions when answering:

Question C — Principal business activity (PBA) code

All corporations **must** answer Question C.

Include the 6 digit PBA code from the chart found on pages 14 through 16 of this booklet. The code should be the number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income. The California code number may be different from the federal code number.

If, as its principal business activity, the corporation: (1) purchases raw material; (2) subcontracts out for labor to make a finished product from the raw materials; and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes under "Manufacturing." Also, write in the business activity and the principal product or service on the lines provided.

Question D — 1999 Tax Forms

If the corporation's return is prepared by someone else, or if the corporation does not need Form 100 mailed to it next year, check the box at Question D.

Question F — Transfer or acquisition of voting stock

All corporations **must** answer Question F. If the answer is "yes," a Statement of Change in Control and Ownership of Legal Entities, (BOE-100-B) must be filed with the State Board of Equalization, or substantial penalties may result. Forms and information may be obtained from the Board of Equalization at (916) 323-5685.

Answer "yes" if:

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

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

Question I — REMIC

If a corporation is a REMIC for federal purposes, it is deemed to be a REMIC for California purposes. A REMIC is subject to the minimum franchise tax but is not subject to the income or franchise tax. The income of a REMIC is taxable to the holders of the REMIC interests. In order to qualify, substantially all of the assets of the entity must consist of "qualified mortgages" and "permitted investments." See the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, to determine if the corporation qualifies. California law is the same as federal law, except California does not impose a tax on prohibited transactions, as defined in IRC Section 860F. However, the income or gain from such prohibited transactions remains includible in the California tax base. If the corporation is a REMIC for federal purposes, answer "yes" to Question I, complete Form 100 and attach a copy of federal Form 1066.

Question K — Limited liability company

Answer "yes" only if the business entity for which the Form 100 is being filed is organized as an LLC but is classified as a corporation for federal tax purposes. An LLC classified as a partnership for federal tax purposes should generally file Form 568.

Line 1 – Net income (loss) before state adjustments

Corporations using the federal reconciliation method to figure net income (see General Information I) must:

- Transfer the amount from federal Form 1120, line 28, or federal Form 1120A, line 24, to line 1 and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120 or Form 1120A, Page 1, onto Schedule F and transfer the amount from Schedule F, line 30, to line 1.
- Then, complete Form 100, Side 1, line 2 through line 16, State Adjustments.

Corporations using the California computation method to figure net income (see General Information I) must transfer the amount from Side 3, Schedule F, line 30, to line 1. Complete Form 100, Side 1, line 2 through line 16, only if applicable.

Line 2 through Line 16 – State adjustments

To figure net income for California purposes, corporations using the federal reconciliation method must enter California adjustments to the federal net income on line 2 through line 16. If a specific line for the adjustment is not on Form 100, corporations must enter the adjustment on line 7, Other additions, or line 15, Other deductions, and attach a schedule that explains the adjustment.

Line 2 and Line 3 – Taxes not deductible

California does not permit a deduction of California corporation franchise or income taxes or any other taxes on, according to, or measured by net income or profits. Such taxes that are shown on Form 100, Schedule A, must be added to income by entering the amount on Side 1, line 2 or line 3 (see Schedule A, column (d) for the amount to be added to income). California does not permit a deduction for environmental taxes imposed by IRC Section 59A.

The LLC fee is not a tax (R&TC Section 23092); therefore, it is deductible. Do not include any part of an LLC fee on line 2 or line 3.

Line 4 – Interest on government obligations

Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state or municipal bonds) even though exempt from state or federal income tax. Add interest on government obligations that is not reported on the federal return to income by entering the amount on line 4.

Corporations subject to California corporation income tax, see instructions for line 15.

Line 5 – Net capital gain

Complete Side 2, Schedule D and enter the California net capital gain from Schedule D, line 11.

Subtract the federal capital gain taxable income out of California taxable income on line 12.

Line 6 – Depreciation and amortization

California law is substantially different from federal law for corporations.

Complete form FTB 3885, Corporation Depreciation and Amortization (included in this booklet), to determine the amounts to be entered on line 6.

Line 7 – Other additions

Any miscellaneous items that must be added to arrive at net income after state adjustments (line 17) should be shown on this line. Attach a schedule to itemize amounts. If any federal contribution deduction reduced the amount entered on Form 100, Side 1, line 1, enter that amount on this line.

California ordinary net gain or loss. Enter any California ordinary net gain or loss from Schedule D-1, Sales of Business Property. Attach Schedule D-1.

Note: Business expense deductions are not allowed for payments to a club that restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin. "Club" means a club as defined in the Business and Professions Code, Div. 9, Ch. 3, Art. 4, beginning with Section 23425. Add back such deductions on this line.

Line 9, Line 10 and Line 11 – Dividends

See Schedule H, Dividend Income Deduction, instructions.

Line 12 – Federal capital gain net income

Enter the federal capital gain net income from federal Form 1120 or 1120A, line 8. The California net capital gain should have been added to income on line 5.

Line 13 – Contributions

For income years beginning on or after January 1, 1996, the contribution deduction is limited to 10% of California net income. Carryover provisions per IRC Section 170(d)(2) apply for excess contributions made during income years beginning on or after January 1, 1996.

On a separate worksheet, using the Form 100 format, complete Form 100, Side 1, line 1 through line 17 without regard to line 13, Contributions. Then complete the worksheet that follows to determine the contributions to enter on this line.

1. Net income after state adjustments from Side 1, line 17 _____
2. Deduction for dividends received _____

3. Net income for contribution calculation purposes. Add line 1 and line 2 _____
4. Contributions. Multiply line 3 by 10% (.10) _____
5. Enter the amount actually contributed _____
6. Enter the smaller of line 4 or line 5 here and on Side 1, line 13 . _____

If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 7. Get Schedule R to figure the contribution computation for apportioning corporations.

Line 14 – EZ, LARZ, LAMBRA or TTA business expense and/or net interest deduction

Businesses conducting a trade or business within an EZ, a LARZ, LAMBRA or TTA 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 a percentage of the cost in that year rather than depreciate it over the life of the asset. For more information, get form FTB 3805Z; form FTB 3806; form FTB 3807; or form FTB 3809.

Also, a deduction may be claimed on this line for the amount of net interest on loans made to an individual or company doing business within an EZ or the LARZ. For more information, get form FTB 3805Z or form FTB 3806.

Be sure to attach form FTB 3805Z; form FTB 3806; form FTB 3807; or form FTB 3809 if any of these benefits are claimed. If the proper form is not attached, these tax benefits may be disallowed.

Line 15 – Other deductions

Include on this line deductions not claimed on any other line. Attach a schedule that clearly shows how each deduction was computed and explain the basis for the deduction.

For corporations subject to income tax (instead of the franchise tax), interest received on obligations of the federal government and on obligations of the State of California and its political subdivisions is exempt from income tax. If such interest is reported on line 4, it must be deducted on line 15.

Federal ordinary net gain or loss. Enter any federal ordinary net gain or loss from federal Form 4797, Sales of Business Property.

Line 17 – Net income (loss) after state adjustments

If all income is derived from California sources, transfer the amount from line 17 to line 18. If income is derived from sources both within and outside of CA, complete Schedule R. Transfer the amount from Schedule R, line 24 to Form 100, line 18.

Line 18 – Net income (loss) for state purposes

If all corporate income is derived from California sources, transfer the amount on line 17 directly to line 18.

If only a portion of income is derived from California sources, complete Schedule R, before entering any amount on line 18. Transfer the amount from Schedule R, line 24, to Form 100,

line 18. Be sure to answer yes to Question H on Form 100, Side 2.

If this line is a net loss, complete and attach the 1998 form FTB 3805Q, to Form 100.

Line 19, Line 20 and Line 21

Note: The order in which line 19, line 20 and line 21 appear is not meant to imply the order in which any NOL carryover deduction or disaster loss deduction be taken if more than one type of deduction is available.

Line 19 – Net operating loss (NOL) carryover deduction

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

If line 18 is a positive amount, enter the NOL carryover from the 1998 form FTB 3805Q, Part III, line 3 on Form 100, line 19. The loss may not reduce current year income below zero. Any excess loss must be carried forward. Attach to Form 100 a copy of the 1998 form FTB 3805Q.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 1998 form FTB 3805Q, showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, corporations may not claim an NOL carryover deduction. Enter -0- on line 19. See the 1998 form FTB 3805Q instructions to compute the NOL carryover to future years.

If the corporation terminates its election to be taxed as an S corporation, thus becoming a C corporation, then only that portion of the prior NOL carryover incurred while it had

C corporation status may be used to the extent it has not expired.

Line 20 – EZ, LARZ or LAMBRA NOL carryover deduction

An NOL generated by a business that operates or invests within an EZ, the LARZ or a LAMBRA receives special tax treatment. The loss may not reduce the corporation's current year income below zero. Any excess loss must be carried forward. Compute the corporation's EZ, LARZ or LAMBRA NOL using form FTB 3805Z, form FTB 3806 or form FTB 3807.

Enter the EZ, LARZ or LAMBRA NOL carryover deduction from the corporation's form FTB 3805Z; form FTB 3807; or form FTB 3806, on Form 100, line 20. Attach a copy of the form FTB 3805Z; form FTB 3807; or form FTB 3806 to the Form 100.

Line 21 – Disaster loss carryover deduction

If you have a disaster loss carryover deduction, enter the total amount from the 1998 form FTB 3805Q, Part III, line 2, only if you have income in the current year. The loss may not reduce current year income below zero. Any excess loss must be carried forward.

Line 23 – Tax

Use rates listed in General Information B and C.

Line 24 through Line 28 – Tax credits

A variety of tax credits are available to California corporations to reduce tax. However, corporations may not reduce the tax (line 23) below the minimum franchise tax, if applicable.

Also, the amount of the credit that a corporation is allowed to claim may be limited. Generally, if the corporation completed federal Form 4626, Alternative Minimum Tax — Corporations, the

corporation may have limited credits. Complete Schedule P (100) to compute this limitation.

Corporations claiming only:

- Enterprise zone hiring & sales or use tax credit;
- LARZ construction hiring & sales or use tax credit carryover;
- Solar energy credit carryover;
- Commercial solar energy credit carryover;
- Commercial solar electric system credit;
- Research credit;
- Orphan drug credit carryover;
- Low-income housing credit;
- Manufacturer's Investment Credit; and
- Targeted tax area hiring and sales or use tax credit

are not subject to the tentative minimum tax limitation.

Each credit is identified by a code number. To claim one, two or three credits, enter the credit name, code number and the amount of the credit on line 24, line 25 and line 26. To claim more than three credits, use Schedule P (100). List three of the credits on line 24, line 25 and line 26. Enter the total of any remaining credits from Schedule P (100) on line 27. Do not make an entry on line 27 unless line 24 through line 26 are complete.

To figure tax credits, use the appropriate form or schedule. If the corporation claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of credit, unless the corporation is required to complete Schedule P (100). In that case, enter the amount of the credit on Schedule P (100) and complete Schedule P (100). Do not attach form FTB 3540.

Attach the credit form or schedule and Schedule P (100), if applicable, to Form 100.

CREDIT NAME	CODE	DESCRIPTION
Community Development Financial Institution Deposits – Obtain certification from: CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN) DEPARTMENT OF INSURANCE 300 CAPITOL MALL, SUITE 1460 SACRAMENTO CA 95814	209	20% of a qualified deposit made into a community development financial institution
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit, but limited to \$125 per eligible small business, and based on 50% of qualified expenditures that do not exceed \$250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employer: Cost of establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Farmworker Housing – Construction Farmworker Housing – Loan Obtain certification from: FARMWORKER HOUSING ASSISTANCE PROGRAM CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE 916 CAPITOL MALL, ROOM 485 SACRAMENTO CA 95814	207 208	50% of qualified costs paid or incurred to construct or rehabilitate qualified farmworkers housing Banks and financial corporations: 50% of foregone interest income on qualified farmworker housing loans
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRA
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area – FTB 3808	211	Hiring Credit for Manufacturing Enhancement Area
Manufacturers' Investment – FTB 3535	199	6% of the cost of qualified property
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 1998
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Rice Straw Obtain certification from: DEPARTMENT OF FOOD AND AGRICULTURE 1220 N STREET, ROOM 409 SACRAMENTO CA 95814	206	\$15 per ton of rice straw grown in California
Salmon & Steelhead Trout Habitat Restoration – Obtain certification from: DEPARTMENT OF FISH AND GAME C/O FISH TIMBER TAX CREDITS PROGRAM PO BOX 944209 SACRAMENTO CA 95244-2090	200	The lesser of 10% of qualified costs or other amount determined by the Department of Fish and Game
Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTAs
Agricultural Products Commercial Solar Electric System Commercial Solar Energy Contribution of Computer Software Employer Ridesharing – Large employer Employer Ridesharing – Small employer Employer Rideshare – Transit Energy Conservation Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax Low Emission Vehicles Orphan Drug Recycling Equipment Ridesharing Solar Energy Solar Pump Technology Property Contributions	175 196 181 202 191 192 193 182 159 160 185 174 171 180 179 201	The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits if there is a carryover available from prior years. If you are not required to complete Schedule P (100), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

Line 29 – Balance

Subtract line 28 from line 23. Enter the result or the applicable minimum franchise tax, whichever is greater. See General Information C.

Line 30 – Alternative minimum tax (AMT)

Enter on this line the AMT from Schedule P (100), Part I, line 19; or Part II, line 18, whichever is applicable.

Line 32 – Additional SOS prepayment tax

For income years beginning on or after January 1, 1997, the corporation must pay an additional \$200 on the original due date of the 1st required return if it:

- Incorporated as a QNC with the California SOS; and
- Paid the \$600 prepaid minimum tax to the California SOS; and
- Had gross receipts, less returns and allowances, exceeding \$1 million or tax liability exceeding \$800 during the 1st income year.

If the corporation is required to pay the additional SOS prepayment tax, enter \$200 on this line. If additional SOS prepayment tax is not required, enter -0-. See General Information Y, for more information.

Line 35 – 1998 estimated tax payments/excess SOS prepayment tax

Enter the total amount of estimated tax payments made during the 1998 income year on this line.

If the corporation incorporated or qualified with the California SOS and prepaid the \$800 minimum tax, but then during the income year met the requirements to be a QNC, include the additional \$200 prepaid minimum tax on this line. See General Information Y, for more information on the QNC requirements.

Line 38 and Line 39 – Tax due or overpayment

Revise the amount of tax due or overpayment, if applicable, by the amount on Side 2, Schedule J, line 6. See Schedule J instructions.

Line 42 – Penalties and interest

Complete and attach form FTB 5806, Underpayment of Estimated Tax by Corporations, to the front of Form 100, only if Exception B or Exception C is used in computing or eliminating the penalty.

Schedules

Schedule A – Taxes Deducted

Enter the nature of the tax, the taxing authority, the total tax and the amount of the tax that is not deductible for California purposes on Form 100, Schedule A.

Schedule D – Capital Gain or Loss

California law does not conform to the federal reduced capital gains tax rates. California taxes capital gains at the same rate as other types of income. California does not allow a three-year carryback of capital losses.

Enter any unused capital loss carryover from 1997 on line 3.

Schedule F – Computation of Net Income

See General Information I for information on net income computation methods.

Line 13 – Salaries and Wages

Gain from the exercise of California Qualified Stock Options (CQSOs) issued and exercised after 1996 and before 2002, can be excluded from gross income if the individual's earned income is \$40,000 or less. The exclusion from gross income is subject to AMT and the corporation is not allowed a deduction for the compensation excluded from the employee's gross income.

Line 28 – Specific deduction for 23701r or 23701t organizations

Political organizations

A political organization exempt under R&TC Section 23701r must file Form 100 and report "political taxable income" in excess of \$100.

"Political taxable income" means all amounts received during the income year other than:

- Contributions of money or other property;
- Membership fees, dues or assessments; and
- Proceeds from political fund raising or entertainment events or proceeds from the sale of political campaign material not received in the ordinary course of any trade or business.

Political organizations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

Exempt homeowners' associations

A homeowners' association exempt under R&TC Section 23701t must file Form 100 if it received nonexempt function gross income in excess of \$100. Form 100 may be required in addition to Form 199, California Exempt Organization Annual Information Return.

Nonexempt function gross income means gross income received during the income year other than amounts received from membership fees, dues or assessments. Nonexempt function gross income includes the gross amount of such items as, but not limited to: interest, dividends, rents, royalties, sale of assets and income from non-members.

Exempt homeowners' associations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law. Under Chapter 3, estimated tax payments may be required. Form 100 is due within 2 months and 15 days after the close of the income year.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

Schedule G – Bad Debts Reserve Method

Only savings and loan associations, banks and financial corporations may use the bad debt reserve method. Use the format on page 12 to prepare Schedule G. Attach Schedule G to Form 100.

Schedule H – Dividend Income Deduction

A corporation may eliminate or deduct dividend income when certain requirements are met. The available eliminations or deductions are described below.

Part I – Intercompany Dividends

A corporation may eliminate dividends received from unitary subsidiaries but only to the extent that the dividends are paid from unitary earnings and profits accumulated while both the payee and payor were members of the combined report (R&TC Section 25106).

Complete Form 100, Schedule H, Part I and enter the total of column (d) on Form 100, Side 1, line 9.

Part II and Part III – Other Dividends

Corporations may claim a deduction for dividends:

- Paid by a corporation taxed by California on earnings from which such dividends are paid (R&TC Section 24402); or
- Received from a California insurance company subject to tax imposed by Part 7 of the R&TC and not previously deducted under R&TC Section 25106 (to qualify for this deduction, the recipient corporation must be commercially domiciled in California and must own at least 80% of each class of stock of the insurance company) (R&TC Section 24410).

To determine the deductible percentage of a dividend (Schedule H, Part II, column (f)), send a written request showing the complete name of the dividend-paying corporation to:

DEDUCTIBLE DIVIDENDS
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468
FAX: 1-916-845-6888

Or call the FTB at the telephone numbers on page 39 of this booklet. Allow 6 to 8 weeks for a written reply. Enter this percentage amount on Schedule H, Part II, column (f).

To figure the amount of dividends to enter on Form 100, line 10, fill out Part II and Part III of Schedule H.

To complete Part II:

1. Fill in columns (a) through (c). For Part II, column (b), if any portion of a dividend also qualifies for the intercompany elimination in Part I, enter the balance from Part I, column (g) in Part II, column (b).
2. Enter the corporation's percentage of ownership of the dividend paying corporation on Schedule H, Column (d).
3. Determine the limitation percentage and enter it on Schedule H, Part II, column (e). Refer to the ownership percentages in column (d) and the limitation percentages below to determine the applicable limitation percentage.

If the dividend paying corporation is:

Less than 20% owned	70%
At least 20% but not more than 50% owned	80%
More than 50% owned	100%

4. Multiply the dividend received (column (b)) by the limitation percentage (column(e)).

5. Multiply the result of line 4 by the deductible percentage (column (f)).
6. Enter the result of line 5 in column (g).

To complete Part III:

1. Follow steps 1 and 2 above. For Part III, column (e), if any portion of a dividend also qualifies for the intercompany elimination in Part I, enter the balance from Part I, column (g) in Part III, column (e).
2. Enter in column (e) the amount of qualified insurance dividends received from Schedule H, Part I, column (g).
3. Enter the apportionment factors for the insurance corporation in column (f).

Note: The apportionment factors used in this computation are different from the apportionment factors used for Schedule R apportionment. See R&TC Section 24410, for more information.

4. Multiply the amount in column (e) by the amount in column (f) and enter the result in column (g).

Total the amounts on Schedule H, Part II, column (g), line 7 and Part III, column (g), line 7. Enter the result on Part III, column (g), line 8 and on Form 100, Side 1, line 10.

Part IV – Water’s-Edge Dividends

California R&TC Section 24411 allows a 75% deduction of a portion of the dividends received and included in the water’s-edge return. Both

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

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

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

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

For income years beginning on or after January 1, 1998, dividends received from banks **qualify** for the water’s-edge dividend deduction.

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

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

A deduction of 100% is provided for dividends derived from certain foreign construction projects. A construction project is defined as an activity related to alteration or improvement of land. The construction project, the location of which is not subject to the taxpayers’ control, must be undertaken for an entity, including a governmental entity, that is not affiliated with the water’s-edge group. For more information, see R&TC Section 24411 and Form 100-WE, Water’s-Edge Booklet and instructions.

Complete Schedule H, Part IV and enter the total of column (g) on Form 100, Side 1, line 11. For Part IV, column (c), if any portion of a dividend also qualifies for the intercompany elimination in Part I, enter the balance from Part I, column (g) in Part IV, column (c).

Interest Expense Deduction

For income years beginning on or after January 1, 1997, the amount of interest expense incurred for purposes of foreign investments that must be offset against deductible foreign dividends must be computed by multiplying the amount of interest expense by the same percentage used to compute the deductible portion of the qualifying foreign dividends.

Schedule G Bad Debts — Reserve Method Complete only if a savings and loan association, bank or financial corporation.

(a) Income year	(b) Accounts outstanding at the end of the year	Amount added to reserve		(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
		(c) Current year’s provision	(d) Recoveries		
1993					
1994					
1995					
1996					
1997					
1998					

Schedule J — Add-On Taxes and Recapture of Tax Credits

Complete Schedule J if the corporation has credit amounts to recapture or is required to include installment payments of “add-on” taxes from:

- Last-in, first-out (LIFO) recapture resulting from an S corporation election;
- Interest computed under the look-back method for completed long-term contracts;
- Interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations; or
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of an IRC Section 197 intangible.

Revise the amount of tax due or overpayment on Form 100, line 38 or line 39, as applicable by the amount from Schedule J, line 6.

Installment payment of tax attributable to last-in, first-out (LIFO) recapture for corporations making an S corporation election. A corporation that uses the LIFO inventory pricing method and makes an S corporation election must include a “LIFO recapture amount” in income for its last year as a C corporation. The corporation’s LIFO recapture amount is equal to the excess of the inventory amount using the

first-in, first-out (FIFO) method, over the inventory amount using the LIFO method, at the close of the corporation’s last income year as a C corporation.

The additional tax resulting from inclusion of the LIFO recapture in income is payable in four equal installments. The first installment is due on the original due date of Form 100 of the electing corporation’s last year as a C corporation.

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100, Side 1, through line 33, based on income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100 format, the corporation must complete the equivalent of Form 100, Side 1, line 18 through line 33, based on taxable income including the LIFO recapture amount. Form 100, Side 1, line 33, must then be compared to line 33 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 1, line 33, does not include the additional tax due to LIFO recapture, corporations must include 1/4 of the additional tax on Schedule J, line 1 and adjust line 38 or line 39 accordingly. Attach the worksheet showing the computation.

Note: Corporations must pay the remaining three installments of deferred tax with Form 100S. The payments must be made by the original due date of Form 100S, for each succeeding year.

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

Interest on tax attributable to payments received on installment sales of certain time-shares and residential lots. If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453(l)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138. Attach a schedule showing the computation.

Interest on tax deferred under the installment method for certain nondealer installment obligations. If an obligation arising from the disposi-

tion of property to which IRC Section 453A(c) applies is outstanding at the close of the year, the corporation must include the interest due under IRC Section 453A on Schedule J, line 3b. For the applicable interest rates, get FTB Pub. 1138.

IRC Section 197(f)(9)(B)(ii) election. Complete Schedule J, line 4 if the corporation elected to pay tax on the gain from the sale of an intangible under the related person exception to the anti-churning rules.

Credit recapture. Complete Schedule J, line 5, if the corporation completed the credit recapture portion of:

- FTB 3501, Employer Child Care Program/Contribution Credit; or

- FTB 3805Z, Part VI, Enterprise Zone Recapture of Deduction and Credits; or
- FTB 3806, Part VI, Los Angeles Revitalization Zone Recapture of Deduction and Credits; or
- FTB 3807, Part VI, Local Agency Military Base Recovery Area Recapture of Deduction and Credits; or
- FTB 3535, Manufacturers' Investment Credit.

Schedule M-1, Reconciliation of income (loss per books with income (loss) per return.

Schedule M-1 is used to reconcile the difference between book and tax accounting for an income or expense item. The corporation must complete

Schedule M-1 if total assets of the entity are at least \$25,000. The federal and state Schedule M-1 may be the same when you use the federal reconciliation method for net income computation, see General Information I. The Schedule M-1 will be different from the federal Form 1120, Schedule M-1 if using the California computation method for net income. The California computation method is generally used when the corporation has no federal filing requirement, or if the corporation maintains separate records for state purposes.

Form 100

Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For income years beginning after 1997, these principal business activity codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the company derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (Side 3, Schedule F, line 1a) plus all other income (Side 3, Schedule F, lines 4 through 10). If the company purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the company is considered a manufacturer and must use one of the manufacturing codes (31110-33990).

Once the principal business activity is determined, entries must be made on Form 100, Question C. For the business activity code number, enter the six digit code selected from the list below. On the next line enter a brief description of the company's business activity. Finally, enter a description of the principal product or service of the company on the next line.

Agriculture, Forestry, Fishing and Hunting

Agriculture, Forestry, Fishing and Hunting	
Code	
Crop Production	
111100	Oilseed & Grain Farming
111210	Vegetable & Melon Farming (including potatoes & yams)
111300	Fruit & Tree Nut Farming
111400	Greenhouse, Nursery, & Floriculture Production
111900	Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming)
Animal Production	
112111	Beef Cattle Ranching & Farming
112112	Cattle Feedlots
112120	Dairy Cattle & Milk Production
112210	Hog & Pig Farming
112300	Poultry & Egg Production
112400	Sheep & Goat Farming
112510	Animal Aquaculture (including shellfish & finfish farms & hatcheries)
112900	Other Animal Production
Forestry and Logging	
113110	Timber Tract Operations
113210	Forest Nurseries & Gathering of Forest Products
113310	Logging
Fishing, Hunting and Trapping	
114110	Fishing
114210	Hunting & Trapping
Support Activities for Agriculture and Forestry	
115110	Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
115210	Support Activities for Animal Production
115310	Support Activities For Forestry

Mining

211110	Oil & Gas Extraction
212110	Coal Mining
212200	Metal Ore Mining
212310	Stone Mining & Quarrying
212320	Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying
212390	Other Nonmetallic Mineral Mining & Quarrying
213110	Support Activities for Mining

Utilities

221100	Electric Power Generation, Transmission & Distribution
221210	Natural Gas Distribution
221300	Water, Sewage & Other Systems

Construction

Construction	
Code	
Building, Developing, and General Contracting	
233110	Land Subdivision & Land Development
233200	Residential Building Construction
233300	Nonresidential Building Construction
Heavy Construction	
234100	Highway, Street, Bridge, & Tunnel Construction
234900	Other Heavy Construction
Special Trade Contractors	
235110	Plumbing, Heating, & Air-Conditioning Contractors
235210	Painting & Wall Covering Contractors
235310	Electrical Contractors
235400	Masonry, Drywall, Insulation, & Tile Contractors
235500	Carpentry & Floor Contractors
235610	Roofing, Siding, & Sheet Metal Contractors
235710	Concrete Contractors
235810	Water Well Drilling Contractors
235900	Other Special Trade Contractors

Manufacturing

Food Manufacturing	
311110	Animal Food Mfg
311200	Grain & Oilseed Milling
311300	Sugar & Confectionery Product Mfg
311400	Fruit & Vegetable Preserving & Specialty Food Mfg
311500	Dairy Product Mfg
311610	Animal Slaughtering and Processing
311710	Seafood Product Preparation & Packaging
311800	Bakeries & Tortilla Mfg
311900	Other Food Mfg (including coffee, tea, flavorings & seasonings)
Beverage and Tobacco Product Manufacturing	
312110	Soft Drink & Ice Mfg
312120	Breweries
312130	Wineries
312140	Distilleries
312200	Tobacco Manufacturing
Textile Mills and Textile Product Mills	
313000	Textile Mills
314000	Textile Product Mills
Apparel Manufacturing	
315100	Apparel Knitting Mills
315210	Cut & Sew Apparel Contractors
315220	Men's & Boys' Cut & Sew Apparel Mfg

Code

315230	Women's & Girls' Cut & Sew Apparel Mfg
315290	Other Cut & Sew Apparel Mfg
315990	Apparel Accessories & Other Apparel Mfg
Leather and Allied Product Manufacturing	
316110	Leather & Hide Tanning & Finishing
316210	Footwear Mfg (including rubber & plastics)
316990	Other Leather & Allied Product Mfg
Wood Product Manufacturing	
321110	Sawmills & Wood Preservation
321210	Veneer, Plywood, & Engineered Wood Product Mfg
321900	Other Wood Product Mfg
Paper Manufacturing	
322100	Pulp, Paper, & Paperboard Mills
322200	Converted Paper Product Mfg
Printing and Related Support Activities	
323100	Printing & Related Support Activities
Petroleum and Coal Products Manufacturing	
324110	Petroleum Refineries (including integrated)
324120	Asphalt Paving, Roofing, & Saturated Materials Mfg
324190	Other Petroleum & Coal Products Mfg
Chemical Manufacturing	
325100	Basic Chemical Mfg
325200	Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
325300	Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
325410	Pharmaceutical & Medicine Mfg
325500	Paint, Coating, & Adhesive Mfg
325600	Soap, Cleaning Compound, & Toilet Preparation Mfg
325900	Other Chemical Product & Preparation Mfg
Plastics and Rubber Products Manufacturing	
326100	Plastics Product Mfg
326200	Rubber Product Mfg
Nonmetallic Mineral Product Manufacturing	
327100	Clay Product & Refractory Mfg
327210	Glass & Glass Product Mfg
327300	Cement & Concrete Product Mfg
327400	Lime & Gypsum Product Mfg
327900	Other Nonmetallic Mineral Product Mfg
Primary Metal Manufacturing	
331110	Iron & Steel Mills & Ferroalloy Mfg
331200	Steel Product Mfg from Purchased Steel
331310	Alumina & Aluminum Production & Processing
331400	Nonferrous Metal (except Aluminum) Production & Processing
331500	Foundries
Fabricated Metal Product Manufacturing	
332110	Forging & Stamping
332210	Cutlery & Handtool Mfg
332300	Architectural & Structural Metals Mfg
332400	Boiler, Tank, & Shipping Container Mfg
332510	Hardware Mfg
332610	Spring & Wire Product Mfg
332700	Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg
332810	Coating, Engraving, Heat Treating, & Allied Activities

Code

332900	Other Fabricated Metal Product Mfg
Machinery Manufacturing	
333100	Agriculture, Construction, & Mining Machinery Mfg
333200	Industrial Machinery Mfg
333310	Commercial & Service Industry Machinery Mfg
333410	Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
333510	Metalworking Machinery Mfg
333610	Engine, Turbine & Power Transmission Equipment Mfg
333900	Other General Purpose Machinery Mfg
Computer and Electronic Product Manufacturing	
334110	Computer & Peripheral Equipment Mfg
334200	Communications Equipment Mfg
334310	Audio & Video Equipment Mfg
334410	Semiconductor & Other Electronic Component Mfg
334500	Navigational, Measuring, Electromedical, & Control Instruments Mfg
334610	Manufacturing & Reproducing Magnetic & Optical Media
Electrical Equipment, Appliance, and Component Manufacturing	
335100	Electric Lighting Equipment Mfg
335200	Household Appliance Mfg
335310	Electrical Equipment Mfg
335900	Other Electrical Equipment & Component Mfg
Transportation Equipment Manufacturing	
336100	Motor Vehicle Mfg
336210	Motor Vehicle Body & Trailer Mfg
336300	Motor Vehicle Parts Mfg
336410	Aerospace Product & Parts Mfg
336510	Railroad Rolling Stock Mfg
336610	Ship & Boat Building
336990	Other Transportation Equipment Mfg
Furniture and Related Product Manufacturing	
337000	Furniture & Related Product Manufacturing
Miscellaneous Manufacturing	
339110	Medical Equipment & Supplies Mfg
339900	Other Miscellaneous Manufacturing
Wholesale Trade	
Wholesale Trade, Durable Goods	
421100	Motor Vehicle & Motor Vehicle Parts & Supplies Wholesalers
421200	Furniture & Home Furnishing Wholesalers
421300	Lumber & Other Construction Materials Wholesalers
421400	Professional & Commercial Equipment & Supplies Wholesalers
421500	Metal & Mineral (except Petroleum) Wholesalers
421600	Electrical Goods Wholesalers
421700	Hardware, & Plumbing & Heating Equipment & Supplies Wholesalers
421800	Machinery, Equipment, & Supplies Wholesalers
421910	Sporting & Recreational Goods & Supplies Wholesalers
421920	Toy & Hobby Goods & Supplies Wholesalers
421930	Recyclable Material Wholesalers
421940	Jewelry, Watch, Precious Stone, & Precious Metal Wholesalers
421990	Other Miscellaneous Durable Goods Wholesalers

Code Wholesale Trade, Nondurable Goods 422100 Paper & Paper Product Wholesalers 422210 Drugs & Druggists' Sundries Wholesalers 422300 Apparel, Piece Goods, & Notions Wholesalers 422400 Grocery & Related Product Wholesalers 422500 Farm Product Raw Material Wholesalers 422600 Chemical & Allied Products Wholesalers 422700 Petroleum & Petroleum Products Wholesalers 422800 Beer, Wine, & Distilled Alcoholic Beverage Wholesalers 422910 Farm Supplies Wholesalers 422920 Book, Periodical, & Newspaper Wholesalers 422930 Flower, Nursery Stock, & Florists' Supplies Wholesalers 422940 Tobacco & Tobacco Product Wholesalers 422950 Paint, Varnish, & Supplies Wholesalers 422990 Other Miscellaneous Nondurable Goods Wholesalers	Code Clothing and Clothing Accessories Stores 448110 Men's Clothing Stores 448120 Women's Clothing Stores 448130 Children's & Infants' Clothing Stores 448140 Family Clothing Stores 448150 Clothing Accessories Stores 448190 Other Clothing Stores 448210 Shoe Stores 448310 Jewelry Stores 448320 Luggage & Leather Goods Stores Sporting Goods, Hobby, Book, and Music Stores 451110 Sporting Goods Stores 451120 Hobby, Toy, & Game Stores 451130 Sewing, Needlework, & Piece Goods Stores 451140 Musical Instrument & Supplies Stores 451211 Book Stores 451212 News Dealers & Newsstands 451220 Prerecorded Tape, Compact Disc, & Record Stores General Merchandise Stores 452110 Department stores 452900 Other General Merchandise Stores Miscellaneous Store Retailers 453110 Florists 453210 Office Supplies & Stationery Stores 453220 Gift, Novelty, & Souvenir Stores 453310 Used Merchandise Stores 453910 Pet & Pet Supplies Stores 453920 Art Dealers 453930 Manufactured (Mobile) Home Dealers 453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops) Nonstore Retailers 454110 Electronic Shopping & Mail-Order Houses 454210 Vending Machine Operators 454311 Heating Oil Dealers 454312 Liquefied Petroleum Gas (Bottled Gas) Dealers 454319 Other Fuel Dealers 454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	Code Support Activities for Transportation 488100 Support Activities for Air Transportation 488210 Support Activities for Rail Transportation 488300 Support Activities for Water Transportation 488410 Motor Vehicle Towing 488490 Other Support Activities for Road Transportation 488510 Freight Transportation Arrangement 488990 Other Support Activities for Transportation Couriers and Messengers 492110 Couriers 492210 Local Messengers & Local Delivery Warehousing and Storage 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units) Information Publishing Industries 511110 Newspaper Publishers 511120 Periodical Publishers 511130 Book Publishers 511140 Database & Directory Publishers 511190 Other Publishers 511210 Software Publishers Motion Picture and Sound Recording Industries 512100 Motion Picture & Video Industries (except video rental) 512200 Sound Recording Industries Broadcasting and Telecommunications 513100 Radio & Television Broadcasting 513200 Cable Networks & Program Distribution 513300 Telecommunications (including paging, cellular, satellite, & other telecommunications) Information Services and Data Processing Services 514100 Information Services (including news syndicates, libraries, & on-line information services) 514210 Data Processing Services Finance and Insurance Depository Credit Intermediation 522110 Commercial Banking 522120 Savings Institutions 522130 Credit Unions 522190 Other Depository Credit Intermediation Nondepository Credit Intermediation 522210 Credit Card Issuing 522220 Sales Financing 522291 Consumer Lending 522292 Real Estate Credit (including mortgage bankers & originators) 522293 International Trade Financing 522294 Secondary Market Financing 522298 All Other Nondepository Credit Intermediation Activities Related to Credit Intermediation 522300 Activities Related to Credit Intermediation (including loan brokers) Securities, Commodity Contracts, and Other Financial Investments and Related Activities 523110 Investment Banking & Securities Dealing 523120 Securities Brokerage 523130 Commodity Contracts Dealing 523140 Commodity Contracts Brokerage	Code 523210 Securities & Commodity Exchanges 523900 Other Financial Investment Activities (including portfolio management & investment advice) Insurance Carriers and Related Activities 524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers 524150 Direct Insurance & Reinsurance (except Life, Health & Medical) Carriers 524210 Insurance Agencies & Brokerages 524290 Other Insurance Related Activities Funds, Trusts, and Other Financial Vehicles 525100 Insurance & Employee Benefit Funds 525910 Open-End Investment Funds (Form 1120-RIC) 525920 Trusts, Estates, & Agency Accounts 525930 Real Estate Investment Trusts (Form 1120-REIT) 525990 Other Financial Vehicles Real Estate and Rental and Leasing Real Estate 531110 Lessors of Residential Buildings & Dwellings 531120 Lessors of Nonresidential Buildings (except Miniwarehouses) 531130 Lessors of Miniwarehouses & Self-Storage Units 531190 Lessors of Other Real Estate Property 531210 Offices of Real Estate Agents & Brokers 531310 Real Estate Property Managers 531320 Offices of Real Estate Appraisers 531390 Other Activities Related to Real Estate Rental and Leasing Services 532100 Automotive Equipment Rental & Leasing 532210 Consumer Electronics & Appliances Rental 532220 Formal Wear & Costume Rental 532230 Video Tape & Disc Rental 532290 Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing Lessors of Nonfinancial Intangible Assets (except copyrighted works) 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works) Professional, Scientific, and Technical Services Legal Services 541110 Offices of Lawyers 541190 Other Legal Services Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services Architectural, Engineering, and Related Services 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services
Code Retail Trade Motor Vehicle and Parts Dealers 441110 New Car Dealers 441120 Used Car Dealers 441210 Recreational Vehicle Dealers 441221 Motorcycle Dealers 441222 Boat Dealers 441229 All Other Motor Vehicle Dealers 441300 Automotive Parts, Accessories, & Tire Stores Furniture and Home Furnishings Stores 442110 Furniture Stores 442210 Floor Covering Stores 442291 Window Treatment Stores 442299 All Other Home Furnishings Stores Electronics and Appliance Stores 443111 Household Appliance Stores 443112 Radio, Television, & Other Electronics Stores 443120 Computer & Software Stores 443130 Camera & Photographic Supplies Stores Building Material and Garden Equipment and Supplies Dealers 444110 Home Centers 444120 Paint & Wallpaper Stores 444130 Hardware Stores 444190 Other Building Material Dealers 444200 Lawn & Garden Equipment & Supplies Stores Food and Beverage Stores 445110 Supermarkets and Other Grocery (except Convenience) Stores 445120 Convenience Stores 445210 Meat Markets 445220 Fish & Seafood Markets 445230 Fruit & Vegetable Markets 445291 Baked Goods Stores 445292 Confectionery & Nut Stores 445299 All Other Specialty Food Stores 445310 Beer, Wine, & Liquor Stores Health and Personal Care Stores 446110 Pharmacies & Drug Stores 446120 Cosmetics, Beauty Supplies, & Perfume Stores 446130 Optical Goods Stores 446190 Other Health & Personal Care Stores Gasoline Stations 447100 Gasoline Stations (including convenience stores with gas)	Code Transportation and Warehousing Air, Rail, and Water Transportation 481000 Air Transportation 482110 Rail Transportation 483000 Water Transportation Truck Transportation 484110 General Freight Trucking, Local 484120 General Freight Trucking, Long-distance 484200 Specialized Freight Trucking Transit and Ground Passenger Transportation 485110 Urban Transit Systems 485210 Interurban & Rural Bus Transportation 485310 Taxi Service 485320 Limousine Service 485410 School & Employee Bus Transportation 485510 Charter Bus Industry 485990 Other Transit & Ground Passenger Transportation Pipeline Transportation 486000 Pipeline Transportation Scenic & Sightseeing Transportation 487000 Scenic & Sightseeing Transportation	Code Support Activities for Transportation 488100 Support Activities for Air Transportation 488210 Support Activities for Rail Transportation 488300 Support Activities for Water Transportation 488410 Motor Vehicle Towing 488490 Other Support Activities for Road Transportation 488510 Freight Transportation Arrangement 488990 Other Support Activities for Transportation Couriers and Messengers 492110 Couriers 492210 Local Messengers & Local Delivery Warehousing and Storage 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units) Information Publishing Industries 511110 Newspaper Publishers 511120 Periodical Publishers 511130 Book Publishers 511140 Database & Directory Publishers 511190 Other Publishers 511210 Software Publishers Motion Picture and Sound Recording Industries 512100 Motion Picture & Video Industries (except video rental) 512200 Sound Recording Industries Broadcasting and Telecommunications 513100 Radio & Television Broadcasting 513200 Cable Networks & Program Distribution 513300 Telecommunications (including paging, cellular, satellite, & other telecommunications) Information Services and Data Processing Services 514100 Information Services (including news syndicates, libraries, & on-line information services) 514210 Data Processing Services Finance and Insurance Depository Credit Intermediation 522110 Commercial Banking 522120 Savings Institutions 522130 Credit Unions 522190 Other Depository Credit Intermediation Nondepository Credit Intermediation 522210 Credit Card Issuing 522220 Sales Financing 522291 Consumer Lending 522292 Real Estate Credit (including mortgage bankers & originators) 522293 International Trade Financing 522294 Secondary Market Financing 522298 All Other Nondepository Credit Intermediation Activities Related to Credit Intermediation 522300 Activities Related to Credit Intermediation (including loan brokers) Securities, Commodity Contracts, and Other Financial Investments and Related Activities 523110 Investment Banking & Securities Dealing 523120 Securities Brokerage 523130 Commodity Contracts Dealing 523140 Commodity Contracts Brokerage	Code 523210 Securities & Commodity Exchanges 523900 Other Financial Investment Activities (including portfolio management & investment advice) Insurance Carriers and Related Activities 524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers 524150 Direct Insurance & Reinsurance (except Life, Health & Medical) Carriers 524210 Insurance Agencies & Brokerages 524290 Other Insurance Related Activities Funds, Trusts, and Other Financial Vehicles 525100 Insurance & Employee Benefit Funds 525910 Open-End Investment Funds (Form 1120-RIC) 525920 Trusts, Estates, & Agency Accounts 525930 Real Estate Investment Trusts (Form 1120-REIT) 525990 Other Financial Vehicles Real Estate and Rental and Leasing Real Estate 531110 Lessors of Residential Buildings & Dwellings 531120 Lessors of Nonresidential Buildings (except Miniwarehouses) 531130 Lessors of Miniwarehouses & Self-Storage Units 531190 Lessors of Other Real Estate Property 531210 Offices of Real Estate Agents & Brokers 531310 Real Estate Property Managers 531320 Offices of Real Estate Appraisers 531390 Other Activities Related to Real Estate Rental and Leasing Services 532100 Automotive Equipment Rental & Leasing 532210 Consumer Electronics & Appliances Rental 532220 Formal Wear & Costume Rental 532230 Video Tape & Disc Rental 532290 Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing Lessors of Nonfinancial Intangible Assets (except copyrighted works) 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works) Professional, Scientific, and Technical Services Legal Services 541110 Offices of Lawyers 541190 Other Legal Services Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services Architectural, Engineering, and Related Services 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services

<p>Code</p> <p>541360 Geophysical Surveying & Mapping Services</p> <p>541370 Surveying & Mapping (except Geophysical) Services</p> <p>541380 Testing Laboratories</p> <p>Specialized Design Services</p> <p>541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)</p> <p>Computer Systems Design and Related Services</p> <p>541511 Custom Computer Programming Services</p> <p>541512 Computer Systems Design Services</p> <p>541513 Computer Facilities Management Services</p> <p>541519 Other Computer Related Services</p> <p>Other Professional, Scientific, and Technical Services</p> <p>541600 Management, Scientific, & Technical Consulting Services</p> <p>541700 Scientific Research & Development Services</p> <p>541800 Advertising & Related Services</p> <p>541910 Marketing Research & Public Opinion Polling</p> <p>541920 Photographic Services</p> <p>541930 Translation & Interpretation Services</p> <p>541940 Veterinary Services</p> <p>541990 All Other Professional, Scientific, & Technical Services</p>	<p>Code</p> <p>561500 Travel Arrangement & Reservation Services</p> <p>561600 Investigation & Security Services</p> <p>561710 Exterminating & Pest Control Services</p> <p>561720 Janitorial Services</p> <p>561730 Landscaping Services</p> <p>561740 Carpet & Upholstery Cleaning Services</p> <p>561790 Other Services to Buildings & Dwellings</p> <p>561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)</p> <p>Waste Management and Remediation Services</p> <p>562000 Waste Management & Remediation Services</p>	<p>Code</p> <p>Other Ambulatory Health Care Services</p> <p>621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)</p> <p>Hospitals</p> <p>622000 Hospitals</p> <p>Nursing and Residential Care Facilities</p> <p>623000 Nursing & Residential Care Facilities</p> <p>Social Assistance</p> <p>624100 Individual & Family Services</p> <p>624200 Community Food & Housing, & Emergency & Other Relief Services</p> <p>624310 Vocational Rehabilitation Services</p> <p>624410 Child Day Care Services</p>	<p>Code</p> <p>Food Services and Drinking Places</p> <p>722110 Full-Service Restaurants</p> <p>722210 Limited-Service Eating Places</p> <p>722300 Special Food Services (including food service contractors & caterers)</p> <p>722410 Drinking Places (Alcoholic Beverages)</p>
<p>Management of Companies (Holding Companies)</p> <p>551111 Offices of Bank Holding Companies</p> <p>551112 Offices of Other Holding Companies</p>	<p>Educational Services</p> <p>611000 Educational Services (including schools, colleges, & universities)</p>	<p>Arts, Entertainment, and Recreation</p> <p>Performing Arts, Spectator Sports, and Related Industries</p> <p>711100 Performing Arts Companies</p> <p>711210 Spectator Sports (including sports clubs & racetracks)</p> <p>711300 Promoters of Performing Arts, Sports, & Similar Events</p> <p>711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures</p> <p>711510 Independent Artists, Writers, & Performers</p> <p>Museums, Historical Sites, and Similar Institutions</p> <p>712100 Museums, Historical Sites, & Similar Institutions</p> <p>Amusement, Gambling, and Recreation Industries</p> <p>713100 Amusement Parks & Arcades</p> <p>713200 Gambling Industries</p> <p>713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)</p>	<p>Other Services</p> <p>Repair and Maintenance</p> <p>811110 Automotive Mechanical & Electrical Repair & Maintenance</p> <p>811120 Automotive Body, Paint, Interior, & Glass Repair</p> <p>811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)</p> <p>811210 Electronic & Precision Equipment Repair & Maintenance</p> <p>811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance</p> <p>811410 Home & Garden Equipment & Appliance Repair & Maintenance</p> <p>811420 Reupholstery & Furniture Repair</p> <p>811430 Footwear & Leather Goods Repair</p> <p>811490 Other Personal & Household Goods Repair & Maintenance</p> <p>Personal and Laundry Services</p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet & weight reducing centers)</p> <p>812210 Funeral Homes & Funeral Services</p> <p>812220 Cemeteries & Crematories</p> <p>812310 Coin-Operated Laundries & Drycleaners</p> <p>812320 Drycleaning & Laundry Services (except Coin-Operated)</p> <p>812330 Linen & Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots & Garages</p> <p>812990 All Other Personal Services</p> <p>Religious, Grantmaking, Civic, Professional, and Similar Organizations</p> <p>813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations</p>
<p>Administrative and Support and Waste Management and Remediation Services</p> <p>Administrative and Support Services</p> <p>561110 Office Administrative Services</p> <p>561210 Facilities Support Services</p> <p>561300 Employment Services</p> <p>561410 Document Preparation Services</p> <p>561420 Telephone Call Centers</p> <p>561430 Business Service Centers (including private mail centers & copy shops)</p> <p>561440 Collection Agencies</p> <p>561450 Credit Bureaus</p> <p>561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)</p>	<p>Health Care and Social Assistance</p> <p>Offices of Physicians and Dentists</p> <p>621111 Offices of Physicians (except mental health specialists)</p> <p>621112 Offices of Physicians, Mental Health Specialists</p> <p>621210 Offices of Dentists</p> <p>Offices of Other Health Practitioners</p> <p>621310 Offices of Chiropractors</p> <p>621320 Offices of Optometrists</p> <p>621330 Offices of Mental Health Practitioners (except Physicians)</p> <p>621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists</p> <p>621391 Offices of Podiatrists</p> <p>621399 Offices of All Other Miscellaneous Health Practitioners</p> <p>Outpatient Care Centers</p> <p>621410 Family Planning Centers</p> <p>621420 Outpatient Mental Health & Substance Abuse Centers</p> <p>621491 HMO Medical Centers</p> <p>621492 Kidney Dialysis Centers</p> <p>621493 Freestanding Ambulatory Surgical & Emergency Centers</p> <p>621498 All Other Outpatient Care Centers</p> <p>Medical and Diagnostic Laboratories</p> <p>621510 Medical & Diagnostic Laboratories</p> <p>Home Health Care Services</p> <p>621610 Home Health Care Services</p>	<p>Accommodation and Food Services</p> <p>Accommodation</p> <p>721110 Hotels (except casino hotels) & Motels</p> <p>721120 Casino Hotels</p> <p>721191 Bed & Breakfast Inns</p> <p>721199 All Other Traveler Accommodation</p> <p>721210 RV (Recreational Vehicle) Parks & Recreational Camps</p> <p>721310 Rooming & Boarding Houses</p>	<p>Personal and Laundry Services</p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet & weight reducing centers)</p> <p>812210 Funeral Homes & Funeral Services</p> <p>812220 Cemeteries & Crematories</p> <p>812310 Coin-Operated Laundries & Drycleaners</p> <p>812320 Drycleaning & Laundry Services (except Coin-Operated)</p> <p>812330 Linen & Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots & Garages</p> <p>812990 All Other Personal Services</p> <p>Religious, Grantmaking, Civic, Professional, and Similar Organizations</p> <p>813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations</p>

Instructions for Schedule P (100)

Alternative Minimum Tax and Credit Limitations — Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

Tax Law Changes

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. California does not conform to the corporate provisions of the federal Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206) or the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California law conforms to federal law regarding:

- The removal of the adjusted current earnings (ACE) depreciation adjustment.
- The use of the same depreciation recovery periods for regular tax and alternative minimum tax (AMT).
- The election by small property and casualty insurance companies to be taxed only on their taxable investment income, and to compute the ACE adjustment without regard to all other items of income and expense not included in gross investment income.
- The repeal of the installment method AMT adjustment for farmers. Farmers are allowed to use the installment method of accounting for purposes of AMT for payments received in income years beginning on or after January 1, 1997, for installment sales related to the sale or disposition of farm property made in income years beginning on or after January 1, 1988.
- The treatment of merchant marine capital construction account funds as an adjustment item for AMT.

California does not conform to the following federal AMT provisions:

- AMT is eliminated for small business corporations.
- The contribution deduction in excess of adjusted basis for appreciated property is still a tax preference item for California purposes.

For income years beginning on or after January 1, 1998, the following new credits are available:

- Manufacturing Enhancement Area (MEA) Hiring Credit; and
- Targeted Tax Area (TTA) Hiring & Sales or Use Tax Credit.

The Los Angeles Revitalization Zone Hiring & Sales or Use Tax credit has expired.

General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100) and in these instructions includes banks, financial corporations, limited liability companies (LLCs) classified as corporations, and exempt organizations other than exempt trusts, but not S corporations.

California tax laws give special treatment to some types of income and allow special deductions and credits for some types of expenses. Corporations that benefit from these laws may have to pay AMT in addition to the minimum franchise tax.

Also use this schedule to figure credits that are limited by the tentative minimum tax (TMT) or that may reduce AMT.

See IRC Sections 55 through 59 for more information on figuring AMT. But note that R&TC Sections 23455, 23456, 23457 and 23459 modify IRC Sections 55 through 59.

Who Must File

Banks and corporations should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; other items as specified under IRC Section 59 and state net income exceeds \$40,000. Exempt organizations, other than exempt trusts with unrelated business income, should file Schedule P

(100) if the sum of: AMT adjustments; preference items; loss denials; items specified under IRC Section 59 and state net unrelated business taxable income exceeds \$40,000. Exempt trusts should use Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries.

In addition, if the corporation claims credits that are limited by TMT (Part I, line 17), or if the corporation claims credits that reduce the AMT (Part I, line 19), the corporation must file Schedule P (100).

Members of a Combined Report

Alternative minimum taxable income (AMTI) and ACE are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for **EACH** member of a combined report. Complete a separate Schedule P(100), Side 1 and Side 2, for **EACH** taxpayer included in the combined report. Attach the Schedule P(100) for each taxpayer member in the combined report **BEHIND** the combined Schedule P(100) for all members. See instructions for Part I, line 4b, line 5a, line 5d, line 7b, line 9 and line 10.

Short Period Return

For a short period return, use the formula in IRC Section 443(d) to determine AMTI and AMT.

Credit for Prior Year AMT

If the corporation paid AMT for 1997 or has a carry-over of credit for prior year AMT and has no AMT liability for 1998, the corporation may use this credit in 1998 to reduce its regular tax liability. Complete Part III to figure this credit.

Specific Line Instructions

Part I — Adjustments

Line 2a – Depreciation of tangible property placed in service after 1986

Do not include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows: For property other than real property and property on which the straight-line method was used, use the 150% declining balance method, switching to straight-line for the first income year in which that method will give a higher depreciation deduction. Use the same life classes as used on the federal Form 4626, Alternative Minimum Tax – Corporations. For personal property having no asset depreciation range (ADR) class life, use 12 years. For residential rental and nonresidential real property, use the straight-line method over 40 years. Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this line.

If the corporation elected to depreciate a grapevine that was replanted in a vineyard as a result of phylloxera or Pierce's Disease infestation over 5 years instead of 20 years for regular tax, it must depreciate the grapevine over 10 years for AMT.

Note: Depreciation that is capitalized to inventory under the uniform capitalization rules must be refigured using the rules described above.

Line 2b – Amortization of certified pollution control facilities placed in service after 1986

For any certified pollution control facility placed in service after 1986, figure the entry for this line in the same manner as line 2a (without reducing the basis by 20% under IRC Section 291(a)(5)), using the straight-line method of depreciation instead of 150% declining balance.

Line 2c – Amortization of mining exploration and development costs incurred after 1987

If the corporation elected the optional 10-year write-off under IRC Section 59(e) for all assets in this category, skip this line.

With respect to each mine or other natural deposit (other than an oil, gas or geothermal well) refigure the expenses (before the 30% reduction under IRC Section 291(b)) by amortizing them over 10 years beginning with the year in which the expenses were paid or incurred. Figure the adjustment by subtracting the refigured amount from the deduction taken under IRC Sections 616(a) or 617(a) after the 30% reduction. Enter the amount on this line. If a loss resulted with respect to those expenses, see IRC Section 56(a)(2)(B).

Line 2d – Basis adjustments in determining gain or loss from sale or exchange of property

If the corporation disposed of property during the year, refigure the gain or loss from such sale taking into account the AMT adjustments on line 2a through line 2c. Enter the difference between the gain or loss reported for regular tax and the recomputed gain or loss. If the recomputed gain is less, or the loss is more, enter the difference as a negative amount. Otherwise, enter a positive amount.

Line 2e – Long-term contracts entered into after February 28, 1986

If the corporation entered into a long-term contract after February 28, 1986, determine the taxable income from the contract under the percentage of completion method of accounting as modified by IRC Section 460(b) and R&TC Section 24673.2 using AMT adjustments and tax preference items.

Determine the difference between that result and the amount determined for the contract in figuring the regular tax, and enter the difference on this line. If the refigured taxable income is less than the result when determining the regular tax, enter the difference as a negative amount.

IRC Section 460(b)(2), to which California has conformed, requires the taxpayer to "look-back" to previous years during which the contract work for certain contracts was in progress and to compute interest on the difference between the tax that was actually paid and the tax that would have been paid if the taxpayer had known the actual contract prices and costs that would finally result.

Get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the "look-back method."

Line 2f – Installment sales of certain property

For regular tax purposes, corporations may use the installment method of accounting for sales of certain property. For AMT, corporations may not determine income from dispositions of inventory or other property described in IRC Section 1221(1) using the installment method, except for certain dispositions of timeshares or residential lots, if the corporation elected to pay interest under IRC Section 453(l)(2)(B) (R&TC Section 24667).

If the corporation used the installment method for regular tax purposes but was required for AMT purposes to report the entire gain in the year of disposition, the corporation may have adjustments with respect to those dispositions. Enter on this line as a negative amount the current year income the corporation reported for regular tax.

Farmers that received payments for an income year beginning on or after January 1, 1997, for qualified installment sales made in income years beginning on or after January 1, 1988, do not need to make an adjustment on this line.

Line 2g – Tax shelter farm activities (personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Complete this line only if the corporation has a gain or loss from a tax shelter farm activity, as defined in IRC Section 58(a)(2), that is not a passive activity. If the tax shelter farm activity is a passive activity, the corporation must include the gain or loss with its other passive activities on line 2h.

Refigure all gains and losses reported for regular tax purposes from tax shelter farm activities using the AMT adjustments and tax preference items.

Figure the tax shelter farm activity gain or loss for AMT using the same rules the corporation used for regular tax except:

- Do not take any recomputed loss unless the corporation is insolvent. See IRC Section 58(c)(1); and
- Do not offset gains from other tax shelter activities with any recomputed loss.

Instead, suspend and carry over the loss to future income years until:

- The corporation has a gain in a future income year from that same tax shelter farm activity; or
- The corporation disposes of the activity.

Enter on this line the difference between the AMT tax shelter farm loss and the regular tax shelter farm loss.

Line 2h – Passive activities (closely held corporations and personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, do not include them on any other line of this schedule.

Corporations may enter two kinds of adjustments on this line:

Regular passive activities. Refigure passive activity gains and losses for AMT by taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses that apply to the passive activity.

Tax shelter passive farm activities. Refigure any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses. If the amount is a gain, it can be included on form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, but if it is a loss, the adjustment for tax shelter passive farm activity is the loss the corporation reported for regular tax. The AMT loss carryover is the refigured AMT loss.

Note: If, at the end of the income year, the corporation's liabilities exceed the fair market value of the corporation's assets (insolvency), increase the passive activity loss allowed by that excess (but not more than the total loss). See IRC Section 58(c)(1).

Line 2i – Certain loss limitations

Refigure the allowable losses from at-risk activities and basis limitations applicable to partnerships, taking into account the AMT adjustments and tax preference items. See IRC Sections 59(h), 465 and 704(d). If the recomputed loss is more than the loss reported for purposes of the regular tax, enter on this line as a negative amount, the difference between the loss reported on the tax return for purposes of the regular tax and the recomputed loss.

Line 2k – Merchant marine capital construction funds

Amounts deposited in these funds are not deductible for AMT. Earnings on these funds are not excludable from gross income for AMT. If the corporation deducted these amounts or excluded them from income for regular tax, add them back on line 2k.

Tax Preference Items

Line 3a – Depletion

In the case of mines, wells and other natural deposits, enter the amount by which the deduction for depletion under IRC Section 611, is more than the adjusted basis of the property at the end of the corporation's income year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

California conformed in 1993 to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. See federal Form 4626, Alternative Minimum Tax, Corporations. However, your California depletion costs may continue to be different from the federal amounts because of prior differences in law and different bases.

See IRC Section 291(a)(2) for reduction in the amount allowable as a deduction in the case of iron ore and coal.

Line 3b – Appreciated property charitable deduction

Contributions deducted in excess of adjusted basis for regular tax purposes (R&TC Section 24357) must be included as a tax preference item.

Refigure the charitable contributions deduction for AMT. Use only income and deductions allowed for AMT purposes when refiguring the limit based on taxable income under IRC Section 170(b)(2). Any AMT carryover of charitable contributions is limited to the cost or other basis for any contribution in excess of adjusted basis.

Line 3c – Intangible drilling costs

If the corporation elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

Enter the amount by which excess intangible drilling costs exceed 65% of net income from oil, gas and geothermal properties.

Figure excess intangible drilling costs as follows: From the intangible drilling and development costs allowable under IRC Sections 263(c) or 291(b) (except costs in drilling a nonproductive well), subtract the amount that would have been allowable if these costs had been capitalized and either amortized over 120 months starting when production began or treated according to an election made under IRC Section 57(b)(2).

Net income from oil, gas and geothermal properties is gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 3c amount separately for oil and gas properties that are not geothermal deposits and for oil and gas properties that are geothermal deposits.

Note: California conformed in 1993 to the limited federal repeal of intangible drilling costs preferences for independent producers. California now conforms to the limit on the benefit of the exclusion of the preference for intangible drilling costs of 40% of AMTI. See federal Form 4626 and instructions. Also, note that your intangible drilling costs amounts may differ from federal amounts because of prior differences in the law.

Line 3d – Reserves for losses on bad debts of savings and loan associations, banks and financial corporations

In the case of a savings and loan association, a bank or a financial corporation to which IRC Section 593 applies, enter the excess of the deduction allowable for a reasonable addition to a reserve for bad debts over the amount that would have been allowable had the institution maintained its bad debt reserve for all income years based on actual experience.

Line 3e – Accelerated depreciation of real property placed in service before 1987

Enter on this line, but not less than zero, the difference between the depreciation taken for this property in determining the regular tax and depreciation as refigured using the straight-line method.

Figure this amount separately for each property and include only positive adjustments. Use the straight-line method over the life of the property using the half-year convention and no salvage value.

Line 3f – Amortization of certified pollution control facilities placed in service before 1987

For any certified pollution control facility in California placed in service before 1987 (or before August 1, 1986, if an election was made), figure the amount by which the amortization allowable under IRC Section 169 is more than the depreciation deduction otherwise allowable. Before figuring this tax preference item, reduce the amortizable basis by 20% (15% if the facility was placed in service in 1983 or 1984, 0% if placed in service before 1983), as required under IRC Section 291. Multiply the difference above by 59.6% (71.6% if the facility was placed in service in 1983 or 1984, 100% if placed in service before 1983). Enter only positive amounts.

Line 4b – Apportioned pre-adjustment alternative minimum taxable income (AMTI)

For taxpayers required to apportion their income, pre-adjusted current earnings (ACE) adjusted AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, Apportionment and Allocation of Income, line 1a. Recompute the Schedule R taking into account any AMT adjustments, then transfer the recomputed net income from Schedule R, line 24 to Schedule P (100), line 4b.

For combined reports, each taxpayer's pre-ACE adjusted AMTI is the sum of (1) that corporation's apportioned share of combined business pre-ACE adjusted AMTI and (2) any of that corporation's California source pre-ACE adjusted AMTI. For additional guidance in making these computations, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

Line 5a – ACE adjustment

If this schedule is for a regulated investment company (RIC) or a real estate investment trust (REIT), skip this line.

The ACE adjustment is the pre-adjustment AMTI from line 4b with additional adjustments. California's ACE adjustment generally follows the federal ACE adjustment rules in IRC Section 56(g). To compute the California ACE, the federal ACE worksheet included in the instructions for the federal Form 4626 can be used by taking into account the modifications of R&TC Sections 23456 (e) and (f), if applicable. For example:

Taxes. Taxes on, according to or measured by income are not deductible from earnings and profits (E&P). Foreign taxes on, according to or measured by income are not deductible even though a foreign tax credit is not taken for federal purposes. Environmental taxes imposed by IRC Section 59A are not deductible from E&P.

Depreciation and amortization. For property placed in service on or after January 1, 1981, and before January 1, 1987, the amount allowable as depreciation or amortization must be determined using the straight-line method for each income year of useful life (determined without regard to R&TC Section 24354.2) that the corporation has held the property.

For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the income year beginning before January 1, 1990, and applying IRC Section 168(g).

Dividends. Dividends deductible for regular California tax purposes are deductible from E&P.

The provision of IRC Section 56(g)(4)(C)(ii), for 100% dividend, does not apply.

The provisions of IRC Sections 56(g)(4)(C)(iii) and (iv), for dividends from IRC Section 936 companies

and certain dividends received by certain cooperatives, do not apply.

Certain amortization provisions. IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under R&TC Section 24364 and organizational expenditures under R&TC Section 24407 do not apply to expenditures paid or incurred in income years beginning on or after January 1, 1990, for E&P calculations.

Interest income. For entities not subject to the minimum franchise tax, interest income included in E&P must not exceed the amount of interest income included for regular tax purposes.

Appropriate adjustments must be made to limit deductions from ACE for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425.

Apportioning taxpayers and members of a combined report. ACE is apportioned and allocated to California in the same manner as net income for purposes of the regular tax and AMTI (FTB Legal Ruling 94-3). The method described in the instructions for line 4b may be used to compute the California ACE.

Line 5d – Excess of AMTI increases over AMTI reductions from prior year ACE adjustments

For combined reports, each taxpayer corporation enters the excess of its prior year positive California ACE adjustments over its prior year negative California ACE adjustments.

Line 7a

If a disaster loss carryover is claimed in 1998, enter the amount on this line.

Line 7b – AMT net operating loss (NOL) deduction.

The AMT net operating loss is the NOL determined for regular tax except:

1. For any income year beginning before 1988, reduce the NOL amount by any preference items attributable to the deferred tax that has not been paid;
2. In the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
 - (a) Reduced by the positive AMT adjustments and increased by the negative AMT adjustments; and
 - (b) Reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax);
3. Reduce the AMT NOL by any expired losses; and
4. The AMT NOL may not offset more than 90% of the AMTI, Part I, line 6.

Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

Taxpayers that are members of a unitary group filing a combined report must separately compute the NOL carryover and application of the NOL carryover for each corporation in the group (R&TC Section 25108).

Taxpayers who have made a water's-edge election must recompute the NOL carryover to include only those NOLs carried over from affiliated banks and corporations in the current year's water's-edge group.

The amount carried over for AMT is likely to differ from the amount (if any) that is carried over for regular tax; therefore, it is essential that the corporation retain adequate records for both AMT and regular tax.

If you had a loss from business activity within an enterprise zone, the Los Angeles Revitalization Zone (LARZ) or the Local Agency Military Base Recovery Area (LAMBRA), get FTB 3805Z, Enterprise Zone Business Booklet; FTB 3806, Los Angeles Revitalization Zone (LARZ) Booklet; or FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Booklet.

Line 9 and Line 10

The \$40,000 exemption and the \$150,000 limitation apply to each bank or corporation included in the combined report that has a filing requirement in California, to the extent that each bank or corporation has AMTI.

Line 16 – Banks and financial corporations

Corporations with negative or zero taxable income on Form 100, line 22, enter -0-.

Line 18 – Regular tax before credits

For installment obligations subject to IRC Sections 453 (l)(2)(B) (Timeshares and Residential Lots) and 453A (Nondealer dispositions greater than \$150,000), do not include tax increases for interest on the deferred tax liability.

Line 19 – AMT

If line 17 is more than zero and if the corporation has credits or credit carryovers, continue to Part II. Otherwise, stop here and enter the amount, if any, from line 19 on Form 100, line 30; or Form 109, line 19.

Part II – Credits that Reduce Tax

Complete Part II only if the corporation has tax credits.

Use Part II to determine:

- The amount of credit that may be used to offset tax;
- The tax that may be offset;
- The amount of credit, if any, that may be carried over to future years; and
- The order in which to claim credits, if the corporation has more than one credit to claim.

Before you begin Part II:

- Complete Form 100 through line 23.
- Figure the amount of credit(s) using a schedule or the credit form identified in the Credit Table on the next page. Be sure to attach the credit form or schedule to the return, if applicable.

To complete Part II:

- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits without carryover provisions are listed on Schedule P(100) in Section A1 and may be taken only in that section. Credits with carryover provisions are listed on the Credit Table. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 10 in addition to the line(s) for the corporation's credit(s).
- If the corporation's credit is taken in Section A2 or B, enter the credit code and the credit name in the space provided. Refer to the Credit Table for the credit code.
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. Refer to "column instructions."
- If the corporation credit(s) are taken in more than one section, complete each section before going to the next section.
- Once the corporation has completed Part II, see "How to Claim Credits" on the next page.

Section A – Credits that reduce excess regular tax

Section A Instructions

Line 3 – Subtract line 2 from line 1. If the amount is zero or less than zero, continue to Question 1. If the amount is greater than zero, go to the Section A1 instructions.

1. Does the Credit Table show that the corporation may take the credit ONLY in Sections A1 or A2?

Yes. Do not take the credit this year. Go to question 2.

No. Go to Section B to figure the amount of credit the corporation may take this year. Then continue to Section C if the corporation's credit is listed in that section.

2. Does the credit have carryover provisions?

- Yes.** Enter the credit code, credit name and credit amount (column (a)) in the section indicated by the table. Enter -0- in column (b). Enter the credit amount in column (d). This is the amount of the credit the corporation may carry over and use in future years.
- No.** Do not take the credit this year or in future years.

Section A1 Instructions

Line 4 – If the corporation has the credit listed in this section, complete column (a) through column (c).

Section A2 Instructions

Line 5 through Line 9 – Follow the Credit Table Instructions to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Note: Generally, it is to the corporation's advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on carryover first if that is more advantageous.

Corporations may use these credits to reduce regular tax but not below TMT. The corporation may be able to, if applicable, use them in Section B or Section C or carry them over to future years. The credits that do not have shading in column (d) can be used in Section B, or carried over to future years, if applicable, after reducing the regular tax down to TMT.

Section B – Credits that may reduce regular tax below tentative minimum tax

Corporations may use these credits to reduce the regular tax below TMT. And corporations may carry over to future income years any credits remaining after reducing the regular tax to zero. But, if the corporation has a tax balance and can continue to use the credit in Section C, apply the carryover in Section C.

Section B Instructions

Line 11 through Line 14 – Follow the Credit Table Instructions to find out in which section to claim your credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Section C – Credits that may reduce alternative minimum tax

If the corporation has AMT and remaining solar energy credit carryover and commercial solar energy credit carryover after reducing the regular tax to zero, the corporation may reduce AMT using these credits. And corporations may carry over to future income years any credits remaining after reducing the AMT to zero.

Section C Instructions

Line 16 and Line 17 – If the corporation has any of the credits listed in this section, complete column (a) through column (d) for each credit in the order listed.

Column Instructions – In column:

- (a) Enter the amount of credit available to offset tax;
- (b) Figure the amount of credit the corporation is able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line;
- (c) Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line; and
- (d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a).

How to Claim Credits

Claim credits by transferring them to Form 100 or Form 109 as follows:

Credits on line 4 through line 17

Form 100 – If the corporation claims only one, two or three credits, enter the name, code number and amount of the credit from column (b) on Form 100, line 24, line 25 and line 26. To claim credits that are listed in more than one section, total column (b) for the credits that have the same code numbers. Then enter the name, code number and amount of the credit on Form 100, line 24, line 25 and line 26.

If the corporation has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 100, line 27.

Form 109 – If the organization claims only one to six credits, enter the name, code number and amount of the credit from column (b) on Form 109, Schedule B, line 1 through line 6. To claim credits that are listed in more than one section, total column (b) for the credits that have the same code numbers. Then enter the name, code number and amount of the credit on Form 109, Schedule B, line 1 through line 6.

If the organization has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 109, Schedule B, line 7.

Credit Table Instructions

To use the table:

1. Find the corporation's credit(s) listed in the table.
2. See which sections are identified in the columns under "Offset Tax in Section."
3. Take the credit only in sections the table identifies for the corporation's credit.
4. Use the credit in the earliest section possible.
5. Complete each section before going to the next section.

Part III – Credit for Prior Year AMT

Use this part to figure the 1998 credit for prior year AMT if the corporation paid AMT for 1997 or had an alternative minimum tax credit carryover from 1997.

For members of a unitary group filing a combined report, compute the credit for prior year AMT for each entity in the current year's group.

Line 1

Enter the AMT from the 1997 Schedule P (100), Part I, line 19. If this amount was reduced by any commercial solar energy credit carryover or solar energy credit carryover, use the AMT from Section C, line 18 of the 1997 Schedule P (100.)

Line 2

Enter the credit for prior year carryover from the 1997 Schedule P (100), Part II, line 10, column (d).

Line 3

Enter this amount on Part II, line 9, column (a).

Credit Table

Code	Current Credits	Form	Offset Tax in Section:			
			A2	B	C	
209	Community Development Financial Institution Deposits	N/A	A2			
205	Disabled Access for Eligible Small Businesses Credit	FTB 3548	A2			
204	Donated Agricultural Products Transportation Credit	FTB 3547	A2			
190	Employer Child Care Contribution	FTB 3501	A2			
189	Employer Child Care Program	FTB 3501	A2			
203	Enhanced Oil Recovery Credit	FTB 3546	A2			
176	Enterprise Zone Hiring & Sales or Use Tax 1 = hiring credit 2 = sales or use tax credit	FTB 3805Z	A2 ₁ A2 ₂	B ₁ B ₂		
207	Farmworker Housing – Construction	N/A	A2			
208	Farmworker Housing – Loan	N/A	A2			
198	Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax	FTB 3807	A2			
172	Low-Income Housing	FTB 3521	A2	B		
199	Manufacturers' Investment	FTB 3535	A2	B		
211	Manufacturing Enhancement Area (MEA) Hiring	FTB 3808	A2			
188	Prior Year Alternative Minimum Tax	FTB 3510	A2			
162	Prison Inmate Labor	FTB 3507	A1			
183	Research	FTB 3523	A2	B		
210	Targeted Tax Area (TTA) Hiring & Sales or Use Tax	FTB 3809	A2	B		
206	Rice Straw Credit	N/A	A2			
200	Salmon & Steelhead Trout Habitat Restoration	N/A	A2			
Code	Repealed Credits with Carryover Provisions	Form	Offset Tax in Section:			
175	Agricultural Products	FTB 3540	A2			
196	Commercial Solar Electric System	FTB 3540	A2	B		
181	Commercial Solar Energy	FTB 3540	A2	B		C
202	Contribution of Computer Software	FTB 3540	A2			
191	Employer Ridesharing Large Employer					
192	Small Employer	FTB 3540	A2			
193	Transit					
182	Energy Conservation	FTB 3540	A2			
159	Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax	FTB 3806	A2	B		
160	Low-Emission Vehicles	FTB 3540	A2			
185	Orphan Drug	FTB 3540	A2	B		
184	Political Contributions	FTB 3540	A2			
174	Recycling Equipment	FTB 3540	A2			
171	Ridesharing	FTB 3540	A2			
180	Solar Energy	FTB 3540	A2	B		C
179	Solar Pump	FTB 3540	A2			
201	Technological Property Contribution	FTB 3540	A2			

1998 California Corporation Franchise or Income Tax Return

For calendar year 1998 or fiscal year beginning month day year 1998, and ending month day year 19

California corporation number, Federal employer identification number (FEIN), Corporation name, Address, City, State, ZIP Code

A Final return? B Is income included in a combined report of a unitary group? C Principal business activity code D Check here if the corporation does not need tax forms mailed next year

Table with 17 rows for State Adjustments, including Net income (loss) before state adjustments, Amount deducted for foreign or domestic tax, and Net Income (loss) after state adjustments.

If income is from sources both within and outside California, complete Schedule R.

Table with 5 rows for Calif. Net Income, including Net income (loss) for state purposes, Net operating loss (NOL) carryover deduction, and Net income for tax purposes.

Table with 10 rows for Taxes, including Tax calculation, credit entries, and Adjusted total tax.

Table with 4 rows for Payments, including Overpayment from prior year, 1998 estimated tax payments/excess SOS prepayment tax, and Total payments.

Table with 5 rows for Amount Due or Refund, including Tax due, Overpayment, Amount of line 39 to be credited, Penalties and interest, and Total amount due.

Schedule D California Capital Gains and Losses

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

(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) ((d) less (e))
1					
2 Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37					2
3 Unused capital loss carryover from 1997					3
4 Net short-term capital gain (loss). Combine line 1 through line 3					4

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

5					
6 Enter gain from Schedule D-1, line 7 or line 9					6
7 Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37					7
8 Net long-term capital gain (loss). Combine line 5 through line 7					8
9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)					9
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)					10
11 Total line 9 and line 10. Enter here and on Form 100, Side 1, line 5. Note: If losses exceed gains, carry forward losses to 1999					11

Schedule J Add-On Taxes and Recapture of Tax Credits. See instructions.

1 LIFO recapture due to S corporation election (IRC Sec. 1363(d) deferral: \$ _____)	●	1	
2 Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834)	●	2	
3 Interest on tax attributable to installment: a Sales of certain timeshares and residential lots	●	3a	
b Method for nondealer installment obligations	●	3b	
4 IRC Section 197(f)(9)(B)(ii) election	●	4	
5 Credit recapture name: _____	●	5	
6 Combine line 1 through line 5. Revise Side 1, line 38 or line 39, whichever applies, by this amount. Write "Schedule J" to the left of line 38 or line 39	●	6	

Questions (continued from Side 1)

- E** Was the corporation's income included in a consolidated federal return? ● Yes No
- F** Did this corporation or its subsidiary(ies) have a change in control or ownership, or acquire ownership or control of any other legal entity this year? ● Yes No
- G** Is this corporation to be treated as a credit union? ● Yes No
- H** Is this corporation apportioning income to California using Schedule R? ● Yes No
- I** Is this corporation treated as a REMIC for California purposes? ● Yes No
- J** Date incorporated: ● Where: State Country _____
- K** Is this corporation an LLC or limited partnership electing to be taxed as a corporation for federal purposes? ● Yes No
- L** Date business began in California or date income was first derived from California sources ● _____
- M** Accounting method: ● (1) Cash (2) Accrual (3) Other
- N** Location of principal accounting records _____
- O** Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year? ● Yes No
- P** First return? ● Yes No If "Yes" and this corporation is a successor to a previously existing business, check the appropriate box. ● (1) sole proprietorship (2) partnership (3) joint venture (4) corporation (5) other (attach statement showing name, address and FEIN of previous business)
- Q** "Doing business as" name: ● _____

- R** Did this corporation or one of its subsidiaries make a federal election to be treated as a foreign sales corporation (FSC) or a domestic international sales corporation (DISC)? ● Yes No
- S** Is this corporation a RIC for California purposes? ● Yes No
- T** At any time during the income year, was more than 50% of the voting stock:
 - a** Of the corporation owned by any single interest? ● Yes No
 - b** Of another corporation owned by this corporation? ● Yes No
 - c** Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? ● Yes No
 If a or c is "yes" enter the country of the ultimate parent ● _____
 If a, b or c is "yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If the owner(s) is an individual, provide the SSN.
- U** Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, 8865 etc.) been filed with the Franchise Tax Board? N/A Yes No
- V** Corporation headquarters are: ● (1) Within California (2) Outside of California, within the U.S. (3) Outside of the U.S.
- W** How many affiliates in the combined report are claiming immunity from taxation in California under Public Law 86-272? ● _____
- X** Is this corporation a REIT for California purposes? ● Yes No
- Y** Was 50% or more of the stock of this corporation owned by another corporation during this income year? ● Yes No
- Z** During the income year, were gross receipts (less returns and allowances) of this corporation more than \$1 million? ● Yes No

Is this corporation filing on a water's-edge basis pursuant to R&TC Sections 25110 and 25111 for the current income year? Yes No

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer ▶	Title	Date	Telephone ()
Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN/FEIN
Firm's name (or yours, if self-employed) and address ▶			FEIN
			Telephone ()

Paid Preparer's Use Only

Schedule A Taxes Deducted Use additional sheet(s) if necessary.

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount

Total. Enter total of column (c) on Schedule F, line 17, and amounts in column (d) on Side 1, line 2 or line 3 . . .

Schedule F Computation of Net Income See General Information I.

Income	1	a) Gross receipts or gross sales _____	b) Less returns and allowances _____	Balance	●	1c			
	2	Cost of goods sold. Attach federal Schedule A (California Schedule V)				●	2		
	3	Gross profit. Subtract line 2 from line 1c				●	3		
	4	Dividends. Attach federal Schedule C (California Schedule H)				●	4		
	5	a Interest on obligations of the United States and U.S. instrumentalities				●	5a		
		b Other interest. Attach schedule				●	5b		
	6	Gross rents				●	6		
	7	Gross royalties				●	7		
	8	Capital gain net income. Attach federal Schedule D (California Schedule D)				●	8		
	9	Ordinary gain (loss). Attach federal Form 4797 (California Schedule D-1)				●	9		
	10	Other income (loss). Attach schedule				●	10		
11	Total income. Add line 3 through line 10				●	11			
Deductions	12	Compensation of officers. Attach federal Schedule E or equivalent schedule				●	12		
	13	Salaries and wages (not deducted elsewhere)				●	13		
	14	Repairs				●	14		
	15	Bad debts				●	15		
	16	Rents				●	16		
	17	Taxes (California Schedule A)				●	17		
	18	Interest. Attach schedule				●	18		
	19	Contributions. Attach schedule				●	19		
	20	20	Depreciation. Att. fed. Form 4562 (CA FTB 3885)						
	21	21a	Less depreciation claimed elsewhere on return		●	21b			
	22	Depletion. Attach schedule				●	22		
	23	Advertising				●	23		
	24	Pension, profit-sharing, etc., plans				●	24		
	25	Employee benefit plans				●	25		
	26	a) Total travel and entertainment _____		b) Deductible amounts		●	26b		
	27	Other deductions. Attach schedule				●	27		
	28	Specific deduction for 23701r or 23701t organizations. See instructions				●	28		
	29	Total deductions. Add line 12 through line 28				●	29		
	30	Net income before state adjustments. Subtract line 29 from line 11. Enter here and on Side 1, line 1				●	30		

Schedule V Cost of Goods Sold

1	Inventory at beginning of year				●	1		
2	Purchases				●	2		
3	Cost of labor				●	3		
4	a Additional IRC Section 263A costs. Attach schedule				●	4a		
	b Other costs. Attach schedule				●	4b		
5	Total. Add line 1 through line 4b				●	5		
6	Inventory at end of year				●	6		
7	Cost of goods sold. Subtract line 6 from line 5				●	7		

Method of inventory valuation ► _____

Was there any substantial change in the manner of determining quantities, costs or valuations between opening and closing inventory? Yes No

If "Yes," attach an explanation. Enter California seller's permit number, if any ► _____

Check if the LIFO inventory method was adopted this income year for any goods. If checked, attach federal Form 970

If the LIFO inventory method was used for this income year, enter the amount of closing inventory under LIFO _____

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the corporation? Yes No

Schedule L Balance Sheets	Beginning of income year		End of income year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash				●
2 a Trade notes and accounts receivable			●	
b Less allowance for bad debts	()		● ()	●
3 Inventories		●		●
4 Federal and state government obligations				●
5 Other current assets. Attach schedule(s)				●
6 Loans to stockholders/officers. Attach schedule				●
7 Mortgage and real estate loans				●
8 Other investments. Attach schedule(s)				●
9 a Buildings and other fixed depreciable assets	●		●	
b Less accumulated depreciation	()		● ()	●
10 a Depletable assets				
b Less accumulated depletion	()		()	
11 Land (net of any amortization)		●		●
12 a Intangible assets (amortizable only)			●	
b Less accumulated amortization	()		()	
13 Other assets. Attach schedule(s)				
14 Total assets		●		●
Liabilities and stockholders' equity				
15 Accounts payable				●
16 Mortgages, notes, bonds payable in less than 1 year				●
17 Other current liabilities. Attach schedule(s)				●
18 Loans from stockholders				●
19 Mortgages, notes, bonds payable in 1 year or more				●
20 Other liabilities. Attach schedule(s)				●
21 Capital stock: a Preferred stock			●	
b Common stock			●	●
22 Paid-in or capital surplus. Attach reconciliation		●		●
23 Retained earnings — Appropriated. Attach schedule				
24 Retained earnings — Unappropriated				
25 Adjustments to shareholders' equity (attach schedule)				
26 Less cost of treasury stock	()		()	
27 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of income (loss) per books with income (loss) per return
This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than \$25,000.

1 Net income per books	●		7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	●		a Tax-exempt interest \$	
3 Excess of capital losses over capital gains	●			●
4 Taxable income not recorded on books this year (itemize)			8 Deductions in this return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)			a Depreciation . . . \$	
a Depreciation \$			b State tax refunds . . . \$	
b State taxes \$				●
c Travel and entertainment \$			9 Total. Add line 7 and line 8	
6 Total. Add line 1 through line 5	●		10 Net income per return. Subtract line 9 from line 6.	

Schedule M-2 Analysis of unappropriated retained earnings per books (Schedule L, line 24)
This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than \$25,000.

1 Balance at beginning of year	●		5 Distributions: a Cash	●
2 Net income per books	●		b Stock	●
3 Other increases (itemize)			c Property	●
			6 Other decreases (itemize)	
				●
4 Total. Add line 1 through line 3	●		7 Total. Add line 5 and line 6	
			8 Balance at end of year. Subtract line 7 from line 4.	

1998 Dividend Income Deduction

H

See instructions for Schedule H. Use and attach additional sheets if necessary.

Part I Elimination of Intercompany Dividends (R&TC 25106)

(a) Dividend payer	(b) Dividend payee	(c) Total amount of dividends received	(d) Amount that qualifies for 100% elimination	(e) Amount from column (d) paid out of current year E&P	(f) Amount from column (d) paid out of prior year E&P	(g) Balance column (c) minus column (d)
1						
2						
3						
4						
5						
6						
7 Total amounts in each column. Enter amount from Part I, column (d) on Form 100, Side 1, line 9.						

Part II Deduction For Dividends Paid By A Corporation Taxed By California (R&TC 24402)

(a) Dividend payer	(b) Dividends paid by CA taxpayer (See instructions)	(c) FEIN or California corporation no. of dividend payer	(d) Percentage of ownership of dividend payer	(e) Limitation percentage (See instructions)	(f) Percentage of dividends deductible	(g) Deductible dividends (b)X(e)X(f)
1						
2						
3						
4						
5						
6						
7 Total amounts in column (g)						

Part III Deduction For Dividends Paid To A California Corporation By An Insurance Company (R&TC 24410)

(a) Dividend payer	(b) Dividend payee	(c) California corporation no. of dividend payee	(d) Percentage of ownership of dividend payer	(e) Amount of qualified insurance dividends received from Part I, col. (g) (See instructions)	(f) Apportionment factors of insurance company	(g) Deductible dividends - multiply col. (e) by col. (f)
1						
2						
3						
4						
5						
6						
7 Total amounts in column (g)						

8 Add amounts from Part II, column (g) and Part III, column (g). Enter the result on Form 100, Side 1, line 10

Part IV Deduction For Foreign Dividends Paid To A Fully Included Member Of A Water's-Edge Combined Report (R&TC 24411)

(Foreign dividends paid by partially included members of a Water's-Edge combined report cannot be computed on this schedule.)

(a) Dividend payer	(b) Percentage of ownership of dividend payer	(c) Member of water's-edge combined reporting group dividend was paid to (payee)	(d) Amount of qualified dividends received by payee (See instructions)	(e) Amount from col. (d) paid out of current year E&P	(f) Amount from col. (d) paid out of prior year E&P	(g) Deductible dividends - multiply col. (d) by .75
1						
2						
3						
4						
5						
6						
7 Total amounts in column (g). Enter total from Part IV, column (g) on Form 100, Side 1, line 11.						

1998 Water's-Edge Cover Sheet

2426

For calendar year 1998 or fiscal year beginning month _____ day _____ year 1998, and ending month _____ day _____ year _____

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

Corporation and Contract Information

Corporation name	California corporation number

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

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

<input type="checkbox"/>					
FTB 2416	FTB 2424	Form 100-FEE-A	Form 100-FEE-X	Form 100-WE	Copy of Form 100-WE from prior year election

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

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

General Information

Purpose

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

General Instructions

Form FTB 2426 should be attached to the front of Form 100 or Form 100S. Do not attach form FTB 1116, Notice of Nonrenewal of Water's-Edge Contract, or form FTB 1117, Request to Terminate Water's-Edge Election, to this form. Mail each of these forms separately from any other form. For a proper election, Form 100-WE, Water's-Edge Contract, must be attached to the original return. Any taxpayer electing water's-edge should be in good

standing with both the Franchise Tax Board and California Secretary of State. A copy of the applicable contract must be attached to all subsequent returns filed during the contract period.

California Corporation Number for Unitary Group Single Return

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

1998

Alternative Minimum Tax and Credit Limitations — Corporations

P (100)

Corporation name

California corporation number

Part I Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation

Table with 19 rows and columns for tax computation. Includes sections for Adjustments (2a-2k), Tax preference items (3a-3f), Pre-adjustment alternative minimum taxable income (4a-4b), Adjusted current earnings (ACE) adjustment (5a-5e), and TMT/AMT calculations (7a-7c, 8-16, 17-19).

Part II Credits that Reduce Tax

1 Regular tax from Form 100, line 23; or Form 109, line 7	1		
2 Tentative minimum tax (before credits) from Part I, line 17 (but not less than the minimum franchise tax, if applicable)	2		

	(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by credits	(d) Credit carryover
Section A – Credits that reduce excess regular tax.				
3 Subtract line 2 from line 1. If zero or less enter -0- and see instructions. This is your excess regular tax which may be offset by credits	3			
A1 Credits that reduce excess regular tax and have no carryover provisions.				
4 Code: 162 Prison inmate labor credit	4			
A2 Credits that reduce excess regular tax and have carryover provisions. See instructions.				
5 Code: _____ Credit Name: _____	5			
6 Code: _____ Credit Name: _____	6			
7 Code: _____ Credit Name: _____	7			
8 Code: _____ Credit Name: _____	8			
9 Code: 188 Credit for prior year alternative minimum tax from Part III, line 3	9			
Section B – Credits that may reduce regular tax below tentative minimum tax.				
10 If Part II, line 3 is zero, enter the amount from line 1 minus the minimum franchise tax. If line 3 is more than zero, enter the total of Part II, line 2, minus the minimum franchise tax plus line 9, column (c)	10			
B Credits that reduce net tax and have carryover provisions. See instructions.				
11 Code: _____ Credit Name: _____	11			
12 Code: _____ Credit Name: _____	12			
13 Code: _____ Credit Name: _____	13			
14 Code: _____ Credit Name: _____	14			
Section C – Credits that may reduce alternative minimum tax.				
15 Enter your alternative minimum tax from Side 1, Part I, line 19	15			
16 Code: 180 Solar energy credit carryover from Section B, column (d)	16			
17 Code: 181 Commercial solar energy credit carryover from Section B, column (d)	17			
18 Adjusted AMT. Enter the balance from line 17, column (c) here and on Form 100, line 30; or Form 109, Side 1, line 19	18			

Part III Credit for Prior Year AMT

1 Enter the alternative minimum tax from the 1997 Schedule P (100), Part I, line 19. See instructions	1		
2 Carryover of unused credit for prior year alternative minimum tax. See instructions	2		
3 Total available credit. Add line 1 and line 2. See instructions	3		

1998

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Corporations

3805Q

Attach to your California tax return.

Corporation name as shown on the return

California corporation number

During the year the corporation incurred the NOL the corporation was a(n): [] C Corporation [] S Corporation [] Exempt Organization [] Limited Liability Company (corporations only)

If the corporation previously filed California returns under another corporate name, enter the corporation name and California corporation number:

Note: If the corporation is included in a combined report of a unitary group, see instructions, General Information C.

PART I Computation of current year NOL. If you do not have a current year NOL, go to Part II.

Table with 7 rows for NOL computation. Line 1: Net loss for state purposes. Line 2: 1998 disaster loss. Line 3: Subtract line 2 from line 1. Lines 4a and 4b: Loss incurred by new business and eligible small business. Line 4c: Add line 4a and line 4b. Line 5: Subtract line 4c from line 3. Line 6: General NOL (50% of line 5). Line 7: 1998 NOL carryover.

PART II NOL carryover and disaster loss carryover limitations. See Instructions.

Table for Part II with 1 row. Column (g) Available Balance. Shaded area for carryover limitations.

Prior Year NOLs

Table with 8 columns: (a) Year of loss, (b) Code, (c) Type of NOL, (d) Initial loss, (e) Carryover from 1997, (f) Amount used in 1998, (g) Available Balance, (h) Carryover to 1999. Row 1: 1998, 18, DIS, [], [], [], [], [].

Current Year NOLs

Table with 8 columns: (a) Year of loss, (b) Code, (c) Type of NOL, (d) Initial loss, (e) Carryover from 1997, (f) Amount used in 1998, (g) Available Balance, (h) Carryover to 1999. Row 1: 3 1998, 18, DIS, [], [], [], [], (col. (d) - col. (f)).

Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), Title 11 (T11), or Disaster (DIS).

PART III 1998 NOL deduction

Table with 3 rows for NOL deduction. Line 1: Total amounts in column (f) for Part II. Line 2: Total amount from column (f) for disaster loss carryover. Line 3: Subtract line 2 from line 1.

1998 Instructions for Form FTB 3805Q

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) or the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

What's New

In 1998, the Franchise Tax Board (FTB) implemented the new principal business activity (PBA) code chart that is based on the North American Industrial Classification System (NAICS) in the corporate tax booklets. However, the California R&TC still uses the Standard Industrial Codes (SIC) for purposes of the new business and eligible small business NOL.

A Purpose

Use form FTB 3805Q to figure the current year NOL and to limit NOL and disaster loss carryover deductions.

Note: Exempt trusts should use form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates and Trusts.

The California NOL is figured the same way as the federal NOL, except that for California:

- An NOL may be carried over only to future years (no carrybacks are allowed); and
- The carryover period and percentages differ from federal allowances.

Only a portion of the NOL may be eligible for carryover to future years because California has established different categories of NOL. See General Information F for more information.

Note: If the corporation has a current year NOL under R&TC Section 24416.2, 24416.5 and 24416.6 (relating to EZ, LAMBRA or TTA NOLs), it must **elect** on its return for the income year in which the loss is incurred, to carry over the loss either under that section or the loss under R&TC Section 24416 (relating to general NOLs). The election is irrevocable. Get form FTB 3805Z, form FTB 3807 or form FTB 3809 for more information.

B Apportioning Corporations

The loss carryover for a corporation that apportions income is the amount of the corporation's loss, if any, after adding income or loss apportioned to California with income or loss allocable to California under Chapter 17 of the Bank and Corporation Tax Law. The loss carryover may be deducted from income apportioned and allocable to California in subsequent years.

C Combined Reporting

Corporations that are members of a unitary group filing a single return must use intrastate apportionment, separately computing the loss carryover for each corporation in the group using its individual apportionment factors (R&TC Section 25108). Complete a separate form FTB 3805Q for **EACH** taxpayer included in the combined report. Attach the form FTB 3805Q for **EACH** taxpayer member included in the combined report **BEHIND** the combined form FTB 3805Q for all members.

Unlike the loss treatment for a federal consolidated return, a California loss carryover for one member in a combined report may not be applied to the income of another member included in the combined report. Get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report, for more information.

D Water's-Edge

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

E S Corporations

An S corporation is allowed to carry over a loss that is incurred during a year in which it has in effect a valid election to be treated as an S corporation. The loss is also passed through to the shareholders in the year incurred and is taken into account in determining each shareholder's NOL carryover, if any.

If a corporation changes from a C corporation to an S corporation, the loss incurred while the corporation was a C corporation may not be applied to offset income subject to the 1.5% tax imposed on an S corporation. However, losses incurred while the corporation was a C corporation may be applied against the built-in gains which is subject to tax. If the corporation incurred losses while it was a C corporation and an S corporation, and the S corporation is using C corporation losses to offset its built-in gains, the corporation must complete two forms FTB 3805Q and attach them to Form 100S, California S Corporation Franchise or Income Tax Return. The unused losses incurred while the corporation was a C corporation are "unavailable" except as provided for above until the S corporation reverts back to a C corporation or the carryover period expires.

F Types of NOLs

The following table shows the types of NOL available, a description, and the percentages and carryover periods for each type of loss.

Type of NOL and Description	Year NOL Incurred	NOL Carried Over	Carryover Period
General NOL (GEN) Available as a result of a loss incurred in years after 1986 and allowed under R&TC Section 24416. Does not include losses incurred from activities that qualify as a new business or an eligible small business, an EZ, LARZ, LAMBRA, TTA or disaster loss.	1992-1998 1991 1987-1990	50% 50% 50%	5 Years 6 Years 7 Years
New Business NOL (NB) Get Legal Ruling 96-5 for more information. Incurred by a trade or business that first commenced in California on or after January 1, 1994. During the first three years of business, 100% of an NOL may be carried over for an extended period, but only to the extent of the net loss from the new business. If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL. If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business thereafter conducted by the taxpayer or related person is not a new business if the fair market value (FMV) of the acquired assets exceeds 20% of the FMV of the total assets of the trade or business conducted by the taxpayer or any related person. To determine whether the acquired assets exceed 20% of the total assets, include only the assets that continue to be used in the same trade or business activity as they were used in immediately prior to the acquisition. For this purpose, the same trade or business activity means the same division classification listed in the SIC Manual, 1987 edition. If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and thereafter commences an additional trade or business in California, the additional trade or business qualifies as a new business only if the activity is classified under a different division of the SIC Manual, 1987 edition. Business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Sections 267 or 318. Effective January 1, 1997, the term "new business" includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the SIC Manual. It also includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration. See R&TC Section 24416(g)(7)(A), for more information.	Year of Operation Year 1 Year 2 Year 3	100% 100% 100%	8 Years 7 Years 6 Years

(continued on next page)

Type of NOL and Description (continued)	Year NOL Incurred	NOL Carried Over	Carryover Period
Eligible Small Business (ESB) Get Legal Ruling 96-5 for more information. Operates a trade or business activity that has gross receipts, less returns and allowances, of less than \$1 million during the income year. 100% of an NOL may be carried over, but only to the extent of the net loss from the eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over at 50% as a general NOL. The corporation should use the same SIC Code tests described in the new business NOL section to group trade or business activities for the eligible small business NOL.	Income Years Beginning on or After 1/1/94	100%	5 Years
Title 11 Bankruptcy (T11) If the corporation is claiming an NOL carryover deduction under the provisions of R&TC Section 24416(e)(4)(A), enter the carryover amount on Side 1, Part II, line 2.	1987-1993	50%	10 Years
Disaster Losses (DIS) Casualty losses in areas of California declared by the President of the United States or the Governor of California to be in a state of disaster. An election may be made under IRC 165(i) permitting the disaster loss to be taken against the previous year's income. If you made this election, see current year NOLs, Part II, line 3. If special legislation is enacted under R&TC Section 24347.5 and the specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to 5 income years. If any excess loss remains after the 5-year period, 50% of that remaining loss may be carried over for up to 10 additional income years.	See list in the Instructions for Part II	100% 50%	5 Years 10 Years

Specific Line Instructions

Part I

Use Part I of this form to figure the current year NOL, if any, eligible for carryover.

Line 2 – If the corporation incurred a disaster loss during 1998, enter the amount of the loss on this line. Enter as a positive number.

Line 3 – If the amount is zero or less the corporation does not have a current year general NOL. Go to Part II for computation of general NOL carryovers, the current year disaster loss and carryover from disaster losses.

Line 7 – Go to Part II, Current Year NOLs, to record your 1998 NOL carryover to 1999. Complete columns (b), (c), (d) and (h) only, for each type of loss that you incurred.

If you have a business that qualifies as a new business or a small business and your NOL is greater than the amount of net loss from such a business, use the general NOL first. If you operate one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es) and to the small business(es). The NOL deduction will be taken in the following manner. The NOL is first treated as a new business NOL to the extent of the loss from the new business. Any remaining NOL is then treated as an eligible small business NOL to the extent of the loss from the eligible small business. Any further remaining NOL is treated as an NOL under the general rules.

Part II

Use Part II to limit current year disaster loss and loss carryover deductions to current year income and to record all of the corporation's loss carryover information.

If the corporation has losses from more than one source and/or more than one category, the corporation must compute the allowable NOL carryover for each loss separately.

When to use an NOL carryover – Use your NOLs in the order the losses were incurred. There is no requirement to deduct NOL carryovers before disaster loss carryovers.

Prior Year NOLs

Column (a) – Enter the year the loss was incurred.

Column (b) – If the loss is due to a disaster, enter the disaster code from the list below. If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual, 1987 edition. DO NOT enter the code from the PBA chart available in the 1998 Form 100 or Form 100S booklets. If the loss was from a pass-through entity, enter the entity's federal employer identification number from Schedule K-1 (100S).

Following is a list of events that have been declared disasters:

Year	Code	Event
1998	18	El Niño '98.
1997	17	Disaster floods '96/97.
1996	16	Firestorms '96.*
1995	15	Storms, flooding and other related casualties.
1994	14	San Luis Obispo fire and other related casualties.
1994	13	Los Angeles, Orange, and Ventura County earthquake and other related casualties.
1993	12	Storms, floods and other related casualties.
1992	11	Wildfires and other related casualties in Calaveras and Shasta Counties.
1992	10	San Bernardino County earthquake and other related casualties.
1992	9	Riots, arson and related casualties in California during April and May.
1992	8	Humboldt County earthquake and related casualties.
1992	7	Storms, floods and other related casualties.
1991	6	Oakland/Berkeley fire and other related casualties.
1990	5	Santa Barbara fires and other related casualties.
1989	4	Bay Area earthquake and other related casualties.
1987	3	Forest fires, October earthquake and other related casualties.
1986	2	Storms, floods, and other related casualties.
1985	1	Forest fires and related casualties occurring in California.

*The carryover period is limited to 5 years at 50%, no special legislation was enacted.

Column (c) – Enter the type of NOL from the table in General Information F.

Column (d) – Enter the amount of the initial loss for the year given in column (a).

Column (e) – Enter the carryover amount from the 1997 form FTB 3805Q, Part II, column (h).

Column (f) – Enter the smaller of the amount in column (e) or the amount in column (g) of the previous line.

Column (g) – Enter the result of subtracting column (f) from the balance in column (g) of the previous line.

Column (h) – Subtract the amount in column (f) from the amount in column (e) and enter the result.

Current Year NOLs

Line 3, Column (d) – Enter your 1998 disaster loss from Part I, line 2. If you did not elect to deduct your disaster loss in the prior year:

- In column (f), enter the disaster loss used in 1998.
- In column (h), enter column (d) less column (f).

If you elected to deduct your 1998 disaster loss on your 1997 return, and you have an excess amount to be carried over to 1998, enter the carryover amount from your 1997 form FTB 3805Q, Part II, line 3, in Part II, line 2, column (e). Use the Prior Year NOL instructions for column (a) through column (h) except:

- In column (a), enter 1998;
- In column (b), enter 18; and
- In column (d), enter the total disaster loss incurred in 1998.

Line 4 – Enter your 1998 NOL from Part I, line 3. If you have different types of NOLs in the current year, list each type of loss separately. Enter the initial loss in column (d) and the loss to be carried over to subsequent years in column (h) for each NOL.

Part III

Line 1 – If a current year disaster loss amount is entered in Part II, line 2, column (f), but is also included in the amount in Part I, line 1, do not include that amount on this line.

THIS PAGE LEFT BLANK FOR NOTES

1998 Corporation Depreciation and Amortization

3885

Attach to Form 100.

Corporation name California corporation number

Part I Depreciation

Table with 8 columns: (a) Description of property, (b) Date acquired, (c) Cost or other basis, (d) Depreciation allowed or allowable in earlier years, (e) Method of figuring depreciation, (f) Life or rate, (g) Depreciation for this year, (h) Additional first year depreciation.

2 Add the amounts in columns (g) and (h). The combined total of column (h) may not exceed \$2,000. See instructions for line 1, column (h). 2
3 Total. Add the amounts on line 2, columns (g) and (h). 3
4 Total depreciation claimed for federal purposes. 4
5 Depreciation adjustment. If line 4 is greater than line 3, enter the difference here and on Form 100, Side 1, line 6. If line 4 is less than line 3, enter the difference here and on Form 100, Side 1, line 15. (If California depreciation amounts are used on Form 100, no adjustment is necessary) 5

Part II Amortization

Table with 7 columns: (a) Description of property, (b) Date acquired, (c) Cost or other basis, (d) Amortization allowed or allowable in earlier years, (e) R&TC section, (f) Period or percentage, (g) Amortization for this year.

2 Total. Add the amounts in column (g). 2
3 Total amortization claimed for federal purposes. 3
4 Amortization adjustment. If line 3 is greater than line 2, enter the difference here and on Form 100, Side 1, line 6. If line 3 is less than line 2, enter the difference here and on Form 100, Side 1, line 15. 4

General Information

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) or the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California law conforms to federal law regarding the temporary suspension of income limitations on percentage depletion for production from marginal wells. The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is no longer restricted from exceeding 100% of the net income derived from the oil or gas well property.

A Purpose

Use this form to figure California depreciation and amortization for corporations, and for partnerships and limited liability companies (LLCs) classified as corporations. S corporations must use Schedule B (100S). Individuals must use form FTB 3885A, Depreciation and Amortization - Individuals. Fiduciaries and exempt trusts must use form FTB 3885F, Depreciation and Amortization - Fiduciaries. Partnerships must use form FTB 3885P, Depreciation and Amortization - Partnerships. LLCs classified as partnerships must use form FTB 3885L, Depreciation and Amortization - Limited Liability Companies.

Depreciation and amortization are deductions corporations claim for reasonable exhaustion, wear and tear, and normal obsolescence of property used in a trade or business or held for the production of income.

For purposes of this form, depreciation is used in connection with tangible property, while amortization is used for intangible assets.

Note: For amortizing the cost of certified pollution control facilities, use form FTB 3580, Application to Amortize Certified Pollution Control Facility.

Important differences between federal and California laws affect the calculation of depreciation and amortization. Some of the major differences are briefly described below:

- California law has not conformed to federal statutes allowing accelerated depreciation for property on Indian Reservations;
California law allows a useful life of five years instead of ten years for grapevines planted as replacements for vines subject to Phylloxera or Pierce's Disease;

- California bank and corporation tax law has not conformed to the federal special class life for gas station convenience stores and similar structures;
- California law allows additional first-year depreciation under R&TC Section 24356, rather than IRC Section 179;
- California has not conformed to federal statutes allowing depreciation under Modified Accelerated Cost Recovery System (MACRS) for corporations, except to the extent such depreciation is passed through from a partnership;
- California has adopted provisions of the federal Class Life Asset Depreciation Range System (ADR), which specifies a useful life for various types of property. However, California law does not allow the federal provision that enables a corporation to choose a depreciation period that varies from the specified asset guideline system.

B Depreciation Calculation Methods

For depreciation methods, refer to R&TC Sections 24349 through 24354.

R&TC Section 24349 describes the methods to use for calculating depreciation:

Straight-Line. The straight-line method divides the cost or other basis of property, less its estimated salvage value, into equal amounts over the estimated useful life of the property. An asset may not be depreciated below a reasonable salvage value.

Declining Balance. Under this method, depreciation is greatest in the first year and smaller in each succeeding year. The property must have a useful life of at least three years. Salvage value is not taken into account in determining the basis of the property, but the property may not be depreciated below a reasonable salvage value.

The amount of depreciation for each year is subtracted from the basis of the property and a uniform rate of up to 200% of the straight-line rate is applied to the resulting balance.

For example the annual depreciation allowances for property with an original basis of \$100,000 are:

Year	Remaining basis	Declining-balance rate	Depreciation allowance
First	\$100,000	20%	\$20,000
Second	80,000	20%	16,000
Third	64,000	20%	12,800
Fourth	51,200	20%	10,240

Sum-of-the-years-digits method. This method may be used whenever the declining balance method is allowed. The depreciation deduction is figured by subtracting the salvage value from the cost of the property and multiplying the result by a fraction. The numerator of the fraction is the number of years remaining in the useful life of the property. Therefore, the numerator changes each year as the life of the property decreases. The denominator of the fraction is the sum of the digits representing the years of useful life. The denominator remains constant every year.

Other consistent method. Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first 2/3 of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

C Period of Depreciation

Use the following information as a guide to determine reasonable periods of useful life for purposes of calculating depreciation. Actual facts and circumstances will determine useful life. Note, however, that the figures listed below represent the normal periods of useful life for the types of property listed as shown in IRS Rev. Proc. 83-35.

- Office furniture, fixtures, machines and equipment 10 yrs.
This category includes furniture and fixtures (that are not structural components of a building) and machines and equipment used in the preparation of papers or data.
Examples include: desks; files; safes; typewriters; accounting, calculating and data processing machines; communications equipment; and duplicating and copying equipment.
- Computers and peripheral equipment (printers etc.) 6 yrs.
- Transportation equipment, automobiles (including taxis) 3 yrs.
General-purpose trucks:
Light (unloaded weight less than 13,000 lbs.) 4 yrs.
Heavy (unloaded weight 13,000 lbs. or more) 6 yrs.
- Buildings
This category includes the structural shell of a building and all of its integral parts that service normal heating, plumbing, air conditioning, fire prevention and power requirements and equipment such as elevators and escalators.
Type of building:
Apartments 40 yrs.
Dwellings (including rental residences) 45 yrs.
Office buildings 45 yrs.
Warehouses 60 yrs.

D Depreciation Method to Use

Corporations may use the straight-line method for any depreciable property. Before using other methods, consider the kind of property, its useful life, whether it is new or used and the date it was acquired. Use the following chart as a general guide to determine which method to use.

Property description	Maximum depreciation method
Real estate acquired 12/31/70 or earlier	
• New (useful life 3 yrs. or more)	200% Declining balance
• Used (useful life 3 yrs. or more)	150% Declining balance
Real estate acquired 1/1/71 or later	
• Residential Rental:	
New	200% Declining balance
Used (useful life 20 yrs. or more)	125% Declining balance
Used (useful life less than 20 yrs.)	Straight-line
• Commercial and industrial:	
New (useful life 3 yrs. or more)	150% Declining balance*
Used	Straight-line
Personal property	
• New (useful life 3 yrs. or more)	200% Declining balance*
• Used (useful life 3 yrs. or more)	150% Declining balance

* Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first 2/3 of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

The Guideline Class Life System of depreciation may be used for certain classes of assets placed in service before 1971.

The Class Life ADR System of depreciation may be used for designated classes of assets placed in service after 1970.

E Amortization

California conformed to the 1993 federal Revenue Reconciliation Act (Public Law 103-66) for the IRC Section 197 amortization of intangibles for income years beginning on or after January 1, 1994. Generally, assets that meet the definition under IRC Section 197 are amortized on a straight-line basis over 15 years. There may be differences in the federal and California amounts for intangible assets acquired in income years beginning prior to

January 1, 1994. See R&TC Section 24355.5 for more information.

Amortization of the following assets is governed by California law:

Bond premiums	R&TC 24360 – 24363
Research expenditures	R&TC 24365
Reforestation expenses	R&TC 24372.5
Leased property improvements	R&TC 24373
Organizational expenditures	R&TC 24407 – 24409
Start-up expenses	R&TC 24414

Other intangible assets may be amortized if it is proved with reasonable accuracy that the asset has an ascertainable value that diminishes over time and has a limited useful life.

Specific Line Instructions

Line 1

Corporations may enter each asset separately or group assets into depreciation accounts. Figure the depreciation separately for each asset or group of assets. The basis for depreciation is the cost or other basis reduced by a reasonable salvage value (except when using the declining balance method), additional first-year depreciation (if it applies) and tax credits claimed on depreciable property (where specified). This may cause the California basis to be different from the federal basis.

If the Guideline Class Life System or Class Life ADR System is used, enter the amount, from a schedule showing the computation, on form FTB 3885, column (g), and identify as such.

Line 1, Column (h), Additional first-year depreciation

Corporations may deduct up to 20% of the cost of "qualifying property" in the year acquired, in addition to the regular depreciation deduction. The maximum additional first-year depreciation deduction is \$2,000. Corporations must reduce the basis used for regular depreciation by the amount of additional first-year depreciation claimed.

"Qualifying property" is tangible personal property used in business and having a useful life of at least six years. Land, buildings and structural components do not qualify. Property converted from personal use, acquired by gift, inheritance or from related parties also does not qualify.

See R&TC Section 24356 and the applicable regulations for more information.

Note: Property described in R&TC Sections 24356.4, 24356.5, 24356.7 and 24356.8 qualifies for an expanded expense election. For more information, get form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Instructions for Form FTB 3539

Automatic Extension for Corporations and Exempt Organizations

General Information

If a corporation, including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs) and limited liability companies (LLCs) treated as corporations, or an exempt organization in good standing cannot file its California tax return by the original due date, a seven month extension to file will be allowed automatically without filing a written request. To qualify for the automatic extension, the corporation's or exempt organization's tax return must be filed by the extended due date. The corporation's powers, rights and privileges must not be suspended or forfeited by the Franchise Tax Board (FTB) or the California Secretary of State (SOS) as of the original due date. The extended due date for corporations is the 15th day of the 10th month following the close of the income year (fiscal year filers) or October 15, 1999 (calendar year filers). The extended due date for exempt organizations filing Form 199 or Form 109 is the 15th day of the 12th month following the close of the taxable year (fiscal year filers) or December 15, 1999 (calendar year filers).

The extended due date for an employees' trust defined in IRC Section 401(a) and an IRA filing Form 109 is the 15th day of the 11th month after the end of the income year (fiscal year filers) or November 15, 1999 (calendar year filers).

An extension of time to file the tax return is not an extension of time to pay the tax. To avoid late payment penalties and interest, 100% of the tax liability must be paid by the 15th day of the 3rd month (fiscal year corporations), or the 15th day of the 5th month (fiscal year exempt organizations) following the close of the income year or March 15, 1999 (calendar year corporations), or May 17, 1999 (calendar year exempt organizations). Employees' trusts and IRAs must pay 100% of the tax liability by the 15th day of the 4th month after the end of the income year.

Complete the Tax Payment Worksheet on Side 2 to see if additional tax is due. **Send in the voucher only if a payment is due.**

Save the completed worksheet as a permanent part of the corporation's or exempt organization's tax records along with a copy of the return.

Electronic Funds Transfer (EFT)

Corporations or exempt organizations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Corporations or exempt organizations that remit an estimated tax payment or extension payment in excess of \$20,000 or that have a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, must pay through EFT. The FTB will notify corporations or exempt organizations that are subject to this requirement. If you are an EFT taxpayer, **DO NOT USE THIS FORM**. Those that wish to participate on a voluntary basis may do so. For more information, call 1-800-852-2753 or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

Where to File

If tax is due and the corporation or exempt organization is not required to use EFT, attach a check or money order for the tax due to form FTB 3539. Write the California corporation number or FEIN and 1998 FTB 3539 on the check or money order. **Mail only the voucher portion** with the payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0551

Penalties and Interest

If the corporation or exempt organization fails to pay its total tax by the original due date, a late payment penalty plus interest will be added to the tax due. If the corporation or exempt organization does not file its return by the extended due date, or the corporation's powers, rights and privileges have been suspended or forfeited by the FTB or the California SOS, as of the original due date, the automatic extension will not apply and a late filing penalty plus interest will be assessed from the original due date of the return.

----- DETACH HERE -----

(Calendar year corporations — Due March 15, 1999)

(Employees' trust and IRA — Due April 15, 1999)

(Calendar year exempt organizations — Due May 17, 1999)

YEAR _____

Payment Voucher for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM

1998

3539

For calendar year 1998 or fiscal year beginning month _____ day _____ year 1998, and ending month _____ day _____ year _____.			
California corporation number	Federal employer identification number	Tax due	C O R P
Corporation/Exempt organization name			
Address		Type of form filed.	
City	State	ZIP Code	<input type="checkbox"/> Form 100 <input type="checkbox"/> Form 109 <input type="checkbox"/> Form 100S <input type="checkbox"/> Form 199

IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM

Payment Voucher 5

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1 Total tentative tax. Include alternative minimum tax if applicable. See instructions	1		
2 Estimated tax payments including prior year overpayment applied as a credit	2		
3 Tax Due. If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1. Enter the result here and on form FTB 3539	3		

Combined Reports

If members of a combined unitary group have made or intend to make an election to file a Combined Unitary Group Single Return, only the key corporation designated to file the return should submit form FTB 3539. The key corporation must include payment of at least the minimum franchise tax for each corporation of the combined unitary group that is subject to the franchise tax in California.

If members of a combined unitary group intend to file separate returns with the FTB, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the worksheet.

Exempt Organizations

- **Form 100 filers:**
The due dates for corporations also apply to the filing of Form 100, California Corporation Franchise or Income Tax Return, by political action committees and exempt homeowners' associations.
Political action committees and exempt homeowners' associations that file Form 100 should **not** enter the minimum franchise tax on line 1 of the Tax Payment Worksheet.
- **Form 199 Filers:**
Generally, Form 199, California Exempt Organization Annual Information Return, requires a \$10 filing fee to be paid with the return on the original or extended due date.
Use form FTB 3539 **only** if paying the fee early. Enter the amount of the fee on line 3 of the Tax Payment Worksheet.
- **Form 109 Filers:**
The due dates for filing Form 109, California Exempt Organization Business Income Tax Return, depend on the type of organization filing the return. Employees' pension trusts and IRAs (including education IRAs) must file on or before the 15th day of the 4th month after the close of their income year. All other exempt organizations (except homeowners' associations and political organizations) must file on or before the 15th day of the 5th month after the close of their income year.

How to Complete the Tax Payment Worksheet

- Line 1 -** Enter the total tentative tax, including the alternative minimum tax for the income year.
- If filing Form 100 or Form 100S, the tentative tax may not be less than the minimum franchise tax and Qualified Subchapter S Subsidiary (QSSS) annual tax (S corporations only).
 - If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.
 - **Qualified New Corporation**
If the corporation was a qualified new corporation (QNC) and paid:
 - \$600 prepayment minimum tax to the SOS for income years commencing on or after January 1, 1997 and before January 1, 1999; or
 - \$300 prepayment minimum tax to the SOS for income years commencing on or after January 1, 1999; and/or
 - \$500 minimum franchise tax for its 2nd taxable year, for income years beginning on or after January 1, 1999, for corporations that incorporate on or after January 1, 1999; and
 during the income year the corporation did not meet the QNC criteria (see below), then include the appropriate amount(s) on line 1:
 - \$200, if the corporation paid the \$600 prepayment tax to SOS; or
 - \$500, if the corporation paid the \$300 prepayment tax to SOS; and/or
 - \$300, if the corporation paid the \$500 minimum franchise tax for its 2nd taxable year.
 A qualified new corporation is a corporation that:
 - Reasonably estimates it will have gross receipts, less returns and allowances, reportable to California of \$1 million or less during the income year; and
 - Reasonably estimates it will have tax liability that does not exceed \$800; and
 - Did not begin business operations as a sole proprietorship, a partnership, or any other form of business entity; and
 - Began business operations at or after the time of its incorporation.
- Line 2 -** Enter the estimated tax payments, including prior year overpayment applied as a credit. Also include any QSSS annual tax payments (S corporations only).
- Line 3 - Tax due.** If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tax. The corporation or exempt organization has no tax due. **DO NOT SEND THE PAYMENT VOUCHER.** The corporation or exempt organization will automatically qualify for an extension if the tax return is filed by the extended due date.
If the amount on line 1 is more than the amount on line 2, then the corporation's or exempt organization's tax is more than its payments and credits. The corporation or exempt organization has tax due.
Subtract line 2 from line 1. Enter this amount on line 3 below and on form FTB 3539.

1998 Small Business Stock Questionnaire

3565

Corporation name, California corporation number, Address, Federal employer identification number (FEIN), City, State, ZIP Code

A. Income year (beginning and ending), B. Date of incorporation, C. State of incorporation, D. Date of qualification in California, E. Principal business activity, F. Principal business activity code (Do not leave blank)

If the answer to any of the following questions is NO, STOP, do not complete this form.

- G. Did the corporation issue non-treasury stock during the current income year?
H. Was the non-treasury stock issued, in whole or in part, for money, for property other than stock or for services provided to the corporation?
I. Were the corporation's aggregate gross assets less than or equal to \$50,000,000 from the period beginning July 1, 1993 to the date of issuance of the non-treasury stock...
J. Was at least 80% of the corporation's payroll in California at the date of issuance of the non-treasury stock?
K. Was the corporation a domestic corporation at the date of issuance of the non-treasury stock?
L. Since the issuance of non-treasury stock, was this corporation a C corporation for California purposes?
M. Since the issuance of non-treasury stock, was this a corporation other than a:
- RIC, REIT or REMIC?
- DISC or former DISC?
- A corporation with an IRC Section 936 election in effect?
N. Since the issuance of non-treasury stock, were at least 80% (by value) of the assets of the corporation used in the active conduct of one or more qualified trades or businesses in California?
O. What was the aggregate subscription amount for all non-treasury stock issuances during the corporation's existence prior to the current issuance?
P. What was the aggregate subscription amount of non-treasury stock issued during the current income year?
Q. Of the amount in Question P, how much was received for qualified small business stock?
R. What was the date of the first non-treasury issuance during the current income year?
S. What was the date of the last non-treasury stock issuance during the current income year?
T. How were the proceeds from this issuance of non-treasury stock used by the corporation?
(Indicate percent of total proceeds for each category):
- Purchase of equipment or other business assets
- Fund additional cost of labor
- Reduce indebtedness
- Other: (Indicate type of use.)
U. If proceeds from this issuance of non-treasury stock were used for purchase of equipment or other business assets:
- What was the amount paid for equipment or other business assets?
- What was the amount paid for equipment or other business assets purchased in California?
- How much of the amount paid for equipment or other business assets purchased in California was subject to California sales or use tax?
V. For this issuance of non-treasury stock:
- What was the total number of employees working for the corporation?
- How many employees were employed in California?
- What was the total payroll worldwide?
- What was the total payroll in California?
W. If provisions for the 50% exclusion from income on sale of small business stock did not exist, how would the qualified small business have raised funds? (Check all that apply):
- Issue stock
- Issue bonds
- Borrow funds
- Liquidate assets
- Other (specify)

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

Signature of officer, Print name and title, Date

1998 Instructions for Form FTB 3565

Small Business Stock Questionnaire

General Information

A Purpose

Use form FTB 3565, Small Business Stock Questionnaire, to provide information regarding issuance of stock pursuant to Revenue and Taxation Code (R&TC) Section 18152.5.

B Who Must File

A corporation must file form FTB 3565 if it qualifies as a "qualified small business" and issued stock pursuant to R&TC Section 18152.5 during the current income year, but before January 1, 1999.

Note: If there was more than one issuance of small business stock during the income year, fill out a separate form FTB 3565 for each issuance. For purposes of this form, all corporations which are members of the same parent-subsidiary controlled group shall be treated as one corporation. A parent-subsidiary controlled group is defined in Internal Revenue Code (IRC) Section 1563(a)(1), except that "more than 50%" shall be substituted for "at least 80%."

C When and Where to File

For income years beginning on or after January 1, 1996, a corporation is required to file form FTB 3565 along with Form 100, Corporation Franchise or Income Tax Return. Attach form FTB 3565 to Form 100 and file on or before the due date of the corporate return, including extensions.

Under authority granted in R&TC Section 18152.5, the FTB also requires the corporation to provide a copy of any completed form FTB 3565 to each shareholder that acquired qualified small business stock as part of the stock issuance that is reported on the completed form FTB 3565 during the current income year.

Failure to file this form by the corporation's original or extended return due date for the current income year

may result in a penalty being assessed to the corporation pursuant to R&TC Section 19133.5. The penalty amount is \$50 per failure to file unless the failure is due to negligence or intentional disregard, then the penalty amount is \$100 per failure.

Failure of the corporation to file form FTB 3565 will not disqualify the stockholder from excluding gain from the sale or exchange of stock. However, the stockholder bears the burden of proving that the gain from the sale or exchange qualifies for exclusion pursuant to R&TC Section 18152.5.

Specific Instructions

Question F – Enter the 6 digit principal business activity (PBA) code from the chart on pages 14 through 16 of the 1998 Form 100, Corporation Tax Booklet. The code should be the number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income. The California PBA code number may be different than the federal PBA code number. Do not leave blank.

Questions G through N – If the answer to any of these questions is no, stop. The stock issuance does not qualify under R&TC Section 18152.5. You do not need to complete the rest of the form. Do not attach this form to the Form 100 if you do not need to complete the form.

Question K – A domestic corporation is defined in IRC Section 7701(a)(4) as any corporation created or organized in any state in the United States.

Question N – A qualified trade or business is defined as any trade or business **other than:**

- Any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting,

athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or business is the reputation or skill of one or more of its employees;

- Any banking, insurance, financing, leasing, investing, or similar business;
- Any farming business (including the business of raising or harvesting trees);
- Any business involving the production or extraction of products of a character with respect to which a percentage depletion deduction is allowable under IRC Sections 613 or 613A.
- Any business of operating a hotel, motel, restaurant, or similar business.

Question P – Enter the aggregate subscription amount of non-treasury stock issued by the corporation during the entire income year.

Question Q – Enter the amount included in Question P, that was received for that part of the stock issuance that qualifies as small business stock under the provisions of R&TC Section 18152.5.

Records should be maintained showing that the stock issuance met the requirements of R&TC Section 18152.5.

The amount that is entered in Question P and Question Q should not include the value of stock issued in exchange for stock.

Question R – If there was more than one issuance of small business stock during the income year, enter the date of the 1st issuance in Question R.

Question S – If there was more than one issuance of small business stock during the income year, enter the date of the current issuance in Question S.

Question T – Enter a percentage for each category listed to indicate how proceeds received from the issuance of non-treasury stock were used. If the category is not listed, indicate type of use on the "Other" line. The total of percentages for all categories should equal 100%.

How To Get California Tax Information

Where To Get Income Tax Forms

By Internet – If you have Internet access, you may download, view and print 1994 through 1998 California income tax forms and publications. Our Internet address is: <http://www.ftb.ca.gov>

By phone – Use F.A.S.T. to order the 1998 California tax forms listed to the right. To order a form on the list:

- Call (800) 338-0505 from within the United States; or
- (916) 845-6600 from outside the United States (not toll-free);
- Select bank and corporation income tax form requests; and
- Enter the three-digit code shown to the left of the form title when you are instructed to do so.

We will send you two copies of each tax form and one copy of each set of instructions. Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

For prior year California tax forms, call our toll-free number listed under "General Toll-Free Phone Service."

In person – Most libraries, post offices and banks provide free California personal income 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, post offices, banks and quick print businesses cannot provide tax information or assistance.

By mail – Write to: TAX FORMS REQUEST UNIT, FRANCHISE TAX BOARD, PO BOX 307, RANCHO CORDOVA CA 95741-0307.

Letters

We can serve you by phone if you call us for information to complete your California income tax return, or to find out about your tax refund. However, you may want to write to us if you are replying to a notice we sent you, or to get a written reply. If you write to us, be sure to include your California corporation number or federal employer identification number, your daytime and evening telephone numbers and a copy of the notice with your letter. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

We will respond to your letter within 6 to 8 weeks. In some cases, we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Income Tax Forms" on this page for how to get FTB Pub. 4058.

General Toll-Free Phone Service

Between January 4 – April 15, 1999, our general toll-free phone service is available:

- Monday – Friday, 6 a.m. until midnight; and
- Saturday, 8 a.m. until 5 p.m.

After April 15, 1999, our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.

The best times to call are before 10 a.m. and after 6 p.m. All times listed are Pacific Standard Time (PST).

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

For hearing impaired with TDD (800) 822-6268
For federal tax questions,
call the IRS at (800) 829-1040

Asistencia Bilingüe en Español

Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

California Tax Forms and Publications

- 817 California Corporation Tax Forms and Instructions. This booklet contains:
Form 100, California Corporation Franchise or Income Tax Return; and the following forms which are also available separately:
821 Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations
822 FTB 3885, Depreciation/Amortization
807 FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
808 FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations
- 816 California S Corporation Tax Forms and Instructions. This booklet contains:
Form 100S, California S Corporation Franchise or Income Tax Return; and the following forms which are also available separately:
823 Schedule B(100S), S Corporation Depreciation and Amortization
Schedule C (100S), S Corporation Tax Credits
Schedule H (100S), Dividend Income
Schedule D (100S), Capital Gains and Losses and Built-In Gains
825 Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits
826 FTB 3830, S Corporation's List of Shareholders and Consents
808 FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations
- 814 Form 109, Exempt Organization Business Income Tax Return
- 818 Form 100-ES, Corporation Estimated Tax
- 813 Form 100X, Amended Corporation Return
- 815 Form 199, Exempt Organization Return
- 819 Schedule R, Apportionment and Allocation of Income
- 812 FTB Pub. 1038, Guide for Corporations Dissolving, Withdrawing or Merging
- 809 FTB Pub. 1060, Guide for Corporations Starting Business in California
- 810 FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report
- 827 Form 100-WE, Water's-Edge Booklet
- 829 FTB 3564, Authorization of Agent Under Revenue and Taxation Code Section 19141.6
- 820 FTB Pub. 1068, Exempt Organizations Requirements for Filing Returns and Paying Filing Fees
- 802 FTB 3500, Exemption Application
- 803 FTB 3555, Request for Tax Clearance
- 804 FTB 3557, Application for Revivor
- 811 FTB 3560, S Corporation Election or Termination/Revocation
- 806 FTB 5806, Underpayment of Estimated Tax by Corporations
- 800 FTB Pub. 1028, Guidelines for Homeowners' Associations
- 801 FTB Pub. 1075, Exempt Organizations – Guide for Political Organizations
- 832 FTB 3555A, Request for Tax Clearance for Exempt Organizations



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

Call Fast Answers about State Taxes, the F.A.S.T. toll-free phone service you can use to:

- Get recorded answers to many of your questions about California taxes; and
- Order current year California bank and corporation tax forms.

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

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

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order bank and corporation forms F.A.S.T. is available from 6 a.m. to 6 p.m. Monday through Friday, except state holidays. All times listed are Pacific Standard Time (PST).

How To Use F.A.S.T.

Have paper and pencil handy to take notes.

Call from within the United States (800) 338-0505
Call from outside the United States (not toll-free) . . . (916) 845-6600

Follow the recorded instructions and enter the three-digit code when you are instructed to do so.

To Order Forms

See "Where to Get Income Tax Forms" on previous page.

To Get Information

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

Code-Filing Assistance:

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100?
- 717 – What are the current 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?
- 734 – Is my corporation subject to franchise tax or 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 22 of Form 100S?
- 708 – Where do S corporations make adjustment for state and federal law differences on Schedule K-1(100S) and where do nonresident shareholders find their California source income on their 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 – Can I claim my prepayment tax as credit or estimate payment on my return?
- 712 – What is the minimum franchise tax?
- 714 – My corporation is not doing business; does it 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

- 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 obtain information about changing my corporation's name?
- 721 – How do I change my accounting period?
- 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?
- 740 – What requirements do I have to report municipal bond interest paid by a state other than California?
- 750 – How do I organize or register an LLC?
- 751 – How do I cancel my registration as an LLC?
- 752 – What tax forms do I use to file as an LLC?
- 758 – If a corporation converted to an LLC during the current year, is the corporation liable for tax as a corporation and an LLC tax/fee in the same year?

District Offices

You can get information, California tax forms and resolve problems on your account if you visit one of our district offices.

District Office	Address
Bakersfield	1800 30th Street, Suite 370
Burbank	333 N. Glenoaks Boulevard, Room 200
Fresno	2550 Mariposa Street, Room 3002
Long Beach	4300 Long Beach Boulevard, Suite 700B
Los Angeles	300 S. Spring Street, Suite 5704
Oakland	1515 Clay Street, Suite 3N-305
Sacramento	3321 Power Inn Road
San Bernardino	464 W. 4th Street, Suite 454
San Diego	5353 Mission Center Road, Suite 314
San Francisco	50 Fremont Street, Suite 900
San Jose	96 N. Third Street, 4th Floor
Santa Ana	600 W. Santa Ana Boulevard, Suite 300
Santa Rosa	50 D Street, Room 130
Stockton	31 East Channel Street, Room 219
Ventura	4820 McGrath Street, 2nd Floor
West Covina	100 N. Barranca Street, Room 600

Out of State Offices

Chicago	1 N. Franklin, Suite 400 Chicago, IL 60606-3401
Long Island	1325 Franklin Avenue, Suite 560 Garden City, NY 11530
Houston	1415 Louisiana, Suite 1515 Houston, TX 77002-7351
Manhattan	1212 Avenue of the Americas, 4th Floor New York, NY 10036-1601

