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California

Forms & Instructions

109

2005

Exempt Organization Business Income Tax Booklet

Members of the Franchise Tax Board

Steve Westly, Chair
John Chiang, Member
Tom Campbell, Member

This booklet contains:

Form 109, California Exempt Organization Business Income Tax Return

STATE OF CALIFORNIA
FRANCHISE TAX BOARD

Instructions for Form 109

Exempt Organization Business Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005,** and to the California Revenue and Taxation Code (R&TC).

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information regarding California and federal law, please visit our Website at **www.ftb.ca.gov** and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Note, the instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

If the organization was involved in a potentially abusive tax shelter, the organization may have a disclosure, registration, and list maintenance requirement. The Franchise Tax Board may impose several new and enhanced penalties if the organization fails to file IRS Forms 8886, 8264, 8271, or any required information. For more information, see Abusive Tax Shelters on our Website at **www.ftb.ca.gov**.

A Purpose

A tax-exempt organization that regularly carries on a trade or business that is not substantially related to its exempt purpose may be required to pay tax on the unrelated trade or business income that results from such activity. Use Form 109 to figure the tax on the unrelated business income of the organization.

Filing Form 109 does not replace the requirement to file Form 199, California Exempt Organization Annual Information Return. State and federal laws are generally the same in this area. Get federal Form 990-T, Exempt Organization Business Income Tax Return, and instructions for detailed information.

B Who Must File

Every organization exempt under R&TC Section 17631, 23701a through 23701z, 23711, or 23712 must file Form 109 if the gross income from an unrelated trade or business is more than $1,000. See General Information Q, Unrelated Trade or Business.

Exceptions

A tax-exempt organization is not required to file Form 109 if:

- It is formed to carry out a function of the state;
- It is carrying out that function; and
- It is controlled by the state.

Note: Exempt homeowners' associations and exempt political organizations that have a taxable income over $100 must file Form 100, California Corporation Franchise or Income Tax Return.

C Accounting Period

File Form 109 for taxable years beginning in 2005. If filing Form 109 on a fiscal year, fill in the taxable year information including the month, day, and year in the spaces provided at the top of Side 1.

To change an accounting period, file federal Form 1128, Application to Adopt, Change, or Retain a Tax Year, with the IRS, then file a copy of the federal approval with Form 109 in the year the change is effective.

D Accounting Method

Taxable income must be computed in accordance with the method of accounting regularly used by the organization in maintaining its books and records. The method must clearly reflect taxable income.

To change an accounting method, file federal Form 3115, Application for Change in Accounting Method, with the IRS, then file a copy of the federal approval with Form 109 in the year the change is effective.

Note: The amounts on Form 109 and accompanying schedules should be rounded off to the nearest whole dollar.

E Mailing Addresses

Mail returns that include a payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0701

Mail refund returns or returns without a payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0700

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, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

Note: If the organization is filing more than one return, use separate envelopes and checks or money orders to make sure that the returns and payments are processed correctly.

F When to File

Generally, Form 109 is due on or before the 15th day of the 5th month following the close of the taxable year. An employees' trust defined in IRC Section 401(a) and an IRA must file Form 109 by the 15th day of the 4th month after the end of the taxable year. However, Coverdell ESAs must file Form 109 on or before the 15th day of the 5th month after the end of the taxable year.

U.S. Post Office

Official U.S. Post Office postmarks are considered primary evidence of the date of filing of income tax documents and payments. Postage meter dates are not considered proof of filing on the date shown.

Private Delivery Services

California conforms to federal law regarding the use of designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See the federal instructions for Form 990-T, Exempt Organization Business Income Tax Return, for a list of designated delivery services.

G Extension of Time to File Return

If Form 109 cannot be filed by the due date, the exempt organization has an additional seven months to file without filing a written request for extension, unless the organization is suspended as of the original due date. However, to avoid late payment penalties, 100% of the tax liability must be paid by the original due date of the return.

If an extension of time is needed, and an unpaid tax liability is owed, get form FTB 3539, Automatic Extension for Corps and Exempt Orgs.

If the return is not filed by the extended due date, a delinquent filing penalty is charged from the original due date of the return.

H Signature

Corporations and Associations

A corporate officer such as the president, vice president, treasurer, assistant treasurer, chief accounting officer, or trustee must sign the return. In the case of an association, a similarly authorized person must sign the return.

Trusts

The individual fiduciary or authorized officer of the trust receiving or having custody or control and management of the income of the trust must sign the return. If two or more individuals act jointly as fiduciaries, the return may be signed by either individual.

Note: A receiver, trustee, or assignee must sign any return that is filed on behalf of the organization.

I Entity Information

To facilitate processing of this return, you must enter a California corporation number or federal employer identification number (FEIN) in the boxes provided.

Private Mailbox (PMB) Number

If the organization leases a private mailbox (PMB) from a private business, rather than a PO box from the United States Postal Service, include the box number in the field labeled "PMB no." in the address area.

J Tax Rates

Corporations and Associations
The tax rate imposed on the unrelated business income of an incorporated exempt organization or association treated as a corporation is 8.84%. The alternative minimum tax (AMT) rate is 6.65%.

Any organization determined to be exempt from income tax by the FTB does not owe the minimum franchise tax.

Trusts
R&TC Section 23731(b) provides for taxation of trusts at the personal income tax rates imposed by R&TC Section 17041(e). See the Tax Rate Schedule for Trusts on page 14.

K Payment of Tax

The tax due (total tax minus amounts previously paid) must be paid in full by the due date of the return without regard to extensions. Any credit or payment should be claimed on the return and considered in computing the tax due with the return. Get instructions for Form 100-ES, Corporation Estimated Tax, for information regarding how and when to pay estimated tax. Trusts completing Form 100-ES must use the Tax Rate Schedule for Trusts on page 14 to figure the correct amount of tax.

Electronic Funds Transfer (EFT)
Organizations that meet certain requirements must remit all of their payments through EFT rather than by paper checks to avoid the EFT penalty. 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 must remit all of their payments through EFT. The FTB will notify organizations that are subject to these requirements. Organizations that do not meet these requirements and wish to participate on a voluntary basis may do so. For more information, go to our Website at **www.ftb.ca.gov**, call (916) 845-4025, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

L California Use Tax

The use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state or Internet sellers and is similar to the sales tax paid on purchases made in California. In general, exempt organizations must pay California use tax on purchases made from out of state (for example, by telephone, over the Internet, by mail, or in person) if:

- The seller does not collect California sales or use tax, and
- The organization uses, gives away, stores, or consumes the item in this state.

Example: The exempt organization purchases a conference table from a company in North Carolina. The company ships the table from North Carolina to the organization's office in California for its use and does not charge California sales or use tax. The organization owes use tax on the purchase.

Complete the Use Tax Worksheet on page 5 to calculate the amount due.

Extensions to file. If the exempt organization requests an extension to file its tax return, wait until the exempt organization files its tax return to report the purchases subject to use tax and to make the use tax payment.

Changes in use tax reported. Do not file an amended return to revise use tax previously reported. If the exempt organization has changes to the amount of use tax reported on its original return, contact the State Board of Equalization.

For assistance, please visit the State Board of Equalization's Website at **www.boe.ca.gov**, or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929. Income tax information is not available at this number.

M Penalties and Interest

Late Filing of Return
Any organization that fails to file a return on or before the extended due date may be assessed a penalty. The penalty cannot exceed 25% of the unpaid tax.

Late Payment of Tax
Any organization that fails to pay the total tax shown on the return by the original due date is assessed a penalty of 5% of the unpaid tax, plus 0.5% for each month, or part of a month (not to exceed 40 months), that the tax remains unpaid. This penalty cannot exceed 25% of the unpaid tax.

Note: If an organization 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 will not exceed 25% of the unpaid tax.

Underpayment of Estimated Tax
Any corporation, unincorporated association, or trust that fails to pay or underpays an installment of estimated tax is assessed a penalty. The penalty is computed as 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 organization uses Exception B, tax on annualized income, or Exception C, tax on annualized seasonal income, to compute or eliminate the penalty for any of the four installments, a completed form FTB 5806 must be attached to the front of the return.

EFT Penalty
If the exempt organization meets the requirements of the EFT program, all payments must be made through EFT. Payment by other means will result in a penalty of 10% of the amount paid. For more information, see General Information K, Payment of Tax, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide, or call the FTB at (916) 845-4025.

Interest
Interest is due and payable on any tax due that is not paid by the original due date of the return. An extension of time to file a return does not stop interest from accruing.

N Net Operating Loss (NOL) Deduction

For taxable years beginning on or after January 1, 2004, California has reinstated the Net Operating Loss (NOL) carryover deductions. The carryover periods for an NOL incurred in years:

- Beginning before January 1, 2002, have been extended for two years.
- Beginning on or after January 1, 2002, and before January 1, 2003, have been extended for one year.

For taxable years beginning on or after January 1, 2004, 100% of the NOL may be carried forward.

The NOL deduction may be claimed on Side 1, line 4 or line 12.

For more information, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL Disaster Loss Limitations - Corporations; form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitation - Individuals, Estates, and Trusts; form FTB 3805Z, Enterprise Zone Booklet; form FTB 3807, Local Agency Military Base Recovery Area Booklet; form FTB 3809, Targeted Tax Area Booklet; and form FTB 3805D, Net Operating Loss (NOL) Computation - Pierce's Disease.

O Alternative Minimum Tax (AMT)

California law is generally the same as federal law regarding AMT. AMT is reported on Side 1, line 19. Trusts subject to AMT must file Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries. Corporations and unincorporated associations subject to AMT must file Schedule P (100 or 100W), Alternative Minimum Tax and Credit Limitations — Corporations.

P Income to Be Reported

Corporations and Associations
Report all income from an unrelated trade or business whether derived from sources within or outside California.

Apportion business income attributable to sources both within and outside California. See the instructions for Side 1, line 2, and Schedule R, Apportionment Formula Worksheet.

Trusts
Report all income from an unrelated trade or business derived from sources within California. If income is derived from sources outside California and one or more trustees are residents, report the proportion of income that the resident trustees bear to the total of all trustees.

At-Risk Provisions
For the rules limiting a loss to the amount at-risk for certain trade or business and production of income activities, get federal Form 6198, At-Risk Limitations.

Passive Activity Loss and Credit Limitation
For California purposes, the passive loss rules of IRC Section 469 (except for IRC Section 469(c)(7)) apply to closely held corporations, S corporations, personal service corporations, and trusts. Organizations subject to passive loss rules must complete form FTB 3801, Passive Activity Loss Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure their allowable passive activity loss.

An organization subject to the passive activity loss limitations may also be required to adjust credits attributable to passive activities on form FTB 3801-CR, Passive Activity Credit Limitations or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations. **Note:** If a passive activity is also subject to the at-risk rules of IRC Section 465, the at-risk rules apply before the passive loss rules apply. Get federal Publication 925, Passive Activity and At-Risk Rules.

Q Unrelated Trade or Business

Unrelated trade or business is any regularly carried on trade or business that is not substantially related to the organization's exempt purpose or function, or to exercising or performing any purpose or function described in R&TC Section 23701. An unrelated trade or business does not include:

- An activity where substantially all the work in carrying on the trade or business is performed by volunteers (without compensation);
- An activity that is carried on by a R&TC Section 23701d organization primarily for the convenience of its members, students, patients, officers, or employees;
- An activity that is carried on by a local association of employees described in R&TC Section 23701f, organized before May 27, 1969, such as selling work-related clothes, equipment, and items normally sold through vending machines, snack bars, etc., for the convenience of its members at their usual workplace; or
- The sale of merchandise that was donated to the organization.

For additional information, see IRC Section 513.

Unrelated Business Taxable Income

Unrelated business taxable income is the gross income derived from any regularly carried on unrelated trade or business less the deductions that are directly connected with carrying on the unrelated trade or business.

In the case of an organization that regularly conducts two or more unrelated business activities, unrelated business taxable income is the sum of gross income from all such unrelated business activities, less the sum of the deductions that are directly connected with carrying on the unrelated trade or business.

Expenses, depreciation, and similar items that arise from conducting the exempt function are not deductible in computing unrelated business taxable income. However, expenses directly connected with unrelated business income are deductible (see Specific Line Instructions for Side 2, Part I and Part II, line 20, for the exception concerning contributions).

For additional information, see IRC Section 512.

R Exclusions

Items excluded from unrelated business taxable income are:

1. Dividends, interest, annuities, and deductions directly connected with such income. However, unrelated debt-financed income and income derived from controlled organizations is taxable, whether or not the activities that produced such income represent a regularly carried on trade or business.
2. Royalties (including overriding royalties) and deductions directly connected with such income. Mineral royalties are excluded whether measured by production or by gross or taxable income from the mineral property. However, where the organization owns a working interest in a mineral property and is not relieved of its share of the development costs by the terms of any agreement with an operator, income received from the working interest cannot be excluded.

   Note: Debt-financed royalty income is taxable whether or not the organization owns a working interest in the property.
3. Rents from real property (including elevators and escalators) and rents from personal property leased with such real property and deductions directly connected with such rents.

   Rents attributable to personal property must be an incidental amount of the total rents received or accrued under the lease determined at the time when the property is first subject to use by the lessee. Rents attributable to personal property generally are not an incidental amount of the total rents if the rents attributable to personal property exceed 10% of the total rents from all the property leased. See Federal Income Tax Regulation Section 1.512(b)-1(c)(3)(iii) regarding multiple leases.

   The exclusion will not apply if such rents are derived from a controlled organization or the property leased is debt-financed property.

   If the rents are derived from the leasing of debt-financed property to a controlled organization, the taxation of rents is first considered under the controlling organization rules. Only the untaxed portion of rents is subject to the unrelated debt-financed income rules.
4. Gains or losses from the sale, exchange, or other disposition of property, except:
   a. Stock in trade or other property that would be includible in inventory if on hand at the close of the taxable year;
   b. Property held primarily for sale to customers in the ordinary course of the trade or business, or real property and all gains or losses from the forfeiture of good-faith deposits (that are consistent with established business practice) for the purchase, sale, or lease of real property in connection with the organization's investment activities as described in IRC Section 512. The cutting of lumber is considered a sale or exchange of such timber and results in unrelated business taxable income. (See Specific Line Instructions for Side 2, Part I and Part II, lines 4a, 4b, and 4c, for treatment of capital gains or ordinary losses); and
   c. Certain gains on debt-financed and depreciable property.
5. The income and deductions resulting from:
   a. Organizations performing research for the government;
   b. A college, university, or hospital performing research for any person; and
   c. Organizations operating primarily for fundamental research.
6. Certain investment income for pension funds. These include:
   a. The gains or losses on the lapse or termination of securities options (IRC Section 512(b)(5));
   b. Loan commitment fees (IRC Section 512(b)(1)); and
   c. The gains from the sale, exchange, or disposition of real property and mortgages acquired from financial institutions in conservatorship or receivership (IRC Section 512(b)(16)).
7. Annual dues not exceeding $100 paid to an agricultural or horticultural organization described in IRC Section 512(d).

Exception

The exclusion rules described above do not apply to social and recreational clubs (R&TC Section 23701g), voluntary employees' beneficiary associations (R&TC Section 23701i), and supplemental unemployment compensation benefits trusts (R&TC Section 23701n).

California law is the same as federal law for organizations described in IRC Section 501(c)(7) or 501(c)(9).

Controlled organization means in the case of:

- A Stock Corporation - ownership (by vote or value) of more than 50% of stock in the corporation.
- A Partnership - ownership of more than 50% of the profits, interest, or capital interests in the partnership.
- Any other Case - ownership of more than 50% of the beneficial interest in the entity.

S Exempt Function Income

Exempt function income is:

a. The amount derived from dues, fees, charges, or similar amounts of gross income from members;
b. The amount (other than gross income derived from any unrelated trade or business that is regularly carried on) set aside for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals; and
c. In the case of an organization described in R&TC Section 23701i, the amount set aside for the payment of life, sick, accident, or other benefits.

T Information Returns

You must file federal Form 1099 series information returns with the FTB as well as the IRS to report certain payments made or received by your organization. Reportable payments include, but are not limited to:

- **All amounts paid** to an attorney whether or not the services are performed for the payer, and all amounts paid by a broker or barter exchange.
- **Payments exceeding $10** annually for interest (earned) and dividends.
- **Payments exceeding $600** annually for compensation for services that are not subject to withholding, commissions, fees, prizes and awards, payments to independent

contractors, rents, royalties, legal services (whether or not the payee is incorporated), interest (such as interest charged for late payment), and pensions.

- **Cash payments over $10,000** received in a trade or business.

For more information, see the IRS General Instructions for Forms 1099, 1098, 5498, and W2-G; federal Publication 1220, Specifications for Filing Forms 1098, 1099, 5498 and W-2G Electronically or Magnetically; FTB 4227A, Guide to Information Returns Filed With California; and FTB 8305, Reporting Requirements for Forms 1098, 1099, 5498, W-2G.

U Federal Form 990-T

Refer to the Instructions for federal Form 990-T, Schedule E for further information regarding:

1. Debt-financed property;
2. Allocation rules for debt-financed property;
3. Acquisition indebtedness;
4. Average acquisition indebtedness;
5. Average adjusted basis; and
6. Adjusted basis of property.

For the special rules for holding companies, R&TC Sections 23701h and 23701x and IRC Sections 501(c)(2) and 501(c)(25), see federal Form 990-T, General Instructions for Consolidated Returns.

Specific Line Instructions

Side 1

Line 2 – Apportionment Formula

Unrelated business income of corporations and associations attributable to sources within and outside California is apportioned. Use Schedule R, Apportionment Formula Worksheet, to determine the apportionment percentage.

Line 22 – 2005 Estimated Tax and Taxes Withheld

Enter the total amount of estimated tax payments made during the 2005 taxable year on this line. Also, enter the 2005 nonresident or real estate withholding credit from Form(s) 592-B, 593-B, or 594 if the organization was withheld upon. Attach Form 592-B, 593-B, or 594 to the lower front of Form 109, Side 1.

Line 25 and Line 26 – Tax Due/Overpayment

Add to the amount of tax due or overpayment, as appropriate, the amount from Schedule K, line 5. See Schedule K Instructions for more information.

Line 28 – Use Tax

As explained under General Information L, California Use Tax, the exempt organization may owe California use tax on its purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person). If the exempt organization has questions on whether a purchase is taxable, visit the State Board of Equalization's Website at **www.boe.ca.gov**, or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

The exempt organization may report use tax on its Exempt Organization Business Income Tax Return instead of filing a use tax return with the State Board of Equalization. To report use tax on the exempt organization's income tax return, complete the Use Tax Worksheet below.

If the exempt organization owes use tax but chooses not to report it on its tax return, the exempt organization must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Use Tax, from **www.boe.ca.gov**. The exempt organization can also request a copy by calling their Information Center.

Note: Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

Use Tax Worksheet

Round all amounts to the nearest whole dollar.

1. Enter purchases from out-of-state or Internet sellers made without payment of California sales or use tax. See worksheet instructions below . . . . . $ _____.00
2. Enter the decimal equivalent of the applicable sales or use tax rate. See worksheet instructions below. . _____
3. Multiply line 1 by the tax rate on line 2. Enter result here. $ _____.00
4. Enter any sales or use tax you paid to another state for purchases included on line 1. See worksheet instructions below . . . . . $ _____.00
5. Total Use Tax Due.Subtract line 4 from line 3. Enter the amount here and on Form 109, line 28. If the amount is less than zero, enter -0- . . . . . $ _____.00

Worksheet, Line 1, Purchases Subject to Use Tax

- Report items that would have been taxable in a California store, such as office equipment and supplies.
- Include handling charges.
- Do not include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return you are filing.

Note: Do not report the following on your income tax return:

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.

Worksheet, Line 2, Sales and Use Tax Rate

- Enter the decimal equivalent of the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375.
- If the organization does not know the applicable rate, see the table below, "Sales and Use Tax Rates by County." If the organization has questions regarding the use tax rate in effect in your area, please visit the State Board of Equalization's Website at **www.boe.ca.gov** or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states. The organization cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if the organization paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, it can claim a credit of only $6.00 for that purchase.

Sales and Use Tax Rates by County

(includes state, local, and district taxes)

As of December 31, 2005

County	Rate	County	Rate
Alameda	8.75%	Orange	7.75%
Alpine	7.25%	Placer	7.25%
Amador	7.25%	Plumas	7.25%
Butte	7.25%	Riverside	7.75%
Calaveras	7.25%	Sacramento	7.75%
Colusa	7.25%	San Benito[6]	7.25%
Contra Costa[6]	8.25%	San Bernardino[6]	7.75%
Del Norte	7.25%	San Diego[6]	7.75%
El Dorado[6]	7.25%	San Francisco	8.50%
Fresno[1,6]	7.975%	San Joaquin[6]	7.75%
Glenn	7.25%	San Luis Obispo	7.25%
Humboldt[6]	7.25%	San Mateo	8.25%
Imperial[6]	7.75%	Santa Barbara	7.75%
Inyo	7.75%	Santa Clara	8.25%
Kern	7.25%	Santa Cruz[6]	8.00%
Kings	7.25%	Shasta	7.25%
Lake[6]	7.25%	Sierra	7.25%
Lassen	7.25%	Siskiyou	7.25%
Los Angeles[6]	8.25%	Solano	7.375%
Madera[2]	7.25%	Sonoma[5,6]	7.75%
Marin[3]	7.75%	Stanislaus	7.375%
Mariposa[4]	7.75%	Sutter	7.25%
Mendocino[6]	7.25%	Tehama	7.25%
Merced[6]	7.25%	Trinity	7.25%
Modoc	7.25%	Tulare[6]	7.25%
Mono	7.25%	Tuolumne[6]	7.25%
Monterey[6]	7.25%	Ventura	7.25%
Napa	7.75%	Yolo[6]	7.25%
Nevada[6]	7.375%	Yuba	7.25%

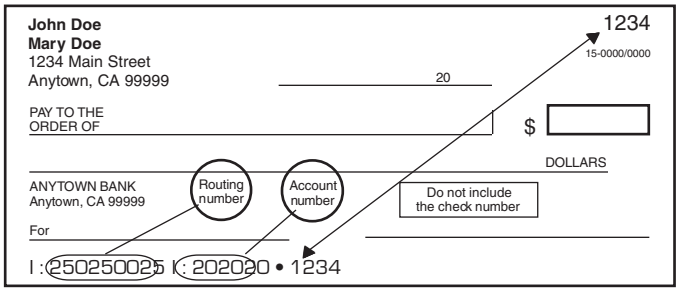
1. The tax rate in the county of Fresno prior to April 1, 2005, was 7.875%.
2. The tax rate in the county of Madera prior to October 1, 2005 was 7.75%.
3. The tax rate in the county of Marin prior to April 1, 2005 was 7.25%.
4. The tax rate in the county of Mariposa prior to April 1, 2005, was 7.25%.
5. The tax rate in the county of Sonoma prior to April 1, 2005, was 7.50%.
6. Many cities in California impose a district tax, which results in a higher sales and use tax rate than in other parts of the county. If you are reporting an item that was purchased for use in any of the following cities, please use the appropriate tax rates for those areas. The following tax rates apply within the city limits of the listed community.

County	City	Citywide Rate
Contra Costa	Richmond (effective 4/01/2005)[a]	8.75%
El Dorado	Placerville	7.50%
El Dorado	South Lake Tahoe (effective 4/01/2005)[b]	7.75%
Fresno	Clovis (effective 4/01/2005)[c]	8.275%
Humboldt	Trinidad	8.25%
Imperial	Calexico	8.25%
Lake	Clearlake	7.75%
Lake	Lakeport (effective 4/01/2005)[d]	7.75%
Los Angeles	Avalon	8.75%
Mendocino	Fort Bragg	7.75%
Mendocino	Point Arena	7.75%
Mendocino	Ukiah (effective 10/01/2005)[e]	7.75%
Mendocino	Willits	7.75%
Merced	Los Banos (effective 4/01/2005)[f]	7.75%
Monterey	Sand City (effective 4/01/2005)[g]	7.75%
Nevada	Town of Truckee	7.875%
San Benito	San Juan Bautista (effective 4/01/2005)[h]	8.00%
San Bernardino	Montclair (effective 4/01/2005)[i]	8.00%
San Diego	El Cajon (effective 4/01/2005)[j]	8.25%
San Joaquin	Stockton (effective 4/01/2005)[k]	8.00%
Santa Cruz	Capitola (effective 4/01/2005)[l]	8.25%
Santa Cruz	Santa Cruz	8.25%
Sonoma	Sebastopol (effective 4/01/2005)[m]	8.00%
Sonoma	Santa Rosa (effective 4/01/2005)[n]	8.00%
Tulare	Farmersville (effective 4/01/2005)[o]	7.75%
Tulare	Visalia	7.50%
Tuolumne	Sonora	7.75%
Yolo	Davis	7.75%
Yolo	West Sacramento	7.75%
Yolo	Woodland	7.75%

a) The tax rate in Richmond prior to April 1, 2005, was 8.25%.
b) The tax rate in South Lake Tahoe prior to April 1, 2005, was 7.25%.
c) The tax rate in Clovis prior to April 1, 2005, was 8.175%.
d) The tax rate in Lakeport prior to April 1, 2005, was 7.25%.
e) The tax rate in Ukiah prior to October 1, 2005, was 7.25%.
f) The tax rate in Los Banos prior to April 1, 2005, was 7.25%.
g) The tax rate in Sand City prior to April 1, 2005, was 7.25%.
h) The tax rate in San Juan Bautista prior to April 1, 2005, was 7.25%.
i) The tax rate in Montclair prior to April 1, 2005, was 7.75%.
j) The tax rate in El Cajon prior to April 1, 2005, was 7.75%.
k) The tax rate in Stockton prior to April 1, 2005, was 7.75%.
l) The tax rate in Capitola prior to April 1, 2005, was 8.00%.
m) The tax rate in Sebastopol prior to April 1, 2005, was 7.625%.
n) The tax rate in Santa Rosa prior to April 1, 2005, was 7.50%.
o) The tax rate in Farmersville prior to April 1, 2005, was 7.25%.

Line 29 – Refund
Direct Deposit of Refund (DDR)
Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the exempt organization's bank account, enter the account information on Form 109, Side 1, line 29a, b, and c. Please be sure to fill in **all** the information for these lines.

✓ Tip Do not use a deposit slip to find the bank numbers. Contact your financial institution for assistance in getting the correct routing number.



Do not attach a voided check or deposit slip. The following illustration shows which bank numbers to transfer to the preprinted areas on Form 109, Side 1.

To cancel the DDR, call the FTB at (800) 845-0353.

FTB is not responsible when a financial institution rejects a direct deposit. If the FTB, the bank, or the financial institution rejects the direct deposit due to an error in the routing number or account number, the FTB will issue a paper check.

Line 30 and Line 31 – Penalties and Interest
Check the box on line 31 and attach a completed form FTB 5806 only if Exception B, tax on annual income, or Exception C, tax on annualized seasonal income, is used in computing the penalty.

Line 32 – Organizations that are required to pay by EFT, must remit the amount due by EFT. See General Information K, Payment of Tax.

Side 2

Part I and Part II — Unrelated Business Taxable Income

Line 1 – Gross Receipts or Sales
Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services. However, if the activity is a type includible in Schedule C through Schedule H, report it on the appropriate schedule and corresponding line of Part I instead of on line 1. For example, an exempt social club would report its restaurant and bar receipts from nonmembers on line 1 but would report its investment income on Schedule E and on Part I, line 8.

Line 4(a), Line 4(b), and Line 4(c) – Net gain or loss from the sale of capital assets and ordinary gains and losses

Corporations and Associations
California law requires recognition of capital gains and losses for corporations and associations. R&TC Section 24990 places these gains and losses into long-term and short-term categories. California has conformed to the federal law that limits the deduction of capital losses to the amount of capital gains and allows excess losses to be carried forward for five years. However, California does not allow loss carrybacks.

The rules relating to debt-financed property do not apply to an R&TC Section 23701g or 23701i organization, and Schedule D should be completed without regard to those rules. However, see IRC Section 512(a)(3) for nonrecognition of gain in certain cases.

Trusts
The computation of the **net capital gain** income reported on Schedule D (541), should be entered on line 4(a). Attach a copy of that schedule to Form 109.

The computation of **ordinary gains and losses** reported on Schedule D-1, should be entered on line 4(b). Attach a copy of that schedule to Form 109.

If a trust has a **net capital loss,** it is subject to the limitations in Schedule D (541). Enter on line 4(c) the loss figured on Schedule D (541).

Line 5 – Income (or Loss) from partnerships, limited liability companies, or S corporations
If the organization is a partner in a partnership, a member in a limited liability company, or a shareholder in an S corporation carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the gross income and deductions from the unrelated trade or business. See federal Form 990-T, Specific Instructions for Part I, line 5, for information regarding the treatment of income from publicly traded partnerships.

Line 14 through Line 25 – Deductions not Taken Elsewhere
Enter only the expenses for each item directly connected with unrelated trade or business activities and contribution deductions that may be deducted from unrelated business income.

No expense reported on Schedule A or Schedule C through Schedule H is included in Part II, other than excess advertising costs entered on line 27. For example, officers' compensation allocable to advertising income is reported on Schedule H only and is not entered on Part II, line 14.

Where the facilities or personnel used both to carry on the exempt function and to conduct unrelated trade or business activities, cost of goods sold, depreciation, and similar expenses attributable to such facilities or personnel (e.g., overhead) must be allocated between the two uses on a reasonable basis. Attach a schedule showing the allocation of the expenses between the two uses.

Line 14 – Compensation of officers, directors, and trustees.
Complete Schedule I from Side 4, and enter the amount on line 14 of Side 2.

Line 20 – Contributions
Attach a schedule showing the name of each organization and the amount paid. If a contribution is made in property other than money, state the kind of property contributed and the method used to determine its fair market value.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization, the adjusted basis for determining the gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property. See IRC Section 1011(b).

Corporations and Associations
Enter charitable contributions or gifts actually paid within the taxable year to or for the use of charitable and governmental organizations described in R&TC Section 24359.

The amount claimed cannot exceed 10% of the unrelated business taxable income computed without regard to this deduction.

This deduction is allowed whether or not directly connected with the carrying on of a trade or business. A declaration, signed by an officer or other authorized person, must be attached to the return stating that the resolution authorizing the contribution was adopted by the board of directors or other governing body.

Trusts
Enter charitable contributions or gifts actually made within the taxable year to or for the use of charitable and governmental organizations described in IRC Section 170. See the instructions for federal Form 990-T for limitations on amounts of contributions you may claim.

Line 21a and Line 21b – Depreciation

Corporations and Associations
California law is generally the same as federal law with the exceptions noted below:

1. California has not adopted the federal Modified Accelerated Cost Recovery System (MACRS).
2. California prohibits the use of the 20% ADR ranges. Only the mid-range asset guideline period is allowed.
3. California allows the special additional first-year depreciation. (R&TC Section 24356) in lieu of IRC Section 179.

California law and federal law are the same regarding the computation of depreciation under the income forecast method and the amortization of reforestation expenses over seven years.

Complete Schedule J on Side 4 and enter the amount on line 21a. Enter any depreciation claimed on Schedule A on line 21b.

Trusts
In 1987, California changed the rules for depreciation by conforming to the federal MACRS. The California MACRS applies to assets placed in service on or after January 1, 1987.

Complete form FTB 3885F, Depreciation and Amortization — Fiduciaries, to figure the difference between state and federal depreciation. Enter the total from form FTB 3885F, line 5, on Form 109, Part II, line 21a, and attach form FTB 3885F to Form 109.

Line 22 – Depletion
California law is the same as federal law.

If a deduction is claimed for timber, attach an explanatory statement.

Line 23b – Employee Benefit Programs
Enter the amount of your contributions to employee benefit programs that are not an incidental part of a deferred compensation plan included on line 23a. Contributions to employee benefit programs that are reported on this line include contributions to insurance, health, and welfare programs.

Line 29 – Specific Deduction
The law provides for a specific deduction of $1,000 from unrelated business income. Only one specific deduction of $1,000 is allowed regardless of the number of unrelated businesses. However, a diocese, province of a religious order or convention, or association of churches is allowed one specific deduction for each parish, individual church district, or other local unit that regularly conducts an unrelated trade or business. This applies only to such units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, association, etc.). Each specific deduction is equal to the lesser of: (a) $1,000; or (b) the gross income from any unrelated trade or business regularly carried on by the local unit.

Schedule B — Tax Credits

A variety of credits are available to exempt organizations to reduce tax on unrelated business income. However, the amount of some credits may be limited. Corporations and trusts must complete Schedule P (100 or 541), Alternative Minimum Tax and Credit Limitations, to compute this limitation. Generally, if the organization completed federal Form 4626 or Form 8656, Alternative Minimum Tax, it must also complete Schedule P (100 or 541).

Certain credits are not subject to the tentative minimum tax or the AMT Limitations. Get Schedule P (100 or 541) for more information.

To figure credits, use the appropriate form or schedule as indicated on the credit chart on page 15. Then complete either Side 2, Schedule B, or Schedule P (100 or 541), whichever is appropriate. Transfer the credits from Side 2, Schedule B, line 7, or from Schedule P (100 or 541) as follows:

- For corporations, Side 1, line 8; or
- For trusts, Side 1, line 16.

Attach all credit forms, schedules, or statements and Schedule P (100 or 541), if applicable, to Form 109.

Note: If the organization claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of the credit, unless the organization is required to complete Schedule P. In that case, enter the amount of the credit on Schedule P (100 or 541), Section B or Section C and do not attach form FTB 3540.

If the organization claims a credit with carryover provisions and the amount of the credit available this year exceeds the tax, the organization may carry over any excess credit to future years until the credit is used or until the carryover period expires, whichever occurs first.

Side 3

Schedule C — Rental Income

Important Note: For rental income from debt-financed property, see Schedule D instructions. All organizations except those qualified under R&TC Sections 23701g, 23701i, and 23701n must enter net rental income from Schedule C on Side 2, Part I, line 6.

Organizations qualified under R&TC Sections 23701g, 23701i, and 23701n must include gross rents on Side 2, Part I, line 6 (other than income that is determined to be nonexempt function income) and applicable expenses on Side 2, Part II, line 14 through line 24.

Except in the case of an R&TC Section 23701g, 23701i, or 23701n organization, only the following rents are taxable:

1. Rents from personal property leased with real property, if the rents attributable to the personal property are more than 10% but not more than 50% of the total received or accrued under the lease. In such a case, rents attributable to the real property are not taxable except as specified in General Information R, Exclusions, and in 2 below.
2. All rents from real property and personal property, if:
   a. More than 50% of the total rents received or accrued under the lease are attributable to personal property; or
   b. The determination of the amount of the rents depends in whole or in part on the income or profits derived by any person from the property leased, other than an amount based on a fixed percentage or fixed percentages of receipts or sales.

See IRC Section 512(b)(3) requiring a redetermination of the percentage of rent attributable to personal property if:

1. There is an increase of 100% or more by reason of the placing of additional or substitute personal property in service; or
2. There is a modification of the lease by which there is a change in the rent charged.

Schedule D — Unrelated Debt-Financed Income

For taxable years beginning on or after January 1, 1990, California has conformed to federal law relating to the treatment of certain partnership allocations for property acquired by the partnership and partnership interests acquired after October 13, 1987.

Debt-financed property is any property held to produce income if at any time during the tax year there was acquisition indebtedness.

To complete Schedule D, see the instructions for federal Form 990-T, Schedule E. Use California amounts where there are California and federal differences.

Schedule E — Investment Income of an R&TC Section 23701g, 23701i, or 23701n Organization

Report all income from investments in securities and other similar investment income from nonmembers. Do not include interest received on obligations of the federal government and on obligations of the state of California and its political subdivisions.

Investment income includes all income from debt-financed property whether or not such income is subject to taxation under R&TC Section 23735. However, an R&TC Section 23701g, 23701i, or 23701n organization may set aside income to the extent that it would not be taxable on such income if it were an organization subject to the rules contained in IRC Section 512(a)(1). If income is set aside, attach a schedule showing the computations.

Income and deductions, other than in connection with investment income, are reported in Part I and Part II. For example, nonmember income of an R&TC Section 23701g organization from the use of the club's facilities by the public must be reported on Side 2, Part I, line 1, line 2, and line 3, and the deductions (directly connected) in Part II, line 14 through line 24. (Organizations described in R&TC Section 23701g, see federal Rev. Proc. 71-17 for certain rules relating to nonmember income.)

Schedule F — Income (Annuities, Interest, Rents, and Royalties) From Controlled Organizations

Controlling organizations: See General Information R, Exclusions.

Enter the total annuities, interest, rents, and royalties derived from each controlled organization during the year in Schedule F, column 2. Enter the total deductions directly connected with this income for each controlled organization in column 3.

a. Exempt Controlled Organizations
If the controlled organization is exempt from taxation under R&TC Section 23701, the controlling organization must take into account a percentage of the interest, annuities, royalties, and rents. Compute this percentage by figuring the ratio of the unrelated business taxable income of the controlled organization to the greater of:

1. The taxable income of the controlled organization (computed as though it was not exempt from taxation under R&TC Section 23701); or
2. The unrelated business income of the controlled organization.

Determine both 1 and 2 without regard to any amount paid directly or indirectly to the controlling organization.

b. Nonexempt Controlled Organizations
If the controlled organization is not exempt from taxation under R&TC Section 23701, the controlling organization must take into account a percentage of the interest, annuities, royalties, and rents computed by figuring the ratio of the "excess taxable income" of the controlled organization to the greater of:

1. The taxable income of the controlled organization; or
2. The excess taxable income of the controlled organization.

Determine both 1 and 2 without regard to any amount paid directly or indirectly to the controlling organization.

"Excess taxable income" means the portion of the controlled organization's taxable income that exceeds the amount of taxable income that, if derived directly by the controlling organization, would not be unrelated business taxable income.

Schedule G — Exploited Exempt Activity Income, Other than Advertising Income

Generally, California law is the same as federal law.

Side 4

Schedule H — Advertising Income and Excess Advertising Costs

Generally, California law is the same as federal law.

Side 5

Schedule K — Add-On Taxes or Recapture of Tax

If you are required to include installment payments of add-on taxes from:

- 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;
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of an IRC Section 197 intangible; or
- Credit amounts to recapture;

then complete Schedule K.

Enter the amount of tax due or overpayment from Schedule K, line 5, on Form 109, Side 1, line 25 or line 26, as appropriate.

Long-term contracts
If the organization 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 organization owes or the amount of interest to be credited or refunded on Schedule K, line 1.

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots under IRC Section 453
If the organization 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, it must include the interest on Schedule K, line 2a. For the applicable interest rates, get FTB Pub. 1138, Business Entity Refund/Billing Information. Attach a schedule showing the computation. See R&TC Section 17560(d) and 24667(e).

Interest on tax deferred under the installment method for certain non-dealer installment obligations
If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the organization must include the interest due under IRC Section 453A on Schedule K, line 2b. For the applicable interest rate, get FTB Pub. 1138, Business Entity Refund/Billing Information. Attach a Schedule showing the computation. See R&TC Section 17560(e) and 24667(f).

Credit recapture
Complete Schedule K, line 4, if the organization completed the credit recapture portion of:

- FTB 3501, Employer Child Care Program/ Contribution Credit;
- FTB 3805Z, Hiring Credit — Enterprise Zone Deduction and Credit Summary;
- FTB 3806, Hiring Credit — Los Angeles Revitalization Zone Deduction and Credit Summary;
- FTB 3806, Sales or Use Tax — Los Angeles Revitalization Zone Deduction and Credit Summary;
- FTB 3807, Hiring Credit — Local Agency Military Base Recovery Area Deduction and Credit Summary;
- FTB 3807, Sales or Use Tax Credit — Local Agency Military Base Recovery Area Deduction and Credit Summary;
- FTB 3808, Manufacturing Enhancement Area Credit Summary; or
- FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Schedule R — Apportionment Formula Worksheet

Line 1 – Property factor — Owned property is valued at its original cost. Rented property is valued at eight times its net annual rental. Use the average yearly value of owned and rented real and tangible personal property used in the business.

Line 6 – Average apportionment percentage — Divide the total percentage on line 5 by the number of factors that have amounts in column (a). The sales factor must be counted as two factors. Organizations that have all factors would have a denominator of four (property, payroll, and twice the sales factor). However, do not include those factors with a zero in the totals of both column (a) and column (b). If there is no payroll, then you would divide the factor on line 5 by 3.

YEAR **2005**

California Exempt Organization Business Income Tax Return

FORM **109**

For calendar year 2005 or fiscal year beginning month _____ day _____ year 2005, and ending month _____ day _____ year _____ .

California corporation or organization number | FEIN

Corporation/organization name

Address | PMB no.

City | State | ZIP Code

A Is this an education IRA within the meaning of R&TC Section 23712? ☐ Yes ☐ No

B Is the organization currently under audit? ☐ Yes ☐ No

C Final return? ● ☐ Dissolved ● ☐ Surrendered (Withdrawn) ● ☐ Merged/Reorganized

If a box is checked, enter effective date ● _____

D Nature of trade or business _____

E Accounting method used _____

F Is this organization a non-exempt charitable trust as described in IRC Section 4947(a)(1)? ☐ Yes ☐ No

G Is this organization claiming any enterprise zone, Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Targeted Tax Area (TTA), or Manufacturing Enhancement Area (MEA) tax benefits? ● ☐ Yes ☐ No

H Unrelated Business Activity (UBA) Code ● _____

Organizations Taxable as Corporations — Attach Check or Money Order

1	Unrelated business taxable income from Side 2, Part II, line 30 ●	1	
2	Multiply line 1 by the average apportionment percentage _____% from the Schedule R, Apportionment Formula Worksheet, line 6. See instructions ●	2	
3	Enterprise zone, LAMBRA, LARZ, TTA, or Pierce's disease losses ●	3	
4	Net Operating Loss deduction from form FTB 3805Q. See General Information N ●	4	
5	Add line 3 and line 4 ●	5	
6	Net unrelated business taxable income. Subtract line 5 from the lesser of line 1 or line 2 ●	6	
7	Tax. _____% x line 6. See General Information J ●	7	
8	Tax credits from Schedule B, line 7, or Schedule P (100). See Schedule B instructions ●	8	
9	Balance. Subtract line 8 from line 7. If line 8 is greater than line 7, enter -0- ●	9	

Organizations Taxable as Trusts — Tax Computation

10	Unrelated business taxable income from Side 2, Part II, line 30 ●	10	
11	Enterprise zone, LAMBRA, LARZ, TTA, or Pierce's disease losses ●	11	
12	Net Operating Loss deduction from form FTB 3805V. See General Information N ●	12	
13	Add line 11 and line 12 ●	13	
14	Net unrelated business taxable income. Subtract line 13 from line 10 ●	14	
15	Tax on amount on line 14. See General Information J ●	15	
16	Tax credits from Schedule B, line 7, or Schedule P (541). See Schedule B instructions ●	16	
17	Balance. Subtract line 16 from line 15. If line 16 is greater than line 15, enter -0- ●	17	

Total Tax

18	Tax from line 9 or line 17 ■	18	
19	Alternative minimum tax. See General Information O ■	19	
20	Total tax. Add line 18 and line 19 ■	20	

Payments

21	Overpayment from a prior year allowed as a credit ■	21			
22	**2005 estimated tax payments and taxes withheld** ■	22			
23	Amount paid with automatic extension (FTB 3539) ■	23			
24	Total payments and credits. Add line 21 through line 23 ■			24	

Refund (Direct Deposit of Refund) or Amount Due

25	**Tax due.** Subtract line 24 from line 20. Pay entire amount with return. See instructions ■	25		
26	**Overpayment.** Subtract line 20 from line 24. See instructions ■	26		
27	Enter amount of line 26 to be applied to 2006 estimate tax ■	27		
28	Use tax. See instructions ●	28		00
29	**Refund.** If the sum of line 27 and line 28 is less than line 26, then subtract the total from line 26 ■	29		
	a Fill in the account information to have the refund directly deposited. Routing number ●	29a		
	b Type: Checking ● ☐ Savings ● ☐ **c** Account Number ●	29c		
30	Penalties and interest. See General Information M ■	30		
31	● ☐ Check if estimate penalty computed using Exception B or C and attach form FTB 5806.			
32	**Total amount due.** Add line 25, line 27, line 28, and line 30, then subtract line 26 from the result	32		

Person to contact for additional information: | Telephone ( )

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 | Date | ▶ Title | ● ( ) Daytime telephone

Paid Preparer's Use Only

Paid Preparer's signature ▶ | Date | Check if self-employed ☐ ● | Paid Preparer's SSN/PTIN

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

Daytime telephone ● ( )

For Privacy Act Notice, get form FTB 1131.

10905103

Unrelated Business Taxable Income

Part I **Unrelated Trade or Business Income**

1	**a** Gross receipts or gross sales_____ **b** Less returns and allowances_____ Balance	1c	
2	Cost of goods sold and/or operations from Schedule A, line 7	2	
3	Gross profit. Subtract line 2 from line 1c	3	
4	**a** Capital gain net income. See Specific Line Instructions – Trusts attach Schedule D (541)	4a	
	b Net gain (loss) from Part II, Schedule D-1	4b	
	c Capital loss deduction for trusts	4c	
5	Income (or loss) from partnerships, limited liability companies, or S corporations. See specific line instructions. Attach Schedule K-1 (565, 568, or 100S) or similar schedule	5	
6	Rental income from Schedule C	6	
7	Unrelated debt-financed income from Schedule D	7	
8	Investment income of an R&TC Section 23701g, 23701i, or 23701n organization from Schedule E	8	
9	Annuities, interest, rents, and royalties of controlled organizations from Schedule F	9	
10	Exploited exempt activity income from Schedule G	10	
11	Advertising income from Schedule H, Part III, Column A	11	
12	Other income. Attach schedule	12	
13	Total unrelated trade or business income. Add line 3 through line 12	13	

Part II **Deductions Not Taken Elsewhere** (Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees from Schedule I			14	
15	Salaries and wages			15	
16	Repairs			16	
17	Bad debts			17	
18	Interest. Attach schedule			18	
19	Taxes. Attach schedule			19	
20	Contributions. See instructions and attach schedule			20	
21	**a** Depreciation (Corporations and Associations – Schedule J) (Trusts – form FTB 3885F)	21a			
	b Less: depreciation claimed on Schedule A	21b		21	
22	Depletion. Attach schedule			22	
23	**a** Contributions to deferred compensation plans			23a	
	b Employee benefit programs. See instructions			23b	
24	Other deductions. Attach schedule			24	
25	Total deductions. Add line 14 through line 24			25	
26	Unrelated business taxable income before allowable excess advertising costs. Subtract line 25 from line 13			26	
27	Excess advertising costs from Schedule H, Part III, Column B			27	
28	Unrelated business taxable income before specific deduction. Subtract line 27 from line 26			28	
29	Specific deduction. See instructions			29	
30	Unrelated business taxable income. Subtract line 29 from line 28. If line 28 is a loss, enter line 28			30	

Schedule A **Cost of Goods Sold and/or Operations** Method of inventory valuation (specify)_____

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 and/or operations. Subtract line 6 from line 5. Enter here and on Part I, line 2	7	

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

Schedule B **Tax Credits** Do not complete if you must file Schedule P (100 or 541).

1	Enter credit name_____ code no._____ ●	1		
2	Enter credit name_____ code no._____ ●	2		
3	Enter credit name_____ code no._____ ●	3		
4	Enter credit name_____ code no._____ ●	4		
5	Enter credit name_____ code no._____ ●	5		
6	Enter credit name_____ code no._____ ●	6		
7	Total. Add line 1 through line 6. Enter here and on Side 1, line 8, for corporations and associations, or line 16 for trusts ●	7		

Schedule C Rental Income from Real Property and Personal Property Leased with Real Property

Note: For rental income from debt-financed property, use Schedule D, R&TC Section 23701g, Section 23701i, and Section 23701n organizations. See instructions for exceptions.

1 Description of property	2 Rent received or accrued	3 Percentage of rent attributable to personal property
		%
		%
		%

4 Complete if any item in column 3 is more than 50%, or for any item if the rent is determined on the basis of profit or income		5 Complete if any item in column 3 is more than 10%, but not more than 50%		
(a) Deductions directly connected (attach schedule)	(b) Income includible, column 2 less column 4(a)	(a) Gross income reportable, column 2 x column 3	(b) Deductions directly connected with personal property (attach schedule)	(c) Net income includible, column 5(a) less column 5(b)

Add columns 4(b) and 5(c). Enter here and on Side 2, Part I, line 6 . . . . . .

Schedule D Unrelated Debt-Financed Income

1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)

4 Amount of average acquisition indebtedness on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Debt basis percentage, column 4 ÷ column 5	7 Gross income reportable, column 2 x column 6	8 Allocable deductions, total of columns 3(a) and 3(b) x column 6	9 Net income (or loss) includible, column 7 less column 8
		%			
		%			
		%			

Total. Enter here and on Side 2, Part I, line 7 . . . . . .

Schedule E Investment Income of an R&TC Section 23701g, 23701i, or 23701n Organization

1 Description	2 Amount	3 Deductions directly connected (attach schedule)	4 Net investment income, column 2 less column 3	5 Set-asides (attach schedule)	6 Balance of investment income, column 4 less column 5

Total. Enter here and on Side 2, Part I, line 8 . . . . . .

Enter gross income from members (dues, fees, charges, or similar amounts) . . . . . .

Schedule F Income (Annuities, Interest, Rents, and Royalties) From Controlled Organizations

1 Name and address of controlled organizations	2 Gross income from controlled organizations	3 Deductions directly connected with column 2 income (attach schedule)	4 Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under Section 23701, or the amount in column (a), whichever is greater	(c) Percentage, column (a) ÷ column (b)
					%
					%
					%

5 Nonexempt controlled organizations			6 Gross income reportable, column 2 x column 4(c) or column 5(c)	7 Allowable deductions, column 3 x column 4(c) or column 5(c)	8 Net income includible, column 6 less column 7
(a) Excess taxable income	(b) Taxable income or amount in column (a), whichever is greater	(c) Percentage, col. (a) ÷ (b)			
		%			
		%			
		%			

Total. Enter here and on Side 2, Part I, line 9 . . . . . .

Schedule G Exploited Exempt Activity Income, other than Advertising Income

1 Description of exploited activity (attach schedule if more than one unrelated activity is exploiting the same exempt activity)	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income from unrelated trade or business, column 2 less column 3	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expense, column 6 less column 5 but not more than column 4	8 Net income includible, column 4 less column 7 but not less than zero

Total. Enter here and on Side 2, Part I, line 10 . . . . . .

Schedule H Advertising Income and Excess Advertising Costs

Part I Income from Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising income or excess advertising costs. If column 2 is greater than column 3, complete columns 5, 6, and 7. If column 3 is greater than column 2, enter the excess in Part III, column B(b). Do not complete columns 5, 6, and 7.	5 Circulation income	6 Readership costs	7 If column 5 is greater than column 6, enter the income shown in column 4, in Part III, column A(b). If column 6 is greater than column 5, subtract the sum of column 6 and column 3 from the sum of column 5 and column 2. Enter amount in Part III, column A(b). If the amount is less than zero, enter -0-.
Totals						

Part II Income from Periodicals Reported on a Separate Basis

Part III Column A – Net Advertising Income

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals	(b) Enter total amount from Part I, column 4 or 7, and amounts listed in Part II, cols. 4 and 7
Enter total here and on Side 2, Part I, line 11	

Part III Column B – Excess Advertising Costs

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals	(b) Enter total amount from Part I, column 4, and amounts listed in Part II, column 4
Enter total here and on Side 2, Part II, line 27	

Schedule I Compensation of Officers, Directors, and Trustees

1 Name of Officer	2 Social Security Number	3 Title	4 Percent of time devoted to business	5 Compensation attributable to unrelated business	6 Expense account allowances
			%		
			%		
			%		
			%		
			%		
Total. Enter here and on Side 2, Part II, line 14					

Schedule J Depreciation (Corporations and Associations only. Trusts use form FTB 3885F.)

1 Group and guideline class or description of property	2 Date acquired	3 Cost or other basis	4 Depreciation allowed or allowable in prior years	5 Method of computing depreciation	6 Life or rate	7 Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
2 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)_____						
_____						
3 Other depreciation						
4 Total						
5 Amount of depreciation claimed elsewhere on return						
6 Balance. Subtract line 5 from line 4. Enter here and on Side 2, Part II, line 21a						

Schedule K **Add-On Taxes or Recapture of Tax.** See instructions.

1	Interest computation under the look-back method for completed long-term contracts. Attach form FTB 3834	1		
2	Interest on tax attributable to installment: a Sales of certain timeshares or residential lots	2a		
	b Method for non-dealer installment obligations	2b		
3	IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of intangibles	3		
4	Credit recapture. Credit name_____	4		
5	Total. Combine the amounts on line 1 through line 4. See instructions	5		

Schedule R **Apportionment Formula Worksheet**

Use only for unrelated trade or business amounts	(a) Total within and outside California	(b) Total within California	(c) Percent within California (b) ÷ (a)
1 **Property factor:** See instructions			
2 **Payroll factor:** Wages and other compensation of employees			
3 **Sales factor:** Gross sales and/or receipts less returns and allowances			
4 Multiply the factor on line 3, column (c) by 2			
5 **Total percentage:** Add the percentages in column (c) line 1, line 2, and line 4			
6 **Average apportionment percentage:** Divide the factor on line 5 by 4 and enter the result here and on Form 109, Side 1, line 2. See instructions for exceptions			

2005 Tax Rate Schedule for Trusts

IF THE TAXABLE INCOME IS ...		COMPUTED TAX IS ...			
over —	but not over —				of the amount over —
$ 0	$ 6,319	$ 0	+	1.0%	$ 0
6,319	14,979	63.19	+	2.0%	6,319
14,979	23,641	236.39	+	4.0%	14,979
23,641	32,819	582.87	+	6.0%	23,641
32,819	41,476	1,133.55	+	8.0%	32,819
41,476	AND OVER	1,826.11	+	9.3%	41,476

CREDIT CHART

Credit Name	Code	Description
Community Development Financial Institution Deposits — obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capitol Mall, 16th Floor, Sacramento CA 95814	209	20% of each qualified deposit made to a community development financial institution
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit but limited to $125 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: 30% of the cost of establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and 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 Constructions – Farmworker Housing Loan Obtain certification from: Farmworker Housing Assistance Program, California Tax Credit Allocation Committee, 915 Capitol Mall, Room 485, Sacramento CA 95814	207 208	50% of new construction or rehabilitation costs for farmworker housing 50% of qualified costs paid or incurred to construct or rehabilitate qualified farmworker housing. Banks and financial corporations: 50% of foregone interest income on qualified farmworker housing loans.
Joint Strike Fighter Wages – FTB 3534	215	50% of qualified wages paid or incurred in taxable years beginning during 2001, not to exceed $10,000 for each qualified employee
Joint Strike Fighter Property Costs – FTB 3534	216	10% of qualified cost of property placed in service in California
Local Agency Military Base Recovery Area Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area Hiring – FTB 3808	211	Percentage of qualified wages paid to qualified disadvantaged individuals
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government.
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California (trusts only)
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 2005
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: Rice Straw Tax Credit Program, Department of Food and Agriculture, 1220 N Street Room A-244, Sacramento CA 95814	206	$15 per ton of purchased rice straw grown in California
Solar or Wind Energy System – FTB 3508	217	The lesser of 7.5% of the cost and installation of a solar or wind energy system, or $4.50 per rated watt of generating capacity of that system.
Targeted Tax Area Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTA businesses

Repealed Credit: The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (100, 100W, or 541), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

Agricultural Products	175	Energy Conservation	182	Residential Rental & Farm Sales (trusts only)	186
Commercial Solar Electric System	196	Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax	159	Ridesharing	171
Commercial Solar Energy	181	Low-Emission Vehicles	160	Salmon & Steelhead Trout Habitat Restoration	200
Employee Ridesharing	194	Manufacturers' Investment	199	Solar Energy	180
Employer Ridesharing: Large employer	191	Orphan Drug	185	Solar Pump	179
Small employer	192	Political Contributions (trusts only)	184	Water Conservation	178
Transit passes	193	Recycling Equipment	174	Young Infant	161

How to Get California Tax Information (Keep this page for future use.)

Automated Toll-Free Phone Service

Use our Automated Toll-Free Phone Service to get recorded answers to many of your questions about California taxes and to order current year California Business Entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones.

Have paper and pencil ready to take notes.

Call from within the United States . . . . . (800) 338-0505

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

Where to get General Tax Information

By Internet – You can obtain answers to Frequently Asked Questions from our Website at **www.ftb.ca.gov**.

By Phone – You can hear recorded answers to Frequently asked Questions 24 hours a day, 7 days a week. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "General Tax Information." Enter the 3-digit code, listed below, when prompted.

Code – Prefiling Assistance

715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100 or Form 100W?
717 – What are the current tax rates for corporations?
718 – How do I get an extension of time to file?
722 – When does my corporation file a short period return?
734 – Is my corporation subject to a 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 estimated 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 the state tax adjustment on Schedule K-1 (100S)?

Exempt Organizations

709 – How do I get tax-exempt status?
710 – Does an exempt organization have to file Form 199?
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

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 corporation's estimate payments due?

Billings and Miscellaneous Notices

723 – I received a bill for $250. What is this for?

Tax Clearance

724 – How do I dissolve my corporation?
725 – What do I have to do to get a tax clearance?

Miscellaneous

701 – I need a state employer ID number for my business. Who do I contact?
703 – How do I incorporate?
721 – How does my corporation change its accounting period?
737 – Where do I send my payment?

Letters

If you write to us, be sure your letter includes the California corporation number, or FEIN, your daytime and evening telephone numbers, and a copy of the notice. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

We will respond to your letter within ten weeks. In some cases we may need to call you for additional information. Do not attach correspondence to your tax return unless it relates to an item on the return.

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. Get this publication from our Website.

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**.

By phone – You can order current year California Business Entity tax forms between 6 a.m. and 8 p.m. Monday through Friday. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "To Order Forms and Publications." Follow the recorded instructions and enter the 3-digit code, listed below, when prompted. To order prior year forms, call the number listed under "Assistance," and select option five to speak with a representative.

Please allow two weeks to receive your order. If your corporation's mailing address is outside California, please allow three weeks.

Code

817 – California Corporation Tax Forms and Instructions. This booklet contains: Form 100, California Corporation Franchise or Income Tax Return
814 – Form 109, California Exempt Organization Business Income Tax Return
815 – Form 199, Exempt Organization Return
818 – Form 100-ES, Corporation Estimated Tax
820 – FTB Pub. 1068, Exempt Organizations Requirements for Filing Returns and Paying Filing Fees
802 – FTB 3500, Exemption Application

In person – Many libraries and some quick print businesses have forms and schedules for you to photocopy (a nominal fee may apply).

Note: Employees at libraries 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

Assistance

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday, except holidays.

From within the United States, call . . . . . (800) 852-5711

From outside the United States, call (not toll-free) . . . . . (916) 845-6500

Website at **www.ftb.ca.gov**

Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

From TTY/TDD: . . . . . (800) 822-6268

Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 7 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos, llame al. . . . . (800) 852-5711

Fuera de los Estados Unidos, llame al (cargos aplican) . . . (916) 845-6500

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