

Assets Transferred from Parent Corporation to Insurance Company Subsidiary

2007

3725

Name of parent corporation	California corporation number	FEIN
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Part I Assets Transferred from Parent Corporation to Insurance Company Subsidiary

Section A – Information on Properties Transferred

- 1 Were appreciated properties transferred to an insurance company subsidiary? Yes No
 If "Yes," enter the company's name and corporation number (see instructions) then continue with line 2. If "No," do not complete this form.

Name of insurance company	Corporation number
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- 2 Does the insurance company use the assets it received from its parent corporation in active conduct of a trade or business of the insurer? Yes No
 If "Yes," continue with Section B. If "No," go to Part II.

Section B – Deferred Capital Gains. Use additional sheet(s) if necessary.

(a) Taxable year	(b) Description of properties	(c) Location of properties	(d) Date transferred (mo., day, yr.)	(e) Fair Market Value at date of transfer	(f) Cost or other basis	(g) Amount of gain deferred under R&TC Section 24465 (e) less (f)
3						

Part II Assets Transferred from Insurance Company to Other Companies

Section A – Information on Disposition of Properties

- 4 Did the insurance company dispose of any assets received from the parent corporation? Yes No
 If "Yes," go to line 5. If "No," go to line 6.
- 5 Did the insurance company sell the assets to another company within the combined reporting group? Yes No
 If "Yes," gain is non-taxable. If "No," gain is taxable, go to Sections B or C.
- 6 If the insurance company did not dispose of the assets, does it still use them in its active conduct of trade or business? Yes No
 If "Yes," gain is non-taxable. If "No," gain is taxable, go to Sections B or C.

Section B – Short-Term Capital Gains and Losses-Assets Held One Year or Less. Use additional sheet(s) if necessary.

(a) Taxable year	(b) Description of properties	(c) Date of disposal (mo., day, yr.)	(d) Fair Market Value or gross sales price	(e) Cost or other basis	(f) Gain (loss) (d) less (e)
7					

- 8 Total short-term capital gains (losses). Enter here and on Form 100 or Form 100W, Schedule D, Part I, line 1(f) or Schedule D (100S), Sections A or B, Part I, line 1(f). See instructions.

Section C – Long-Term Capital Gains and Losses-Assets Held More Than One Year. Use additional sheet(s) if necessary.

(a) Taxable year	(b) Description of properties	(c) Date of disposal (mo., day, yr.)	(d) Fair Market Value or gross sales price	(e) Cost or other basis	(f) Gain (loss) (d) less (e)
9					

10 Total long-term capital gains (losses). Enter here and on Form 100 or Form 100W, Schedule D, Part II, line 5(f) or Schedule D (100S), Sections A or B, Part II, line 4(f). See instructions

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, go to 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.

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.

A Purpose

Use Form 3725, Assets Transferred from Parent Corporation to Insurance Company Subsidiary, to track the assets transferred from a parent corporation to an insurance company subsidiary. In addition, use this form to report capital gains (losses) if the parent corporation transferred assets to an insurance company subsidiary beginning on or after June 23, 2004.

California Revenue and Taxation Code (R&TC) Section 24465 provides that when a parent corporation transfers appreciated property to an insurance company subsidiary, the gain is deferred if the property transferred to the insurer is used in the active conduct of a trade or business of the insurer. The gain must be recognized as income if any of the following apply:

- The transferred property is no longer owned by an insurer in the taxpayer’s commonly controlled group (or a member of the taxpayer’s combined reporting group).
- The property is no longer used in the active conduct of the insurer’s trade or business (or the trade or business of another member in the taxpayer’s combined reporting group).
- The holder of the property is no longer held by an insurer in the commonly controlled group of the transferor (or a member of the taxpayer’s combined reporting group).

R&TC Section 24465 applies to transactions entered into on or after June 23, 2004.

B Definitions

1. Appreciated property means property whose fair market value (FMV), as of the date of the transfer, exceeds its adjusted basis as of that date.

2. R&TC Section 25105 provides that a commonly controlled group exists when stock possessing more than 50% of the voting power is owned, or constructively owned, by a common parent corporation (or chains of corporations connected through the common parent) or by members of the same family. A commonly controlled group also includes corporations that are stapled entities, see R&TC Section 25105(b)(3). Special rules are provided in R&TC Section 25105 for partnerships, trusts, and transfers of voting power by proxy, voting trust, written shareholder agreement, etc.

Specific Line Instructions

Part I, Section A – Information on Properties Transferred and Section B – Deferred Capital Gains.

Line 1 – Enter corporation number, put either the California Corporation Number or Federal Employer Identification Number (FEIN). If you do not have one of these numbers enter “not applicable” and continue with line 2.

Line 3, column b – Description of properties. Describe the assets the parent corporation transferred to an insurance company subsidiary.

Line 3, column e – Fair Market Value at date of transfer. FMV is the price that the property would sell for on the open market.

Line 3, column f – Cost or other basis. In general, the cost or other basis is the cost of the property plus purchase commissions and improvements minus depreciation, amortization, and depletion. Enter the cost or adjusted basis of the asset for California purpose.

Part II, Section B – Short-Term Capital Gains and Losses-Assets Held One Year or Less and Section C – Long-Term Capital Gains and Losses-Assets Held More Than One Year.

Report capital gains (losses) (short-term or long-term) based on the length of time the parent corporation held the assets.

Line 7, column b and Line 9, column b – Description of properties. Describe the assets that the insurance company sells to another insurance company; or the transferred assets that the insurance company does not use in its active trade or business.

Line 7, column d and Line 9, column d – Fair Market Value or gross sales price. Enter the FMV of the assets as of the date that the insurance company no longer uses the assets in its active trade or business. Or, enter the gross sale price of the assets if the insurance company sells the assets to another insurance company.

Line 8 and Line 10 – Total short-term or long-term capital gains (losses). Write in Schedule D, column (a) Description of Property: “FTB 3725” on the appropriate Form 100, 100W, or Schedule D (100S), and attach a copy of form FTB 3725, Assets Transferred from Parent Corporation to Insurance Company Subsidiary, to the return.