

**Water's Edge Manual
Chapter 4**

Note: Due to the repeal of Revenue and Taxation Code (RTC) §25115, except for minor edits and formatting, this chapter has not been updated since January 2000.

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CH. 4 ELECTION FEE (PRE-1994 ONLY)

Note: Due to the repeal of Revenue and Taxation Code (RTC) §25115, except for minor edits and formatting, this chapter has not been updated since January 2000.

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References:

RTC §25115 (Repealed effective for taxable years beginning on or after January 1, 1994.)

California Code of Regulations (CCR) §25115 (Repealed effective for taxable years beginning on or after January 1, 1994.)

RTC §70

RTC §441

RTC §826

Government Code §16429.30

a. Introduction

1. Changes In The Law:

In 1993 significant changes were made to the water's-edge provisions including the repeal of RTC §25115, the water's-edge election fee provisions. As the result, taxpayers making the water's-edge election for income years beginning on or after January 1, 1994, will no longer be required to compute and pay the annual election fee. (SB 671 Stats. 1993, Ch. 881.)

Fiscal taxpayers whose income year began prior to January 1, 1994 are bound by the old law and must pay the fee for the fiscal year that began in 1993 and ended in 1994.¹

2. Water's-Edge Election Fee:

For income years beginning before January 1, 1994, when a corporation elects to determine its taxable income on a water's-edge basis, an annual election fee must be paid to the Franchise Tax Board. This fee is paid in addition to the annual franchise or income tax liability. When a unitary group files a combined report and elects to file on a water's-edge basis, the annual election fee is calculated separately for each taxpayer within the unitary water's-edge group.

The annual election fee is the greater of the two amounts calculated under two alternative fee calculations.

Under the first alternative fee calculation, the taxpayer's fee base consists of the sum of the 1986 California property, the 1986 California payroll, and the California current year's sales. Accordingly, only the current year sales will change from year to year, while the base year property and payroll amounts will not change from year to year. This fee base is then multiplied by the rate of thirty-thousandths of one percent, or .0003.²

Under the first alternative, the taxpayer can obtain a reduction in the fee based upon the cumulative amounts expended in California since January 1, 1987, for certain new real and tangible personal property, and based upon the amount expended for new California employees.

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Under the second alternative fee calculation, the taxpayer's fee base consists of the sum of the current year's California property, payroll and sales. The fee base is then multiplied by the rate of ten-thousandths of one percent, or .0001.³

The corporation will pay the greater of these two fees. If for any income year a taxpayer has no tax liability (both franchise or income tax and the alternative minimum tax⁴) pursuant to RTC §§25101 and 25110, that is the taxpayer would not have any tax liability, other than the minimum tax, whether it filed on a worldwide basis or on a water's-edge basis, then the taxpayer will not be subject to the fee for that income year.

b. Calculation Of The Fee Base - First Alternative Calculation

1. Base Period

The base year for property and payroll, under the first alternative fee calculation, is an income year of twelve full months ending during the 1986 calendar year.⁵ For example, a taxpayer has a fiscal year-end of March 31, 1986, which covered the period from April 1, 1985 to March 31, 1986. The base year for property and payroll is the fiscal year ended March 31, 1986.

If there is not an income year of twelve full months ending in the 1986 calendar year, property and payroll for the first immediately preceding income year of twelve full months will be used. If such a twelve-month year does not exist, the corporation does not have a base year. Therefore, both 1986 property and 1986 payroll under the first alternative fee calculation would be zero.⁶

Example 1:

Due to an accounting period change, a taxpayer has a fiscal year-end of March 31, 1986. This covered the short period from July 1, 1985, to March 31, 1986. The base year for property and payroll is the fiscal year ended June 30, 1985, which covered a full twelve-month period. Note the March 1986 short period is not applied, nor annualized, to derive a twelve-month period.

Example 2:

A taxpayer has a fiscal year-end of June 30, 1986, covering the period from November 1, 1985, to June 30, 1986. This represents its first year of operations. There is no preceding income year of twelve full months, so the taxpayer does not have a base year. The California 1986 property and 1986 payroll will be zero under the first alternative fee calculation.

The base year sales are the current year's California sales.

2. Fee Base Amounts

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The fee base under the first alternative fee calculation will be the sum of the base year property, the base year payroll, and the current income year's sales reduced by investments in new property and by the hiring of new employees.

A. Property Amounts

The property amount of the fee base, under the first alternative fee calculation, is the total amount of property included in the California numerator of the property factor for the 1986 base year, less any intangibles that may have been included pursuant to CCR §25137. Thus, intangibles in the numerator of banks and financial corporations will be excluded from the fee base amounts. However, intangible drilling and development costs will be included in the fee base.⁷ With the exception of the exclusion of intangibles, the property amount is computed in the same manner as the property numerator in the apportionment formula, i.e., original cost of the property is included; beginning and ending property is averaged, unless a monthly average is required to reflect the average value of the taxpayer's property; and any rented or leased property is valued at eight times the net annual rental rate.

In the case where property could be included in the fee base of more than one member of the water's-edge group of which the taxpayer is a member, the specific item of property is included in the fee base of only one member of the water's-edge group. Where a plant or facility is owned, rented or leased by one taxpayer, which is a member of a water's-edge group, who in turn rents or sub-leases the property to another member of the water's-edge group, the fee shall be the obligation of the owner or the original renter or lessor, and any fee reduction may be applied only against the fee of the owner or original renter or lessor.

Example 3:

Corporation A leases a building to Corporation B. The building is used in the unitary business and is included in the property factor. Both corporations are members of the same water's-edge group. The property will only be included once in the fee calculations and it would be Corporation A, who is obligated to include this building in its fee calculation.

B. Payroll Amounts

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The payroll amount of the fee base under the first alternative fee calculation is the total amount of compensation included in the California numerator of the payroll factor for the 1986 base year.

C. Sales Amounts

The sales amount of the fee base under the first alternative fee calculation is the total amount of sales included in the California numerator of the sales factor for the current year. However, the sales amount does not include gross receipts from the sale of real property and improvements thereto or the sale of the stock of a subsidiary unless that activity occurs as a regular part of the taxpayer's business.⁸ Intercompany sales to members of the water's-edge group will be eliminated and therefore excluded from the sales amount.⁹

Example 4:

Corporation C has elected to file on the water's-edge basis for its 1988 calendar year. To compute the fee base under the first alternative fee calculation, it would obtain its property and payroll amounts from the California numerator of the two factors on its 1986 California tax return. The sales amount would be obtained from the current year's California numerator of the sales factor.

Sales under "reverse" Finnegan will not be included in the sales amount. "Reverse" Finnegan sales are California sales attributable to corporations which are exempt from taxation because of Public Law (PL) 86-272. Although, under FTB Notice 90-3, these sales are includible in the computation of the California apportionment factor of the unitary group to which the corporations are members, they are not includible for the purposes of the fee calculations because they are not attributable to a water's-edge taxpayer.

Example 5:

Corporations A, B, and C are unitary and file on a combined report basis. A and C are California taxpayers which elected to file on a water's-edge basis. B's only activity in California is solicitation of sales. B does not have property or payroll in California and is exempt from taxation under PL 86-272. Under FTB Notice 90-3, sales generated by B to California customers will be included in the numerator of the sales factor for the computation of California apportionment percentage. Although B is included in the water's-edge combined report, it is not a California taxpayer and, therefore, is not required to pay the annual fee. B's California

sales will not be included when computing the fee for either A or C's fee computations since the fees are computed based on each taxpayer's property, payroll and sales in California.

Property, payroll and sales attributable to nonbusiness income or attributable to business income, which does not arise from the unitary business of the water's-edge group, is excluded from the fee base. For example, a corporation may be engaged in two or more trades or businesses on a divisional basis requiring separate water's-edge elections and the separation of assets within the corporation.

3. Short Period Rules

In general, if a taxpayer has a short year, the fee is based upon sales for the short period plus the base property and payroll multiplied by a fraction, the numerator of which is the number of months in the short period and the denominator of which is twelve.¹⁰ If the second alternative fee base applies, the fee is based upon sales and payroll for the short period plus the current year property multiplied by a fraction, the numerator of which is the number of months in the short period and the denominator of which is twelve.¹¹

If the taxpayer's election period ends within the income year, rather than at the end of the income year, the taxpayer may elect to:

- A. Prorate the election fee as described above for the remainder of the election period; file its return for the income year based upon a water's-edge combination for the remainder of the election period and upon a worldwide combination for the remainder of the income year. Or,
- B. File its return for the entire income year on the basis of a water's-edge combination and pay the election fee for the full income year for which the final water's-edge return is due.¹²

Example 6:

Corporation D's 60-month election period ended on August 31, 1993. Corporation D's income year ended on December 31, 1993. Corporation D may elect to prorate its election fee for the period from January 1 to August 31, 1993, and file its return for the income year based on a water's-edge combination for the period from January 1 to August 31, 1993, and on a worldwide combination

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for the remainder of the income year. Or, Corporation D may elect to compute the election fee for the entire income year and file its return based on a water's-edge basis for the entire income year.

c. Reduction To The Fee Base

1. New Plant Or Facility - Overview

Reductions to the fee base under the first alternative fee calculation will be allowed for investments in new plant or facility acquired subsequent to January 1, 1987. A new plant or facility is property described in RTC §70 that is constructed by or for the taxpayer, or new tangible personal property.¹³

The cumulative cost basis of new RTC §70 property placed in service after January 1, 1987, will reduce the fee base, provided the new RTC §70 property is not deemed to be replacement property. Likewise, the cumulative cost basis of new tangible personal property placed in service after January 1, 1987, will reduce the fee base provided the new tangible personal property is not deemed to be replacement property.

A taxpayer may not have a 1986 base year as determined under the first alternative fee calculation, but the taxpayer will have a fee base consisting of current year sales. In this situation, any new investment property will still reduce the taxpayer's fee base.

Example 7:

Corporation E incorporated in California on April 23, 1988. The corporation does not have a 1986 base year, had sales of \$5,000,000 in 1988, and built a new \$1,000,000 plant, which became operative in California on October 8, 1988. Corporation E has a reduced fee base for its year ended December 1988, under the first alternative fee calculation, of \$4,000,000. [(\$0 + \$0 + \$5,000,000) - \$1,000,000.]

2. IRC §70 Property Defined

RTC §70 defines “newly constructed” or “new construction” to mean any addition to real property, including land, improvements and fixtures; or any alteration of the land or improvement, including fixtures, which constitutes a major rehabilitation or which converts the property to a different use. A new plant or facility is a “newly constructed” property under IRC §70 if it is entered onto the rolls of the county in which it is located. Therefore, any property, which is not

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entered onto the property rolls of the county in which it is located as newly constructed, is presumed not to be a new plant or facility. (See Exhibit 4A.)

CCR §25115(d)(2)(A)(ii) states, "A property is constructed for the taxpayer if the taxpayer entered into an agreement for the construction or purchase of such improved property, and, subsequent to completion of construction, the taxpayer occupies and uses the substantial portion of the improved property." There is no ownership requirement within the code section or the regulation. Therefore, if a taxpayer enters into an agreement with a land owner, who builds a structure to suit the taxpayer's needs and leases the land and building to the taxpayer, the leased property would qualify as new RTC §70 property. The leased property would be valued at eight times the net annual rental rate and would qualify as "new plant or facility."

Note that the property does not have to be built to specifically suit the taxpayer's needs to qualify as new constructed property. It is sufficient that the taxpayer enter into a construction agreement with the builder.

For purposes of RTC §25115, any addition to real property, whether land or improvements (including fixtures), which constitutes a major rehabilitation or which converts the property to a different use is considered to be a "new plant or facility." Any rehabilitation, renovation or modernization, which converts an improvement or fixture to the substantial equivalent of new improvements or fixtures is a major rehabilitation of such improvement or fixture. (RTC §70.) Property which is not entered into the property tax rolls of the county in which it is located shall be presumed not to be a "new plant or facility."¹⁴

Example 8:

Corporation A has an old plant in California, which has been in operation since the 1950's; a major rehabilitation of the plant is undertaken after January 1, 1987, at a cost of \$1,000,000. The rehabilitation of the plant falls within the definition of new plant or facility as described in RTC §70.

3. New Tangible Personal Property Defined

Tangible personal property is described by RTC §25115(d)(2)(B) and includes machinery and equipment for industry, profession or trade; tools, molds, dies, and jigs; or computers and related equipment. Due to county assessor filing requirements under RTC §§441 and 826 - these assets can be identified on the

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county assessor's "Business Property Statement," form 571-L, at "Schedule A - Cost Detail: Equipment", under specific classifications for "machinery and equipment for industry, profession of trade," "tools, molds, dies, jigs," and "computer and related equipment." (Exhibit 4D.)

"New" tangible personal property in RTC §25115(d)(2)(B)(ii) means only tangible personal property acquired during the current income year where the original use commences in this state.

4. Replacement Property

If a new plant or facility is deemed to be replacement property, then the new plant or facility is not eligible to reduce the election fee. If the taxpayer or an affiliated corporation closes, takes out of service, sells or leases property to an unrelated party a plant or facility located in California with a cost basis equal to 25% or more of the cost basis of the new plant or facility within the three immediately preceding calendar years, within the current year, or within the three immediately succeeding calendar years, then that property is deemed to be replacement property.¹⁵ To be replacement property, both the three-year rule and the 25% rule must be met. If the three-year rule and the 25% rule are met the property qualifies as replacement property and it will not be eligible to reduce the election fee.

There is no requirement that the new plant or facility actually replace or in any way be related to the activities carried on in the old plant or facility. Therefore, real property can be replaced by either real property or tangible personal property. And tangible personal property can be replaced by either tangible personal property or real property.¹⁶

Example 9:

A taxpayer purchases a new Crankpin Machine at a cost of \$1,500,000. It is placed in service on July 1, 1990. The taxpayer reports on a calendar year basis. The taxpayer takes out of service an old Crankpin Machine with a cost basis of \$425,000 on May 1, 1990. Both the three-year rule and the 25% rule are met (\$425,000 exceeds \$375,000, 25% of \$1,500,000.) Therefore, the new Crankpin Machine is replacement property and will not be applied to reduce the fee base.

Example 10:

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A new plant or facility is operational on July 1, 1990. It cost \$1,000,000. The taxpayer reports on a calendar year basis. The taxpayer sold a facility with a cost basis of \$275,000 on January 1, 1988. Both the three-year rule and the 25% rule are met; therefore, the new plant is replacement property (\$275,000 is more than or equal to \$250,000, 25% of \$1,000,000) and will not reduce the election fee.

Example 11:

Assume the same facts as Example 10 except that the taxpayer sells a facility with a cost basis of \$225,000 on August 30, 1992. The three-year rule is met, but the facility's \$225,000 cost basis is less than \$250,000, 25% of \$1,000,000. The new plant or facility is not replacement property. Further assume the taxpayer sells a facility with the cost basis of \$200,000 on January 1, 1991. Each sale is viewed separately and neither sale meets the 25% test. Therefore, the new plant is not replacement property and will be eligible to reduce the election fee.

Once a plant or facility is deemed to have been replaced by a new plant or facility, then no other new plant or facility can be deemed a replacement property by reference to it. If a plant or facility is taken out of service, sold or leased to an unrelated party and such plant or facility could be considered to have been replaced by more than one new plant or facility within the same or the preceding three years, the taxpayer may choose which one was the replacement property. The taxpayer may not, however, exercise such choice to prevent any new plant or facility from being considered replacement property.¹⁷

There is one other exception to the taxpayer's ability to choose which of two new properties is to be deemed replacement property. A taxpayer may not designate subsequently constructed or acquired property as replacement property if property which qualifies as replacement property has been acquired either within the three years preceding the income year or within the income year in which the facility is retired.¹⁸

Example 12:

New plants X and Y and new tractor Z become operational in 1990. Their cost bases are \$100, \$50 and \$25, respectively. Old plant A with a cost basis of \$20 is taken out of service in 1990. The taxpayer may treat either Y or Z as replacement property for A. The taxpayer may not choose to treat X as replacement property because the cost basis of old plant A does not equal or

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exceed 25% of the cost basis of X. If the taxpayer were allowed to choose X, the taxpayer could avoid having replacement property and reduce the election fee by the expenditures for X, Y, and Z.

Example 13:

Assume the same facts as Example 12, except the old plant A had a cost basis of \$10. The taxpayer would only have tractor Z available to treat as replacement property since the cost basis of old plant A exceeds 25% of the cost basis of Z, but does not equal or exceed 25% of the cost basis of X or Y. Personal tangible property can replace real property.

If a new plant or facility considered to be new investment property in a prior year becomes replacement property in the current year, the prior year's fee(s) will be recalculated to exclude the new investment now considered to be replacement property. The difference between the prior year's fee(s) as filed and the prior year's fee(s) as recalculated is the amount that the taxpayer must report on the current year's return.¹⁹

Example 14:

Corporation F constructs a new plant at a cost of \$100,000, which becomes operative on June 30, 1991. In calculating its fee for 1991, Corporation F reduced its fee base by the allowable \$100,000. Later, on February 28, 1993, Corporation F sells a previously existing plant with a cost basis of \$50,000. The 1991 \$100,000 plant becomes replacement property (both the three-year rule and the 25% rule are met.) Corporation F must recalculate its fee for 1991 and 1992 without the \$100,000 reduction.

5. New California Employees

The fee base may also be reduced by the amount expended on new employees in the current year. The number of new employees for any year is equal to the number of work years in California for such year in excess of the greater of either the average total work years for the income years ended in 1985, 1986 and 1987, or the total work year for the income year ended in 1987.²⁰

A work year for an hourly wage earner will be 2,000 paid hours; and for a salaried employee will be 12 paid months. Any period of less than 12 months should be annualized.²¹ The average wage paid for the year will be the California payroll factor amount, divided by the total work years for that year.

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The following formulas should be used to determine the amount expended on new employees:

1. Number of new employees is current year total work years less the greater of the average total work years for 1985, 1986 and 1987, or total work years for 1987;
2. Total work years is 2,000 paid hours for hourly workers and 12 paid months for salaried employees;
3. Average wage is California payroll numerator by total work years; and
4. Amount expended on new employees is average wage x the number of new employees.

Once the fee base, under the first alternative fee calculation, has been determined and reduced by any qualifying new investment and new employees, then the adjusted fee base is multiplied by .0003.

d. Calculation Of The Fee Base-Second Alternative Calculation

The fee base under the second alternative fee calculation is the sum of the current income year's property, payroll and sales. The property, payroll and sale amounts would be obtained from the current year's California numerator of the apportionment formula subject to the same exclusions that apply under the first alternative fee calculation.

For example, a corporation has elected to file on the water's-edge basis for its 1988 calendar year. To compute the fee base under the second alternative fee calculation, it would obtain its property, payroll and sales amounts from the California numerator of the three factors on its 1988 California tax return.

Under the second alternative fee calculation, property, payroll and sales attributable to nonbusiness income or attributable to business income which does not arise from the unitary business of the water's-edge group are excluded from the fee base.

The fee base determined under the second alternative fee calculation is then multiplied by .0001.

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e. Limits In Reduction Of Fee

The taxpayer pays the greater of the fee amounts calculated under the first alternative fee calculation and the second alternative fee calculation.²²

Example 15:

Corporation G has base year property of \$1,980,000 and base year payroll of \$5,000,00. Current year property, payroll, and sales are \$3,000,000, \$5,000,000, and \$7,000,000, respectively. G has expended \$110,000 on new California property since 1987.

G is also able to show that it had California hourly wage earners who were paid on a total of 315,000 hours and California salaried employees who were paid based on a total of 275 months in the income year-end 1990. The wage earners and salaried employees had paid hours and paid months for the income year-end 1985, 1986 and 1987 as follows:

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Wage earners paid hours	260,000	280,000	290,000
Salaried employees paid months	200	220	230

What is the amount of fee due for the 1990 income year?

Answer:

The first alternative fee computation results in a potential fee liability of \$4,028. The second alternative fee computation results in a potential fee liability of \$1,500. The taxpayer must pay the greater of the two, or \$4,028.

The reduction for new employees is calculated as follows:

The current year work years for the wage earners is 157 (315,000 hours / 2,000 hours) and the work years for the salaried employees is 23 (275 months / 12 months) making the total work years 180 (157 + 23.)

The average work years for the wage earners in 1985, 1986 and 1987 is 138 (260,000 + 280,000 + 290,000 = 830,000 hours / 3 = 276,666 average hours / 2,000 hours) and the average work years in 1985, 1986 and 1987 for the salaried employees is 18 (200 + 220 + 230 = 650 months / 3 = 216 average months / 12

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months.) The total average work years for 1985, 1986 and 1987 is 156 (138 + 18.)

The work years for the wage earners in 1987 is 145 (290,000 hours / 2,000 hours) and the work years for the salaried employees is 19 (230 months / 12 months.) The total work years for 1987 is 164 (145 + 19.) The 1987 total work years is greater than the average for 1985, 1986 and 1987 and therefore, will be used to complete the formula.

Accordingly, the number of new employees in 1990 is 16 (180 – 164.) The average wage is \$27,778 (\$5,000,000 / 180 work years.) The amount expended on new employees is \$444,448 (\$27,778 x 16 new employees.)

Refer to Exhibit 4E for the computation of the fee due.

f. Effects Of Reorganizations**1. Mergers**

In the event of a merger between two or more corporations, the property and payroll for 1986, if any, of the merged entity will be included with that of the surviving taxpayer; the average total number of work years in California for 1985, 1986 and 1987, if any, of the merged entity will be included with that of the surviving taxpayer; and the cumulative amount expended since January 1, 1987, for investment in new plants and facilities, if any, of the merged entity will be included with that of the surviving taxpayer.²³

2. Divisive Reorganization

In the event of a division or separation of an entity into two or more entities, the property and payroll for 1986 will be allocated between the entities, based on the ratio of their California property and payroll to the total California property and payroll for the year of the reorganization. The average total number of work years in 1985, 1986 and 1987 will be allocated between the entities based on the ratio of their California payrolls to the total California payroll for the year of the reorganization. And the cumulative amount expended since January 1, 1987, for investment in new plants and facilities will be allocated between the entities based on the ratio of their California property to the total California property for the year of reorganization.²⁴

Example 16:

Corporation H has a calendar year-end of December 31, 1989, and reorganizes its two divisions on January 1, 1990, into Corporations M and N. For December 31, 1990, M's average California property is \$7,000,000; and N's average California property is \$3,000,000. Because total California property for the year of reorganization is \$10,000,000, H's property for 1986 and the cumulative amount expended since January 1, 1987, for investment in new California plants and facilities will be allocated to M at the rate of 70% and to N at the rate of 30%.

Additionally, assume for December 31, 1990, M has California payroll totaling \$3,000,000 and N has California payroll totaling \$2,000,000. Because the total California payroll for the year of reorganization is \$5,000,000, H's California

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payroll for 1986 and the average total number of work years in 1985, 1986 and 1987 will be allocated to M at the rate of 60% and to N at the rate of 40%.

g. Calculation By Entity

The election fee must be calculated separately for each corporation on an entity-by-entity basis. If the taxpayer is a member of an affiliated group, which has made the election to file a single return, the fee can be paid on a combined basis. The fee may be assessed and collected from any taxpayer included in the return.

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h. Waiver Of Fee

The annual fee may be waived if the taxpayer can demonstrate that it would have no tax liability (other than the minimum tax) pursuant to both RTC §§25101 and 25110.²⁶ A taxpayer has no tax on income determined to be derived from or attributable to sources within California when the total of its business income and nonbusiness income attributable to California is zero or negative.²⁷

The burden of proof falls on the taxpayer to demonstrate that the taxpayer has no tax pursuant to RTC §§25101 or 25110. If the taxpayer has consolidated financial statements prepared for the stockholders that reflect a net loss, then it shall be presumed that the taxpayer would not have a tax liability pursuant to RTC §§25101 and 25110.²⁸

i. Maintenance Of Records

For the taxpayer to qualify for any reductions to the fee base, the taxpayer must maintain sufficient records to establish the cost basis of all California plant and facilities owned by the taxpayer prior to January 1, 1987, and the number of work years in California for its income year ended in 1987 and for its income years ended in 1985, 1986 and 1987.²⁹

j. Considerations in the Calculation of the Water's-Edge Fee

1. The treatment of any base period short income years or current short income years.
2. Proper determination of the base year. The base period is the income year of twelve full months ending during the 1986 calendar year.
3. Proper calculation of the water's-edge fee under both alternatives, the election fee for the year is the greater of the two fees calculated under the two alternatives.
4. Proper classification of property as new investment property or replacement property.
5. Overall accuracy of the calculation.

In addition, any adjustments made to the apportionment factors should be carried forward to the election fee calculation.

The fee is not reduced nor eliminated upon the disregarding of an election pursuant to RTC §25111. However, the fee will not be imposed for any year for which the termination of an election has been permitted.

One last point is that the fee is not a tax. Therefore, it is a deductible expense from income.

k. Procedures For Assessing Fee

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NOTE: ((* * *)) = Indicates confidential and/or proprietary information that has been deleted.

The information provided in the Franchise Tax Board's internal procedure manuals does not reflect changes in law, regulations, notices, decisions, or administrative procedures that may have been adopted since the manual was last updated

Ch 4 Footnotes

1. See FTB Notice 93-7, and off code language in Stats. 1994, Ch. 22, §6.
2. CCR §25115(a)(1).
3. CCR §25115(a)(3).
4. CCR §25115(h).
5. CCR §25115(a)(1).
6. CCR §25115((c)(4)(A).
7. CCR §25115(c)(1)(A).
8. CCR §25115(c)(3)(A).
9. CCR §25115(c)(3)(B).
10. CCR §25115(a)(5)(A).
11. CCR §25115(e)(2).
12. CCR §25115(a)(5)(B).
13. RTC §70(b).
14. CCR §25115(d)(2)(A)(i).
15. CCR §25115(d)(2)(C).
16. CCR §25115(d)(2)(c)(ii).
17. CCR §25115(d)(2)(D).
18. CCR §25115(d)(2)(D).
19. CCR §25115(d)(2)(E).
20. CCR §25111(d)(3)(A).
21. CCR §25115(d)(3)(A)(i).

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22. CCR §25115(i).
23. CCR §25115(f)(1).
24. CCR §25115(f)(2).
25. CCR §25115(g).
26. CCR §25115(h)(1).
27. CCR §25115(h)(2).
28. CCR §25115(h)(3).
29. CCR §25115(i).