TAXABLE YEAR

CALIFORNIA FORM

20□□ Request to Terminate Water's-Edge Election 1117

Parts I, II, III, and IV must be completed. **Do not change the method of filing until the Franchise Tax Board has approved this request.**

Corporation name (as shown on original water's-edge return)			Key California corporation number
Address (suite, room, or PMB no.)			
City	State	ZIP Code	

Part I Effective Dates

Enter the taxable year ending date that the request to terminate the water's-edge election will be effective: . . . . . ____/____/____
Month Day Year

Enter the beginning date of the water's-edge election: . . . . . ____/____/____
Month Day Year

Part II Basis to Terminate Water's-Edge Election. See Instructions.

Explain the basis for the request to terminate the water's-edge election. Attach additional sheets if necessary.

Part III List of Taxpayers Requesting to Terminate Water's-Edge Election. Attach additional sheets if necessary.

Taxpayer's name	California corporation number	FEIN

Part IV Gains and Losses

List of all gains and losses on stock or assets during the water's-edge election period of any affiliated corporations included in the combined report prior to the water's-edge election. See General Information F, Conditions for Part IV - Gains and Losses. Attach additional sheets if necessary.

Corporation name	Item disposed of	Date sold/disposed of	Gain/loss

Signature

I attest to the belief that the water's-edge termination is permitted by law and to the accuracy of factual statements.

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

Signature of officer ____ Title ____ Date ____

Print or type name of person to contact ____ (____) Telephone ____

THIS FORM MUST BE FILED SEPARATELY FROM THE TAX RETURN

Instructions for Form FTB 1117

Request to Terminate Water's-Edge Election

General Information

A Purpose

Use form FTB 1117, Request to Terminate Water's-Edge Election, to request the Franchise Tax Board's (FTB) consent to terminate the water's-edge election prior to the end of the 84-month election period as provided in California Revenue and Taxation Code (R&TC) Section 25113(c)(10).

R&TC Section 25113 (Cal. Code Regs., tit. 18, section 25113) provides how and when the water's-edge election is to be made. In addition, this section provides the manner in which the water's-edge election may be terminated with or without the FTB's consent. The filing of form FTB 1117 is required only if the taxpayer requests the FTB's consent to terminate the water's-edge election prior to the end of the 84-month election period, and it meets one of the two requirements provided under R&TC Section 25113(c)(10).

The requirements are:

- The taxpayer requests to terminate the water's-edge election for good cause. Good cause for this purpose has the same meaning as described in Treasury Regulation (Treas. Reg.) Section 1.1502-75(c) and R&TC Section 25113(c)(10)(A).
- The taxpayer's purpose for requesting termination is to permit the state to contract with an expatriate corporation, or its subsidiary, pursuant to Public Contract Code Section 10286.1(b)(2) and R&TC Section 25113(c)(10)(B).

If the FTB takes no action or requests no additional information within 90 days, a request for consent to terminate the water's-edge election is deemed **disallowed**.

The FTB's consent is not required if the election is being terminated as a result of an affiliation change as provided in R&TC Section 25113.

B Due Date

The taxpayer must file form FTB 1117 with the FTB no later than the 120th day prior to the due date, including extensions, of the return for which the termination would be effective.

Do not file form FTB 1117 with the tax return because the request will **not** be timely and will be considered invalid.

C Approval and Effective Date

In general, requests for consent to terminate the water's-edge election are effective for the taxable year in which:

- Good cause occurred.
- The expatriate corporation, or its subsidiary, enters into the contract with the state.

The FTB will notify the corporation if its request is approved. The corporation should generally receive a determination on its termination request within 45 days after it has filed form FTB 1117.

Do not change the method of filing until the FTB has approved this request.

D Where to File

A taxpayer must file form FTB 1117 **separately** from any other form. Form FTB 1117 filed with a return is **not** valid and will **not** terminate a taxpayer's water's-edge election.

Mail form FTB 1117 to:

FRANCHISE TAX BOARD
PO BOX 1779
RANCHO CORDOVA CA 95741-1779

E Request to Withdraw

The taxpayer may withdraw its request at any time before the FTB takes action.

The request must be in writing and mailed to the address shown in General Information D, Where to File.

F Conditions for Part IV – Gains and Losses

Conditions:

A request for consent to terminate an election may be subject to the following conditions:

1. Dividends received during the remaining period of the election from affiliated corporations not included in the water's-edge combined report will be considered to have been paid first out of the earnings and profits (E&P) not included in the combined report of a unitary business for purposes of computing any allowable dividend exclusion under R&TC Section 25106. To the extent the dividends exceed such E&P, they may be subject to the exclusion.
2. Gains on distribution with respect to stock that is not a dividend or from the sale or other disposition of assets received during the remaining period of the election from affiliated corporations not included in the water's-edge combined report will not be deferred or eliminated. Losses from the sale or worthlessness of stock or from the sale or other disposition of assets of affiliated corporations not included in the water's-edge combined report will be allowed only to the extent of dividend income or other gain recognized as a result of the change in election.
3. Gains or losses on the disposition of stock or assets of an affiliated corporation that was included in a combined report prior to the election and that was excluded from the water's-edge combined report will be included in income in the first return filed after permission is granted. Losses will be included only to the extent of gain recognized as a result of the change in election.

The books and records with respect to the gains and losses listed in Part IV, E&P of affiliated corporations, the nature of the event giving rise to the request, the consequences of such event, and other relevant matters must be made available upon the FTB's request.

Specific Instructions

Private Mail Box – Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Part II – Basis to Terminate Water's-Edge Election

Provide the explanation for the request for consent to terminate the water's-edge election.

The basis for the request must clearly state the reason for the request.

In general, the request for consent to terminate the water's-edge election will be granted only if the taxpayer meets **one** of the following:

- If the taxpayer requests to terminate the water's-edge election for good cause, it must demonstrate that it meets the good cause requirement as described in Treas. Reg. Section 1.1502-75(c).
- If the taxpayer requests to terminate the water's-edge election so it can meet the requirements of Public Contract Code Section 10286.1(b)(2), it must provide source documentation to support its request.