California

Forms & Instructions

109

2010

Exempt Organization Business
Income Tax Booklet

Members of the Franchise Tax Board

John Chiang, Chair

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This booklet contains:

Form 109, California Exempt Organization Business Income Tax Return

State of California
Franchise Tax Board

Instructions for Form 109

California Exempt Organization Business Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009,** and to the California Revenue and Taxation Code (R&TC).

What's New

California e-Postcard – Beginning for taxable years on or after January 1, 2010, exempt organizations with gross receipts normally less than $25,000 are required to file FTB 199N, California e-Postcard. For more information, go to FTB's website **ftb.ca.gov** and search for **199N**.

Net Operating Loss (NOL) – For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction for taxpayers whose unrelated business taxable income is $300,000 or more. Taxpayers may continue to compute and carryover NOLs during the suspension period. However, taxpayers with unrelated business taxable income of less than $300,000 **or** with disaster loss carryovers are not affected by the NOL suspension rules.

Also, California modified NOL carryback provisions. For more information, see form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Individuals, Estates and Trusts or FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.

California Film and Television Tax Credit – For taxable years beginning on or after January 1, 2011, a film and television credit against the net tax will be allowed. The credit, which is allocated and certified by the California Film Commission (CFC), is 20 percent of expenditures attributable to a qualified motion picture and 25 percent of production expenditures attributable to an independent film or a TV series that relocates to California. A qualified taxpayer may sell a credit, attributable to an independent film, to an unrelated party once they receive the certificate from the CFC. Prior to the sale, the qualified taxpayer must notify the Franchise Tax Board of the sale by using form FTB 3551, Sale of Credit Attributable to an Independent Film. For more information, go to **ftb.ca.gov** and search for **film**.

Backup Withholding – Beginning on or after January 1, 2010, with certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the Franchise Tax Board (FTB). The California backup withholding rate is 7% of the payment. For California purposes, dividends, interests, and any financial institutions release of loan funds made in the normal course of business are exempt from backup withholding.

If the tax exempt entity (payee) has backup withholding, the tax exempt entity (payee) must contact the FTB to provide a valid Taxpayer Identification Number, which is either the California corporation number or the federal employer identification number (FEIN), before filing the tax return. Failure to provide the California corporation number or FEIN may result in a denial of the backup withholding credit. For more information, go to **ftb.ca.gov** and search for **backup withholding**.

Charitable Contributions for 2010 Haiti Disaster – California law conforms to the federal law which allows a 2009 charitable contribution deduction for cash contributions made after January 11, 2010 and before March 1, 2010 for the relief of victims in areas affected by the earthquake in Haiti on January 12, 2010. Organizations may claim the deduction on the 2009 or 2010 California income tax return. Organizations may choose to claim the deduction in different taxable years for federal and California.

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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 **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.

California Acknowledgement of Tax-Exempt Status

California R&TC 23701d allows organizations that obtained a federal determination letter of tax-exempt status under IRC Section 501(c)(3), to receive California tax-exempt status. See form FTB 3500A for additional instructions.

Reportable Transactions

If the organization was involved in a reportable transaction, including a listed transaction, the organization may have a disclosure requirement. Attach the federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the organization fails to file federal Form 8886, or any other required information.

ATSU 398 MS F385
FRANCHISE TAX BOARD
PO BOX 1673
SACRAMENTO CA 95812-9900

For more information, go to **ftb.ca.gov** and search for **tax shelter**.

Natural Heritage Preservation Credit – The funding for the Natural Heritage Preservation Credit is available beginning January 1, 2010, until June 30, 2015.

New Jobs Credit – For taxable years beginning on or after January 1, 2009, a new jobs credit will be allowed to qualified employers in the amount of $3,000 for each qualified full-time employee hired during the taxable year. For more information go to **ftb.ca.gov** and search for **new jobs** or get FTB 3527, New Jobs Credit.

Estimated Tax Payments – Installments due for each taxable year beginning on or after January 1, 2010, are now required to be 30% of the required estimated tax liability for the first required installment, 40% of the required estimated tax liability for the second required installment, no estimated tax payment is required for the third installment and 30% of the required estimated tax liability for the fourth required installment.

A Purpose

A tax-exempt organization that regularly carries on a trade or business 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, California Exempt Organization Business Income Tax Return, 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 or FTB 199N, California e-Postcard. 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 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.

Exceptions: 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 an 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.
- 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 PartII, Unrelated Business Taxable Income, line 20, for the exception concerning contributions).

For additional information, see IRC Section 512.

C 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. 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, Unrelated Business Taxable Income, lines 4a, 4b, and 4c, for treatment of capital gains or ordinary losses).
   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.
   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)).
   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) and 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.

D Exempt Function Income

Exempt function income is any of the following:

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.
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.

E 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 all unrelated business income attributable to sources both within and outside California. See the instructions for Side 1, line 2, and Schedule R, Apportionment Formula Worksheet on Side 3.

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.

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.

F Who Must File

Every organization with California tax-exempt status must file Form 109 if the gross income from an unrelated trade or business is more than $1,000. See General Information B, Unrelated Trade or Business.

Exceptions
A tax-exempt organization is not required to file Form 109 if all of the following apply:

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

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.

G Mailing Addresses

Mail returns with 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

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.

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

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

H 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 Section401(a) an IRA, or a Coverdell ESA must file Form 109 by the 15th day of the 4th 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, for a list of designated delivery services.

I Extension of Time to File Return

If Form 109 cannot be filed by the due date, the exempt organization has seven additional months to file without filing a written request for extension. However, an organization that is not in good standing or is suspended on the original due date of the return will not be given an extension of time to file. To avoid late payment penalties, the organization must pay 100% of the tax liability 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, Payment for Automatic Extension for Corporations and Exempt Organizations.

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.

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 or franchise tax by the FTB does not owe the minimum franchise tax.

Trusts
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 original due date of the return. 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 use the Tax Rate Schedule for Trusts on page 14 to figure the correct amount of tax.

Estimated Tax Payments – Installments due for each taxable year beginning on or after January 1, 2010, are now required to be 30% of the required estimated tax liability for the first required installment, 40% of the required estimated tax liability for the second required installment, no estimated tax payment is required for the third installment and 30% of the required estimated tax liability for the fourth required installment.

Organizations with adjusted gross income over $1,000,000 may no longer compute estimated tax payments based on 100% of the tax shown on the return of the preceding year.

Organizations with a tax liability less than $500 do not need to make estimated tax payments.

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 **ftb.ca.gov** and search for **EFT** or call 916.845.4025.

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.
- 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.

Extension 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.

Penalty. To avoid late payment penalties for use tax, the organization must report and pay the use tax with a timely filed income tax return.

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, go to **boe.ca.gov**, or call 800.400.7115 or TTY/TDD 800.735.2929. Income tax information is not available at these numbers.

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 five percent 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.

The late payment penalty may be waived where 90% of the tax shown on the return is paid by the original due date of the return. 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 organization 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.

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 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)

If the corporation's pre-apportioned unrelated business taxable income is $300,000 or more, or if a trust, the unrelated business taxable income is $300,000 or more, the NOL deduction is suspended for the 2010 and 2011 taxable years. Disaster loss carryovers are not affected by the NOL suspension rules.

NOL carrybacks, NOL carryovers and the number of taxable years to which a loss may be carried are modified.

For more information, get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates and Trusts; form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations; form FTB 3805Z Enterprise Zone Deduction and Credit Summary; form FTB 3807 Local Agency Military Base Recovery Area Deduction and Credit Summary; form FTB 3809, Targeted Tax Area Deduction and Credit Summary; and form FTB 3805D, Net Operating Loss (NOL) Carryover Computation and Limitation — 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 13. 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 Information Returns

The organization must file federal Form 1099 series information returns with the FTB as well as the IRS to report certain payments made or received by the 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 1098, 1099, 5498, and W2-G; federal Publication 1220, Specifications for Filing Forms 1097-BTC, 1098, 1099, 3921, 3922, 5498, 8935 and W-2G Electronically; FTB 4227A, Guide to Information Returns Filed With California.

Q Federal Form 990-T

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

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

Accounting Period
File form 109 for taxable years beginning in 2010. Fiscal year filers complete the tax year information on the top of side 1. Include the month, day, and year for that taxable period.

Entity Information
Provide the following:

- California Corporation or Entity number.
- FEIN
- Organization's legal name
- Address

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

Question F – Accounting Method
Use the same method the organization uses for maintaining its books and records to compute taxable income.

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, located on Side 3 of the Form 109, to determine the apportionment percentage.

Line 7 – Net Operating Loss Deduction
Attach the appropriate form to Form 109. See General Information N, Net Operating Loss Deduction for more information.

Line 11 – Credits
See the instructions for Schedule B and Schedule P (100 or 541.)

- **Line 11a New Jobs credit, amount generated –** Enter the amount from form FTB 3527, line 18.
- **Line 11b New Jobs credit, amount claimed –** Enter the amount from form FTB 3527, line 22a.
- **Line 11c Tax Credits from Schedule B –** Enter the total of any other credits from Schedule B. **Do not** include New Jobs credit on Line 11c.

Line 16 – 2010 Estimated Tax
Enter the total amount of estimated tax payments made during the 2010 taxable year on this line.

Line 17 – 2010 Withholding (Form 592-B and/or 593.)
Enter the 2010 nonresident or real estate withholding credit from Form(s) 592-B, Resident and Nonresident Withholding Tax Statement, or Form 593, Real Estate Withholding Tax Statement. Attach a copy of the forms(s) to the lower front of Form 109, Side 1.

Line 20 And Line 21 – 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 23 – Use Tax
As explained under General Information L, California use tax applies to purchases from out of state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person). For questions on whether a purchase is taxable, go to **boe.ca.gov**, or call 800.400.7115 or TTY/TDD 800.735.2929.

Note: The following businesses must continue to report purchases subject to use tax directly to the State Board of Equalization:

- Businesses that have a California seller's permit.
- Businesses that are not required to hold a California seller's permit, but receive at least $100,000 in gross receipts.
- Businesses that have a California consumer use tax account.

An exempt organization that is not required to report purchases subject to use tax directly to the State Board of Equalization may report use tax on Form 109. To report use tax on Form 109, complete the Use Tax Worksheet below.

If the exempt organization owes use tax but does not report it on Form 109, the exempt organization must report and pay the tax to the State Board of Equalization. For information on reporting use tax directly to the State Board of Equalization, go to **boe.ca.gov**.

Failure to timely report and pay the use tax due may result in the assessment of penalties.

Use Tax Worksheet
Use whole dollars only.

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 applicable sales or use tax rate. . . . . _____
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. . . . . $ _____.00
5. Total Use Tax Due. Subtract line 4 from line 3. Enter the amount here and on Form 109, line 23. 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.

Report and pay any use tax the exempt organization owes on the following purchases to the State Board of Equalization, not on the California Exempt Organization Business 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 sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. If you do not know the applicable city or county sales and use tax rate, please go to the State Board of Equalization's website at **boe.ca.gov** and click on City and County Tax Rates or call their Taxpayer Information Section 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 on purchases reported on Line 1. The organization can claim a credit up to 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.

Line 24 – 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, lines 24a, 24b, and 24c. Be sure to fill in **all** the information for these lines.

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.

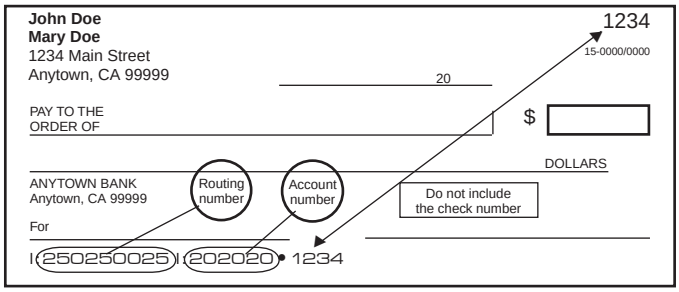
To cancel the DDR, call the FTB at 916.845.0353.

If the direct deposit is rejected, the FTB will issue a paper check.

Line 25 and 26 – Penalties and Interest

Check the box on line 26 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.

Caution Flag: Check with your financial institution to make sure your deposit will be accepted and to get the correct routing and account numbers. The FTB is not responsible for a lost refund due to incorrect account information entered by you or your representative.



Line 27 – Total Amount Due – Organizations required to pay by EFT must remit the amount due by EFT. See General Information K, Payment of Tax.

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.

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

Third Party Designee

Third Party Designee –The organization can designate a third party to discuss the tax return with the FTB.

If the organization wants to allow the FTB to discuss its 2010 return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of the return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the organization is authorizing the FTB to call the paid preparer to answer any questions that may arise during the processing of its return. The organization is also authorizing the paid preparer to:

- Give the FTB any information that is missing from the return.
- Call the FTB for information about the processing of the return or the status of any related refund or payments.
- Respond to certain FTB notices about math errors, offsets, and return preparation.

The organization is not authorizing the paid preparer to receive any refund check, bind the organization to anything (including any additional tax liability), or otherwise represent the corporation before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the organization's 2011 tax return. If the organization wants to expand the paid preparer's authorization, see form FTB 3520, Power of Attorney Declaration for the Franchise Tax Board. If the organization wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

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. 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 reports its restaurant and bar receipts from nonmembers on line 1 but would report its investment income on Schedule E and on Form 109, side 2, 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 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

Enter on Form 109, Side 2, Part I, line 4(a), the computation of the **net capital gain** income reported on Schedule D (541) Capital Gain or Loss. Attach a copy of that schedule to Form 109.

Enter on Form 109, Side 2, Part I, line 4(b), the computation of **ordinary gains and losses** reported on Schedule D-1, Sales of Business Property. 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 Form 109, Side 2, Part I, line 4(c), the amount of ordinary gains and losses reported on Schedule D (541). Attach a copy of that schedule to Form 109.

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 5, and enter the amount on line 14 of Side 2.

Line 20 – Contributions
Attach a detailed 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. Attach a declaration, signed by an officer or other authorized person, to the tax 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 21, 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 5 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, to figure the difference between state and federal depreciation. Enter the total from form FTB 3885F, line 6 on Form 109, Part II, line 21a, and attach form FTB 3885F to Form 109.

Subtract line 21b from line 21a. Enter the amount on Line 21.

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 the organization's 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 Alternative Minimum Tax - Corporations or Form 1041 Schedule I - 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 3, Schedule B, or Schedule P (100 or 541), whichever is appropriate. Transfer the credits from Side 3, Schedule B, to Form 109, Side 1, line 11a, line 11b, and line 11c. See the instructions for line 11.

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

If the organization claims a credit carryover for a repealed 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), Part II, 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.

Schedule K — Add-On Taxes or Recapture of Tax

Complete Schedule K if the organization is required to include installment payments of add-on taxes from any of the following:

- 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.
- Credit amounts to recapture.

Enter the amount of tax due or overpayment from Schedule K, line 5, on Form 109, Side 1, line 20 or 21, 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. 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 any of the following:

- FTB 3501, Employer Child Care Program/ Contribution Credit.
- FTB 3805Z, Hiring Credit — Enterprise 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.
- 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.

Schedule C — Rental Income

Important Note: For rental income from debt-financed property, see Schedule D instructions on this page. 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 C, Exclusions, and in 2 below.
2. All rents from real property and personal property, if either of the following applies:
   a. More than 50% of the total rents received or accrued under the lease are attributable to personal property.
   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 either of the following apply:

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

Schedule D — Unrelated Debt-Financed Income

California conforms to the federal law relating to the treatment of certain partnership allocations by the partnership and partnership interests for property 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, get 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 — Interest, Annuities, Royalties and Rents From Controlled Organizations

Controlling organizations: See General Information C, Exclusions. Generally, California law is the same as federal law. Get the instructions for Federal Form 990-T, Exempt Organization Business Income Tax Return.

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

Generally, California law is the same as federal law.

Schedule H — Advertising Income and Excess Advertising Costs

Generally, California law is the same as federal law.

Schedule J — Depreciation

Corporations and Associations only. Trusts must use form FTB 3885F, Depreciation and Amortization. Generally, California law is the same as federal law.

TAXABLE YEAR **2010**

California Exempt Organization Business Income Tax Return

FORM **109**

Calendar Year 2010 or fiscal year beginning month_____day_____year _____, and ending month_____day_____year _____.

A First Return Filed? ☐Yes ☐No

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

CORP #

Corporation/Organization Name

FEIN

Address

City

State

ZIP Code

C Is the organization under audit by the IRS or has the IRS audited in a prior year? . . . . . ● ☐Yes ☐No

D Final Return?
● ☐Dissolved ● ☐Surrendered (Withdrawn)
● ☐Merged/Reorganized (attach explanation)
If a box is checked, enter date ●_____

E Amended Return . . . . . ● ☐Yes ☐No

F Accounting Method Used: (1)☐ Cash (2)☐ Accrual (3)☐ Other

G Nature of trade or business _____

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

I Is this organization claiming any Enterprise Zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Targetd Tax Area (TTA), or Manufacturing Enhancement Area (MEA) tax benefits?. . . . . ● ☐Yes ☐No

J Is this organization a qualifed pension, profit-sharing, or stock bonus plan as described in IRC Section 401(a)? . . . . . ☐Yes ☐No

K Unrelated Business Activity (UBA) Code ●_____

Taxable Corporation	**1** Unrelated business taxable income from Side 2, Part II, line 30 . . . . . ●	**1**		00
	2 Multiply line 1 by the average apportionment percentage _____% from the Schedule R, Apportionment Formula Worksheet, line 6. See instructions. . . . . ●	**2**		00
	3 Enter the lesser amount from line 1 or line 2. If the unrelated business activity is wholly in California and Schedule R was not completed, enter the amount from line 1. . . . . ●	**3**		00
Taxable Trust	**4** Unrelated business taxable income from Side 2, Part II, line 30 . . . . . ●	**4**		00
Tax Computation	**5** Unrelated business taxable income from line 3 or line 4 . . . . . ●	**5**		00
	6 Enterprise zone, LAMBRA, LARZ, TTA, or Pierce's disease losses . . . . . ●	**6**		00
	7 Net Operating Loss deduction. See General Information N . . . . . ●	**7**		00
	8 Add line 6 and line 7. . . . . ●	**8**		00
	9 Net unrelated business taxable income. Subtract line 8 from line 5 . . . . . ●	**9**		00
	10 Tax _____% x line 9. See General Information J . . . . . ●	**10**		00
	11 a New jobs credit, amount generated. ● **a)** _____ **11 b)** Amount claimed. . . . . ●	**11b**		00
	c Tax credits from Schedule B. See instructions. . . . . ●	**11c**		00
	d Total Credits. Add line 11b and 11c	**11d**		00
Total Tax	**12** Balance. Subtract line 11d from line 10. If line 11d is greater than line 10, enter -0-. . . . . ●	**12**		00
	13 Alternative minimum tax. See General Information Q. . . . . ●	**13**		00
	14 Total tax. Add line 12 and line 13 . . . . . ●	**14**		00
Payments	**15** Overpayment from a prior year allowed as a credit . . . . . ● **15**		00	
	16 2010 estimated tax payments. See instructions. . . . . ● **16**		00	
	17 2010 withholding (Form 592-B and/or 593.) See instructions . . . . . ● **17**		00	
	18 Amount paid with extension (form FTB 3539) . . . . . ● **18**		00	
	19 Total payments and credits. Add line 15 through line 18 . . . . . ●	**19**		00
Refund (Direct Deposit of Refund) or Amount Due	**20** Tax due. Subtract line 19 from line 14. Pay entire amount with return. See instructions . . . . . ●	**20**		00
	21 Overpayment. Subtract line 14 from line 19. See instructions . . . . . ●	**21**		00
	22 Enter amount of line 21 to be applied to 2011 estimated tax . . . . . ●	**22**		00
	23 Use tax. See instructions . . . . . ●	**23**		00
	24 Refund. If the sum of line 22 and line 23 is less than line 21, then subtract the total from line 21 . . . . . ●	**24**		00
	a Fill in the account information to have the refund directly deposited. Routing number . . . . . ● **24a**			
	b Type: Checking ●☐ Savings ●☐ **c** Account Number . . . . . ● **24c**			
	25 Penalties and interest. See General Information M. . . . . ●	**25**		00
	26 ●☐ Check if estimate penalty computed using Exception B or C and attach form FTB 5806.			
	27 Total amount due. Add line 20, line 22, line 23, and line 25, then subtract line 21 from the result	**27**		00

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		00
2 Cost of goods sold and/or operations (Schedule A, line 7)	2		00
3 Gross profit. Subtract line 2 from line 1c	3		00
4 a Capital gain net income. See Specific Line Instructions – Trusts attach Schedule D (541)	4a		00
b Net gain (loss) from Part II, Schedule D-1	4b		00
c Capital loss deduction for trusts	4c		00
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		00
6 Rental income (Schedule C)	6		00
7 Unrelated debt-financed income (Schedule D)	7		00
8 Investment income of an R&TC Section 23701g, 23701i, or 23701n organization (Schedule E)	8		00
9 Interest, Annuities, Royalties and Rents from controlled organizations (Schedule F)	9		00
10 Exploited exempt activity income (Schedule G)	10		00
11 Advertising income (Schedule H, Part III, Column A)	11		00
12 Other income. Attach schedule	12		00
13 Total unrelated trade or business income. Add line 3 through line 12	13		00

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		00
15 Salaries and wages				15		00
16 Repairs				16		00
17 Bad debts				17		00
18 Interest. Attach schedule				18		00
19 Taxes. Attach schedule				19		00
20 Contributions. See instructions and attach schedule				20		00
21 a Depreciation (Corporations and Associations – Schedule J) (Trusts – form FTB 3885F)	21a		00			
b Less: depreciation claimed on Schedule A. See instructions	21b		00	21		00
22 Depletion. Attach schedule				22		00
23 a Contributions to deferred compensation plans				23a		00
b Employee benefit programs. See instructions				23b		00
24 Other deductions. Attach schedule				24		00
25 Total deductions. Add line 14 through line 24				25		00
26 Unrelated business taxable income before allowable excess advertising costs. Subtract line 25 from line 13				26		00
27 Excess advertising costs (Schedule H, Part III, Column B)				27		00
28 Unrelated business taxable income before specific deduction. Subtract line 27 from line 26				28		00
29 Specific deduction. See instructions				29		00
30 Unrelated business taxable income. Subtract line 29 from line 28. If line 28 is a loss, enter line 28.				30		00

Sign Here

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

Signature of officer ▶ | Title | Date | Telephone ( )

Paid Preparer's Use Only

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

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

May the FTB discuss this return with the preparer shown above? See instructions ☐ Yes ☐ No

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

1 Inventory at beginning of year	1		00
2 Purchases	2		00
3 Cost of labor	3		00
4 a Additional IRC Section 263A costs. Attach schedule	4a		00
b Other costs. Attach schedule	4b		00
5 Total. Add line 1 through line 4b	5		00
6 Inventory at end of year	6		00
7 Cost of goods sold and/or operations. Subtract line 6 from line 5. Enter here and on Side 2, Part I, line 2	7		00

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). **Do not** claim the New Jobs Credit on Schedule B.

1 Enter credit name_____code no._____	1		00		
2 Enter credit name_____code no._____	2		00		
3 Enter credit name_____code no._____	3		00		
4 Total. Add line 1 through line 3. Enter here and on Side 1, line 11c				4	00

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		00
2 Interest on tax attributable to installment: a Sales of certain timeshares or residential lots	2a		00
b Method for non-dealer installment obligations	2b		00
3 IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of intangibles	3		00
4 Credit recapture. Credit name_____	4		00
5 Total. Combine the amounts on line 1 through line 4. See instructions	5		00

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			

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

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 column 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, Section 23701i, or Section 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 Interest, Annuities, Royalties and Rents from Controlled Organizations

Exempt Controlled Organizations

1 Name of controlled organizations	2 Employer Identification Number	3 Net unrelated income (loss)	4 Total of specified payments made	5 Part of column (4) that is included in the controlling organization's gross income	6 Deductions directly connected with income in column (5)
1					
2					
3					

Nonexempt Controlled Organizations

7 Taxable Income	8 Net unrelated income (loss)	9 Total of specified payments made	10 Part of column (9) that is included in the controlling organization's gross income	11 Deductions directly connected with income in column (10)
1				
2				
3				
4 Add columns 5 and 10				
5 Add columns 6 and 11				
6 Subtract line 5 from line 4. Enter here and on Side 2, Part 1, 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 SSN or ITIN	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						

2010 Tax Rate Schedule for Trusts

IF THE TAXABLE INCOME IS ...		COMPUTED TAX IS ...			
over —	but not over —				of the amount over —
$ 0	$ 7,124	$ 0	+	1.25%	$ 0
7,124	16,890	89.05	+	2.25%	7,124
16,890	26,657	308.79	+	4.25%	16,890
26,657	37,005	723.89	+	6.25%	26,657
37,005	46,766	1,370.64	+	8.25%	37,005
46,766	AND OVER	2,175.92	+	9.55%	46,766

CREDIT CHART

Credit Name	Code	Description
Community Development Financial Institution Deposits — Certification Required	209	20% of each qualified deposit made to a community development financial institution. Obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capital Mall, Suite 1600, Sacramento CA 95814, or go to **insurance.ca.gov**
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
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 The farmworker housing credit has been consolidated into the low-income housing tax credit.
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
New Jobs Credit – FTB 3527	220	$3,000 allowed for a qualified employer for each increase in qualified full-time employees hired in the current taxable year.
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 II minimum tax in a prior year and have no alternative minimum tax liability in 2010
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
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
Commercial Solar Electric System	196
Commercial Solar Energy	181
Employee Ridesharing	194
Employer Ridesharing:	
Large	191
Small	192
Transit passes	193
Energy Conservation	182
Farmworker Housing Construction	207
Joint Strike Fighter - Wages	215
Joint Strike Fighter - Property Costs	216
Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax	159
Low-Emission Vehicles	160
Manufacturers' Investment	199
Orphan Drug	185
Political Contributions (trusts only)	184
Recycling Equipment	174
Residential Rental & Farm Sales (trusts only)	186
Rice Straw	206
Ridesharing	171
Salmon & Steelhead Trout Habitat Restoration	200
Solar Energy	180
Solar or Wind Energy System	217
Solar Pump	179
Water Conservation	178

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

Automated Phone Service

Use our automated 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.

Phone: 800.338.0505 from within the United States

916.845.6600 from outside the United State

Where to get General Tax Information

By Internet – You can get answers to Frequently Asked Questions at **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 "Frequently Asked Questions." Enter the 3-digit code, listed below, when prompted.

Code – Filing Assistance

715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 24 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?
735 – Does an exempt organization have to file FTB 199N, California e-Postcard?
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?

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?

Billings and Miscellaneous Notices

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

Corporate Dissolution

724 – How do I dissolve my corporation?

Miscellaneous

701 – I need a state employer ID number for my business. Who do I contact?
703 – How do I incorporate?
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 with your letter. Send your letter to:

EXEMPT ORGANIZATIONS UNIT MS F120
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA 95741-1286

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

The FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable. See "Where To Get Tax Forms and Publications," on this page.

Where to Get Tax Forms and Publications

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

By Phone – You can order tax forms between 6 a.m. and 10 p.m. weedays, 6 a.m. to 4:30 p.m. Saturdays. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "Forms and Publications." Follow the recorded instructions and enter the 3-digit code, listed below, when prompted.

Allow two weeks to receive your order. If your corporation's mailing address is outside California, 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
802 – FTB 3500, Exempt Application Booklet
831 – FTB 3500A, Submission of Exemption Request
934 – FTB Pub. 4058, California Taxpayers' Bill of Rights

In person – Many libraries now have internet access. A nominal fee may apply to download, view, and print California forms and publications.

Employees at libraries and post offices 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

Internet and Telephone Assistance

Telephone assistance is available year-round from 7 a.m.until 5 p.m. Monday through Friday, except holidays. Hours subject to change.

Website: **ftb.ca.gov**
Phone: 800.852.5711 from within the United States
916.845.6500 from outside the United States
TTY/TDD: 800.822.6268 for persons with hearing or speech impairments.

Asistencia Por Internet y Telefono

Asistencia telefónica está disponible todo el año durante las 7 a.m. y las 5 p.m. lunes a viernes, excepto días festivos. Las horas están sujetas a cambios.

Sitio web: **ftb.ca.gov**
Telefono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos
TTY/TDD: 800.822.6268 personas con discapacidades auditivas y del habla

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