For more information regarding business e-file, see page 2 or go to **ftb.ca.gov** and search for **business efile**.

California

Forms & Instructions

100S

2011

S Corporation Tax Booklet

Members of the Franchise Tax Board

John Chiang, Chair
Jerome E. Horton, Member
Ana J. Matosantos, Member

This Booklet Contains:

Form 100S, California S Corporation Franchise or Income Tax Return

Schedule B (100S), S Corporation Depreciation and Amortization

Schedule C (100S), S Corporation Tax Credits

Schedule D (100S), S Corporation Capital Gains and Losses and Built-in Gains

Schedule H (100S), S Corporation Dividend Income Deduction

Schedule QS, Qualified Subchapter S Subsidiary (QSub) Information Worksheet

Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc.

FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs

FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

State of California
Franchise Tax Board

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Business e-file

Business e-file is available for the following returns:

- Form 100, California Corporation Franchise or Income Tax Return, including combined reports.
- Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers, including combined reports.
- **Form 100S, California S Corporation Franchise or Income Tax Return**
- Form 100X, Amended Corporation Franchise or Income Tax Return for taxable years beginning on or after January 1, 2010
- Form 199, California Exempt Organization Annual Information Return
- Form 565, Partnership Return of Income
- Form 568, Limited Liability Company Return of Income

For more information, go to **ftb.ca.gov** and search for **business efile**.

The federal Small Business Health Care Tax Credit helps small businesses and small tax-exempt organizations afford the cost of covering their employees. For more information on this federal tax credit, go to **irs.gov** and search for **affordable care act tax provisions**.

Instructions for Form 100S

California S Corporation Franchise or 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).

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.

What's New/Tax Law Changes

MyFTB Account – Corporations can use MyFTB Account for Businesses to view the estimated tax payments online. Go to **ftb.ca.gov** and search for **myftb account**. Corporations can also make payments online using Web Pay for Businesses. The FTB does not charge for this service. Go to **ftb.ca.gov** and search for **web pay**.

California Motion Picture and Television Production Credit – For taxable years beginning on or after January 1, 2011, a California motion picture and television production credit will be allowed to a qualified taxpayer. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information, get form FTB 3541, California Motion Picture and Television Production Credit, form FTB 3551, Sale of Credit Attributable to an Independent Film, or go to **ftb.ca.gov** and search for **film**.

Failure to File Penalty – For taxable years beginning with returns required to be filed on or after January 1, 2011, a failure to file penalty will be assessed in addition to the existing Failure to File a timely return penalty. The amount of the penalty for each month, or part of a month (for a maximum of 12 months) that the failure continues, is $18 multiplied by the total number of shareholders in the S corporation during any part of the taxable year for which the return is due. For more information, see General Information M, Penalties.

Community Development Financial Institutions Investment Credit – The Community Development Financial Institutions Investment Credit has been extended for taxable years beginning on or after January 1, 2012, and before January 1, 2017.

Single-Sales Factor Formula – For taxable years beginning on or after January 1, 2011, any apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), may make an irrevocable annual election on an original timely filed return to apportion California business income using the single-sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income.

Doing Business – For taxable years beginning on or after January 1, 2011, a taxpayer is doing business if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if **any** of the following conditions is satisfied:

- The taxpayer is organized or commercially domiciled in California.
- The sales, as defined in R&TC Section 25120(e) or (f), of the taxpayer in California, including sales by the taxpayer's agents and independent contractors, exceed the lesser of $500,000 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $50,000 or 25% of the taxpayer's total real property and tangible personal property.
- The amount paid in California by the taxpayer for compensation, as defined in R&TC Section 25120(c), exceeds the lesser of $50,000 or 25% of the total compensation paid by the taxpayer.

In determining the amount of the taxpayer's sales, property, and payroll for doing business purposes, include the taxpayer's pro rata share of amounts from partnerships and S corporations.

For more information, see R&TC Section 23101 or go to **ftb.ca.gov** and search for **law changes**.

Gross Receipts – For taxable years beginning on or after January 1, 2011, R&TC Section 25120 was amended to add the definition of gross receipts.

"Gross receipts" means the gross amounts realized (the sum of money and the fair market value of other property or services received) on:

- The sale or exchange of property,
- The performance of services, or
- The use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the IRC.

Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold.

For a complete definition of "gross receipts", refer to R&TC Section 25120(f) or go to **ftb.ca.gov** and search for **law changes.**

Finnigan Rule – For taxable years beginning on or after January 1, 2011, R&TC Section 25135(b) adopts the Finnigan rule in assigning sales from tangible personal property.

Market Assignment – For taxable years beginning on or after January 1, 2011, R&TC Section 25136(b) requires a taxpayer to assign sales, other than sales of tangible personal property, based on market rather than costs of performance when a single-sales factor formula election has been made.

For more information regarding the Finnigan Rule or the Market Assignment of Sales, get Schedule R or go to **ftb.ca.gov** and search for **law changes.**

Benefit Corporation – Beginning on or after January 1, 2012, a new type of corporation called a "benefit corporation" can be formed with the purpose of creating general public benefit, provided certain requirements are met. An existing corporation can become a "benefit corporation", if certain procedures are followed. In addition, a "benefit corporation" can be created through a merger or reorganization, if certain requirements are met. (For more information, see the Corporations Code, commencing with section 14600.)

Flexible Purpose Corporation – Beginning on or after January 1, 2012, a new type of corporation called a "flexible purpose corporation" can be formed, provided certain requirements are met. An existing corporation can merge or convert into a "flexible purpose corporation", upon completion of certain requirements. A "flexible purpose corporation" must have a special purpose which may include but is not limited to, charitable and public purpose activities that could be carried out by a nonprofit public benefit corporation. (For more information, see the Corporations Code, commencing with section 2500.)

Conformity – For updates regarding the federal acts, go to **ftb.ca.gov** and search for **conformity**.

Important Information

- The FTB offers e-filing for S corporations filing Form 100S, California S Corporation Franchise or Income Tax Return, and certain accompanying forms and schedules. Check with the software provider to see if they support business e-file.
- The FTB offers e-filing for corporations filing Form 100X, Amended Corporation Franchise or Income Tax Return, for taxable years beginning on or after January 1, 2010.
- For taxable years beginning on or after January 1, 2010, and before January 1, 2018, an S corporation that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the minimum franchise tax if the owner is deployed during the taxable year and the corporation operates at a loss or ceases operation. For more information, see General Information B, Tax Rate and Minimum Franchise Tax.
- S corporations with total assets of $10 million or more must complete the California Schedule M-1, Reconciliation of Income (Loss) per Books With Income (Loss) per Return, **and** attach a copy of the federal Schedule M-3 (Form 1120S), Net Income (Loss) Reconciliation for S Corporations With Total Assets of $10 Million or More. For more information, see Schedule M-1 instructions included in this booklet.
- If the S corporations made purchases from out-of-state or Internet sellers and owe California use tax may report and pay the tax on their S Corporation Franchise or Income Tax Return. See General Information EE, California Use Tax, for more information.
- If the S corporation was involved in a reportable transaction, including a listed transaction, the S corporation may have a disclosure requirement. Attach 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 federal Form 8886 to the address below.

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

The FTB may impose penalties if the S corporation fails to file federal Form 8886, Form 8918, Material Advisor Disclosure Statement, or any other required information. A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor. For more information, go to **ftb.ca.gov** and search for **tax shelter**.

- For taxable years beginning on or after January 1, 2007, interest and dividends from intangible assets held in connection with a treasury function of the taxpayer's unitary business, as well as the gross receipts and any overall net gain from the maturity, redemption, sale, exchange, or other disposition of these assets, are excluded from the sales factor. This exclusion encompasses the use of futures contracts and options contracts to hedge foreign currency fluctuations. See Cal. Code Regs., tit. 18 section 25137(c)(1)(D) for more information. For taxable years beginning on or after January 1, 2011, see R&TC Section 25120(f).
- For taxable years beginning on or after January 1, 2008, transactions and activities performed on behalf of a taxpayer by an agent or an independent contractor are included in the cost of performance analysis to determine the state to which receipts from sales, other than sales of tangible personal property, should be assigned. See Cal. Code Regs., tit. 18 section 25136 for more information.
- For taxable years beginning on or after January 1, 2009, a new jobs credit in the amount of $3,000 is allowed for a qualified employer for each increase in qualified full-time employee hired in the current taxable year. For more information, go to **ftb.ca.gov** and search for **new jobs** or get form FTB 3527, New Jobs Credit.
- For taxable years beginning on or after July 1, 2008, credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is a member of the same combined reporting group. A credit assigned may only be applied by the affiliated corporation against their tax in a taxable year beginning on or after January 1, 2010. For more information, get form FTB 3544, Election to Assign Credit Within Combined Reporting Group, or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee or go to **ftb.ca.gov** and search for **credit assignment**.
- For taxable years beginning on or after January 1, 2009**:**
  - Group nonresident returns may include less than two nonresident individuals.
  - Nonresident individuals with more than $1 million of California taxable income are eligible to be included in group nonresident returns.
  - An additional one percent tax will be assessed on nonresident individuals who would have California taxable income over $1 million.

  Get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR, for more information.
- In general, the water's-edge rules provide for an election out of worldwide combined reporting. By electing water's-edge, a California taxpayer elects into a complex blend of state and federal tax concepts. Under water's-edge, combined reporting is limited to certain corporations whose income is subjected to tax (directly or indirectly) by the United States government. California taxpayers wishing to elect water's-edge should get the Form 100W, Corporation Tax Booklet, Water's-Edge Filers, for more information.
- A C corporation is a separate legal entity and generally offers liability protection to its owners (shareholders). A C corporation is taxed on their earnings and the shareholders are taxed on these earnings when distributed as dividends. For more information, get the Form 100, Corporation Tax Booklet.
- S corporations are required to report withholding payments from the S corporation that are allocated to all shareholders, as well as payments withheld at source on nonresident shareholders. For taxable years beginning on or after January 1, 2006, report these withholding amounts on Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., and Schedule K (100S).
- Use form FTB 3725, Assets Transferred from Parent Corporation to Insurance Company Subsidiary, to report assets transferred from a parent corporation to an insurance company subsidiary. Get form FTB 3725 for more information.
- For taxable years beginning on or after January 1, 2003, corporate shareholders of a Regulated Investment Company (RIC) are explicitly denied a dividend deduction for earnings from the RIC that are not from stock dividends.
- For installment sales occurring on or after January 1, 2009, buyers will be required to withhold on each installment sale payment if the sale of California real property is structured as an installment sale.
- For taxable years beginning on or after January 1, 2003, California will follow the revised federal instructions (with some exceptions) for reporting the sale, exchange or disposition of an asset for which an IRC Section 179 expense deduction was claimed in prior years by a partnership, limited liability company, or S corporation.

  S corporations should follow the instructions in federal Form 4797, Sale of Business Property, with the exception that the amount of gain on property subject to the IRC Section 179 recapture must be included in the S corporation's taxable income for California purposes. See General Information FF, Property Subject To IRC Section 179 Recapture, and Specific Line Instructions for line 4, for more information.

  Shareholders should follow federal reporting requirements as detailed in federal Form 1120S, U.S. Income Tax Return for an S Corporation, and federal Form 4797 instructions.
- A shareholder's pro-rata share of income from an S corporation is treated the same as a partner's distributive share of income from a partnership. The income is treated as if it was realized directly from the source. Income from California sources is subject to California tax law. *Valentino et. al. vs. Franchise Tax Board* (March 23, 2001) 87 Cal. App. 4th 1284.
- For taxable years beginning on or after January 1, 2002, California no longer allows a federal S corporation to elect to be a California C corporation. Therefore, for the taxable year beginning in 2002, and thereafter, any corporation with a valid federal S corporation election is considered an S corporation for California purposes. The effective date of the election is the first day of the corporation's taxable year beginning in 2002.

  Corporations that elect to be an S corporation for federal purposes on or after January 1, 2002, and have a California filing requirement are deemed to make the California S election on the same date as the federal election.
- R&TC Sections 17024.5 and 23051.5 have been amended to clarify that, unless otherwise expressly allowed, federal elections made before a taxpayer becomes a California taxpayer are binding for California tax purposes.
- 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 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 corporation (payee) has backup withholding, the corporation (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**.
- For taxable years beginning on or after January 1, 2011, the alternative withholding rates for the sale of California real property decreased to 10.8% for S corporations and 12.8% for Financial S corporations.
- For transactions occurring on or after January 1, 2007, that require withholding, a seller of California real estate may elect an alternative to withholding 3 1/3% of the total sales price. The seller may elect an alternative withholding amount based on the maximum tax rate for individuals, corporations, or banks and financial corporations, as applied to the gain on the sale. The seller is required to certify under penalty of perjury the alternative withholding amount to the FTB. Get FTB Pub. 1016, Real Estate Withholding Guidelines, for more information.
- R&TC Section 18662 requires buyers to withhold income taxes when purchasing California real property from corporate sellers with no permanent place of business in California immediately after the transfer. For more information, get FTB Pub. 1016.

  Sellers of California real estate must attach a copy of Form 593, Real Estate Withholding Tax Statement, to their tax return as proof of withholding.

  If the corporation needs to verify withholding payments, the corporation may call the Withholding Services and Compliance at 916.845.4900 or **888.**792.4900.

California law conforms to federal law for the following:

- IRC Section 1245(b)(8) relating to amortizable Section 197 intangibles property disposed on or after January 1, 2010**.**
- The federal grant tax treatment for specified energy property.
- The useful life of motor sports entertainment complex.
- The modification to the qualification requirements of S corporations and their shareholders.
- Disallowing the deduction for club membership fees and employee remuneration in excess of $1 million.

- Disallowing the deduction for lobbying expenses.
- Tax-exempt organizations may be shareholders in an S corporation.
- Family farm corporations with income over $25 million may defer tax on income that was a result of changes in accounting methods required of these corporations. For calendar year taxpayers, the suspense account for these deferrals must be recaptured starting with taxable years beginning on or after January 1, 1998. For fiscal year taxpayers, the suspense account must be recaptured starting in taxable years beginning after June 8, 1997, if the fiscal year taxpayer's taxable year ends on or after December 31, 1997.
- For purposes of inventory accounting, an adjustment for shrinkage, based on an estimate, may be made. Taxpayers can voluntarily change their method of accounting if the method currently being used does not utilize estimates of inventory shrinkage and the taxpayer now wishes to use that method.
- Required recognition of gain on certain appreciated financial positions in personal property.
- Allows securities traders and commodities traders and dealers to elect to use the mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt within the organized commodities exchange. An election to use the mark-to-market method for federal purposes is considered an election for state purposes and a separate election is not allowed.
- Limitation on exception for investment companies under IRC Section 351.
- If an Employee Stock Ownership Plan (ESOP) is an S corporation shareholder, items of income or loss of the S corporation that flow through to the ESOP are not treated as unrelated business taxable income (UBTI). Previously, such items were treated as UBTI.
- S corporations that establish and maintain ESOPs are not required to give participants the right to demand distributions in the form of employer securities, if the participants have the right to receive such distributions in cash.
- An IRC Section 338 election, relating to stock purchases treated as asset acquisitions, is treated as an election for state purposes. A separate election for state purposes is not allowed.
- Expansion of deduction for certain interest and premiums paid for company-owned life insurance.
- Modification of holding period applicable to dividends received deduction.
- Repeal of special installment sales rule for manufacturers of tangible personal property.
- Payment of estimated tax for closely held real estate investment trusts (REIT) and income and services provided by REIT subsidiaries.

California law does not conform to federal law for the following:

- The domestic production activities deduction.
- The enhanced IRC Section 179 expensing election for assets placed in service in 2010 or 2011 taxable year.
- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010.
- The federal election to defer the income from discharge of indebtedness in connection with the reacquisition after December 31, 2008, and before January 1, 2011.
- The change in the percentage of the gain exclusion for the sale of qualified small business stock **acquired** after February 17, 2009, and before January 1, 2011.
- The IRS Notice 2008-83 relating to the treatment of deductions under IRC Section 382(h) following an ownership change.
- The 50% bonus depreciation deduction [IRC Section 168(k)] for assets acquired and placed in service during 2008 through 2010, and during 2011 for certain qualifying property.
- The decreased holding period for built-in gains.
- The net operating losses carryback for an eligible small business.
- The decreased estimated tax payments for certain small businesses.
- The treatment of the loss from the sale or exchange of certain preferred stock (of Fannie Mae or Freddie Mac).
- The additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.
- Energy efficient commercial buildings deduction.
- Reduce the compensation deduction for certain employers from $1 million to $500,000; and makes certain parachute payments nondeductible.
- The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is restricted to 100% of the net income derived from the oil or gas well property.
- Exclusion from gross income of certain federal subsidies for prescription drug plans under IRC Section 139A.
- Certain environmental remediation expenditures that would otherwise be chargeable to capital accounts may be expensed and taken as a deduction in the year the expense was paid or incurred.
- Deduction for corporate donation of scientific property and computer technology.
- Decreased capital gains tax rate.
- Certain special tax rules relating to ESOPs will not apply with respect to S corporation stock held by the ESOP. These include rules relating to certain contributions to ESOPs, the deduction for dividends paid on employer securities, and the rollover of gain on the sale of stock to an ESOP. See IRC Sections 404(a)(9) and 404(k) for more information.
- The treatment of Subpart F and IRC Section 936 income.

The above lists are not intended to be all-inclusive of the federal and state conformities and differences. For more information, refer to the R&TC.

Records Maintenance Requirements
Any taxpayer filing on a water's-edge or worldwide basis is required to keep and maintain records and make the following available upon request:

- Any records needed to determine the correct treatment of items reported on the worldwide or water's-edge combined report for purposes of determining the income attributable to California.
- Any records needed to determine the treatment of items as nonbusiness or business income.
- Any records needed to determine the apportionment factor.
- Documents and information needed to determine the attribution of income to the U.S. or foreign jurisdictions under Section 482, Sections under Subchapter N of Chapter 1, or other similar provisions of the IRC.

See R&TC Section 19141.6 and the related regulations for more information. An S corporation may be required to authorize an agent, through a Power of Attorney (POA), to act on its behalf in response to requests for information or records pursuant to R&TC Section 19504. For more information, go to **ftb.ca.gov** and search for **poa**.

The penalty for not maintaining the above required records is $10,000 for each taxable year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the S corporation of the failure, a penalty of $10,000 may be assessed for each additional 30 day period of continued failure. See General Information M, Penalties, for more information.

General Information

Form 100S is used if a corporation has elected to be a small business corporation (S corporation).

All federal S corporations subject to California laws must file Form 100S and pay the greater of the minimum franchise tax or the 1.5% income or franchise tax. The tax rate for financial S corporations is 3.5%.

The taxable income of the S corporation is calculated two different ways for two different purposes. First, it is calculated in the same manner as for C corporations, with certain modifications, for purposes of computing the 1.5% income or franchise tax. Second, it is calculated using federal rules for the pass-through of income and deductions, etc. for purposes of pass-through to the shareholders.

A corporation that makes a valid election to be treated as an S corporation is not allowed to be included in a combined report of a unitary group, except as provided by R&TC Section 23801(d)(1).

When Completing the Form 100S

- Use black or blue ink on the tax return sent to the FTB.
- Print name and address (in **CAPITAL LETTERS**).
- When a domestic S corporation files the first California tax return, the fiscal year beginning date **must** be the date the S corporation is incorporated.
- Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.
- Send a clean legible copy.
- Enter all types of payments (overpayment from prior year, estimated tax, nonresident tax, etc.) made for the 2011 taxable year on the applicable line.
- When making a payment with a check or money order, enclose but **do not** staple the payment to the front of the tax return.
- Assemble the corporation return in the following order: Form 100S, Schedule R, Apportionment and Allocation of Income (if required), supporting schedules, and a copy of federal return (if required), and form FTB 5806 (if required). **Do not** use staples or other permanent bindings to assemble the tax return.

A Franchise or Income Tax

Corporation Franchise Tax
Entities subject to the corporation minimum franchise tax include all S corporations that meet any of the following:

- Incorporated or organized in California.
- Qualified or registered to do business in California.
- Doing business in California, whether or not incorporated, organized, qualified, or registered under California law.

The minimum franchise tax must be paid by corporations incorporated in California or qualified or registered under California law whether the S corporation is active, inactive, not doing business, or operates at a loss. See General Information B, Tax Rate and Minimum Franchise Tax, for more information.

The measured franchise tax is imposed on S corporations doing business in California and is measured by the income of the current taxable year for the privilege of doing business in that taxable year.

For taxable years beginning on or after January 1, 2011, a taxpayer is "doing business" if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if **any** of the following conditions is satisfied:

- The taxpayer is organized or commercially domiciled in California.
- The sales, as defined in R&TC Section 25120(e) or (f), of the taxpayer in California, including sales by the taxpayer's agents and independent contractors, exceed the lesser of $500,000 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $50,000 or 25% of the taxpayer's total real property and tangible personal property.
- The amount paid in California by the taxpayer for compensation, as defined in R&TC Section 25120(c), exceeds the lesser of $50,000 or 25% of the total compensation paid by the taxpayer.

In determining the amount of the taxpayer's sales, property, and payroll for doing business purposes, include the taxpayer's pro rata share of amounts from partnerships and S corporations.

For more information, see R&TC Section 23101 or go to **ftb.ca.gov** and search for **law changes**.

An S corporation incorporated in California, but not doing business in this state, is not subject to the measured franchise tax. However, careful attention should be given to the term "doing business." It is not necessary that the S corporation conducts business or engages in transactions within the state on a regular basis. Even an isolated transaction during the taxable year may be enough to cause the S corporation to be "doing business."

Also, when an S corporation is either a general partner of a partnership or a member of an LLC that is "doing business" in California, the S corporation is also considered to be "doing business" in California.

Corporation Income Tax
The corporation income tax is imposed on all S corporations that derive income from sources within California but are not doing business in California.

For purposes of the corporation income tax, the term "corporation" is not limited to incorporated entities, but also includes the following:

- Associations.
- Massachusetts or business trusts.
- Real estate investment trusts.
- Other business entities classified as associations under Cal. Code Regs., tit. 18 sections 23038(b)-1 through 23038(b)-3.

B Tax Rate and Minimum Franchise Tax

Tax Rate
The tax rate for S corporations that are subject to either the franchise or the income tax is 1.5%. The tax rate for built-in gains, and excess net passive income is 8.84%.

Financial S corporations are required to use a rate of 2% above the S corporation rate. See R&TC Section 23186, for more information.

Minimum Franchise Tax
All S corporations subject to the corporation franchise tax and any S corporation "qualified" to do business in California must file Form 100S and pay at least the minimum franchise tax as required by law. The minimum franchise tax is $800 and must be paid whether the S corporation is active, inactive, operates at a loss, or files a return for a short period of less than 12 months.

For corporations incorporated or qualified through the California Secretary of State (SOS) to do business in California on or after January 1, 2000, the prepayment of the minimum franchise tax to the California SOS is no longer required. For the **first taxable year**, the corporation will **not** be subject to the minimum franchise tax and will compute its tax liability by multiplying its state net income by the appropriate tax rate. The corporation will become subject to minimum franchise tax beginning in its second taxable year. This does not apply to qualified Subchapter S subsidiaries or corporations that are not qualified by the California SOS, or reorganize solely to avoid payment of the minimum franchise tax.

There is no minimum franchise tax for the following entities:

- Corporations that are not incorporated in California, not qualified under the laws of California, or are not doing business in California even though they derive income from California sources. For more information regarding "doing business," get FTB Pub. 1050, Application and Interpretation of Public Law 86-272; or FTB Pub. 1060, Guide for Corporations Starting Business in California.
- Credit unions.
- Exempt homeowners' associations.
- Exempt political organizations.
- Qualified non-profit farm cooperative associations.
- Exempt organizations.
- Corporations that are not incorporated under the laws of California; whose sole activities in California are engaging in convention and trade show activities for seven or fewer days during the taxable year; and do not derive more than $10,000 of gross income reportable to California during the taxable year. These S corporations are not "doing business" in California. For more information, get FTB Pub. 1060.
- Newly formed or qualified corporations filing an initial return for taxable years beginning on or after January 1, 2000.

Alternative Minimum Tax
S corporations are not subject to the alternative minimum tax.

Deployed Military Exemption
For taxable years beginning on or after January 1, 2010, and before January 1, 2018, an S corporation that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the minimum franchise tax if the owner is deployed during the taxable year and the S corporation operates at a loss or ceases operation. Corporations exempt from the minimum franchise tax should write "Deployed Military" in red ink in the top margin of the tax return.

For the purposes of this exemption:

(A) "Deployed" means being called to active duty or active service during a period when the United States is engaged in combat or homeland defense. "Deployed" does not include either of the following:
  - Temporary duty for the sole purpose of training or processing.
  - A permanent change of station.

(B) "Operates at a loss" means negative net income as defined in R&TC Section 24341.

(C) "Small business" means a corporation with $250,000 or less of total income from all sources derived from or attributable to California.

C Elections and Terminations

Elections
Starting January 1, 2002, corporations that elect federal S corporation status and have a California filing requirement are deemed to have made a California S election effective on the same date as the federal S election.

Terminations
Terminating the taxpayer's federal S election simultaneously terminates its California S election.

If the taxpayer terminates its S corporation status, short-period returns are required for the S corporation short year and the C corporation short year, if applicable.

D Accounting Period and Method

The taxable year of the S corporation must not be different from the taxable year used for federal purposes, unless initiated or approved by the FTB (R&TC Section 24632).

A change in accounting method requires consent from the FTB. However, an S corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to make a change in its accounting method without prior approval, and does so, is deemed to have the FTB's approval if: (1) the S corporation files a timely Form 100S consistent with the change for the first taxable year the change is effective for federal purposes; and (2) the change is consistent with California law. A copy of federal Form 3115, Application for Change in Accounting Method, and a copy of the federal consent to the change must be attached to Form 100S for the first taxable year the change becomes effective. Get FTB Notice 2000-8 for more information. The FTB may modify requested changes if the adjustments would distort income for California purposes.

California is not following the automatic consent procedure for a change of accounting method involving previously unclaimed allowable depreciation or amortization of Federal Revenue Procedure 96-31. Get FTB Notice 96-3 for more information.

E When to File

File Form 100S by the 15th day of the 3rd month after the close of the taxable year unless the return is for a short-period as required under R&TC Section 24634. Generally, the due date of a short-period return is the same as the due date of the federal short-period return. See R&TC Section 18601(c) for the due date of the short-period return.

When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

Due to the Emancipation Day holiday on April 16, 2012, tax returns filed and payments mailed or submitted on April 17, 2012, will be considered timely.

For information on final returns, see General Information O, Dissolution/Withdrawal, and General Information P, Ceasing Business.

An S corporation that converts to another type of entity, such as a limited liability company or limited partnership, must file two California returns. The converted entity is required to file a short-period return for the taxable year ending on the day before the effective date of conversion. The new entity would then be subject to all of the filing requirements and tax obligations from the date of conversion.

F Extension of Time to File

If an S corporation cannot file its California tax return by the 15th day of the 3rd month after the close of the taxable year, it may file on or before the 15th day of the 10th month without filing a written request for an extension. If the S corporation is suspended on the original due date, the automatic extension will not apply.

An automatic extension does not extend the time for payment. The full amount of tax must be paid by the original due date of Form 100S. If there is an unpaid tax liability on the original due date, complete form FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs, included in this booklet, and send it with the payment by the original due date of the Form 100S.

When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

If the S corporation must pay its tax liability electronically, **all** payments **must** be remitted electronically (by EFT or Web Pay) to avoid penalties. **Do not** send form FTB 3539.

G Electronic Payment

Electronic Funds Transfer (EFT)
Corporations or exempt organizations remitting an estimated tax payment or extension payment in excess of $20,000 or having a total tax liability in excess of $80,000 must remit all payments through EFT. Once a corporation meets the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically to avoid the 10% non-compliance penalty. Corporations required to remit payments electronically may use Web Pay and be considered in compliance with that requirement. The FTB notifies corporations or exempt organizations that are subject to this requirement. Those that do not meet these requirements may participate on a voluntary basis. If the corporation pays electronically, complete the form FTB 3539 worksheet for its records. **Do not mail the payment form**. For more information, go to **ftb.ca.gov** and search for **eft** or call 916.845.4025.

Web Pay
Corporations can make payments electronically at the FTBs website using Web Pay. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. The FTB does not charge for this service. For more information go to **ftb.ca.gov** and search for **web pay**. Corporations can also view estimated tax payments online. Go to **ftb.ca.gov** and search for **myftb account**.

H Where to File

Payments

If a tax is due and the corporation is not required to make the payment electronically (by EFT or Web Pay):

- Mail Form 100S with **payment** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0501

- e-Filed returns: Mail form FTB 3586, Payment Voucher for Corps and Exempt Orgs e-filed Returns, with **payment** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0531

Using black or blue ink, make the check or money order payable to the **"Franchise Tax Board."** Write the California corporation number and "2011 Form 100S" on the check or money order.

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

Do not attach a copy of the return with the balance due payment if the corporation already filed/e-filed a return for the same taxable year.

Return Without Payment or Paid Electronically

- Mail Form 100S requesting a **refund** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0502

Return Without Payment or Paid by EFT

- Mail Form 100S **without a payment** or **paid by EFT** or **Web Pay** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0500

Private Delivery Services
California law conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See federal Form 1120S, U.S. Income Tax Return for an S Corporation, for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

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.

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

I Net Income Computation

The computation of net income from trade or business activities generally follows the determination of taxable income as provided in the IRC. However, there are differences that must be taken into account when completing Form 100S. There are two ways to complete Form 100S, the federal reconciliation method or the California computation method.

1. Federal Reconciliation Method

a. Transfer the information from the federal Form 1120S, Page 1, to Form 100S, Side 3, Schedule F, and attach a copy of the federal return with all supporting schedules.

b. Enter the amount of federal ordinary income (loss) from trade or business activities before any Net Operating Loss (NOL) and special deductions on Form 100S, Side 1, line 1.

c. Enter the state adjustments (including any adjustments necessary to report items not included in ordinary trade or business income or loss) on line 2 through line 14, to arrive at net income (loss) after state adjustments, Side 1, line 15.

2. Schedule F – California Computation Method
If the S corporation has no federal filing requirement, or if the S corporation **maintains** separate records for state purposes, complete Form 100S, Side 3, Schedule F, to determine state ordinary income. If ordinary income is computed under California laws, generally no state adjustments are necessary. Transfer the amount from Schedule F, line 22, to Form 100S, Side 1, line 1. Complete Form 100S, Side 1, line 2 through line 14, only if applicable.

See the Specific Line Instructions for more information.

Regardless of the net income computation method used, the S corporation must attach any form, schedule, or supporting document referred to on the return, schedules, or forms filed with the FTB.

Substitution of Federal Schedules
S corporations may not substitute federal schedules for California schedules.

J Built-In Gains

When a C corporation elects to be an S corporation, certain items of gain or loss recognized in S corporation years are subject to the C corporation 8.84% tax rate instead of the S corporation 1.5% tax rate (financial S corporations add 2%).

For taxable years beginning on or after January 1, 2002, when determining the built-in gains tax, C corporations that were required to convert to S corporations as a result of the enactment of Chapter 35 of the Statutes of 2002, and as amended by Chapter 807 of the Statutes of 2002, for California purposes are deemed to have elected S corporation status on the effective date of their federal election regardless of the effective date for state purposes.

Built-In Gains Under Current IRC Section 1374
For those S corporations that made the initial federal S election after December 31, 1986, certain income items reported by the S corporation are taxed at 8.84% (or the financial C corporation tax rate). This provision applies for a period of ten years following the C corporation's election to become an S corporation. The amount of built-in gain that is taxed at 8.84% (or the financial C corporation tax rate) is the excess of recognized built-in gains over recognized built-in losses, limited by taxable income as determined under IRC Section 1374(d)(2)(A). The following items are treated as built-in gains subject to this tax:

- Accounts receivable of cash basis taxpayers from C corporation years.
- Long-term contract deferred income from C corporation years.
- Deferred income from installment sales made in C corporation years.
- Recapture of depreciation from C corporation years.
- Income from unreplaced last-in, first-out (LIFO) inventory from C corporation years.
- Any other income item that is attributable to C corporation years.

These are just a few of the examples. This list is not intended to be all inclusive.

K Estimated Tax

Every S corporation must pay estimated tax using Form 100-ES, Corporation Estimated Tax.

For taxable years beginning on or after January 1, 2010, corporations are required to pay the following percentages of the estimated tax liability during the taxable year:

- 30% for the first required installment
- 40% for the second required installment
- No estimated tax payment is required for the third installment
- 30% for the fourth required installment

For exceptions and prior year's information, get Form 100-ES.

Estimated tax is generally due and payable in four installments as follows:

- The 1st payment is due on the 15th day of the 4th month of the taxable year (this payment may not be less than the minimum franchise tax plus QSub annual tax, if applicable).

- The 2nd, 3rd, and 4th installments are due and payable on the 15th day of the 6th, 9th, and 12th months, respectively, of the taxable year.

If no amount is due, **do not** mail Form 100-ES.

California law has conformed to the federal expanded annualization periods for the computation of estimate payments.

Get the instructions for Form 100-ES for more information.

For taxable years beginning on or after January 1, 2006, California conformed to the federal tax law in excluding the annual payments of the LIFO recapture tax from the computation of "estimated tax."

If the corporation must pay its tax liability electronically, **all** estimate payments due **must** be remitted by EFT to avoid the penalty.

Corporations can use MyFTB Account for Businesses to view the estimated tax payments online. Go to **ftb.ca.gov** and search for **myftb account**.

L New/Commencing S Corporations

For taxable years beginning on or after January 1, 2000, no prepayment to the California SOS is required and the corporation is required to pay measured tax instead of minimum tax for the first taxable year if the corporation incorporated or registered through the California SOS. For more information, see General Information B, Tax Rate and Minimum Franchise Tax, or get FTB Pub. 1060.

M Penalties

Failure to File a Timely Return
Any corporation that fails to file Form 100S on or before the extended due date is assessed a delinquent filing penalty. The delinquent filing penalty is computed at 5% of the tax due, after allowing for timely payments, for every month that the return is late, up to a maximum of 25%. If the S corporation does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty will be assessed from the original due date of the return. See R&TC Sections 19131 and 23772 for more information.

Unless failure is due to reasonable cause, a penalty will be assessed against the S corporation if it is required to file an S corporation return and one of the following occur:

- The S corporation fails to file the tax return by the due date, including extensions.
- The S corporation files a return that fails to show all of the information required pursuant to R&TC Section 18601.

The amount of the penalty for each month, or part of a month (for a maximum of 12 months) that the failure continues, is $18 multiplied by the total number of shareholders in the S corporation during any part of the taxable year for which the return is due. See R&TC Section 19172.5 for more information.

Failure to Pay Total Tax by the Due Date
Any S corporation that fails to pay the total tax shown on Form 100S by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months) the tax remains unpaid. This penalty may not exceed 25% of the unpaid tax. See R&TC Section 19132 for more information.

If an S corporation 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.

If the corporation paid at least 90% of the tax shown on the return by the original due date of the return, but not less than minimum franchise tax, if applicable, the FTB may waive the penalty based on reasonable cause. However, the imposition of interest is mandatory.

Underpayment of Estimated Tax
Any S corporation that fails to pay, pays late, or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment of estimated tax for the period from the date the installment was due until the date it is paid, or until the original due date of the tax return, which ever is earlier. Get form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

The underpayment of estimated tax penalty shall not apply to the extent the underpayment of an installment was created or increased by any provision of law that is chaptered during and operative for the taxable year of the underpayment.

See R&TC Sections 19142, 19144, 19145, 19147, 19148, 19149, 19150, 19151, and 19161 for more information.

If the S corporation uses Exception B or Exception C to compute or eliminate any of the required installments, form FTB 5806 must be attached to **the back of** Form 100S (after all schedules and federal return) and the box on Side 2, line 41b, should be checked.

Large Corporate Understatement of Tax
Corporations are subject to a penalty in an amount equal to 20% of the understatement of tax liabilities that:

- Exceeds the greater of $1 million or 20% of the tax shown on an original or amended return filed on or before the original or extended due date of the return, for taxable years beginning on or **after** January 1, 2010.
- In excess of $1 million for taxable years beginning on or after January 1, 2003, and **before** January 1, 2010.

EFT Penalty
If the S corporation must pay its tax liability electronically, **all** payments **must** be remitted by EFT or Web Pay to avoid the penalty. The penalty is 10% of the amount not paid electronically. See R&TC 19011 and General Information G, Electronic Payments, for more information.

Information Reporting Penalties
U.S. corporations that have an ownership interest in (directly or indirectly) a foreign corporation and were required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(ies) to the California return. The penalty for failure to include a copy of federal Form(s) 5471, as required, is $1,000 per required form for each year the failure occurs. The penalty applies for taxable years beginning on or after January 1, 1998. The penalty will not be assessed if the taxpayer provides a copy of the form(s) within 90 days of request from the FTB and the taxpayer agrees to attach a copy(ies) of federal Form 5471 to all returns filed for subsequent years. See R&TC Section 19141.2 for more information.

Certain domestic corporations that are 25% or more foreign-owned and foreign corporations engaged in a U.S. trade or business must attach federal Form(s) 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, to Form 100S. The penalty for failing to include a copy of federal Form(s) 5472, as required, is $10,000 per required form for each year the failure occurs. See R&TC Section 19141.5 for more information.

If the S corporation does not file its Form 100S by the due date or extended due date, whichever is later, copy(ies) of federal Form(s) 5472 must still be filed on time or the penalty will be imposed. Attach a cover letter to the copy(ies) indicating the taxpayer's name, California corporation number, and taxable year. Mail to the same address used for returns without payments. See General Information H, Where to File, for more information. When the S corporation files Form 100S, also attach copy(ies) of the federal Form(s) 5472.

For information on filing the required federal informational returns on a CD, see General Information V, Information Returns.

Record Maintenance Penalty
The penalty for failure to maintain certain records is $10,000 for each taxable year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the S corporation of the failure, in general, a penalty of $10,000 may be assessed for each additional 30-day period of continued failure. For taxable years beginning on or after January 1, 1996, there is no maximum amount of penalty that may be assessed.

See Records Maintenance Requirements on page 5 for a discussion of the records required to be maintained. See R&TC Section 19141.6 and the related regulations for more information.

Accuracy and Fraud Related Penalties
California conforms to IRC Sections 6662 through 6665 that authorize the imposition of an accuracy-related penalty equal to 20% of the related underpayment and the imposition of a fraud penalty equal to 75% of the related underpayment. See R&TC Section 19164 for more information.

California Secretary of State (SOS) Penalty
The California Corporations Code requires the FTB to assess a penalty for failure to file an annual Statement of Information with the California SOS. For more information, see R&TC Section 19141, or contact:

STATEMENT OF INFORMATION UNIT
ATTENTION: PENALTY
CALIFORNIA SECRETARY OF STATE
PO BOX 944230
SACRAMENTO CA 94244-2300
Telephone: 916.657.3537

Other Penalties
Other penalties may be imposed for a payment returned for insufficient funds, non-U.S. foreign corporations operating while forfeited or without qualifying to do business in California, and domestic corporations operating while suspended in California. See R&TC Sections 19134 and 19135 for more information.

N Interest

Interest is due and payable on any tax due if not paid by the original due date of Form 100S. Interest is also due on some penalties. The automatic extension of time to file Form 100S does not stop interest from accruing. California follows federal rules for the calculation of interest. Get FTB Pub. 1138, Business Entity Refund/Billing Information, for more information.

O Dissolution/Withdrawal

The S corporation must fill in the applicable box on Form 100S, Side 1, Question A1, if dissolving,

merging, or withdrawing. Enter the date the S corporation filed/will file the documents for dissolution with the California SOS. For taxable years beginning on or after January 1, 2006, corporations are not required to obtain a Tax Clearance Certificate.

The franchise tax for the period in which the S corporation formally dissolves or withdraws is measured by the income of the taxable year in which it ceased doing business in California, unless such income has already been taxed at the rate prescribed for the taxable year of dissolution or withdrawal.

An S corporation that is a successor to a corporation that commenced doing business in California before January 1, 1972, is allowed a credit that may be refunded in the year of dissolution or withdrawal. The amount of the refundable credit is the difference between the minimum franchise tax for the corporation's first full 12 months of doing business and the total tax paid for the same period.

To claim this credit, enter the amount on Form 100S, Side 1, line 34. To the left of line 34, write "Dissolving/ Withdrawing."

The return for the final taxable period is due on or before the 15th day of the 3rd full month after the month during which the S corporation withdrew or stops doing business in California.

Corporations are subject to income tax or franchise tax for the final taxable period. Corporations that file a final franchise tax return must pay at least the minimum franchise tax as specified in R&TC Section 23153.

For taxable years beginning on or after January 1, 2006, the minimum franchise tax will not be assessed after the taxable year the final tax return is filed, if a corporation meets all of the following requirements:

- The corporation files a timely **final** franchise tax return for the preceding taxable year, including extension.
- The corporation did **not** do business in California after the final taxable year.
- The corporation files the appropriate documents for dissolution with the California SOS within 12 months of the timely filed Final Franchise Tax return.

To get samples and forms for filing a dissolution, surrender, or merger agreement, go to **sos.ca.gov** and search for **corporation dissolution**. Or address your request to:

ATTN: LEGAL REVIEW
CALIFORNIA SECRETARY OF STATE
1500 11TH ST 3RD FLOOR
SACRAMENTO CA 95814-5701
Telephone: 916.657.5448

P Ceasing Business

For taxable years beginning on or after January 1, 2000 (other than the first taxable year beginning on or after that date), the tax for the final year in which the S corporation does business in California is determined according to or measured by its net income for the taxable year during which the S corporation ceased doing business.

In any event, the tax for any taxable year shall not be less than the minimum franchise tax, if applicable.

For more information, see R&TC Section 23151.1.

The unreported income on installment obligations, the distribution of notes, and the distribution of corporate assets (i.e. land, buildings) at a gain must be included in income in the year of cessation. There is no federal law counterpart regarding this issue.

For more information, see R&TC Sections 24672 and 24451.

A domestic or qualified S corporation will remain subject to the minimum franchise tax for each taxable year it is in existence until a certificate of dissolution (and certificate of winding up, if necessary), or certificate of withdrawal is filed with the California SOS. See General Information O, Dissolution/Withdrawal, and R&TC Sections 23331 through 23335 for more information.

Q Suspension/Forfeiture

If an S corporation does not file Form 100S and/or does not pay any tax, penalty, or interest due, its powers, rights, and privileges may be suspended (in the case of a domestic S corporation) or forfeited (in the case of a foreign S corporation).

S corporations that operate while suspended or forfeited are subject to a $2,000 penalty per taxable year, which is in addition to any tax, penalties, and interest already accrued. Also, any contracts entered into during suspension or forfeiture are voidable at the request of any party to the contract other than the suspended or forfeited corporation.

Such contracts will remain voidable and unenforceable unless the S corporation applies for relief from contract voidability and the FTB grants relief.

See R&TC Sections 19135, 19719, 23301, 23305.1, and 23305.2 for more information.

R Apportionment of Income

S corporations with business income attributable to sources both within and outside of California are required to apportion such income. Use Schedule R to calculate the apportionment percentage. Be sure to answer Question P on Form 100S, Side 2.

Attach the Schedule R behind Form 100S and prior to the supporting schedules.

A corporation that has made a valid election to be treated as an S corporation is generally not included in a combined report. However, in some cases, the FTB may use combined reporting methods to clearly reflect income of an S corporation. See R&TC Section 23801(d)(1).

For more information, see R&TC Sections 25120 through 25136.

S Excess Net Passive Investment Income

California conforms to IRC Section 1375 for taxable years beginning on or after January 1, 1987. If an S corporation does not have excess net passive investment income for federal purposes, then the S corporation will not have excess net passive investment income for California purposes.

If at the close of the taxable year, an S corporation has undistributed earnings and profits – defined in IRC Section 1362(d)(3) – from previous years as a C corporation and has passive investment income that represents more than 25% of total gross receipts, then the S corporation may be subject to a tax on the excess net passive investment income (R&TC Section 23811).

If an S corporation has an 80% or greater ownership stake in a C corporation, dividends received from that C corporation are not treated as passive investment income, for purposes of IRC Sections 1362 and 1375, if the dividends are attributable to the earnings and profits of the C corporation derived from the active conduct of a trade or business.

T Water's-Edge Reporting

C corporations filing on a water's-edge basis are required to use Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers, to file their California tax return.
S corporations filing on water's-edge basis should use Form 100S to file their California tax return.

Taxpayers may elect to compute income attributable to California on the basis of a water's-edge election. In general, affiliated foreign corporations are excluded from the combined report.

To make the water's-edge election, an S corporation should file Form 100-WE, Water's-Edge Election. For the election to be valid for any taxable year, Form 100-WE should be signed and attached to the original timely filed Form 100S. A copy should be attached to all subsequent returns filed during the election period.

To be allowed to file on a water's-edge basis, the S corporation must, among other things, do the following:

- File returns on a water's-edge basis for a period of 84 months.
- Agree to business income treatment of dividends received from certain corporations.
- Consent to the taking of certain depositions and the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

Get Form 100W Tax Booklet, for more information.

U Amended Return

To correct or change a previously filed Form 100S, file the most current Form 100X. Using an incorrect form may delay processing of the amended return. File Form 100X within six months after the corporation filed an amended federal return or after the final federal determination, if the IRS examined and changed the corporation's federal return.

V Information Returns

Every S corporation engaged in a trade or business and making or receiving certain payments in the course of the trade or business is required to file information returns to report the amount of such payments.

Payments that must be reported include, but are not limited to the following:

- Payments exceeding $600 annually for compensation for services 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.
- Payments exceeding $10 annually for interest earned and dividends.
- All payment amounts made by a broker or barter exchange.
- All payment amounts for gross proceeds paid to an attorney whether or not the services are performed for the payer.
- Cash payments over $10,000 received in a trade or business.

See instructions for federal Forms 1099 (series), 1098, 5498, and W-2G; federal Publication 1220, Specifications for Filing Forms 1097-BTC, 1098, 1099, 3921, 3922, 5498, 8935 and W-2G Electronically; form FTB 4227A, Guide to Information Returns Filed With California.

Report payments to the FTB and the IRS using the appropriate federal form. Reports must be made for the calendar year. Federal Forms 1099 (series), 1098, and W-2G's are due no later than February 28th and federal Form 5498 is due by May 31st of the year following payment. When the due date falls on a weekend or holiday, the deadline to file without

penalty is extended to the next business day. Due to the Emancipation Day holiday on April 16, 2012, tax returns filed and payments mailed or submitted on April 17, 2012 will be considered timely. Federal Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, is due within 15 days after the date of the transaction.

California requires S corporations to report to the FTB interest paid on municipal bonds held by California taxpayers and issued by a state other than California, or a municipality other than a California municipality. Entities paying interest to California residents on these types of bonds are required to report interest payments aggregating $10 or more and paid after January 1, 2011. These information returns will be due by June 1, 2012. For more information, get form FTB 4800, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payments Information Media Transmittal.

California conforms to the information reporting requirements imposed under IRC Sections 6038 through 6038C. Any federal Forms 5471, 5472, or 926 required to be filed for federal purposes under these IRC sections are also required to be filed for California purposes. These federal information returns should be attached to the Form 100S when filed or provided separately on CD as follows (the CD should **not** be password protected):

S corporations that e-file Their Returns. The federal information returns can be included electronically as part of the e-filed return, or can be provided separately on a CD (not password protected), per the instructions below.

S corporations that File Paper Returns. The options are different depending on the number of federal information returns filed:

- If less than 100, attach a copy of each federal information return to the California tax return.
- If 100 or more, attach a copy of each federal information return to the California tax return **or** submit the federal information returns via CD (not password protected), separate from the California return, as follows:
  - Save the federal information returns on a CD in Adobe PDF format (not a stream of the federal data).
  - Write on the CD the corporation's name, the **California corporation number**, and the taxable year.
  - Mail the CD **only** to PO Box 1779, Rancho Cordova, CA 95741-1779.
  - Mail the California tax return to the regular filing address. Attach a statement to the return stating that the federal information returns (e.g., Forms 5471, 5472) were submitted on a CD.

If these federal information returns are not provided, penalties may be imposed under R&TC Sections 19141.2 and 19141.5.

W Signatures

Phone Number and Email Address
Include an officer's phone number and email address in case the FTB needs to contact the corporation for information needed to process this return. By providing this information the FTB will be able to process the return or issue the refund faster.

Preparer Tax Identification Numbers (PTIN)
Tax preparers must provide their PTIN on the tax returns they prepare. Preparers who need a PTIN should go to the IRS website at **irs.gov** for more information.

Third Party Designee
If the S corporation wants to allow the FTB to discuss its 2011 tax 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 S corporation is authorizing the FTB to call the paid preparer to answer any questions that may arise during the processing of the tax return. The S corporation 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 S corporation is not authorizing the paid preparer to receive any refund check, bind the S corporation to anything (including any additional tax liability), or otherwise represent the S corporation before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the S corporation's 2012 tax return. If the S corporation wants to expand the paid preparer's authorization, get form FTB 3520, Power of Attorney – Declaration for the Franchise Tax Board. If the S corporation wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

X Net Operating Loss (NOL)

For taxable years beginning in 2010 and 2011, California suspended the net operating loss (NOL) carryovers deduction. Corporations may continue to compute and carryover an NOL during the suspension period. However, corporations with net income after state adjustments (pre-apportioned income) of less than $300,000 **or** with disaster loss carryovers are not affected by the NOL suspension rules.

Also, California modified the NOL carryback provision. For more information, see form FTB 3805Q, included in this booklet.

R&TC Sections 24416.1 through 24416.7, 24416.20 and R&TC 25108 provide for NOL carryovers incurred in the conduct of a trade or business.

R&TC Section 24347.5 provides special treatment for the carryover of disaster losses incurred in an area declared by the President of the United States or the Governor of California as a disaster area. If the disaster is declared by the Governor of California only, subsequent state legislation is required for the disaster provision to be activated.

Losses taken into account under the disaster provisions may not be included in computing regular NOL deductions.

For more information, see form FTB 3805Q included in this booklet; or get form FTB 3805D, Net Operating Loss (NOL) Carryover Computation and Limitation – Pierce's Disease; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Y At-Risk Rules

California S corporations are subject to IRC Section 465 relating to the at-risk rules. For more information, get federal Form 6198, At-Risk Limitations. Losses from passive activities are first subject to the at-risk rules and then to the passive activity rules.

Z Passive Activity Loss Limitation

California S corporations generally follow IRC Section 469 and the regulations thereunder that allow losses from passive activities to be applied only against income from passive activities.

California differs from federal law in that rental real estate activities of taxpayers engaged in a real property business are still treated as a passive activity.

California law also differs from federal law in that the passive activity loss rules are applied at both the S corporation level and at the shareholder level. The passive activity loss rules must be applied in determining the net income of the S corporation that will be taxed using the 1.5% tax rate. Subsequent to the income and deductions flowing through to the shareholders, the rules are again applied in determining the net income of the shareholder. Treatment at the shareholder level is the same as the federal treatment prior to January 1, 1994.

The passive activity loss rules apply to the S corporation as if it were an individual (i.e., losses from passive activities may not be used to offset other income, except for $25,000 in losses from rental real estate). However, when determining whether the S corporation materially participates in the activity, the material participation rules that apply to a "closely held C corporation" should be applied to the S corporation. For more information, see IRC Section 469(h)(4).

S corporations must use form FTB 3801, Passive Activity Loss Limitations, to compute the allowable net loss from passive activities.

AA Passive Activity Credits

S corporation credits subject to the passive activity credit limitation rules include the following:

- Research credit
- Low-income housing credit
- Targeted jobs credit carryover
- Clinical testing expense credit carryover

Get form FTB 3801-CR, Passive Activity Credit Limitations, for more information.

BB Tax Credits

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to 1/3 and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. Refer to Schedule C (100S), S Corporation Tax Credits, included in this booklet.

S corporations may generate credits from both the Corporation Tax Law and the Personal Income Tax Law. Follow the guidelines below:

- If a credit listed on page 47 is allowed only under the Corporation Tax Law, 1/3 of the credit may be used to offset the S corporation tax or may be carried over, if allowed. The remaining 2/3 must be disregarded and may not be carried over. No part of the credit may be passed through to the shareholders.
- If the credit is allowed only under Personal Income Tax Law, the full credit may be passed through to the shareholders. No part of the credit may be used by the S corporation to offset the S corporation tax or to be carried over.

- If a credit is allowed under both the Corporation Tax Law and Personal Income Tax Law, the S corporation may use 1/3 of the credit to offset the S corporation tax or it may be carried over, if allowed. The remaining 2/3 must be disregarded and may not be carried over. The full amount of the credit, as calculated under the Personal Income Tax Law, may also be passed through to the shareholders.

Credits and credit carryovers may not reduce the minimum franchise tax, the QSub annual tax(es), built-in gains tax, excess net passive income tax, credit recaptures, the increase in tax imposed for the deferral of installment sale income, or an installment of LIFO recapture tax.

CC Group Nonresident Shareholder Return

Nonresident individual shareholders of an S corporation doing business in California may elect to file a group nonresident return on Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. Get FTB Pub. 1067, for more information.

S corporations are required to withhold income tax on certain payments to nonresident shareholders. Nonresident shareholders must file Long Form 540NR to claim the withholding even if there are no filing requirements.

DD Qualified Subchapter S Subsidiary (QSub)

California has conformed to the sections of the IRC that allow an S corporation to own a QSub. A QSub is a domestic corporation that is not an ineligible corporation, i.e., it must be eligible to be an S corporation as defined by IRC Section 1361(b)(2). In addition, 100% of the stock of the subsidiary must be held by the S corporation parent and the parent must elect to treat the subsidiary as a QSub. A QSub is not treated as a separate entity and all assets, liabilities, and items of income, deduction, and credit of the QSub are treated as belonging to the parent S corporation. The activities of the QSub are treated as activities of the parent S corporation.

An election made by the parent S corporation under IRC Section 1361(b)(3) to treat the corporation as a QSub for federal purposes is treated as a binding election for California purposes. A separate election is not filed for California.

The federal election is made on federal Form 8869, Qualified Subchapter S Subsidiary Election. California requires that an S corporation parent attach a copy of the Form 8869 for each QSub doing business or qualified to do business in California to the return for the taxable year during which the QSub election was made. California follows the federal transitional relief procedures for perfecting a QSub election.

A QSub is subject to an $800 annual tax which is paid by the S corporation parent. The QSub annual tax is due and payable when the S corporation's first estimated tax payment is due. If the QSub is acquired, or a QSub election is made during the taxable year, the QSub annual tax is due with the S corporation's next estimated tax payment after the date of the QSub election or acquisition. The QSub annual tax is subject to the estimated tax rules and penalties.

An S corporation that owns a QSub does not file a combined return. Instead, the QSub is disregarded, and the activities, assets, liabilities, income, deductions, and credits of the QSub are considered to be the assets, liabilities, income, and credits of the S corporation. If the QSub is not unitary with the S corporation, then it is treated as a separate division and separate computations must be made to compute business income and apportionment factors for the QSub and the S corporation, and to apportion to California the business income of each.

An S corporation parent must complete the Schedule QS, Qualified Subchapter S Subsidiary Information Worksheet, included in this booklet, and attach it to the Form 100S for each taxable year in which a QSub is acquired or a QSub election is made.

EE California Use Tax

The use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state sellers and is similar to the sales tax paid on purchases made in California.

In general, S corporations must pay California use tax on purchases made from out of state (for example, by telephone, over the Internet, by mail, or in person) if:

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

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

Complete the Use Tax Worksheet on page 15 to calculate the amount due.

Extensions to File. If the S corporation requests an extension to file the tax return, wait until the S corporation files the return to report the purchases subject to use tax and to make the use tax payment.

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

Changes in Use Tax Reported: Do not file an Amended S Corporation Franchise or Income Tax Return to revise the use tax previously reported. If the S corporation has changes to the amount of use tax previously reported on the original tax return, contact the State Board of Equalization.

For Assistance, go to the State Board of Equalization's website at **boe.ca.gov** or call their Taxpayer Information Section at 800.400.7115 or California Relay Service (CRS) 711 (for hearing and speech disabilities). Income tax information is not available at these numbers.

FF Property Subject To IRC Section 179 Recapture

Special rules apply for gains from the sale, exchange or disposition of property for which an IRC Section 179 expense deduction was claimed in a prior year. For federal purposes, the gain is no longer included in income at the entity level. However, it must be included in the taxable income of the S corporation for California purposes.

S corporations should follow the instructions in federal Form 4797 **with the exception** that the amount of gain on property subject to the IRC Section 179 expense deduction recapture (capital gain and ordinary gain) must be included in the taxable income of the S corporation. To accomplish this, the S corporation will need to compute **two sets** of Schedule D-1, Sales of Business Property, and Schedule D (100S), S Corporation Capital Gains and Losses and Built-in Gains. One set of Schedule D-1 and Schedule D (100S) will include the sale or disposition of both IRC Section 179 assets **and** the sale of non-Section 179 business assets with the amount reported on Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) will include the sale or disposition of non-Section 179 business assets only, with the amount reported on the Schedule K and Schedule K-1 (100S).

See Specific Line Instructions for Property Subject to IRC Section 179 Expense Deduction Recapture. Also see the Schedule D-1 Instructions.

The S corporation should report the gain on property subject to the IRC Section 179 expense deduction recapture passed through to the shareholders on the Schedule K and Schedule K-1 (100S) as supplemental information as instructed on the federal Form 4797.

GG Limited Liability Companies (LLCs)

California law authorizes the formation of LLCs and recognizes out-of-state LLCs registered or doing business in California. The taxation of an LLC in California depends upon its classification as a corporation, partnership, or "disregarded entity" for federal tax purposes.

If an LLC elects to be taxed as a corporation for federal tax purposes, the LLC must file Forms 100/100-ES and leave the California Corporation number field blank. The FTB will (1) assign an identification number to an LLC that files as a corporation, and (2) notify the LLC with the identification number upon receipt of the first estimated tax payment or the first tax return. The LLC will be subject to the applicable provisions of the Corporation Tax Law and should be considered a corporation for purpose of all instructions unless otherwise indicated.

The Employment Development Department (EDD) does not recognize the check-the-box regulations, i.e. an LLC that elects to be an S corporation may not treat managing members as employees for EDD purposes. However, the EDD will allow the LLC to report the managing members' earnings as "State Wages" on the federal W-2. The W-2 should report state personal income tax wages but no SDI wages. Any withholding amount is entered in the state tax withholding box.

If an LLC elects to be taxed as a partnership for federal tax purposes, it must file Form 568, Limited Liability Company Return of Income. LLCs taxed as partnerships determine their income, deductions, and credits under the Personal Income Tax Law and are subject to an annual tax as well as an annual fee based on total income.

If an Single Member Limited Liability Company (SMLLC) is disregarded for federal tax purposes, get Form 568 Booklet for information regarding SMLLC filing requirements. A disregarded LLC reports its income, deductions, and credits on the return of its owner. However, an LLC that is disregarded is subject to the annual LLC tax as well as a fee based on total income. Form 568, Side 1, provides the FTB with information on the sole owner of the LLC, contains the owner's consent to be taxed on the income of the LLC, and provides for the computation of the LLC tax and fee.

Specific Line Instructions

Filing Form 100S without errors will expedite processing. Before mailing Form 100S, make sure entries have been made for the following:

- California corporation number (a valid seven digit number assigned by the California SOS).

- Federal employer identification number (FEIN) (nine digits).
- Corporation name (use the true legal name filed with the California SOS) and address (include PMB no., if applicable).

File the 2011 Form 100S for calendar year 2011 and fiscal year that begins in 2011.

Enter taxable year beginning and ending dates **only** if the return is for a short year or a fiscal year. If the S corporation reports its income using a calendar year, leave the date area blank. If a domestic corporation files the **first** California tax return, the fiscal year beginning date **must** be the date the corporation is incorporated. If the return is filed for a short period (less than 12 months), write "short year" in red in the top margin on Form 100S, Side 1. Convert all foreign monetary amounts to U.S. dollars.

The 2011 Form 100S may also be used if both of the follow apply:

- The corporation has a taxable year of less than 12 months that begins and ends in 2012.
- The 2012 Form 100S is not available at the time the corporation is required to file its return. The S corporation must show its 2012 taxable year on the 2011 Form 100S and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2011.

California law is different from federal law. California taxes S corporations under Chapter 2 (commencing with R&TC Section 23101) or Chapter 3 (commencing with R&TC Section 23501) of the Corporation Tax Law.

Questions A through S

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions B through S on Form 100S, Side 2. Read the following instructions when answering:

Question A2 – California has not conformed to the federal election to defer the discharge of indebtedness income as described in IRC Section 108(i). If the S corporation elected to defer the discharge of indebtedness income for federal purposes, check the "Yes" box and enter the entire amount of the **federal** deferred income. Include this amount on 100S line 7 and Schedule K (100S), line 10b, column (c), California adjustments.

Question A3 – Check the "Yes" or "No" box to indicate if the S corporation is deferring any income from the disposition of assets. If "Yes," enter the four-digit year in which the assets were disposed (ex. 2011). If there are multiple years, write "see attached" on the line and attach a schedule listing the years. This question is applicable if the S corporation is deferring any income from a disposition of assets in the current **taxable year or prior taxable years.**

Question A4 – Check the box for the type(s) of previously deferred income the S corporation is reporting. If there are multiple sources of income, check the box for the appropriate items and attach a schedule listing the income type and year of disposition. If the S corporation is reporting "Other" types of previously deferred income, check the box for "Other" and attach a schedule listing the income type and year of disposition. This question is applicable if the S corporation is reporting previously deferred income in the current **taxable year or prior taxable years**.

Question B – Transfer or acquisition of voting stock
All S corporations **must** answer all three questions. If the S corporation does not own or lease (as specified below) real property in California, answer "No" to the questions. Real property includes land, buildings, structures, and fixtures. See R&TC Section 104 for more information.

The questions provide information regarding changes in ownership with regard to real property held by legal entities (R&TC Section 64). If any of the answers are "Yes" a Statement of Change in Control and Ownership of Legal Entities (BOE-100-B), must be filed with the California State Board of Equalization (BOE). Failure to do so within 45 days of the event date will result in substantial penalties. Get forms and information from the BOE website at **boe.ca.gov** and search for **leop**.

There may be a change in ownership or control if, during this taxable year, one of the following occurred with respect to this corporation or any of its subsidiaries:

- The percentage of outstanding voting shares transferred to, or owned or controlled by, **one** person or **one** legal entity cumulatively exceeded 50%.
- The total outstanding voting shares transferred to or held by **one** irrevocable trust or trust beneficiary cumulatively exceeded 50%.
- One or more irrevocable proxies cumulatively transferred voting rights to more than 50% of the outstanding voting shares to **one** person or **one** entity.
- This corporation, or any of its subsidiaries, cumulatively acquired ownership or control of more than 50% of the outstanding voting shares or other ownership interests in any legal entity.
- As of the end of this taxable year, cumulatively more than 50% of the total outstanding voting shares have been transferred, or the corporation experienced a change in ownership or control in one or more transactions since March 1, 1975.

For purposes of these questions, leased real property is a leasehold interest in taxable real property: (1) leased for a term of 35 years or more (including renewal options), if not leased from a government agency; or (2) leased for any term, if leased from a government agency.

R&TC Section 64(e) requires this information for use by the BOE.

Question C – Principal business activity (PBA) code
All S corporations **must** answer Question C.

Include the six digit PBA code from the Principal Business Activity Codes chart included in this tax booklet.

The code should be the number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income. The California PBA code number may be different from the federal PBA code number.

If, as its principal business activity, the corporation: (1) purchases raw material; (2) subcontracts out for labor to make a finished product from the raw materials; and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes under "Manufacturing." Also, write in the business activity and principal product or service on the lines provided.

Question E – Does this return include Qualified Subchapter S Subsidiaries (QSubs)?
Answer "Yes" if the S corporation owns a QSub. Refer to the instructions for line 22 and line 32 to report the QSub annual tax. Be sure to complete Schedule QS (QSub Information Worksheet) on page 33 included in this tax booklet and attach the Worksheet to Form 100S when filed.

Question N – Doing business as (DBA)
S Corporations doing business under a name other than that entered on Side 1 of Form 100S must enter the DBA name in question N. If the S corporation is doing business under multiple DBAs attach a schedule listing all DBAs.

Excess Net Passive Income and Income Tax Worksheet

1	Enter gross receipts for the taxable year (see IRC Section 1362(d)(3)(B) for gross receipts from the sale of capital assets)*	1		00
2	Enter passive investment income as defined in IRC Section 1362(d)(3)(C)*	2		00
3	Enter 25% (.25) of line 1. If line 2 is less than line 3, the corporation is not liable for this tax	3		00
4	Excess passive investment income. Subtract line 3 from line 2	4		00
5	Enter expenses directly connected with the production of income on line 2. See IRC Section 1375(b)(2)*	5		00
6	Net passive income. Subtract line 5 from line 2	6		00
7	Divide the amount on line 4 by the amount on line 2	7		
8	Excess of net passive income. Multiply line 6 by line 7. See instructions on line 11 below	8		00
9	Enter taxable income**	9		00
10	Enter the smaller of line 8 or line 9	10		00
11	Excess net passive income tax. Enter 8.84% (financial S corporations must use 10.84%) of line 10 here and on Form 100S, Side 1, line 29. (If an amount is entered here, go to line 8 above and carry the line 8 amount to Form 100S, line 17.)	11		00

* Income and expenses on line 1, line 2, and line 5 are from total operations for the taxable year. This includes applicable income and expenses from Form 100S, Side 1. See IRC Sections 1362(d)(3)(C) and 1375(b)(4) for exceptions regarding line 2 and line 5.

** Taxable income is defined in federal Treas. Regs. Section 1.1374-1A(d). Figure taxable income by completing line 1 through line 18 of Form 100, California Corporation Franchise or Income Tax Return. Clearly mark "ENPI Taxable Income" on the Form 100 computation and attach it to Form 100S.

Leave question N blank if the S corporation is not using DBAs to conduct business.

Question Q – Reportable Transaction or Listed Transaction
Federal Form 8886 is required to be attached to any return on which a deduction, loss, credit, or any other tax benefit is claimed or is reported, or any income the corporation's reported from an interest in a reportable transaction. If the corporation is required to file this form with the federal return, attach a copy to the corporation's Form 100S.

A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor.

A Reportable Transaction is any transaction as defined in R&TC Section 18407 and Treas. Reg. Section 1.6011-4 and includes, but is not limited to the following:

- A transaction with a significant book-tax difference (entered into prior to August 3, 2007). Beginning January 6, 2006, this transaction was no longer required to be disclosed on Form 8886. See IRS Notice 2006-06.
- A Listed Transaction, or a transaction that is substantially similar to a Listed Transaction, which has been identified by the IRS or the FTB as a tax avoidance transaction.
- A Confidential Transaction which is offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum fee.
- A transaction with contractual protections which provides the taxpayer with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained.
- A loss transaction under IRC Section 165 which is at least $10 million in any one year or $20 million in any combination of taxable years. (Those numbers would be reduced to $2 million and $4 million on the Form 100S.)
- A transaction where the taxpayer is claiming a tax credit of greater than $250,000 and held the asset for less than 45 days. (entered into prior to August 3, 2007).
- A transaction of interest is a transaction that is the same as or substantially similar to one of the types of transactions that the IRS has identified by notice, regulation, or other form of published guidance as a transaction of interest (entered into beginning November 1, 2006).

A Listed Transaction is a specific transaction, or one that is substantially similar, which has been identified by the IRS or the FTB to be a tax avoidance transaction.

Question S – FTB 3544A
Check the "Yes" box if form FTB 3544A is attached to Form 100S.

Line 1 through Line 41

Line 1 – Ordinary income (loss) from trade or business
S corporations using the federal reconciliation method to figure net income (see General Information I, Net Income Computation) must:

- Transfer the amount from federal Form 1120S, line 21 to Form 100S, Side 1, line 1 and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120S, page 1, onto Form 100S, Side 3, Schedule F and transfer the amount from Schedule F, line 22, to Form 100S, Side 1, line 1.
- Then, complete Form 100S, Side 1, line 2 through line 14, State Adjustments.

S corporations using the California computation to figure ordinary income (see General Information I, Net Income Computation) must transfer the amount from Form 100S, Side 3, Schedule F, line 22, to Side 1, line 1. Complete Form 100S, Side 1, line 2 through line 14, only if applicable.

Line 2 through Line 14 – State adjustments
To figure net income for California purposes, S corporations using the federal reconciliation method must enter California adjustments to the federal net income on line 2 through line 14. If a specific line for the adjustment is not on Form 100S, enter the adjustment on line 7, Other additions, or line 13, Other deductions, and attach a schedule that explain the adjustment.

Line 2 – Taxes not deductible
California law does not permit a deduction for California corporation franchise or income taxes or any other taxes on, according to, or measured by net income or profits. Add these taxes to income on line 2. Examples of these taxes are California's minimum franchise tax, the 1.5% income or franchise tax, and the environmental taxes imposed by IRC Section 59A.

Line 3 – Interest on government obligations
S corporations subject to the California franchise tax must report interest received on government obligations even though it may be exempt from state or federal individual income tax. This interest must be added to income on line 3. See line 13 instructions for S corporations subject to the California corporation income tax.

Line 4 – Net capital gain
Enter on this line any net capital gain subject to the 1.5% tax rate (3.5% for financial S corporations) shown on Schedule D (100S), Section B, and any gains subject to the 8.84% tax rate (10.84% for financial S corporations) shown on Schedule D (100S), Section A, line 3a and line 6a.

Property Subject To IRC Section 179 Expense Deduction Recapture
If the S corporation has a gain from the sale, exchange or disposition of property for which an IRC Section 179 expense deduction was claimed in a prior year, special rules apply. For federal purposes, the gain is no longer included in income at the entity level. However, it must be included in the taxable income of the S corporation for California purposes on Form 100S, line 4. See General Information FF, Property Subject To IRC Section 179 Recapture, for more information.

The S corporation should complete **two sets** of Schedule D-1 and Schedule D (100S). One set of Schedule D-1 and Schedule D (100S) will include the gain or loss from the sale or disposition of IRC Section 179 assets as well as gain or loss from non-Section 179 business assets, and will be reported on the Form 100S. Indicate at the top of this Schedule D-1 and Schedule D (100S) "IRC Sec. 179 and Business Assets." When completing Schedule D-1 and Schedule D (100S) for the Form 100S, skip any instructions to report the gain or loss on Schedule K or Schedule K-1 (100S). Transfer the gain amount to Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) is to report the gain or loss on non-Section 179 business assets for use on the Schedule K and Schedule K-1 (100S). To accomplish this, the S corporation should complete a Schedule D-1 and Schedule D (100S) with the gain or loss for the non-Section 179 business assets only. The amounts from this Schedule D-1 and Schedule D (100S) will be reported on the Schedule K (100S) and Schedule K-1 (100S). Indicate at the top of the Schedule D-1 and Schedule D (100S) set "Non-Section 179 Business Assets Only."

Line 5 – Depreciation and amortization
Depreciation for S corporations follows the depreciation rules provided under California Personal Income Tax Law. Unlike other corporations, an S corporation is allowed to compute depreciation using the Modified Accelerated Cost Recovery System (MACRS). Complete Schedule B (100S), S Corporation Depreciation and Amortization, for assets subject to depreciation and for assets subject to amortization. Enter the total of Schedule B (100S), Part III, on Form 100S, Side 1, line 5.

Line 6 – Portfolio income
Enter on this line net portfolio income not included in line 1 but that must be included in the S corporation's net income for computing the 1.5% tax. Include interest, dividends, and royalties. Do not include any passive activity amounts on this line. Instead, include passive activity amounts on line 7 or line 13.

Line 7 – Other additions
R&TC Section 24425 disallows expenses allocable to income, which is not included in the measure of the Franchise Tax or Income Tax. Add back such deductions on this line.

Also, include on this line other items not added on any other line to arrive at California net income. Attach a schedule that clearly shows how each item was computed and explain the basis for the adjustment.

If a federal contribution deduction was taken in arriving at the amount entered on line 1, include that amount in the computation of line 7. See line 11, Contributions.

Include any income from pass-through entities and passive activities on line 7. Rental real estate activities owned directly by the S corporation are reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

California Ordinary Net Gain or Loss. Before entering the amount from Schedule D-1, line 18, determine whether the gain is subject to built-in gains tax. If the gain is subject to built-in gains tax, enter the amount on Schedule D (100S), Section A, Part III so the built-in gains tax can be computed, and enter the difference between the amount on Schedule D-1, line 18 and the amount subject to built-in gains tax on Form 100S, Side 1, line 7.

Gain on Installment Notes. Generally, when an S corporation sells assets in an installment sale, the S corporation defers the recognition of gain until it receives payments on the installment obligation. If the S corporation distributes the installment obligation to the shareholders in a corporate liquidation **within 12 months** of the asset sale, the corporation pays 1.5% tax on the deferred gain in the final year under R&TC Section 24672. The shareholders continue to defer the gain until they receive payments. If R&TC Section 24672 applies, report the amount of deferred gain on this line.

Deferred Income. California has not conformed to the federal election to defer the discharge of indebtedness income as described in IRC Section 108(i). If the S corporation elected to defer the discharge of indebtedness income for federal purposes, include this amount on line 7.

Line 9 and Line 10 – Dividends deduction
Complete Schedule H (100S), S Corporation Dividend Income Deduction, included in this tax booklet.

Line 11 – Contributions
The contribution deduction for California corporations is limited to the adjusted basis of the assets being contributed.

The contribution deduction is 10% of California net income, without regard to charitable contributions and special deductions (e.g., the deduction for dividends received). The definition of California net income differs from federal taxable income for computing the contribution deduction.

Per IRC Section 170(d)(2), five-year carryover provisions shall apply for excess contributions.

On a separate worksheet, using the Form 100S format, complete Form 100S, Side 1, line 1 through line 15 (without regard to line 11). If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as an addition on line 7 of the Form 100S formatted worksheet. Enter the adjusted basis of the assets contributed on line 5 of the following worksheet. Then complete the worksheet to determine the contribution deduction to enter on line 11.

1. Net income after state adjustments from Side 1, line 15 . . . . . ._____
2. Deduction for dividends received . . ._____
3. Net income for contribution calculation purposes. Add line 1 and line 2 . . . . . ._____
4. Allowable contributions. Multiply line 3 by 10% (.10) . . . . . ._____
5. Enter the amount actually contributed . . . . . ._____
6. Enter the smaller of line 4 or line 5 here and on Side 1, line 11 . . ._____

Get Schedule R to figure the contribution computation for apportioning corporations.

Line 12 – EZ, LAMBRA, or TTA business expense and/or EZ net interest deduction
Businesses conducting a trade or business within an Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), or Targeted Tax Area (TTA) may **elect** to treat a portion of the cost of qualified property as a business expense rather than a capital expense. For the taxable year the property is placed in service, the business may deduct a percentage of the cost in that year rather than depreciate it over the life of the asset. For more information, get form FTB 3805Z, form FTB 3807, or form FTB 3809.

Also, a deduction may be claimed on this line for the amount of net interest on loans made to an individual or company doing business inside an EZ. For more information, get form FTB 3805Z.

Be sure to attach the applicable form to the Form 100S if any of these benefits are claimed. If the proper form is not attached, these tax benefits may be disallowed.

Line 13 – Other deductions
Include on this line deductions not claimed on any other line. Attach a schedule that clearly shows how each deduction was computed and explain the basis for the deduction.

Include any losses from pass-through entities and passive activities on line 13. Rental real estate activities owned directly by the S corporation are reported on federal Form 8825. Also enter any IRC Section 179 expense from Schedule B (100S), Part I, line 5.

For S corporations subject to income (and not franchise) tax, interest received on obligations of the federal government and on obligations of the State of California and its political subdivisions is exempt from income tax. If such interest is reported on line 3, deduct it on line 13.

Federal Ordinary Net Gain or Loss
Enter any federal ordinary net gain or loss from federal Form 4797.

Line 16 – Net income (loss) for state purposes
If all the S corporation income is derived from California sources, transfer the amount from line 15 to line 16.

If only a portion of income is derived from California sources, complete Schedule R, before entering any amount on line 16. Transfer the amount from Schedule R, line 35, to this line. Be sure to answer "Yes" to Question P on Form 100S, Side 2.

If this line is a net loss, complete and attach the 2011 form FTB 3805Q to Form 100S.

Line 17 – R&TC Section 23802(e) deduction
If the S corporation has a tax imposed on excess net passive investment income and built-in gains, a deduction is allowed against the net income taxed at the 1.5% rate. See the "Excess Net Passive Income and Income Tax Worksheet," on page 12 to determine if the S corporation is subject to the tax on excess net passive investment income. If a tax is shown on this worksheet, enter the amount of excess net passive income from line 8 of the worksheet on Form 100S, Side 1, line 17.

For purposes of the built-in gains tax, enter on line 17 the amount from Schedule D (100S), Section A, Part III, line 11.

Line 18, Line 19, and Line 20
The order in which line 18, line 19, and line 20 appear is not meant to imply the order in which any NOL carryover deduction or disaster loss deduction should be taken if more than one type of deduction is available.

Line 18 – Net operating loss (NOL) carryover deduction
The NOL carryover deduction **is suspended** for the 2010 and 2011 taxable years if the corporation net income after state adjustments (pre-apportioned income) is $300,000 or more. For more information, see form FTB 3805Q included in this tax booklet.

The NOL deduction is the amount of the NOL carryover from prior years that may be deducted from income in this taxable year. However, the loss may not reduce the S corporation's current taxable year income below zero. Any excess loss must be carried forward.

If line 16 less line 17 is a positive amount **and** line 15 less line 17 is less than $300,000, enter the NOL carryover (but not more than line 16 less line 17) from the S corporation's 2011 form FTB 3805Q, Part III, line 3 on Form 100S, Side 1, line 18. Attach a copy of the 2011 form FTB 3805Q to Form 100S. If the full amount of the NOL carryover is not deducted this taxable year, complete and attach a 2011 form FTB 3805Q showing the computation of the NOL carryover to future years.

If line 16 less line 17 is a negative amount or line 15 less line 17 is $300,000 or more, enter -0- on line 18 and see form FTB 3805Q instructions, included in this tax booklet, for the computation of the NOL carryover to future years.

No NOL carryover arising from a year in which an S corporation was a C corporation may be applied against the 1.5% tax. See IRC Section 1371(b)(1) and R&TC Section 23802(d). However, if the corporation terminates its' S election, thus becoming a C corporation, then the prior year NOL carryover may be used to the extent it has not expired.

NOL carryovers arising from a year in which the S corporation was a C corporation may be used in computing the tax on built-in gains.

Line 19 – Pierce's disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction
The Pierce's disease, EZ, the former Los Angeles Revitalization Zone (LARZ), LAMBRA, or TTA NOL carryover deduction **is suspended** for the 2010 and 2011 taxable years if the corporation net income after state adjustments (pre-apportioned income) is $300,000 or more. For more information, get form FTB 3805D, form FTB 3805Z, form FTB 3806, form FTB 3807, or form FTB 3809.

An NOL generated by a farming business due to Pierce's disease or a business that operates (operated) or invests (invested) within an EZ, the former LARZ, the TTA, or a LAMBRA receives special tax treatment. The loss may not reduce the corporation's current taxable year income below zero. Any excess loss must be carried forward. Compute the corporation's EZ, TTA, or LAMBRA NOL using form FTB 3805Z; form FTB 3809; or form FTB 3807 respectively.

Compute and enter the Pierce's disease, EZ, TTA, LARZ, or LAMBRA NOL carryover deduction from the corporation's form FTB 3805D; form FTB 3805Z; form FTB 3809; form FTB 3806; or form FTB 3807 on Form 100S, line 19. Attach a copy of the applicable form to Form 100S.

Line 20 – Disaster loss carryover deduction
Disaster loss is not subject to the 2010 and 2011 NOL suspension rules.

If the S corporation has a disaster loss carryover, enter the total amount from Part III, line 2 of the 2011 form FTB 3805Q only if the corporation has income in the current taxable year.

Line 22 – Tax
S corporations must use a tax rate of 1.5%. Financial S corporations must use the financial tax rate of 3.5%. The tax on line 22 may not be less than the sum of the minimum franchise tax and QSub annual tax(es), if applicable. See General Information B, Tax Rate and Minimum Franchise Tax.

If the S corporation is the parent of a QSub subject to the annual tax and paid the $800 annual tax on behalf of such QSub, add the total amount of QSub annual tax(es) to the tax on net income or the minimum franchise tax, whichever is applicable, and enter the result on line 22. Use the QSub Information Worksheet on page 33 included in this booklet.

Example 1: Corporation A, an S corporation, is the parent of three QSubs, B, C, and D. QSub B and C are either incorporated or qualified to do business in California. QSub D is not incorporated, doing business, or qualified to do business in California. Corporation A is subject to the minimum Franchise tax of $800 and $1,600 of QSub annual tax for QSub B and C.

Example 2: Beta Corporation, an S corporation, is the parent of three QSubs. Only one of the QSubs is qualified and doing business in California. Beta Corporation reports net income for California tax purposes on line 21 of $100,000. Tax on net income is $1,500. On line 22, Beta Corporation will report tax of $2,300. The $2,300 includes tax on net income of $1,500 plus $800 of QSub annual tax payments for one QSub. Beta corporation is not required to pay the QSub tax on the two QSubs not doing business in California.

Line 23 – New jobs credit
Use form FTB 3527 to calculate the new jobs credit. Enter the credit amount generated on line 23a and amount claimed on line 23b. **Do no**t claim the credit on Schedule C (100S). Get form FTB 3527 for more information, and attach a copy of the credit form to the Form 100S.

Line 24a through Line 25 – Tax credits
For taxable years beginning on or after January 1, 2010, an eligible assignee can claim assigned credits received this taxable year or carried over from prior years, against its tax liabilities. For more information, get form FTB 3544A.

Note: The total amount of specific credit claimed on Form 100S or Schedule C (100S) should include both: (1) the total assigned credit claimed from form FTB 3544A, column (i), and (2) the amount of credit claimed that was generated by the assignee.

Credits may be used to reduce the California tax liability; however, credits may not be used to reduce the tax on line 22 to an amount less than the sum of the minimum franchise tax plus the QSub annual tax(es), if applicable. Also, the S corporation is allowed to claim only 1/3 of the total credit generated against the 1.5% franchise tax. See General Information AA, Passive Activity Credits, and BB, Tax Credits.

Complete and attach the applicable credit form for each credit claimed on Form 100S. For any carryover credits only, complete form FTB 3540, Credit Carryover Summary. See page 47 for a list of available credits.

Transfer the credit(s) from the respective credit forms to Schedule C (100S) to compute the amount of credit to claim on Form 100S. Then transfer the credit(s) from Schedule C (100S) to Form 100S.

Each credit is identified by a code number. To claim one or two credits, enter the credit name, code number, and the amount of the credit on line 24a and line 24b. Enter the total of any remaining credits from Schedule C (100S) on line 25. Do not make an entry on line 25 unless line 24a and line 24b are complete.

Attach all credit forms, schedules, and Schedule C (100S) to Form 100S.

Line 28 – Tax from Schedule D (100S)
S corporations must enter the tax from Schedule D (100S) included in this tax booklet. See General Information J, Built-in Gains, for more information.

Line 29 – Excess net passive income tax
If the corporation has always been an S corporation for California purposes or has no federal excess net passive investment income, the excess net passive investment income tax does not apply. See General Information S, Excess Net Passive Investment Income, for more information.

To determine if the S corporation owes this tax, complete line 1 through line 3 and line 9 of the "Excess Net Passive Income and Income Tax Worksheet" on page 12. If line 2 is greater than line 3 and the S corporation has taxable income, it must pay the tax. Complete a separate schedule using the format of line 1 through line 11 of the worksheet on page 12 to figure the tax. Enter the tax from line 11 of the worksheet on Form 100S, Side 1, line 29. Attach the schedule showing the computation. Reduce each item of passive income passed through to shareholders by its pro-rata share of the tax on line 29. See IRC Section 1366(f)(3) and R&TC Section 23803(b)(2).

R&TC Section 23811(e) provides a deduction for C corporation earnings and profits attributable to California sources for any taxable year by the amount of a consent dividend paid after the close of the taxable year. The amount of the consent dividend is limited to the difference between the C corporation earnings and profits attributable to California sources and the C corporation earnings and profits for federal purposes.

Line 32 – 2011 Estimated tax payments
Enter the total amount of estimated tax payments made during the 2011 taxable year on line 32. If the S corporation is the parent of a QSub and made payments for the QSub annual tax, include the total amount of QSub annual tax payment made during 2011 on line 32 along with the total estimated tax payments. See General Information DD, Qualified Subchapter S Subsidiary (QSub), for more information. Be sure to complete the Schedule QS Information Worksheet on page 33 included in this tax booklet and attach it to the return.

Line 33 – 2011 Withholding (Forms 592-B and/or 593)
If the corporation was withheld upon by another entity, the corporation can either allocate the entire withholding credit to all its shareholders or claim a portion on line 33 (not to exceed total tax due) and allocate the remaining portion to all its shareholders. S corporations may not receive a refund of withholding on Form 100S. If the S Corporation is claiming any of the withholding credit on the corporate return, attach a copy of Form 592-B, Resident and Nonresident Withholding Tax Statement, and/or Form 593, Real Estate Withholding Tax Statement, to the lower part of the front of Form 100S, Side 1. If any of the withholding credit is to be allocated to the shareholders, Form 592, Resident and Nonresident Withholding Statement, must be received by the FTB to indicate the flow of the credit to the shareholders. Get the instructions for Form 592 for more information.

Line 36 and Line 37 – Tax due or overpayment
In addition to any amount entered on line 36 or line 37, tax due and overpayment, also include any amounts required to be included from Schedule J, Add-On Taxes and Recapture of Tax Credits. See Schedule J instructions for more information.

Line 38 – Amount to be credited to 2012 estimated tax
If the corporation chooses to have the overpayment credited to next taxable year's estimated tax payment, the corporation cannot later request that the overpayment be applied to the prior year to offset any tax due.

Line 39 – Use Tax
As explained under General Information EE, 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 State Board of Equalization's website at **boe.ca.gov**, or call their Taxpayer Information Section at 800.400.7115 or California Relay Service (CRS) 711 (for hearing and speech disabilities).

Note: The following businesses are required to report purchases subject to use tax directly to the State Board of Equalization and may not report use tax on their income tax return:

- 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 S corporation that is not required to report purchases subject to use tax directly to the State Board of Equalization may report use tax on its S Corporation Franchise or Income Tax Return. To report use tax on the tax return, complete the Use Tax Worksheet on this page.

If the S corporation owes use tax but does not report it on the income tax return, the S corporation 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 their website at **boe.ca.gov**.

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

Use Tax Worksheet

Round all amounts to the nearest whole dollar.

1. Enter purchases from out-of-state or Internet sellers made without payment of California sales/use tax. See worksheet instructions below . . . . . $ _____.00
2. Enter the applicable sales and use tax rate. See worksheet instructions below. . . . . _____
3. Multiply line 1 by the tax rate on line 2. Enter result here . . . . $ _____.00
4. Enter any sales or use tax paid to another state for purchases included on line 1. See worksheet instructions below. . . . . $ _____.00
5. Total Use Tax Due. Subtract line 4 from line 3. Enter the amount here and on Form 100S, line 39. 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 if sold 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 correspond with the tax return the S corporation is filing.

Note: Report and pay any use tax the S corporation owes on the following purchases directly to the State Board of Equalization, **not** on the S corporation's 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 the corporation does 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 California Relay Service (CRS) 711 (for hearing and speech disabilities).

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 S corporation 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 corporation paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, the S corporation can claim a credit of only $6.00 for that purchase.

Line 40 – Refund

Direct Deposit of Refund (DDR)

Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the S corporation's bank account, enter the account information on Form 100S, Side 2, lines 40a, 40b, and 40c. Be sure to fill in **all** the information. Do **not** attach a voided check or deposit slip.

Caution: 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.

To cancel the DDR, call the FTB at 916.845.0353. The FTB is not responsible when a financial institution rejects a direct deposit. If the FTB, the bank, or financial institution rejects the direct deposit due to an error in the routing number or account number, the FTB will issue a paper check.

Line 41 – Penalties and interest
Enter on line 41a the amount of any penalties and interest due. Complete and attach form FTB 5806, to the **back** of Form 100S (after all schedules and federal return) only if Exception B or Exception C is used to compute or eliminate the penalty. Be sure to check the box on line 41b.

Schedules

Schedule F – Computation of Trade or Business Income

See General Information I, Net Income Computation, for information on net income computation methods.

Line 1a - Line 6 – Income
Complete line 1a through line 6 to figure the income or loss from trade or business activity. Do not report any rental activity or portfolio income or loss on these lines. Rental activity and portfolio income or loss are reported on Form 100S, Side 1, line 7 or line 13; Schedules K; and K-1 (100S). Rental real estate activities are also reported on federal Form 8825. Attach a copy of federal Form 8825 to Form 100S.

Line 7 – Compensation of Officers
If the S corporation's total receipts are $150,000 or more, complete and attach a schedule showing the compensation of officers. On the schedule, list all of the following:

- Name of officer.
- Social security number of officer.
- Percentage of time devoted to the business.
- Percentage of stock owned.
- Amount of compensation.
- The calculation of compensation of officers deducted (total compensation of officers, minus compensation of officers claimed in the cost of goods sold schedule and elsewhere on the return.)

Line 8 – Salaries and wages
Gain from the exercise of California Qualified Stock Options (CQSOs) issued and exercised after 1996 and before 2002, can be excluded from gross income if the individual's earned income is $40,000 or less. The exclusion from gross income is subject to the alternative minimum tax and the S corporation is not allowed a deduction for the compensation excluded from the employee's gross income.

Line 20 – Other deductions
Do not include the dividend deduction on this line. Instead enter the dividend deduction on Form 100S, Side 1, line 9 or line 10.

Schedule J – Add-On Taxes and Recapture of Tax Credits

Complete Schedule J on Form 100S, Side 2, if the S corporation has credit amounts to recapture or is required to include installment payments of "add-on" taxes for the following:

- Last-in, first-out (LIFO) recapture resulting from an S corporation election.
- 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.

Revise the tax due or overpayment on Form 100S, line 36 or line 37, as appropriate, by the amount from Schedule J, line 6.

LIFO Recapture Tax
If the S corporation computed the LIFO recapture tax in the final year as a C corporation, include on Schedule J, line 1, any LIFO installment due this taxable year.

Long-Term Contracts
If the S corporation 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, and include the amount of interest the S corporation owes or the amount of interest to be credited or refunded to the S corporation on Schedule J, line 2. Attach form FTB 3834 to Form 100S. If interest is to be credited or refunded, enter as a negative amount.

Interest on Tax Attributable to Payments Received on Installment Sales of Certain Timeshares and Residential Lots
If the S corporation 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(l)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138. Attach a schedule showing the computation.

Interest on Tax Deferred Under the Installment Method for Certain Nondealer Installment Obligations
If an obligation arising from the disposition of property to which IRC Section 453A(c) applies is outstanding at the close of the taxable year, the corporation must include the interest due under IRC Section 453A on Schedule J, line 3b. Attach a schedule showing the computation. For the applicable interest rates, get FTB Pub. 1138.

IRC Section 197(f)(9)(B)(ii) Election
Complete Schedule J, line 4 if the corporation elected to pay tax on the gain from the sale of an intangible under the related person exception to the anti-churning rules.

Credit Recaptures
Complete Schedule J, line 5, if the S corporation completed the credit recapture portion for any of the following forms:

- FTB 3501, Employer Child Care Program/ Contribution Credit
- FTB 3511, Environmental Tax Credit
- FTB 3805Z, Enterprise Zone Deduction and Credit Summary
- FTB 3807, 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

Also complete Schedule J, line 5, if the S corporation is subject to recapture for any of the following credits:

- The Farmworker Housing Credit.
- The Community Development Financial Institutions Investment Credit.

Schedule K and Schedule K-1

Shareholders' Share of Income, Deductions, Credits, etc.

Purpose of Schedules
Schedule K is a summary schedule of all the shareholders' shares of the S corporation's income, deductions, credits, etc. Schedule K-1 (100S) shows each shareholder's separate share of pass-through items and adjusted basis. Use federal Schedule K and Schedule K-1 (Form 1120S) as a basis for preparing California Schedule K and Schedule K-1 (100S).

Amounts on Schedule K-1 (100S) may not add up to amounts reflected on Form 100S, Side 1, because Side 1 calculates tax at the S corporation level while Schedule K-1 (100S) amounts are calculated using different rules.

Attach one copy of each Schedule K-1 (100S) to the Form 100S filed with the FTB. Keep one copy of each Schedule K-1 (100S) for the S corporation's records, and give each shareholder a copy of Schedule K-1 (100S) on or before the due date of Form 100S.

Be sure to give each shareholder a copy of either the Shareholder's Instructions for Schedule K-1 (100S) included in this booklet or specific instructions for each item reported on the shareholder's Schedule K-1 (100S).

Substitute Forms
The S corporation needs approval from the FTB to use a substitute Schedule K-1 (100S). The substitute schedule must include the Shareholder's Instructions for Schedule K-1 (100S) or other prepared specific instructions. For more information, get FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms.

Special Reporting Requirements for Passive Activities
If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (100S), the S corporation must attach a statement to Schedule K-1 (100S) for each activity that is a passive activity to the shareholder. Rental activities are passive activities to all shareholders. Trade or business activities are passive activities to shareholders who do not materially participate in the activity.

The attachment must include all the information explained in the instructions for federal Schedule K-1 (Form 1120S).

Specific Line Instructions

When completing the California Schedule K and Schedule K-1 (100S), refer to the Schedule K Federal/State Line References chart on page 34 included in this tax booklet, that shows the specific line references between the federal and state schedules.

Schedule K Only
In column (b), enter the amounts from federal Schedule K. In column (c), enter the adjustments resulting from differences between California and

federal law (not adjustments relating to California source income). In column (d), enter the worldwide income computed under California law.

Item A through Item E (Schedule K-1 (100S) only). To ensure correct processing of Schedule K-1 (100S), answer all items that are appropriate.

Income

Line 1 – Ordinary business income (loss)
Enter in column (c) any California adjustments to ordinary income that do not need to be separately stated. Include in this column the adjustment to add back the minimum franchise tax or the 1.5% tax deducted for federal purposes.

Line 2 – Net rental real estate income (loss)
Enter the net income and expenses of any rental real estate activity of the S corporation. If the S corporation has more than one rental real estate activity reported on these lines, attach a separate schedule to list the income or loss from each activity, plus any other information required under the rules for passive activities. Attach form FTB 3801 to Form 100S.

Line 3a, Line 3b, and Line 3c – Other net rental income (loss) (Schedule K only)
Enter the net income and expenses of other rental activities not listed on line 2 above. If the S corporation has more than one rental activity reported on these lines, attach a separate schedule listing the income or loss from each activity, plus any other information required under the rules for passive activities.

Line 4 through Line 8, and Line 10a – Portfolio income (loss)
Portfolio income (loss) is any gross income from interest, dividends, annuities, or royalties that is not derived in the ordinary course of business. Portfolio income must be separately accounted for as such. Portfolio income also includes gains or losses from the sale or other disposition of property (other than an interest in a passive activity) producing portfolio income or held for investment.

Line 4, Line 5, and Line 6 – Interest, dividend, and royalty income
Enter only taxable interest, dividend, and royalty income that is portfolio income.

Line 7 and Line 8 – Net capital gain (loss)
Enter on line 7 and line 8 the amount of capital gains and losses that is portfolio income (loss). If any of the income (loss) is not portfolio income (loss), include it on line 10b.

S corporations should report any net long-term capital gains on California Schedule K and Schedule K-1 (100S), line 8.

Line 9 – Net IRC Section 1231 gain (loss)
The amount for line 9 comes from Schedule D-1. **Do not** include specially allocated ordinary gains and losses or net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report these gains or losses on line 10b.

If the S corporation has more than one activity and the amount on line 9 is a passive activity amount to the shareholder, attach a statement to Schedule K-1 (100S) to identify which activity the IRC Section 1231 gain (loss) relates.

Line 10a – Other portfolio income (loss)
Enter any other portfolio income (loss) not entered on lines 4, 5, 6, 7, and 8.

Line 10b – Other income (loss)
Enter any other item of income or loss not included on line 1 through line 8, line 9 and line 10a, such as:

a. Wagering gains and losses. See IRC Section 165(d).
b. Recovery of tax benefit items. See IRC Section 111.
c. Any gain or loss where the S corporation was a trader or dealer in IRC Section 1256 contracts or property related to such contracts. See IRC Section 1256(f).
d. Net gain (loss) from involuntary conversions due to casualty or theft.
e. Loss(es) from qualified low-income housing projects for shareholders that are qualified investors.
f. Eligible gain from the sale or exchange of qualified small business stock (defined in R&TC Section 18152.5). Also report on an attachment to Schedule K and Schedule K-1 (100s) the name of the corporation that issued the stock and the adjusted basis of that stock.

The exclusion allowed under R&TC Section 18152.5 for small business stock is not allowed for an S corporation but is allowed for the shareholder.

Deductions

Line 11 – Expense deduction for recovery property
The amount of expense deduction for recovery property that can be claimed from all sources will vary depending on the type of property and the year of designation. For more information, see IRC Section 179 and R&TC Sections 17201, 17267.2, 17267.6, and 17268.

Line 12a – Charitable contributions
Enter the total amount of charitable contributions made by the S corporation during its taxable year on Schedule K and each shareholder's distributive share on Schedule K-1 (100S). On an attachment to each schedule, separately show the dollar amount of contributions subject to each of the 50%, 30%, and 20% of adjusted gross income limits.

A resident shareholder is allowed a deduction for contributions to a qualified organization as provided in IRC Section 170.

Line 12b – Investment interest expense
Complete this line whether or not a shareholder is subject to the investment interest rules.

Include on this line interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on Schedules K and K-1 (100S), line 12b rather than line 12e. Investment interest does not include interest expense allocable to a passive activity. A passive activity is a rental activity or a trade or business activity in which the shareholder does not materially participate.

Property held for investment includes a shareholder's interest in a trade or business activity that is not a passive activity to the shareholder and in which the shareholder does not materially participate. An example would be a shareholder's working interest in oil and gas property (i.e., the shareholder's interest is not limited) if the shareholder does not materially participate in the oil and gas activity.

The amount on line 12b will be reflected (after applying the investment interest expense limitations) by individual shareholders on their Schedule CA (540 or 540NR), California Adjustments.

For more information, get form FTB 3526, Investment Interest Expense Deduction.

Line 12c1 – Section 59(e)(2) expenditures
Refer to the instructions for federal Schedules K and K-1(1120S)

12d – Deductions-portfolio
Enter on this line the deductions allocable to portfolio income (loss) other than interest expenses. Generally, these deductions are IRC Section 212 expenses and are subject to IRC Section 212 limitations at the shareholder level. However, interest expense related to portfolio income (loss) is generally investment interest expense and is reported on line 12b.

Credits

Line 13a – Low-income housing credit
R&TC Section 23610.5 provides a credit that may be claimed by owners of residential rental projects providing low-income housing. The credit is generally effective for buildings placed in service after 1986. If the shareholders are eligible to claim the low-income housing credit, attach a copy of form FTB 3521, Low-Income Housing Credit, to Form 100S and to each shareholder's Schedule K-1 (100S), for more information.

For taxable years beginning on or after January 1, 2009, the farmworker housing credit has been consolidated into the low-income housing tax credit. Get form FTB 3521, for more information.

Line 13b – Credits related to rental real estate activities
Report any information that the shareholder needs to figure credits related to a rental real estate activity other than the low-income housing credit. Attach to each shareholder's Schedule K-1 (100S) a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 13c – Credits related to other rental activities
Use this line to report information that the shareholder needs to figure credits related to a rental activity other than a rental real estate activity. Attach to each shareholder's Schedule K-1 (100S) a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 13d – Other credits
Enter on an attached schedule each shareholder's allocable share of any credit or credit information reported on Schedule C (100S) that is related to a trade or business activity.

The following are examples of credits that may apply to each shareholder:

- Employer child care program/contribution credit (get form FTB 3501).
- Enterprise zone (EZ) hiring & sales or use tax credit (get form FTB 3805Z).
- Local agency military base recovery area (LAMBRA) hiring & sales or use tax credit (get form FTB 3807).
- Manufacturing enhancement area (MEA) hiring credit (get form FTB 3808).
- Targeted tax area (TTA) hiring and sales or use tax credit (get form FTB 3809).
- Research credit (get form FTB 3523).

Line 14 – Withholding on payments to the S corporation allocated to all shareholders (Schedule K)
If withholding from payments made to the S corporation are made by another entity, payments withheld on you by this S corporation, or backup withholding, they are allocated to the shareholders by their stock ownership.

Line 14 – Total withholding (Schedule K-1 (100S))
Line 14 includes withholding from payments made to the S corporation allocated to all shareholders based on their stock ownership and payments withheld on nonresident shareholders. The S corporation must provide each shareholder (including

California residents), with a completed Form 592-B. Shareholders must attach Form 592-B to the front of their California tax return to claim the withholding credit. The Schedule K-1 (100S) is not used for claiming the withholding credit.

Alternative Minimum Tax (AMT) Items

Line 15a through Line 15e
Enter the items of income and deductions that enter into each shareholder's computation of AMT items. A shareholder with alternative minimum tax items may be required to file Schedule P (540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations.

Get the instructions for federal Schedules K and K-1 (Form 1120S), Alternative Minimum Tax (AMT) Items, line 15a through line 15e, for more information.

Items Affecting Shareholder Basis

Line 16a, Line 16b and Line 16c
Refer to the instructions for federal Schedules K and K-1 (Form 1120S) for more information.

Line 16d – Total property distributions including cash (Schedule K only)
Enter total distributions made to shareholders other than dividends reported on Schedule K, line 17c. Noncash distributions of appreciated property are valued at fair market value. Refer to the instructions for federal Form 1120S for the ordering rules on distributions.

Line 16d – Total property distributions including cash (Schedule K-1 (100S) only)
Report the distribution amount for each shareholder for distributions other than dividends reported on Schedule K-1 (100S), line 17c. Noncash distributions of appreciated property are valued at fair market value. Refer to the instructions for federal Form 1120S for the ordering rules on distributions.

Line 16e – Repayment of loans from shareholders (Schedule K-1 (100S) only)
Report the amount of loan repayments the S corporation has made to each shareholder who has loaned the S corporation money.

Other Information

Line 17a and Line 17b – Investment income and expenses
Complete these lines whether or not a shareholder is subject to the investment interest rules.

Enter on line 17a only the investment income included on Schedules K and K-1 (100S), line 4, line 5, line 6, and line 10a. Enter on line 17b only the investment expense included on Schedules K and K-1 (100S), line 12d.

If there are items of investment income or expense included in the amounts that are required to be passed through separately to the shareholder on Schedule K-1 (100S), such as net short-term capital gain or loss, net long-term gain or loss and other portfolio gains or losses, give each shareholder a schedule identifying these amounts. See the instructions for federal Form 1120S for more information on portfolio income.

Investment income includes gross income from property held for investment, gain attributable to the disposition of property held for investment, and other amounts that are gross portfolio income. Investment income and investment expenses do not include any income or expenses from a passive activity.

Property subject to a net lease is not treated as investment property because it is subject to the passive loss rules. **Do not** reduce investment income by losses from passive activities.

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income.

Get form FTB 3526 for more information.

Line 17c – Total dividend distributions (Schedule K only)
Report the distribution amount made out of prior C corporation years accumulated earnings and profits (E&P). The corporation should issue a federal Form 1099-DIV, Dividends and Distributions, to each of the shareholders reporting their proportionate distribution amounts.

Line 17c – Total taxable dividend distributions (Schedule K-1 (100S) only)
Report the distribution amount for each shareholder that was paid out of prior C corporation years accumulated earnings and profits (E&P). Each shareholder should receive a federal Form 1099-DIV reporting the proportionate distribution amount shown on Schedule K-1 (100S), line 17c.

Line 17d – Other items and amounts (Schedule K only)
The S corporation may need to report supplemental information separately to each shareholder that is not specifically requested on the Schedule K-1 (100S).

If the S corporation has supplemental information not included in lines 1 through 17b and lines 18a-e, write "See attached" on Line 17d, column b and column d and provide a schedule with details.

Attach the schedule to the Schedule K showing the computation of those items that must be reported separately to shareholders including any credit recapture reported to shareholders on Schedule K-1 (100S), line 17d.

Shareholders may need to obtain the amount of their proportionate interest of aggregate gross receipts, less returns and allowances, from the S corporation. As a result of legislation enacted in 1996, alternative minimum taxable income shall not include income, adjustments, and items of tax preference related to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than $1 million from **all** trades or businesses. The S corporation can provide the shareholder's proportionate interest of aggregate gross receipts on Schedule K-1 (100S), line 17d. For purposes of R&TC Section 17062(b)(4), "gross receipts" means the sum of gross receipts from the production of business income (within the meaning of subdivisions (a) and (c) of R&TC Section 25120) and the gross receipts from the production of nonbusiness income (within the meaning of subdivision (d) of R&TC Section 25120). For taxable years beginning on or after January 1, 2011, R&TC Section 25120 was amended to add the definition of gross receipts. For a complete definition of "gross receipts", refer to R&TC Section 25120(f), or go to **ftb.ca.gov** and search for **law changes**. "Proportionate interest" includes an interest in a pass-through entity. See R&TC Section 17062, Instructions for federal Schedule K (Form 1120S), line 17d, and instructions for Schedule K-1 (100S) for more information.

The gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on the Schedule K and Schedule K-1 (100S) as supplemental information as instructed on the federal Form 4797.

The S corporation must provide all of the following information with respect to a disposition of business property if an IRC Section 179 expense deduction was claimed in prior years:

- Description of the property.
- Date the property was acquired and placed in service.
- Date of the sale or other disposition of the property.
- The gross sales price or amount realized.
- The cost or other basis plus the expense of sale (reduced as explained in the instructions for federal Form 4797, line 21).
- The depreciation allowed or allowable, determined as described in the instructions for federal Form 4797, line 22, but excluding the IRC Section 179 Expense Deduction.
- The IRC Section 179 Expense Deduction (if any) passed through for the property and the S corporation's taxable year(s) in which the amount was passed through.
- If the disposition is due to a casualty or theft, a statement indicating so, and any additional information needed by the shareholder.
- If the sale was an installment sale made during the S corporation's taxable year, any information the shareholder needs to complete federal Form 6252. The S corporation also must separately report the shareholder's share of all payments received for the property in the following taxable years. (Installment payments received for sales made in prior taxable years should be reported in the same manner used in the prior taxable years). See instructions for federal Form 6252 for more information.

Line 17d – Other information (Schedule K-1 (100S) only)

Supplemental Information
The S corporation will provide supplemental information required to be reported to each shareholder on this line. Write "See attached" on Line 17d, column b and column d and provide a schedule with details.

The gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on the Schedule K and Schedule K-1 (100S) as other information as instructed on the federal Form 4797.

The S corporation must provide all of the following information with respect to a disposition of business property if an IRC Section 179 Expense Deduction was claimed in prior years:

- Date the property was acquired and placed in service.
- Date of the sale or other disposition of the property.
- The shareholder's share of the gross sales price or amount realized.
- The shareholder's share of the cost or other basis plus the expense of sale (reduced as explained in the instructions for federal Form 4797, line 21).
- The shareholder's share of the depreciation allowed or allowable, determined as described in the instructions for federal Form 4797, line 22, but excluding the IRC Section 179 Expense Deduction.
- The shareholder's share of the IRC Section 179 Expense Deduction (if any) passed through for the property and the S corporation's taxable year(s) in which the amount was passed through.
- If the disposition is due to a casualty or theft, a statement indicating so, and any additional information needed by the shareholder.
- If the sale was an installment sale made during the S corporation's taxable year, any information the shareholder needs to complete federal Form 6252. The S corporation also must separately report

the shareholder's share of all payments received for the property in the following taxable years. (Installment payments received for sales made in prior taxable years should be reported in the same manner used in the prior taxable years.) See instructions for federal Form 6252 for details.

The S corporation should provide an amount showing each shareholder's proportionate interest in the S corporation's aggregate gross receipts, less returns and allowances, on Schedule K-1 (100S), line 17d. See the instructions for Schedule K, line 17d.

Report the credit recapture amount on Schedule K-1(100S), line 17d if the S corporation completed the credit recapture portion of the following forms:

- FTB 3501, Employer Child Care Program/ Contribution Credit
- FTB 3805Z, Enterprise Zone Deduction and Credit Summary
- FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary
- FTB 3809, Targeted Tax Area Deduction and Credit Summary
- FTB 3808, Manufacturing Enhancement Area Credit Summary

Also, report the credit recapture amount on line 17d if the corporation is subject to recapture of the following:

- The Farmworker Housing Credit.
- The Community Development Financial Institutions Investment Credit.

Attach a statement showing each of the following:

1. Each shareholder's share of business income apportioned to an EZ, LAMBRA, MEA, or TTA.
2. Each shareholder's pro-rata share of business capital gain or loss included in 1 above.

Other State Taxes

Line 18a Through Line 18e

Subject to certain conditions, shareholders may claim a credit against their individual tax for net income taxes paid by the S corporation to another state that either taxes the corporation as an S corporation or does not recognize S corporation status. For purposes of this credit, net income taxes include the shareholder's share of taxes on, according to, or measured by income. Enter the name of the other state(s), the income reported to the other state(s), and the amount of tax paid. Attach a copy of the return filed with the other state(s).

Residents are taxable on all their pro-rata share of income and generally receive a credit for taxes paid to other states. Nonresidents must use the amounts shown in Schedule K-1 (100S), column (e). See R&TC Sections 18001, 18002, and 18006 for more information.

Other Shareholder Information (Schedule K-1 (100S) only)

Table 1 – Enter the shareholder's pro-rata share of nonbusiness income from intangibles. Because the source of this income must be determined at the shareholder level, do not enter income in this category in column (e). If the income (loss) for an income item is a mixture of income (loss) in different subclasses (for example, short and long-term capital gain), attach a supplemental schedule providing a breakdown of income in each subclass.

Nonbusiness income is all income other than business income as defined under Table 2.

Table 2 – In Item A, enter the shareholder's pro-rata share of the S corporation's business income. The shareholder will then add that income to its own business income and apportion the combined business income.

Business income is defined by Cal. Code Regs., tit. 18 section 25120(a) as income arising in the regular course of the taxpayer's trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitutes integral parts of the taxpayer's regular trade or business.

In Item B, enter the shareholder's pro-rata share of nonbusiness income from real and tangible property that is located in California. Because this income has a California source, this income should also be included on the appropriate line in column (e).

In Item C, enter the shareholder's pro-rata share of the S corporation's payroll, property, and sales factors.

Schedule L – Balance Sheet

If the S corporation's total receipts (see top of page 48 for the definition of total receipts) for the taxable year **and** total assets at the end of the taxable year are less than $250,000, the S corporation is not required to complete Schedule L and Schedule M-1. However, this information must be available in the future upon request.

Schedule M-1 – Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Schedule M-1 is used to reconcile the difference between book and tax accounting for an income or expense item. If the S corporation's total receipts (see top of page 48 for the definition of total receipts) for the taxable year **and** total assets at the end of the taxable year are less than $250,000, the S corporation is not required to complete Schedule L and Schedule M-1. However, this information must be available in the future upon request.

To reconcile the S corporation's income (loss) per books with the income (loss) per the California return, adjustments consistent with California income and franchise tax law must be made to the book income and expenses to compute the California income (loss) on Schedule M-1, line 8. These adjustments will convert book income to the total California income (loss) reflected on line 19, column d of Schedule K.

S Corporation With Total Assets of $10 Million or More. For taxable years beginning on or after January 1, 2006, the IRS generally requires any S corporation with total assets of $10 million or more on the last day of the taxable year to complete federal Schedule M-3 (Form 1120S), instead of Schedule M-1. For California purposes, the S corporation must complete the California Schedule M-1, **and** attach either of the following:

- A copy of the federal Schedule M-3 (Form 1120S) and related attachments to the California Franchise or Income Tax Return.
- A complete copy of the federal return.

FTB will accept the federal Schedule M-3 (Form 1120S) in a spreadsheet format if more convenient.

Schedule M-2 – CA Accumulated Adjustments Account, Other Adjustments Account, and Other Retained Earnings

The computation of the California Accumulated Adjustments Account (AAA) and Other Adjustments Account (OAA) is similar to the federal computation applying California amounts. Get the instructions for federal Form 1120S and IRC Section 1368 for more information.

Column (a) – The AAA is an account of the S corporation that generally reflects the accumulated undistributed net income of the corporation for the corporation's post-1986 years. S corporations with accumulated E&P from C corporation years must maintain the AAA to determine the tax effect of distributions during S corporation years and the post-termination transition period. An S corporation without accumulated E&P does not need to maintain the AAA in order to determine the tax effect of distributions. However, if an S corporation without accumulated E&P engages in certain transactions to which IRC Section 381(a) applies, such as a merger into an S corporation with accumulated E&P, the S corporation must be able to calculate its AAA at the time of the merger for purposes of determining the tax effect of post-merger distributions. Therefore, it is recommended that all S corporations maintain the AAA.

At the end of the taxable year, the AAA is determined by taking into account all items of income, loss, and deductions for the taxable year (including nondeductible losses and expenses that are not capitalized but excluding certain exempt income and state taxes attributable to C corporation years). After the year-end income and expense adjustments are made, the account is reduced by distributions made during the taxable year. The AAA should be reduced by the California built-in gains tax amount and the minimum franchise tax.

The amount on Form 100S, Side 1, line 2, should be included as an other addition on Schedule M-2, line 3, and as an other reduction on Schedule M-2, line 5. Also include any other adjustments to arrive at California income.

The AAA may have a negative balance at year-end as a result of losses or deductions from the S corporation.

Column (b) – The other adjustments account is adjusted for tax-exempt income (and related expenses) of the S corporation. After adjusting for tax-exempt income, the account is reduced for any distributions made during the year.

Column (c) – Other retained earnings include appropriated and unappropriated retained earnings accumulated in prior years when the S corporation was a C corporation. Line 1, column (c) for the first S corporation return will be the sum of the ending balances of appropriated and unappropriated retained earnings for the previous year.

Distributions

Generally, property distributions (including cash) are applied in the following order to reduce accounts of the S corporation that are used to compute the tax effect of distributions made by the S corporation to its shareholders:

1. Reduce the AAA determined without regard to any net negative adjustment for the taxable year (but not below zero). If distributions during the taxable year exceed the AAA at the close of the

taxable year determined without regard to any net negative adjustment for the taxable year, the AAA is allocated pro-rata to each distribution made during the taxable year. See IRC Section 1368(c). The term "net negative adjustment" means the excess, if any, of the reductions in the AAA for the taxable year (other than distributions) over the increases in the AAA for the taxable year.

2. Reduce accumulated E&P. Generally, the S corporation has accumulated E&P only if it has not distributed E&P accumulated in prior years when the S corporation was a C corporation, IRC Section 1361(a)(2), or when the S corporation merged with another corporation that has C corporation accumulated E&P. The only adjustments that can be made to the accumulated E&P of an S corporation are both of the following:
   a. Reductions for dividend distributions.
   b. Adjustments for redemptions, liquidations, reorganizations, etc.
3. Reduce the OAA.
4. Reduce any remaining shareholders' equity account.

Shareholders' previously taxed income (PTI) Column (c), federal Form 1120S, Schedule M-2, 1120S — California S corporations will **never** have undistributed PTI. The federal code section that created PTI was removed from the IRC before California incorporated the federal S corporation provisions into the R&TC.

Elections Relating to the Order of Distributions

The corporation may modify the ordering rules by making one or more of the following elections:

- Election to distribute accumulated E&P first. If the corporation has accumulated E&P and wants to distribute E&P before making distributions from the AAA, it may elect to do so with the consent of all its affected shareholders – IRC Section 1368(e)(3)(B). This election is irrevocable and applies only for the taxable year for which it is made. For more information regarding this election, see "Statement regarding elections" on this page.
- Election to make a deemed dividend. If the corporation wants to distribute all or part of its C corporation accumulated E&P through a deemed dividend, it may elect to do so with the consent of all its affected shareholders – IRC Section 1368(e)(3)(B). Under this section, the corporation will be treated as also having made the election to distribute E&P first. The amount of the deemed dividend cannot exceed the accumulated E&P at the end of the taxable year reduced by any actual distributions of accumulated E&P made during the taxable year. A deemed dividend is treated as if it were a pro-rata distribution of money to the shareholders, received by the shareholders, and immediately contributed back to the corporation all on the last day of the taxable year. This election is irrevocable and applies only for the taxable year for which it is made.

Statement Regarding Elections

To make any elections relating to the order of distribution, the corporation must attach a statement to a timely filed original Form 100S or amended Form 100S for the year in which the election is made. The corporation must identify the election it is making and state that each shareholder consents to the election. A corporate officer must sign the statement under penalties of perjury on behalf of the corporation. The statement of election to make a deemed dividend must include the amount of the deemed dividend distributed to each shareholder.

When making either of the elections, the corporation must prepare copies of federal Form 1099-DIV for shareholders to report this dividend as taxable income.

The corporation may file the election for California purposes only. It is not necessary for the corporation to have the same election for federal purposes in order to make a California election. However, regardless of whether or not the corporation makes the same election on the federal return, the corporation must attach a separate election statement to the California return.

C Corporation E&P

Check the box on Schedule M-2, below line 9, if the S corporation was a C corporation in a prior year(s) and has C corporation E&P at the end of the taxable year. For this purpose, C corporation E&P means the remaining balance of E&P of any S corporation for any taxable year when it was not an S corporation. If the S corporation has C corporation E&P, it may be liable for excess net passive income tax and the distributions to shareholders may have different tax consequences for federal and California purposes. See instructions for Form 100S, Side 1, line 28 and line 29, for details on these taxes.

TAXABLE YEAR **2011**

California S Corporation Franchise or Income Tax Return

FORM **100S**

For calendar year 2011 or fiscal year beginning month _____ day _____ year _____, and ending month _____ day _____ year _____ .

Corporation name	California corporation number
Address (suite, room, or PMB no.)	FEIN
City / State / ZIP Code	

Schedule Q Questions: (continued on Side 2)

A1 FINAL RETURN? ● ☐ Dissolved ☐ Surrendered (withdrawn) ☐ Merged/Reorganized ☐ IRC Section 338 sale
☐ QSub election enter date . . . . . ● _____/_____/_____

A2 Did this S corporation elect to defer income from the discharge of indebtedness as described in IRC Section 108(i) for **federal** purposes? ● ☐ Yes ☐ No If "Yes," enter the **federal** deferred income from discharge of indebtedness . . . . . ● $_____

A3 Is the S corporation deferring any income from the disposition of assets? ● ☐ Yes ☐ No
If "Yes" enter the year of disposition . . . . . ● _____

A4 Is the S corporation reporting previously deferred income from: . . . . . ● ☐ Installment Sale ● ☐ IRC §1031 ● ☐ IRC §1033 ● ☐ Other

State Adjustments	1	Ordinary income (loss) from trade or business activities from Schedule F (Form 100S, Side 3), line 22 or federal Form 1120S, line 21. If Schedule F (Form 100S, Side 3) was not completed, attach federal Form 1120S, page 1, and supporting schedules			1		00
	2	Foreign or domestic tax based on income or profits and California franchise or income tax deducted			2		00
	3	Interest on government obligations			3		00
	4	Net capital gain from Schedule D (100S), Section A & Section B. Attach Schedule D (100S). See instructions			4		00
	5	Depreciation and amortization adjustments. Attach Schedule B (100S)			5		00
	6	Portfolio income			6		00
	7	Other additions. Attach schedule(s)			7		00
	8	Total. Add line 1 through line 7			8		00
	9	Dividends received deduction. Attach Schedule H (100S)	9	00			
	10	Water's-edge dividend deduction. Attach Schedule H (100S)	10	00			
	11	Contributions. See instructions	11	00			
	12	EZ, LAMBRA, or TTA business expense and EZ net interest deduction	12	00			
	13	Other deductions. Attach schedule(s)	13	00			
	14	Total. Add line 9 through line 13			14		00
	15	Net income (loss) after state adjustments. Subtract line 14 from line 8			15		00
CA Net Income	16	Net income (loss) for state purposes. Use Schedule R if apportioning income			16		00
	17	R&TC Section 23802(e) deduction. See instructions	17	00			
	18	Net operating loss carryover deduction. See instructions	18	00			
	19	Pierce's disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction. See instructions	19	00			
	20	Disaster loss carryover deduction. See instructions	20	00			
	21	Net income for tax purposes. Combine line 17 through line 20. Subtract the result from line 16			21		00
Taxes	22	Tax. _____% x line 21 (at least minimum franchise tax plus QSub annual tax(es), if applicable). See instructions			22		00
	23	New jobs credit **a)** amount generated ● _____ **b)** amount claimed			23b		00
	24	**a** Credit name _____ code no. __ __ __ amount . ▶	24a	00			
		b Credit name _____ code no. __ __ __ amount . ▶	24b	00			
	25	To claim more than two credits, see instructions	25	00			
	26	Add line 23b through line 25			26		00
	27	**Balance**. Subtract line 26 from line 22 (not less than minimum franchise tax plus QSub annual tax(es), if applicable)			27		00
	28	Tax from Schedule D (100S). Attach Schedule D (100S). See instructions			28		00
	29	Excess net passive income tax. See instructions			29		00
	30	Total tax. Add line 27 through line 29			30		00
Payments	31	Overpayment from prior year allowed as a credit	31	00			
	32	**2011 Estimated tax payments/QSub payments.** See instructions	32	00			
	33	2011 Withholding (Forms 592-B and/or 593). See instructions	33	00			
	34	Amount paid with extension of time to file tax return	34	00			
	35	Total payments. Add line 31 through line 34			35		00

Refund or Amount Due			
36 **Franchise or income tax due.** If line 30 is more than line 35, subtract line 35 from line 30. Go to line 39 . . . . ●	36		00
37 **Overpayment.** If line 35 is more than line 30, subtract line 30 from line 35. . . . . ●	37		00
38 Amount of line 37 to be credited to 2012 estimated tax . . . . . ●	38		00
39 **Use Tax. This is not a total line.** See instructions. . . . . ● 39		00	
40 **Refund.** If the sum of line 38 and line 39 is less than 37, then subtract the result from line 37. . . . . ●	40		00
See instructions to have the refund directly deposited. **a** Routing number . . . . . ●	40a		
b Type: Checking ● ☐ Savings ● ☐ **c** Account number . . . . . ●	40c		
41 **a** Penalties and interest. **b**● ☐ Check if estimate penalty computed using Exception B or C. See instructions ●	41a		00
42 **Total amount due.** Add line 36, line 38, line 39, and line 41a, then subtract line 37 from the result	42		00

Schedule Q Questions (continued from Side 1)

B **1.** For this taxable year, was there a change in control or majority ownership for this S corporation or any of its subsidiaries that owned or (under certain circumstances) leased real property in California? . . . ● ☐ Yes ☐ No

2. For this taxable year, did this S corporation or any of its subsidiaries acquire control or majority ownership of any other legal entity that owned or (under certain circumstances) leased real property in California? . . . ● ☐ Yes ☐ No

3. If this S corporation or any of its subsidiaries owned or (under certain circumstances) leased real property in California, has more than 50% of the voting stock of any one of them cumulatively transferred in one or more transactions since March 1, 1975, which was not reported on a previous year's tax return? . . . . . ● ☐ Yes ☐ No

(Penalties may apply – see instructions.)

C Principal business activity code. (**Do not** leave blank): . . . . . ● _____

Business activity_____

Product or service _____

D Is this S corporation filing on a water's-edge basis pursuant to R&TC Sections 25110 and 25113 for the current taxable year?. . . . . ● ☐ Yes ☐ No

E Does this tax return include Qualified Subchapter S Subsidiaries? . . . . . ● ☐ Yes ☐ No

F Date incorporated:_____/_____/_____

Where: ● State_____ Country_____

G Maximum number of shareholders in the S corporation at any time during the year: ●_____

H Date business began in California or date income was first derived from California sources: ●_____/_____/_____

I Is the S corporation under audit by the IRS or has it been audited in a prior year? . . . . . ● ☐ Yes ☐ No

J Effective date of federal S election: ●_____/_____/_____

L Accounting method: ● **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other

M Location of principal accounting records: _____

N "Doing business as" name. (See instructions): ●_____

_____

O Have all required information returns (e.g., federal Form 1099, 8300 and state Forms 592, 592-B etc.) been filed with the Franchise Tax Board? . . . . . ☐ N/A ☐ Yes ☐ No

P Is this S corporation apportioning income to California using Schedule R? . . . . . ● ☐ Yes ☐ No

Q Has the S corporation included a reportable transaction or listed transaction within this return? (See instructions for definitions). . . . . ● ☐ Yes ☐ No

If "Yes," complete and attach federal Form 8886, for each transaction.

R Did this S corporation file the federal Schedule M-3(Form 1120S)? . . . . . ● ☐ Yes ☐ No

S Is form FTB 3544A attached to the return? . . . . . ● ☐ Yes ☐ No

Schedule J Add-On Taxes and Recapture of Tax Credits. See instructions.

1 LIFO recapture due to S corporation election (IRC Section 1363(d) deferral: $_____) . . . . . ●	1		00
2 Interest computed under the look-back method for completed long-term contracts (attach form FTB 3834) ●	2		00
3 Interest on tax attributable to installment: **a)** Sales of certain timeshares and residential lots. . . . . ●	3a		00
b) Method for nondealer installment obligations . . . . . ●	3b		00
4 IRC Section 197(f)(9)(B)(ii) election . . . . . ●	4		00
5 Credit recapture name:_____ . ●	5		00
6 Combine line 1 through line 5. Revise the amount on line 36 or line 37 above, whichever applies, by this amount. Write "Schedule J" to the left of line 36 or line 37 . . . . . ●	6		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
	Officer's email address (optional)			( )
Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed ▶ ☐	● PTIN
	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 F **Computation of Trade or Business Income.** See instructions.

Income	1 a) Gross receipts or sales _____ b) Less returns and allowances _____ c) Balance	1c		00
	2 Cost of goods sold from Schedule V, line 8	2		00
	3 Gross profit. Subtract line 2 from line 1c	3		00
	4 Net gain (loss). Attach schedule	4		00
	5 Other income (loss). Attach schedule	5		00
	6 **Total income (loss).** Combine line 3 through line 5	6		00
Deductions	7 Compensation of officers. Attach schedule. See instructions	7		00
	8 Salaries and wages	8		00
	9 Repairs	9		00
	10 Bad debts	10		00
	11 Rents	11		00
	12 Taxes	12		00
	13 Interest	13		00
	14 a) Depreciation _____ b) Less depreciation reported elsewhere on return _____ c) Balance	14c		00
	15 Depletion	15		00
	16 Advertising	16		00
	17 Pension, profit-sharing plans, etc.	17		00
	18 Employee benefit programs	18		00
	19 a) Total travel and entertainment _____ b) Deductible amount	19b		00
	20 Other deductions. Attach schedule	20		00
	21 **Total deductions.** Add line 7 through line 20	21		00
	22 Ordinary income (loss) from trade or business. Subtract line 21 from line 6. Enter here and on Side 1, line 1	22		00

The corporation may not be required to complete Schedule L and Schedule M-1. See Schedule L and Schedule M-1 instructions for reporting requirements.

Schedule L **Balance Sheet**	Beginning of taxable year		End of taxable year	
Assets	(a)	(b)	(c)	(d)
1 Cash				
2 a Trade notes and accounts receivable				
b Less allowance for bad debts	( )		( )	
3 Inventories				
4 Federal and state government obligations				
5 Other current assets. Attach schedule(s)				
6 Loans to shareholders. Attach schedule(s)				
7 Mortgage and real estate loans				
8 Other investments. Attach schedule(s)				
9 a Buildings and other fixed depreciable assets				
b Less accumulated depreciation	( )		( )	
10 a Depletable assets				
b Less accumulated depletion	( )		( )	
11 Land (net of any amortization)				
12 a Intangible assets (amortizable only)				
b Less accumulated amortization	( )		( )	
13 Other assets. Attach schedule(s)				
14 **Total assets**				
Liabilities and shareholders' equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule(s)				
18 Loans from shareholders. Attach schedule(s)				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule(s)				
21 Capital stock				
22 Paid-in or capital surplus				
23 Retained earnings				
24 Adjustments to shareholders' equity. Attach schedule(s)				
25 Less cost of treasury stock		( )		( )
26 **Total liabilities and shareholders' equity**				

Schedule M-1 **Reconciliation of Income (Loss) per Books With Income (Loss) per Return.**
If the S corporation **completed** federal **Schedule M-3 (Form 1120S)**. See instructions.

1 Net income per books		**5** Income recorded on books this year not included on Schedule K, line 1 through line 10b (itemize)	
2 Income included on Schedule K, line 1 through line 10b, not recorded on books this year (itemize)_____ ●		**a** Tax-exempt interest $_____	
		b Other $_____	
3 Expenses recorded on books this year not included on Schedule K, line 1 through line 12e (itemize)		**c** Total. Add line 5a and line 5b ●	
a Depreciation $_____		**6** Deductions included on Schedule K, line 1 through line 12e, not charged against book income this year (itemize)	
b State taxes $_____		**a** Depreciation $_____	
c Travel and entertainment $_____		**b** State tax refunds $_____	
d Other $_____		**c** Other $_____	
e Total. Add line 3a through line 3d ●		**d** Total. Add line 6a through line 6c ●	
		7 Total. Add line 5c and line 6d	
4 Total. Add line 1 through line 3e		**8** Income (loss) (Schedule K, line 19, col. d). Line 4 less line 7 ●	

Schedule M-2 **CA Accumulated Adjustments Account, Other Adjustments Account, and Other Retained Earnings.** See instructions.

Important: Use California figures and federal procedures.	**(a)** Accumulated adjustments account	**(b)** Other adjustments account	**(c)** Other retained earnings (see instructions)
1 Balance at beginning of year ●			
2 Ordinary income from Form 100S, Side 1, line 1			
3 Other additions			
4 Loss from Form 100S, Side 1, line 1	( )		
5 Other reductions	( )	( )	( )
6 Combine line 1 through line 5			
7 Distributions other than dividend distributions ●			
8 Balance at end of year. Subtract line 7 from line 6 ●			
9 Retained earnings at end of year. Add line 8, column (a) through column (c) ●			
● ☐ If the corp. has C corp. E&P at the end of the taxable year, check the box and enter the amount. See instructions ●			

Schedule V **Cost of Goods Sold**

1 Inventory at beginning of year	**1**		00
2 Purchases ●	**2**		00
3 Cost of labor ●	**3**		00
4 Other IRC Section 263A costs. Attach schedule ●	**4**		00
5 Other costs. Attach schedule	**5**		00
6 Total. Add line 1 through line 5	**6**		00
7 Inventory at end of year	**7**		00
8 Cost of goods sold. Subtract line 7 from line 6 ●	**8**		00

Was there any change in determining quantities, costs, or valuations between opening and closing inventory? ☐ Yes ☐ No
If "Yes," attach an explanation. Enter California seller's permit number, if any ▶_____ Method of inventory valuation

Check if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970 ● ☐
If the LIFO inventory method was used for this taxable year, enter the amount of closing inventory computed under LIFO ● _____

Schedule K S Corporation Shareholder's Shares of Income, Deductions, Credits, etc.

	(a) Pro-rata share items		(b) Amount from federal Schedule K (1120S)	(c) California Adjustment	(d) Total amounts using California law Combine (b) and (c) where applicable
Income (Loss)	1 Ordinary business income (loss)	1			●
	2 Net rental real estate income (loss). Attach federal Form 8825	2			●
	3 a Other gross rental income (loss)	3a			
	b Expenses from other rental activities. Attach schedule	3b			
	c Other net rental income (loss). Subtract line 3b from line 3a	3c			●
	4 Interest income	4			●
	5 Dividends. See instructions	5			●
	6 Royalties	6			●
	7 Net short-term capital gain (loss). Attach Schedule D (100S)	7			●
	8 Net long-term capital gain (loss). Attach Schedule D (100S)	8			●
	9 Net Section 1231 gain (loss)	9			●
Other Income (Loss)	10 a Other portfolio income (loss). Attach schedule	10a			●
	b Other income (loss). Attach schedule	10b			●
Deductions	11 Expense deduction for recovery property (IRC Section 179 and R&TC Sections 17267.2, 17267.6 and 17268) Attach Schedule B (100S)	11			
	12 a Charitable contributions	12a			●
	b Investment interest expense	12b			●
	c 1 Section 59(e)(2) expenditures	12c1			
	2 Type of expenditures _____	12c2			
	d Deductions-portfolio. Attach schedule	12d			●
	e Other deductions. Attach schedule	12e			
Credits	13 a Low-income housing credit. See instructions	13a			●
	b Credits related to rental real estate activities other than on line 13a Attach schedule	13b			●
	c Credits related to other rental activities. See instructions. Attach schedule	13c			●
	d Other credits. Attach schedule	13d			●
	e New jobs credit	13e			
	14 Total withholding allocated to all shareholders	14			
Alternative Minimum Tax (AMT) Items	15 a Depreciation adjustment on property placed in service after 12/31/86	15a			
	b Adjusted gain or loss. See instructions	15b			
	c Depletion (other than oil and gas)	15c			
	d 1 Gross income from oil, gas, and geothermal properties	15d1			
	2 Deductions allocable to oil, gas, and geothermal properties	15d2			
	e Other AMT items	15e			
Items affecting Shareholder Basis	16 a Tax-exempt interest income	16a			
	b Other tax-exempt income	16b			●
	c Nondeductible expenses	16c			
	d Total property distributions (including cash) other than dividends distribution reported on line 17c	16d			●
Other Information	17 a Investment income. See instructions	17a			
	b Investment expenses. See instructions	17b			
	c Total dividend distributions paid from accumulated earnings and profits	17c			●
	d Other items and amounts not included in lines 1 - 17b and lines 18a-e that are required to be reported separately to shareholders. Attach schedule	17d			●
Other State Taxes	18 a Type of income _____	18a			
	b Name of state _____	18b			
	c Total gross income from sources outside California. Attach schedule	18c			
	d Total applicable deductions and losses. Attach schedule	18d			
	e Total other state taxes. Check one: ☐ Paid ☐ Accrued	18e			●
Recon-ciliation	19 Income (loss) (required only if Schedule M-1 must be completed). Combine line 1, line 2, and line 3c through line 10b. From the result, subtract the sum of lines 11, 12a, 12b, 12c1, 12d and 12e	19			●

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ftb.ca.gov

TAXABLE YEAR

CALIFORNIA SCHEDULE

2011 S Corporation Depreciation and Amortization B (100S)

For use by S corporations only. Attach to Form 100S.

Corporation name | California corporation number

Part I Depreciation. Use additional sheets if necessary.

1 Enter federal depreciation from federal Form 4562, line 22. IRC Section 179 expense deduction is not included on this line. Get federal Form 4562 instructions	1		00

California depreciation:

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Cost or other basis	(d) Depreciation allowed or allowable in earlier years	(e) Method of figuring dep.	(f) Life or rate	(g) Depreciation for this year
2						

3 Add the amounts on line 2, column (g)	3		00
4 Subtract line 3 from line 1. If negative, use brackets. Enter here and on the applicable line of Form 100S, Side 5, Schedule K	4		00
5 Enter IRC Section 179 expense deduction here and on Form 100S, Side 1, line 13. Do not enter more than $25,000	5		00

Part II Amortization. Use additional sheets if necessary.

1 Enter federal amortization from federal Form 4562, line 44	1		00

California amortization:

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Cost or other basis	(d) Amortization allowed or allowable in earlier years	(e) R&TC Section (See instructions)	(f) Period or percentage	(g) Amortization for this year
2						

3 Add the amounts on line 2, column (g)	3		00
4 California amortization adjustment. Subtract line 3 from line 1. If negative, use brackets. Enter here and on the applicable line of Form 100S, Side 5, Schedule K	4		00

Part III Depreciation and Amortization Adjustment

1 Combine the amounts on Part I, line 4, and Part II, line 4. Enter here (if negative, use brackets) and on Form 100S, Side 1, line 5. For passive activities, see instructions.	1		00

TAXABLE YEAR

CALIFORNIA SCHEDULE

2011 S Corporation Tax Credits C (100S)

- Complete and attach all supporting credit forms to Form 100S.
- To claim more than seven credits, attach schedule.

	(a) Credit amount limited to 1/3 of total	(b) Carryover from prior year	(c) Credit used this year, not more than (a) + (b)	(d) Tax balance that may be offset by credits	(e) Credit carryover to 2012
1 Regular tax from Form 100S, Side 1, line 22					
2 Minimum franchise tax plus QSub annual tax(es), if applicable					
3 Subtract line 2 from line 1. If zero or less, enter -0- **Note:** Reduce the amount in column (d) by the New Jobs Credit amount claimed on Form 100S, line 23b, if applicable.					
4 Code: ____ ____ ____ Credit name:_____					
5 Code: ____ ____ ____ Credit name:_____					
6 Code: ____ ____ ____ Credit name:_____					
7 Code: ____ ____ ____ Credit name:_____					
8 Code: ____ ____ ____ Credit name:_____					
9 Code: ____ ____ ____ Credit name:_____					
10 Code: ____ ____ ____ Credit name:_____					
11 Enter the credit amounts on Form 100S, Side 1, line 24a, and line 24b. If more than two credits, enter the total of any remaining credits on Form 100S, Side 1, line 25					

TAXABLE YEAR

2011

S Corporation Capital Gains and Losses and Built-In Gains

CALIFORNIA SCHEDULE

D (100S)

Corporation name

California corporation number

SECTION A – 8.84% Tax on Built-In Gains

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less. Use additional sheets if necessary.

	(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) (d) less (e)
1						

2	Short-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions	2	00
3 a	Net short-term capital gain (loss). Combine line 1, column (f) and line 2.	3a	00
b	Tax on short-term capital gain(s) included on line 12 below.	3b	00
c	Subtract line 3b from line 3a. Enter here and on Form 100S, Schedule K, column (d), line 7 or line 10b.	3c	00

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year. Use additional sheets if necessary.

4					

5	Long-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions	5	00
6 a	Net long-term capital gain (loss). Combine line 4, column (f) and line 5	6a	00
b	Tax on long-term capital gain(s) included on line 12 below	6b	00
c	Subtract line 6b from line 6a. Enter here and on Form 100S, Schedule K, column (d), line 8 or line 10b.	6c	00

Part III Tax on Built-In Gains. See instructions before completing this part.

7	Excess of recognized built-in gains over recognized built-in losses attributable to California. Attach computation schedule.	7	00
8	Taxable income. Get the instructions for federal Schedule D (Form 1120S). Use California amounts	8	00
9	Enter the smaller of line 7, line 8, or computed amount. See instructions	9	00
10	Net operating loss (NOL) carryover deduction from years the corporation was a C corporation. See instructions	10	00
11	Subtract line 10 from line 9. If zero or less, enter -0- here and on line 12	11	00
12	Tax on built-in gains. Multiply line 11 by 8.84% (financial S corps. must use 10.84%). Enter here and on Form 100S, Side 1, line 28	12	00

Part IV Net Capital Gains (Losses)

13	Combine amounts on Part I, line 3a and Part II, line 6a. Enter here and on Form 100S, Side 1, line 4.	13	00

SECTION B – 1.5% Tax on Capital Gains

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less. Use additional sheets if necessary.

	(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) (d) less (e)
1						

2 a	Short-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions	2a	00
b	Combine line 1, column (f) and line 2a. Enter here and on Form 100S, Schedule K, column (d) line 7 or line 10b.	2b	00
c	Unused capital loss carryover from 2010 attributable to the S corporation	2c	00
3	Net short-term capital gain (loss). Combine line 2b and line 2c.	3	00

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year. Use additional sheets if necessary.

4					

5	Enter gain from Schedule D-1, line 9 and/or any capital gain distributions	5	00
6	Long-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions	6	00
7	Net long-term capital gain (loss). Combine line 4, column (f) through line 6. Enter here and on Form 100S, Schedule K, column (d) line 8 or line 10b.	7	00
8	Enter excess of net short-term capital gain Section B, Part I, line 3 over net long-term capital loss Section B, Part II, line 7	8	00
9	Net capital gain. Enter excess of net long-term capital gain (line 7) over net short-term capital loss (line 3).	9	00
10	Total line 8 and line 9. If line 10 is a gain, enter here and on Form 100S, Side 1, line 4. If line 10 is a loss, carry forward losses to taxable year 2012	10	00

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TAXABLE YEAR

CALIFORNIA SCHEDULE

2011 S Corporation Dividend Income Deduction

H (100S)

Attach to Form 100S. Attach additional sheets if necessary.

Corporation name

California corporation number

Part I Elimination of Intercompany Dividends (R&TC Section 25106)

	(a) Dividend payer	(b) Dividend payee
1		
2		
3		

	(c) Total amount of dividends received	(d) Amount that qualifies for 100% elimination	(e) Amount from column (d) paid out of current year earnings and profits	(f) Amount from column (d) paid out of prior year earnings and profits	(g) Balance column (c) minus column (d)
1					
2					
3					
4					

Enter total amounts of each column on line 4 above. If **no** entry in Part III, enter total from Part I, line 4, column (d) on Form 100S, Side 1, line 9. See instructions.

Part II Deduction for Qualifying Dividends Paid to a Member of a Water's-Edge Combined Report (R&TC Section 24411)

(Foreign dividends paid by partially included members of a water's-edge combined report cannot be computed on this schedule.)

	(a) Dividend payer	(b) Name of member of the water's-edge group receiving dividend
1		
2		
3		

	(c) Percentage of ownership of dividend payer	(d) Amount of qualifying dividends received by payee (see instructions)	(e) Amount from column (d) paid out of current year earnings and profits	(f) Amount from column (d) paid out of prior year earnings and profits	(g) Deductible dividends column (d) X .75 or 100% dividends from construction projects
1					
2					
3					
4	Total amounts in column (g). Enter here and on Form 100S, Side 1, line 10				

Part III Deduction for Dividends Paid to a Corporation by an Insurance Company (R&TC Section 24410)

	(a) Dividend payer	(b) Dividend payee
1		
2		
3		

	(c) Percentage of ownership of dividend payer (must be at least 80%)	(d) Total insurance dividends received	(e) Qualified dividend percentage (see instructions)	(f) Amount of qualified insurance dividends column (d) x column (e)	(g) Deductible dividends 85% of column (f)
1					
2					
3					
4	Total amounts in column (g)				
5	Add amounts from Part I, line 4, column (d) and Part III, line 4, column (g). Enter here and on Form 100S, Side 1, line 9				

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Instructions for Schedule B/C/D/H (100S)

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).

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.

Schedule B (100S) – S Corporation Depreciation and Amortization

Important Information

S corporations must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987, in the same manner as in prior years. The following were the most common methods used to calculate depreciation for years prior to 1987:

- Straight-line
- Declining balance
- Sum-of-the-years digits

For assets placed in service in 1987 and after, S corporations may use the same method for California as was used for federal purposes.
S corporations conducting a trade or business inside an Enterprise Zone(EZ), Local Agency Military Base Recovery Area (LAMBRA), or Targeted Tax Area (TTA) may elect to treat a portion of the cost of qualified property as a business expense in the first year it is placed in service. This expense deduction is in lieu of the IRC Section 179 expense deduction. For more information, get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Federal/State Differences

Differences between federal and California laws affect the calculation of depreciation and amortization. The following lists are not intended to be all-inclusive of the federal and state conformities and differences. For more information, refer to the R&TC.

California law conforms to federal law for the following:

- IRC Section 1245(b)(8) relating to amortizable Section 197 intangibles property disposed **on or after January 1, 2010**.
- The federal grant tax treatment for specified energy property.
- The useful life of motor sports entertainment complex.
- The sport utility vehicles (SUVs) and minivans built on a truck chassis are included in the definition of trucks and vans when applying the 6,000 pound gross weight limit.
- The useful life of seven years of any Alaska natural gas pipeline property.
- The income forecast method and the exemption of limits on depreciation for incremental costs of clean fuel vehicles.

California law does not conform to federal law for the following:

- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010.
- The IRC Section 613A(d)(4) relating to the exclusion of certain refiners. See R&TC Section 24831.3 for more information.
- The 50% bonus depreciation deduction [IRC Section 168(k)] for assets acquired and placed in service during 2008 through 2010 and during 2011 for certain qualifying property.
- The enhanced IRC Section 179 expensing election for assets placed in service in 2010 or 2011 taxable year.
- The federal changes regarding treatment of distribution costs and treatment of participations and residuals for purpose of computing depreciation under the income forecast method.
- For years prior to 1987, California did not allow depreciation under the federal accelerated cost recovery system (ACRS). California also does not allow depreciation under modified accelerated cost recovery system (MACRS) for assets placed in service while the S corporation was taxed as a C corporation. This is a change of accounting method for which the taxpayer must request the Franchise Tax Board's (FTB's) consent.
- The additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.
- The accelerated recovery period for depreciation of smart meters and smart grid systems.

Purpose

Use Schedule B (100S), S Corporation Depreciation and Amortization, to calculate depreciation and amortization for California tax purposes.

Specific Instruction

Part I – Depreciation

Election to Expense Certain Property Under IRC Section 179

The S corporation may elect to expense part of the cost of depreciable personal property used in the trade or business and certain other property described in federal Publication 946, How to Depreciate Property. To do so, the S corporation must have purchased property, as defined in the IRC Section 179(d)(2), and placed it in service during the taxable year, or have a carryover of unused cost from prior year. If the S corporation elects this deduction, it must reduce the California depreciable basis by the IRC Section 179 expense. The maximum Section 179 expense allowed for 2011 is $25,000.

California conforms to the federal changes made to the deduction of business start-up and organizational costs paid or incurred on or after January 1, 2005. **Exceptions**: California does not conform to the federal increase in the deduction for start-up expenses in 2010 taxable year.

Complete the worksheet below to figure IRC Section 179 expense for California purposes. Include all assets qualifying for the deduction because the limit applies to all qualifying assets as a group rather than to each asset individually. Get federal Form 4562, Depreciation and Amortization, for more information.

Definitions

Listed Property – Use a format similar to federal Form 4562, Part V, line 26 to determine the elected IRC Section 179 cost of listed property. Listed property generally includes the following:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, SUVs, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Cellular telephones (and other similar telecommunications equipment).
  Note: California does not conform to the federal exclusion of these items from being treated as listed property for taxable years beginning on or after January 1, 2010.
- Computers or peripheral equipment.

Exception. Listed property generally does not include:

- Photographic, phonographic, communication, or video equipment used exclusively in the S corporation's trade or business.

Tangible Property Expense Worksheet

1	Maximum dollar limitation for California	1 25,000
2	Total cost of IRC Section 179 property placed in service	2
3	Threshold cost of IRC Section 179 property before reduction in limitation	3 200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4
5	Dollar limitation for taxable year. Subtract line 4 from line 1. If zero or less, enter -0-	5

	(a) Description of property	(b) Cost	(c) Elected cost
6			

7	Listed property (elected IRC Section 179 cost)	7
8	Total elected cost of IRC Section 179 property. Add line 6 column (c) and line 7	8
9	Tentative deduction. Enter the smaller of line 5 or line 8	9
10	Carryover of disallowed deduction from 2010	10
11	Enter the smaller of business income (not less than -0-) or line 5	11
12	IRC Section 179 expense deduction for California. Add line 9 and line 10, but do not enter more than line 11. Also enter the result here and on Schedule B (100S), Part I, line 5	12
13	Carryover of disallowed deduction to 2012. Add line 9 and line 10. Subtract line 12 from the result	13

- Any computer or peripheral equipment used exclusively at a regular business.
- An ambulance, hearse, or vehicle used for transporting persons or property for hire.

Listed property used 50% or less in business activity does **not** qualify for the IRC Section 179 expense deduction. For more information regarding listed property, get the instructions for federal Form 4562.

Business Income – The total cost the S corporation can deduct is limited to the S corporation's business income. For the purpose of IRC Section 179 election, business income is the net income derived from the S corporation's active trade or business, Form 100S, line 15, before the IRC Section 179 expense deduction (excluding items not derived from a trade or business actively conducted by the S corporation).

Part II – Amortization

California conforms to the IRC Section 197 amortization of intangibles for taxable years beginning on or after January 1, 1994. Generally, assets that meet the definition under IRC Section 197 are amortized on a straight-line basis over 15 years. There may be differences in the federal and California amounts for intangible assets acquired in taxable years beginning prior to January 1, 1994. Refer to R&TC Section 24355.5 for more information.

Amortization of the following assets is governed by California law:

- Bond premiums R&TC 24360 – 24363.5
- Research expenditures R&TC 24365
- Reforestation expenses R&TC 24372.5
- Organizational expenditures R&TC 24407 – 24409
- Start-up expenses R&TC 24414

Other intangible assets may be amortized if it is proved with reasonable accuracy that the asset has an ascertainable value that diminishes over time and has a limited useful life.

Line 2, column (e)

Enter the correct R&TC section for the type of amortization. See the R&TC section numbers listed above.

Part III – Depreciation and Amortization Adjustment

If the S Corporation has direct ownership of a passive activity, complete a separate Schedule B (100S), write "Passive Activity" on the top of Schedule B (100S), and enter the current year depreciation adjustment on Part III. Also, enter the current year depreciation adjustment on form FTB 3801, Passive Activity Loss Limitations, Side 2, California Passive Activity Worksheet, column (e). Make sure to label "Schedule B (100S)" in column (c) of the California Passive Activity Worksheet. **Do not** enter the current taxable year depreciation adjustment for passive activity on Form 100S, Side 1, line 5.

The corporation does not need to complete Schedule B (100S) for pass-through entities except to include IRC Section 179 expense.

Schedule C (100S) – S Corporation Tax Credits

What's New

California Motion Picture and Television Production Credit – For taxable years beginning on or after January 1, 2011, a California motion picture and television production credit will be allowed to a qualified taxpayer. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information, get form FTB 3541, California Motion Picture and Television Production Credit, form FTB 3551, Sale of Credit Attributable to an Independent Film, or go to **ftb.ca.gov** and search for **film**.

Important Information

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

The total amount of specific credit claimed on Schedule C (100S) should include both: (1) the total assigned credit claimed from FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee, column (i), and (2) the amount of credit claimed that was generated by the assignee.

Purpose

Use Schedule C (100S), S Corporation Tax Credits, to determine the allowable amount of tax credits to claim on the 2011 Form 100S, and the credit carryover to future years. For more information, see General Information Z, Passive Activity Loss Limitation; AA, Passive Activity Credits; and BB, Tax Credits; included in this booklet.

The amount entered in column (a) must be limited to 1/3 the amount of the total credit.

Schedule D (100S) – S-Corporation Capital Gains and Losses and Built-In Gains

Important Information

For taxable years beginning on or after January 1, 2011, the alternative withholding rates for the sale of California real property decreased to 10.8% for S corporations or 12.8% for Financial S corporations.

Buyers will be required to withhold on each installment sale payment if the sale of California real property is structured as an installment sale.

For taxable years beginning on or after January 1, 2002, when determining the built-in gains tax, C corporations that were required to convert to S corporations for California purposes are deemed to have elected S corporation status on the effective date of their federal election regardless of the effective date for state purposes.

Schedule D (100S) is divided into Section A and Section B. Use Section A to report all built-in gains subject to the 8.84% tax rate (10.84% for financial S corporations). Use Section B to report all other capital gains subject to the 1.5% tax rate (3.5% for financial S corporations). For more information, see General Information J, Built-in Gains, included in this booklet.

Use California amounts when computing gain from like-kind exchanges on federal Form 8824, Like-Kind Exchanges.

Specific Line Instructions

SECTION A – 8.84% Tax on Built-In Gains

Part I – Short-Term Capital Gains and Losses - Assets Held One Year or Less and Part II – Long-Term Capital Gains and Losses - Assets Held More Than One Year

Use Part I to report and summarize gains and losses attributable to: (1) sale or exchange of capital assets; and (2) gains on distributions to shareholders of appreciated assets that are capital assets. Be sure to use the California basis for all assets when computing the gain or loss. Get the instructions for federal Schedule D (Form 1120S) for more information.

Line 1 and Line 4

Report short-term or long-term capital gains or losses from form FTB 3725, Assets Transferred from Parent Corporation to Insurance Company Subsidiary, on Schedule D (100S). Make sure to enter on Schedule D (100S), line 1 and/or line 4, under column (a) Description of property: **"FTB 3725."** Enter the amount of short-term or long-term capital gains (losses) from form FTB 3725 under column (f).

Line 2 and Line 5

Use California amounts when figuring the amount to enter for short or long-term capital gains or losses from like-kind exchanges from federal Form 8824.

Part III – Tax on Built-In Gains

Under the Small Business Jobs Act, if the fifth year of an S Corporation's recognition period ends before their 2011 taxable year begins, then no entity-level tax is imposed on the net recognized built-in gains for the 2011 tax year.

The 2010 Small Business Act adds that for S corporation tax years beginning in 2011, no built in gains tax is imposed if the fifth year of the recognition period preceded the 2011 tax year. Thus a seven-year period applies for 2009 and 2010 tax years, while a five-year period will apply for the 2011 tax year.

Line 7

To determine if the S corporation is subject to tax on built-in gains, see General Information J, Built-in Gains, included in this booklet, and get the instructions for federal Schedule D (Form 1120S).

Apportioning Corporations Only:

All recognized built-in gains and all recognized built-in losses apportioned and allocated to California must be included on line 7.

Line 9

Compute the California net unrealized built-in gain reduced by the California net recognized built-in gain from prior years if the S corporation:

- Filed its election to be an S corporation after 1986.
- Was a C corporation before it elected to be an S corporation, or acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation.
- Had a California net unrealized built-in gain as defined in IRC Section 1374(d)(1), that was in excess of the California net recognized built-in gain from prior years.

On line 9, enter the smaller of line 7, line 8, or the amount computed above.

Line 10

See form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, included in this booklet, for more information.

SECTION B – 1.5% Tax on Capital Gains

Use Section B, Part I and Part II to report the sale or disposition of all capital assets acquired as an S corporation or which are not reported in Section A. For more information, get the instructions for federal Schedule D (Form 1120S).

Property Subject to IRC Section 179 Recapture:

Gain on property subject to the IRC Section 179 expense deduction recapture must be included in the taxable income of the S corporation. To accomplish this, the S corporation should complete two sets of Schedule D-1, Sales of Business Property, and Schedule D (100S). One set of Schedule D-1 and Schedule D (100S) will include the gain or loss from the sale or disposition of IRC Section 179 assets as well as gain or loss from non-Section 179

business assets, and will be reported on the Form 100S. Indicate at the top of this Schedule D-1 and Schedule D (100S) "IRC Section 179 and Business Assets." When completing Schedule D-1 and Schedule D (100S) for the Form 100S, skip any instructions to report the gain or loss on Form 100S, Schedule K or Schedule K-1 (100S). Transfer the gain amount to Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) is to report the gain or loss on non-Section 179 business assets for use on the Schedule K and Schedule K-1. To accomplish this, the S corporation should complete a Schedule D-1 and Schedule D (100S) with the gain or loss for the non-Section 179 business assets only. The amounts from this Schedule D-1 and Schedule D (100S) will be reported on the Schedule K and Schedule K-1 (100S). Indicate at the top of this Schedule D-1 and Schedule D (100S) set "Non-Section 179 Business Assets Only."

Part I – Short-Term Capital Gains and Losses – Assets Held One Year or Less

Line 1

Enter short-term capital gains or losses from form FTB 3725 on Schedule D (100S), line 1, column f. Make sure to enter on Schedule D (100S), line 1 under column (a), Description of property: **"FTB 3725."**

Part II – Long-Term Capital Gains and Losses – Assets Held More Than One Year

Line 4

Enter long-term capital gains or losses from form FTB 3725 on Schedule D (100S), line 4, column f. Make sure to enter on Schedule D (100S), line 4 under column (a), Description of property: **"FTB 3725."**

Schedule H (100S) – S-Corporation Dividend Income Deduction

Important Information

For taxable years beginning on or after January 1, 2008, dividend elimination is allowed regardless of whether the payer/payee are taxpayer members of the California combined unitary group return, or whether the payer/payee had previously filed California tax returns, as long as the payer/payee filed as members of a comparable unitary business outside of California when the earnings and profits from which the dividends were paid arose.

In addition, dividend elimination is allowed for dividends paid from a member of a combined unitary group to a newly formed member of the combined unitary group if the recipient corporation has been a member of the combined unitary group from its formation to its receipt of the dividends. Earnings and profits earned before becoming a member of the unitary group do not qualify for elimination. See R&TC Section 25106 for more information.

In *Farmer Bros. Co.* vs. *Franchise Tax Board* (2003) 108 Cal App 4th 976, 134 Cal Rptr. 2nd 390, the California Court of Appeal found R&TC Section 24402 to be unconstitutional. A statute that is held to be unconstitutional is invalid and unenforceable. Therefore, the R&TC Section 24402 deduction is not available.

R&TC Section 24410 was repealed and re-enacted to allow a "Dividends Received Deduction" for qualified dividends received from an insurer subsidiary. The deduction is allowed whether or not the insurer is engaged in business in California, if at the time of each payment, at least 80% of each class of stock of the insurer was owned by the corporation receiving the dividend. For taxable years beginning on or after January 1, 2004, and before January 1, 2008, an 80% deduction is allowed for qualified dividends. For taxable years beginning on or after January 1, 2008, the deduction was increased to 85%. A portion of the dividends may not qualify if the insurer subsidiary paying the dividend is overcapitalized for the purpose of the dividends received deduction. See Part III, Specific Instructions, for more information.

Specific Instructions

Part I – Elimination of Intercompany Dividends (R&TC Section 25106)

Dividends paid to an electing S corporation from earnings and profits accumulated during any taxable year in which the dividend payer was included in the combined report, which included the dividend payee, qualify for the 100% intercompany dividend elimination.

A corporation that has made a valid election to be treated as an S corporation is generally not included in a combined report. However, in some cases, the FTB may use combined reporting methods to clearly reflect income of an S corporation, see R&TC Section 23801(d)(1).

If no entry in Part III, enter the total from Part I, line 4, column (d) on Form 100S, Side 1, line 9.

Part II – Deduction for Dividends Paid to a Fully Included Member of a Water's-Edge Combined Report (R&TC Section 24411)

R&TC Section 24411 allows for a 75% deduction of a portion of the dividends received and included in the water's-edge return. For taxable years beginning on or after January 1, 1998, dividends received from banks qualify for the water's-edge dividend deduction. Both business and nonbusiness dividends qualify for the dividend deduction. The allowable business dividend deduction is determined by multiplying the total dividend deduction (business and nonbusiness) by the ratio of business dividends to total dividends. The remaining dividend deduction is the nonbusiness dividend deduction.

A deduction of 100% is provided for dividends derived from certain foreign construction projects. A construction project is defined as an activity attributable to an alteration of land or any improvement thereto. The construction project, the location of which is not subject to the taxpayers' control, must be undertaken for an entity, including a governmental entity, that is not affiliated with the water's-edge group. For more information, see R&TC Section 24411 and Form 100W, California Corporation Tax Booklet — Water's-Edge Filers.

Report the dividends received from certain foreign construction projects in Part II, column (g). Write the dividend payer's name and enter dividends received from certain foreign construction projects as "FCP" in Part II, column (a).

In no event will an R&TC Section 24411 deduction be allowed with respect to a dividend for which a deduction was allowed under R&TC Section 24410 or which was eliminated under R&TC Section 25106.

Current year qualifying dividends are dividends received by any current member of the water's-edge group from a corporation (regardless of the place of incorporation) if both of the following apply:

- The average of the payer's property, payroll, and sales factors within the U.S. is less than 20%.
- More than 50% of the total combined voting power of all classes of voting stock is owned directly or indirectly by a member of the water's-edge group at the time the dividend is received.

Interest Expense Deduction

For taxable years beginning on or after January 1, 1997, the amount of interest expense incurred for purposes of foreign investments that must be offset against deductible foreign dividends must be computed by multiplying the amount of interest expense by the same percentage used to compute the deductible portion of the qualifying foreign dividends.

The payer need not be in a unitary relationship with the recipient or any other member of the water's-edge group.

Intercompany dividends received within the current taxable year's water's-edge group should be eliminated pursuant to R&TC Section 25106 before computing the dividend deduction.

Complete Part II and enter the total of line 4 column (g) on Form 100S, Side 1, line 10. For Part II, column (d), if any portion of a dividend also qualifies for the intercompany elimination in Part I, enter the balance from Part I, column (g) in Part II, column (d).

Part III – Deduction for Dividends Paid to a California Corporation by an Insurance Company (R&TC Section 24410)

R&TC Section 24410 provides that a corporation that owns 80% or more of each class of stock of an insurer is entitled to an 85% dividends received deduction for qualified dividends received from that insurer. The deduction would be allowed regardless of whether the insurer does business in California. The 85% deduction applies to taxable years beginning on or after January 1, 2008.

The amount of the dividends that qualify for the dividends received deduction is the total amount of dividends received from that insurer, multiplied by the insurer's qualified dividend percentage. The qualified dividend percentage is determined under R&TC Section 24410(c).

To complete Part III:

1. Fill in columns (a) through (c).
2. Enter in column (d) the total amount of insurance dividends received.
3. Enter the qualified dividend percentage in column (e).
4. Multiply the amount in column (d) by the qualified dividend percentage in column (e) and enter that amount in column (f).
5. Multiply the amount in column (f) by 85% and enter the result in column (g).
6. Total amounts in column (g). Add amounts from Part I, line 4, column (d) and Part III, line 4, column (g). Enter the result here and on Form 100S, Side 1, line 9.

The calculation of the qualified dividend percentage should be presented in a supplemental schedule that is attached to the taxpayer's return. The supplemental schedule should identify the amount of the net written premiums for all the insurance companies in the commonly controlled group for the preceding five years (including an identification of property/casualty premiums, life insurance premiums, and financial guarantee premiums), the relative weight given to each class of net written premiums, and the total income of the insurance companies in the commonly controlled group (including premium and investment income for the preceding five years). For more information, see R&TC Section 24410.

TAXABLE YEAR

2011

Qualified Subchapter S Subsidiary (QSub) Information Worksheet

CALIFORNIA SCHEDULE

QS

Part I

Parent corporation name	Corporation no. or FEIN

Part II

(a) Name of QSub	(b) California corporation number	(c) Federal employer identification number	(d) Effective date of federal QSub election (MM/DD/YY)	(e) Date of QSub annual tax payment (MM/DD/YY)	(f) Amount of QSub annual tax paid

General Information

For taxable years beginning on or after January 1, 1997, California law has conformed to the federal treatment of Qualified Subchapter S Subsidiaries (QSub), with certain exceptions. The QSub is subject to an annual tax of $800 which is paid by the S corporation's parent. See Form 100S, General Information DD, Qualified Subchapter S Subsidiary (QSub), for more information.

An S corporation parent must complete the Schedule QS and attach it to the Form 100S.

Purpose

The Qualified Subchapter S Subsidiary Information Worksheet is used by the S corporation parent of a QSub to inform the Franchise Tax Board (FTB) of the QSub(s) it owns. This worksheet notifies the FTB that the QSub items of income, deductions, and credits will be included in the parent's return and the QSub will not be filing a separate California franchise or income tax return.

Specific Instructions

Part I

Enter in Part I the name of the parent S corporation, the S corporation's California corporation number, seven digits, and the federal employer identification number (FEIN), nine digits.

Part II

Enter in Part II the information for each QSub required to be included in the Form 100S, California S Corporation Franchise or Income Tax Return. In column (a), enter the name of each QSub included in this return. If the QSub has or had a California corporation number, enter the number in column (b). If the QSub has or had a FEIN, enter the number in column (c). If the corporation does not have a California corporation number and/or a FEIN, enter "none."

Enter the effective date of the federal QSub election made for the subsidiary in column (d). An election made by the parent S corporation under IRC Section 1361(b)(3) to treat a corporation as a QSub for federal purposes is treated as a binding election for California purposes. A separate election cannot be filed for California. If the effective date falls on a date other than the first day of the subsidiary's taxable year, the subsidiary must file a short-period return if it was subject to tax in California prior to the effective date.

The S corporation parent is required to pay $800 annual tax for each QSub it owns that is incorporated, qualified, or doing business in California. The QSub annual tax is due and payable when the S corporation's first estimated tax payment is due. If the QSub is acquired during the taxable year, the QSub annual tax is due with the S corporation's next estimated tax installment. Enter the date of payment in column (e) and amount of QSub annual tax paid in column (f).

Schedule K Federal/State Line References

The following chart cross-references the line items on the federal Schedule K (1120S) to the appropriate line items on the California Schedule K (100S). For more information, see the Specific Line Instructions for Schedule K (100S) and Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc, included in this booklet.

Federal Schedule K (1120S)			CA Schedule K (100S)	
Box	**Code**	**Items**	**Line**	**Items**
1		Ordinary business income (loss)	**1**	Ordinary business income (loss)
2		Net rental real estate income (loss)	**2**	Net rental real estate income (loss)
3a		Other gross rental income (loss)	**3a**	Other gross rental income (loss)
3b		Expenses from other rental activities	**3b**	Expenses from other rental activities
3c		Other net rental income (loss)	**3c**	Other net rental income (loss)
4		Interest income	**4**	Interest income
5a		Ordinary dividends	**5**	Dividends
5b		Qualified dividends	**–**	Included in line 5 above
6		Royalties	**6**	Royalties
7		Net short-term capital gain (loss)	**7**	Net short-term capital gain (loss)
8		Net long-term capital gain (loss)	**8**	Net long-term capital gain (loss)
8b		Unrecaptured section 1250 gain	**–**	Included in line 8 above, as applicable
8c		Collectibles (28%) gain (loss)	**–**	Included in line 8 above, as applicable
9		Net Section 1231 gain (loss)	**9**	Net Section 1231 gain (loss)
10	**A**	Other portfolio income (loss)	**10a**	Other portfolio income (loss)
10	**B-E**	Other income (loss)	**10b**	Other income (loss)
11		Section 179 deduction	**11**	Expense deduction for recovery property (IRC Section 179 and R&TC Sections 17267.2, 17267.6, and 17268)
12a	**A-F**	Charitable Contributions	**12a**	Charitable contributions
12b		Investment interest expense	**12b**	Investment interest expense
12c2		Section 59(e)(2) expenditures – Amount	**12c1**	Section 59 (e)(2) expenditures
12c1		Section 59(e)(2) expenditures – Type	**12c2**	Type of expenditures
12d	**K-L**	Deductions – portfolio	**12d**	Deductions – portfolio
12d	**I, M-S**	Other deductions	**12e**	Other deductions
		Not applicable	**13a**	Low-income housing credit
		Not applicable	**13b**	Credits related to rental real estate activities
		Not applicable	**13c**	Credits related to other rental activities
		Not applicable	**13d**	Other credits
		Not applicable	**13e**	New jobs credit
		Not applicable	**14**	Total withholding allocated to all shareholders
		Not applicable	**15a**	Depreciation adjustment on property placed in service after 12/31/86
		Not applicable	**15b**	Adjusted gain or loss
		Not applicable	**15c**	Depletion (other than oil and gas)
		Not applicable	**15d1**	Gross income from oil, gas, and geothermal properties
		Not applicable	**15d2**	Deductions allocable to oil, gas, and geothermal properties
		Not applicable	**15e**	Other AMT items
16a		Tax-exempt interest income	**16a**	Tax-exempt interest income
16b		Other tax-exempt income	**16b**	Other tax-exempt income
16c		Nondeductible expenses	**16c**	Nondeductible expenses
16d		Property distributions	**16d**	Total property distributions (including cash) other than dividend distribution reported on line 17c
16e		Repayment of loans from shareholders		*Not applicable*
17a		Investment income	**17a**	Investment income
17b		Investment expenses	**17b**	Investment expenses
17c		Dividend distributions paid from accumulated earnings and profits	**17c**	Total dividend distributions paid from accumulated earnings and profits
17d		Other items and amounts	**17d**	Other items and amounts
17d	**I**	Look-back interest-completed long-term contract		(Report amounts from federal Schedule K, box 17d, codes I, J, M, N, O, and P on California Schedule K, line 17d. For more information, see instructions.)
17d	**J**	Look-back interest-income forecast method		
17d	**M**	Section 453(i)(3) information		
17d	**N**	Section 453A(c) information		
17d	**O**	Section 1260(b) information		
17d	**P**	Interest allocable to production expenditures		
		Not applicable	**18a**	Type of income
		Not applicable	**18b**	Name of state
		Not applicable	**18c**	Total gross income from sources outside California
		Not applicable	**18d**	Total applicable deductions and losses
		Not applicable	**18e**	Total other state taxes
18		Income/loss reconciliation	**19**	Income (loss)

TAXABLE YEAR **2011**

Shareholder's Share of Income, Deductions, Credits, etc.

CALIFORNIA SCHEDULE **K-1 (100S)**

For use by an S corporation and its shareholders only.

For calendar year 2011 or fiscal year beginning month _____ day _____ year _____, and ending month _____ day _____ year _____.

Shareholder's identifying number	California corporation number
Shareholder's name, address, and ZIP Code	Corporation's name, address, and ZIP Code

A Shareholder's percentage of stock ownership at year end . . . . . ● ___ ___ ___ . ___ ___ ___ ___ %

B Reportable transaction or tax shelter registration number(s):_____

C Check here if this is: ● **(1)** ☐ A final Schedule K-1 **(2)** ☐ An amended Schedule K-1

D What type of entity is this shareholder? . . . . . ● **(1)** ☐ Individual **(2)** ☐ Estate/Trust **(3)** ☐ Qualified Exempt Organization **(4)** ☐ Single Member LLC

E Is this shareholder a resident of California? . . . . . ● ☐ Yes ▶ ☐ No

Caution: Refer to the shareholder's instructions for Schedule K-1 (100S) before entering information from this schedule on your California tax return.

	(a) Pro-rata share items	(b) Amount from federal Schedule K-1 (1120S)	(c) California adjustment	(d) Total amounts using California law Combine (b) and (c) where applicable	(e) California source amounts and credits
Income (Loss)	**1** Ordinary business income (loss)			●	▶
	2 Net rental real estate income (loss)			●	▶
	3 Other net rental income (loss)				
	4 Interest income			●	▶
	5 Dividends. See instructions			●	▶
	6 Royalties			●	▶
	7 Net short-term capital gain (loss)			●	▶
	8 Net long-term capital gain (loss)			●	▶
	9 Net Section 1231 gain (loss)			●	▶
Other Income (Loss)	**10 a** Other portfolio income (loss). Attach schedule			●	▶
	b Other income (loss)			●	▶
Deductions	**11** Expense deduction for recovery property (IRC Section 179 and R&TC Sections 17267.2, 17267.6, and 17268) Attach schedules				
	12 a Charitable contributions				
	b Investment interest expense			●	▶
	c 1 Section 59(e)(2) expenditures				
	2 Type of expenditures _____				
	d Deductions-portfolio				
	e Other deductions				
Credits	**13 a** Low-income housing credit. See instructions. Attach schedule			●	▶
	b Credits related to rental real estate activities other than on line 13(a). Attach schedule			●	▶
	c Credits related to other rental activities. See instructions. Attach schedule			●	▶
	d Other credits. Attach schedule			●	▶
	e New jobs credit				
	14 Total withholding (equals amount on Form 592-B if calendar year)			●	▶

	(a) Pro-rata share items	(b) Amount from federal Schedule K-1 (1120S)	(c) California adjustment	(d) Total amounts using California law Combine (b) and (c) where applicable	(e) California source amounts and credits
Alternative Minimum Tax (AMT) Items	**15 a** Depreciation adjustment on property placed in service after 12/31/86				
	b Adjusted gain or loss				
	c Depletion (other than oil and gas)				
	d 1 Gross income from oil, gas, and geothermal properties				
	2 Deductions allocable to oil, gas, and geothermal properties				
	e Other AMT items. Attach schedule				
Items Affecting Shareholder Basis	**16 a** Tax-exempt interest income				
	b Other tax-exempt income				
	c Nondeductible expenses				
	d Total property distributions (including cash) other than dividends distribution reported on line 17c			●	▶
	e Repayment of loans from shareholders			●	▶
Other Information	**17 a** Investment income. See instructions				
	b Investment expenses. See instructions				
	c Total taxable dividend distribution paid from accumulated earnings and profits. See instructions			●	▶
	d Other information. See instructions				
Other State Taxes	**18 a** Type of income _____				
	b Name of state _____				
	c Total gross income from sources outside California. Attach schedule				
	d Total applicable deductions and losses. Attach schedule				
	e Total other state taxes. Check one: ☐ Paid ☐ Accrued			●	▶

Other Shareholder Information

Table 1 — Each shareholder's share of nonbusiness income from intangibles. See instructions.

Interest $ _____ Royalties $ _____ Dividends $ _____

1231 Gains/Losses $ _____ Capital Gains/Losses $ _____ Other $ _____

FOR USE BY APPORTIONING UNITARY SHAREHOLDERS ONLY

Table 2 — Unitary shareholder's pro-rata share of business income and factors — See instructions.

A. Shareholder's share of the S corporation's business income $_____

B. Shareholder's share of the nonbusiness income from real and tangible property sourced or allocable to California:

Capital Gains/Losses $_____ Rents/Royalties $ _____

1231 Gains/Losses $_____ Other $ _____

C. Shareholder's share of the S corporation's property, payroll, and sales:

Factors	Total within and outside California	Total within California
Property: Beginning	$	$
Ending	$	$
Annual Rent Expense	$	$
Payroll	$	$
Sales	$	$

Shareholder's Instructions for Schedule K-1 (100S)

For S Corporation Shareholder's Use Only

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).

Important Information

If the shareholder is not an individual, the shareholder may report the amounts as instructed on their California income tax return.

California law has not conformed to federal law regarding additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.

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.

The California Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc. line items are revised to be in a similar format with the federal Schedule K-1 (1120S), Shareholder's Share of Income, Deductions, Credits, etc. For California purposes file the California Schedule K-1 (100S) not the federal Schedule K-1 (1120S). For more information, get the Schedule K Federal/State Line References chart included in the Form 100S, S Corporation Tax Booklet.

For taxable years beginning on or after January 1, 2002, California no longer allows a federal S corporation to elect to be a California C corporation. Therefore, for the taxable year beginning in 2002, and thereafter, any corporation with a valid federal S corporation election is considered an S corporation for California purposes. The effective date of the election is the first day of the corporation's taxable year beginning in 2002.

Corporations that elect to be an S corporation for federal purposes on or after January 1, 2002, and have a California filing requirement are deemed to make the California S election on the same date as the federal election.

California conforms to the federal Job Creation Act of 2002 provision that affects discharge of indebtedness of an S corporation. This provision provides that income from the discharge of indebtedness of an S corporation that is excluded from the S corporation's income is not taken into account as an item of income by any shareholder and thus does not increase the basis of any shareholder's stock in the corporation. This provision would apply for California purposes to discharges of indebtedness after December 31, 2001, in taxable years ending after that date. The provision would not apply to any discharge of indebtedness before March 1, 2002, pursuant to a plan of reorganization filed with a bankruptcy court on or before October 11, 2001.

For taxable years beginning on or after January 1, 2003, California follows the revised federal instructions **(with some exceptions)** for reporting the sale, exchange, or disposition of an asset for which an IRC Section 179 expense deduction was claimed in prior years by a partnership, limited liability company, or S corporation.

Shareholders should follow federal reporting requirements as detailed in federal Form 1120S, U.S. Income Tax Return for an S Corporation, and federal Form 4797, Sale of Business Property.

As of January 1, 2005, California conforms to the federal modification to the qualification requirements of an S corporations and their shareholders.

S corporations are required to report withholding payments from the S corporation that are allocated to all shareholders, as well as payments withheld-at-source on nonresident shareholders. For taxable years beginning on or after January 1, 2006, the total withholding amount is reported on Schedule K-1 (100S).

A Purpose

The S corporation uses Schedule K-1 (100S) to report the shareholder's share of the S corporation's income, deductions, credits, etc. Information from the Schedule K-1 (100S) is used to complete your California tax return. Please keep a copy of Schedule K-1 for your records. However, **do not** file the schedule with your California tax return.

Although the S corporation is subject to various taxes, you are liable for the income tax on your share of the S corporation's income, whether or not distributed, and you must include your share on your California tax return.

The amount of losses and deductions that you may claim on your tax return may be less than the amount reported on Schedule K-1 (100S). Generally, the amount of losses and deductions you may claim is limited to your basis in the S corporation stock, debt owed to you by the S corporation, and the amount for which you are considered at-risk. Also, if the S corporation has losses, deductions, or credits from a passive activity, you must apply the passive activity rules. It is your responsibility to consider and apply any applicable limitations. See General Information C, Limitations on Losses, Deductions, and Credits. Use these instructions to help you report the items shown on Schedule K-1 (100S) on your California tax return.

For the line items where "attach schedule" appears, the S corporation should provide additional information applicable to that line.

B Reporting Information from Columns (c), (d), and (e)

Inconsistent treatment of items

Generally, shareholders must report IRC subchapter S items shown on their Schedule K-1 (100S), and any attached schedules, the same way the corporation treated the items on its tax return. If the treatment on a shareholder's original or amended tax return is inconsistent with the corporation's treatment, or if the corporation has not filed a tax return, you must attach a statement with your original or amended tax return to identify and explain any inconsistency or to note that a corporate tax return has not been filed. If a shareholder is required to attach this statement but fails to do so, the shareholder may be subject to an accuracy related penalty.

Line 1 through Line 18

If you are an individual shareholder, take the amounts in column (c) that are from nonpassive activities and enter these amounts on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d) or column (e) that are from passive activities on the California form or schedule where they are normally reported. Bring the total amounts figured on the appropriate California form or schedule to form FTB 3801, Passive Activity Loss Limitations, to figure the amount of your passive activity loss limitation. Then transfer the passive activity loss back to the form or schedule it is normally reported on to figure your California adjustment amount. Enter this adjustment amount on the corresponding line of Schedule CA (540 or 540NR), California Adjustments, or Form 541, California Fiduciary Income Tax Return.

If there is no California schedule or form to figure your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Worksheets on Side 2 of form FTB 3801. Enter the total of your adjustments from all passive activities from the worksheets on Schedule CA (540 or 540NR), as applicable.

If you have losses, deductions, credits, etc., from a prior year that were not deductible or usable because of certain limitations, such as the at-risk rules, these carryforward losses, deductions, and credits may be taken into account in determining your net income, loss, etc., for this taxable year. However, do not combine the prior year amounts with any amounts shown on this Schedule K-1 (100S) to get a net figure to report on any supporting schedules, statements, or forms attached to your tax return. Instead, report the amounts on an attached schedule, statement, or form on a year-by-year basis.

C Limitations on Losses, Deductions, and Credits

The amounts shown on line 1 through line 3 reflect your share of income or loss from the S corporation's business or rental operations without reference to your limitations on losses or adjustments that may be required because of the following:

- The adjusted basis of your S corporation ownership interest per IRC Section 1366(d).
- The amount for which you are at-risk as determined under IRC Section 465.
- The passive activity limitations of IRC Section 469.

Get the instructions for federal Schedule K-1 (1120S), line 1 through line 3 for more information.

Basis rules

Generally, you may not claim your share of the S corporation loss (including capital loss) that is greater than the adjusted basis of your shareholder interest at the end of the S corporation's taxable year.

Basis is increased by:

1. All income (including tax-exempt income) reported on Schedule K-1 (100S).
2. Money and adjusted basis of property contributed to the corporation.
3. The excess of the deduction for depletion over the adjusted basis of the property subject to depletion.

Basis is decreased by:

1. Fair market value of property distributions (including cash) made by the S corporation (excluding dividend distributions reported on Form 1099-DIV, Dividends and Distributions, and distributions in excess of basis) reported on Schedule K-1 (100S), line 16d.
2. All losses and deductions (including nondeductible expenses) reported on Schedule K-1 (100S).

These items are not a complete list of factors that determine basis. For examples, see Treas. Reg. Section 1.1367-1.

At-risk rules
Generally, if you have: (1) a loss or other deduction from an activity carried on as a trade or business or for the production of income by the corporation; and (2) amounts in the activity for which you are not at-risk, you will have to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your tax return. For California purposes, you must complete federal Form 6198 using California amounts.

The at-risk rules generally limit the amount of loss (including loss on disposition of assets) and other deductions (such as IRC Section 179 or R&TC Sections 17267.2, 17267.6, and 17268 deductions) that you may claim to the amount you could actually lose in the activity. Get the instructions for federal Schedule K-1 (Form 1120S), for more information about the At-Risk Limitation.

Passive activity limitations
Generally, California tax law conforms to federal IRC Section 469 rules that limit the deduction of certain losses and credits.

These rules apply to shareholders who meet both of the following:

- Are individuals, estates, or trusts.
- Have a loss or credit from a passive activity.

A passive activity is generally a rental activity or a trade or business activity in which the shareholder does not materially participate.

If you have a loss or deductions from a passive activity, you will need to complete form FTB 3801 to figure the allowable amounts to report on your individual tax return. You will also need to complete form FTB 3801, if you have passive activity income from this S corporation and passive activity loss or deduction from another source.

The amounts reported on Schedule K-1 (100S), line 2 and line 3 are from rental activities of the S corporation and are generally passive activity income (loss) to all shareholders.

There is an exception to this rule for losses incurred by qualified investors in qualified low-income housing projects. The S corporation will identify any of these qualified amounts on an attachment for line 2.

Passive activity credits are also limited to passive income. See the instructions for line 13d.

During 1993, the U.S. Congress made changes to the passive activity loss provisions of the IRC relating to real estate professionals. California has not conformed to those changes.

D California Adjustment – Column (c)

Use this column to account for your proportionate share of the differences in the computation of federal and California income.

The most common adjustment items are as follow:

- California minimum franchise tax.
- Depreciation expense due to different basis of the assets or depreciation method used.
- Gain or loss on sale of assets due to the effects of different depreciation methods or basis.
- Government bond interest income:
  a) U.S. bond interest is taxable for federal purposes but not for California purposes.
  b) State bond interest (other than from California bonds) is taxable for California purposes but not for federal purposes.

E Total amounts using California law – column (d) and California source amounts and credits – column (e)

Shareholders who are California residents will use amounts shown in column (d) because California resident individuals are subject to personal income tax on all income from whatever source derived (R&TC Section 17041). Nonresident shareholders who do not conduct a trade or business that is unitary with the S corporation should use the amounts in column (c), column (d) (for total income purposes), column (e) (for California source income purposes), and Table 1. If the nonresident shareholder conducts a unitary business with the S corporation, data in column (e) should not be used. Instead, the shareholder must combine its share of the S corporation's income with the income from its trade or business and apportion that income using an apportionment percentage consisting of a combination of the factors from its trade or business and the shareholder's share of the factors from the S corporation from Table 2. Amounts in Table 1 should be sourced to the residence or commercial domicile of the shareholder.

Specific Line Instructions

Income (Loss)

Line 1 – Ordinary business income (loss)
The amount reported on line 1, column (d) or column (e) is your share of the ordinary income (loss) from the trade or business activities of the S corporation. Generally, where you report this amount on Form 540, Long Form 540NR, or Form 541 depends on whether or not the amount is from an activity that is a passive activity to you.

If, in addition to this passive activity income, you have a passive activity loss from this S corporation or from any other source, report the line 1, column (d) or column (e) income on form FTB 3801.

If a loss is reported on line 1, column (d) or column (e), report the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

Line 2 – Net rental real estate income (loss)
Generally, the income (loss) reported on line 2, column (d) or column (e), is a passive activity amount to all shareholders. However, there is an exception for losses from a qualified low-income housing project. The loss limitations do not apply to qualified investors in a qualified low-income housing project. The S corporation will have attached a schedule for line 2 to identify such amounts, if applicable. Enter the California adjustment amount from column (c) on Schedule CA (540 or 540NR), as applicable.

Use the following instructions to determine where to enter a line 2 amount.

- If you have a loss on line 2, column (d) or column (e) (other than a qualified low-income housing project loss), enter this passive activity loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

  If you are a qualified investor reporting a qualified low-income housing project loss, enter the California adjustment amount from column (c) directly on Schedule CA (540 or 540NR), as applicable.
- If you have income on line 2, column (d) or column (e) and no passive losses, enter the California adjustment from column (c) on Schedule CA (540 or 540NR), as applicable.

Line 3 – Other net rental income (loss)
The amount on line 3, column (d) or column (e) is a passive activity amount for all shareholders.

- If line 3, column (d) or column (e) is a loss, enter the loss on the applicable line of form FTB 3801.
- If income is reported on line 3, column (d) or column (e) and you have no passive losses, enter the California adjustment from column (c) on Schedule CA (540 or 540NR), as applicable.

Line 4 through Line 8 and Line 10a – Portfolio income (loss)
Income (loss) referred to as "portfolio" income (loss) in these instructions is not part of a passive activity subject to the rules of IRC Section 469. Portfolio income includes income not derived in the ordinary course of a trade or business from interest, dividends, annuities, or royalties and gain (loss) on the sale of property that produces these types of income or is held for investment. If you have amounts on Schedule K-1 (100S), line 4 through line 8 and line 10a, report these amounts as follows:

- Enter line 4, column (c) and/or column (e) on Schedule CA (540 or 540NR), line 8, whichever column is applicable.
- Enter line 5, column (c) and/or column (e) on Schedule CA (540 or 540NR), line 9, whichever column is applicable.
- Enter line 6, column (c) and/or column (e) on Schedule CA (540 or 540NR), line 17, whichever column is applicable.
- Enter line 7 and line 8, column (d) or column (e) on Schedule D (540 or 540NR).
- Enter line 10a, column (d) or column (e) on the applicable schedule.

Generally, amounts reported on line 7 and line 8 are gains or losses attributable to the disposition of property held for investment and are therefore classified as portfolio income (loss). If, however, an amount reported on line 7 or line 8, column (d) or column (e), is a passive activity amount, the S corporation should identify the amount.

The S corporation uses line 10a, column (d) or column (e), to report portfolio income other than interest, dividend, royalty, and capital gain (loss) income. A statement will be attached to tell you what kind of portfolio income is reported on line 10a, column (d) or column (e).

Line 9 – Net Section 1231 gain (loss)
If the amount on line 9 relates to a rental activity, the IRC Section 1231 gain (loss) is a passive activity amount.

- If the amount is not a passive activity amount to you, report it on Schedule D-1, Sales of Business Property, line 2, column (g). You do not have to complete the information called for in column (b) through column (f). Write "From Schedule K-1 (100S)" across these columns.
- If a gain is reported on line 9, column (d) or column (e), and it is a passive activity amount to you, report the gain on Schedule D-1, line 2, column (g), and refer to "Passive Loss Limitations" in the instructions for Schedule D-1.
- If a loss is reported on line 9, column (d) or column (e) and it is a passive activity amount to you, report the loss on Schedule D-1, line 2, column (g), and refer to "Passive Loss Limitations" in the instructions for Schedule D-1. You will need to use form FTB 3801 to determine how much of the loss is allowed on Schedule D-1.

Line 10b – Other income (loss)
Amounts on this line are other items of income, gain, or loss not included on line 1 through line 10a. The S corporation should give you a description of your share for each of these items.

Report income or gain items that are passive activity amounts to you as instructed below. If, in addition to this passive activity income or gain, you have passive activity losses from any other source, also report the passive activity income or gain on form FTB 3801.

Line 10b items may include the following:

- S corporation gains from the disposition of farm recapture property (refer to Schedule D-1) and other items to which IRC Section 1252 applies.
- Recovery of bad debts, prior taxes, and delinquency amounts (IRC Section 111). Report the amount from line 10b, column (c), on Schedule CA (540 or 540NR), line 21, whichever column is applicable.
- Gains and losses from gambling, IRC Section 165(d).
- Any income, gain, or loss to the S corporation under IRC Section 751(b) from a partnership. Report this amount on Schedule D-1, line 10.
- Specially allocated ordinary gain (loss) from a partnership. Report this amount on Schedule D-1, line 10.
- Net gain (loss) from involuntary conversions due to casualty or theft. The S corporation will give you a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, line 35, column (b)(i), column (b)(ii), and column (c).
- Net short-term capital gain or loss, net long-term capital gain or loss, gain or loss from Schedule D (100S) that is **not** portfolio income (e.g., gain or loss from the disposition of nondepreciable personal property used in a trade or business activity of the S corporation).
- Any new gain or loss from IRC Section 1256 contracts.
- Eligible gain from the sale or exchange of qualified small business stock (as defined in R&TC Section 18152.5). The S corporation should also give you the name of the corporation that issued the stock and your pro-rata share of the basis of that stock.
- Gain (loss) from the disposition of an interest in oil, gas, geothermal, or other mineral properties.

Deductions

Line 11 – Expense deduction for recovery property
The maximum amount of expense deduction for recovery property (IRC Section 179 deduction) that you may claim from all sources is $25,000. The S corporation will give you information on your share of the cost of the S corporation's IRC Section 179 property so that you can compute this limitation. Your IRC Section 179 deduction is also limited to your taxable income from all your trades or businesses. Get form FTB 3885A, Depreciation and Amortization Adjustments, federal Publication 534, Depreciating Property Placed in Service Before 1987, and federal Publication 946, How to Depreciate Property, for more information.

If the S corporation reported an Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), or Targeted Tax Area (TTA) business expense deduction on this line from R&TC Sections 17267.2, 17267.6, or 17268, complete form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, or form FTB 3809, Targeted Tax Area Deduction and Credit Summary, to report your pro-rata share.

Line 12a – Charitable contributions
The S corporation will give you a schedule that shows which contributions were subject to the 50%, 30%, and 20% limitations. Get the federal instructions for Form 1040, U.S. Individual Income Tax Return, for more information.

If there is an amount on Schedule K-1 (100S), line 12a, column (c), enter this amount on Schedule CA (540 or 540NR), line 41.

Line 12b – Investment interest expense
If the S corporation paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, Investment Interest Expense Deduction, and federal Publication 550, Investment Income and Expenses.

Enter the amount from column (d) or column (e) on form FTB 3526 along with your investment interest expense from other sources. Form FTB 3526 will help you determine how much of your total investment interest is deductible.

Line 12c 1 – Section 59(e)(2) expenditures
Amount on line 12(c)(1) may not necessarily be California source amount. However, enter the same amount in column (e) as entered in column (d).

Get the instructions for federal Schedule K-1 (1120S).

Line 12d – Deductions-portfolio
Amounts entered on this line are the expenses (other than investment interest expense and expenses from a real estate mortgage investment conduit (REMIC)) paid or incurred to produce portfolio income. If you have an amount on Schedule K-1 (100S), line 12d, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR). However, if any of the line 12d amount should not be reported on Schedule CA (540 or 540NR), the S corporation will identify that amount for you.

Line 12e – Other deductions
Amounts on this line are other deductions not included on line 11, and line 12a through line 12d. If there is an amount on Schedule K-1 (100S), line 12e, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR).

Credits

The S corporation must provide the information you need to compute a credit allowable on your tax return.

Line 13a – Low-income housing credit
Your share of the S corporation's low-income housing credit is shown on line 13a, column (d) or column (e). Any available credit is entered on form FTB 3521, Low-Income Housing Credit. To claim this credit, attach a copy of form FTB 3521 to your tax return.

For taxable years beginning on or after January 1, 2009, the **farmworker housing credit** has been consolidated into the low-income housing tax credit. Get form FTB 3521, for more information.

You may not claim the low-income housing credit on any qualified low-income housing project for which any person was allowed any benefit under Section 502 of the federal Tax Reform Act of 1986. Also, the passive activity credit limitations of IRC Section 469 may limit the amount of credit you may claim. Get form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of credit that may be limited under the passive activity rules.

For more information, see the instructions for line 13d.

Line 13b – Credits related to rental real estate activities
If applicable, the S corporation may use this line, through an attached schedule, to give you the information you need to compute credits related to rental real estate activities other than the low-income housing credit.

For more information, see the instructions for line 13d.

Line 13c – Credits related to other rental activities
If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to rental activities other than rental real estate activities.

For more information, see the instructions for line 13d.

Line 13d – Other credits
If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported on line 13c or line 13d (depending on the type of activity they relate to) include but are not limited to the following:

- EZ hiring & sales or use tax credit (FTB 3805Z).
- LAMBRA hiring & sales or use tax credit (FTB 3807).
- TTA hiring & sales or use tax credit (FTB 3809).
- Research credit (FTB 3523).
- Manufacturing Enhancement Area (MEA) hiring credit (FTB 3808).

The pass-through rules of IRC Section 1366, the at-risk limitations of IRC Section 465, and the passive activity limitations of IRC Section 469 may limit the amount of credits that you may take. Credits on line 13d may be passive activity credits to shareholders who do not materially participate in the activities of the S corporation.

Passive activity credits are limited to tax attributable to passive activities income. If you do not materially participate in the activity of the S corporation, get form FTB 3801-CR, to determine the amount of the credit you may take.

Line 14 – Total withholding
Line 14 includes withholding from payments made to the S corporation allocated to all shareholders based on their stock ownership, payments withheld on nonresident shareholders, and backup withholding. S corporation shareholders must attach Form 592-B, Resident and Nonresident Withholding Tax Statement, to the front of their California tax return to claim the withholding credit. **Do no**t use Schedule K-1 (100S) to claim the withholding credit.

The total withholding credit entered on Schedule K-1 (100S), line 14 should be reported under the Payments Section of Form 540, or Long Form 540NR. See instructions for Form 540, or Long Form 540NR for more information.

Alternative Minimum Tax (AMT) Items

Line 15a through Line 15e
Use the information reported on line 15a through line 15e (as well as adjustments and tax preference items from other sources) to prepare Schedule P (540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations.

For more information about the Alternative Minimum Tax (AMT) Items, get the instructions for federal Schedule K-1 (1120S).

Items Affecting Shareholder Basis

Amounts on line 16a through line 16e may not necessarily be California source amounts. However, enter the same amount in column (e) as entered in column (d).

Line 16a through Line 16c
Get the instructions for federal Schedule K-1 (1120S).

Line 16d – Total property distributions (including cash)
Reduce your basis in stock of the S corporation by the fair market value of the distributions on line 16d. If these distributions exceed your basis in stock, the excess is treated as gain from the sale or exchange of property and is reported on Schedule D (540 or 540NR).

Line 16e – Repayment of loans from shareholders
If the line 16e payments are made on indebtedness with a reduced basis, the repayments result in income to you to the extent the repayments are more than the adjusted basis of the loan. See IRC Section 1367(b)(2) for information on reduction in basis of a loan and restoration of basis of a loan with a reduced basis. See federal Revenue Ruling 68-537, 1968-2 C.B. 372, for more information.

Other Information

Line 17a and Line 17b – Investment income and investment expenses
If the S corporation paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, and federal Publication 550.

Use the column (d) or column (e) amounts on these lines to determine the amount to enter on form FTB 3526, line 4a and line 5.

The amounts shown on line 17a and line 17b include only investment income and expenses included on line 4 through line 6, line 10a, and line 12d of this Schedule K-1 (100S). The S corporation should attach a schedule that shows you the amount of any investment income and expenses included in any other lines of your Schedule K-1 (100S). Use these amounts, if any, to adjust line 17a and line 17b to determine your total investment income and total investment expenses from this S corporation. Combine these totals with investment income and expenses from all other sources to determine the amount to enter on form FTB 3526, line 4a and line 5.

Line 17c – Total taxable dividend distributions
The S corporation must issue a federal Form 1099-DIV to you for this distribution. Report this amount as a taxable dividend on your tax return.

Supplemental Information

Line 17d – Other information
The S corporation will provide supplemental information required to be reported to you on this line. If the S corporation is claiming tax benefits from an EZ, LAMBRA, TTA, or MEA, the S corporation will give you your pro-rata share of (1) business income apportioned to the EZ, LAMBRA, MEA, or TTA, and (2) business capital gains and losses included in (1) on this line. Get form FTB 3805Z, FTB 3807, FTB 3808, or FTB 3809 to claim any applicable credit or business expense deduction.

The S corporation may have provided an amount showing your proportionate interest in the S corporation's aggregate gross receipts, less returns and allowances on Schedule K-1 (100S), line 17d. Legislation enacted in 1996 allows a **qualified taxpayer** to exclude from alternative minimum taxable income adjustments and items of tax preference attributable to any trade or business. A "qualified taxpayer" is defined as an individual, estate, or trust that meets both of the following:

- Is the owner of, or has an ownership interest in a trade or business.
- Has aggregate gross receipts, less returns and allowances, of less than $1,000,000 from **all** trades or businesses that the taxpayer is an owner of, or has an ownership interest in, in the amount of that taxpayer's proportionate interest in each trade or business.

"Aggregate gross receipts, less returns and allowances" means the sum of the gross receipts of the trades or businesses which you own and the proportionate interest of the gross receipts of the trades or businesses which you own and of pass-through entities in which you hold an interest.

"Proportionate interest" is defined as follow:

- In the case of a pass-through entity which reports a profit for the taxable year, your profit interest in the entity at the end of your taxable year.
- In the case of a pass-through entity which reports a loss for the taxable year, your loss interest in the entity at the end of your taxable year.
- In the case of a pass-through entity which is sold or liquidates during the taxable year, your capital account interest in the entity at the time of the sale or liquidation.

"Proportionate interest" includes an interest in a pass-through entity including a partnership, S corporation, regulated investment company, real estate investment trust, or real estate mortgage investment conduit.

For purposes of R&TC Section 17062(b)(4), "gross receipts" means the sum of gross receipts from the production of business income, within the meaning of subdivisions (a) and (c) of R&TC Section 25120, and the gross receipts from the production of nonbusiness income, within the meaning of subdivision (d) of R&TC Section 25120. "Proportionate interest" includes an interest in a pass-through entity. See R&TC Section 17062 for more information.

The pro-rata share of gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on the Schedule K-1 (100S) as other information. Follow the instructions on the federal Form 4797 and federal Schedule K-1 (1120S) for the reporting requirements.

If the S corporation listed any credit recapture on line 17d, see your tax booklet for information on how to report the credit recapture.

Other State Taxes

Line 18a through Line 18e
You may claim a credit against your individual tax for your share of net income taxes paid by the S corporation to certain other states which either impose a tax on the S corporation or do not recognize S corporation status. For purposes of this credit, net income taxes include your share of taxes on, according to, or measured by income.

Residents are taxed on their pro-rata share of all income and generally receive a credit for taxes paid to other states. Nonresidents and part-year residents use column (e) for your pro-rata share of California source pass-through income.

For more information, get California Schedule S, Other State Tax Credit.

Other Shareholder Information

Table 1
The income data contained in Table 1 is not reflected in column (e) because the source of such income must be determined at the shareholder level. The shareholder must make a determination whether the nonbusiness intangible income item is from a California source.

Net nonbusiness income is computed by subtracting related nonbusiness expenses from the nonbusiness income.

Table 2
If the shareholder and S corporation are engaged in a single unitary business, the shareholder's share of the S corporation's business income is entered on Table 2, Item A. The shareholder will then add that income to its own business income and apportion the combined business income.

The shareholder's share of the S corporation's payroll, property, and sales data is in Table 2, Item C. The business income in Table 2, Item A is combined with the taxpayer's other business income from the unitary business. The apportionment numerator and denominator data are added to the appropriate numerator and denominator of the shareholder's payroll, property, and sales factors.

Instructions for Form FTB 3539

Payment for Automatic Extension for Corporations and Exempt Organizations

General Information

Corporations can make payments electronically at the Franchise Tax Board's (FTB's) website using Web Pay. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. FTB does not charge for this service. For more information go to **ftb.ca.gov** and search for **web pay**. Corporations and exempt organizations can also view estimated tax payments online. Go to **ftb.ca.gov** and search for **myftb account**.

Use form FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs, **only** if both of the following apply:

- The corporation or exempt organization cannot file its 2011 California (CA) tax return by the original due date.
- The corporation or exempt organization owes tax for the 2011 taxable year.

Use the worksheet on the next page to determine if the corporation or exempt organization owes tax.

- If the corporation or exempt organization does not owe tax, **do not** file form FTB 3539. However, the corporation or exempt organization must file its return by the extended due date listed below.
- If the corporation or exempt organization owes tax, and will not pay the tax due electronically, complete form FTB 3539, make a check or money order, using black or blue ink, and mail them to the FTB by the original due date of the return to avoid late payment penalties and interest. For more information, see Penalties and Interest section on the next page. If the corporation or exempt organization is required to pay electronically, see Electronic Funds Transfer (EFT) section for more information.

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

If a corporation (including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), limited liability companies (LLCs) electing to be treated as corporations, or an exempt organization in good standing) cannot file its CA tax return by the original due date, a seven-month extension to file is granted without submitting a written request. To qualify for the automatic extension, the corporation or exempt organization must file its CA tax return by the extended due date and its powers, rights, and privileges must not be suspended or forfeited by the FTB or the California Secretary of State (SOS) as of the original due date.

Electronic Funds Transfer

Corporations or exempt organizations remitting an estimated tax payment or extension payment in excess of $20,000 or having a total tax liability in excess of $80,000 must remit all of their payments through EFT. Once a corporation or an exempt organization meets the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically to avoid a 10% non-compliance penalty. Corporations required to remit payments electronically may use Web Pay and be considered in compliance with that requirement. The FTB notifies corporations or exempt

Payment of Tax Dates: To avoid late payment penalties and interest, 100% of the tax liability must be paid by the following dates (see item 4 below for exception):

Form Filed	Calendar Year Filers	Fiscal Year Filers: 15th day of the
• Form 100, 100W, or 100S	• March 15, 2012	• 3rd month following the close of the taxable year
• Form 100 for farmers' cooperative	• September 17, 2012	• 9th month following the close of the taxable year
• Form 199 or 109, generally	• May 15, 2012	• 5th month following the close of the taxable year
• Form 109 for employee's trust (IRC 401(a)) or IRA	• April 17, 2012	• 4th month following the close of the taxable year

Extended Filing Dates: The extended date for filing the return is as follows:

Form Filed	Calendar Year Filers	Fiscal Year Filers: 15th day of the
• Form 100, 100W, or 100S	• October 15, 2012	• 10th month following the close of the taxable year
• Form 100 for farmers' cooperative	• April 15, 2013	• 16th month following the close of the taxable year
• Form 199 or 109, generally	• December 17, 2012	• 12th month following the close of the taxable year
• Form 109 for employee's trust (IRC 401(a)) or IRA	• November 15, 2012	• 11th month following the close of the taxable year

1. An extension of time to file the CA tax return is **not** an extension of time to pay the tax.
2. When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day. Due to the Emancipation Day holiday on April 16, 2012, tax returns filed and payments mailed or submitted on April 17, 2012, will be considered timely.
3. Save the completed worksheet, on next page, as a permanent part of the corporation's or exempt organization's tax records, along with a copy of the CA tax return.
4. The FTB may waive the late payment penalty based on reasonable cause if 90% of the tax shown on the return is paid by the original due date of the return, but not less than the minimum franchise tax if applicable.

DETACH HERE — IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM — DETACH HERE

(Calendar year corporations — File and Pay by March 15, 2012) (Fiscal year filers – See instructions)
(Employees' trust and IRA — File and Pay by April 17, 2012)
(Calendar year exempt organizations — File and Pay by May 15, 2012)

TAXABLE YEAR **2011**

Payment for Automatic Extension for Corps and Exempt Orgs

CALIFORNIA FORM **3539 (CORP)**

For calendar year 2011 or fiscal year beginning month _____ day ____ year _____, and ending month _____ day ____ year _____ .

California corporation number | FEIN | This entity will file Form: ☐ 100, 100W, or 100S ☐ 109 ☐ 199

Corporation/exempt organization name

Address (suite, room, or PMB no.)

City | State | ZIP Code

Contact telephone no. ( )

If no payment is due or paid electronically, do not mail this form.
Caution: You may be required to pay electronically. See instructions.

Amount of payment .00

organizations that are subject to this requirement. Those that do not meet these requirements may participate on a voluntary basis.

If the corporation or exempt organization pays electronically, complete the worksheet for the corporation's or exempt organization's records. **Do not mail form FTB 3539.** For more information, go to **ftb.ca.gov** and search for **eft**, or call 916.845.4025.

Where to File

If tax is due and the corporation or exempt organization is not paying electronically through EFT or Web Pay, make a check or money order using black or blue ink payable to the "Franchise Tax Board" for the amount of the tax due. Write the California corporation number or Federal Employer Identification Number (FEIN) and "2011 FTB 3539" on the check or money order. Enclose, but **do not** staple, the payment with the form FTB 3539 and mail to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0551

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

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

Penalties and Interest

- If the corporation or exempt organization fails to pay its total tax liability by the original due date, the corporation or exempt organization will incur a late payment penalty plus interest. If the corporation or exempt organization paid at least 90% of the tax shown on the return by the original due date of the return, but not less than the minimum franchise tax if applicable, the FTB **may** waive the penalty based on reasonable cause. However, the imposition of interest is mandatory.
- If the corporation or exempt organization does not file its CA tax return by the extended due date, or the corporation's powers, rights, and privileges have been suspended or forfeited by the FTB or the California SOS, as of the original due date, the automatic extension will not apply and a delinquency penalty plus interest will be assessed from the original due date of the CA tax return.
- If the corporation or exempt organization is required to remit all of its payments electronically and pays by another method, a 10% non-compliance penalty will be assessed.

Combined Reports

- If members of a combined unitary group have made or intend to make an election to file a combined unitary group single return, only the key corporation designated to file the return should submit form FTB 3539. The key corporation must include payment of at least the minimum franchise tax for each corporation of the combined unitary group that is subject to the franchise tax in California.
- If members of a combined unitary group intend to file separate returns with the FTB, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the Tax Payment Worksheet.
- If any member of a combined unitary group meets the requirements for mandatory EFT, all members must remit their payments electronically, regardless of their filing election.

Exempt Organizations

- **Form 100 filers:**
  The due dates for corporations also apply to the filing of Form 100, California Corporation Franchise or Income Tax Return, by political action committees and exempt homeowners' associations.

  Political action committees and exempt homeowners' associations that file Form 100 should not enter the minimum franchise tax on line 1 of the Tax Payment Worksheet.
- **Form 199 Filers:**
  Generally, Form 199, California Exempt Organization Annual Information Return, requires a $10 filing fee to be paid with the return on the original or extended due date.

  Use form FTB 3539 only if paying the fee early. Enter the amount of the fee on line 3 of the Tax Payment Worksheet.
- **Form 109 Filers:**
  The due dates for filing Form 109, California Exempt Organization Business Income Return, depend on the type of organization filing the return. Employees' pension trusts and IRAs (including education IRAs) must file on or before the 15th day of the 4th month after the close of their taxable year. All other exempt organizations (except homeowners' associations and political organizations) must file on or before the 15th day of the 5th month after the close of their taxable year.

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tentative tax. Include alternative minimum tax if applicable. See instructions	**1**		00
2	Estimated tax payments including prior year overpayment applied as a credit	**2**		00
3	Tax due. If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1. Enter the result here and on form FTB 3539	**3**		00

How to Complete the Tax Payment Worksheet

Line 1
Enter the total tentative tax, including the alternative minimum tax if applicable, for the taxable year.

- If filing Form 100, Form 100W, or Form 100S, and subject to franchise tax, the tentative tax may not be less than the minimum franchise tax and Qualified Subchapter S Subsidiary (QSub) annual tax (S corporations only).
- If filing Form 100, Form 100W, or Form 100S, and subject to income tax, enter the amount of tax. Corporations subject to the income tax do not pay the minimum franchise tax.
- If a corporation incorporates or qualifies to do business in California on or after January 1, 2000, the corporation will compute its tax liability for the first taxable year by multiplying its state net income by the appropriate tax rate and will not be subject to the minimum franchise tax. The corporation will become subject to minimum franchise tax beginning in its second taxable year.
- If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.
- If filing Form 199, use form FTB 3539 only if paying the filing fee of $10 early. Skip line 1 and line 2, and enter the amount of the filing fee on line 3 of the Tax Payment Worksheet, and on form FTB 3539.

Line 2
Enter the estimated tax payments, including prior year overpayment applied as a credit. S corporations may include any QSub annual tax payments.

Line 3
Excess payments. If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tentative tax. The corporation or exempt organization has no tax due. **Do not mail form FTB 3539**. The corporation or exempt organization will automatically qualify for an extension if the CA tax return is filed by the extended due date and the corporation or exempt organization is in good standing with the FTB and California SOS.

Tax due. If the amount on line 1 is more than the amount on line 2, the corporation's or exempt organization's tentative tax is more than its payments and credits. The corporation or exempt organization has tax due.

Subtract line 2 from line 1. Enter this amount on line 3 and on form FTB 3539.

TAXABLE YEAR **2011**

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

CALIFORNIA FORM **3805Q**

Attach to Form 100, Form 100W, Form 100S, or Form 109.

Corporation name

California corporation number

FEIN

During the taxable year the corporation incurred the NOL, the corporation was a(n): ☐ C corporation ☐ S corporation ☐ Exempt organization ☐ Limited Liability Company (electing to be taxed as a corporation)

If the corporation previously filed California tax returns under another corporate name, enter the corporation name and California corporation number:

If the corporation is included in a combined report of a unitary group, see instructions, General Information C, Combined Reporting.

Part I Current year NOL.

If the corporation does not have a current year NOL, go to Part II.

1	Net loss from Form 100, line 19; Form 100W, line 19; Form 100S, line 16; or Form 109, line 2. Enter as a positive number	1	00
2	2011 disaster loss included in line 1. Enter as a positive number	2	00
3	Subtract line 2 from line 1. If zero or less, enter -0- and see instructions	3	00
4 a	Enter the amount of the loss incurred by a new business included in line 3	4a	00
b	Enter the amount of the loss incurred by an eligible small business included in line 3	4b	00
c	Add line 4a and line 4b	4c	00
5	General NOL. Subtract line 4c from line 3	5	00
6	2011 NOL carryover. Add line 2, line 4c, and line 5. See instructions	6	00

Part II NOL carryover and disaster loss carryover limitations. See Instructions.

1	Net income (loss) – Enter the amount from Form 100, line 19; Form 100W, line 19; Form 100S, line 16 less line 17 (but not less than -0-); or Form 109, line 2. **If the corporation net income after state adjustments (pre-apportioned income) is $300,000 or more, see instructions**	(g) Available balance

Prior Year NOLs

(a) Year of loss	(b) Code – See instructions	(c) Type of NOL – See below*	(d) Initial loss	(e) Carryover from 2010	(f) Amount used in 2011		(h) Carryover to 2012 col. (e) - col. (f)
2							

Current Year NOLs

3 2011		DIS					col. (d) - col. (f)
4 2011							
2011							
2011							
2011							

*Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS).

Part III 2011 NOL deduction

1	Total the amounts in Part II, line 2, column (f)	1	00
2	Enter the total amount from line 1 that represents disaster loss carryover deduction here and on Form 100, line 22; Form 100W, line 22; or Form 100S, line 20. Form 109 filers enter -0-	2	00
3	Subtract line 2 from line 1. Enter the result here and on Form 100, line 20; Form 100W, line 20; Form 100S, line 18; or Form 109, line 7	3	00

2011 Instructions for Form FTB 3805Q

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

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

Disaster Loss Deductions – Disaster loss deductions are allowed for losses sustained in the **County of Santa Cruz** as a result of the severe storms that occurred in **March 2011**, and for losses sustained in the **Counties of Los Angeles and San Bernardino** as a result of the severe winds that occurred in **November 2011**.

- Taxpayers may make an election under IRC Section 165(i) on a prior year return or an amended return filed on or before the due date of the return, determined with regard to extension, for the taxable year in which the disaster occurred.
- These disasters qualify for the 20 year general NOL carryover provision, instead of the 15 year carryover provision. These disaster loss deductions are allowed at 100%.
- In addition, any provision of law that suspends, defers, reduces, or otherwise diminishes the deduction of a NOL does not apply to NOL attributable to the losses sustained in the Counties of Santa Cruz, Los Angeles and San Bernardino.

For more information, refer to R&TC Sections 24347.11 and 24347.12.

Important Information

- For taxable years beginning in **2010** and **2011**, California suspended the net operating loss (NOL) carryovers deduction. Corporations may continue to compute and carryover NOLs during the suspension period. **However**, corporations with net income after state adjustments (pre-apportioned income) of less than $300,000 **or** with disaster loss carryovers are not affected by the NOL suspension rules.

  If taxpayers are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of $300,000 or more shall apply to the aggregate amount of pre-apportioned income for **all** members included in the combined report.

  For taxable years beginning in 2008 and 2009, California has suspended the NOL carryover deduction. Corporations may continue to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than $500,000 or with disaster loss carryovers are not affected by the NOL suspension rules.

  The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, are extended by:

  - One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
  - Two years for losses incurred in taxable years beginning before January 1, 2010.
  - Three years for losses incurred in taxable years beginning before January 1, 2009.
  - Four years for losses incurred in taxable years beginning before January 1, 2008.

  For more information, get FTB Legal Ruling 2011-04.

  Also, NOLs incurred in taxable years beginning on or after January 1, 2013, may be carried back to each of the preceding two taxable years.

  The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after:

  - January 1, 2013, and before January 1, 2014, the carryback amount shall not exceed 50% of the NOL.
  - January 1, 2014, and before January 1, 2015, the carryback amount shall not exceed 75% of the NOL.
  - January 1, 2015, the carryback amount shall be 100% of the NOL.

- For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period from 10 taxable years to 20 taxable years following the year of the loss.
- For taxable years that began in 2002 and 2003, California suspended the NOL carryover deduction. Corporations continued to compute and carryover an NOL during the suspension period. However, the deduction for disaster losses was not affected by the NOL suspension rules.

  The carryover period for an NOL incurred in taxable years:

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

  For more information, get FTB Legal Ruling 2011-04.

- The general NOL carryover percentage varies for NOLs incurred prior to January 1, 2004. See General Information F, Types of NOLs, for more information.
- In 1998, the Franchise Tax Board (FTB) implemented the new Principal Business Activity (PBA) Codes chart that is based on the North American Industry Classification System (NAICS) in the corporate tax booklets. However, the California Revenue and Taxation Code (R&TC) still uses the Standard Industrial Codes (SIC) for purposes of the new business and eligible small business NOL.

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 R&TC in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

A Purpose

Use form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, to figure the current year NOL and to limit NOL and disaster loss carryover deductions.

Exempt trusts should use form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.

The California NOL is figured the same way as the federal NOL, except that for California:

- The carryover period and the amount to be carried over differ from federal allowances. See General Information F, Types of NOLs, for more information.
- An NOL may be carried over only to future years (no carrybacks are allowed).

  Note: California will allow NOLs incurred in taxable years beginning on or after January 1, 2013, to be carried back to each of the preceding two taxable years.

If the corporation has a current year NOL under R&TC Sections 24416.2, 24416.5, and 24416.6 (relating to Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), or Targeted Tax Area (TTA) NOLs), the corporation **must elect** on its tax return for the taxable year in which the loss is incurred to carryover the loss either under that section or the loss under R&TC Section 24416.20 (relating to general NOLs). If the corporation elects to compute the NOL under R&TC Section 24416.1(c) (relating to EZ, LAMBRA, or TTA NOLs), the corporation must:

- Make the election in a statement attached to the original tax return.
- Use the applicable economic development area (EDA) form to calculate the NOL.

The election is irrevocable. Get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, or FTB 3809, Target Tax Area Deduction and Credit Summary, for more information.

B Apportioning Corporations

The loss carryover for a corporation that apportions income is the amount of the corporation's loss, if any, after adding income or loss apportioned to California with income or loss allocable to California under Chapter 17 of the Corporation Tax Law. The loss carryover may be deducted from income of that corporation apportioned and allocable to California in subsequent taxable years.

C Combined Reporting

Corporations that are members of a unitary group filing a single tax return must use intrastate apportionment, separately computing the loss carryover for each corporation in the group using its individual apportionment factors (R&TC Section 25108). Complete a separate form FTB 3805Q for **each** taxpayer included in the combined report. Attach the separate forms for each taxpayer member **behind** the combined form FTB 3805Q for all members.

Unlike the loss treatment for a federal consolidated tax return, a California loss carryover for one member in a combined report may not be applied

to the income of another member included in the combined report. Get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report, for more information.

Note. If taxpayers are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of $300,000 or more shall apply to the aggregate amount of pre-apportioned income for **all** members included in the combined report.

D Water's-Edge

For water's-edge taxpayers, R&TC Section 24416.20(c) imposes a limitation on the NOL deduction if the NOL is generated during a non-water's-edge taxable year. The NOL carryover is limited to the lesser amount as re-determined by computing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the taxable year of the loss. If R&TC Section 24416.20(c) applies, the NOL carryover for each corporation may be decreased, but not increased.

E S Corporations

An S corporation is allowed to carryover a loss that is incurred during a taxable year in which it has in effect a valid election to be treated as an S corporation. The loss is also separately calculated under the pass-through rules and passed to the shareholders in the year incurred and is taken into account in determining each shareholder's NOL carryover, if any.

If a corporation changes from a C corporation to an S corporation, the loss incurred while the corporation was a C corporation may not be applied to offset income subject to the 1.5% tax imposed on an S corporation. However, losses incurred while the corporation was a C corporation may be applied against the built-in gains which are subject to tax. If the corporation incurred losses while it was a C corporation and an S corporation, and the S corporation is using C corporation losses to offset its built-in gains, the S corporation must complete two forms FTB 3805Q and attach them to Form 100S, California S Corporation Franchise or Income Tax Return. The unused losses incurred while the S corporation was a C corporation are "unavailable" except as provided for above unless and until the S corporation reverts back to a C corporation or the carryover period expires.

However, if an S corporation changes to a C corporation, any S corporation NOLs are lost.

***Note:** The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, are extended. For more information, see Important Information section.

Type of NOL and Description	Taxable Year NOL Incurred	NOL Carried Over	Carryover* Period
General NOL (GEN) Available as a result of a loss incurred in taxable years after 1986 and allowed under R&TC Section 24416.20. Does not include losses incurred from activities that qualify as a new business, an eligible small business, EZ, LARZ, LAMBRA, TTA, disaster loss, or Pierce's disease.	On or after 01/01/2008 2004-2007 2002-2003 2000-2001 1987-1999	 100% 100% 60% 55% None	 20 Years 10 Years 10 Years 10 Years Expired
Disaster Losses (DIS) Casualty losses in areas of California declared by the President of the United States or the Governor of California to be in a state of disaster. If the disaster is declared by the Governor of California only, subsequent state legislation is required for the disaster provision to be activated. An election may be made under IRC Section 165(i) permitting the disaster loss to be taken against the previous year's income. If the corporation made this election, see Part II, current year NOLs, line 3 and federal Form 4684 instructions for when the election must be filed. If special legislation is enacted and the specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to five taxable years. If any excess loss remains after the five-year period, 50% of that remaining loss may be carried over for up to 10 additional taxable years for losses occurred in any taxable year beginning before January 1, 2000; 55% for losses incurred in any taxable year beginning on or after January 1, 2000, and before January 1, 2002; 60% for losses incurred in any taxable year beginning on or after January 1, 2002, and before January 1, 2004; or 100% for losses incurred in any taxable year beginning on or after January 1, 2004.	See "List of events that have been declared as disasters" on the next page.	100% See instructions	First 5 Years 10 Years Thereafter
New Business NOL (NB) Get FTB Legal Ruling 96-5 for more information. NB means any trade or business activity that is first commenced in California on or after January 1, 1994. 100% of an NB NOL may be carried over, but only to the extent of the net loss from the new business. The term "new business" also includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the SIC Manual. Also, it includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration. See R&TC 24416.20(g)(7)(A) for more information. If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL. If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business conducted by the taxpayer or related person is not a new business if the fair market value (FMV) of the acquired assets exceeds 20% of the FMV of the total assets of the trade or business conducted by the taxpayer or any related person. To determine whether the acquired assets exceed 20% of the total assets, include only the assets that continue to be used in the same trade or business activity as were used immediately prior to the acquisition. For this purpose, the same trade or business activity means the same division classification listed in the SIC Manual. If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and then starts an additional trade or business in California, the additional trade or business qualifies as a new business only if the activity is classified under a different division classification of the SIC Manual. Business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Sections 267 or 318.	On or after 01/01/2008 On or after 01/01/2000 and before 01/01/2008 On or after 01/01/1994 and before 01/01/2000 Year of business Year 1 Year 2 Year 3	100% 100% For the first three years of business 100% 100% 100%	20 Years 10 Years 8 Years 7 Years 6 Years
Eligible Small Business NOL (ESB) Get FTB Legal Ruling 96-5 for more information. ESB NOL incurred in a trade or business activity that has gross receipts, less returns and allowances, of less than $1 million during the taxable year. 100% of an NOL may be carried over, but only to the extent of the net loss from the eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over as a general NOL. The corporation should use the same SIC Code division classifications described in the new business NOL section to determine what constitutes a trade or business activity.	On or after 01/01/2008 On or after 01/01/2000 and before 01/01/2008 On or after 01/01/1994 and before 01/01/2000	100% 100% None	20 Years 10 Years Expired

F Types of NOLs

The table on page 45 shows the types of NOLs available, a description, and the percentages and carryover periods for each type of loss.

Specific Line Instructions

Part I – Current year NOL

Use Part I to figure the current year NOL eligible for carryover.

Line 2 – If the corporation incurred a disaster loss during the 2011 taxable year, enter the amount of the loss on this line. Enter as a positive number.

Line 3 – If the amount is zero or less, the corporation does not have a current year general NOL. Go to Part II for computation of general NOL carryovers, the current year disaster loss, and carryover from disaster losses.

Line 6 – Go to Part II, Current Year NOLs, to record the corporation's 2011 NOL carryover to 2012. Complete columns (b), (c), (d), and (h) only, for each type of loss that the corporation incurred.

If the corporation has an eligible qualified new business or a small business and the NOL is greater than the amount of net loss from such a business, use the general NOL first. If the corporation operates one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es), the small business(es), and the general NOL in the following manner. The NOL is first treated as a new business NOL to the extent of the loss from the new business. Any remaining NOL is then treated as an eligible small business NOL to the extent of the loss from the eligible small business. Any further remaining NOL is treated as an NOL under the general rules.

Part II – NOL carryover and disaster loss carryover limitations

Use Part II to limit current year disaster loss and NOL carryover deductions to current year income and to record all of the corporation's loss carryover information.

If the corporation has losses from more than one source and/or more than one category, the corporation must compute the allowable NOL carryover for **each** loss separately.

When to use an NOL carryover

If the corporation NOL carryover deduction is not suspended, use the corporation's NOLs and disaster losses in the order the losses were incurred. There is no requirement to deduct NOL carryovers before disaster loss carryovers.

Line 1 – The NOL carryover deduction is suspended for 2010 and 2011 taxable years if the corporation net income after state adjustments (line 18 of Form 100 and Form 100W, or line 15 less line 17 of Form 100S) is $300,000 or more. The corporation may continue to compute and carryover an NOL during the suspension period. **However**, corporations with net income after state adjustments (pre-apportioned income) of less than $300,000 **or** with disaster loss carryovers are not affected by the NOL suspension rules.

Line 2 – Prior Year NOLs

Column (a) – Enter the year the loss was incurred.

Column (b) – If the loss is due to a disaster, enter the disaster code from the following list. If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual. **Do not** enter the code from the PBA Codes chart available in the 2011 Form 100, Form 100W, or Form 100S Tax Booklets. If the loss was from an S corporation, enter the entity's California corporation number from Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc.

List of events that have been declared disasters:

Year	Code	Event
2011	51	Los Angeles & San Bernardino County Severe Winds 11/11***
2011	50	Santa Cruz County Severe Storms 03/11***
2011	49	Mendocino County Tsunami Wave Surge 03/11
2011	48	Del Norte and Santa Cruz County Tsunami Wave Surge 03/11**
2011 2010	47	Severe Winter Storms, Flooding, Debris, and Mud Flows 12/10 to 01/11**
2010	46	San Bruno Explosion
2010	45	Kern County Wildfires
2010	44	CA Winter Storms 01/10 to 02/10
2009	43	Los Angeles, Monterey and Placer County Wildfires
2010	42	Baja California (Imperial County) Earthquake 2010
2010	41	Humboldt County Earthquake
2009	40	Santa Barbara Wildfires
2008	39	Southern California Wildfires 10/08 to 11/08
2008	38	Humboldt County Wildfires
2008	37	California Wildfires 2008
2007	36	Riverside County Winds
2008 2007	35	Inyo Complex Fire
2007	34	Southern California Wildfires
2007	33	Santa Barbara and Ventura County Fires
2007	32	El Dorado County Wildfires
2007	31	California Severe Freeze 01/07
2006	30	Riverside and Ventura County Wildfires
2006	29	San Bernardino County Wildfires
2006	28	Northern California flooding, mudslides, and landslides (03/06 to 04/06)
2006 2005	27	Northern California flooding, mudslides, and landslides (12/05 to 01/06)
2004	26	Shasta County Wildfires
2005 2004	25	Southern California flooding, debris flows, and mudslides
2004	24	San Joaquin Levee Break
2003	23	San Simeon earthquake
2003	22	Southern California fires and other related casualties
2000	21	Napa County earthquake
1999 1998	19	Winter Freeze 98/99
1998	18	El Niño 98
1997 1996	17	Disaster floods 97 Disaster floods 96 (expired)*

*Corporations that elected to deduct the disaster loss in the prior year under IRC Section 165(i), the final year to deduct the disaster loss carryover was last year. Corporations that did not elect IRC Section 165(i), the final year to deduct the disaster loss carryover is this year.

**Carryover period and percentage are limited to the NOL rules. No special legislation was enacted.

***Note: The Santa Cruz County Severe Storms (occurred in March 2011) and the Los Angeles and San Bernardino County Severe Winds (occurred in November 2011) disaster loss deductions are allowed at 100% and can be carried over for 20 years. Corporations can elect to deduct the disaster loss in the prior year return under IRC Section 165(i). Any provision of law that suspends, defers, reduces, or otherwise diminishes the deduction of a NOL does not apply to a NOL attributable to the Santa Cruz County Severe Storms occurred in March 2011 and the Los Angeles and San Bernardino County Severe Winds occurred in November 2011. Refer to R&TC Sections 24347.11 and 24347.12 for more information.

Column (c) – Enter the type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS). For more information see the table in General Information F, Types of NOLs.

Using Pierce's disease, or an EDA NOL, get the applicable form for the NOL type.

Column (d) – Enter 100% of the initial loss for the year given in column (a).

Column (e) – Enter the NOL carryover amount from the 2010 form FTB 3805Q, Part II, column (h).

Column (f) – Enter the smaller of the amount in column (e) or the amount in column (g) of the previous line.

Column (g) – Enter the result of subtracting column (f) from the balance in column (g) of the previous line.

Column (h) – Subtract the amount in column (f) from the amount in column (e) and enter the result.

Current Year NOLs

If a disaster loss occurs between the date of the publication and the end of the taxable year, go to **ftb.ca.gov** for an updated version of this form, which will include information for any subsequent disaster loss. Then follow the line 3 instructions.

Line 3 – Current year Disaster Loss

If the corporation did not elect to deduct the current year disaster loss in the prior year:

- In column (d), enter your 2011 disaster loss from Part I, line 2.
- In column (f), enter the disaster loss used in 2011.
- In column (h), enter column (d) less column (f).

If the corporation elected to deduct the 2011 disaster loss on the 2010 tax return, and the corporation has an excess amount to be carried over to 2011, enter the carryover amount in Part II, line 2, column (e). Use the Prior Year NOL instructions for column (a) through column (h) except:

- In column (a), enter 2011.
- In column (b), enter the new disaster code.
- In column (d), enter the total disaster loss incurred in 2011.

Credit Chart

Credit Name	Code	Description
Current Credits List		
California Motion Picture and Television Production – FTB 3541	223	The credit, which is allocated and certified by the California Film Commission, is 20% of expenditures attributable to a qualified motion picture and 25% of production expenditures attributable to an independent film or a TV series that relocates to California.
Community Development Financial Institutions Investment – Obtain certification from: CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN) DEPARTMENT OF INSURANCE 300 CAPITOL MALL, SUITE 1600 SACRAMENTO CA 95814 Website: **insurance.ca.gov**	209	20% of qualified investments made into a community development financial institution
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit, but limited to $125 per eligible small business, and 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	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for trade or business activities conducted within an enterprise zone
Environmental Tax – FTB 3511	218	Five cents ($0.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in California
Local Agency Military Base Recovery Area Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for trade or business activities conducted within a local agency military base recovery area
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area – FTB 3808	211	Hiring credit for Manufacturing Enhancement Area
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of the qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government
New Jobs – FTB 3527	220	$3,000 allowed for a qualified employer for each increase in qualified full-time employee hired in the current taxable year
Prior Year Alternative Minimum Tax	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in the current year
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 trade or business activities conducted within a targeted tax area

Repealed Credits with Carryover Provisions: The expiration dates for these credits have passed. However, these credits had carryover provisions. The corporation may claim these credits if there is a carryover available from prior years. If the corporation is not required to complete Schedule C (100S), get form FTB 3540, Credit Carryover Summary, to figure the credit carryover to future years.

Agricultural Products 175
Commercial Solar Electric System 196
Commercial Solar Energy 181
Contribution of Computer Software 202
Employer Ridesharing – Large employer . . 191
Employer Ridesharing – Small employer . . 192
Employer Ridesharing – Transit passes . . . 193
Energy Conservation. 182
Farmworker Housing – Construction 207
Joint Strike Fighter Wage 215
Joint Strike Fighter Property 216
Los Angeles Revitalization Zone Hiring & Sales or Use Tax 159
Low-Emission Vehicles. 160
Manufacturers' Investment 199
Orphan Drug 185
Recycling Equipment 174
Rice Straw. 206
Ridesharing. 171
Salmon & Steelhead Trout Habitat Restoration 200
Solar Energy 180
Solar Pump. 179
Solar or Wind Energy System 217
Technology Property Contributions. . . . 201

Principal Business Activity Codes

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the company derives the largest percentage of its ''total receipts.'' **Total receipts** is defined as the sum of gross receipts or sales (Form 100S, Side 3, Schedule F, line 1(a) plus all other income (Form 100S, Side 3, Schedule F, lines 4 through 5). If the company purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the company is considered a manufacturer and must use one of the manufacturing codes (311110-339900).

Once the principal business activity is determined, entries must be made on Form 100S, Side 2, Schedule Q, Question C. For the business activity code number, enter the six-digit code selected from the list below. On the next line enter a brief description of the company's business activity. Finally, enter a description of the principal product or service of the company on the next line.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production

111100 Oilseed & Grain Farming
111210 Vegetable & Melon Farming (including potatoes & yams)
111300 Fruit & Tree Nut Farming
111400 Greenhouse, Nursery, & Floriculture Production
111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production

112111 Beef Cattle Ranching & Farming
112112 Cattle Feedlots
112120 Dairy Cattle & Milk Production
112210 Hog & Pig Farming
112300 Poultry & Egg Production
112400 Sheep & Goat Farming
112510 Aquaculture (including shellfish & finfish farms & hatcheries)
112900 Other Animal Production

Forestry and Logging

113110 Timber Tract Operations
113210 Forest Nurseries & Gathering of Forest Products
113310 Logging

Fishing, Hunting and Trapping

114110 Fishing
114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
115210 Support Activities for Animal Production
115310 Support Activities for Forestry

Mining

211110 Oil & Gas Extraction
212110 Coal Mining
212200 Metal Ore Mining
212310 Stone Mining & Quarrying
212320 Sand, Gravel, Clay, & Ceramic & Refractory
Mineral Mining & Quarrying
212390 Other Nonmetallic Mineral Mining & Quarrying
213110 Support Activities for Mining

Utilities

221100 Electric Power Generation, Transmission & Distribution
221210 Natural Gas Distribution
221300 Water, Sewage, & Other Systems
221500 Combination Gas and Electric

Construction

Code

Construction of Buildings

236110 Residential Building Construction
236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction

237100 Utility System Construction
237210 Land Subdivision
237310 Highway, Street, & Bridge Construction
237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors

238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
238210 Electrical Contractors
238220 Plumbing, Heating, & Air-Conditioning Contractors
238290 Other Building Equipment Contractors
238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing

311110 Animal Food Mfg
311200 Grain & Oilseed Milling
311300 Sugar & Confectionery Product Mfg
311400 Fruit & Vegetable Preserving & Specialty Food Mfg
311500 Dairy Product Mfg
311610 Animal Slaughtering and Processing
311710 Seafood Product Preparation & Packaging
311800 Bakeries & Tortilla Mfg
311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing

312110 Soft Drink & Ice Mfg
312120 Breweries
312130 Wineries
312140 Distilleries
312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills

313000 Textile Mills
314000 Textile Product Mills

Apparel Manufacturing

315100 Apparel Knitting Mills

Code

315210 Cut & Sew Apparel Contractors
315220 Men's & Boys' Cut & Sew Apparel Mfg
315230 Women's & Girls' Cut & Sew Apparel Mfg
315290 Other Cut & Sew Apparel Mfg
315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing

316110 Leather & Hide Tanning & Finishing
316210 Footwear Mfg (including rubber & plastics)
316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing

321110 Sawmills & Wood Preservation
321210 Veneer, Plywood, & Engineered Wood Product Mfg
321900 Other Wood Product Mfg

Paper Manufacturing

322100 Pulp, Paper, & Paperboard Mills
322200 Converted Paper Product Mfg

Printing and Related Support Activities

323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing

324110 Petroleum Refineries (including integrated)
324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing

325100 Basic Chemical Mfg
325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
325410 Pharmaceutical & Medicine Mfg
325500 Paint, Coating, & Adhesive Mfg
325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing

326100 Plastics Product Mfg
326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

327100 Clay Product & Refractory Mfg
327210 Glass & Glass Product Mfg
327300 Cement & Concrete Product Mfg
327400 Lime & Gypsum Product Mfg
327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing

331110 Iron & Steel Mills & Ferroalloy Mfg
331200 Steel Product Mfg from Purchased Steel
331310 Alumina & Aluminum Production & Processing
331400 Nonferrous Metal (except Aluminum) Production & Processing
331500 Foundries

Fabricated Metal Product Manufacturing

332110 Forging & Stamping
332210 Cutlery & Handtool Mfg
332300 Architectural & Structural Metals Mfg
332400 Boiler, Tank, & Shipping Container Mfg
332510 Hardware Mfg
332610 Spring & Wire Product Mfg
332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code

332810 Coating, Engraving, Heat Treating, & Allied Activities
332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing

333100 Agriculture, Construction, & Mining Machinery Mfg
333200 Industrial Machinery Mfg
333310 Commercial & Service Industry Machinery Mfg
333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
333510 Metalworking Machinery Mfg
333610 Engine, Turbine, & Power Transmission Equipment Mfg
333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing

334110 Computer & Peripheral Equipment Mfg
334200 Communications Equipment Mfg
334310 Audio & Video Equipment Mfg
334410 Semiconductor & Other Electronic Component Mfg
334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing

335100 Electric Lighting Equipment Mfg
335200 Household Appliance Mfg
335310 Electrical Equipment Mfg
335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing

336100 Motor Vehicle Mfg
336210 Motor Vehicle Body & Trailer Mfg
336300 Motor Vehicle Parts Mfg
336410 Aerospace Product & Parts Mfg
336510 Railroad Rolling Stock Mfg
336610 Ship & Boat Building
336990 Other Transportation Equipment Mfg

Furniture and Related Product Manufacturing

337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing

339110 Medical Equipment & Supplies Mfg
339900 Other Miscellaneous Manufacturing

Wholesale Trade

Merchant Wholesalers, Durable Goods

423100 Motor Vehicle & Motor Vehicle Parts & Supplies
423200 Furniture & Home Furnishings
423300 Lumber & Other Construction Materials
423400 Professional & Commercial Equipment & Supplies
423500 Metal & Mineral (except Petroleum)
423600 Electrical & Electronic Goods
423700 Hardware, & Plumbing & Heating Equipment & Supplies
423800 Machinery, Equipment, & Supplies
423910 Sporting & Recreational Goods & Supplies
423920 Toy & Hobby Goods & Supplies
423930 Recyclable Materials
423940 Jewelry, Watch, Precious Stone, & Precious Metals
423990 Other Miscellaneous Durable Goods

Code

Merchant Wholesalers, Nondurable Goods

424100 Paper & Paper Products
424210 Drugs & Druggists' Sundries
424300 Apparel, Piece Goods, & Notions
424400 Grocery & Related Products
424500 Farm Product Raw Materials
424600 Chemical & Allied Products
424700 Petroleum & Petroleum Products
424800 Beer, Wine, & Distilled Alcoholic Beverages
424910 Farm Supplies
424920 Book, Periodical, & Newspapers
424930 Flower, Nursery Stock, & Florists' Supplies
424940 Tobacco & Tobacco Products
424950 Paint, Varnish, & Supplies
424990 Other Miscellaneous Nondurable Goods

Wholesale Electronic Markets and Agents and Brokers

425110 Business to Business Electronic Markets
425120 Wholesale Trade Agents & Brokers

Retail Trade

Motor Vehicle and Parts Dealers

441110 New Car Dealers
441120 Used Car Dealers
441210 Recreational Vehicle Dealers
441221 Motorcycle Dealers
441222 Boat Dealers
441229 All Other Motor Vehicle Dealers
441300 Automotive Parts, Accessories, & Tire Stores

Furniture and Home Furnishings Stores

442110 Furniture Stores
442210 Floor Covering Stores
442291 Window Treatment Stores
442299 All Other Home Furnishings Stores

Electronics and Appliance Stores

443111 Household Appliance Stores
443112 Radio, Television, & Other Electronics Stores
443120 Computer & Software Stores
443130 Camera & Photographic Supplies Stores

Building Material and Garden Equipment and Supplies Dealers

444110 Home Centers
444120 Paint & Wallpaper Stores
444130 Hardware Stores
444190 Other Building Material Dealers
444200 Lawn & Garden Equipment & Supplies Stores

Food and Beverage Stores

445110 Supermarkets and Other Grocery (except Convenience) Stores
445120 Convenience Stores
445210 Meat Markets
445220 Fish & Seafood Markets
445230 Fruit & Vegetable Markets
445291 Baked Goods Stores
445292 Confectionery & Nut Stores
445299 All Other Specialty Food Stores
445310 Beer, Wine, & Liquor Stores

Health and Personal Care Stores

446110 Pharmacies & Drug Stores
446120 Cosmetics, Beauty Supplies, & Perfume Stores
446130 Optical Goods Stores
446190 Other Health & Personal Care Stores

Gasoline Stations

447100 Gasoline Stations (including convenience stores with gas)

Code

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores
448120 Women's Clothing Stores
448130 Children's & Infants' Clothing Stores
448140 Family Clothing Stores
448150 Clothing Accessories Stores
448190 Other Clothing Stores
448210 Shoe Stores
448310 Jewelry Stores
448320 Luggage & Leather Goods Stores

Sporting Goods, Hobby, Book, and Music Stores

451110 Sporting Goods Stores
451120 Hobby, Toy, & Game Stores
451130 Sewing, Needlework, & Piece Goods Stores
451140 Musical Instrument & Supplies Stores
451211 Book Stores
451212 News Dealers & Newsstands
451220 Prerecorded Tape, Compact Disc, & Record Stores

General Merchandise Stores

452110 Department stores
452900 Other General Merchandise Stores

Miscellaneous Store Retailers

453110 Florists
453210 Office Supplies & Stationery Stores
453220 Gift, Novelty, & Souvenir Stores
453310 Used Merchandise Stores
453910 Pet & Pet Supplies Stores
453920 Art Dealers
453930 Manufactured (Mobile) Home Dealers
453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers

454110 Electronic Shopping & Mail-Order Houses
454210 Vending Machine Operators
454311 Heating Oil Dealers
454312 Liquefied Petroleum Gas (Bottled Gas) Dealers
454319 Other Fuel Dealers
454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation and Warehousing

Air, Rail, and Water Transportation

481000 Air Transportation
482110 Rail Transportation
483000 Water Transportation

Truck Transportation

484110 General Freight Trucking, Local
484120 General Freight Trucking, Long-distance
484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation

485110 Urban Transit Systems
485210 Interurban & Rural Bus Transportation
485310 Taxi Service
485320 Limousine Service
485410 School & Employee Bus Transportation
485510 Charter Bus Industry
485990 Other Transit & Ground Passenger Transportation

Pipeline Transportation

486000 Pipeline Transportation

Scenic & Sightseeing Transportation

487000 Scenic & Sightseeing Transportation

Code

Support Activities for Transportation

488100 Support Activities for Air Transportation
488210 Support Activities for Rail Transportation
488300 Support Activities for Water Transportation
488410 Motor Vehicle Towing
488490 Other Support Activities for Road Transportation
488510 Freight Transportation Arrangement
488990 Other Support Activities for Transportation

Couriers and Messengers

492110 Couriers
492210 Local Messengers & Local Delivery

Warehousing and Storage

493100 Warehousing & Storage (except lessors of miniwarehouses & self- storage units)

Information

Publishing Industries (except Internet)

511110 Newspaper Publishers
511120 Periodical Publishers
511130 Book Publishers
511140 Directory & Mailing List Publishers
511190 Other Publishers
511210 Software Publishers

Motion Picture and Sound Recording Industries

512100 Motion Picture & Video Industries (except video rental)
512200 Sound Recording Industries

Broadcasting (except Internet)

515100 Radio & Television Broadcasting
515210 Cable & Other Subscription Programming

Telecommunications

517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)

Data Processing Services

518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates, libraries, internet publishing & broadcasting)

Finance and Insurance

Depository Credit Intermediation

522110 Commercial Banking
522120 Savings Institutions
522130 Credit Unions
522190 Other Depository Credit Intermediation

Nondepository Credit Intermediation

522210 Credit Card Issuing
522220 Sales Financing
522291 Consumer Lending
522292 Real Estate Credit (including mortgage bankers & originators)
522293 International Trade Financing
522294 Secondary Market Financing
522298 All Other Nondepository Credit Intermediation

Activities Related to Credit Intermediation

522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

523110 Investment Banking & Securities Dealing
523120 Securities Brokerage

Code

523130 Commodity Contracts Dealing
523140 Commodity Contracts Brokerage
523210 Securities & Commodity Exchanges
523900 Other Financial Investment Activities (including portfolio management & investment advice)

Insurance Carriers and Related Activities

524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
524210 Insurance Agencies & Brokerages
524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

Funds, Trusts, and Other Financial Vehicles

525100 Insurance & Employee Benefit Funds
525910 Open-End Investment Funds (Form 1120-RIC)
525920 Trusts, Estates, & Agency Accounts
525990 Other Financial Vehicles (including mortgage REITS & closed-end investment funds)

"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under **Management of Companies (Holding Companies)** on next page.

Real Estate and Rental and Leasing

Real Estate

531110 Lessors of Residential Buildings & Dwellings (including equity REITs)
531114 Cooperative Housing (including equity REITs)
531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)
531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)
531190 Lessors of Other Real Estate Property (including equity REITs)
531210 Offices of Real Estate Agents & Brokers
531310 Real Estate Property Managers
531320 Offices of Real Estate Appraisers
531390 Other Activities Related to Real Estate

Rental and Leasing Services

532100 Automotive Equipment Rental & Leasing
532210 Consumer Electronics & Appliances Rental
532220 Formal Wear & Costume Rental
532230 Video Tape & Disc Rental
532290 Other Consumer Goods Rental
532310 General Rental Centers
532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)

533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

Professional, Scientific, and Technical Services

Legal Services

541110 Offices of Lawyers
541190 Other Legal Services

Code

Accounting, Tax Preparation, Bookkeeping, and Payroll Services

541211 Offices of Certified Public Accountants
541213 Tax Preparation Services
541214 Payroll Services
541219 Other Accounting Services

Architectural, Engineering, and Related Services

541310 Architectural Services
541320 Landscape Architecture Services
541330 Engineering Services
541340 Drafting Services
541350 Building Inspection Services
541360 Geophysical Surveying & Mapping Services
541370 Surveying & Mapping (except Geophysical) Services
541380 Testing Laboratories

Specialized Design Services

541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)

Computer Systems Design and Related Services

541511 Custom Computer Programming Services
541512 Computer Systems Design Services
541513 Computer Facilities Management Services
541519 Other Computer Related Services

Other Professional, Scientific, and Technical Services

541600 Management, Scientific, & Technical Consulting Services
541700 Scientific Research & Development Services
541800 Advertising & Related Services
541910 Marketing Research & Public Opinion Polling
541920 Photographic Services
541930 Translation & Interpretation Services
541940 Veterinary Services
541990 All Other Professional, Scientific, & Technical Services

Management of Companies (Holding Companies)

551111 Offices of Bank Holding Companies
551112 Offices of Other Holding Companies

Administrative and Support and Waste Management and Remediation Services

Administrative and Support Services

561110 Office Administrative Services
561210 Facilities Support Services
561300 Employment Services
561410 Document Preparation Services
561420 Telephone Call Centers
561430 Business Service Centers (including private mail centers & copy shops)
561440 Collection Agencies
561450 Credit Bureaus
561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)

Code

561500 Travel Arrangement & Reservation Services
561600 Investigation & Security Services
561710 Exterminating & Pest Control Services
561720 Janitorial Services
561730 Landscaping Services
561740 Carpet & Upholstery Cleaning Services
561790 Other Services to Buildings & Dwellings
561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)

Waste Management and Remediation Services

562000 Waste Management & Remediation Services

Educational Services

611000 Educational Services (including schools, colleges, & universities)

Health Care and Social Assistance

Offices of Physicians and Dentists

621111 Offices of Physicians (except mental health specialists)
621112 Offices of Physicians, Mental Health Specialists
621210 Offices of Dentists

Offices of Other Health Practitioners

621310 Offices of Chiropractors
621320 Offices of Optometrists
621330 Offices of Mental Health Practitioners (except Physicians)
621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists
621391 Offices of Podiatrists
621399 Offices of All Other Miscellaneous Health Practitioners

Outpatient Care Centers

621410 Family Planning Centers
621420 Outpatient Mental Health & Substance Abuse Centers
621491 HMO Medical Centers
621492 Kidney Dialysis Centers
621493 Freestanding Ambulatory Surgical & Emergency Centers
621498 All Other Outpatient Care Centers

Medical and Diagnostic Laboratories

621510 Medical & Diagnostic Laboratories

Home Health Care Services

621610 Home Health Care Services

Code

Other Ambulatory Health Care Services

621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)

Hospitals

622000 Hospitals

Nursing and Residential Care Facilities

623000 Nursing & Residential Care Facilities

Social Assistance

624100 Individual & Family Services
624200 Community Food & Housing, & Emergency & Other Relief Services
624310 Vocational Rehabilitation Services
624410 Child Day Care Services

Arts, Entertainment, and Recreation

Performing Arts, Spectator Sports, and Related Industries

711100 Performing Arts Companies
711210 Spectator Sports (including sports clubs & racetracks)
711300 Promoters of Performing Arts, Sports, & Similar Events
711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures
711510 Independent Artists, Writers, & Performers

Museums, Historical Sites, and Similar Institutions

712100 Museums, Historical Sites, & Similar Institutions

Amusement, Gambling, and Recreation Industries

713100 Amusement Parks & Arcades
713200 Gambling Industries
713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)

Accommodation and Food Services

Accommodation

721110 Hotels (except Casino Hotels) & Motels
721120 Casino Hotels
721191 Bed & Breakfast Inns
721199 All Other Traveler Accommodation
721210 RV (Recreational Vehicle) Parks & Recreational Camps
721310 Rooming & Boarding Houses

Code

Food Services and Drinking Places

722110 Full-Service Restaurants
722210 Limited-Service Eating Places
722300 Special Food Services (including food service contractors & caterers)
722410 Drinking Places (Alcoholic Beverages)

Other Services

Repair and Maintenance

811110 Automotive Mechanical & Electrical Repair & Maintenance
811120 Automotive Body, Paint, Interior, & Glass Repair
811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)
811210 Electronic & Precision Equipment Repair & Maintenance
811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance
811410 Home & Garden Equipment & Appliance Repair & Maintenance
811420 Reupholstery & Furniture Repair
811430 Footwear & Leather Goods Repair
811490 Other Personal & Household Goods Repair & Maintenance

Personal and Laundry Services

812111 Barber Shops
812112 Beauty Salons
812113 Nail Salons
812190 Other Personal Care Services (including diet & weight reducing centers)
812210 Funeral Homes & Funeral Services
812220 Cemeteries & Crematories
812310 Coin-Operated Laundries & Drycleaners
812320 Drycleaning & Laundry Services (except Coin-Operated)
812330 Linen & Uniform Supply
812910 Pet Care (except Veterinary) Services
812920 Photofinishing
812930 Parking Lots & Garages
812990 All Other Personal Services

Religious, Grantmaking, Civic, Professional, and Similar Organizations

813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)

How To Get California Tax Information

Where To Get Tax Forms and Publications

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

By phone – You can order current year California tax forms from 6 a.m. to 10 p.m. weekdays, 6 a.m. to 4:30 p.m. Saturdays, except holidays.

- Refer to the list in the right column and find the code number for the form you want to order.
- Call 800.338.0505.
- Select "Business Entity Information."
- Select "Forms and Publications."
- Enter the three-digit code shown to the left of the form title when instructed.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Letters

If you write to us, be sure to include your California corporation number or federal employer identification number, your daytime and evening telephone numbers, and a copy of the notice with your letter. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

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

General Phone Service

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

Telephone:	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 impairment
IRS:	800.829.4933 call the IRS for federal tax questions

Asistencia bilingüe en español:

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.

Teléfono:	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
IRS:	800.829.4933 llame al IRS para preguntas sobre impuestos federales

California Tax Forms and Publications

817 California Corporation Tax Forms and Instructions.
This booklet contains:
- Form 100, California Corporation Franchise or Income Tax Return;
- Schedule H (100), Dividend Income Deduction
- Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations
- FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
- FTB 3885, Corporation Depreciation and Amortization

816 California S Corporation Tax Forms and Instructions.
This booklet contains:
- Form 100S, California S Corporation Franchise or Income Tax Return;
- Schedule B (100S), S Corporation Depreciation and Amortization
- Schedule C (100S), S Corporation Tax Credits
- Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains
- Schedule H (100S), S Corporation Dividend Income Deduction
- Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc.
- Schedule QS, Qualified Subchapter S Subsidiary (QSub) Information Worksheet
- FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations

814 Form 109, Exempt Organization Business Income Tax Booklet
818 Form 100-ES, Corporation Estimated Tax
815 Form 199, California Exempt Organization Annual Information Return and Instructions
802 FTB 3500, Exemption Application
831 FTB 3500A, Submission of Exemption Request
943 FTB Pub. 4058, California Taxpayers' Bill of Rights

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 Pub. 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.

☎ Automated Phone Service

(Keep This Booklet For Future Use)

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.

Telephone: 800.338.0505 from within the United States
916.845.6500 from outside the United States

To Order Forms

See "Where to Get Tax Forms and Publications" on the previous page.

To Get Information

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 tax rates for corporations?
718 How do I get an extension of time to file?
722 When does my corporation have to file a short-period return?
734 Is my corporation subject to franchise tax or income tax?

S Corporations

704 Is an S corporation subject to the minimum franchise tax?
705 Are S corporations required to make 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

503 How do I file a protest against a Notice of Proposed Assessment?
723 I received a bill for $250. What is this for?

Corporate Dissolution

724 How do I dissolve my corporation?

Limited Liability Companies (LLCs)

750 How do I organize or register an LLC?
752 What tax forms do I use to file as an LLC?
753 When is the annual tax payment due?
754 How is the Gross Receipts calculated and reported? When is it due?
755 How do I convert an LLC?
756 How do I cancel an LLC?

Miscellaneous

700 Who do I need to contact to start a business?
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?

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