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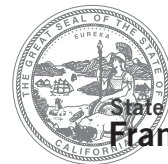
**Form FTB 3807, Local Agency Military Base Recovery Area  
Deduction and Credit Summary**

**2011**

Local Agency Military Base  
Recovery Area Business Booklet

Members of the Franchise Tax Board

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State of California  
**Franchise Tax Board**

# Instructions for Form FTB 3807

## Local Agency Military Base Recovery Area Businesses

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).

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### 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](http://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.

#### Expired LAMBRA

“Until further notice, LAMBRA whose designation periods have expired should **continue to operate as active LAMBRA**s.”

according to the California Department of Housing and Community Development (HCD) in a memorandum dated August 22, 2008, to Enterprise Zone Coordinators.

The HCD is reassessing each LAMBRA's designation period as a result of legislation which caused the designation start date of each LAMBRA to recommence. Once the HCD completes its analysis, it will notify the LAMBRA of the correct designation periods. For the most updated information regarding the correct LAMBRA designation periods, contact the HCD or local program manager in which the business is located. Go to [hcd.ca.gov](http://hcd.ca.gov) and search for **directory of zone contacts** to find Directory of Economic Development Areas.

**New Jobs Credit** – For taxable years beginning on or after January 1, 2009, a new jobs credit against the tax (corporations) or net tax (individuals) is allowed for a qualified employer in the amount of \$3,000 for each qualified full-time employee hired during the taxable year that increases the employer's number of full-time employees over the previous year. This is determined on an annual full-time equivalent basis. Any credits not used in the taxable year may be carried forward up to eight years. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **new jobs** or get form FTB 3527, New Jobs Credit.

**Important:** An employee that is a qualified employee for the LAMBRA hiring credit is not a qualified employee for the New Jobs credit.

**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 tax return to apportion California business income using the single sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income. **However**, to calculate the California business income for the Local Agency Military Base Recovery Area (LAMBRA), the income apportioning method must be used. Income apportioned to the LAMBRA continues to be apportioned based on the property and payroll factors.

**Net Operating Loss** – For taxable years beginning in 2010 and 2011, California suspended the net operating loss (NOL) carryover deduction. Taxpayers may continue to compute and carryover NOLs during the suspension period. **However**, taxpayers with net income after state adjustments (pre-apportioned income) (corporations) or modified adjusted gross income (individuals) of less than \$300,000, **or** with disaster loss carryovers are not affected by the NOL suspension rules. Prior to this, California suspended the NOL carryover deduction for taxable years beginning in 2008 and 2009.

Taxpayers with taxable income (corporations) or net business income (individuals) of less than \$500,000, or with disaster loss carryovers were not affected.

Also, California modified the NOL carryback provision. NOLs incurred in taxable years beginning on or after January 1, 2013, **instead** of January 1, 2011, may be carried back to each of the preceding two taxable years. For more information on the NOL suspension, and carryover and carryback periods, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Corporations, or form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals. In addition, see instructions for Worksheet V in this booklet.

#### Limitation

If a taxpayer owns an interest in a disregarded business entity, the amount of credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. For more information on disregarded business entities, get Form 568, Limited Liability Company Tax Booklet.

#### Minimum Wage

The California minimum wage is \$8.00 per hour.

#### Pass-Through Entities

For purposes of this booklet, the term “pass-through entity” refers to an S Corporation, estate, trust, partnership, and limited liability company (LLC). References to “partnerships” include LLCs classified as partnerships.

**Assignment of Credits** – 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 claimed by the affiliated corporation against its tax in taxable years 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](http://ftb.ca.gov) and search for **credit assignment**.

### Introduction

#### Economic Development Area (EDA) Tax Incentives

California has established four types of EDAs that have related tax incentives. These incentives have been established to stimulate growth and development in selected areas that are economically depressed. EDA tax incentives apply only to certain business transactions that are undertaken after an EDA has received final

designation from the HCD. Final designation is when the HCD designates an area to be an EDA. Tax incentives are available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (EZs)
- Local Agency Military Base Recovery Areas (LAMBRA)
- Manufacturing Enhancement Areas (MEAs)
- Targeted Tax Area (TTA)

Additional information on other EDAs can be found in the following FTB tax booklets:

- EZ tax incentives, FTB 3805Z, Enterprise Zone Business Booklet
- The MEA hiring credit, FTB 3808, Manufacturing Enhancement Area Business Booklet
- TTA tax incentives, FTB 3809, Targeted Tax Area Business Booklet

## Reporting Requirement

California statutes require the FTB to provide information to the California Legislature regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

Complete items A through J on side 1 of form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement.

## Purpose

This booklet provides specific information on the types of available LAMBRA tax incentives. Taxpayers operating or investing in a business located within a designated LAMBRA may be eligible for the following credits and deductions:

- Hiring Credit
- Sales or Use Tax Credit
- Business Expense Deduction
- NOL Carryover Deduction

Use this booklet to determine the correct amount of deductions and credits that a business may claim for operating or investing in a business located within a designated LAMBRA. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3807.

## LAMBRA Designation

LAMBRA are established to stimulate growth and development in areas that experience military base closures. These are the designated LAMBRA with their designation and expiration dates:

Southern California Logistics Airport	
Designation Date	Expiration Date
2/1/1996	2/20/2010

Castle Airport (formerly Castle Air Force Base)	
Designation Date	Expiration Date
6/1/1996	5/31/2012

Mare Island (formerly Mare Island Naval Base)	
Designation Date	Expiration Date
1/1/1999	1/30/2009

San Bernardino International Airport and Trade Center	
Designation Date	Expiration Date
4/1/2000	3/31/2008

Alameda Point (formerly Alameda Naval Air Station)	
Designation Date	Expiration Date
6/1/2000	5/31/2008

Mather/McClellan (formerly Mather Field/McClellan Park)	
Designation Date	Expiration Date
7/1/2000	6/30/2008

San Diego Naval Training Center (formerly Liberty Station)	
Designation Date	Expiration Date
6/1/2001	5/31/2009

Tustin Legacy (formerly Tustin Marine Corps Air Station in Tustin)	
Designation Date	Expiration Date
9/1/2001	8/31/2009

Until further notice, LAMBRA whose designation periods have expired should continue to operate as active LAMBRA.

For the most updated information regarding the correct LAMBRA designation periods, and for questions regarding business eligibility or zone related information, and geographic boundaries, contact the HCD or the local program manager in which the business is located. Go to [hcd.ca.gov](http://hcd.ca.gov) and search for **directory of zone contacts** to find Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, you may contact the HCD. See LAMBRA Contact Information on page 28.

For taxable years beginning on or after 2002, the designation of a LAMBRA is for an eight-year period that shall expire eight years after the state of California has determined the later of the following specified conditions has been met:

- The governing body has notified the state of California that legal title to the parcels on the former military base has been transferred to the governing body; or in the case of early transfer authority, the terms and conditions for satisfying the requirements of environmental clean up on the military base have been met and regulatory closure has occurred.
- The governing body has notified the state of California that vouchers have been issued to an employer that has entered into a lease or has received title to the property located within the LAMBRA.

## Forms List

The titles of forms referred to in this booklet are:

Form 100	California Corporation Franchise or Income Tax Return
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Form 100S	California S Corporation Franchise or Income Tax Return
Form 100W	California Corporation Franchise or Income Tax Return – Water's-Edge Filers
Form 109	California Exempt Organization Business Income Tax Return
Form 540	California Resident Income Tax Return
Long Form 540NR	California Nonresident or Part-Year Resident Income Tax Return
Form 541	California Fiduciary Income Tax Return
Form 565	Partnership Return of Income
Form 568	Limited Liability Company Return of Income
Schedule CA (540)	California Adjustments – Residents
Schedule CA (540NR)	California Adjustments – Nonresidents or Part-Year Residents
Schedule P (540)	Alternative Minimum Tax and Credit Limitations – Residents
Schedule P (540NR)	Alternative Minimum Tax and Credit Limitations – Nonresidents and Part-Year Residents
Schedule R	Apportionment and Allocation of Income
FTB Pub. 1061	Guidelines for Corporations filing a Combined Report S Corporation Tax Credit
Schedule C (100S)	Shareholder's Share of Income, Deductions, Credits, etc.
Schedule K-1 (100S)	Beneficiary's Share of Income, Deductions, Credits, etc.
Schedule K-1 (541)	Partner's Share of Income, Deductions, Credits, etc.
Schedule K-1 (565)	Member's Share of Income, Deductions, Credits, etc.
Schedule K-1 (568)	Election to Assign Credit Within Combined Reporting Group
FTB 3544	List of Assigned Credit Received and/or Claimed by Assignee
FTB 3544A	

## Who Can Claim the LAMBRA Tax Incentives?

The LAMBRA credits and deductions are available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing in a business located within a designated LAMBRA.

## How to Claim Deductions and Credits

To claim any LAMBRA deduction or credit, **attach** a completed form FTB 3807 to your California tax return.

Attach a separate form FTB 3807 for each business you operate or invest in that is located within a LAMBRA. Also complete the following schedule and/or worksheets to report credits and deductions incurred:

- Corporations complete Schedule Z and all the worksheets, except for Worksheet IV, Section C.
- Sole proprietors complete Schedule Z and all the worksheets.
- Trusts, estates, and partnerships, complete Worksheet IA through Worksheet III, and Worksheet IV, Section A.
- Individual investors receiving pass-through LAMBRA **credits** or the **business expense deduction**, complete Worksheet IV, Section C and Schedule Z. All other investors complete Worksheet IV, Section A and Schedule Z.
- Individual investors receiving a pass-through **loss**, and having an overall **NOL**, complete Worksheet IV, Section C and Worksheet V, Section A and/or C. All other investors complete Worksheet IV, Section B and Worksheet V, Section B and/or C.

Schedule Z is on Side 2 of form FTB 3807.

To assist with the processing of the tax return, indicate that the business operates or invests within a LAMBRA by doing the following:

**Form 540 filers:** Claim LAMBRA business tax incentives on Form 540, lines 14 and 43 through 45, as applicable.

**Long Form 540NR filers:** Claim LAMBRA business tax incentives on Long Form 540NR, lines 14 and 58 through 60, as applicable.

**Form 100 filers:** Claim LAMBRA business tax incentives on Form 100, line 15, line 21, line 26, and line 27, as applicable.

**Form 100S filers:** Claim LAMBRA business tax incentives on Form 100S, line 12, line 19, line 24, and line 25, as applicable.

**Form 100W filers:** Claim LAMBRA business tax incentives on Form 100W, line 15, line 21, line 26, and line 27, as applicable.

**Form 109 filers:** Check the "Yes" box for the LAMBRA question I at the top of Form 109, Side 1.

Keep all completed worksheets and supporting documents for your records.

**Net Increase in Jobs Requirement** – To qualify for the LAMBRA business tax incentives, a business must have a net increase of one or more jobs within the first two taxable years of commencing business within the LAMBRA.

Taxpayers engaged in operations within a LAMBRA are allowed to utilize the designated LAMBRA business tax incentives beginning in the first year of operation in the LAMBRA even though they have not yet fulfilled the net increase in jobs requirement. However, if after the end of the second taxable year of operations within the LAMBRA a taxpayer does not fulfill

the net increase in jobs requirement, then the taxpayer recaptures any LAMBRA business tax incentives claimed in prior years. The net increase in jobs is computed on form FTB 3807.

## Form FTB 3807 – Instructions for Items A through J

For corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors, who operate a business in the LAMBRA, complete items A through J.

Investors of pass-through entities, complete items A through D.

### Principal Business Activity (PBA) Codes

The FTB implemented the PBA codes chart that is based on the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget. Use the PBA and NAICS codes in the chart listed on pages 25 through 27 to classify your business. Enter the PBA code of the business on form FTB 3807, Side 1.

## Part I – Net Increase in Jobs – FTB 3807, Side 1

Complete Worksheet I, Net Increase in Jobs Worksheet on the next page only if you have been doing business in a LAMBRA for two years. Enter the results on form FTB 3807, Part I, line 1.

A taxpayer may claim certain LAMBRA economic incentives if the following conditions are met:

- Conducts a trade or business within a LAMBRA.
- Has a net increase in jobs for the first two taxable years for one or more employees.

The net increase in jobs is defined as 2,000 paid hours per employee per year. The net increase in jobs is determined by subtracting the total number of full-time employees in California prior to starting business in the LAMBRA, from the number of full-time employees in California in the second year after operation in the LAMBRA. For this purpose, the number of full-time employees for each year is determined as follows:

- The total number of hours worked in California by hourly employees (not to exceed 2,000 hours per employee) divided by 2,000.
- The total number of months worked in California by salaried employees divided by 12.

If your only business in California began with your LAMBRA business, your number of California employees prior to starting business in the LAMBRA is zero.

If your business in California began during the taxable year, the first year employment information is prorated. Multiply the divisors 2,000 (hours for hourly employees) and 12 (months for salaried employees) by a fraction. The numerator is the number of months of doing business and the denominator is 12.

If your business has a net increase in jobs for the first two taxable years after commencing business operations in the LAMBRA, you must also employ one or more full-time employees within the LAMBRA in each of these years.

For this purpose, the number of full-time employees for each year is determined as follows:

- The total number of hours worked in the LAMBRA by hourly employees (not to exceed 2,000 hours per employee) divided by 2,000.
- The total number of months worked in the LAMBRA by salaried employees divided by 12.

If your business in the LAMBRA began during the taxable year, the first year employment information is prorated. Multiply the divisors 2,000 (hours for hourly employees) and 12 (months for salaried employees) by a fraction. The numerator is the number of months of doing business and the denominator is 12.

**Important!** If your business does not have a net increase in jobs for the two taxable years after commencing business operations in the LAMBRA and employs one or more full-time employees within the LAMBRA in each of the first two years, recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

## Part II – Credits and Recapture

### Vouchering

Employers hiring qualified employees, get VoucherCert 10-07 from the local agency responsible for verifying employee eligibility. Do not file VoucherCert 10-07 with your tax return. Keep the voucher for your records. Contact the local LAMBRA coordinator for more information on the local agency and verification process.

For vouchering questions, you may contact the HCD at 916.322.1554.

### Line 2a – Hiring Credit

Employers conducting a trade or business within a LAMBRA may claim the hiring credit for hiring a qualified disadvantaged individual or a qualified displaced employee.

#### Qualified Disadvantaged Individual

A qualified disadvantaged individual is an individual who meets all of the following:

- Was hired after the LAMBRA received its final designation.
- Spends at least 90% of work time for the qualified employer on activities directly related to the conduct of a trade or business located within the LAMBRA.
- Performs at least 50% of the work for the qualified employer within the boundaries of the LAMBRA.
- Anyone who immediately before starting work for the employer was any of the following:
  1. A person who has been determined eligible for services under the federal Job Training Partnership Act (JTPA).



**Worksheet I Net Increase in Jobs**

	(a) Taxable year prior to operating in <u>the LAMBRA</u>	(b) 2nd taxable year after starting operations <u>in the LAMBRA</u>
1 Enter the total number of hours worked within California by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1 .....	_____	_____
2 Divide line 1 of each column by 2,000 .....	_____	_____
3 Enter the total number of months within California worked by salaried employees. The total months per salaried employee cannot exceed 12. ....	_____	_____
4 Divide line 3 of each column by 12. ....	_____	_____
5 Add line 2 and line 4 of each column .....	_____	_____
6 Subtract line 5, column (a) from line 5, column (b). Enter the amount here and on form FTB 3807, Part I, line 1a. ....	_____	_____

If the amount on line 6 is equal to or greater than one, then continue to line 7. If the amount on line 6 is less than one, your business **does not** qualify for the LAMBRA business tax incentives. Recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

	(a) 1st taxable year after starting operations <u>in the LAMBRA</u>	(b) 2nd taxable year after starting operations <u>in the LAMBRA</u>
7 Enter the total number of hours worked within the LAMBRA by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000. ....	_____	_____
8 Divide line 7 of each column by 2,000 .....	_____	_____
9 Enter the total number of months worked within the LAMBRA by salaried employees. The total months per salaried employee cannot exceed 12. ....	_____	_____
10 Divide line 9 of each column by 12. ....	_____	_____
11 Add line 8 and line 10 of each column .....	_____	_____

Enter the amount from line 11, column (a) on form FTB 3807, Part I, line 1b. Enter the amount from line 11, column (b) on form FTB 3807, Part I, line 1c.

**Worksheet I – Net Increase in Jobs – Example:**

A Corporation employs four individuals prior to establishing operations in the LAMBRA on January 1, 2010. The following is the employment information for the employees for the taxable year prior to operating in the LAMBRA:

- Employee #1: Salaried, employed for 12 months.
- Employee #2: Hourly, full-time; worked 2,080 hours per year.
- Employee #3: Hourly, part-time; worked 1,500 hours per year.
- Employee #4: Hourly, part-time, worked 1,500 hours per year.

The corporation moves its entire operations within the LAMBRA on January 1, 2010. At the end of the first year of operation within the LAMBRA, the corporation employed the following individuals:

- Employee #1: Salaried, employed for 24 months.
- Employee #2: Hourly, full-time; worked 2,080 hours during the year.
- Employee #3: Hourly, part-time; worked 2,000 hours during the year.
- Employee #4: Hourly, part-time, worked 1,600 hours during the year.
- Employee #5: Hourly, part-time, worked 1,600 hours during the year.

At the end of the 2nd year of operation in the LAMBRA, the corporation employed the following individuals:

- Employee #1: Salaried, employed for 36 months.
- Employee #2: Hourly, full-time; worked 2,080 hours during the year.
- Employee #3: Hourly, part-time; worked 2,000 hours during the year.
- Employee #4: Hourly, part-time, worked 1,700 hours during the year.
- Employee #5: Hourly, part-time, worked 1,900 hours during the year.

See next page for an example of how the worksheet is completed.

The worksheet would be completed as follows:

	(a) Taxable year prior to operating in the LAMBRA	(b) 2nd taxable year after starting operations in the LAMBRA
1 Enter the total number of hours worked within California by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1. . . . .	5,000 <sup>a</sup>	7,600 <sup>b</sup>
2 Divide line 1 of each column by 2,000 . . . . .	2.5	3.8
3 Enter the total number of months worked within California by salaried employees. The total months per salaried employee cannot exceed 12. . . . .	12 <sup>d</sup>	12 <sup>d</sup>
4 Divide line 3 of each column by 12 . . . . .	1	1
5 Add line 2 and line 4 of each column . . . . .	3.5	4.8
6 Subtract line 5, column (a) from line 5, column (b). Enter the amount here and on form FTB 3807, Part I, line 1a. . . . .	1.3	

If the amount on line 6 is equal to or greater than one, then continue to line 7. If the amount on line 6 is less than one, your business **does not** qualify for the LAMBRA business tax incentives. Recapture (in the current year) any LAMBRA credits or deductions that were previously taken.

	(a) 1st taxable year after starting operations in the LAMBRA	(b) 2nd taxable year after starting operations in the LAMBRA
7 Enter the total number of hours worked within the LAMBRA by hourly employees during the taxable year in column (a) and column (b). The total hours per employee cannot exceed 2,000. . . . .	7,200 <sup>c</sup>	7,600 <sup>b</sup>
8 Divide line 7 of each column by 2,000 . . . . .	3.6	3.8
9 Enter the total number of months worked within the LAMBRA by salaried employees. The total months per salaried employee cannot exceed 12 . . . . .	12 <sup>d</sup>	12 <sup>d</sup>
10 Divide line 9 of each column by 12 . . . . .	1	1
11 Add line 8 and line 10 of each column . . . . .	4.6	4.8

Enter the amount from line 11, column (a) on form FTB 3807, Part I, line 1b. Enter the amount from line 11, column (b) on form FTB 3807, Part I, line 1c.

a	b	c	d
Employee #2 2,000	Employee #2 2,000	Employee #2 2,000	Employee #1
Employee #3 1,500	Employee #3 2,000	Employee #3 2,000	
Employee #4 <u>1,500</u>	Employee #4 1,700	Employee #4 1,600	
5,000	Employee #5 <u>1,900</u>	Employee #5 <u>1,600</u>	
	7,600	7,200	

2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN).
3. An economically disadvantaged individual 16 years of age or older.
4. A qualified dislocated worker.
5. An individual who is enrolled in or has completed a state rehabilitation plan.
6. A service-connected disabled veteran.
7. A veteran of the Vietnam era.
8. A veteran who recently separated from military service.
9. An ex-offender.
10. A person who is a recipient of any of the following:
  - Federal Supplemental Security Income (SSI) benefits.
  - Aid to Families with Dependent Children (AFDC).
  - Food stamps.
  - State and local general assistance.
11. A Native American.

### Qualified Displaced Employee

A qualified displaced employee is an individual who meets all of the following:

- Was hired after the LAMBRA received its final designation.
- Spends at least 90% of work time for the qualified employer on activities directly related to the conduct of a trade or business located within the LAMBRA.
- Performs at least 50% of the work for the qualified employer within the boundaries of the LAMBRA.
- Is a civilian or military employee of a base or former base who has been displaced as a result of a federal base closure act.

For more information, refer to the federal JTPA or its successor, the Workforce Investment Act (WIA).

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the LAMBRA. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.

### Qualified Wages

Qualified wages means the wages paid or incurred by the employer during the taxable year to a qualified disadvantaged individual or a qualified displaced employee that does not exceed 150% of the minimum wage. The wages must be paid or incurred on or after the designation date.

Wages that qualify for the hiring credit are those wages paid to a qualified employee for the consecutive 60-month period beginning on the first date the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the

qualified wages test. Qualified wages are the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year.
- 150% of the minimum hourly wage established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the LAMBRA hiring credit. The current minimum wage is \$8.00 per hour. For purposes of computing the LAMBRA hiring credit, 150% of the minimum wage is \$12.00 per hour.

### Example:

John Anderson was hired on January 1, 2011. John's hourly rate for the first month was the minimum wage \$8.00. At the beginning of the second month, his hourly rate increased to \$8.50. In the third month, John's hourly rate increased to \$12.50. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or currently \$12.00 per hour. The amount of qualified wages is computed as follows:

Month(s)	Hours per month	x	Hourly rate allowed	=	Qualified wages per month
1	175		\$ 8.00		\$1,400.00
2	170		8.50		\$1,445.00
3	170		12.00		\$2,040.00

### Record Keeping

Retain a copy of VoucherCert 10-07 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule for the first 60 months of employment showing (at least) the following:

- Employee's name.
- Date the employee was hired.
- Number of hours the employee worked for each month of employment.
- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage.
- Total qualified wages per month for each month of employment.
- Records of any other federal or state subsidies you may have received for hiring the qualified employee.
- Location of the employee's job site and duties performed.

## Line 2b – Hiring Credit Recapture

Employers recapture (add back to the tax liability) the amount of credit attributable to an employee's wages if you terminate an employee at any time during the longer of the following:

- The first 270 days of employment (whether or not consecutive).
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees, recapture the amount of hiring credit attributable to the employee's wages if both of the following apply:

- The employer terminates the employee before the completion of 270 days of employment.
- The 270 days is during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

Employers add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

The credit recapture does not apply if the termination of employment was any of the following:

- Voluntary on the part of the employee.
- In response to misconduct of the employee.
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to re-employ the individual).
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked.
- Due to a substantial reduction in the employer's trade or business operations.

This credit is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 4.

## Instructions for Worksheet IIA – Hiring Credit and Recapture

### Section A – Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

**Line 1, column (b) through column (f)** – Enter in the appropriate column, the qualified wages paid or incurred during the taxable year to each qualified employee listed in column (a).

**Line 2, column (b) through column (f)** – Add the amount of qualified wages in each column.

**Line 3, column (b) through column (f)** – Multiply the total in each column of line 2 by the percentage in each column.

**Line 5** – The LAMBRA hiring credit is reduced by the amount of the federal jobs tax credit from the Work Opportunity Tax Credit (WOTC) claimed for this year. The reduction applies for those employees who are hired on or after January 1, 2010, and before August 31, 2011 (excluding unemployed veterans and disconnected youths as described in IRC Section 51(d)(14)).

No other California jobs tax credit may be claimed for the same wage expense paid to the employees shown in line 1, column (a).

**Important:** An employee that is a qualified employee for the LAMBRA hiring credit is not a qualified employee for the New Jobs credit.

**Line 6 –** For partnerships, enter the amount from line 6 on form FTB 3807, Side 1, Part II, line 2a. Also, include the current year hiring credit amount on Forms 565 and 568, Schedule K, line 15f and the distributive share of the credit to partners and members on Schedule K-1, line 15f. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).

For corporations, individuals, estates, and trusts, enter the amount from line 6 on Schedule Z, as follows:

- Part II, line 8B, column (b) for corporations, individuals, estates, and trusts.
- Part III, line 10, column (b) for S corporations.
- Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

**Important:** Affiliated corporations that received credits assigned under Section 23663, do not enter the assigned credits received on this worksheet. Those credits are entered and tracked on form FTB 3544A.

**Credit Limitations**

- The cumulative qualified wages used to compute the credit cannot exceed \$2,000,000. The limit applies for **each** taxable year, regardless of the number of qualified disadvantaged individuals employed.
- The amount of hiring credit claimed may not exceed the amount of tax on LAMBRA business income in any year. Use Schedule Z to compute the credit limitation.
- Any unused credit may be carried over and applied against the tax imposed on LAMBRA business income in future years until exhausted.
- Businesses reduce any deduction for wages by the amount of this credit.
- In the case where the business is qualified to take the LAMBRA hiring credit as well as another credit (e.g., EZ, MEA, or TTA hiring credit) for the same wage expense, the business may only claim one credit.
- S corporations may claim only 1/3 of the LAMBRA hiring credit against the 1.5% entity-level tax (3.5% for financial S corporations.) S corporations can pass through 100% of the credit to their shareholders.
- S corporations reduce their wage deduction by 1/3 of the amount on Worksheet IIA, Section A, line 4 and on Form 100S, line 7. In addition, the S corporation must make an

adjustment for the entire amount of the credit on Schedule K (100S), line 1, column (c).

**Example:** In 2011, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation can claim a credit for \$1,000 and reduce its wage deduction by \$1,000 (\$3,000 X 1/3) on Form 100S, line 7. On Form 100S, Schedule K, line 1, column (c), the S corporation would add \$3,000 to the S corporation's ordinary income or loss to reflect the credit passed through to the shareholder(s).

For additional information about the treatment of credits for S corporations, see instructions for Schedule Z.

**Section B – Credit Recapture**

**Line 1, column (a) –** Enter the name of the terminated employee. Attach additional schedule(s) if necessary.

**Line 1, column (b) –** Enter the amount of credit recapture for each employee listed in column (a).

**Line 2 –** Enter the amount from line 2, column (b) on form FTB 3807, Side 1, Part II, Line 2b.

Also include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.

**Worksheet IIA Hiring Credit and Recapture – LAMBRA**

**Section A Credit Computation**

		Qualified wages paid or incurred for year of employment					
	(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year	
<b>1</b>							
<b>2</b>	Total. See instructions . . . . .						
<b>3</b>	Multiply line 2 by the percentage in each column. See instructions . . . . .	.50	.40	.30	.20	.10	
<b>4</b>	Add the amounts on line 3, column (b) through column (f) . . . . .						<b>4</b>
<b>5</b>	Enter the amount of 2011 federal jobs tax credit allowed. See instructions. . . . .						<b>5</b>
<b>6</b>	Subtract the amount on line 5 from the amount on line 4 and enter the result here. See instructions. . . . .						<b>6</b>

You cannot take the LAMBRA hiring credit as well as another credit for the same wage expense.

**Section B Credit Recapture**

	(a) Terminated employee's name	(b) Recapture amount
<b>1</b>		
<b>2</b>	Total amount of credit recapture. Add the amounts in column (b). See instructions for where to report on your California tax return. . . . .	<b>2</b>



- Form 100W, Schedule J, line 5.
- Form 109, Schedule K, line 4.
- Form 540, line 63.
- Long Form 540NR, line 73.
- Form 541, line 21b and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

Indicate that you included the hiring credit recapture on your tax return by writing “**FTB 3807**” in the space provided on the schedule or form.

Partnerships identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders recapture the portion of the credit that was previously claimed, based on the terminated employee’s wages. Also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

## Line 2c – Sales or Use Tax Credit

Individuals, estates, trusts, and partnerships may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property.

**Corporations** may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$20 million of qualified property. Individuals who are S corporation shareholders may claim their pro-rata share of pass-through credit to the extent the S corporation paid or incurred the sales or use tax to purchase up to \$1 million of qualified property. See the example on this page.

The qualified property must be purchased and placed in service on or after the designation date, but before the expiration date of the LAMBRA. The sales or use tax must be paid or incurred on or after the designation date.

### Qualified property is defined as follows:

- High technology equipment, such as computers and electronic processing equipment.
- Aircraft maintenance equipment, such as engine stands, hydraulic mules, power carts, test equipment, handtools, aircraft start carts, and tugs.
- Aircraft components, such as engines, fuel control units, hydraulic pumps, avionics, starts, wheels, and tires.
- IRC Section 1245 property.

The business must use the property **exclusively** within the boundaries of the LAMBRA.

The use tax paid or incurred on purchases of property manufactured outside of California qualifies for the credit only if property of a comparable quality and price was not available for timely purchase and delivery from a California manufacturer.

### Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see federal Revenue Ruling 55-540, and FTB Legal Ruling 94-2.

### Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the LAMBRA business income in any year. After completing Worksheet IIB, use Schedule Z to compute the credit limitation.
- Any unused credit may be carried over and applied against the tax on LAMBRA business income in future years until exhausted. In the case of an S corporation, 1/3 of the credit can be carried over if it cannot be used in the current year. The remaining 2/3 must be disregarded and may not be carried over.

For more information about the treatment of credits for S corporations, see instructions for Schedule Z inside this booklet.

### Depreciation

Any taxpayer that elects to claim this credit cannot increase the basis of the qualified property by the sales or use tax paid or incurred in connection with the purchase of qualified property.

### Example:

XYZ Inc., an S corporation, purchases qualified property for \$20 million (\$20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5% (.015).

The credit allowed XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are computed as follows:

Facts	Depreciable basis
Qualified property	\$20 m.
Sales tax paid (\$20 m. x .06)	+1.2 m.
Sales or use tax credit allowed XYZ Inc.	<u>(1.2 m.)</u>
Depreciable basis of qualified property for XYZ Inc.	\$20 m.
Credit allowed to offset the entity-level tax (\$1.2 m. x 1/3)	\$0.4 m.

XYZ Inc. has two 50% shareholders. The credit allowed the shareholders and the depreciable basis of the qualified property for the shareholders are computed as follows:

Facts	Depreciable basis
Qualified property (purchased by XYZ Inc.)	\$20 m.
Sales tax paid (\$20 m. x .06)	+1.2 m.
Maximum qualified costs for sales or use tax credit is 1m.	
Sales or use tax credit allowed to the shareholders (\$1 m. x .06)	<u>(.06 m.)</u>
Depreciable basis of qualified property for the shareholders	\$21.14 m.
Total amount of credit allowed to the shareholders	.06 m.

Each shareholder is allowed a \$30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

To compute the difference between California and federal depreciation, use the following forms and schedules:

- Form 100 and Form 100W filers – FTB 3885, Corporation Depreciation and Amortization
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization
- Form 109 filers – Form 109, Schedule J, Depreciation
- Exempt trusts – Form FTB 3885F, Depreciation and Amortization
- Form 540 and Long 540NR filers – FTB 3885A, Depreciation and Amortization Adjustments
- Form 541 filers – FTB 3885F, Depreciation and Amortization
- Form 565 filers – FTB 3885P, Depreciation and Amortization
- Form 568 filers – FTB 3885L, Depreciation and Amortization

### Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe the following:

- The property purchased (such as serial numbers, etc.).
- The amount of sales or use tax paid or incurred on its purchase.
- The location where it is used.
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California.

## Line 2d – Sales or Use Tax Credit Recapture

The sales or use tax credit is subject to recapture (added back to tax liability) if, before the close of the second taxable year after the property was placed in service, it is disposed of or is no longer used exclusively in the LAMBRA trade or business. In that case, the credit amount for that property is added to the tax in the current taxable year.



## Part III – Business Expense Deduction and Recapture

A trade or business operating within a LAMBRA may **elect** to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the cost (subject to limitations) in that year rather than depreciate it over several years. The qualified property must be purchased and placed in service on or after the designation date, but before the expiration date of the LAMBRA.

The LAMBRA business expense deduction is not allowed for estates or trusts.

**Qualified property** is any recovery property that is IRC Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings), most equipment, and most furnishings acquired by purchase after the LAMBRA received its final designation and before the designation expires for exclusive use within a LAMBRA. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost of the qualified property against which the 40% deduction may be claimed in any taxable year is determined by the number of taxable years that have elapsed since the LAMBRA received its final designation. See page 3, for the designation dates.

The maximum aggregate cost is:

Taxable year of designation . . . . .	\$100,000
1st taxable year after designation . . . . .	100,000
2nd taxable year after designation . . . . .	75,000
3rd taxable year after designation . . . . .	75,000
Each remaining taxable year after designation . . . . .	50,000

### Election

The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, this deduction is not allowed if the property was any of the following:

- Transferred between members of an affiliated group.
- Acquired as a gift or inherited.
- Traded for other property.
- Received from a personal or business relation as defined in IRC Section 267 or 707(b).
- Described in IRC Section 168(f).

The LAMBRA business expense deduction must be claimed by making an election on the original filed tax return, and thus cannot be claimed on an amended tax return. Such an election cannot be revoked without the written consent of the FTB.

A taxpayer and spouse/RDP filing separate tax returns may each claim 1/2 of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner. Each partner's business expense deduction passed through from the partnership is based on his/her allocable share of the allowable deduction.

### Depreciation

Corporations may not claim the additional first-year depreciation allowed under R&TC

Section 24356 on any item of property if any portion of it was deducted as a LAMBRA business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a LAMBRA business expense.

To compute the difference between California and federal depreciation, use the forms and schedules listed on page 9.

## Instructions for Worksheet III – Business Expense Deduction and Recapture

### Section A – Deduction Computation

**Line 2, column (a)** – Enter a description of the qualified property and the location of its use. Attach additional schedule(s) if necessary.

**Line 2, column (b)** – Enter the cost of the property listed in column (a).

**Line 5** – Enter the amount from line 5, column (b) on form FTB 3807, Side 1, Part III, line 3a, and on your California tax return or schedule as follows:

- Form 100, line 15.
- Form 100S, line 12, Form 100S, Schedule K, line 11, and Schedule K-1 (100S), line 11.
- Form 100W, line 15.
- Form 109, Part II, line 24.
- Schedule CA (540), column B, on the applicable line for your activity.
- Schedule CA (540NR), column B, on the applicable line for your activity.
- Form 565, Schedule K, line 12 and Schedule K-1 (565), line 12.
- Form 568, Schedule K, line 12 and Schedule K-1 (568), line 12.

### Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed of, or no longer used exclusively in the LAMBRA trade or business.

This deduction is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for Net Increase in Jobs on page 4.

#### Income Adjustment

Add to current year income the amount previously deducted for the property.

#### Basis Adjustment

As of the first day of the taxable year in which the recapture event occurs, the recapture amount is added back to the basis of the property in the year of recapture and then depreciated over the remaining life of the qualified property.

**Line 1, column (a)** – Enter a description of the property. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of the business expense deduction claimed for each property listed in column (a).

**Line 2** – Enter the total amount from line 2, column (b), on form FTB 3807, Side 1, Part III, line 3b, and on your California tax return or schedule as follows:

- Form 100, line 15, as a **negative** amount.
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 10b and Schedule K-1 (100S), line 10b.
- Form 100W, line 15, as a **negative** amount.
- Form 109, Part I, line 12.
- Schedule CA (540), column C, on the applicable line for your activity.
- Schedule CA (540NR), column C, on the applicable line for your activity.
- Form 565, Schedule K, line 11b and Schedule K-1 (565), line 11b.
- Form 568, Schedule K, line 11b and Schedule K-1 (568), line 11b.

#### Example:

XYZ Inc. purchased a property on June 1, 2009, that qualified the corporation to take the LAMBRA business expense deduction. The property was purchased for \$10,000 and had a useful life of five years. XYZ Inc.'s taxable year ends December 31 of each year. The corporation had a business expense deduction of \$4,000 for the taxable year ending December 31, 2009, on the property.

Assume the corporation disposes of the property or no longer uses the property in the LAMBRA on August 5, 2011. The property was placed in service in 2009. The first year after the property was placed in service was the 2010 taxable year. The second year after the property was placed in service was the 2011 taxable year. Since the property was disposed of or no longer used in the LAMBRA before the end of the second year (December 31, 2011) after the year the property was placed in service, the business expense deduction (\$4,000) must be added to income in the 2011 taxable year. If the property was disposed of or no longer used in the LAMBRA after December 31, 2011, there is no recapture.

#### Situation 1

Assume on August 5, 2011, the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of \$4,000.

#### Situation 2

Assume on August 5, 2011, the corporation discontinues using the property in the zone, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset.

Assuming straight-line depreciation is used, the corporation will recognize \$2,833 (\$8,500/3) in depreciation expense in 2011. The \$8,500 is arrived at by adding the \$4,000





regular trade or business operations. Nonbusiness income is all income other than business income. See Cal. Code Regs., tit. 18 section 25120 for further references and examples of nonbusiness income.

**For Corporations and entities doing business in and outside of the enterprise zone,** use Worksheet IV, Section A and B, to determine the LAMBRA apportionment factor to determine the amount of business income attributable to the LAMBRA.

Pass-through entities report to their shareholders, beneficiaries, partners, and members the following items:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the LAMBRA.
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the LAMBRA included in item 1.
3. The distributive (or pro rata for S Corporation) share of the LAMBRA property and payroll to corporate partners, members, shareholders, beneficiaries.

Report these items as other information on Schedule K-1 (100S, 541, 565 or 568.)

**For an individual,** use Worksheet IV, Section C to determine business income attributable to the LAMBRA. Business income includes but is not limited to California business income or loss from federal Form 1040, Schedules C, D, E, F, and California Schedule D-1 (or federal Form 4797, Sales of Business Property, if California Schedule D-1 is not needed), as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040 Schedule A as itemized deductions.

Generally, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

If you elected to carry back part or all of your current year disaster loss under IRC Section 165(j)(1), do not include the amount of the loss that was carried back in your current year business income from the LAMBRA.

## Apportionment

Business income is apportioned to the LAMBRA by multiplying the **total California business income** of the taxpayer by a fraction. The numerator is the property factor plus the payroll factor, and the denominator is two. Loss is apportioned to the LAMBRA by multiplying the taxpayer's **total overall business loss** by a fraction. If a taxpayer conducts a business in more than one LAMBRA, the LAMBRA apportionment factor and credit limitations are computed separately for each LAMBRA.

### Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable year to produce business income.

Property owned by the business is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less aggregate annual subrental rates paid by subtenants.

### Payroll Factor

Payroll is defined as the total amount paid to the business's employees as compensation for the production of business income during the taxable year.

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services. Payments made to independent contractors or any other person not properly classified as an employee are excluded.

### Compensation Within the LAMBRA

Compensation is considered to be within the LAMBRA if any of the following conditions are met:

1. The employee services are performed within the geographical boundaries of the LAMBRA.
2. The employee services are performed within and outside the LAMBRA, but the services performed outside the LAMBRA are incidental to the employee services within the LAMBRA.
3. If employee services are performed within and outside the LAMBRA, employee compensation is attributed to the LAMBRA if any of the following items are met:

- A. The employee's base of operations is within the LAMBRA.
- B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the LAMBRA.
- C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the LAMBRA.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or other persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

## Corporations Filing a Combined Report

When determining the income attributable to the LAMBRA, the business income of each corporation doing business in the LAMBRA is the business income apportioned to California as determined under combined report mechanics. For more information on combined reports, get FTB Pub. 1061. Each corporation computes the income attributable to the LAMBRA by multiplying California business income by LAMBRA apportionment factor computed in Worksheet IV, Section A. LAMBRA property and payroll factors used in the determination of LAMBRA business income includes only the taxpayer's California amounts in the denominator.

When determining the loss attributable to the LAMBRA, the business is the total unitary business income. Get FTB Pub. 1061 for more information on combined reports. Each corporation computes the loss attributable to the LAMBRA by multiplying the unitary business income by LAMBRA apportionment factor computed in Worksheet V, Section B. The LAMBRA property and payroll factor used to determine the LAMBRA income includes only the taxpayer's overall amounts from all its business operations in the denominator.

Each corporation doing business in the LAMBRA computes the business income attributable to the LAMBRA according to their own apportioned California business income and interstate apportionment factors.

### Example: Computation of LAMBRA business income apportioned to each entity operating within the LAMBRA

Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within the LAMBRA. The combined group operates within and outside California and apports its income to California using Schedule R. Assume the combined group's business income apportioned to California was \$1,000,000 and Corporation A's and B's share of California business income is \$228,000 and \$250,000, respectively. Corporation A's and B's separate LAMBRA and separate California property and payroll factor amounts are shown on this page. Business income apportioned to the LAMBRA was determined as follows:

	A	B
<b>Property Factor</b>		
LAMBRA property	\$1,000,000	\$ 800,000
California property	\$1,000,000	\$1,200,000
<b>Apportionment %</b>	100%	66.66%
<b>Payroll Factor</b>		
LAMBRA payroll	\$ 800,000	\$ 800,000
California payroll	\$ 800,000	\$1,000,000
<b>Apportionment %</b>	100%	80%
<b>Average Apportionment %</b> (Property + Payroll Factors) $\frac{\quad}{2}$	100%	73.33%
<b>Apportioned Business Income</b>	\$ 228,000	\$ 250,000
<b>LAMBRA business Income</b> (Average Apportionment % X California Business Income)	\$ 228,000	\$ 183,325

## Instructions for Worksheet IV – Income or Loss Apportionment

If the business operates solely within a single LAMBRA and all its property and payroll are solely within that single LAMBRA, enter 100% (1.00) on Section A, line 4, column (c) and Section B, line 4, column (c). Do not complete the rest of Worksheet IV.

### Section A – Income Apportionment

Use Worksheet IV, Section A, Income Apportionment, to determine the amount of business income apportioned to the LAMBRA. The apportioned LAMBRA business income determines the amount of the tax incentives that can be used. A taxpayer's LAMBRA business income is its California business income multiplied by the specific LAMBRA apportionment percentage computed in Worksheet IV, Section A.

#### Property Factor

When determining the income apportioned to the LAMBRA, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the LAMBRA during the taxable year to produce LAMBRA business income. See Worksheet IV, Section A, column (b). The denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California, see Worksheet IV, Section A, column (a).

#### Payroll Factor

When determining income apportioned to the LAMBRA, the numerator of the payroll factor is the taxpayer's total compensation paid to the employees for working within the LAMBRA during the taxable year. See Worksheet IV, Section A, column (b). The denominator of the payroll factor is the taxpayer's total compensation paid to **employees working in California**, see Worksheet IV, Section A, column (a).

### Section B – Loss Apportionment

Use Worksheet IV, Section B, Loss Apportionment, to determine your net operating loss apportioned to the LAMBRA. A taxpayer's LAMBRA net operating loss is its net business operating loss from all sources multiplied by the specific LAMBRA apportionment percentage computed in Worksheet IV, Section B.

#### Property Factor

When determining the loss apportioned to the LAMBRA, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the LAMBRA during the taxable year to produce LAMBRA business income. See Worksheet IV, Section B, column (b). The denominator of the property

factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet IV, Section B, column (a).

#### Payroll Factor

When determining the loss apportioned to the LAMBRA, the numerator of the payroll factor is the taxpayer's total compensation paid to the employees for working within the LAMBRA during the taxable year. See Worksheet IV, Section B, column (b). The denominator of the payroll factor is the taxpayer's total compensation paid to employees working in California. See Worksheet IV, Section B, column (a).

### Section C – Income or Loss Apportionment

Form 540 and Form 540NR filers, use Worksheet IV, Section C to determine the amount to enter on the following:

- Worksheet V, Section A, line 1
- Worksheet V, Section C, line 1 and line 6
- Schedule Z, Part I, line 1 and line 3

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the LAMBRA. A taxpayer's LAMBRA business income is its California apportioned business income computed using Schedule R, multiplied by the specific LAMBRA apportionment percentage computed using Worksheet IV, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income." Only business income is apportioned to the LAMBRA. See Part IV, Portion of Business Attributable to the LAMBRA, for a complete discussion of business and nonbusiness income.

#### Part I – Individual Income and Expense Items

##### Wages

Taxpayers with wages from a company located within and outside a LAMBRA must determine the LAMBRA wage income by entering the percentage of time that they worked within the LAMBRA in column (b). The percentage of time should be for the same period the wages entered on line 1 were earned. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

#### Part II – Pass-Through Income or Loss

##### Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside a LAMBRA from which you received LAMBRA business tax incentives, see the example below for computing business income in the LAMBRA.

#### Example:

Pass-through entity	Schedule K-1 (100S, 541, 565, or 568)	Trade or business income from Entity's LAMBRA apportionment percentage	LAMBRA apportioned income
ABC, Inc.	\$40,000	80%	\$32,000
A, B, & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
<b>Total</b>			<b>\$40,000</b>

### Part III – Taxpayer's Trade or Business

#### Business Income or Loss

Use business income or loss from federal Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 as adjusted on Schedule CA (540 or 540NR).

#### Income Computation

##### Located Entirely Within the LAMBRA

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, F, or other schedule is entirely within the LAMBRA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the LAMBRA, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

##### Located Entirely Within California

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

##### Located Within and Outside the LAMBRA and California

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, F, or other schedule is within and outside the LAMBRA and California, get Schedule R and complete line 1 through line 18b and line 28 through line 31. Enter the amount from Schedule R, line 18b and line 31 in column (a) of this worksheet.

To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

When computing Schedule R, disregard any reference to Forms 100, 100S, 100W, 100X, 565, or 568. Also disregard any reference to Schedules R-3, R-4, or R-5.

Nonresidents who have an apportioning business that operates within the LAMBRA should have already computed Schedule R, and can use those amounts when that schedule is referenced.

Residents complete a Schedule R in order to determine their California source business income for purposes of the LAMBRA credit computation.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside a LAMBRA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the apportionment percentage in

column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

**Line 14 –** If you are computing the LAMBRA NOL and the result on Worksheet IV, Section C, line 14, column (c) is a **negative** amount, enter this amount on Worksheet V, Section A, line 1. If the amount is **positive**, you do not have a LAMBRA NOL.

If you are computing the LAMBRA business income and the result on Worksheet IV, Section C, line 14, column (c) is a **positive** amount and:

- You have LAMBRA NOL carryovers, enter the amount on Worksheet V, Section C, line 1 and line 6 (skip line 2 through line 5).
- You have LAMBRA credits or credit carryovers, enter the amount on Schedule Z, Part 1, line 1 and line 3 (skip line 2).

If the amount is **negative**, you do not have any business income attributable to the LAMBRA and you cannot utilize any LAMBRA NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

**Loss Computation**

**Located Entirely Within the LAMBRA**

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, F, or other schedule is entirely within the LAMBRA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the LAMBRA, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

**Located Within and Outside the LAMBRA**

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E, F, or other schedule is within and outside the LAMBRA, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section B. Enter the percentage from Worksheet IV, Section B, line 4, column (c) on Worksheet IV, Section C, column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR)

**Worksheet IV Income or Loss Apportionment – LAMBRA**

**Section A – Income Apportionment**

Use Worksheet IV, Section A, if your business has net income from sources within and outside a LAMBRA.	(a) Total within California	(b) Total within a LAMBRA	(c) Percentage within a LAMBRA column (b) ÷ column (a)
<b>PROPERTY FACTOR</b>			
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule). . . . .			
Rented property used in the business. See instructions			
<b>Total property values . . . . .</b>			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
<b>Total payroll . . . . .</b>			
<b>3</b> Total percentage, sum of the percentages in column (c)			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3807, Side 1, line 4 . . . . .			

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the LAMBRA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the LAMBRA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.



was attributed to an asset used in an activity conducted within and outside the LAMBRA, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section B. Enter the percentage from Worksheet IV, Section B, line 4, column (c) on Worksheet IV, Section C, column (b).

**Line 14** – See line 14 under Income Computation.

**Part V – Net Operating Loss (NOL) Carryover and Deduction**

A business that operates or invests within a LAMBRA that generated an NOL in a taxable year beginning before January 1, 2008, can carry the NOL forward 15 years but cannot carry it back. For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period to 20 taxable years following the year of the loss. A business that operates or invests within a LAMBRA that generated an NOL in a taxable year beginning before January 1, 2008, can carry the NOL forward 15 years but cannot carry it back. Also, California will allow NOLs incurred in taxable years beginning on or after January 1, 2013, **instead** of January

1, 2011, to be carried back to each of the preceding two taxable years. See instructions for Worksheet V, Section C on page 18 for more information.

Financial institutions using the bad debt reserve method may carryover the loss for a maximum of five taxable years. In addition, up to 100% of the NOL generated in a LAMBRA can be carried forward.

For taxable years beginning in 2002 and 2003, California suspended the NOL carryover deduction. Taxpayers continued to carryover an NOL during the suspension period. The carryover period for suspended losses was extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred on or after January 1, 2002, and before January 1, 2003. The deduction for disaster losses was not affected by the NOL suspension rules. See instructions for Worksheet V, Section C on page 18 for more information on the suspension of the NOL carryover deduction for taxable years beginning in 2008 through 2011.

The business cannot generate NOLs from activities within the LAMBRA area before the first taxable year beginning on or after the date the LAMBRA is officially designated.

**Limitation**

A LAMBRA NOL deduction can offset only business income attributable to operations within the LAMBRA.

**Election**

Elect and designate the carryover category (general or specific, EZ, LAMBRA, TTA, or Pierce's disease NOL) on the original tax return for the year of a loss and file form FTB 3807 for each year in which a LAMBRA NOL deduction is being taken. The election is **irrevocable**.

If you elect the LAMBRA NOL deduction, you are prohibited by law from carrying over any other type of NOL, relating to LAMBRA activities, from this year.

To determine which type of NOL will provide the greater benefit, taxpayers that have general or specific, EZ, LAMBRA, or TTA NOLs, or that may qualify for the special NOL treatment, should estimate future income and complete Worksheet V and the following forms or worksheets if applicable:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations
- FTB 3805Z, Enterprise Zone Business Booklet, Schedule Z

**Worksheet IV Income or Loss Apportionment – LAMBRA (continued)**

**Section B Loss Apportionment (For the computation of current year net operating loss)**

Use Worksheet IV, Section B, if your business has net losses from sources within and outside a LAMBRA.	(a) Total within and outside a LAMBRA	(b) Total within a LAMBRA	(c) Percentage within a LAMBRA column (b) ÷ column (a)
<b>PROPERTY FACTOR</b>			
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule). . . . .			
Rented property used in the business. See instructions			
<b>Total property values</b> . . . . .			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the tax return.			
<b>Total payroll</b> . . . . .			
<b>3</b> Total percentage, sum of the percentages in column (c)			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on Worksheet V, Section B, line 4 . . . . .			

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the LAMBRA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the LAMBRA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.



**Worksheet IV Income or Loss Apportionment – LAMBRA (continued)**

**Section C Income or Loss Apportionment**

**Part I Individual Income and Expense Items.** See instructions.

	(a) Amount	(b) Percentage of time providing services in the LAMBRA	(c) Apportioned amount (a) x (b)
1 Wages . . . . .			
2 Employee business expenses . . . . .			
3 Total. Combine line 1, column (c) and line 2, column (c) . . . . .			

**Part II Pass-Through Income or Loss.** See instructions

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the LAMBRA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses
4	
5 Total. Add line 4, column (b) . . . . .	

**Part III Taxpayer's Trade or Business.** See instructions.

	(a) Business income or loss	(b) Apportionment percentage for the LAMBRA	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ . . . . .			
7 Schedule E (Rentals) . . . . .			
8 Schedule F . . . . .			
9 Other business income or loss . . . . .			
10 Total. Add line 6 through line 9, column (c) . . . . .			

	(a) Business gain or loss	(b) Apportionment percentage for the LAMBRA	(c) Apportioned gain or loss (a) x (b)
11 Schedule D . . . . .			
12 Schedule D-1 . . . . .			
13 Total. Add line 11, column (c) and line 12, column (c) . . . . .			
14 Total. Add line 3, line 10, and line 13, column (c), and line 5, column (b) . . . . .			

- FTB 3809, Targeted Tax Area Business Booklet, Worksheet V

**Alternative Minimum Tax**

Taxpayers claiming a LAMBRA NOL deduction, determine your NOL for alternative minimum tax (AMT) purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for AMT purposes.

**S Corporations**

LAMBRA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b). However, an S corporation is allowed to deduct a LAMBRA NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

**NOL Carryover Amount — Businesses Operating Totally Within the LAMBRA**

For calendar and fiscal year taxpayers with all payroll and property within a LAMBRA, the NOL carryover is determined by computing the business loss that results from business activity in the LAMBRA.

**NOL Carryover Amount – Businesses Operating Within and Outside the LAMBRA**

If the business is located within and outside or in more than one LAMBRA, the loss amount available for carryover is determined by apportioning the total business loss of the entity attributable to the LAMBRA pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101) with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and they compare the LAMBRA property and payroll to total property and payroll. The loss calculation is done on Worksheet V,

Section A for individuals and exempt trusts, and Worksheet V, Section B for corporations. The apportionment factor calculation is done on Worksheet IV, Section B for business entities and Worksheet IV, Section C for individuals. The loss carryover is deducted against income apportioned by each business to the LAMBRA in subsequent years. This calculation is done on Worksheet V, Section C.

Corporations that are members of a unitary group filing a combined report, separately compute the loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors. Unlike the NOL treatment on a federal consolidated tax return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For any water's-edge taxpayer, R&TC Section 24416.20(c) imposes a limitation on the NOL deduction if the NOL is generated during a non-water's edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is 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 year of the loss. R&TC Section 24416.20(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, not increased.

## Instructions for Worksheet V – NOL Computation and Loss Limitations

Individuals and exempt trusts with a current year loss complete Section A. Corporations with a current year loss complete Section B. Individuals, exempt trusts, and corporations with current year income and a prior year LAMBRA NOL carryover complete Section C.

### Section A – Computation of Current Year NOL – Individuals and Exempt Trusts

Use this section to compute the LAMBRA NOL to be carried over to future years by individuals and exempt trusts. Complete Section A only if you have a current year loss.

Complete form FTB 3805V before you compute the allowable LAMBRA loss.

To compute the LAMBRA NOL, separate business income and deductions from nonbusiness income and deductions.

**Line 1** – See Part IV for a complete discussion of business and nonbusiness income.

### Section B – Computation of Current Year NOL – Corporations

Use this section to compute the LAMBRA NOL to be carried over to future years for corporations. Complete Section B only if the corporation has a current year loss.

Complete form FTB 3805Q before computing the allowable LAMBRA loss.

### Section C – Computation of NOL Carryover and Carryover Limitations – Individuals, Exempt Trusts, and Corporations

For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction. Taxpayers may continue to compute and carryover NOLs during the suspension period. **However**, taxpayers with net income after state adjustments (pre-apportioned income) (corporations) or with modified adjusted gross income (individuals) of less

than \$300,000, or with disaster loss carryovers are not affected by the NOL suspension rules.

**Corporations** use line 18 of Forms 100 and 100W, or line 15 less line 17 of Form 100S to determine net income after state adjustments (pre-apportioned income).

**Individuals** use the amount shown on your federal tax return for the same taxable year without regard to the federal NOL deduction (540/540NR, Line 13, plus the federal NOL deduction listed on Schedule CA (540/540NR) column C, line 21c).

The carryover periods 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.

Also, California modified the NOL carryback provision. NOLs incurred in taxable years beginning on or after January 1, 2013, **instead** of January 1, 2011, 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.

A LAMBRA NOL deduction can offset only business income attributable to operations within the LAMBRA. Use this worksheet to compute the LAMBRA NOL deduction for individuals, exempt trusts, and corporations.

**Line 1** – See Part IV for a complete discussion of business and nonbusiness income.

#### Form 540 and Form 540NR filers:

Be sure to include casualty losses, disaster losses, and any business deductions reported on Schedule A as itemized deductions.

**Exception:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of loss that was carried back in your current year business income for the LAMBRA.

**Line 2** – In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number any net capital losses included in line 1.

**Line 3** – Corporations reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** – This is your modified taxable income (MTI). Reduce this amount by your LAMBRA NOL deduction. The LAMBRA NOL deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, carry over the NOL to future years.

**Line 7** – Enter the amount from line 6 in column (d). If this amount is zero or negative, transfer the amounts from line 8 through line 22, column (b) to column (e). Go to line 23.

**Caution:** Your NOL may be suspended. See the explanation under instructions for Worksheet V, Section C. If your NOL is suspended do not put any amounts in column (c). Carryover the column (b) amount(s) to column (e).

**Line 8 – Line 22:** Enter the amounts on line 8 through line 22 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

#### Example:

(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) LAMBRA NOL carryover
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0

**Line 23** – Enter the amount of your current year NOL in column (e). For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

**Line 24** – Total the amounts in column (b) and column (e). Enter the totals from column (b) and column (e) on form FTB 3807, Side 1, line 5a and line 5c, accordingly.

Your LAMBRA NOL deduction for 2011 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 21
- Form 100S, line 19
- Form 100W, line 21
- Form 109, line 6
- Schedule CA (540), line 21e, column B
- Schedule CA (540NR), line 21e, column B

## Schedule Z – Computation of Credit Limitations

### Credit Limitations

The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to LAMBRA business income. The amount of tax attributable to the LAMBRA business income is computed in this schedule. For corporations and other entities doing business in the LAMBRA, the LAMBRA business income is computed in this schedule

**Worksheet V Net Operating Loss (NOL) Computation and Loss Limitations – LAMBRA**

**Section A Computation of Current Year Net Operating Loss – Individuals and Exempt Trusts**

<b>1</b> Net trade or business loss from all sources. <b>Individuals:</b> Enter the total from Worksheet IV, Section C, line 14, column (c) as a positive number. For purposes of this worksheet section, do not include any 2011 losses or disaster loss carryovers in line 1. See instructions for definition of business income. <b>Exempt trusts:</b> Enter the amount from Form 109, line 4 . . . . .	<b>1</b>
<b>2</b> Total business capital losses included in line 1. Enter as a positive number . . . . .	<b>2</b>
<b>3</b> Total business capital gains included in line 1 . . . . .	<b>3</b>
<b>4</b> If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0- . . . . .	<b>4</b>
<b>5</b> Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from a LAMBRA . . . . .	<b>5</b>
<b>6</b> Enter the amount from form FTB 3805V, Part I, Section A, line 20 . . . . .	<b>6</b>
<b>7</b> Enter the smaller of line 5 or line 6 here and in Section C, line 22, column (e). . . . . This is the LAMBRA NOL carryover to 2012	<b>7</b>

**Section B Computation of Current Year Net Operating Loss – Corporations.** If you have a LAMBRA NOL and a prior year general NOL, see instructions.

Check the appropriate box to describe your entity type during the year that the NOL was incurred:

- C corporation    S corporation    Exempt corporation

<b>1</b> Net loss for state purposes from Form 100, line 18 and Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. Apportioning corporations, enter the amount from Schedule R, line 14 plus line 17 . . . . .	<b>1</b>
<b>2 a</b> 2011 disaster relief loss included in line 1. Enter as a positive number . . . . .	<b>2a</b>
<b>b</b> Nonbusiness income included in line 1. Enter as a negative number. . . . .	<b>2b</b>
<b>c</b> Nonbusiness losses included in line 1. Enter as a positive number . . . . .	<b>2c</b>
<b>d</b> Combine line 2a through line 2c . . . . .	<b>2d</b>
<b>3</b> Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL from a LAMBRA . . . . .	<b>3</b>
<b>4</b> Enter the average apportionment percentage from Worksheet IV, Section B, line 4. . . . .	<b>4</b>
<b>5</b> Multiply line 3 by line 4. . . . .	<b>5</b>
<b>6</b> Enter the amount from form FTB 3805Q, Part I, line 3 . . . . .	<b>6</b>
<b>7</b> Enter the smaller of line 5 or line 6 here and in Section C, line 22, column (e). . . . . This is the LAMBRA NOL carryover to 2012.	<b>7</b>

using the LAMBRA apportionment factor formula computed on Worksheet IV, Section A. For individuals, the LAMBRA business income is computed on Worksheet IV, Sections C. Use Schedule Z on form FTB 3807, Side 2 to compute this limitation.

**Other Limitation to Consider**

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. Partnerships allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement. See R&TC Section 17039(e)(2).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), the annual tax (partnerships, LLCs classified as partnerships, and QSub), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

**S Corporations and the Application of LAMBRA Credits**

An S corporation may use its LAMBRA credits to reduce LAMBRA business tax both at the corporate and shareholder levels. An S corporation may use 1/3 of the LAMBRA credits to reduce the tax on the S corporation's LAMBRA business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the LAMBRA credits computed under the Personal Income Tax Law.

**Example:** In 2011, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation will be able to use 1/3 of the credit (\$3,000 X 1/3 = \$1,000) to offset the tax on the corporation's LAMBRA business income. The S corporation will also pass through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on LAMBRA business income. S corporations should attach form FTB 3807 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. Shareholders should attach Schedule(s) K-1 (100S), to their individual tax return.

**Carryover**

If the amount of credit available this year exceeds your LAMBRA business tax, you may carry over any excess credit to future years

until exhausted. Apply the carryover to the earliest taxable year possible. In no event can the credit be carried back and applied against a prior year's tax. Generally, the credit cannot be transferred to another taxpayer, unless:

- There was a qualifying merger.
- The credit qualifies under R&TC Section 23663 for assignment to an affiliated corporation.

For additional information, get form FTB 3544, or form FTB 3544A.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the 1.5% entity-level tax (3.5% for financial S corporations). See the instructions for Schedule Z, Part III for more information.

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. For more information, get Schedule C (100S), S Corporation Tax Credits.

**Worksheet V NOL Computation and Loss Limitations – LAMBRA (continued)**

**Section C NOL Carryover and Carryover Limitations – Individuals, Exempt Trusts, and Corporations.** See instructions.

<b>1</b> Enter the amount from Form 100, line 18 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 4. Form 540 and Long Form 540NR filers, enter the total from Worksheet IV, Section C, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Corporations which file a combined report, enter the taxpayer's business income assigned to California (see instructions Part IV) . . . . .	<b>1</b>				
<b>2 a</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank . . . . .	<b>2a</b>				
<b>b</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness losses included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank . . . . .	<b>2b</b>				
<b>c</b> Combine line 2a and line 2b . . . . .	<b>2c</b>				
<b>3</b> Form 100 and Form 100W filers: Enter the amount from Form 100 or Form 100W, line 22. Form 100S filers: Enter the total of the amounts from Form 100S, line 17 and line 20. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number . . . . .	<b>3</b>				
<b>4</b> Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6 . . . . .	<b>4</b>				
<b>5</b> Enter the average apportionment percentage from Worksheet IV, Section A, line 4. . . . .	<b>5</b>				
<b>6</b> Modified taxable income. Multiply line 4 by line 5. See instructions . . . . .				<b>6</b>	

<b>(a)</b> Description	<b>(b)</b> Carryover from prior year	<b>(c)</b> Amount deducted this year	<b>(d)</b> Balance available to offset losses	<b>(e)</b> LAMBRA NOL carryover to 2012
<b>7</b> Modified taxable income from line 6 . . . . .				
<b>8</b> LAMBRA NOL carryover beginning in 1996				
<b>9</b> LAMBRA NOL carryover beginning in 1997				
<b>10</b> LAMBRA NOL carryover beginning in 1998				
<b>11</b> LAMBRA NOL carryover beginning in 1999				
<b>12</b> LAMBRA NOL carryover beginning in 2000				
<b>13</b> LAMBRA NOL carryover beginning in 2001				
<b>14</b> LAMBRA NOL carryover beginning in 2002				
<b>15</b> LAMBRA NOL carryover beginning in 2003				
<b>16</b> LAMBRA NOL carryover beginning in 2004				
<b>17</b> LAMBRA NOL carryover beginning in 2005				
<b>18</b> LAMBRA NOL carryover beginning in 2006				
<b>19</b> LAMBRA NOL carryover beginning in 2007				
<b>20</b> LAMBRA NOL carryover beginning in 2008				
<b>21</b> LAMBRA NOL carryover beginning in 2009				
<b>22</b> LAMBRA NOL carryover beginning in 2010				
<b>23</b> LAMBRA NOL beginning in 2011 . . . . .				
<b>24</b> Total the amounts in columns (b), (c), and (e). See instructions . . . . .				

**Credit Code Number**

Use credit code number **198** to claim the LAMBRA hiring and sales or use tax credits. Using an incorrect code number may cause a delay in allowing the credit(s).

**Instructions for Schedule Z – Computation of Credit Limitations**

**Reporting Requirements of S Corporations, Estates, Trusts, and Partnerships**

- Partnerships and LLCs treated as partnerships do not complete Schedule Z. However, the partners and members of these types of entities should compute their LAMBRA income from all sources by

completing the Schedule Z to determine the amount of LAMBRA credits that they may claim on their California tax returns. For individual partners, report the distributive share of all the business income apportioned to the LAMBRA. For corporate partners, report the distributive share of the LAMBRA property and payroll. Report these items as other information on Schedule K-(565).

- S corporations and their shareholders complete Schedule Z.
- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, loss, and deductions apportioned to the LAMBRA.

- Separately state the distributive or pro-rata share of any business capital gains and losses apportioned to the LAMBRA included in the amount above.

**S Corporations**

Complete Part I and Part III of Schedule Z if your entity-level tax before credits is more than the minimum franchise tax.

**Corporations and S Corporations subject to the minimum franchise tax only**

Complete only Part IV of Schedule Z.

**All others:** Complete Part I and Part II of Schedule Z.



## Part I – Computation of Credit Limitations

For filers with NOLs or NOL carryovers.

- Complete Worksheet V first if you have a current year NOL or an NOL carryover.
- Then complete Schedule Z if you have any LAMBRA credits.

If you do not have a current year NOL or any NOL carryovers:

- Individuals: Go to Worksheet IV, Section C. Follow the worksheet instructions. Enter the amount from Worksheet IV, Section C, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

Only business income is apportioned to the LAMBRA to determine the incentive limitation. Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. See Cal Code Regs., tit 18 section 25120 for further references and examples of nonbusiness income.

For Corporations filing a combined report, the business income of each corporation doing business in the LAMBRA is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub. 1061 for more information on combined reports and entity income apportionment.

**Line 1** – Enter all trade or business income. See Part IV for the definition of trade or business income.

**Line 2** – If your business is located entirely within the LAMBRA, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet IV, Section A, and represents the percentage of the entity's business income attributable to the LAMBRA.

**Line 6a** – Compute the tax as if the LAMBRA taxable income represented all of your taxable income.

### Individuals

Use the tax table or tax rate schedule in your tax booklet for your filing status.

### Exempt organizations

Use the applicable tax rate in your tax booklet.

### Corporations and S Corporations

Use the applicable tax rate.

If the amount on line 6a is the minimum franchise tax (\$800), you cannot use your LAMBRA credit carryovers this year. You should complete Part IV of Schedule Z to figure the amount to carryover.

### Example: Determination of LAMBRA Business Income for Shareholders, Partners, or Members of Pass-Through Entities

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one within

the LAMBRA and one outside the LAMBRA. Eighty percent (80%) of the S corporation's business is attributable to the LAMBRA.

This percentage was determined by ABC, Inc. using Worksheet IV, Section A, when ABC's California S corporation tax return (Form 100S) was prepared. John divides his time equally (50/50) between the two offices of ABC, Inc. Jackie Anderson (John's spouse/RDP) works for ABC, Inc. at its office located within the LAMBRA.

John and Jackie Anderson have the following items of California income and expense for the 2011 taxable year:

John's salary from ABC, Inc.	\$100,000
Jackie's salary from ABC, Inc.	75,000
Interest on savings account	1,000
Dividends	3,000
Schedule K-1 (100S) from ABC, Inc.:	
Ordinary income	40,000
LAMBRA business expense deduction	(5,000)*
John's unreimbursed employee expenses from federal Schedule A	(2,000)

\*The LAMBRA business expense deduction is a separately stated item on Schedule K-1 (100S), line 11.

The Anderson's LAMBRA business income (total amount to be reported on line 3) is computed as follows:

John's LAMBRA salary (\$100,000 x 50%)	\$50,000
Jackie's LAMBRA salary (\$75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. (\$40,000 x 80%)	32,000
LAMBRA business expense deduction from ABC, Inc.	(5,000)
John's unreimbursed employee business expenses (2,000 x 50%)	(1,000)
Total LAMBRA business income (Schedule Z, Part I, line 3)	\$151,000

The standard deduction and personal or dependency exemptions are not included in the computation of LAMBRA business income since they are not related to trade or business activities.

John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total LAMBRA business income of \$151,000 (as if it represents all of their income).

### Line 6b – Corporations and S corporations

If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your LAMBRA credits this year. You should complete Part IV of Schedule Z to compute the amount of credit carryover.

## Part II – Limitation of Credits for Corporations, Individuals, Estates, and Trusts

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust.

Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV of the Schedule Z.

**Line 8A, column (f)** – Enter the amount from line 7. This is the amount of limitation based on the tax on LAMBRA business income.

**Line 8A, column (g)** – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (f) or the amount computed on line 8B, column (e). Enter this amount on form FTB 3807, Side 1, line 2a.

**Line 8B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet IIA, Section A, line 6.

**Line 8B, column (c)** – Enter the amount of the total prior year carryover of the credit. This is the amount of credit that was previously computed on Worksheet IIA, Section A in the prior year, minus the amount that was allowed to be taken on the prior year return.

**Line 8B, column (d)** – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544 column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

**Line 8B, column (e)** – Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c), then subtract the amount of the total assigned credit on line 8B, column (d), if any.

**Line 8B, column (f)** – Compare the amounts on line 8A, column (f) and line 8A, column (g). Enter the smaller amount.

**Line 8B, column (h)** – Subtract the amount on line 8B, column (f) from the amount on line 8B, column (e). Enter the result on line 8B, column (h). This is the amount of credit that can be carried over to future years.

This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on LAMBRA business income.

**Line 9A, column (f)** – Subtract the amount on line 8B, column (f) from the amount on line 8A, column (f). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (e) on line 9B, column (h).

**Line 9A, column (g)** – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (f) or the amount computed on line 9B, column (e). Enter this amount on form FTB 3807, Side 1, line 2c.

**Line 9B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet IIB, Section A, line 2, column (c).

**Line 9B, column (c)** – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet IIB, Section A minus the amount that was allowed to be taken on the prior year tax return.

**Line 9B, column (d)** – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544 column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

**Line 9B, column (e)** – Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c), then subtract the amount of the total credit assigned on line 9B, column (d), if any.

**Line 9B, column (f)** – Compare the amounts on line 9A, column (f) and line 9A, column (g). Enter the smaller amount.

**Line 9B, column (h)** – Subtract the amount on line 9B, column (f) from the amount on line 9B, column (e). Enter the result on line 9B, column (h). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on LAMBRA business income.

**Part III – Limitation of Credits for S Corporations Only**

Use Part III of Schedule Z only if you are an S corporation. Adjust Schedule C (100S) to reflect the LAMBRA business tax limitation (Part I, line 7) after completing this worksheet.

**Line 10 and Line 11, column (b)** – Enter the amount of current year credits (that were computed on Worksheet IIA and Worksheet IIB) in column (b) for line 10 and

line 11, as applicable. Also include these amounts on Schedule K (100S), line 13d.

**Line 10 and Line 11, column (c)** – Multiply the amount on line 10, column (b) and line 11, column (b) each by 1/3. Enter the result in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations). Also include these amounts on Schedule C, Form 100S.

**Line 10 and Line 11, column (d)** – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on the prior year Worksheet IIA or Worksheet IIB, minus the amount that was allowed to be taken on the prior year return.

**Line 10 and Line 11, column (e)** – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

**Line 10 and Line 11, column (f)** – Enter the amount of credit that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amount in column (f) for line 10 and line 11 on form FTB 3807, Side 1, line 2a and line 2c, as applicable.

**Line 10 and Line 11, column (g)** – Subtract the amount in column (f) for each line from the amounts in column (e). These are the amounts of credits that can be carried over to future years and used by the S corporation.

**Part IV – Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax**

Use Part IV of Schedule Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 12 and Line 13, column (b)** – Enter the amount of current year credits (that were computed on Worksheet IIA and Worksheet IIB) on line 12, column (b) and line 13, column (b), as applicable. S corporations may only enter 1/3 of the amounts from Worksheet IIA and Worksheet IIB.

**Line 12 and Line 13, column (c)** – Enter the amount of the total prior year credit carryover. These are the amounts of credits that were previously computed on Worksheet IIA and Worksheet IIB in the prior year, minus the amounts that were allowed to be taken on the prior year return. S corporations may only enter 1/3 of the amounts from Worksheet IIA and Worksheet IIB.

**Line 12 and Line 13, column (d)** – Enter the amounts of credits assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, column (g). Only C corporations who completed the form will enter an amount in this column. S corporations, leave blank and go to column (e) instructions.

**Line 12 and Line 13, column (e)** – Add the amounts in column (b) and column (c) for line 12 and line 13, then subtract the amounts in column (d), if any, for line 12 and line 13. These are the amounts of credits that can be carried over to future years.

**Example: Part II**

Assume the ABC Business has \$8,000 of tax. The business computed a credit limitation based on LAMBRA business income of \$7,000 on Schedule Z, line 7. The business has the following credits:

Hiring credit — \$ 500  
Sales or use tax credit — \$9,000

Schedule Z, Part II would be computed as follows:

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See Instructions.

	(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit assigned from form FTB 3544 col. (g)	(e) Total credit sum of col. (b) plus col. (c), minus col. (d)	(f) Limitation based on LAMBRA business income	(g) Credit used on Sch. P Can never be greater than col. (e) or col. (f)	(h) Total credit carryover col. (e) minus col. (f)
8	Hiring Credit					7,000	500	
		500	–0–	–0–	500	500		–0–
9	Sales or use tax credit					6,500	6,500	
		9,000	–0–	–0–	9,000	6,500		2,500

Local Agency Military Base Recovery Area Deduction and Credit Summary

2011

3807

Attach to your California tax return. SSN or ITIN or California corporation number. Name(s) as shown on tax return. FEIN. Secretary of State (SOS) file number.

- A. Check the appropriate box for your entity type: Individual, Estate, Trust, C corporation, S corporation, Partnership, Exempt organization, Limited liability company, Limited liability partnership. B. Enter the name of the LAMBRA business. C. Enter the address. D. Enter the name of the LAMBRA. E. Principal Business Activity Code. F. Total number of employees. G. Number of employees included in hiring credit. H. Number of new employees. I. Gross annual receipts. J. Total asset value.

Part I Net Increase in Jobs

Complete Part I only if you have been doing business in a LAMBRA for two years.

- 1 a Net increase in jobs within California. 1a. b Full-time employees within the LAMBRA during the 1st taxable year. 1b. c Full-time employees within the LAMBRA during the 2nd taxable year. 1c.

Part II Credits and Recapture (Complete Worksheet IIA, Worksheet IIB, and Schedule Z on Side 2 before you complete this part.)

- 2 Hiring and sales or use tax credits claimed on the current year tax return: a Hiring credit from Schedule Z, line 8A, column (g) or line 10, column (f). 2a. b Hiring credit recapture from Worksheet IIA Section B, line 2, column (b). 2b. c Sales or use tax credit from Schedule Z, line 9A, column (g) or line 11, column (f). 2c. d Sales or use tax credit recapture from Worksheet IIB, Section B, line 2, column (b). 2d. e Add line 2a and line 2c. 2e.

Part III Business Expense Deduction and Recapture

- 3 a Enter the cost of qualified property purchased for the LAMBRA that is being deducted as a current year business expense from Worksheet III, Section A, line 5, column (b). 3a. ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17268 or 24356.8. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB). b Business expense deduction recapture from Worksheet III, Section B, line 2, column (b). 3b.

Part IV Portion of Business Attributable to the LAMBRA

- 4 Enter the average apportionment percentage of your business that is in the LAMBRA from Worksheet IV, Section A, line 4. If your operation is wholly within one LAMBRA, the average apportionment percentage is 100% (1.00). 4.

Part V Net Operating Loss (NOL) Carryover and Deduction

- 5 a Enter the total NOL carryover from prior years from Worksheet V, Section C, line 24, column (b). 5a. b Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 24, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 6. 5b. c Enter the total NOL to carryover to future years from Worksheet V, Section C, line 24, column (e). 5c.

ELECTION: For those taxpayers eligible for an NOL carryover under R&TC Section 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the irrevocable election to apply the loss under R&TC Section 17276.5 or 24416.5, for qualified businesses with a LAMBRA. If you elect to carryover an NOL under any of these provisions, you are prohibited by law from carrying over any other type of NOL from this year.

**Schedule Z Computation of Credit Limitations – LAMBRA**

**Part I Computation of Credit Limitations.** See instructions.

<b>1</b>	Trade or business income. <b>Individuals:</b> Enter the amount from Worksheet IV, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Corporations which file a combined report, enter the taxpayer's business income apportioned to California (see instructions for Part IV) . . . . .	<b>1</b>	
<b>2</b>	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet IV, Section A, line 4. See instructions . .	<b>2</b>	
<b>3</b>	Multiply line 1 by line 2 . . . . .	<b>3</b>	
<b>4</b>	Enter the LAMBRA NOL deduction from Worksheet V, Section C, line 24, column (c) . . . . .	<b>4</b>	
<b>5</b>	LAMBRA taxable income. Subtract line 4 from line 3 . . . . .	<b>5</b>	
<b>6 a</b>	Compute the amount of tax due using the amount on line 5. See instructions . . . .	<b>6a</b>	
<b>b</b>	Enter the amount of tax from Form 540, line 35; Long Form 540NR, line 42; Form 541, line 21; Form 100, line 24; Form 100W, line 24; Form 100S, line 22; or Form 109, line 10. Corporations, combined groups, and S corporations, see instructions . . . . .	<b>6b</b>	
<b>7</b>	Enter the smaller of line 6a or line 6b. This is the limitation based on LAMBRA business income. Go to Part II, Part III, or Part IV and see instructions . . . . .	<b>7</b>	

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit assigned from form FTB 3544 col. (g)	(e) Total credit sum of col. (b) plus col. (c), minus col. (d)	(f) Limitation based on LAMBRA business income	(g) Credit used on Sch. P Can never be greater than col. (e) or col. (f)	(h) Total credit carryover col. (e) minus col. (f)
<b>8</b> Hiring Credit	A						
	B						
<b>9</b> Sales or use tax credit	A						
	B						

**Part III Limitation of Credits for S Corporations Only.** See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit col. (b) multiplied by 1/3	(d) Total prior year carryover	(e) Total credit col. (c) plus col. (d)	(f) Credit used this year by S corporation	(g) Carryover col. (e) minus col. (f)
<b>10</b> Hiring credit						
<b>11</b> Sales or use tax credit						

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit assigned from form FTB 3544 col. (g)	(e) Total credit carryover sum of col. (b) plus col. (c) minus col. (d)
<b>12</b> Hiring Credit				
<b>13</b> Sales or use tax credit				

Refer to page 3 for information on how to claim deductions and credits.



# FTB 3807

## 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 published by the United States Office of Management and Budget.

### Agriculture, Forestry, Fishing, and Hunting

Code	Description
<b>Crop Production</b>	
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)
<b>Animal Production</b>	
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
<b>Forestry and Logging</b>	
113110	Timber Tract Operations
113210	Forest Nurseries & Gathering of Forest Products
113310	Logging
<b>Fishing, Hunting and Trapping</b>	
114110	Fishing
114210	Hunting & Trapping
<b>Support Activities for Agriculture and Forestry</b>	
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 Minerals 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 & Electric

### Construction

Code	Description
<b>Construction of Buildings</b>	
236110	Residential Building Construction
236200	Nonresidential Building Construction
<b>Heavy and Civil Engineering Construction</b>	
237100	Utility System Construction
237210	Land Subdivision
237310	Highway, Street, & Bridge Construction
237990	Other Heavy & Civil Engineering Construction
<b>Specialty Trade Contractors</b>	
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

<b>Food Manufacturing</b>	
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)
<b>Beverage and Tobacco Product Manufacturing</b>	
312110	Soft Drink & Ice Mfg
312120	Breweries
312130	Wineries
312140	Distilleries
312200	Tobacco Manufacturing
<b>Textile Mills and Textile Product Mills</b>	
313000	Textile Mills
314000	Textile Product Mills
<b>Apparel Manufacturing</b>	
315100	Apparel Knitting Mills

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
<b>Leather and Allied Product Manufacturing</b>	
316110	Leather & Hide Tanning & Finishing
316210	Footwear Mfg (including rubber & plastics)
316990	Other Leather & Allied Product Mfg
<b>Wood Product Manufacturing</b>	
321110	Sawmills & Wood Preservation
321210	Veneer, Plywood, & Engineered Wood Product Mfg
321900	Other Wood Product Mfg
<b>Paper Manufacturing</b>	
322100	Pulp, Paper, & Paperboard Mills
322200	Converted Paper Product Mfg
<b>Printing and Related Support Activities</b>	
323100	Printing & Related Support Activities
<b>Petroleum and Coal Products Manufacturing</b>	
324110	Petroleum Refineries (including integrated)
324120	Asphalt Paving, Roofing, & Saturated Materials Mfg
324190	Other Petroleum & Coal Products Mfg
<b>Chemical Manufacturing</b>	
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
<b>Plastics and Rubber Products Manufacturing</b>	
326100	Plastics Product Mfg
326200	Rubber Product Mfg
<b>Nonmetallic Mineral Product Manufacturing</b>	
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
<b>Primary Metal Manufacturing</b>	
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
<b>Fabricated Metal Product Manufacturing</b>	
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

332810	Coating, Engraving, Heat Treating, & Allied Activities
332900	Other Fabricated Metal Product Mfg
<b>Machinery Manufacturing</b>	
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
<b>Computer and Electronic Product Manufacturing</b>	
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
<b>Electrical Equipment, Appliance, and Component Manufacturing</b>	
335100	Electric Lighting Equipment Mfg
335200	Household Appliance Mfg
335310	Electrical Equipment Mfg
335900	Other Electrical Equipment & Component Mfg
<b>Transportation Equipment Manufacturing</b>	
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
<b>Furniture and Related Product Manufacturing</b>	
337000	Furniture & Related Product Manufacturing
<b>Miscellaneous Manufacturing</b>	
339110	Medical Equipment & Supplies Mfg
339900	Other Miscellaneous Manufacturing

### Wholesale Trade

<b>Merchant Wholesalers, Durable Goods</b>	
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

<b>Code</b>	
<b>Merchant Wholesalers, Nondurable Goods</b>	
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
<b>Wholesale Electronic Markets and Agents and Brokers</b>	
425110	Business to Business Electronic Markets
425120	Wholesale Trade Agents & Brokers

### Retail Trade

<b>Motor Vehicle and Parts Dealers</b>	
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
<b>Furniture and Home Furnishings Stores</b>	
442110	Furniture Stores
442210	Floor Covering Stores
442291	Window Treatment Stores
442299	All Other Home Furnishings Stores
<b>Electronics and Appliance Stores</b>	
443111	Household Appliance Stores
443112	Radio, Television, & Other Electronics Stores
443120	Computer & Software Stores
443130	Camera & Photographic Supplies Stores
<b>Building Material and Garden Equipment and Supplies Dealers</b>	
444110	Home Centers
444120	Paint & Wallpaper Stores
444130	Hardware Stores
444190	Other Building Material Dealers
444200	Lawn & Garden Equipment & Supplies Stores
<b>Food and Beverage Stores</b>	
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
<b>Health and Personal Care Stores</b>	
446110	Pharmacies & Drug Stores
446120	Cosmetics, Beauty Supplies, & Perfume Stores
446130	Optical Goods Stores
446190	Other Health & Personal Care Stores
<b>Gasoline Stations</b>	
447100	Gasoline Stations (including convenience stores with gas)

<b>Code</b>	
<b>Clothing and Clothing Accessories Stores</b>	
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
<b>Sporting Goods, Hobby, Book, and Music Stores</b>	
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
<b>General Merchandise Stores</b>	
452110	Department stores
452900	Other General Merchandise Stores

<b>Miscellaneous Store Retailers</b>	
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)
<b>Nonstore Retailers</b>	
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

<b>Air, Rail, and Water Transportation</b>	
481000	Air Transportation
482110	Rail Transportation
483000	Water Transportation
<b>Truck Transportation</b>	
484110	General Freight Trucking, Local
484120	General Freight Trucking, Long-distance
484200	Specialized Freight Trucking
<b>Transit and Ground Passenger Transportation</b>	
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
<b>Pipeline Transportation</b>	
486000	Pipeline Transportation
<b>Scenic &amp; Sightseeing Transportation</b>	
487000	Scenic & Sightseeing Transportation

<b>Code</b>	
<b>Support Activities for Transportation</b>	
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
<b>Couriers and Messengers</b>	
492110	Couriers
492210	Local Messengers & Local Delivery
<b>Warehousing and Storage</b>	
493100	Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

### Information

<b>Publishing Industries (except Internet)</b>	
511110	Newspaper Publishers
511120	Periodical Publishers
511130	Book Publishers
511140	Directory & Mailing List Publishers
511190	Other Publishers
511210	Software Publishers
<b>Motion Picture and Sound Recording Industries</b>	
512100	Motion Picture & Video Industries (except video rental)
512200	Sound Recording Industries
<b>Broadcasting (except Internet)</b>	
515100	Radio & Television Broadcasting
515210	Cable & Other Subscription Programming
<b>Telecommunications</b>	
517000	Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)
<b>Data Processing Services</b>	
518210	Data Processing, Hosting, & Related Services
<b>Other Information Services</b>	
519100	Other Information Services (including news syndicates & libraries, internet publishing & broadcasting)

### Finance and Insurance

<b>Depository Credit Intermediation</b>	
522110	Commercial Banking
522120	Savings Institutions
522130	Credit Unions
522190	Other Depository Credit Intermediation
<b>Nondepository Credit Intermediation</b>	
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
<b>Activities Related to Credit Intermediation</b>	
522300	Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)
<b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b>	
523110	Investment Banking & Securities Dealing

523120	Securities Brokerage
523130	Commodity Contracts Dealing
523140	Commodity Contracts Brokerage
523210	Securities & Commodity Exchanges
523900	Other Financial Investment Activities (including portfolio management & investment advice)
<b>Insurance Carriers and Related Activities</b>	
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)
<b>Funds, Trusts, and Other Financial Vehicles</b>	
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 <b>Management of Companies (Holding Companies)</b> on next page.	

### Real Estate and Rental and Leasing

<b>Real Estate</b>	
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
<b>Rental and Leasing Services</b>	
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
<b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b>	
533110	Lessors of Nonfinancial Intangible Assets (except copyrighted works)

### Professional, Scientific, and Technical Services

<b>Legal Services</b>	
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

(Keep This Page For Future Use)

## Your Rights as a Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will 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 can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" below.

## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications at [ftb.ca.gov](http://ftb.ca.gov).

Access other state agencies' websites at [ca.gov](http://ca.gov).

**By phone** – To order California tax forms and publications, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call 800.338.0505 and follow the instructions.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

**In person** – Many post offices and libraries provide free California personal income tax booklets during the filing season.

Employees at libraries, post offices and libraries, and quick print businesses cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), Secretary of State (SOS) file number, California corporation number, social security number (SSN) or individual taxpayer identification number (ITIN), your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

CORRESPONDENCE, ANALYSIS, SUPPORT  
AND EDUCATION SECTION MS F-283  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

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 your tax return.

## Internet and Telephone Assistance

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

Website: [ftb.ca.gov](http://ftb.ca.gov)  
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 impairments

### Asistencia Por Internet y Teléfono

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

Sitio web: [ftb.ca.gov](http://ftb.ca.gov)  
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

## LAMBRA Contact Information

For business eligibility or zone related information, including questions regarding LAMBRA geographic boundaries and vouchering, contact the HCD or the local zone program manager in which the business is located. Go to [hcd.ca.gov](http://hcd.ca.gov) and search for **directory of zone contacts** to find Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, contact the HCD at:

DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT  
DIVISION OF FINANCIAL ASSISTANCE  
ENTERPRISE ZONE PROGRAMS  
1800 THIRD STREET SUITE 390  
SACRAMENTO CA 95811

### Mailing address

PO BOX 952054 MS 390-1  
SACRAMENTO CA 94252-2054

Website: [hcd.ca.gov](http://hcd.ca.gov)

Telephone: 916.322.1554

Fax: 916.327.6660

or for tax-specific information contact:

FRANCHISE TAX BOARD  
Website: [ftb.ca.gov](http://ftb.ca.gov)  
Telephone: 916.845.3464