

2011 Depreciation and Amortization

3885L

Name as shown on return Secretary of State (SOS) file no.

FEIN

Table with columns: (a) Description of property, (b) Date placed in service, (c) Cost or other basis, (d) Method of figuring depreciation, (e) Life or rate, (f) Depreciation for this year, (g) Code section, (h) Period or percentage, (i) Amortization to this year.

1 Enter line 1, column (f) and column (i) totals 1

Depreciation

Be sure to make adjustments for any basis differences when calculating depreciation.

- 2 California depreciation for assets placed in service before January 1, 2011 2
3 Total California depreciation. Add line 1(f) and line 2 3

Amortization

Be sure to make adjustments for any basis differences when calculating amortization.

- 4 California amortization for intangibles placed in service before January 1, 2011 4
5 Total California amortization. Add line 1(i) and line 4 5
6 Total depreciation and amortization. Add line 3 and line 5. Enter the total here and on Form 568, Schedule B, line 17a, if from a trade or business, or on federal Form 8825, line 14, if from rental real estate activities 6
7 IRC Section 179 expense deduction from line 12 of the worksheet in the instructions 7
8 Carryover of disallowed deduction to 2012 from line 13 of the worksheet in the instructions 8

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.

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.

Internet Access

You can download, view, and print California tax forms and publications at ftp.ca.gov.

Access other state agencies' websites at ca.gov.

A Purpose

Use form FTB 3885L, Depreciation and Amortization, to compute depreciation and amortization allowed as a deduction on Form 568, Limited Liability Company Return of Income.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year.

Amortization is an amount deducted to recover the cost of certain capital expenses over a fixed period.

In general, California conforms to federal law for assets placed in service on or after January 1, 1987. See R&TC Section 17250.

B Federal/State Calculation Differences

California law has not always conformed to federal law with regard to depreciation methods, special credits, or accelerated write-offs. Consequently, the recovery periods and the basis on which the depreciation is calculated may be different from the amounts used for federal purposes.

- Before January 1, 1987: California disallowed depreciation under the federal Accelerated Cost Recovery System (ACRS).
On or after January 1, 1987: California provides special credits and accelerated write-offs that affect the California basis for qualifying assets.

California law does not conform to the federal law for:

- The 50% bonus depreciation deduction [IRC Section 168(k)] for assets acquired and placed in service during 2008 through 2010 and during 2011 for certain qualifying property.
The enhanced IRC Section 179 expensing election for assets placed in service in 2010 or 2011 taxable year.

- The additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.

Additional differences may occur for the following:

- Luxury Automobile Depreciation:** California generally conforms to the federal 2003 increase (IRC Section 280F) for the limitation on luxury automobile depreciation. In addition, SUVs and minivans built on a truck chassis are included in the definition of trucks and vans when applying the 6,000 pound gross weight limit.
- Amortization of Certain Intangibles** (IRC Section 197): Property classified as Section 197 property under federal law is also Section 197 property for California purposes. There is no separate California election required or allowed. However, for Section 197 property acquired before January 1, 1994, the California adjusted basis as of January 1, 1994, must be amortized over the remaining federal amortization period.
- Qualified Indian Reservation Property:** California has not conformed to the accelerated recovery periods available under the Alternative Depreciation System (ADS) for such property.
- Grapevines subject to Phylloxera or Pierce's Disease:** For California purposes, replacement grapevines may be depreciated using a recovery period of five years instead of ten years.

This list is not intended to be all-inclusive of the federal and state differences. For additional information, please refer to California's R&TC.

Specific Line Instructions

Line 1 – California depreciation for assets and amortization for intangibles placed in service during the current taxable year.

Complete column (a) through column (i) for each asset or group of assets or property placed in service during the current taxable year. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – California depreciation for assets placed in service before January 1, 2011

Enter total California depreciation for assets placed in service prior to January 1, 2011, taking into account any differences in asset basis or differences in California and federal tax law.

Election to Expense Certain Tangible Property (IRC Section 179) Worksheet

Follow the instructions on federal Form 4562, Depreciation and Amortization, for listed property.

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

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

7 Listed property. Use federal Form 4562, Part V, line 29. Make any adjustments for California law and basis differences	7	
8 Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from 2010. See instructions for line 10 through line 13 on federal Form 4562	10	
11 Income limitation. Enter the smaller of line 5 or the aggregate of the LLC's items of income and expense described in IRC Section 702(a) from any business actively conducted by the LLC, other than credits, tax-exempt IRC Section 179 expense deduction, and guaranteed payments under IRC Section 707(c)	11	
12 IRC Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11. Enter on Schedule K (568), line 12 and on form FTB 3885L, line 7	12	
13 Carryover of disallowed deduction to 2012. Add line 9 and line 10 and subtract line 12. Enter here and on line 8 of form FTB 3885L	13	

Line 4 – California amortization for intangibles placed in service before January 1, 2011

Enter total California amortization for intangibles placed in service prior to January 1, 2011, taking into account any differences in asset basis or differences in California and federal tax law.

Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents. If the LLC has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

Line 6 – Total Depreciation and Amortization

Add line 3 and line 5. Enter the total on line 6 and on Form 568, Schedule B, line 17a.

If depreciation or amortization is from more than one trade or business activity, or from more than one rental real estate activity, the LLC should separately compute depreciation for each activity. Use the depreciation computed on this form to identify the net income for each activity. Report the net income from each activity on an attachment to Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., for purposes of passive activity reporting requirements. **Use California amounts** to determine the depreciation amount to enter on line 14 of federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

Line 7

Enter the IRC Section 179 expense election amount from line 12 of the following worksheet.

These limitations apply to the LLC and each member.