TAXABLE YEAR

CALIFORNIA FORM

2012 Small Business Stock Questionnaire 3565

Attach to Form 100 or Form 100W.

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

A. Taxable year (beginning and ending)	B. Date of incorporation	C. State of incorporation
D. Date of qualification in California	E. Principal business activity	F. Principal business activity code (**Do not** leave blank)

If the answer to any of the questions G through L is "No," STOP; do not complete this form because the stock issuance does not qualify under California Revenue and Taxation Code Section 18152.5.

G. Did the corporation issue non-treasury stock during the current taxable year? . . . . . Yes ☐ No ☐
Date of stock issuance for which this information applies: ____ / ____ / ____ (Month Day Year)

H. Was the non-treasury stock issued, in whole or in part, for money, for property other than stock, or for services provided to the corporation? . . . . . Yes ☐ No ☐

I. Were the corporation's aggregate gross assets less than or equal to $50,000,000 from the period beginning July 1, 1993, to the date of issuance of the non-treasury stock? . . . . . Yes ☐ No ☐

J. Was at least 80% of the corporation's payroll in California at the date of issuance of the non-treasury stock? . . . . . Yes ☐ No ☐

K. Was the corporation a domestic corporation at the date of issuance of the non-treasury stock? . . . . . Yes ☐ No ☐

L. Since the issuance of non-treasury stock, was this a corporation with a classification **other than a:**

- Regulated Investment Company (RIC), Real Estate Investment Trust (REIT), or Real Estate Mortgage Investment Conduit (REMIC)? . . . . . Yes ☐ No ☐
- Domestic International Sale Corporation (DISC) or former DISC? . . . . . Yes ☐ No ☐
- Corporation with an IRC Section 936 election in effect or a direct or indirect subsidiary with an election? . . . . . Yes ☐ No ☐
- Cooperative? . . . . . Yes ☐ No ☐

M. Did the corporation's assets (in excess of liabilities) consist of 10% or less of stocks or securities of a non-subsidiary corporation(s)? . . . . . Yes ☐ No ☐

N. Since the issuance of non-treasury stock, was this corporation a C corporation for California purposes? . . . . . Yes ☐ No ☐

O. Since the issuance of non-treasury stock, were at least 80% (by value) of the corporation's assets used in the active conduct of one or more qualified trades or businesses? See instructions . . . . . Yes ☐ No ☐

P. What percentage of the total value of assets consisted of real property not used in the active conduct of the trade or business? See instructions . . . . . _____ %

Q. What was the aggregate subscription amount for all non-treasury stock issuances during the corporation's existence prior to the current issuance? . . . . . _____ 00

R. What was the aggregate subscription amount of non-treasury stock issued during the current taxable year? . . . . . _____ 00

S. How much of the amount in Question R did the corporation **receive for** qualified small business stock? . . . . . _____ 00

T. What was the date of the first non-treasury stock issuance during the current taxable year? . . . . . ____ / ____ / ____ (Month Day Year)

U. What was the date of the last non-treasury stock issuance during the current taxable year? . . . . . ____ / ____ / ____ (Month Day Year)

V. What was the aggregate percentage of the total purchases of this corporation's own stock (relative to the aggregate value of the corporation's total stock for a two-year period beginning on the date one year before the issuance of this stock)? (If the aggregate percentage is more than 5%, the stock does **not** qualify as small business stock.) . . . . . _____ %

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

Signature of officer ▶	Telephone ( )
Print name and title	Date

2012 Instructions for Form FTB 3565

Small Business Stock Questionnaire

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

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to **ftb.ca.gov** and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

California law does not conform to federal law changes regarding the increase in the percentage of the gain exclusion for the sales of qualified small business stock acquired after February 17, 2009. California law allows an exclusion of 50% of any gain from the sale or exchange of qualified small business stock held for more than 5 years. For California purposes, 80% of the issuing corporation's payroll must be attributable to employment located within California (at time of issuance). Also, at least 80% of the value of the corporation's assets must be used by the corporation to actively conduct one or more qualified trades or businesses.

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

A Purpose

Use form FTB 3565, Small Business Stock Questionnaire, to provide information regarding issuance of stock pursuant to R&TC Section 18152.5.

B Who Must File

A corporation must file form FTB 3565 if it qualifies as a "qualified small business" and issued stock pursuant to R&TC Section 18152.5 during the current taxable year. Complete a **separate** form FTB 3565 for **each** issuance of small business stock during the taxable year. The corporation should maintain records to show that the stock issuance met the requirements of R&TC Section 18152.5.

For purposes of this form, all corporations which are members of the same parent-subsidiary controlled group shall be treated as one corporation. A parent-subsidiary controlled group is defined in IRC Section 1563(a)(1), except that for California tax purposes "more than 50%" shall be substituted for "at least 80%."

C When and Where to File

A corporation is required to file form FTB 3565 along with Form 100, California Corporation Franchise or Income Tax Return, or Form 100W, California Corporation Franchise or Income Tax Return — Water's-Edge Filers. Attach form FTB 3565 to Form 100 or Form 100W and file on or before the due date of the corporate tax return, including extension.

Under authority granted in R&TC Section 18152.5, the Franchise Tax Board (FTB) requires the corporation to provide a copy of any completed form FTB 3565 to each stockholder that acquired qualified small business stock as part of the stock issuance reported on the completed form FTB 3565 during the current taxable year.

Failure to file this form on or before the due date of the corporation tax return, including extension, may result in a penalty being assessed to the corporation pursuant to R&TC Section 19133.5. The penalty amount is $50 per failure to file unless the failure is due to negligence or intentional disregard, then the penalty amount is $100 per failure to file the form.

Failure of the corporation to file form FTB 3565 will not disqualify the stockholder from excluding gain from the sale or exchange of stock. However, the stockholder bears the burden of proving that the gain from the sale or exchange qualifies for exclusion pursuant to R&TC Section 18152.5 whether or not the corporation files/provides form FTB 3565.

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

Specific Instructions

Item F – Principal business activity (PBA) code – Do not leave blank. Enter the six-digit PBA code from the Principal Business Activity Codes chart included in the 2012 Form 100, Corporation Tax Booklet, or Form 100W, Corporation Tax Booklet, Water's-Edge Filers. The PBA code should be the number for the specific industry group from which the corporation derives the greatest percentage of California "total receipts." Total receipts means gross receipts plus all other income. The California PBA code may be different than the federal PBA code.

Questions G through L – If the answer to any of these questions is "No," stop. The stock issuance does not qualify under R&TC Section 18152.5. The corporation does **not** need to complete the rest of form FTB 3565 and should **not** attach it to the Form 100 or Form 100W.

Question K – A domestic corporation is defined in IRC Section 7701(a)(4) as any corporation created or organized in the United States or under the law of the United States or of any State.

Question O – A qualified trade or business is any trade or business **other than:**

- Any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or business is the reputation or skill of one or more of its employees.
- Any banking, insurance, financing, leasing, investing, or similar business.
- Any farming business (including the business of raising or harvesting trees).
- Any business involving the production or extraction of products of a character with respect to which a percentage depletion deduction is allowable under IRC Section 613 or 613A.
- Any business of operating a hotel, motel, restaurant, or similar business.

Question P – For the purpose of calculating the total value of the assets, any ownership of, dealing in, or renting of, real property shall not be treated as the active conduct of a qualified trade or business.

Question R – Enter the aggregate subscription amount of non-treasury stock the corporation issued during the entire taxable year.

Question S – Enter the amount included in Question R that the corporation received for that part of the stock issuance that qualifies as small business stock under the provisions of R&TC Section 18152.5.

The amounts entered in Question R and Question S should not include the value of stock issued in exchange for stock.

Question T – If there was more than one issuance of small business stock during the current taxable year, enter the date of the first issuance here.

Question U – If there was more than one issuance of small business stock during the current taxable year, enter the date of the last issuance here.