File your 568 K-1s via CD or portable USB/Flash Drive.

California

Forms & Instructions

568

2014

Limited Liability Company Tax Booklet

Members of the Franchise Tax Board

John Chiang, Chair
Jerome E. Horton, Member
Michael Cohen, Member

This booklet contains:

Form 568, Limited Liability Company Return of Income

FTB 3537 (LLC), Payment for Automatic Extension for LLCs

FTB 3522, LLC Tax Voucher

FTB 3536 (LLC), Estimated Fee for LLCs

FTB 3832, Limited Liability Company Nonresident Members' Consent

FTB 3885L, Depreciation and Amortization

Schedule D (568), Capital Gain or Loss

Schedule EO (568), Pass-Through Entity Ownership

Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc.

California efile

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

State of California
Franchise Tax Board

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Business e-file

Business e-file is available for the following returns:

- **Form 568, Limited Liability Company Return of Income**
- Form 565, Partnership Return of Income
- Form 100, California Corporation Franchise or Income Tax Return, including combined reports
- Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers, including combined reports
- Form 100S, California S Corporation Franchise or Income Tax Return
- Form 100X, Amended Corporation Franchise or Income Tax Return
- Form 199, California Exempt Organization Annual Information Return

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

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

2014 Instructions for Form 568, Limited Liability Company Return of Income

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

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

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

What's New

Federal Schedule M-3 (Form 1065) – For taxable years beginning on or after January 1, 2014, the Internal Revenue Service (IRS) allows Limited Liability Companies (LLCs) with at least $10 million but less than $50 million in total assets at tax year end to file Schedule M-1 (Form 1065), Reconciliation of Income (Loss) per Books With Income (Loss) per Return, in place of Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships, Parts II and III. However, Schedule M-3 (Form 1065), Part I, is required for these LLCs. For California purposes, the LLC must complete the California Schedule M-1. For more information, see the instructions for Schedule M-1 – Reconciliation of Income (Loss) per Books With Income (Loss) per Return, in this booklet.

New Employment Credit – For taxable years beginning on or after January 1, 2014, and before January 1, 2021, the New Employment Credit (NEC) is available to a qualified taxpayer that hires a qualified full-time employee on or after January 1, 2014, and pays or incurs qualified wages attributable to work performed by the qualified full-time employee in a designated census tract or economic development area, and receives a **tentative credit reservation** for that qualified full-time employee. In addition, an **annual certification of employment** is required with respect to each qualified full-time employee hired in a previous taxable year. In order to be allowed a credit, the qualified taxpayer must have a net increase in the total number of full-time employees in California. Any credits not used in the taxable year may be carried forward up to five years. If a qualified employee is terminated within the first 36 months after beginning employment, the employer may be required to recapture previously taken credits. For more information, go to **ftb.ca.gov** and search for **nec** or get form FTB 3554, New Employment Credit.

Repeal of Geographically Targeted Economic Development Area Tax Incentives – The California legislature repealed and made changes to all of the Geographically Targeted Economic Development Area (G-TEDA) Tax Incentives. Enterprise Zones (EZ) and Local Agency Military Base Recovery Areas (LAMBRA) were repealed on January 1, 2014. The Targeted Tax Areas (TTA) and Manufacturing Enhancement Areas (MEA) both expired on December 31, 2012. For more information, go to **ftb.ca.gov** and search for **repeal tax incentives**.

California Competes Credit – For taxable years beginning on and after January 1, 2014, and before January 1, 2025, the California Competes Credit is available to businesses that want to come to California or stay and grow in California. Tax credit agreements will be negotiated by the Governor's Office of Business and Economic Development (GO-Biz) and approved by the California Competes Tax Credit Committee. The California Competes Credit only applies to state income or franchise tax. Taxpayers who are awarded a contract by the committee will claim the credit on their income or franchise tax returns using credit code 233. The credit can reduce tax below the tentative minimum tax. Any credits not used in the taxable year may be carried forward up to six years. For more information, go to the GO-Biz website at **business.ca.gov** or **ftb.ca.gov** and search for **ca competes**.

Like-Kind Exchanges – For taxable years beginning on or after January 1, 2014, California requires taxpayers who exchange property located in California for like-kind property located outside of California, and meet all of the requirements of the IRC Section 1031, to file an annual information return with the Franchise Tax Board (FTB). For more information, get form FTB 3840, California Like-Kind Exchanges, or go to **ftb.ca.gov** and search for **like kind**.

Typhoon Haiyan Contribution Deduction – California does not conform to the federal Philippines Charitable Giving Assistance Act, enacted March 25, 2014. For federal, taxpayers can choose to treat cash contributions for the relief of victims in areas affected by Typhoon Haiyan made on or after March 26, 2014, and before midnight on Monday, April 14, 2014, as if made on December 31, 2013. Eligible contributions can be claimed on either a 2013 or 2014 tax return, but not both. Contributions made after April 14, 2014, but on or before December 31, 2014, can only be claimed on a 2014 tax return. For California purposes, contributions may only be claimed on the LLC's 2014 tax return. If for federal purposes, the LLC claimed the contribution on a 2013 tax return, the LLC will make an adjustment to the 2014 California tax return to add the amount of the contribution to the LLC's charitable deductions. If the LLC erroneously deducted the contribution on a 2013 California tax return, the LLC will need to amend the 2013 tax return to reduce the contribution.

Business e-file – For taxable years beginning on or after January 1, 2014, California law requires any business entity that files an original or amended tax return that is prepared using tax preparation software to electronically file (e-file) their tax return with the FTB. For more information, go to **ftb.ca.gov** and search for **business efile**.

College Access Credit – For taxable years beginning on or after January 1, 2014, and before January 1, 2017, a credit is available to taxpayers who contribute to the College Access Tax Credit Fund. Taxpayers who receive a certificate from the California Educational Facilities Authority (CEFA) may claim the credit on their income or franchise tax returns using credit code 235. The CEFA will provide a copy of each credit certificate issued to the FTB. Any credits not used in the taxable year may be carried forward up to six years. For more information, go to **treasurer.ca.gov/cefa**.

Financial Incentive for Turf Removal – For taxable years beginning on or after January 1, 2014, and before January 1, 2019, taxpayers can exclude from gross income any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf removal water conservation program.

Penalty Assessed by Professional Sports League – For taxable years beginning on or after January 1, 2014, an owner of all or part of a professional sports franchise will not be allowed a deduction for the amount of any fine or penalty paid or incurred, that was assessed or imposed by the professional sports league that includes that franchise.

General Information

A Important Information

Limited Liability Companies (LLCs) classified as partnerships file Form 568
LLCs may be classified for tax purposes as a partnership, a corporation, or a disregarded entity. The LLC must file the appropriate California tax return for its classification. LLCs classified as a:

- Partnership file Form 568, Limited Liability Company Return of Income.
- General corporation file Form 100, California Corporation Franchise or Income tax Return.
- Disregarded entities, see General Information S, Check-the-Box Regulations.

LLCs classified as partnerships should not file Form 565, Partnership Return of Income.

The LLC will file Form 565 only if it meets an exception. For more information, see the exceptions in General Information D, Who Must File.

Penalty for non-registered, suspended, or forfeited limited liability company (LLC) – For taxable years beginning January 1, 2013, the FTB will assess a $2,000 penalty against a non-qualified foreign LLC that is doing business within the state while not registered to do business within the state, or while suspended or forfeited.

Cancellation of Debt Income (CODI) – For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California did not conform to the federal recognition of CODI under IRC Section 108(i). If the LLC recognized the CODI for federal tax purposes, the LLC must deduct the federal CODI amount. See the Instructions for Schedule K for more information.

Web Pay – LLCs can make payments online using Web Pay for Businesses. After a one-time online registration, LLCs can make an immediate payment or schedule payments up to a year in advance. For more information, go to **ftb.ca.gov**.

Credit Card – LLC can use a Discover, MasterCard, Visa, or American Express card to pay business taxes. Go to Official Payments Corp. website at **officialpayments.com**. Official Payments Corp. charges a convenience fee for using this service. **Do not** file form FTB 3588, Payment Voucher for LLC e-filed Returns.

Apportioning trade or business. "Apportioning trade or business" means a distinct trade or business whose business income is required to be apportioned because it has income derived from sources within this state and from sources outside this state. An apportioning trade or business can be conducted in many forms, including, but not limited to, the following:

(A) A corporation that is a taxpayer.
(B) A combined reporting group that includes at least one taxpayer member.
(C) A nonunitary division of a member of a combined reporting group that includes at least one taxpayer member.
(D) A partnership that is partially owned by but not unitary with either (1) a partner that is a corporation that is a taxpayer, or (2) a member of a combined reporting group that includes at least one taxpayer member.
(E) A disregarded entity that is not unitary with an owner that is either (1) a corporation that is a taxpayer, or (2) a member of a combined reporting group that includes at least one taxpayer member.
(F) A sole proprietorship that is operated by an individual who is not a resident of California.
(G) A partnership that is operated by one or more individual(s) who are not residents of California.

For more information, get Schedule R, Apportionment and Allocation of Income.

Gross Receipts – For taxable years beginning on or after January 1, 2011, R&TC Section 25120 was amended to add the definition of gross receipts. For a complete definition of "gross receipts", refer to R&TC Section 25120(f), or go to **ftb.ca.gov** and search for **law changes**.

Single-Sales Factor Formula – For taxable years beginning on or after January 1, 2013, R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California using the single-sales factor formula. For more information, get Schedule R or go to **ftb.ca.gov** and search for **law changes**.

Market Assignment – For taxable years beginning on or after January 1, 2013, R&TC Section 25136 requires all taxpayers to assign sales, other than sales of tangible personal property, using market assignment. For more information, get Schedule R or go to **ftb.ca.gov** and search for **law changes**.

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

- The taxpayer is organized or commercially domiciled in California.
- The sales as defined in subdivision (e) or (f) of R&TC Section 25120, of the taxpayer in California, including sales by the taxpayer's agents and independent contractors, exceed the lesser of $529,562 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $52,956 or 25% of the taxpayer's total real property and tangible personal property.
- The amount paid in California by the taxpayer for compensation, as defined in subdivision (c) of R&TC Section 25120, exceeds the lesser of $52,956 or 25% of the total compensation paid by the taxpayer.

In determining the amount of the taxpayer's sales, property, and payroll for doing business purposes, include the taxpayer's pro rata share of amounts from partnerships and S corporations. These amounts are reported on the member's Schedule K-1 on Table 2, Part C.

Partnerships and LLCs are considered doing business in California if they have a general partner or member doing business on their behalf in California. Likewise, general partners and members are considered doing business in California if the partnership or LLC, respectively, is doing business in this state. For more information, see R&TC Section 23101 or go to **ftb.ca.gov** and search for **law changes**. Under **law changes**, see general information and specific examples on the application of doing business rules in California, especially if you are an out-of-state taxpayer or have ownership interest in pass-through entities.

Backup Withholding – With certain limited exceptions, payers that are required to withhold and remit backup withholding to the IRS are also required to withhold and remit to the FTB on income sourced to California. If the payee has backup withholding, the payee must contact the FTB to provide a valid Taxpayer Identification Number (TIN), before filing the tax return. Failure to provide a valid TIN may result in a denial of the backup withholding credit. For more information, go to **ftb.ca.gov** and search for **backup withholding**.

Suspension/Forfeiture – LLCs are suspended or forfeited for failure to file or failure to pay. See General Information V, Suspension/Forfeiture, for more information.

Estimated Fee for LLCs
The LLC must estimate the fee it will owe for the year and make an estimated fee payment by the 15th day of the 6th month of the current taxable year. LLCs will use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the year. The penalty is equal to 10% of the amount of the LLC fee owed for the year over the amount of the timely estimated fee payment. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year.

The LLC fee remains due and payable by the due date of the LLC's return. LLCs will use form FTB 3536 to pay by the due date of the LLC's return, any amount of LLC fee owed that was not paid as a timely estimated fee payment. If the taxable year of the LLC ends prior to the 15th day of the 6th month of the taxable year, no estimated fee payment is due, and the LLC fee is due on the due date of the LLC's return. See General Information F, Limited Liability Company Tax and Fee, for more information.

Filing Requirements for Disregarded Entities
The filing requirements for disregarded entities have been revised. See General Information S, Check-the-Box Regulations, for more information.

Paid Preparer Authorization
An LLC can designate a paid preparer to discuss the tax return with the FTB. For more information see General Information M, Signatures.

Schedule K and Schedule K-1
Refer to the Schedule K Federal/State Line References chart, in this booklet, and Specific Line Instructions when completing California Schedule K (568) and Schedule K-1 (568).

LLC Fee
The LLC fee is based on total California source income rather than on worldwide total income. For more information, see Schedule IW, LLC Income Worksheet Instructions, included in this booklet.

Series LLC
A series LLC is a single LLC that has separate allocations of assets each within its own series. When filing form FTB 3522, LLC Tax Voucher, write "Series LLC # ___" after the name for each series. In addition, write "Series LLC" in red on the top right margin of the voucher. Only the first series to pay tax or file a return may use a California Secretary of State (SOS) file number. On all other series, enter zeros for the entity identification number on the first voucher and we will assign a number and notify each series. Get FTB Pub. 3556, Limited Liability Company Filing Information, for more information.

Business Entity Name and Identification Number
In order to expedite processing, be sure to use the business entity name as it appears with the California SOS and a valid California identification number.

Providing California and Federal Returns
The FTB may request copies of California or federal returns that are subject to or related to a federal examination. Generally, the California statute of limitations is four years from the due date of the return or from the date filed, whichever is later. However, the statute is extended in situations in which an individual or a business entity is under examination by the IRS. For more information concerning the extended statute of limitations, due to a federal examination, see General Information J, Amended Return.

The FTB recommends keeping copies of returns and records that verify income, deductions, adjustments, or credits reported, for at least the minimum time required under the statute of limitations. However, some records should be kept much longer. For example, members should keep records substantiating their basis in an LLC and LLCs should keep records to figure the basis of its assets.

Federal/State Differences
For LLCs classified as partnerships, California tax law generally conforms to federal tax law in the area of partnerships (IRC, Subchapter K — Partners and Partnerships). However, there are some differences:

- California does not conform to the qualified small business stock deferral and gain exclusion under IRC Section 1045 and IRC Section 1202.
- California does not conform to the federal domestic production activities deduction.
- California does not conform to 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.
- California does not conform to the energy efficient commercial buildings deduction.
- California does not conform to the extent of suspension of income limitations on percentage depletion for production from marginal wells. The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is restricted to 100% of the net income derived from the oil or gas well property.
- An $800 annual tax is generally imposed on limited partnerships (LPs), LLCs, limited liability partnerships (LLPs), and real estate mortgage investment conduits (REMICs) that are partnerships or classified as partnerships for tax purposes.
- Distributions to certain nonresident partners are subject to withholding for California tax.
- Deductions for taxes paid to other states are not allowed.
- California follows federal law by requiring partnerships to use a required taxable year. However, California does not conform to the federal required payment provision.
- California law has specific provisions concerning the distributive share of partnership taxable income allocable to California, with special apportionment formulas for professional partnerships.
- California law modifies the federal definitions for unrealized receivables and substantially appreciated inventory items.
- California does not conform to the electing large partnership provisions.
- California has not conformed to the provisions relating to the Tax Equity and Fiscal Responsibility Act (TEFRA).
- California has not adopted the federal definition of small partnerships, as defined in IRC Section 6231.

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

Partnership Converting to a Corporation – IRS Revenue Ruling 2009-15 was released which explains that in certain situations, a partnership that converts to a corporation under Section 301.7701-3(c)(1)(i) or under a state law formless conversion statute is eligible to make an S election effective for the corporation's first taxable year.

LLC Taxed as a Corporation
If an LLC elects to be taxed as a corporation for federal tax purposes, the LLC must file Forms 100/100S/100-ES/100W, FTB 3539, and/or FTB 3586 and enter the California Corporation number, FEIN, and California SOS file number, if applicable, in the space provided. The FTB will (1) assign an identification number to an LLC that files as a corporation, and (2) notify the LLC with the identification number upon receipt of the first estimated tax payment, tax payment, or the first tax return. The LLC will be subject to the applicable provisions of the Corporation Tax Law and should be considered a corporation for purpose of all instructions unless otherwise indicated.

Conversion to an LLC
A partnership (or other business entity) that converts to an LLC during the year must file two California returns. Even if the partners/members and the business operations remain the same, the partnership should file Form 565, Partnership Return of Income, (or the appropriate form) for the beginning of the year to the date of change. For the remainder of the year, the newly converted LLC must file Form 568. See General Information I, Accounting Periods, for further instructions.

California Disclosure Obligations
If the LLC was involved in a reportable transaction, including a listed transaction, the LLC may have a disclosure requirement. Attach the federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the LLC fails to file federal Form 8886, federal Form 8918, Material Advisor Disclosure Statement, or any other required information. A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor.

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

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

Claim of Right
If the LLC had to repay an amount that was included in income in an earlier year, under a claim of right, the LLC may be able to deduct the amount repaid from its income for the year in which it was repaid. Or, if the amount the LLC repaid is more than $3,000, the LLC may be able to take a credit against its tax for the year in which it was repaid. For more information, see the Repayment section of federal Publication 525, Taxable and Nontaxable Income.

California Tax Information on the Internet
You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Federal Tax Information on the Internet
The IRS has federal forms and publications available to download, view, and print at **irs.gov**.

State Agencies' Websites
Access other California state agency websites at **ca.gov**.

Joint Agency Website
For additional business tax information, go to the California Tax Service Center at **taxes.ca.gov**, sponsored by the Board of Equalization (BOE), Employment Development Department (EDD), the FTB, and the IRS.

B Introduction

LLCs combine traditional corporate and partnership characteristics. LLC members are afforded all of the following:

- Limited liability with the extent of a member's liability limited to the member's equity investment.
- Flexible management alternatives.
- Liberal membership qualification requirements.

LLCs classified as partnerships for tax purposes generally will determine their California income, deductions, and credits under the Personal Income Tax Law. They will be subject to an annual tax as well as the LLC fee based on total California income. See General Information F, Limited Liability Company Tax and Fee, and Schedule IW, LLC Income Worksheet Instructions, for more information.

LLCs organized in California are vested with all the rights and powers enjoyed by a natural person in carrying out business affairs. However, California law does not allow the formation or registration of LLCs (foreign or domestic) in California to render any type of professional service for which a license, certification, or registration is required under the Business and Professions Code or the Chiropractic Act, with the exception of insurance agents and insurance brokers.

California law requires LLCs not organized in the state of California to register with the California SOS before entering into any intrastate business in California. The laws of the state or foreign country in which the LLC is organized generally govern the internal affairs of the LLC. The California SOS may not deny recognition of an LLC because the laws of the organization's home state or foreign country differ from California's laws, except in the case of professional service LLCs, which are not allowed to register as LLCs in California.

For more information about organizing and registering an LLC, contact:

BUSINESS ENTITIES SECTION
CALIFORNIA SECRETARY OF STATE
PO BOX 944228
SACRAMENTO CA 94244-2280
Telephone: 916.657.5448

or go to **sos.ca.gov**.

C Purpose

Use Form 568 to:

- Determine the amount of the LLC fee (including a disregarded entity's fee) based on total California income.
- Report the LLC fee.
- Report the annual tax.
- Report and pay any nonconsenting nonresident members' tax.
- Report income, deductions, gains, losses, etc., from the operation of a multiple member LLC that has elected to be classified as a partnership.

Use Form 568 as the return for calendar year 2014 or any fiscal year beginning in 2014.

D Who Must File

An LLC may be classified for tax purposes as a partnership, a corporation, or a disregarded entity. The LLC should file the appropriate California return.

Form 568 must be filed by every LLC that is not taxable as a corporation if any of the following apply:

- The LLC is doing business in California.
- The LLC is organized in California.
- The LLC is organized in another state or foreign country, but registered with the California SOS.
- The LLC has income from California sources.

An LLC is not required to file a tax return and is not subject to the annual taxes and LLC fees if both the following are true:

- The LLC's taxable year is 15 days or less.
- The LLC did not conduct business in the state during the 15 day period.

Registration

LLCs that are formed in California, are required to file articles of incorporation with the California SOS before doing business in this state.

LLCs organized under the laws of another state or foreign country are required to register with the California SOS before entering into intrastate business in California.

Nonregistered foreign LLCs that are members of an LLC doing business in California or general partners in a limited partnership doing business in California are considered doing business in California.

Regardless of where the trade or business of the LLC is primarily conducted, an LLC is considered to be doing business in California if any of its members, managers, or other agents are conducting business in California on behalf of the LLC.

Exceptions to Filing Form 568:

- The LLC elected to be taxed as a corporation for federal tax purposes.
- The LLC is a single member limited liability company (SMLLC) that was treated as an association taxable as a corporation prior to January 1, 1997, for California tax purposes, and did not elect to change that tax treatment in the current taxable year.
- Nonregistered foreign LLCs (excluding disregarded entities/single member LLCs) that are not doing business, but are deriving income from California or filing to report an election on behalf of a California resident, file Form 565.
- A single-member, nonregistered foreign LLC classified as disregarded which is not doing business in California does not file Form 568.

LLCs classified as a general corporation file Form 100, California Corporation Franchise or Income Tax Return. LLCs classified as an S corporation file Form 100S, California S Corporation Franchise or Income Tax Return. For LLCs classified as disregarded entities, see General Information S, Check-the-Box Regulations.

The LLC is still required to file Form 568 if the LLC is registered in California even if both of the following apply:

- The LLC is not actively doing business in California.
- The LLC does not have California source income.

The LLC's filing requirement will be satisfied by doing all of the following:

1. Completing Form 568 with all supplemental schedules.
2. Completing and attaching California Schedules K-1 (568) for members with California addresses.
3. Writing "SB 1106 Filing" in red at the top of Form 568, Side 1.
4. Entering the total number of members in Question J on Side 2 of the Form 568.

An LLC that is an electing large partnership for federal purposes and uses the federal Form 1065-B, U.S. Return of Income for Electing Large Partnerships, must still use Form 568. California law does not conform to the federal electing large partnership provisions.

Certain publicly traded partnerships treated as corporations under IRC Section 7704 must file Form 100.

A resident member of an out-of-state LLC taxed as a partnership not required to file Form 568, may be required to furnish a copy of federal Form 1065, U.S. Return of Partnership Income, to substantiate the member's share of LLC income or loss.

E When and Where to File

An LLC must file Form 568, pay any nonconsenting members' tax, and pay any amount of the LLC fee owed that was not paid as an estimated fee with form FTB 3536, by the 15th day of the 4th month (fiscal year) or April 15, 2015 (calendar year), following the close of its taxable year.

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

PAYMENTS

- Mail Form 568 with **payment** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0501

- E-Filed returns: Pay electronically using Web Pay, Credit Card, or mail form FTB 3588, Payment Voucher for LLC e-filed Returns, with **payment** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0531

Using black or blue ink, make the check or money order payable to the "**Franchise Tax Board**." Write the LLC's California SOS file number, FEIN, and "2014 Form 568" on the check or money order.

The CA SOS file number is 12 digits long and must begin with "19" or "20."

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

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

REFUNDS

- Mail Form 568 requesting a **refund** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0500

RETURN WITHOUT PAYMENT or PAID ELECTRONICALLY

- Mail Form 568 **without a payment or paid electronically** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0500

Extensions
California does not require the filing of written applications for extensions. If the LLC cannot file its Form 568 by the return's due date, the LLC is granted an automatic six month extension unless the LLC is suspended or forfeited.

However, the automatic extension does not extend the time to pay the LLC fee or nonconsenting nonresident members' tax.

If the LLC is filing the return under extension, see form FTB 3537, Payment for Automatic Extension for LLCs, included in this booklet, to submit the required payments.

Penalty
To avoid late payment penalties for use tax, the limited liability company must report and pay the use tax with a **timely** filed franchise or income tax return.

Annual Limited Liability Company Tax
If the 2014 annual tax of $800 was not paid on or before the 15th day of the 4th month after the beginning of the taxable year (fiscal year) or April 15, 2014 (calendar year), the tax should be sent using the 2014 form FTB 3522, LLC Tax Voucher, as soon as possible. (**Do not** use the 2015 form FTB 3522 included in this booklet).

If the LLC's taxable year is 15 days or less and it did not conduct business in the state during the 15 day period, see the instructions for Exceptions to Filing Form 568 in General Information D, Who Must File in this booklet.

Also see General Information G, Penalties and Interest, for the additional amount that is now due. To assure proper application of the tax payment to the LLC account, **do not** send the $800 annual tax with Form 568.

The 2015 $800 annual tax is due on or before the 15th day of the 4th month after the **beginning** of the 2015 taxable year (fiscal year) or April 15, 2015 (calendar year). The payment is sent with form FTB 3522. **Do not mail the $800 annual tax with Form 568.** When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

For newly-formed LLCs, the $800 annual tax payment is due and payable by the 15th day of the 4th month after the LLC registers with the California SOS, not the date it begins doing business. Any portion of a month from the registration date is considered a full month for calculating the annual tax payment due date.

Example: LLC1, a newly-formed LLC, organizes as an LLC and registers with the California SOS on June 18, 2014. LLC1 begins doing business in California on August 14, 2014. Since LLC1 registered on June 18, 2014, the annual LLC tax is due by September 15, 2014 (by the 15th day of the 4th month). LLC1's annual tax payment for taxable year 2015 is due by April 15, 2015. If LLC1 elects a fiscal year (June 1, 2015 – May 31, 2016) the annual tax payment for taxable year 2015, is due by September 15, 2015. The annual tax payment is due with form FTB 3522, LLC Tax Voucher.

Private Delivery Services
California law conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See the instructions for federal Form 1065 for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

Caution: Private delivery services cannot deliver items to PO Boxes. If using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO Box.

F Limited Liability Company Tax and Fee

The definition of limited liability company has been revised to exclude certain title holding companies that are tax exempt provided that they are treated as partnerships or disregarded entities for tax purposes. As such they are not liable for the Annual LLC tax and fees.

Enter all payment types (overpayment from prior year, annual tax, fee, etc.) made for the 2014 taxable year on the applicable line of Form 568.

Annual Limited Liability Company Tax
LLCs are subject to an $800 annual tax if they are doing business in California or have articles of organization accepted, or a certificate of registration issued by the California SOS. The annual tax is prepaid for the privilege of doing business in California, and is due and payable on or before the 15th day of the 4th month after the **beginning** of the taxable year. The annual tax must be paid for each taxable year until the appropriate papers are filed. See General Information Q, Cancelling a Limited Liability Company, for more information.

Use form FTB 3522 to submit the $800 annual tax payment. Using black or blue ink, make the check or money order payable to the "Franchise Tax Board." Write the LLC's California SOS file number, FEIN, and "2015 FTB 3522" on the check or money order.

If the 15th day of the 4th month of an existing foreign LLC's taxable year has passed before the existing foreign LLC commences business in California or registers with the California SOS, the annual tax should be paid immediately after commencing business or registering with the California SOS.

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

For the purposes of this exemption:

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

(B) "Operates at a loss" means an LLC's expenses exceed its receipts.
(C) "Small business" means an LLC with two hundred fifty thousand dollars ($250,000) or less of total income from all sources derived from or attributable to California.

If the LLC is claiming Deployed Military Exemption, enter zero on line 2 and line 3 of Form 568. See the Specific Instructions for Form 568 for more details.

Limited Liability Company Fee
In addition to the annual tax, every LLC must pay a fee if the total California annual income is equal to or greater than $250,000. For more information, see Schedule IW instructions included in this booklet.

The LLC must estimate the fee it will owe for the year and make an estimated fee payment by the 15th day of the 6th month of the current taxable year. LLCs use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the year. The penalty is equal to 10% of the amount of the LLC fee owed for the year over the amount of the timely estimated fee payment. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year.

The LLC fee remains due and payable by the due date of the LLC's return. LLCs will use form FTB 3536 to pay by the due date of the LLC's return, any amount of LLC fee owed that was not paid as a timely estimated fee payment. If the taxable year of the LLC ends prior to the 15th day of the 6th month of the taxable year, no estimated fee payment is due, and the LLC fee is due on the due date of the LLC's return. Use the following chart to compute the fee:

If total California annual income from Form 568, Side 1, line 1 is:		The fee is:
Equal to or over –	but not over –	
$ 250,000	$ 499,999	$ 900
500,000	999,999	2,500
1,000,000	4,999,999	6,000
5,000,000	and over	11,790

If you have a total California annual income of $250,000 or greater, you must report a fee.

To determine the LLC fee see the Specific Line Instructions for line 1.

If the FTB determines multiple LLCs were formed for the primary purpose of reducing fees, the LLC's total income from all sources that are reportable to California could include the aggregate total income of all commonly controlled LLC members. "Commonly controlled" means control of more than 50% of the capital interests or profit interests of the taxpayer and any other LLC or partnership by the same persons.

Series LLCs

If the laws of the state where the LLC is formed provide for the designation of series of interests (for example, a Delaware Series LLC) and: (1) the holders of the interests in each series are limited to the assets of that series upon redemption, liquidation, or termination, and may share in the income only of that series, and (2) under home state law, the payment of the expenses, charges, and liabilities of each series is limited to the assets of that series, then each series in a series LLC is considered a separate LLC and must file its own Form 568 and pay its own separate LLC annual tax and fee, if it is registered or doing business in California.

Nonconsenting Nonresident Members' Tax

Every nonresident member must sign a form FTB 3832, Limited Liability Company Nonresident Members' Consent. The LLC returns the signed form with Form 568. If a nonresident member fails to sign form FTB 3832, the LLC is required to pay tax on that member's distributive share of income at the highest marginal rate. Any amount paid by the LLC will be considered a payment made by the nonresident member.

The tax may be reduced by the amount of tax previously withheld and paid by the limited liability company with respect to each nonconsenting nonresident member.

Reminder: All nonresident members must file a California tax return. The completion of form FTB 3832 does not satisfy the nonresident member's California filing requirement. Corporate members are also considered doing business in California and may have additional filing requirements. For more information, get FTB Pub. 1060, Guide for Corporations Starting Business in California. Nonresident individuals may qualify to file a group Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, and should get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR.

If the LLC's return is being filed on or before the 15th day of the 4th month (fiscal year) or April 15, 2015 (calendar year), the LLC completes the Schedule T, Nonconsenting Nonresident (NCNR) Members' Tax Liability. See Line Instructions for Schedule T in this booklet for more information.

If the LLC owes NCNR tax and is unable to complete Form 568 on or before the original due date, it must complete form FTB 3537. The nonconsenting nonresident members' tax along with the voucher must be received by:

- Fiscal year: On or before the 15th day of the fourth month following the close of the taxable year
- Calendar year: April 15, 2015. Failure to do so causes penalties and interest to be assessed. See the instructions for form FTB 3537 included in this booklet.

G Penalties and Interest

Failure to Comply with Filing Requirements

Unless failure is due to a reasonable cause, a penalty will be assessed if the LLC is required to file a Form 568 and either of the following apply:

- The LLC fails to file the return on time, including extensions.
- The LLC files a return, including Schedules K-1 (568), that fails to show all the information required.

The amount of the penalty for each month, or part of a month (for a maximum of twelve months), that the failure continues, is $18 multiplied by the total number of members in the LLC during any part of the taxable year for which the return is due. Interest will be charged on the penalty from the date the notice of tax due is mailed until the date the return is filed.

For "small partnerships," as defined in IRC Section 6231, the federal exception to the imposition of penalties for failure to file partnership returns does not apply for California purposes. For more information see R&TC Section 19172.

Failure to File a Timely Return

Any LLC that fails to file Form 568 on or before the extended due date is assessed a penalty. The penalty is 5% of the unpaid tax (which includes the LLC fee and nonconsenting nonresident members' tax) for each month, or part of the month, the return remains unfiled from the due date of the return until filed. The penalty may not exceed 25% of the unpaid tax. If an LLC does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty will be assessed from the original due date of the return. See R&TC Section 19131 for more information.

Failure to Pay by the Due Date

The failure-to-pay penalty is imposed from the due date of the return or the due date of the payment. Since any amount of the LLC fee due which was not paid as an estimated fee payment, and the nonconsenting nonresident members' tax are due with the return, the penalty is calculated from the 15th day of the 4th month after the close of the taxable year. The annual tax payment date is the 15th day of the 4th month during the taxable year, so the penalty is calculated from this date. The penalty for each item is calculated separately.

The failure-to-pay penalty begins at 5%. Every month or fraction thereof the amount is not paid the penalty increases 0.5%. The penalty continues to increase for 40 months, thereby maximizing at 25%. See R&TC Section 19132 for more information.

If an LLC is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total penalty may not exceed 25% of the unpaid tax. However, the penalty for failure to comply with the filing requirements will be assessed in addition to the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date. The FTB may waive the late payment penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax is paid by the original due date of the return.

If the LLC underpays the estimated fee, a penalty of 10% will be added to the fee. The underpayment amount will be equal to the difference between the total amount of the fee due for the taxable year less the amount paid by the due date. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year.

Interest

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

Other Penalties/Fees

A penalty may also be charged if a payment is returned for insufficient funds. In addition, fees may be charged for the cost of collection.

H Accounting Methods

Compute ordinary income or loss by the accounting method regularly used to maintain the LLC's books and records. This method must clearly reflect the LLC's income or loss.

LLCs given permission to change their accounting method for federal purposes should see IRC Section 481 for information relating to the adjustments required by changes in accounting method.

Generally, an LLC may not use the cash method of accounting if the LLC has a corporate member, averages annual gross receipts of more than $5 million, or is a tax shelter. For exceptions, see IRC Section 448.

The mark-to-market accounting method is required for securities dealers. The IRC Section 481 adjustment is taken into account ratably over five years beginning with the first income year.

I Accounting Periods

LLC returns normally must be filed for an accounting period that includes 12 full months. A short period return must be filed if the LLC is created or terminated within the taxable year. In that case, write "Short Period" in red ink at the top of Form 568, Side 1.

For information on the required taxable year of a partnership that also applies to LLCs, see the instructions for federal Form 1065.

J Amended Return

If, after the LLC files its return, it becomes aware of changes it must make, the LLC should file an amended Form 568 and an amended Schedule K-1 (568) for each member, if applicable. Check the amended return box in Item H (3) Form 568, Side 1. Give a corrected Schedule K-1 (568) with box G (2) checked and label "Amended" to each affected member. If the LLC originally filed a Form 540NR group nonresident member return, the LLC should file an amended Form 540NR.

Attach a statement that identifies the line number of each amended item, the corrected amount or treatment of the item, and an explanation of the reason(s) for each change.

If the LLC wishes to file amended Schedules K-1 (568) via CD or portable USB/flash drive, see General Information T, Substitute Schedules.

If the LLC's federal return is changed for any reason, the federal change may affect the LLC's California return. This would include changes made because of an examination. The LLC must file an amended return within six months of the final federal determination if the LLC fee or tax a member owes has been affected. The LLC should attach a copy of the federal Revenue Agent's Report or other notice of the adjustments to the return. The LLC should inform the members that they may also be required to file amended returns within six months from the date of the final federal determination.

K Required Information Returns

Every LLC must file information returns if, in the course of its trade or business, any of the following occur:

- The LLC makes payments to one person of rents, salaries, wages, annuities, or other fixed or determinable income during one calendar year totaling $600 or more.
- The LLC pays an individual or one payee interest and dividends totaling $10 or more during one calendar year.
- The LLC receives cash payments over $10,000.

Payments of any amount by a broker, dealer, or barter exchange agent must also be reported.

LLCs must report payments made to California residents by providing copies of federal Form 1099 (series). For nonresidents, see the reporting and withholding requirements on Form 592, Resident and Nonresident Withholding Statement; Form 592-B, Resident and Nonresident Withholding Tax Statement; and Form 592-F, Foreign Partner or Member Annual Return. Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

LLCs must submit a copy of federal Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, within 15 days after the date of the transaction.

LLCs must report interest paid on municipal bonds that are issued by a state other than California or a municipality other than a California municipality that are held by California taxpayers. Entities paying interest to California taxpayers on these types of bonds are required to report interest payments aggregating $10 or more paid after January 1, 2014. Information returns will be due June 1, 2015. For more information, get form FTB 4800, Interest and Interest-Dividend Payment Reporting Requirement Letter.

LLCs must use form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report interest due or to be refunded under the look-back method on long-term contracts. If you are filing form FTB 3834 to compute the interest due or to be refunded under the Look-Back method, attach a copy of form FTB 3834 to Form 568.

Any information returns required for federal purposes under IRC Sections 6038, 6038A, and 6038B are also required for California purposes. Attach the information returns to the Form 568 when filed. If the information returns are not provided, penalties may be imposed under R&TC Sections 19141.2 and 19141.5.

All information returns, unless otherwise noted, are mailed separately from the Form 568. Information returns should be sent to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0500

L Special Items

California LLC tax law generally follows federal partnership tax law for LLCs classified as partnerships, in all of the following areas:

- IRC Section 702(a) items
- Elections
- Distributions of unrealized receivables and inventory
- Members' dealings with the LLC
- Contributions to the LLC
- Income of foreign nonresident members subject to withholding, Form 592-A, Form 592-B, and Form 592-F
- Basis and at-risk rules
- Passive activity limitations
- Net operating loss deduction by a member of the LLC (an LLC is not allowed the deduction)
- Publicly traded partnerships
- Long-term contracts
- Installment sales
- Vacation pay
- Amortization of past service costs
- Distributions of contributed property by an LLC
- Recognition of precontribution gain in certain LLC distributions to members

See the instructions for federal Form 1065 for specific information about these areas.

M Signatures

Form 568 is not considered a valid return unless it is signed by an authorized member or manager of the LLC. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that individual must sign the return.

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

Paid Preparer's Information

Anyone who is paid to prepare the LLC return must sign the return and complete the "Paid Preparer's Use Only" area of the return.

All of the following must be completed by the paid preparer:

- Complete the required preparer information. Tax preparers must provide their preparer tax identification number (PTIN).
- Sign in the space provided for the preparer's signature.
- Give the LLC a copy of the return in addition to the copy to be filed with the FTB.

An individual who prepares the return and does not charge the LLC should not sign the LLC return.

Paid Preparer Authorization
If the LLC wants to allow the paid preparer to discuss it's 2014 Form 568 with the FTB, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of the return. It does not apply to the firm, if any, shown in that section.

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

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

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

The authorization will automatically end no later than the due date (without regard to extensions) for filing the LLC's 2015 tax return. If the LLC wants to expand the paid preparer's authorization, get form FTB 3520, Franchise Tax Board Power of Attorney Declaration. If the LLC wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

N Group Returns

Nonresident Group Returns
Nonresident members of an LLC doing business or deriving income from sources in California may elect to file a group nonresident return (R&TC Section 18535).

- Group nonresident returns may include less than two nonresident individuals.
- Nonresident individuals with more than $1,000,000 of California taxable income are eligible to be included in group nonresident returns.
- An additional 1% tax will be assessed on resident and nonresident individuals who have California taxable income over $1,000,000.

Get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR, for more information.

O Investment Partnerships

Income of nonresident members, including banks and corporations, derived from "qualifying investment securities" of an LLC that qualifies as an "investment partnership" is considered income from sources other than California, except as noted below. Therefore, nonresident individuals or foreign members generally will not be taxed on this income. The LLC should inform its nonresident individuals or foreign members if all or a portion of their distributive share of income is from "qualifying investment securities" of an "investment partnership" and whether it is sourced to California. See the instructions for Question K, included in this booklet, for definitions of "investment partnership" and "qualifying investment securities."

However, for apportioning purposes, income from an LLC that is an investment partnership (LLC investment partnership) is generally considered business income (see Appeal of Estate of Marion Markus, Cal. St. Bd. of Equal., May 6, 1986). LLC investment partnerships that are doing business within and outside California should apportion California source income using California Schedule R. LLC investment partnerships that are doing business solely within California should treat all business income of the LLC investment partnership as California source income.

LLC investment partnerships that have California source income should show on Schedule K-1 (568), column (e) each member's distributive share of California source income.

Generally, members who are nonresident individuals would not record this income as California source income. However, there are two exceptions to the general rule when a nonresident individual may have California source income from an LLC investment partnership. Nonresident individual members will be taxed on their distributive shares of income from the "LLC investment partnership" if the income from the qualifying investment securities is interrelated with either of the following:

- Any other business activity of the nonresident member.
- Any other entity in which the nonresident member owns an interest that is separate and distinct from the investment activity of the partnership and that is conducted in California.

Nonresident individual members will be taxed on their distributive share of investment income from an LLC investment partnership if the qualifying securities were purchased with working capital of a trade or business the nonresident owns an interest in and that is conducted in California (R&TC Section 17955).

Corporations that are members in an LLC investment partnership are not generally taxed on their distributive share of LLC income, provided that the income from the LLC is the corporation's only California source income. However, the corporation will be taxed on its distributive share of California source income from the LLC if either of the following apply:

- The corporation participates in the management of the investment activities of the LLC investment partnership.
- The corporation has income derived from or attributable to sources within this state other than income from the LLC investment partnership.

P Nonresident Members

An LLC with multiple members is required to file form FTB 3832 with Form 568 when one or more of its members is a nonresident of California. Form FTB 3832 is signed by the nonresident individuals and foreign entity members to show their consent to California's jurisdiction to tax their distributive share of income attributable to California sources.

File form FTB 3832 for either of the following:

- The first taxable period for which the LLC became subject to tax with nonresident members.
- Any taxable period during which the LLC had a nonresident member who has not signed a form FTB 3832.

Separate forms for an individual (or groups of individuals) are permissible. The LLC must maintain and have available for examination a form FTB 3832 signed by each nonresident member.

The LLC must pay the tax for every nonresident member that did not sign a form FTB 3832. The LLC is responsible for paying the tax on that nonresident member's distributive share of income determined at the highest marginal rate for that member. See General Information F, Limited Liability Company Tax and Fee, for more information.

The tax may be reduced by the amount of tax previously withheld and paid by the LLC with respect to each nonconsenting nonresident member.

If the LLC fails to timely pay the tax of such nonresident member, the LLC shall be subject to penalties and interest (R&TC Sections 19132 and 19101). Any amount paid by the LLC on behalf of a nonresident individual or foreign entity member will be considered a payment made by the member.

An LLC may recover from the nonresident member the tax it paid on behalf of the nonresident member.

To claim credit for the tax, the nonresident member needs to attach a copy of the Schedule K-1 (568) to their California income tax return.

Nonresidents or Part-Year Residents
Nonresidents pay tax to California only on their California taxable income. For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

CAUTION: The requirements and procedures discussed above are not related to the nonresident withholding requirements discussed under General Information R, Withholding Requirements.

Q Cancelling a Limited Liability Company

In general, LLCs are required to pay the $800 annual tax and file a California return until the appropriate papers are filed. In order to cancel an LLC, the following steps must be taken:

1. File a timely final California return (Form 568) with the FTB and pay the $800 annual tax for the taxable year of the final return.
2. File Form LLC-4/7, Certificate of Cancellation, with the California SOS. The California SOS also requires a domestic LLC to file Form LLC-3, Certificate of Dissolution. Contact the California SOS for more details.

The Form LLC-4/7's effective date will stop the assessment of the $800 annual tax for future taxable years. If Form LLC-4/7 is filed after the taxable year ending date, a subsequent year return and an additional $800 tax may be required.

The annual tax will not be assessed if the LLC meets all of the following requirements:

- The LLC files a timely **Final** Limited Liability Company Return of Income, for the preceding taxable year, including extension.
- The LLC did not do business in California after the final taxable year.
- The LLC files the appropriate documents for cancellation with the California SOS within 12 months of the timely filed **Final** Limited Liability Company Return of Income.

Short Form Cancellation

Domestic LLCs organized in California can file a Limited Liability Company Short Form Certificate of Cancellation (Form LLC-4/8) if the following requirements are met:

- Form LLC-4/8 is being filed within 12 months from the date the Articles of Organization were filed with the SOS.
- The domestic LLC has no debts or other liabilities (other than tax liability).
- The known assets have been distributed to the persons entitled thereto or no known assets have been acquired.
- The final tax return or a final annual tax return has been or will be filed with the FTB.
- The domestic LLC has not conducted any business from the time of the filing of the Articles of Organization.
- A majority of the managers or members, or if there are no managers or members, the person or a majority of the persons who signed the Articles of Organization, voted to dissolve the domestic LLC.
- If the domestic LLC received payments for interests from investors, those payments have been returned to those investors.

The LLC must file SOS Form LLC-4/8, with the SOS. The LLC must include a statement that all of the items above have been completed before the California SOS will cancel the LLC. If available, attach an SOS endorse filed copy of Form LLC-4/8 to the first tax return.

For more information on how to cancel your LLC, contact:

By mail: DOCUMENT FILING SUPPORT
PO BOX 944228
SACRAMENTO CA 94244-2280

In person: CALIFORNIA SECRETARY OF STATE
1500 11TH STREET 3RD FLOOR
SACRAMENTO CA 95814

By phone: 916.657.5448

Office hours are Monday through Friday, 8 a.m. to 5 p.m.

Website: **sos.ca.gov**

Email address: **partnerships@sos.ca.gov**

If the LLC is being cancelled to be converted to another type of business entity, be sure to file the appropriate forms with the California SOS.

Get FTB Pub. 1038, Guide to Dissolve, Surrender, or Cancel a California Business Entity, for more information.

Short Period Return

If the LLC is filing a short period return for 2015 and the 2015 forms are not available, the LLC must use the 2014 Form 568 and change the taxable year.

R Withholding Requirements

Foreign (non U.S.) Nonresident Members

As described in IRC Section 1446 and modified by R&TC Section 18666, if an LLC has any income or gain from a trade or business within California, and if any portion of that income or gain is allocable under IRC Section 704 to a foreign (non U.S.) nonresident member, the LLC is required to withhold tax on the allocable amount.

State and Federal Differences Regarding Foreign (non U.S.) Nonresident Members

California generally conforms to IRC Section 1446 and corresponding federal rulings and procedures. The main differences between California and federal laws in this area are:

a. The California withholding rate is 8.84% for C corporations and 12.3% for individuals, partnerships, LLCs, and fiduciaries.
b. Income attributable to the disposition of California real property is subject to withholding under R&TC Section 18666.

Domestic (U.S.) Nonresident Members

An LLC is required to withhold funds for income or franchise taxes when it makes a distribution of income to a domestic (U.S.) nonresident member (R&TC Section 18662). This includes prior year income that should have been, but was not previously reported as income from California sources on the member's California income tax return. However, withholding is not required if distributions of income from California sources to the member are $1,500 or less during the calendar year or if the FTB directs the payer not to withhold.

Domestic (U.S.) nonresident members include individuals who are nonresidents of California and corporations that are not qualified to do business in California or do not have a permanent place of business in California. Domestic nonresident members also include nonresident estates, trusts, partnerships, and LLCs that do not have a permanent place of business in California. Foreign nonresident members covered under R&TC Section 18666 are not domestic nonresident members.

LLCs with income from both within and outside California must make a reasonable estimate of the ratio, to be applied to the distributions, that approximates the ratio of California source income to total income. The ratio for the prior year will generally be accepted as reasonable in determining the California part of the distribution subject to withholding. LLCs are required to withhold tax at a rate of 7% of distributions (including property) of income from California sources made to domestic nonresident members. For more information, get Schedule R.

The FTB has administrative authority to allow reduced withholding rates, including waivers, when requested in writing. These authorizations may be one-time, annual, or for a longer period. Waivers or reduced withholding rates will normally be approved when distributions are made by publicly traded partnerships and on distributions to brokerage firms, tax-exempt organizations, and tiered LLCs.

No withholding of tax is required if the distribution is a return of capital or does not represent taxable income for the current or prior years. Although a waiver is not required in this situation, if upon examination the FTB determines that tax withholding was required on a distribution, the LLC may be liable for the amount that should have been withheld including interest and penalties.

Send waiver requests and inquiries to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Telephone: **888.**792.4900 or
916.845.4900

Report withholding on Forms 592, 592-B, and 592-F. Withholding payments are remitted with Forms 592-A and 592-V.

The taxable income of nonresident members is the distributive share of California sourced LLC income, not the distributed amount. For more information, get FTB Pub. 1017.

The nonresident withholding requirements and procedures discussed above are not related to the nonconsenting nonresident members' tax paid by an LLC on behalf of nonresident members as discussed under General Information P, Nonresident Members.

S Check-the-Box Regulations

California generally conforms to the federal entity classification regulations (commonly known as "check-the-box" regulations). These regulations allow certain unincorporated entities to choose tax treatment as a partnership, a corporation, or a single member LLC (SMLLC) (SB 1234; Stats. 1997, Ch. 608).

Generally, any elections made for federal purposes under the federal "check-the-box" regulations are treated as California elections. No separate elections are allowed. If federal Form 8832, Entity Classification Election, is filed with the federal return, a copy should be attached to the electing entity's California return for the year in which the election is effective. The entity should file the appropriate California return.

An "eligible entity" may choose its classification. An eligible entity is a business entity that is not a trust, a corporation organized under any federal or state statute, a foreign entity specifically listed as a per se corporation, or other special business entities. Other special business entities under the IRC include publicly traded partnerships, REMICs, financial asset securitization investment trusts (FASITs), or regulated investment companies (RICs). An eligible entity with two or more owners will be a partnership for tax purposes unless it elects to be taxed as a corporation. For tax purposes, an eligible entity with a single owner will be disregarded. If the separate existence of an entity is disregarded, its activities are treated as activities of the owner and reported on the appropriate California return.

Exceptions

The exception to the general rule exists under R&TC Section 23038(b)(2)(C) in the case of an eligible business entity. The exception does not apply to a business entity which, during the 60 month period preceding January 1, 1997, was appropriately classified as an association taxable as a corporation and met all of the following conditions:

- The business entity was not doing business in California.
- The business entity did not derive income from sources within California.
- The business entity had no members who were residents of California.

The eligible business entities are generally:

1) Business trusts that were classified as corporations under California law, but were classified as partnerships for federal tax purposes for taxable years beginning before January 1, 1997.
2) Previously existing foreign SMLLCs that were classified as corporations under California law but claimed to be partnerships for federal tax purposes for taxable years beginning before January 1, 1997.

These business trusts and previously existing foreign SMLLCs will continue to be classified as corporations for California tax purposes and must continue to file Form 100, unless they make an irrevocable election to be classified or disregarded the same as they are for federal tax purposes. See form FTB 3574, Special Election for Business Trusts and Certain Foreign Single Member LLCs, and Cal. Code Regs., tit. 18 sections 23038(a)-(b).

California regulations make the classification of business entities under federal regulations (Treas. Reg. Sections 301.7701 through 301.7701-3) generally applicable to California. If an eligible entity is disregarded for federal tax purposes, it is also disregarded for state tax purposes, except that an SMLLC must still pay a tax and fee, file a return, and limit tax credits.

Filing Requirements for Disregarded Entities

An SMLLC is required to complete Form 568 Side 1, Side 2, Side 3, Side 7 (Schedule IW), and pay the annual tax and LLC fee (if applicable). If a nonresident has not signed the single member LLC consent on Side 3, then the SMLLC is required to complete Schedule T.

However, if either of the following two items below are met, Schedule B and Schedule K are also required to be filed:

- The income or loss amount reported on Schedule B, line 1 or line 3 through line 11, is $3,000,000 or more.
- The "Total distributive income/payment items," Schedule K, line 21a, is greater than or equal to $3,000,000 OR less than or equal to $-3,000,000.

If Schedule K (568) is required to be filed, disregarded entities should prepare Schedule K (568) by entering the amount of the corresponding Member's share of Income, Deductions, Credits, etc. attributable to the activities of the disregarded entity from the member's federal Form 1040, including Schedules B, C, D, E, F, and Federal Schedule K, or Federal Form 1120 or 1120S (of the owner). SMLLCs do not complete Schedule K-1 (568). The LLC should have filed by the 15th day of the 4th month of the taxable year. The single owner would include the various items of income, deductions, credits, etc., of the SMLLC on the tax return filed by the owner.

Utilization of credits attributable to the SMLLC is limited to the regular tax liability on the income attributable to the activities of the SMLLC. The limitation on the SMLLC's credits is the difference between: 1) The regular tax liability of the single owner computed with the items of income, deductions, etc., attributable to the SMLLC; and 2) The regular tax liability of the single owner computed without the items of income, deductions, etc., attributable to the SMLLC. It is the responsibility of the single owner to limit the credits on the owner's tax return. The single owner should be prepared to furnish information supporting the use of any credits attributable to the SMLLC.

The owner of the SMLLC should perform the following steps to determine the SMLLC's credit limitation:

- Compute the owner's tax with the SMLLC income, and the owner's tax without the SMLLC income.
- Complete Schedule P (100, 100W, 540, 540NR, or 541), up to the line where the credit is to be taken.
- Determine the credit to be utilized. The amount allowed is the lesser of either of the following:
  1. The total credit or the limitation based on the LLC's business income.
  2. The net tax balance that may be offset by credits on Schedule P (100, 100W, 540, 540NR, or 541) on the line above the line where the credit is to be taken.

The following example shows the credit limit calculation for an SMLLC that is owned by a C corporation. The SMLLC has a Research credit of $4,000. The computation of the C corporation's regular tax liability with the SMLLC income is $5,000. The computation of the C corporation's regular tax liability without the SMLLC income is $3,000. The difference in tax is $2,000, which is the C corporation's credit limitation on all LLC credits. The owner of the SMLLC then performs the following steps:

1. Completes Schedule P (100), Side 2, down to line 4, column (c). The amount is $1,000.
2. Enters the limitation amount from Schedule P (100), Side 2, line 4, column (c) in column (f).
3. Enters the following amounts from the table on this page on the Schedule P (100):
   - $4,000 from column (d) of the table on this page, to Schedule P (100), Side 2, line 5, column (a);
   - $1,000 from column (f) of the table on this page, to Schedule P (100), Side 2, line 5, column (b);
   - $3,000 from column (g) of the table on this page, to Schedule P (100), Side 2, line 5, column (d).

(a) Credit name	(b) Credit amount	(c) Total prior year credit carry-over	(d) Total credit: add col. (b) & col. (c)	(e) Limitation based on LLC business income	(f) Credit used on Sch P, but not greater than col. (d) or col. (e)	(g) Carry col. (d) minus the smaller of col. (e) or col. (f)
Research	$4,000	0	$4,000	$2,000	$1,000	$3,000

T Substitute Schedules

The FTB recommends filing paperless substitute Schedule K-1 (568). Since software is most often used to prepare Form 568 and Schedules K-1 (568), the LLC may already have the information needed to prepare paperless Schedule K-1 (568). Once the information is in a database or spreadsheet, it's easy to transfer to the required record layout and then save it to a CD or portable USB/flash drive.

Get approval from the FTB to use substitute Schedule K-1 (568), if the LLC:

- Wants to use paperless Schedule K-1 (568).
- Does not use the official California Schedule K-1 (568) prepared by the FTB.
- Does not use a software program with an FTB-approved Schedule K-1 (568).

The FTB does not accept federal Schedule K-1 (1065) as a substitute schedule.

If you use computer software, read the company's user manual to ensure you have the necessary hardware and printer fonts to produce FTB-approved forms. All printing should be done to the standards specified in FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms. For more information, get FTB Pub. 1095D, Tax Practitioner Guidelines for Computer-Prepared Returns.

LLCs are subject to penalties for failure to file the appropriate Schedule K-1 (568). See General Information G, Penalties and Interest.

To participate in the FTB's substitute forms program, get FTB Pub. 1098, and form FTB 1096, Agreement to Comply with FTB Pub. 1098, Annual Requirements and Specifications.

Paperless Schedule K-1 (568)
For procedures, formatting specifications, and record layouts required to program paperless Schedules K-1 (568) get FTB Pub. 1062, Guide for Filing Paperless Schedules K-1 (565 or 568).

The transmittal form FTB 3604, Transmittal of Paperless Schedules K-1 (565 or 568) on CD or portable USB/flash drive, must accompany paperless Schedules K-1 (568) submitted on CD or portable USB/flash drive. Form FTB 3604 is included in FTB Pub. 1062 or in a fillable format at **ftb.ca.gov**.

K-1 (565 or 568) TestWare is also available at no charge. K-1 (565 or 568) TestWare helps identify and correct errors during programming and before submitting the paperless schedules.

K-1 (565 or 568) TestWare includes two programs:

- K-1 Verify, edits Schedules K-1 (568) records to ensure the fields are the correct length and position the FTB requires and produces an edit report.
- K-1 Convert, converts spreadsheet formats to standard fixed length formats so you can use them with K-1 Verify.

Once verification is made to ensure paperless Schedules K-1 (568) pass the K-1 Verify program, send the schedules to the FTB using form FTB 3604, which contains mailing instructions. Multiple LLCs can be put on the same CD or portable USB/flash drive. It is not necessary to provide a separate CD or portable USB/flash drive for each LLC. However, provide each LLC name, California SOS file number, and the number of K-1's for that LLC in the space provided on form FTB 3604.

If the LLC files paperless Schedules K-1 (568), file all Schedules K-1 (568) for that LLC using the paperless format. **Do not** file paper Schedules K-1 (568) with Form 568 if the LLC has or will file paperless Schedules K-1 (568).

Do not file federal Schedules K-1 (1065) with the Form 568.

To get the publications and K-1 (565 or 568) go to **ftb.ca.gov** and search for **testware**.

Assistance is available from our e-Programs Customer Service Desk at 916.845.0353.

U Property Subject to IRC Section 179 Recapture

California will follow the revised federal instructions (with some exceptions) for reporting the sale, exchange, or disposition of property for which an IRC Section 179 expense deduction was claimed in prior years by a partnership, LLC, or S corporation.

If there is gain from the sale, exchange, or disposition of property for which an IRC Section 179 expense deduction was claimed in a prior year, special rules apply. Members should follow the instructions in federal Form 4797, Sales of Business Property.

LLCs should follow the instructions in federal Form 4797 with the exception that the amount of gain on property subject to the IRC Section 179 recapture must be included in the total income for the LLC.

The gain on property subject to the IRC Section 179 recapture should be reported on the Schedule K (568) and Schedule K-1 (568) as supplemental information as instructed on the federal Form 4797.

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

1. Description of the property.
2. Date the property was acquired and placed in service.
3. Date the property was sold or other disposition.
4. Gross sales price or amount realized.
5. Cost or other basis plus expense of sale (not including the entity's basis reduction in the property due to IRC Section 179 expense deduction).
6. Depreciation allowed or allowable (not including the IRC Section 179 expense deduction).
7. Amount of IRC Section 179 expense deduction (if any).
8. An indication if the disposition is from a casualty or theft.
9. If this is an installment sale, compute the installment amount by using the method provided in form FTB 3805E, Installment Sale Income.

V Suspension/Forfeiture

If an LLC does not file Form 568 and/or does not pay any tax, penalty, or interest due, its powers, rights, and privileges may be suspended (in the case of a domestic LLC) or forfeited (in the case of a foreign LLC). Also, any contracts entered into during suspension or forfeiture are voidable at the request of any party to the contract other than the suspended or forfeited LLC. Such contracts will remain voidable and unenforceable unless the LLC applies for relief from contract voidability and the FTB grants relief. See R&TC Sections 23301, 23305.1, and 23305.2, for more information.

W California Use Tax

General Information
The use tax has been in effect in California since July 1, 1935. It applies to purchases of property from out-of-state sellers and is similar to the sales tax paid on purchases made in California. If the LLC has not already paid all use tax due to the State Board of Equalization, it may be able to report and pay the use tax due on its state income tax return. However, LLCs required to hold a California seller's permit or to otherwise register with the State Board of Equalization for sales and use tax purposes may not report use tax on their state income tax return. See the information below and the instructions for line 13 of the income tax return.

In general, LLCs must pay California use tax on purchases of merchandise for use in California, made from out of state sellers, for example, by telephone, over the Internet, by mail, or in person.

LLCs must pay California use tax on taxable items if:

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

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

However, not all purchases require the LLC to pay use tax. For example, the LLC would include purchases of office equipment, but not purchases of food products or prescription medicine. For more information on nontaxable and exempt purchases, you may refer to Publication 61, Sales and Use Taxes: Exemptions and Exclusions on the State Board of Equalization's website at **boe.ca.gov**.

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

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

Interest, Penalties, and Fees. Failure to timely report and pay the use tax due may result in the assessment of interest, penalties, and fees.

Application of Payments. If the LLC makes a payment on the Franchise Tax Board return that includes a payment for use tax, the payment will be applied in the following order:

1. Income tax, interest, and penalties
2. Use tax

If the Franchise Tax Board applies the payment (or portion thereof) intended for use tax towards income tax, interest, or penalty, the LLC will be notified by the State Board of Equalization and requested to make the use tax payment directly to the State Board of Equalization.

Changes in Use Tax Reported. Do not file an Amended Limited Liability Company Return of Income to revise the use tax previously reported. If the LLC has changes to the amount of use tax previously reported on the original tax return, contact the State Board of Equalization.

For assistance, go to the State Board of Equalization's website at **boe.ca.gov** or call their Customer Service Center at 1.800.400.7115 or (TTY) 711 (for hearing and speech disabilities). For California income tax information, contact the Franchise Tax Board at **ftb.ca.gov**.

Specific Instructions

Form 568

Fill In All Applicable Lines and Schedules
Enter any items specially allocated to the members on the applicable line of the member's Schedule K-1 (568) and the total amounts on the applicable lines of Schedule K (568). Do not enter these items directly on Form 568, Side 4, Schedule A or Schedule D (568). Do not apply the apportionment factor to the items on Schedule K (568).

Whole numbers should be shown on the return and accompanying schedules.

Name, Address, California SOS File Number, and FEIN
Before mailing, make sure entries have been made for all of the following:

- CA SOS file number is 12 digits and begins with "19" or "20"
- FEIN (9-digits)
- LLC legal or trade name (use legal name filed with the California SOS) and address, include Private Mail Box (PMB) number, if applicable.

Use the Additional Information field for "Owner/Representative/Attention" name, and other supplemental address information only.

Foreign Address
If the limited liability company has a foreign address enter the city, foreign country name, foreign province/state/county name, and foreign postal code in the appropriate boxes. **Do not** abbreviate the foreign country name. Follow the country's practice for entering the province/state/county name and foreign postal code.

Item G – Total Assets at End of Taxable Year
See the instructions for Schedule L – Balance Sheets – before completing this item.

If the LLC is required to complete this item, enter the total assets at the end of the LLC's taxable year. This is determined by the accounting method regularly used to maintain the LLC's books and records. If there are no assets at the end of the taxable year, enter $0.

Item I – Principal Business Activity (PBA) Code
California uses the 6-digit federal PBA Code based on the North American Industry Classification System (NAICS).

Common trust funds are required to use the PBA code 525920. Investment clubs are required to use PBA code 523900.

Schedule IW, LLC Income Worksheet Instructions
For purposes of this worksheet, "Total California Income" means total income from all sources derived from or attributable to this state. The definition of total income for purposes of calculating the LLC fee excludes all allocations, distributions, or gains from another LLC that was already subject to the LLC fee. "Total income" means gross income, plus the cost of goods sold that are paid or incurred in connection with the trade or business of the taxpayer attributed to California. Cost of goods sold does not include the adjusted basis of real property held for sale to customers in the ordinary course of business or of other property for which gross income is determined under Treas. Reg. Section 1.61-6 and Cal. Code Regs. section 24271(d). Total income from all sources derived or attributable to this state is determined using the rules for assigning sales under R&TC Sections 25135 and 25136 and the regulations thereunder, as modified by regulations under R&TC Section 25137, if applicable, other than those provisions that exclude receipts from the sales factor.

Disregarded entities that do not meet the filing requirements to complete Form 568 Schedule B or Schedule K should prepare Schedule IW by entering the California amounts attributable to the disregarded entity from the member's federal Schedule C, E, F (Form 1040), or additional schedules associated with other activities.

Determining Total Income From All Sources Derived From or Attributable to California.

Use only amounts that are from sources derived from or attributable to California when completing lines 1-17 of this worksheet. If the LLC business is wholly within California, the total income amount is assigned to California and is entered on Schedule IW. If the LLC conducts business within and outside of California, the LLC must assign its total income, item by item, to California based on the following rules:

Sales of Tangible Property
Total income from sales of tangible personal property with a destination in California (except sales to the U. S. Government) are attributable to California if the property is delivered or shipped to a purchaser within California regardless of the freight on board point or other conditions of sale. Total income from sales of tangible personal property (except sales to the U. S. Government) which are shipped from an office, store, warehouse, factory, or other place of storage within California are assigned to California unless the seller is taxable in the state of destination. Any transportation of goods by vehicle is a form of shipment, whether the vehicle is owned by the seller, the purchaser, or a common carrier. If a seller transfers possession of goods to a purchaser at the purchaser's place of business in California, the sale is a California sale. However, if goods are transferred to the purchaser's employee or agent at some other location in California and the purchaser immediately transports the goods to another state, the sale is not a California sale. (See FTB Legal Ruling 95-3).

Total income from sales of tangible personal property to the U.S. Government are attributable to California if the property is shipped from California even if the taxpayer is taxable in the state of destination. Only sales for which the U.S. Government makes direct payment to the seller according to the terms of a contract constitute sales to the U.S. Government. Thus, as a general rule, sales by a subcontractor to the prime contractor, the party to the contract with the U.S. Government, do not constitute sales to the U.S. Government.

Sales of Other Than Sales of Tangible Personal Property

Market Assignment – For taxable years beginning on or after January 1, 2013, R&TC Section 25136 requires all taxpayers to assign sales, other than sales of tangible personal property, using market assignment.

The market assignment method and single-sales factor apportionment may result in California sourced income or apportionable business income if a taxpayer is receiving income from intangibles or services from California sources. Such income includes:

1. Sales from services to the extent that the purchaser of the service receives the benefit of the service in California.
2. Sales of intangible property to California to the extent that the intangible property is used in California. For marketable securities, the sales are in California if the customer is in California.
3. Sales from the sale, lease, rental, or licensing of real property if the real property is located in California.
4. Sales from the rental, lease, or licensing of tangible personal property if the property is located in California.

For more information, see R&TC Section 25136 and Cal. Code Regs., tit. 18 section 25136-2, get Schedule R or go to **ftb.ca.gov** and search for **law changes**.

Alternative Methods. There are alternative methods to assign total income to California that apply to specific industries. These rules are contained in the regulations adopted pursuant to R&TC Section 25137. If the LLC is in one of these lines of business, the sale assignment methodology employed in the regulation applicable to the LLC's line of business should be used to determine total income derived from or attributable to California.

The rules contained in R&TC Section 25137(c) that serve to remove items from assignment in their totality are not applicable to the determination of income derived from or attributable to California.

The definition of "Total Income" excludes allocations, distributions, or gains to an LLC from another LLC, if that allocation, distribution, or gain was already subject to the LLC fee. Do not include any income on the worksheet that has already been subject to the LLC fee.

Pass-through Entities. LLCs with ownership interest in a pass-through entity, other than an LLC, must report their distributive share of the pass-through entity's "Total Income from all sources derived from or attributable to this state." Their distributive share must include the matching cost of goods sold and any deductions that are subtracted from gross ordinary income to obtain net ordinary income. The matching cost of goods sold must be entered on line 3b and any deductions on line 3c. If you received Schedule K-1s (565) with Table 3 information, include the sum of the Table 3 amounts on Schedule IW, lines 3b, 3c, 8b, and 9b as follows:

Sum of all Table 3, lines 1a, add to line 3b
Sum of all Table 3, lines 1b, add to line 3c
Sum of all Table 3, lines 2, add to line 8b
Sum of all Table 3, lines 3, add to line 9b

All Table 3 amounts come from partnerships and LLCs that have filed Form 565.

Lines 1b, 2b, 3b, 3c, 4, and 17 may not be negative numbers. LLCs that are disregarded entities compute the "Total Income" on Schedule IW. Use the applicable lines.

Line 1 – Total Income from Schedule IW, LLC Income Worksheet
Enter the LLC's "Total California Income" as computed on line 17 of Schedule IW. The amount entered on Form 568, line 1, may not be a negative number.

Line 2 – Limited Liability Company Fee
Enter the amount of the LLC fee. The LLC must pay a fee if the total California income is equal to or greater than $250,000.

Enter zero if the LLC is claiming Deployed Military Exemption. See General Information F, Limited Liability Company Tax and Fee, for more details.

The LLC must estimate the fee it will owe for the year and make an estimated fee payment by the 15th day of the 6th month of the current taxable year. **When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day**. LLCs will use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee. LLCs will also use form FTB 3536 to pay by the due date of the LLC's return, any amount of LLC fee owed that was not paid as a timely estimated fee payment. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the year. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year. See General Information G, Penalties and Interest, for more details.

Line 3 – 2014 Limited Liability Company Tax
Enter the $800 annual tax. This tax was due the 15th day of the 4th month (fiscal year) or April 15, 2014 (calendar year), after the beginning of the LLC's 2014 taxable year and paid with the 2014 form FTB 3522. **When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.** If the annual LLC tax was not paid within the prescribed time period, penalties and interest are now due. See General Information G, Penalties and Interest, for more details.

Enter zero on line 3 if the LLC is claiming Deployed Military Exemption.

Line 4 – Nonconsenting Nonresident Members' Tax Liability
Enter the total tax computed on Schedule T. The LLC is responsible for paying the tax of nonconsenting nonresident members and nonconsenting owners of disregarded entities. Treat a nonconsenting owner of a disregarded entity in the same manner as a nonconsenting nonresident member. See the Specific Line Instructions for Schedule T.

The nonconsenting nonresident members' tax paid by an LLC on behalf of a nonresident is allocated to the nonresident member on Schedule K-1 (568).

Line 6 – Enter the amount paid with form FTB 3537 and 2014 form FTB 3522 and form FTB 3536. If the LLC is a nonconsenting nonresident member of another LLC, an amount will be entered on Line 15e of the Schedule K-1 from that LLC. In addition to amounts paid with form FTB 3537 and 2014 form FTB 3522 and form FTB 3536, the amount from Line 15e of the Schedule K-1 may be claimed on Line 6, but may not exceed the amount on Line 4.

Line 8 – Withholding (Form 592-B and/or 593)
If the LLC was withheld upon by another entity, the LLC can either allocate the entire withholding credit to all its members or claim a portion on line 8 (not to exceed the total tax and fee due) and allocate the remaining portion to all its members. If the LLC claims any of the amount withheld, be sure to attach the Form 592-B, or Form 593, Real Estate Withholding Tax Statement, showing that the LLC was withheld upon, to the front lower portion of the LLC return. The LLC must file Form 592 or 592-F, and Form 592-B to allocate any remaining withholding credit to its members. For additional information, get FTB Pub. 1017.

Line 13 – Use Tax

As explained under Use Tax General Information W, California use tax applies to purchases of merchandise from out of state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person) where sales or use tax was not paid and those items were used in California. For questions on whether a purchase is taxable, go to the State Board of Equalization's website at **boe.ca.gov**, or call their Customer Service Center at 1.800.400.7115 or (TTY) 711 (for hearing and speech disabilities).

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

- Businesses that have, or are required to have, a California seller's permit.
- Businesses that are not required to hold a California seller's permit, but receive at least $100,000 in gross receipts.
- Are otherwise required to be registered with the State Board of Equalization for sales or use tax purposes.

An LLC that is not required to report purchases subject to use tax directly to the State Board of Equalization may, with some exceptions, report use tax on its Limited Liability Company Return of Income. To report use tax on the tax return, complete the Use Tax Worksheet below.

Note: An LLC may not report use tax on its income tax return for certain types of transactions. These types of purchases are listed below in the instructions for completing Worksheet, Line 1.

If the LLC owes use tax but does not report it on the income tax return, the LLC must report and pay the tax to the State Board of Equalization. For information on reporting use tax directly to the State Board of Equalization, go to their website at **boe.ca.gov** and click on **Find Information About Use Tax** under the heading **How Do I**.

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

Use Tax Worksheet
Round all amounts to the nearest whole dollar.

1. Enter purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions . . . . . $ _____.00
2. Enter the applicable sales and use tax rate. See worksheet instructions . . . . . _____
3. Multiply line 1 by the tax rate on line 2. Enter result here . . . . . $ _____.00
4. Enter any sales or use tax paid to another state for purchases included on line 1. See worksheet instructions . . . . . $ _____.00
5. Total Use Tax Due. Subtract line 4 from line 3. Enter the amount here and on line 13. If the amount is less than zero, enter -0- . . . . . $ _____.00

Worksheet, Line 1, Purchases Subject to Use Tax

Report purchases of items that would have been subject to sales tax if purchased from a California retailer unless your receipt shows that California tax was paid directly to the retailer. For example, generally, purchases of clothing would be included, but not purchases of food products or prescription medicine. For more information on nontaxable and exempt purchases, visit the State Board of Equalization's website at **boe.ca.gov**.

- Include handling charges.
- **Do not** include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that correspond with the tax return the LLC is filing.

Note: Report and pay any use tax the LLC owes on the following purchases directly to the State Board of Equalization, **not** on the LLC's income tax return:

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.
- Cigarettes and tobacco products when the purchaser is registered with the State Board of Equalization as a cigarette and/or tobacco products consumer.

Worksheet, Line 2, Sales and Use Tax Rate

- Enter the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. If the LLC does not know the applicable city or county sales and use tax rate, please go to the State Board of Equalization's website at **boe.ca.gov** and click on **Latest Sales and Use Tax Rates** under **Popular Topics** or call their Customer Service Center at 1.800.400.7115 or (TTY) 711 (for hearing and speech disabilities).

Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states on purchases reported on Line 1. The organization can claim a credit up to the amount of tax that would have been due if the purchase had been made in California. For example, if the organization paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, the organization can claim a credit of only $6.00 for that purchase.

Line 15 – Penalties and Interest
Enter penalties and interest. See General Information G, Penalties and Interest.

Line 16 – Total Amount Due
Enter the total amount due. See General Information E, When and Where to File.

Single Member LLC Information and Consent
Complete all requested information. Provide the identification number of the entity (FEIN/CA Corp no./CA SOS File no.) that will report the items of income, deductions, credits, etc., of the disregarded entity and the type of return the owner will file. The owner will be responsible for limiting any credits attributable to the disregarded entity.

The LLC must treat the failure of the sole owner to sign this consent in the same manner as the failure of a nonresident member to sign form FTB 3832. See the Specific Line Instructions for Schedule T.

If the single member of the LLC signs the consent, only complete Form 568, Side 1, Side 2, Side 3, Side 7 (Schedule IW), and pay the amount due.

Schedules B & K are **required** to be filed if any of the following are met:

- The income or loss amount reported on Schedule B, line 1 or line 3 through line 11, is $3,000,000 or more.
- The "Total distributive income/payment items," Schedule K, line 21a, is greater than or equal to $3,000,000 OR less than or equal to $-3,000,000.

Multiple member LLCs will complete the remaining schedules, as appropriate.

Single member LLCs (SMLLCs) do **not** complete form FTB 3832. An SMLLC consents to be taxed under California jurisdiction by signing the Single Member LLC Information and Consent on Form 568. Multiple member LLCs must complete and sign form FTB 3832.

Question J
Enter the maximum number of members in the LLC at any time during the taxable year. For multiple member LLCs, the number of Schedules K-1 (568) attached to the Form 568 must equal the number of members entered on Question J. **Do not** use abbreviations or terms such as "**various**."

Question K through Question HH
Check the "Yes" or "No" box. SMLLCs are excluded from providing a Schedule K-1 (568).

Question K
An "investment partnership" is a partnership that meets both of the following criteria:

1. No less than 90% of the cost of the partnership's total assets consist of the following:
   - Qualifying investment securities.
   - Deposits at banks or other financial institutions.
   - Office equipment and office space reasonably necessary to carry on the activities of an investment partnership.
2. No less than 90% of the partnership's gross income is from interest, dividends, and gains from the sale or exchange of "qualifying investment securities."

"Qualifying investment securities" include all of the following:

- Common and preferred stock, as well as debt securities convertible into common stock.
- Bonds, debentures, and other debt securities.
- Foreign and domestic currency deposits or equivalents and securities convertible into foreign securities.
- Mortgage-backed or asset-backed securities secured by governmental agencies.
- Repurchase agreements and loan participations.
- Foreign currency exchange contracts and forward and futures contracts on foreign currencies.
- Stock and bond index securities and futures contracts, and other similar securities.
- Regulated futures contracts.
- Options to purchase or sell any of the preceding qualified investment securities, except regulated futures contracts.

"Qualifying investment securities" do not include an interest in a partnership, unless the partnership qualifies as an "investment partnership." See R&TC Sections 17955 and 23040.1 and General Information O, Investment Partnerships, for more information.

Question M
If Question M is answered "Yes," see the federal partnership instructions concerning an election to adjust the basis of the LLC's assets under IRC Section 754.

Question O
All LLCs **must** answer all three questions. The questions provide information regarding changes in ownership or control of legal entities owning or under certain circumstances leasing California real property (R&TC Section 64). (Real Property includes land, buildings, structures, fixtures - see R&TC Section 104). If any of the answers are "**Yes**," a Statement of Change in Control and Ownership of Legal Entities (BOE-100-B) must be filed with the California State Board of Equalization (BOE); failure to do so within 90 days of the event date will result in penalties. Get forms and information from the BOE website (**boe.ca.gov**) by searching for **leop**.

There may be a change in ownership or control if, during this year, one of the following occurred with respect to this LLC (or any legal entity in which it holds a controlling or majority interest):

- The percentage of ownership interests transferred to, or owned or controlled by, **one** person or **one** legal entity cumulatively exceeded 50%.
- The total ownership interests transferred to or held by **one** irrevocable trust or trust beneficiary cumulatively exceeded 50%.
- This LLC, or any legal entity in which it holds a controlling or majority interest, cumulatively acquired ownership or control of more than 50% of the LLC or other ownership interests in any legal entity.
- As of the end of this year, cumulatively more than 50% of the total ownership interests have been transferred in one or more transactions since an interest in California real property was transferred to the LLC that was excluded from property tax reassessment under R&TC Section 62(a) (2) which established an original co-owners' interest status.

For purposes of these questions, leased real property is a leasehold interest in taxable real property: (1) leased for a term of 35 years or more (including renewal options), if not leased from a government agency; or (2) leased for any term, if leased from a government agency. For LLC's, ownership interest is measured by a member's interest in both the capital and profits interests in the LLC.

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

Question P
California requires taxes to be withheld from certain payments or allocations of income and sent to the FTB (R&TC Sections 18662 and 18666). If the LLC does not withhold and, upon examination, the FTB determines that withholding was required, the LLC may be liable for the tax and penalties. The reference to Forms 592, 592-A, 592-B, and 592-F relates to LLC withholding. If you need additional information concerning LLC withholding, see General Information K, Required Information Returns, and Withholding Requirements, in this booklet.

Question U
See General Information S, Check-the-Box Regulations, for the filing requirements for disregarded entities.

Question V
Federal Form 8886, Reportable Transaction Disclosure Statement, must be attached to any return on which the LLC has claimed or reported income from, or a deduction, loss, credit, or other tax benefit attributable to, participation in a reportable transaction. If the LLC is required to file this form with the federal return, attach a copy to the LLC's Form 568. **Do not** attach copies of federal Schedule K-1 (1065).

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

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

- A Confidential Transaction, which is offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum fee.
- A transaction with contractual protections which provides the taxpayer with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained.
- A loss transaction is any transaction resulting in the taxpayer claiming a loss under IRC Section 165 of at least $10 million in any single taxable year or $20 million in any combination of taxable years for partnerships that have only corporation as partners (looking through any partners that are themselves partnerships), whether or not any losses pass through to one or more partners. $2 million in any single taxable year or $4 million in any combination of taxable years for all other partnerships.
- A transaction with a significant book-tax difference (entered into prior to August 3, 2007). Beginning January 6, 2006, this transaction was no longer required to be disclosed on federal Form 8886. See IRS Notice 2006-06.
- A transaction where the taxpayer is claiming a tax credit of greater than $250,000 and held the asset for less than 45 days (entered into prior to August 3, 2007).
- A transaction of interest is a transaction that is the same as or substantially similar to one of the types of transactions that has been identified by the IRS as a transaction of interest (entered into on or after November 2, 2006).
- A Listed Transaction is a specific reportable transaction, or one that is substantially similar, which has been identified by the IRS or the FTB to be a tax avoidance transaction.

Question CC
Check the "Yes" or "No" box to indicate if the LLC is deferring any income from the disposition of assets. If "Yes," enter the four-digit year in which the assets were disposed (ex. 2014) on line CC (2). If there are multiple years, write "see attached" on the line and attach a schedule listing the years. This question is applicable if the LLC is deferring any income from a disposition of assets in the current taxable year or prior taxable years.

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

Question EE
Use form FTB 3554 to compute the new employment credit. Enter the amount generated on line EE (2). Attach a copy of form FTB 3554 to Form 568.

Question FF
LLCs doing business under a name other than that entered on Side 1 of Form 568 must enter the DBA name in Question FF. If the LLC is doing business under multiple DBA's attach a schedule listing all DBA's. Leave Question FF blank if the LLC is not using DBA's to conduct business.

Question GG
Check the "Yes" or "No" box to indicate if the LLC operated as another entity type such as a corporation, S corporation, General Partnership, Limited Partnership, LLC, or Sole Proprietorship in the previous five (5) years. If "Yes," enter prior FEIN(s) if different, business name(s), and entity type(s) for prior returns filed with the FTB and/or IRS on line GG (2). If there are multiple entries, write "see attached" on the line and attach a schedule listing the prior FEINs, business names, and entity types.

Question HH
Check "Yes" or "No" if the LLC previously operated outside California. Check "Yes" or "No" if this is the LLC's first year of doing business in California.

Schedule A — Cost of Goods Sold

California's reporting requirements for LLCs are generally the same as the federal reporting requirements for partnerships. Follow the instructions for federal Form 1125A, Cost of Goods Sold.

Schedule B — Income and Deductions

Line 1 through Line 12
California's reporting requirements for LLCs classified as partnerships are generally the same as the federal reporting requirements for partnerships.

Follow the instructions for federal Form 1065 and include only trade or business activity income on line 1 through line 12. However, for California tax purposes, business income of the LLC is defined using the rules set forth in R&TC Section 25120. Therefore, certain income that may be portfolio income for federal purposes may be included as business income for California sourcing purposes. **Do not** include rental activity income or portfolio income on these lines. Rental activity income and portfolio income are separately reported on Schedule K (568) and Schedule K-1 (568). Rental real estate activities are also reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation. Attach a copy of federal Form 8825 to Form 568. **Use California amounts** and attach a statement reconciling any differences between federal and California amounts.

Use worldwide amounts determined under California law when completing these lines.

Form 568, Schedule B, lines 4 through line 11 have been separated to report total gains and total losses. Net amounts are no longer reported. **List total gains and total losses separately, even if listed together on federal forms.** For example, the LLC is required to report a $100 Other Income item and a <$20> Other Loss item. The $100 Other Income item must be reported on Line 10 and the <$20> Other Loss item loss must be reported as a negative number on Line 11.

Line 6 – Total Farm Profit

Line 7 – Total Farm Loss
Enter on line 6 the LLC's total farm profit from federal Schedule F (Form 1040), Profit or Loss From Farming, Line 34, Net farm profit or (loss). Enter on line 7 the LLC's total farm loss from federal Schedule F (Form 1040), Line 34. Attach federal Schedule F to Form 568. If the amount includable for California purposes is different from the amount on federal Schedule F, enter the California amount and attach an explanation of the difference.

Line 8 – Total Gain from Schedule D-1

Line 9 – Total Loss from Schedule D-1
Include only ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Ordinary gains or losses from the sale, exchange, or involuntary conversion of rental activity assets must be reported separately on Schedule K (568) and Schedule K-1 (568), generally as part of the net income (loss) from the rental activity.

An LLC that is a member in another LLC or partner in a partnership must include on Schedule D-1, Sales of Business Property, its share of ordinary gains (losses) from sales, exchanges, or involuntary conversions (other than casualties or thefts) of the other LLC's or partnership's trade or business assets.

Line 13 through Line 22
California's reporting requirements for LLCs are generally the same as the federal reporting requirements for partnerships.

Follow the instructions for federal Form 1065 and include only trade or business activity deductions on line 13 through line 21. Line 21 (Other Deductions) includes repairs, rents and taxes. **Do not** include any rental activity expenses or deductions that are allocable to portfolio income on these lines. Rental activity deductions and deductions allocable to portfolio income are separately reported on Schedule K (568) and Schedule K-1 (568).

Use worldwide amounts determined under California law when completing these lines.

Federal reporting requirements for organization and syndication expenses and uniform capitalization rules apply for California.

For taxable years beginning on or after January 1, 2014, California does not allow a business expense deduction for any fine or penalty paid or incurred by an owner of a professional sports franchise assessed or imposed by the professional sports league that includes that franchise. If the LLC deducted the fine or penalty for federal purposes, do not include the deduction for California purposes.

Claim of Right. To claim the deduction, enter the amount on line 21. If you elect to take the credit instead of the deduction, remember to use the California tax rate and add the credit amount to the total on line 9, Total payments (Form 568, Side 1). To the left of this total, write IRC 1341 and the amount of the credit.

Line 17a – Depreciation and Amortization
Enter on line 17a, only the total depreciation and amortization claimed on assets used in a trade or business activity. Complete and attach form FTB 3885L, Depreciation and Amortization (included in this booklet), to figure depreciation and amortization. Transfer the total from form FTB 3885L, line 6, to Form 568, Side 4, line 17a, or federal Form 8825, as appropriate (use California amounts).

Do not include any expense deduction for depreciable property (IRC Section 179) on this line. This expense is not deducted by the LLC. Instead, the expense is passed through separately to the members and is reported on line 12 of Schedule K (568) and Schedule K-1 (568).

Schedule L — Balance Sheets

If Question 6a through Question 6c on federal Form 1065, Schedule B, are all answered "Yes" and the LLC has 10 or fewer members, the LLC is not required to complete Schedules L, M-1, M-2, or Item G on Side 1 of Form 568 or Item I on Schedule K-1 (568).

California's reporting requirements for LLCs classified as partnerships, are the same as the federal reporting requirements for partnerships. The amounts reported on the balance sheet should agree with the books and records of the LLC and should include all amounts whether or not subject to taxation. Attach a statement explaining any differences between federal and state amounts or the balance sheet and the LLC's books and records. Follow the instructions for federal Form 1065, Schedule L.

Schedule M-1 — Reconciliation of Income (Loss) per Books With Income (Loss) per Return, and Schedule M-2 — Analysis of Members' Capital Accounts

If the LLC is required to complete Schedule M-1 and Schedule M-2, the amounts shown should agree with the LLC's books and records and the balance sheet amounts. Attach a statement explaining any differences.

Use worldwide amounts determined under California law when completing Schedule M-1. Also, the amounts on Schedule M-2 should equal the total of the amounts reported in Item I, column (c), of all the members' Schedules K-1 (568).

Net Income (Loss) Reconciliation for Certain LLCs. For taxable years beginning on or after January 1, 2014, the IRS allows LLCs with at least $10 million but less than $50 million in total assets at tax year end to file Schedule M-1 (Form 1065) in place of Schedule M-3 (Form 1065), Parts II and III. However, Schedule M-3 (Form 1065), Part I, is required for these LLCs. For California purposes, the LLC must complete the California Schedule M-1, and attach either of the following:

- A copy of the federal Schedule M-3 (Form 1065) and related attachments to the California Franchise or Income Tax Return.
- A complete copy of the federal return.

The FTB will accept the federal Schedule M-3 (Form 1065) in a spreadsheet format if more convenient.

Schedule O — Amounts from Liquidation Used to Capitalize a Limited Liability Company

Complete Schedule O if "initial return" is checked in Question H of Form 568.

Schedule O is a summary of the entities liquidated to capitalize the LLC and the amount of gains recognized in such liquidations.

Include the complete names and identification numbers of all entities liquidated. Check the appropriate box for the type of entity liquidated. Include the amount of liquidation gains recognized in order to capitalize the LLC.

Schedule T — Nonconsenting Nonresident Members' Tax Liability

Use Schedule T to compute the nonconsenting nonresident members' tax liability to be paid by the LLC. List the names and identification numbers of all nonresident members who have not signed a form FTB 3832 or a nonresident single member who has not signed the LLC Information and Consent on Side 3 of Form 568, and have not consented to be subject to California tax. Also, list the nonresident members' distributive share of income.

To compute the amount of tax that must be paid by the LLC on behalf of a nonconsenting nonresident member, multiply such member's distributive share of income by the following rates:

- 8.84% if the member is a C corporation.
- 12.3% if the member is an individual, partnership, LLC, estate, or trust.
- 1.5% if the member is an S corporation.

Each member's Nonconsenting Nonresident Members' Tax may be reduced by the amount of tax previously withheld under R&TC Section 18662 and paid by the limited liability company on behalf of such member.

Multiply column (c) by column (d) and put the result in column (e) for each nonconsenting nonresident member. Reduce column (e) by the amount in column (f) and put the net amount in column (g) for each nonconsenting nonresident member. Column (g) cannot be less than zero.

The tax being paid by the LLC on behalf of nonconsenting nonresident members is due on the 15th day of the 4th month following the close of the LLC's taxable year.

Reminder: All members must file a California tax return. The completion of Schedule T or form FTB 3832 does not satisfy the member's California filing requirement. Corporate members are also considered doing business in California and may have additional filing requirements. For additional information get FTB Pub. 1060, Guide for Corporations Starting Business in California. Nonresident individuals may qualify to file a group Form 540NR and should get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR.

Schedule K (568) and Schedule K-1 (568) — Member's Share of Income, Deductions, Credits, etc.

Purpose of Schedules
Schedule K (568) is a summary schedule for the LLC's income, deductions, credits, etc. and Schedule K-1 (568) shows each member's distributive share. The line items for both of these schedules are the same unless otherwise noted.

One copy of each Schedule K-1 (568) must be attached to the Form 568 when it is filed unless the LLC wishes to file paperless Schedules K-1 (568). See General Information T, Substitute Schedules, for additional information.

Be sure to give each member a copy of their respective Schedule K-1 (568). The LLC should also include a copy of the Member's Instructions for Schedule K-1 (568) or specific instructions for each item reported. These items should be provided to the member on or before the due date of the Form 568.

Schedule K (568) Only
Disregarded entities – Schedule K is only required to be filed if any of the following is met:

- The income or loss amount reported on Schedule B, line 1 or line 3 through line 11, is $3,000,000 or more.
- The "Total distributive income/payment items," Schedule K, line 21a, is greater than or equal to $3,000,000 OR less than or equal to $-3,000,000.

If Schedule K (568) is required to be filed, prepare Schedule K by entering the amount of the corresponding Member's share of Income, Deductions, Credits, etc. attributable to the activities of the disregarded entity from the Member's federal Form 1040 including Schedule B, Interest and Ordinary Dividends, Schedule C, Profit or Loss from Business (Sole Proprietorship), Schedule D, Capital Gains and Losses, Schedule E, Supplemental Income and Loss, and Schedule F, federal Schedule K, or federal Form 1120 or 1120s, of the owner.

In column (b) on Schedule K (568), Members' Shares of Income, Deductions, Credits, etc., enter the amounts from federal Schedule K (1065), Partners' Shares of Income, Credits, Deductions, etc.

In column (c), enter the adjustments resulting from differences between California and federal law (not adjustments related to California source income). In column (d), enter the worldwide income computed under California law.

For members to comply with the requirements of IRC Section 469, trade or business activity income (loss), rental activity income (loss), and portfolio income (loss) must be considered separately by the member. Rental activity income (loss) and portfolio income (loss) are not reported on Form 568, Side 4 so that these amounts are not combined with trade or business activity income (loss). Use Schedule K, lines 2, 3, 5, 6, 7, 8, 9, and 11a to report these amounts.

Compliance with LLC Filing Requirements

To help ensure the accurate and timely processing of the LLC's Form 568, verify the following:

- A Schedule K-1 (568) has been attached to Form 568 for each member included on Form 568, Side 2, Question J. LLCs eligible for the reduced filing program, see General Information D, Who Must File.
- The attached Schedule K-1 (568) contains the member's correct name, address, and identifying number.
- Items A through I are completed on Schedule K-1 (568).
- The appropriate entity type box on Schedule K-1 (568), Side 1, Question A, is checked for each member.
- All attached Schedules K-1 (568) reconcile to Schedule K.
- The member's percentage, on Schedule K-1 (568), Question C, is expressed in decimal format and carried to four decimal places (i.e., 33.5432). Do not print fractions, percentage symbols (%), or use terms such as "**Various**" or **"Formula".**
- Substitute computer-generated Schedule K-1 (568) forms **must** be approved by the FTB.

For the highest rate of accuracy and rapid processing, file Schedules K-1 (568) on CD or portable USB/flash drive. See General Information T, Substitute Schedules, for more details.

Schedule K-1 (568) Only

The Schedule K-1 (568) details each member's distributive share of the LLC's income, deductions, credits, etc. The LLC completes the entire Schedule K-1 (568) by filling out the member's and LLC's information (name, address, identifying numbers), Questions A through I and the member's distributive share of items.

For members with PMB addresses, include the designation number in the member's address area. Precede the number (or letter) with "PMB."

For each individual member, enter the member's social security number (SSN) or Individual Taxpayer Identification Number (ITIN). For all other members enter their FEIN. However, if a member is an individual retirement arrangement (IRA), enter the identifying number of the custodian of the IRA. **Do not** enter the SSN or ITIN of the person for whom the IRA is maintained.

The LLC files one California Schedule K-1 (568) for each member with the LLC return and gives one copy to the appropriate member. **Do not** attach federal Schedules K-1 (1065). The LLC should also provide each member with a copy of either the Member's Instructions for Schedule K-1 (568) or specific instructions for each item reported.

Determining the Source of the LLC's Income for a Resident Member

A resident member should include the entire distributive share of LLC income in their California income. If the LLC apportions its income, the member may be entitled to a tax credit for taxes paid to other states. The member should be referred to Schedule S, Other State Tax Credit, for more information.

Determining the Source of the LLC's Income for a Nonresident Member

Business Income: Regardless of the classification of income for federal purposes, the LLC's income from California sources is determined in accordance with California law (Cal. Code Regs., tit. 18 section 17951-4).

The California source income from a trade or business of a Nonresident Member is determined as follows:

- A trade or business wholly within California, then income from that trade or business is California source income;
- A business within and outside California, but the part within the state is so separate and distinct that it can be separately accounted for, then only that separate income from within the state is California source income; or
- A single trade or business within and outside California, then California source business income of that trade or business is determined by apportionment.

The LLC should apportion business income using the Uniform Division of Income for Tax Purposes Act (R&TC Sections 25120 through 25139). Special rules apply if the LLC has nonbusiness income.

Nonbusiness Income: Nonbusiness income attributable to real or tangible personal property (such as rents, royalties, or gains or losses) located in California is California source income (Cal. Code Regs., tit. 18 section 17951-3 and R&TC Sections 25124 and 25125). Enter this information on the appropriate line of Schedule K-1 (568). If the LLC believes it may have a unitary member, the information for that member should also be entered in Schedule K-1, Table 2, Part B, for that member.

The source of nonbusiness income attributable to intangible property depends upon the member's state of residence or commercial domicile. Individuals generally source this income to their state of residence and corporations to their commercial domicile, R&TC Sections 17951 through 17955.

Because the determination of the source of intangible nonbusiness income must be made at the member level, this income is not entered on Schedule K-1 (568), column (e). It is only entered in Table 1.

Completing Schedule K-1 (568)

Questions A through I

See the instructions for federal Form 1065, Specific Instructions, Schedule K-1 Only, Part II, Information About the Partner, for more information on completing Question A through Question I.

Question A, Schedule K-1 (568)

Check the appropriate box to indicate the member's entity type. Exempt organizations should check the exempt organization box regardless of legal form.

Question B, Schedule K-1 (568)

Check the appropriate box to indicate whether this member is foreign or not.

Question C, Schedule K-1 (568)

Percentages must be 4 to 7 characters in length and have a decimal point before the final 4 characters. For example, 50% is represented as 50.0000, 5% as 5.0000, 100% as 100.0000. **Do not** enter a fraction, the percentage symbol (%), or the term "**Various**" or **"Formula".**

Question D, Schedule K-1 (568)

For more information on completing Question D, refer to the instructions for federal Form 1065, Specific Instructions, Schedule K-1 Only, Part II, Information About the Partner.

Question E, Schedule K-1 (568)

Enter the reportable transaction number, and/or the tax shelter registration number if applicable. See instructions for Form 568 Question V, for more information.

Question F (1), Schedule K-1 (568)

If the "YES" box is checked on Form 568, Question T, then check the box for Question F (1) on Schedule K-1 (568).

Question F (2), Schedule K-1 (568)

If the "YES" box is checked on Form 568, Question K, then check the box for Question F (2) on Schedule K-1 (568).

Completing Column (b) through Column (e)

- **In column (b),** enter the amounts from federal Schedule K-1 (1065).
- **In column (c),** enter the adjustments resulting from differences between California and federal law for each specific line item.
- **In column (d),** enter the result of combining column (b) and column (c). This is total income under California law.

Column (e) is used to report California source or apportioned amounts and credits. Include the following items in this column:

For Individuals:

1. Income from separate businesses, trades, or professions conducted wholly within California, Cal. Code Regs., tit. 18 section 17951-4(a).
2. Income from a trade or business conducted within and outside California, when the part of business conducted within California can be separately accounted for, Cal. Code Regs., tit. 18 section 17951-4(b).
3. Nonbusiness income from real and tangible property located in California. Enter the member's share of nonbusiness income from real and tangible property located in California in column (e).
4. Income from a trade or business conducted within and outside California. Enter the amount of business income apportioned to California according to Schedule R. This includes intangible income attributable to the business, trade, or profession, Cal. Code Regs., tit. 18 section 17951-4(c) and R&TC Sections 25128 through 25137. Combined business income is then apportioned by the sales factor. Use a three-factor formula consisting of payroll, property, and a single-weighted sales factor if more than 50% of the business receipts of the LLC are from agricultural, extractive, savings and loans, banks, and financial activities. Apportioning LLCs should complete Schedule R and attach it to Form 568.
5. California credits.

For Corporations and Other Business Entities:

1. Income from a trade or business conducted within and outside California. See #4 above for Individuals.
2. Nonbusiness income from real and tangible property located in California. Enter the member's share of nonbusiness income from real and tangible property located in California in column (e). If the LLC believes it may have a unitary member, enter this income in Table 2, Part B.
3. California credits.

For all members, nonbusiness income from intangible property should not be entered in column (e). Enter this income in Table 1. For more information, see Member's Instructions for Schedule K-1 (568).

Column (d) and Column (e): Schedule K-1 (568), column (d), includes the member's distributive share of total LLC income, deductions, gains, or losses under California law. Column (e) includes only income, deductions, gains or losses that are apportioned or sourced to California. The computation of these amounts is a matter of law and regulation. The residency of the member is not a factor in the computation of amounts to be included in column (d) and column (e).

For an LLC that is doing business wholly within California, column (e) will generally be the same as column (d), except for nonbusiness intangible income (for example, nonbusiness interest, dividends, gain, or loss from sales of securities).

For an LLC that is doing business within and outside California, the amounts in column (d) and column (e) may be different.

If the LLC knows the member is a resident individual, then the LLC answers "Yes" to Question H on Schedule K-1 (568), and completes column (d), only. Otherwise, the LLC should complete column (e) for all other members.

Completing Table 1
Complete Table 1 only if the LLC has nonbusiness intangible income. If the LLC has nonbusiness intangible income, and knows that the member is a resident individual, then the LLC does not need to complete Table 1 for the member.

Completing Table 2
The LLC will complete Table 2, Parts A to C for unitary members and Table 2 Part C for all non-unitary members. Table 2 does not need to be completed for non-unitary individuals.

The LLC will complete Table 2, Part C to report the member's distributive share of property, payroll and sales **Total within California**.

The members will use Table 2, Part C to determine if they meet threshold amount of California property, payroll and sales for doing business threshold in California. See General Information A, Important Information, regarding Doing Business for more information.

Special Rules for Members and LLCs in a Single Unitary Business
Special rules apply if the LLC and a member are engaged in a single unitary business. In that case, a unitary member will not use the income information shown in column (e). Instead, the member's distributive share of business income is combined with the member's own business income. The combined business income is apportioned using an apportionment formula that consists of an aggregate of the member's share of the apportionment factors from the LLC and the member's own apportionment factors, Cal. Code Regs., tit. 18 section 25137-1. The determination of whether a single sales factor or 3-factor apportionment formula applies to the combined income will be made at the member level. The member's distributive share of business income and property, payroll, and sales factors are entered in Table 2.

If the LLC knows that all of the members are unitary with the LLC, the LLC need not complete column (e) or attach Schedule R. For further information, see Member's Instructions for Schedule K-1 (568).

Special Reporting Requirements for Passive Activities
If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (568), the LLC must attach a statement to Schedule K-1 (568) for each activity that is a passive activity to the member. Rental activities are passive activities to all members; trade or business activities may be passive activities to some members. The attachment must include all the information explained in the instructions for federal Schedule K-1 (1065).

Specific Line Instructions

The California Schedule K (568) generally follows the federal Schedule K (1065). Where California and federal laws are the same, the instructions for California Schedule K (568) refer to the instructions for federal Schedule K (1065).

When completing the California Schedule K (568) and Schedule K-1 (568), refer to the Federal/State Line References chart (included in this booklet) that shows the specific line references between the federal Schedule K (1065) and Schedule K-1 (1065) and the California Schedule K and Schedule K-1.

Income

Line 1 through Line 11
See the instructions for federal Form 1065, Specific Instructions Schedules K and K-1, and Schedule K-1 (568) Income (Loss), line 1 through line 11.
Form 568, Schedule K and Schedule K-1 lines 10a and 10b have been separated to report total gains and total losses, and lines 11b and 11c have been separated to report total other income and losses. Net amounts are no longer reported. For example, the partnership is required to report a $100 IRC Section 1231 gain item and a <$60> IRC Section 1231 loss item. The $100 IRC Section 1231 gain item must be reported on Line 10a and the <$60> IRC Section 1231 loss item must be reported as a negative number on Line 10b.

Energy conservation rebates, vouchers, or other financial incentives are excluded from income.

Schedule K (568) must include all income and losses from the LLC activities as determined under California laws and regulations. Any differences reported between the federal and California amounts should be related to differences in the tax laws. **Do not** apply the apportionment formula to the income or losses on Schedule K (568).

For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California law allows an income exclusion for rebates, vouchers or other financial incentive issued by a local water agency or supplier in a turf removal water conservation program. If any amount was included for federal purposes, exclude that amount for California purposes on line 11b, column (c).

Line 1, column (c)
An adjustment to increase the business income of a service LLC to reflect the guaranteed payment deduction adjustment required by Cal. Code Regs., tit. 18 section 17951-4(g) should be made here.

Line 10a and Line 10b
Enter on line 10a and 10b the amounts shown on Schedule D-1, line 7. **Do not** include specially allocated ordinary gains and losses, or net gains (losses) from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 11b or 11c, along with a schedule and explanation.

If the LLC has more than one activity and the amount on line 10a or line 10b is a passive activity amount to the member, attach a statement to Schedule K-1 (568), that identifies the activity to which IRC Section 1231 gain (loss) relates.

Deductions

Line 12 through Line 13

See the instructions for federal Form 1065, Specific Instructions Schedules K and K-1, and Schedule K-1 (568), Deductions, line 12 and line 13a through line 13e.

IRC Section 179 expense deductions are subject to different rules for California. See instructions for form FTB 3885L.

Cancellation of Debt Income (CODI). California did not conform to the federal election under IRC Section 108(i) to defer the recognition of CODI in connection with the reacquisition of an applicable debt instrument after December 31, 2008, and before January 1, 2011. The deferral period is five taxable years for CODI generated in 2009, or four taxable years for CODI generated in 2010.

For federal tax purposes, at the end of the deferral period (taxable years beginning on or after January 1, 2014 and before January 1, 2019), the income is reported ratably over five years. If for California purposes, the CODI had been included in income during previous taxable years, and the partnership recognized the CODI for federal tax purposes in the current year, deduct the federal CODI amount on line 13e column (c).

Line 13a – Charitable Contributions

Enter the total amount of charitable contributions made by the LLC during its taxable year on Schedule K (568) and each member's distributive share on Schedule K-1 (568). Attach an itemized list to both schedules that show the amount subject to the 50%, 30%, and 20% limitations.

Members are allowed a deduction for contributions to qualified organizations as provided in IRC Section 170. For taxable years beginning on or after January 1, 2002, California law conforms to the federal law, relating to the denial of the deduction for lobbying activities, club dues, and employee remuneration in excess of one million dollars.

California conforms to IRC Section 170(f)(8) substantiation requirement for charitable contributions.

For taxable years beginning on or after January 1, 2014, and before January 1, 2017, do not include any amounts taken into account for the College Access credit as a contribution deduction on line 13a.

Line 13b – Investment Interest Expense

This line must be completed whether or not a member is subject to the investment interest rules. Enter the interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on line 13b of Schedule K (568) and Schedule K-1 (568) rather than line 13d of Schedule K (568) and Schedule K-1 (568).

Property held for investment includes a member's interest in a trade or business activity that is not a passive activity to the LLC and in which the member does not materially participate. An example would be the rule concerning a member's working interest in an oil and gas property (i.e., the member's interest is not limited if the member does not materially participate in the oil and gas activity). Investment interest does not include interest expense allocable to a passive activity. For more information get form FTB 3526, Investment Interest Expense Deduction.

Line 14

The information reported on line 14 of the federal Schedule K (1065), and box 14 of the federal Schedule K-1 (1065), does not apply to California and therefore there is no line 14.

Credits

Line 15a – Total Withholding

Add the total amounts on all member's Schedule K-1 (568). If taxes were withheld by the LLC or if there is a pass-through withholding credit from another entity or backup withholding, the LLC must provide each affected member (including California residents) a completed Form 592-B. Members must attach Form 592-B to the front of their California tax return to claim the withheld amounts. Schedule K-1 (568) may **not** be used to claim this withholding credit.

Line 15b through Line 15d

These lines relate to rental activities. Use line 15f to report credits related to trade or business activities.

California line numbers are different from federal line numbers in this section.

Line 15b – Low-Income Housing Credit

A credit may be claimed by owners of residential rental projects providing low-income housing (IRC Section 42). Generally, the credit is effective for buildings placed in service after 1986. Get form FTB 3521, Low-Income Housing Credit, for more information.

Line 15c – Credits Other Than Line 15b Related to Rental Real Estate Activities

Report any information that the members need to figure credits related to a rental real estate activity, other than the low-income housing credit. Attach to each member's Schedule K-1 (568) a statement showing the amount to be reported and the applicable form on which the amount should be reported.

Line 15d – Credits Related to Other Rental Activities

Use this line to report information that the members need to figure credits related to a rental activity. Attach to each member's Schedule K-1 (568) a statement showing the amount to be reported and the applicable form on which the amount should be reported.

Line 15e – Nonconsenting Nonresident Member's Tax Paid by LLC, Schedule K-1 (568) only

If income tax was paid by the LLC on behalf of a nonresident member who did not sign form FTB 3832, the amount paid is entered on the member's Schedule K-1 (568), line 15e. This is not a distributive share item; it is only reported on the specific nonresident member's Schedule K-1. Members must attach a copy of Schedule K-1 (568) to their California income tax return to claim the tax paid by the LLC on their behalf.

If income tax was paid by an LLC on behalf of a member that is an LLC and form FTB 3832 is not signed on behalf of the member LLC, the amount paid by an LLC is entered on the member LLC's Schedule K-1 (568) line 15e. Part of this amount or this entire amount may be reported on Form 568, line 6 (see instructions). Any remaining withholding credit is allocated to all members according to their LLC interest. Individual members must attach a copy of the following to their California tax return to claim their share of the tax paid by the LLC on behalf of the member LLC:

- The Schedule K-1 (568) previously issued to the member LLC by its LLC
- The Schedule K-1 (568) issued by the member LLC, that paid the LLC tax, to its members.

Line 15f – Other Credits

Attach a schedule showing each member's allocable share of any credit or credit information that is related to a trade or business activity.

Credits that may be reported on line 15f (depending on the type of activity they relate to) include:

- California Competes Credit. Use credit code 233.
- California Motion Picture and Television Production Credit. Get form FTB 3541.
- College Access Credit. Use credit code 235.
- Community Development Financial Institutions Investment Credit. Use credit code 209.
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548.
- Donated Agricultural Products Transportation Credit. Get form FTB 3547.
- Donated Fresh Fruits or Vegetables Credit. Get form FTB 3811.
- Enhanced Oil Recovery Credit. Get form FTB 3546.
- Enterprise Zone (EZ) Hiring and Sales or Use Tax Credit. Get form FTB 3805Z.
- Environmental Tax Credit. Get form FTB 3511.
- Local Agency Military Base Recovery Area (LAMBRA) Hiring Credit. Get form FTB 3807.
- Manufacturing Enhancement Area (MEA) Hiring Credit. Get form FTB 3808.
- Natural Heritage Preservation Credit. Get form FTB 3503.
- Prison Inmate Labor Credit. Get form FTB 3507.
- Research Credit. Get form FTB 3523.
- Targeted Tax Area (TTA) Hiring Credit. Get form FTB 3809.

The Other Credits line may also include the distributive share of net income taxes paid to other states by the LLC. Subject to limitations of R&TC Sections 18001 and 18006, members may claim a credit against their individual income tax for net income taxes paid by the LLC to another state. The amount of tax paid must be supported by a schedule of payments and evidence of tax liability by the LLC to the other states. Refer the members to Schedule S for more information.

All credit forms are available at **ftb.ca.gov**.

Line 15g – New Employment Credit
Use form FTB 3554 to calculate the new employment credit. Enter the partner's allocable share of the credit amount generated on line 15g. Get form FTB 3554 for more information, and attach a copy of the credit form to Form 568.

Line 16
The information reported on line 16 of the federal Schedule K (1065) and box 16 of the federal Schedule K-1 (1065), Foreign Transactions, do not apply to California and therefore there is no line 16.

Alternative Minimum Tax (AMT) Items

Line 17a through Line 17f
Enter each member's distributive share of income and deductions that are adjustments and tax preference items. Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, to determine amounts and for other information.

California law conforms to the existing federal law eliminating the deduction for contributions of appreciated property as an item of tax preference. As a result, taxpayers no longer need to include in their computation of Alternative Minimum Taxable Income the amount by which any allowable deduction for contributions of appreciated property exceeds the taxpayer's adjusted basis in the contributed property.

For additional information, see instructions for federal Schedule K (1065), Alternative Minimum Tax (AMT) Items, line 17a through line 17f. For differences between federal and California law for alternative minimum tax (AMT), see R&TC Section 17062.

Tax-Exempt Income and Nondeductible Expenses

Line 18a through Line 18c – Tax-exempt Income and Nondeductible Expenses
Enter on Schedule K (568), the amounts of tax-exempt interest income, other tax-exempt income, and nondeductible expenses from federal Schedule K (1065), lines 18a, 18b, and 18c. Enter on Schedule K-1 (568), the amounts of tax-exempt income, other tax-exempt income, and nondeductible expenses, from federal Schedule K-1 (1065), box 18. The LLC should give each member a description and the amount of the member's share for each item applicable to California in this category.

Distributions

Line 19a and Line 19b – Distributions
Enter on Schedule K (568), the amounts of cash and marketable securities, and other property from federal Schedule K (1065), line 19a and line 19b. Enter on Schedule K-1 (568), the amounts of cash and marketable securities, and other property from federal Schedule K-1 (1065), box 19.

Other Information

Line 20a and line 20b – Investment Income and Investment Expenses
These lines must be completed whether or not a partner is subject to the investment interest rules.

Enter on line 20a only the investment income included on line 5, line 6, line 7, and line 11a of Schedule K (568) and Schedule K-1 (568). Enter on line 20b only investment expenses included on line 13d of Schedule K (568) and Schedule K-1 (568).

If items of investment income or expenses are included in the amounts that are required to be passed through separately to the member on Schedule K-1 (568), items other than the amounts included on line 5 through line 9, line 11a, and line 13d of Schedule K-1 (568), give each member a statement identifying these amounts.

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

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

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income. Get the instructions for form FTB 3526 for more information.

Line 20c – Other information
See the instructions for the federal Schedule K (1065), line 20c, Other Items and Amounts. For credit recaptures attach a schedule including credit recapture names and amounts.

The gain on property subject to the IRC Section 179 Recapture should be reported on the Schedule K as supplemental information as instructed on the federal Form 4797.

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

a. Description of the property.
b. Date the property was acquired.
c. Date the property was sold.
d. Gross sales price.
e. Cost or other basis plus expense of sale (not including the LLC's basis reduction in the property due to IRC Section 179 expense deduction).
f. Depreciation allowed or allowable (not including the IRC Section 179 expense deduction).
g. Amount of IRC Section 179 expense deduction (if any) passed through to each member for the property and the LLC's taxable year(s) in which the amount was passed through.
h. An indication if the disposition is from a casualty or theft.
i. If this is an installment sale, any information needed to complete form FTB 3805E.

Supplemental Information
The LLC may need to report supplemental information that is not specifically requested on the Schedule K-1 (568) separately to each member. If the LLC has supplemental information not included in lines 1 through 20b, write "See attached" on line 20c, column (b) and column (d) and provide a schedule with the details.

Members may need to obtain the amount of their proportionate interest of aggregate gross receipts, less returns and allowances, from the LLC.

The gain or loss on property subject to the IRC Section 179 Recapture should be reported on Schedule K-1 as supplemental information as instructed on the federal Form 4797.

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

a. Description of the property.
b. Date the property was acquired.
c. Date the property was sold.
d. The members pro-rata share of the gross sales price.
e. The members pro-rata share of the cost or other basis plus expense of sale (**not** including the entity's basis reduction in the property due to IRC Section 179 expense deduction).
f. The members pro-rata share of the depreciation allowed or allowable (**not** including the IRC Section 179 expense deduction).
g. The members pro-rata share of the amount of IRC 179 expense deduction (if any) passed through to the member for the property and the LLC's taxable year(s) in which the amount was passed through.
h. An indication if the disposition is from a casualty or theft.
i. If this is an installment sale, any information needed to complete form FTB 3805E. The LLC also must separately report the member's pro-rata share of all payments in future taxable years. (Installment payments received for installment sales made in prior taxable years should be reported in the same manner used in prior taxable years).

Alternative minimum taxable income does not include income, positive and negative adjustments, and preference items attributed to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than $1,000,000 from all trades or businesses in which the taxpayer is an owner or has an ownership interest. The LLC should provide the member's proportionate interest of aggregate gross receipts on Schedule K-1 (568), line 20c.

For purposes of R&TC Section 17062(b)(4), "aggregate gross receipts, less returns and allowances" means the sum of all of the following:

- The gross receipts of the trades or businesses which the taxpayer owns.
- The proportionate interest of the gross receipts of the trades or businesses which the taxpayer owns.
- The proportionate interest of the pass-through entity's gross receipts in which the taxpayer holds an interest.

"Aggregate gross receipts" means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of R&TC Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of R&TC Section 25120.

For taxable years beginning on or after January 1, 2011, R&TC Section 25120 was amended to add the definition of gross receipts. For a complete definition of "gross receipts", refer to R&TC Section 25120(f), or go to **ftb.ca.gov** and search for **law changes**.

For purposes of this section, "pass-through entity" means a partnership (as defined by R&TC Section 17008), an S corporation, a regulated investment company (RIC), a real estate investment trust (REIT) and a REMIC. See R&TC Section 17062 for more information.

Also show on line 20c a statement noting each of the following:

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

Analysis (Schedule K (568) only)

Line 21a and Line 21b

See the federal instructions for Schedule K (1065), Analysis of Net Income (Loss).

Other Member Information (Schedule K-1 (568) only)

Table 1

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

Enter nonbusiness income from intangibles in Table 1 net of related expenses. **Do not** include expenses offset against nonbusiness income from intangibles in column (e).

Table 2

The LLC will complete Table 2, Parts A to C for unitary members and Table 2, Part C for all non-unitary members. Table 2 does not need to be completed for non-unitary individuals.

The final determination of unity is made at the member level. If the LLC and the member are unitary, or if the LLC is uncertain as to whether it is unitary with the member, it should furnish the information in Table 2.

Part A. Enter the member's distributive share of the LLC's business income. The member will then add that income to its own business income and apportion the combined business income.

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

Part B. Enter the member's share of nonbusiness income from real and tangible property that is located in California. Because this income has a California source, this income should also be included on the appropriate line in column (e).

Nonbusiness income is all income other than business income.

Part C. Enter the member's distributive share of the LLC's payroll, property, and sales factors.

The LLC will complete Table 2, Part C to report the member's distributive share of property, payroll and sales **Total within California**.

The members will use Table 2, Part C to determine if they meet threshold amount of California property, payroll and sales for doing business threshold in California. See General Information regarding Doing Business for more information.

Schedule K Federal/State Line References

The following chart cross-references the line items on the federal Schedule K (1065) to the appropriate line items on the California Schedule K (568). For more information, see the Line Instructions for Schedule K (568) and Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc, included in this booklet.

Federal Schedule K (1065)		CA Schedule K (568)	
Line	**Items**	**Line**	**Items**
1	Ordinary business income (loss)	**1**	Ordinary income (loss) from trade or business activities
2	Net rental real estate income (loss)	**2**	Net income (loss) from rental real estate activities
3a	Other gross rental income (loss)	**3a**	Gross income (loss) from other rental activities
3b	Expenses from other rental activities	**3b**	Less expenses
3c	Other net rental income (loss)	**3c**	Net income (loss) from other rental activities
4	Guaranteed payments	**4**	Guaranteed payments to members
5	Interest income	**5**	Interest income
6a	Ordinary dividends	**6**	Dividends
6b	Qualified dividends	**–**	Included in line 6 above
7	Royalties	**7**	Royalties
8	Net short-term capital gain (loss)	**8**	Net short-term capital gain (loss). Attach Schedule D (568)
9a	Net long-term capital gain (loss)	**9**	Net long-term capital gain (loss). Attach Schedule D (568)
9b	Collectibles 28% gain (loss)	**–**	Included in line 8 and line 9 above, as applicable
9c	Unrecaptured section 1250 gain	**–**	Included in line 8 and line 9 above, as applicable
10	Net section 1231 gain (loss)	**10a**	Total Gain under IRC Section 1231 (other than due to casualty or theft)
–	Included in line 10 above	**10b**	Total Loss under IRC Section 1231 (other than due to casualty or theft)
	Not applicable	**11a**	Other Portfolio Income (loss)
11	Other income loss	**11b**	Total other income
–	Included in line 11 above	**11c**	Total other loss
12	Section 179 deduction (attach Form 4562)	**12**	Expense deduction for recovery property (IRC Section 179)
13a	Contributions	**13a**	Charitable contributions
13b	Investment interest expense	**13b**	Investment interest expense
13c	Section 59(e)(2) expenditures: (1) Type	**13c**	1. Total expenditures to which IRC Section 59(e) election may apply 2. Type of expenditures
	Not applicable	**13d**	Deductions related to portfolio income
13d	Other deductions (see instructions) (1) Type	**13e**	Other deductions
14a-c	Self-employment	**14a-c**	*Not applicable*
15a	Low-income housing credit (section 42(j)(5))	**15a**	Withholding on LLC allocated to all members
15b	Low-income housing credit (other)	**15b**	Low-income housing credit
15c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	**15c**	Credits other than the credit shown on line 15b related to rental real estate activities
15d	Other rental real estate credits	**15d**	Credit(s) related to other rental activities
15e	Other rental credits	**15e**	Nonconsenting nonresident members' tax paid by LLC
15f	Other credits	**15f**	Other credits
–		**15g**	New Employment Credit
16a-n	Foreign Transactions	**16a-n**	*Not applicable*
17a	Post-1986 depreciation adjustment	**17a**	Depreciation adjustment on property placed in service after 1986
17b	Adjusted gain or loss	**17b**	Adjusted gain or loss
17c	Depletion (other than oil and gas)	**17c**	Depletion (other than oil and gas)
17d	Oil, gas, and geothermal properties – gross income	**17d**	Gross income from oil, gas, and geothermal properties
17e	Oil, gas, and geothermal properties – deductions	**17e**	Deductions allocable to oil, gas, and geothermal properties
17f	Other AMT items	**17f**	Other alternative minimum tax items
18a	Tax-exempt interest income	**18a**	Tax-exempt interest income
18b	Other tax-exempt income	**18b**	Other tax-exempt income
18c	Nondeductible expenses	**18c**	Nondeductible expenses
19a	Distributions of cash and marketable securities	**19a**	Distributions of cash and marketable securities
19b	Distributions of other property	**19b**	Distributions of property other than money
20a	Investment income	**20a**	Investment income
20b	Investment expenses	**20b**	Investment expenses
20c	Other items and amounts	**20c**	Other information

TAXABLE YEAR **2014**

Limited Liability Company Return of Income

CALIFORNIA FORM **568**

For calendar year 2014 or fiscal year beginning _____ (m m / d d / y y y y) and ending _____ (m m / d d / y y y y). _____ RP

Limited liability company name (type or print)

A California Secretary of State (SOS) file number

Additional Information

B FEIN

Street Address (suite, room, PO Box)

PMB no.

C Principal business activity name (same as federal)

City (If the LLC has a foreign address, see instructions.)

State

ZIP Code

D Principal product or service (same as federal)

Foreign Country Name

Foreign Province/State/County

Foreign Postal Code

E Check accounting method

(1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (attach explanation)

F Date business started in CA (m m / d d / y y y y)

G Enter total assets at end of year. See instructions.

$ _____ .

H Check the applicable box

(1) ☐ Initial return (2) ☐ **FINAL RETURN** (3) ☐ Amended return

I Principal business activity code (same as federal)

Enclose, but do not staple, any payment.

Complete Schedule IW, LLC Income Worksheet (on Side 7) first to determine Line 1.

			Whole dollars only	
1	Total income from Schedule IW, Limited Liability Company Income Worksheet. See instructions	1		00
2	Limited Liability Company fee. See instructions	2		00
3	2014 annual Limited Liability Company tax. See instructions	3		00
4	Nonconsenting nonresident members' tax liability from Schedule T (Side 4)	4		00
5	**Total tax and fee.** Add line 2, line 3, and line 4	5		00
6	Amount paid with form FTB 3537 and 2014 form FTB 3522 and form FTB 3536	6		00
7	Overpayment from prior year allowed as a credit	7		00
8	Withholding (Form 592-B and/or 593)	8		00
9	**Total payments.** Add line 6, line 7, and line 8	9		00
10	**Tax and fee due.** If line 5 is more than line 9, subtract line 9 from line 5	10		00
11	**Overpayment.** If line 9 is more than line 5, subtract line 5 from line 9	11		00
12	Amount of line 11 to be credited to 2015 tax or fee	12		00
13	**Use Tax.** See instructions	13		00
14	**Refund.** If the total of line 12 and line 13 is less than line 11; subtract the total from line 11	14		00
15	Penalties and interest. See instructions	15		00
16	**Total amount due.** Add line 10, line 12, line 13, and line 15, then subtract line 11 from the result	16		00

J Enter the maximum number of members in the LLC at any time during the year. For multiple member LLCs, attach a California Schedule K-1 (568) for each of these members . . . . . ● ☐

K Is this LLC an investment partnership? See General Information O . . . . . ● ☐ Yes ☐ No

L **(1)** Is this LLC apportioning or allocating income to California using Schedule R? . . . . . ● ☐ Yes ☐ No

(2) If "No," was this LLC registered in California without earning any income sourced in this state during the taxable year? . . . . ⦿ ☐ Yes ☐ No

M Was there a distribution of property or a transfer (for example, by sale or death) of an LLC interest during the taxable year? . . . . . ● ☐ Yes ☐ No

O **(1)** During this taxable year, did another person or legal entity acquire control or majority ownership (more than a 50% interest) of this LLC or any legal entity in which the LLC holds a controlling or majority interest that owned California real property (i.e., land, buildings), leased such property for a term of 35 years or more, or leased such property from a government agency for any term? . . . . . ● ☐ Yes ☐ No

(2) During this taxable year, did this LLC acquire control or majority ownership (more than a 50% interest) in another legal entity that owned California real property (i.e., land, buildings), leased such property for a term of 35 years or more, or leased such property from a government agency for any term? . . . . . ● ☐ Yes ☐ No

(3) During this taxable year, has more than 50% of the LLC's ownership interests cumulatively transferred in one or more transactions after an interest in California real property (i.e., land, buildings) was transferred to it that was excluded from property tax reassessment under Revenue and Taxation Code Section 62(a)(2) and it was not reported on a previous year's tax return? . . . . . ● ☐ Yes ☐ No

(Yes requires filing of statement, penalties may apply– see instructions.)

P **(1)** Does the LLC have any foreign (non-U.S.) nonresident members? . . . . . ● ☐ Yes ☐ No

(2) Does the LLC have any domestic (non-foreign) nonresident members? . . . . . ● ☐ Yes ☐ No

(3) Were Form 592, Form 592-A, Form 592-B , and Form 592-F filed for these members? . . . . . ● ☐ Yes ☐ No

Q Are any members in this LLC also LLCs or partnerships? . . . . . ● ☐ Yes ☐ No

R Is this LLC under audit by the IRS or has it been audited in a prior year? . . . . . ● ☐ Yes ☐ No

S Is this LLC a member or partner in another multiple member LLC or partnership? . . . . . ● ☐ Yes ☐ No

If "Yes," complete Schedule EO, Part I.

T Is this LLC a publicly traded partnership as defined in IRC Section 469(k)(2)? . . . . . ☐ Yes ☐ No

U **(1)** Is this LLC a business entity disregarded for tax purposes? . . . . . ● ☐ Yes ☐ No

(2) If "Yes," see instructions and complete Side 1, Side 2, Side 3, Schedule B, Side 5, and Side 7, if applicable. Are there credits or credit carryovers attributable to the disregarded entity? . . . . . ● ☐ Yes ☐ No

(3) If "Yes" to U(1), does the disregarded entity have total income derived from or attributable to California that is less than the LLC's total income from all sources? . . . . . ☐ Yes ☐ No

V Has the LLC included a Reportable Transaction, or Listed Transaction within this return? (See instructions for definitions). If "Yes," complete and attach federal Form 8886 for each transaction. . . . . ● ☐ Yes ☐ No

W Did this LLC file the Federal Schedule M-3 (federal Form 1065)? . . . . . ● ☐ Yes ☐ No

(continued on Side 3)

(continued from Side 2)

X Is this LLC a direct owner of an entity that filed a federal Schedule M-3? ☐ Yes ☐ No

Y Does the LLC have a beneficial interest in a trust or is it a grantor of a Trust? ☐ Yes ☐ No
If "Yes," attach schedule of trusts and federal identification numbers.

Z Does this LLC own an interest in a business entity disregarded for tax purposes? ☐ Yes ☐ No
If "Yes," complete Schedule EO, Part II.

AA Is any member of the LLC related (as defined in IRC Section 267(c)(4)) to any other member of the LLC? ☐ Yes ☐ No

BB Is any member of the LLC a trust for the benefit of any person related (as defined in IRC Section 267(c)(4)) to any other member? ☐ Yes ☐ No

CC **(1)** Is the LLC deferring any income from the disposition of assets? (see instructions) ☐ Yes ☐ No

(2) If "Yes," enter the year of asset disposition

DD Is the LLC reporting previously deferred Income from: (see instructions) ☐ Installment Sale ☐ IRC §1031 ☐ IRC §1033 ☐ Other

EE **(1)** Did this LLC generate a New Employment Credit? ☐ Yes ☐ No

(2) If "Yes," enter the generated amount. . 00

FF "Doing business as" name. See instructions:

GG **(1)** Has this LLC operated as another entity type such as a corporation, S corporation, General Partnership, Limited Partnership, or Sole Proprietorship in the previous five (5) years? ☐ Yes ☐ No

(2) If "Yes", provide prior FEIN(s) if different, business name(s), and entity type(s) for prior returns filed with the FTB and/or IRS (see instructions):

HH **(1)** Has this LLC previously operated outside California? ☐ Yes ☐ No

(2) Is this the first year of doing business in California? ☐ Yes ☐ No

Single Member LLC Information and Consent — Complete only if the LLC is disregarded.

Federal TIN/SSN

Sole Owner's name (as shown on owner's return)

FEIN/CA Corp no./CA SOS File no.

Street Address, City, State, and ZIP Code

Member's Consent Statement: I consent to the jurisdiction of the State of California to tax my LLC income and agree to file returns and pay tax as may be required by the Franchise Tax Board.

Signature ▶ Date Title

Return filed with the FTB by the Owner
☐ (1) Form 540 ☐ (5) Form 541
☐ (2) Form 100 ☐ (6) Form 100S
☐ (3) Form 565 ☐ (7) Form 568
☐ (4) Other

Sign Here

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

Signature of officer ▶ Date

Telephone

Officer's email address (optional)

Paid Preparer's Use Only

Paid preparer's signature ▶ Date Check if self-employed ☐ PTIN

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

Telephone

May the FTB discuss this return with the preparer shown above (see instructions)? ☐ Yes ☐ No

Schedule A Cost of Goods Sold

1	Inventory at beginning of year	1	00
2	Purchases less cost of items withdrawn for personal use	2	00
3	Cost of labor	3	00
4	Additional IRC Section 263A costs. Attach schedule	4	00
5	Other costs. Attach schedule	5	00
6	**Total**. Add line 1 through line 5	6	00
7	Inventory at end of year	7	00
8	**Cost of goods sold**. Subtract line 7 from line 6. Enter here and on Schedule B, line 2	8	00

9 a Check all methods used for valuing closing inventory:
(1) ☐ Cost **(2)** ☐ Lower of cost or market as described in Treas. Reg. Section 1.471-4 **(3)** ☐ Write down of "subnormal" goods as described in Treas. Reg. Section 1.471-2(c) **(4)** ☐ Other. Specify method used and attach explanation _____

b Check this box if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970 ☐

c Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the LLC? ☐ Yes ☐ No

d Was there any change (other than for IRC Section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Schedule B Income and Deductions

Caution: Include **only** trade or business income and expenses on line 1a through line 22 below. See the instructions for more information.

Income	1	**a** Gross receipts or sales $ _____ **b** Less returns and allowances $ _____ **c** Balance ●	1c	00
	2	Cost of goods sold (Schedule A, line 8) ◉	2	00
	3	GROSS PROFIT. Subtract line 2 from line 1c ●	3	00
	4	Total ordinary income from other LLCs, partnerships, and fiduciaries. Attach schedule ●	4	00
	5	Total ordinary loss from other LLCs, partnerships, and fiduciaries. Attach schedule ●	5	00
	6	Total farm profit. Attach federal Schedule F (Form 1040) ●	6	00
	7	Total farm loss. Attach federal Schedule F (Form 1040) ●	7	00
	8	Total gains included on Schedule D-1, Part II, line 17 (**gain only**) ●	8	00
	9	Total losses included on Schedule D-1, Part II, line 17 (**loss only**) ●	9	00
	10	Other income. Attach schedule ●	10	00
	11	Other loss. Attach schedule ●	11	00
	12	**Total income (loss)**. Combine line 3 through line 11 ●	12	00
Deductions	13	Salaries and wages (other than to members)	13	00
	14	Guaranteed payments to members ◉	14	00
	15	Bad debts ●	15	00
	16	Deductible interest expense not claimed elsewhere on return ◉	16	00
	17	**a** Depreciation and amortization. Attach form FTB 3885L $ _____ **b** Less depreciation reported on Schedule A and elsewhere on return $ _____ **c** Balance ●	17c	00
	18	Depletion. Do not deduct oil and gas depletion	18	00
	19	Retirement plans, etc.	19	00
	20	Employee benefit programs	20	00
	21	Other deductions. Attach schedule ●	21	00
	22	**Total deductions**. Add line 13 through line 21 ●	22	00
	23	Ordinary income (loss) from trade or business activities. Subtract line 22 from line 12 ●	23	00

Schedule T Nonconsenting Nonresident Members' Tax Liability. Attach additional sheets if necessary.

(a) Member's name	(b) SSN, ITIN, or FEIN	(c) Distributive share of income	(d) Tax rate	(e) Member's total tax due (see instructions)	(f) Amount withheld by this LLC on this member – reported on Form 592-B	(g) Member's net tax due

Total the amount of tax due. Enter the total here and on Side 1, line 4. If less than zero enter -0- _____

Schedule K **Members' Shares of Income, Deductions, Credits, etc.**

		(a) Distributive share items		(b) Amounts from federal K (1065)	(c) California adjustments	(d) Total amounts using California law
Income (Loss)	1	Ordinary income (loss) from trade or business activities	1	●		◉
	2	Net income (loss) from rental real estate activities. Attach federal Form 8825	2			◉
	3 a	Gross income (loss) from other rental activities	3a			◉
	b	Less expenses. Attach schedule	3b			
	c	Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c			●
	4	Guaranteed payments to members	4			●
	5	Interest income	5			●
	6	Dividends	6			●
	7	Royalties	7			●
	8	Net short-term capital gain (loss). Attach Schedule D (568)	8			●
	9	Net long-term capital gain (loss). Attach Schedule D (568)	9			●
	10 a	Total Gain under IRC Section 1231 (other than due to casualty or theft)	10a			●
	b	Total Loss under IRC Section 1231 (other than due to casualty or theft)	10b			●
	11 a	Other portfolio income (loss). Attach schedule	11a			◉
	b	Total other income. Attach schedule	11b			◉
	c	Total other loss. Attach schedule	11c			
Deductions	12	Expense deduction for recovery property (IRC Section 179). Attach schedule	12			
	13 a	Charitable contributions. See instructions. Attach schedule	13a			
	b	Investment interest expense	13b			●
	c 1	Total expenditures to which IRC Section 59(e) election may apply	13c1			
	2	Type of expenditures _____	13c2			
	d	Deductions related to portfolio income	13d			
	e	Other deductions. Attach schedule	13e			◉
Credits	15 a	Withholding on LLC allocated to all members	15a			
	b	Low-income housing credit	15b			
	c	Credits other than the credit shown on line 15b related to rental real estate activities. Attach schedule	15c			
	d	Credits related to other rental activities. Attach schedule	15d			
	e	Nonconsenting nonresident members' tax paid by LLC	15e			
	f	Other credits. Attach schedule	15f			●
	g	New Employment Credit	15g			
Alternative Minimum Tax (AMT) Items	17 a	Depreciation adjustment on property placed in service after 1986	17a			
	b	Adjusted gain or loss	17b			
	c	Depletion (other than oil and gas)	17c			
	d	Gross income from oil, gas, and geothermal properties	17d			
	e	Deductions allocable to oil, gas, and geothermal properties	17e			
	f	Other alternative minimum tax items. Attach schedule	17f			
Other Information	18 a	Tax-exempt interest income	18a			
	b	Other tax-exempt income	18b			●
	c	Nondeductible expenses	18c			
	19 a	Distributions of money (cash and marketable securities)	19a			◉
	b	Distribution of property other than money	19b			◉
	20 a	Investment income	20a			
	b	Investment expenses	20b			
	c	Other information. See instructions	20c			
Analysis	21 a	Total distributive income/payment items. Combine lines 1, 2, and 3c through 11c. From the result, subtract the sum of lines 12 through 13e.	21a			●

Analysis		(a)	(b) Individual		(c)	(d)	(e)	(f)
b	of members:	Corporate	i. Active	ii. Passive	Partnership	Exempt Organization	Nominee/Other	LLC
	Members							

Schedule L **Balance Sheets.** See the instructions for Schedule L, before completing Schedules L, M-1, and M-2.

Assets	Beginning of taxable year (a)	Beginning of taxable year (b)	End of taxable year (c)	End of taxable year (d)
1 Cash				
2 a Trade notes and accounts receivable				
b Less allowance for bad debts	( )		( )	
3 Inventories				●
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets. Attach schedule				●
7 Mortgage and real estate loans				
8 Other investments. Attach schedule				●
9 a Buildings and other depreciable assets				
b Less accumulated depreciation	( )	◉	( )	●
10 a Depletable assets				
b Less accumulated depletion	( )		( )	
11 Land (net of any amortization)		◉		●
12 a Intangible assets (amortizable only)				
b Less accumulated amortization	( )		( )	
13 Other assets. Attach schedule				●
14 **Total** assets				
Liabilities and Capital				
15 Accounts payable				●
16 Mortgages, notes, bonds payable in less than 1 year				●
17 Other current liabilities. Attach schedule				
18 All nonrecourse loans		◉		●
19 Mortgages, notes, bonds payable in 1 year or more		◉		●
20 Other liabilities. Attach schedule				●
21 Members' capital accounts		◉		●
22 **Total** liabilities and capital				

Schedule M-1 **Reconciliation of Income (Loss) per Books With Income (Loss) per Return.** Use total amount under California law. See instructions.

1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, line 1 through line 11c. Itemize:	
2 Income included on Schedule K, line 1 through line 11c, not recorded on books this year. Itemize ●		a Tax-exempt interest $	
		b Other $	
3 Guaranteed payments (other than health insurance)		c Total. Add line 6a and line 6b ●	
4 Expenses recorded on books this year not included on Schedule K, line 1 through line 13e. Itemize:		7 Deductions included on Schedule K, line 1 through line 13e, not charged against book income this year. Itemize:	
a Depreciation $		a Depreciation $	
b Travel and entertainment $		b Other $	
c Annual LLC tax $		c Total. Add line 7a and line 7b ●	
d Other $		8 Total. Add line 6c and line 7c	
e Total. Add line 4a through 4d ●		9 Income (loss) (Schedule K, line 21a). Subtract line 8 from line 5	
5 Total of line 1 through line 4e			

Schedule M-2 **Analysis of Members' Capital Accounts.** Use California amounts.

1 Balance at beginning of year		5 Total of line 1 through line 4	
2 Capital contributed during year		6 Distributions: a Cash ●	
a Cash ●		b Property ●	
b Property ●		7 Other decreases. Itemize ●	
3 Net income (loss) per books		8 Total of line 6 and line 7	
4 Other increases. Itemize ●		9 Balance at end of year. Subtract line 8 from line 5	

Schedule O **Amounts from Liquidation used to Capitalize a Limited Liability Company.** (Complete only if initial return box is checked on Side 1, Question H.)

Name of entity liquidated (if more than one, attach a schedule) _____

Type of entity: ☐(1) C Corporation ☐(2) S Corporation ☐(3) Partnership ☐(4) Limited Partnership ☐(5) Sole Proprietor ☐(6) Farmer

Entity identification number(s) FEIN _____ SSN or ITIN _____ Corporation _____ CA SOS _____

Amount of liquidation gains recognized to capitalize the LLC ● _____

Schedule IW **Limited Liability Company (LLC) Income Worksheet**

Enter your California income amounts on the worksheet. All amounts entered must be assigned for California law differences. **Use only amounts that are from sources derived from or attributable to California when completing lines 1-17 of this worksheet**. If your business is both within and outside of California, see Schedule IW instructions to assign the correct amounts to California. If the LLC is wholly within California, the total income amount is assigned to California and is entered beginning with line 1a. If the single member LLC (SMLLC) does not meet the 3 million criteria for filing Schedule B (568) and Schedule K (568), the SMLLC is still required to complete Schedule IW. Disregarded entities that do not meet the filing requirements to complete Schedule B or Schedule K should prepare Schedule IW by entering the California amounts attributable to the disregarded entity from the member's federal Schedule B, C, E, F (Form 1040), or additional schedules associated with other activities. **Do not enter amounts on this worksheet that have already been reported by another LLC to determine its fee**.

See instructions on page 14 of the Form 568 Booklet for more information on how to complete Schedule IW.

1 a Total California income from Form 568, Schedule B, line 3. See instructions . . . . . ◉ **1a** _____

b Enter the California cost of goods sold from Form 568, Schedule B, line 2 and from federal Schedule F (Form 1040) (plus California adjustments) associated with the receipts assigned to California on lines 1a and 4 . . . . . ◉ **1b** _____

2 a If the answer to Question U(1) on Form 568 Side 2, is "Yes", include the gross income of this disregarded entity that is not included in lines 1 and 8 through 16 . . . . . ◉ **2a** _____

b Enter the cost of goods sold of disregarded entities associated with the receipts assigned to California on line 2a . . . . . ◉ **2b** _____

3 a LLC's distributive share of ordinary income from pass-through entities . . . . . ◉ **3a** _____

b Enter the LLC's distributive share of cost of goods sold from other pass-through entities associated with the receipt assigned to California on line 3a (see Schedule K-1s (565), Table 3, line 1a) . . . . . ◉ **3b** _____

c Enter the LLC's distributive share of deductions from other pass-through entities associated with the receipt assigned to California on line 3a (see Schedule K-1s (565), Table 3, line 1b) . . . . . ◉ **3c** _____

4 Add gross farm income from federal Schedule F (Form 1040). Use California amounts . . . . . ◉ **4** _____

5 Enter the total of other income (not loss) from Form 568, Schedule B, line 10 . . . . . ◉ **5** _____

6 Enter the total gains (not losses) from Form 568, Schedule B, line 8. . . . . ◉ **6** _____

7 Add line 1a through line 6 . . . . . ◉ **7** _____

8 California rental real estate

a Enter the total gross rents from federal Form 8825, line 18a . . . . . ◉ **8a** _____

b Enter the total gross rents from all Schedule K-1s (565), Table 3, line 2 . . . . . ◉ **8b** _____

c Add line 8a and line 8b . . . . . ◉ **8c** _____

9 Other California rentals.

a Enter the amount from Schedule K (568), line 3a . . . . . ◉ **9a** _____

b Enter the amount from all Schedule K-1s (565), Table 3, line 3. . . . . ◉ **9b** _____

c Add lines 9a and 9b . . . . . ◉ **9c** _____

10 California interest. Enter the amount from Form 568, Schedule K, line 5 . . . . . ◉ **10** _____

11 California dividends. Enter the amount from Form 568, Schedule K, line 6 . . . . . ◉ **11** _____

12 California royalties. Enter the amount from Form 568, Schedule K, line 7 . . . . . ◉ **12** _____

13 California capital gains. Enter the capital gains (not losses) included in the amounts from Form 568, Schedule K, lines 8 and 9 . . . . . ◉ **13** _____

14 California 1231 gains. Enter the amount of total gains (not losses) from Form 568, Schedule K, line 10a . . . . . ◉ **14** _____

15 Other California portfolio income (not loss). Enter the amount from Form 568 Schedule K, line 11a . . . . . ◉ **15** _____

16 Other California income (not loss) not included in line 5. Enter the amount from Form 568, Schedule K, line 11b . . . . . ◉ **16** _____

17 Total California income. Add lines 7, 8c, 9c, 10, 11, 12, 13, 14, 15, and 16. Line 17 may not be a negative number. Enter here and on Form 568, Side 1, Line 1. If less than zero enter -0- . . . . . ◉ **17** _____

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Visit our website:

ftb.ca.gov

TAXABLE YEAR

2014

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

CALIFORNIA SCHEDULE

K-1 (568)

For calendar year 2014 or fiscal year beginning _____ (m m / d d / y y y y) and ending _____ (m m / d d / y y y y)

Member's name

Member's identifying number

Address

City

State

ZIP Code

LLC's FEIN

California Secretary of State file number

LLC's name

Address

City

State

ZIP Code

A What type of entity is this member? ●

(1) ☐ Individual **(4)** ☐ C Corporation **(7)** ☐ LLP **(10)** ☐ Exempt Organization

(2) ☐ S Corporation **(5)** ☐ General Partnership **(8)** ☐ LLC **(11)** ☐ Disregarded Entity

(3) ☐ Estate/Trust **(6)** ☐ Limited Partnership **(9)** ☐ IRA/Keogh/SEP

B Is this member a foreign member? . . . . . ● ☐ Yes ☐ No

C Enter member's percentage (without regard to special allocations) of:

	(i) Before decrease or termination	**(ii)** End of year
Profit sharing	% ●	%
Loss sharing	% ●	%
Ownership of capital	% ●	%

D Member's share of liabilities:

Nonrecourse . . . . . ● $ .00

Qualified nonrecourse financing . . . . . ● $ .00

Other . . . . . ● $ .00

E Reportable transaction or tax shelter registration number(s)

F **(1)** Check here if this is a publicly traded partnership as defined in IRC Section 469(k)(2) . . . . . ◉ ☐

(2) Check here if this is an investment partnership (R&TC Sections 17955 and 23040.1) . . . . . ◉ ☐

G Check here if this is: ● **(1)** ☐ A final Schedule K-1 (568) **(2)** ☐ An amended Schedule K-1 (568)

H Is this member a resident of California? . . . . . ● ☐ Yes ▶ ☐ No

I Analysis of member's capital account: Check the box ● **(1)** ☐ Tax Basis **(2)** ☐ GAAP **(3)** ☐ Section 704(b) Book **(4)** ☐ Other (explain)

(a) Capital account at beginning of year	**(b)** Capital contributed during year	**(c)** Member's share of line 3, line 4, and line 7 Form 568, Schedule M-2	**(d)** Withdrawals and distributions	**(e)** Capital account at end of year, combine column (a) through column (d)
●	●	●	● ( )	●

Caution: Refer to Member's Instructions for Schedule K-1 (568) before entering information from this schedule on your California return.

	(a) Distributive share items	**(b)** Amounts from federal Schedule K-1 (1065)	**(c)** California adjustments	**(d)** Total amounts using California law. Combine col. (b) and col. (c) where applicable	**(e)** California source amounts and credits
Income (Loss)	**1** Ordinary income (loss) from trade or business activities			●	▶
	2 Net income (loss) from rental real estate activities			●	▶
	3 Net income (loss) from other rental activities			◉	◉
	4 Guaranteed payments to members			●	▶
	5 Interest income			●	▶
	6 Dividends			●	▶
	7 Royalties			●	▶
	8 Net short-term capital gain (loss)			●	▶
	9 Net long-term capital gain (loss)			●	▶
	10 a Total gain under IRC Section 1231 (other than due to casualty or theft)			●	▶
	b Total loss under IRC Section 1231 (other than due to casualty or theft)			●	▶
	11 a Other portfolio income (loss). Attach schedule			●	▶
	b Total other income. Attach schedule			●	▶
	c Total other loss. Attach schedule			●	▶
Deductions	**12** Expense deduction for recovery property (IRC Section 179)				
	13 a Charitable contributions				
	b Investment interest expense				
	c 1 Total expenditures to which an IRC Section 59(e) election may apply.				
	2 Type of expenditures _____.				
	d Deductions related to portfolio income Attach schedule				
	e Other deductions. Attach schedule				

	(a) Distributive share items	(b) Amounts from federal Schedule K-1 (1065)	(c) California adjustments	(d) Total amounts using California law. Combine col. (b) and col. (c)	(e) California source amounts and credits
Credits	**15 a** Total withholding (equals amount on Form 592-B if calendar year LLC)			●	▶
	b Low-income housing credit				
	c Credits other than line 15b related to rental real estate activities. Attach schedule				
	d Credits related to other rental activities. Attach schedule				
	e Nonconsenting nonresident member's tax paid by LLC				
	f Other credits – Attach required schedules or statements				
	g New employment credit				
Alternative Minimum Tax (AMT) Items	**17 a** Depreciation adjustment on property placed in service after 1986			◉	◉
	b Adjusted gain or loss				
	c Depletion (other than oil & gas)				
	d Gross income from oil, gas, and geothermal properties				
	e Deductions allocable to oil, gas, and geothermal properties				
	f Other alternative minimum tax items. Attach schedule				
Tax-exempt Income and Nondeductible Expenses	**18 a** Tax-exempt interest income				
	b Other tax-exempt income				
	c Nondeductible expenses				
Distributions	**19 a** Distributions of money (cash and marketable securities)			◉	
	b Distributions of property other than money			◉	
Other Information	**20 a** Investment income				
	b Investment expenses				
	c Other information. See instructions				

Other Member Information

Table 1 — Member's share of nonbusiness income from intangibles (source of income is dependent on residence or commercial domicile of the member):

Interest	$	Sec. 1231 Gains/Losses	$	Capital Gains/Losses	$
Dividends	$	Royalties	$	Other	$

FOR USE BY MEMBERS ONLY – See instructions.

Table 2 — Member's share of distributive items.

A. Member's share of the LLC's business income. See instructions. $

B. Member's share of nonbusiness income from real and tangible personal property sourced or allocable to California.

Capital Gains/Losses	$	Rents/Royalties	$
Sec. 1231 Gains/Losses	$	Other	$

C. Member's distributive share of the LLC's property, payroll, and sales:

Factors	Total within and outside California	Total within California
Property: Beginning	$	$
Property: Ending	$	$
Property: Annual rent expense	$	$
Payroll	$	$
Sales	$	$

TAXABLE YEAR

CALIFORNIA SCHEDULE

2014 Pass–Through Entity Ownership

EO (568)

Name as shown on tax return

FEIN

California Secretary of State (SOS) file no.

Part I – Partial Ownership List the entities in which the taxpayer holds ownership of less than 100%.

Name of Entity	CA SOS file no.	FEIN	CA Source Income See instrs.	Profit and Loss Sharing Percentage. See instructions.	
				Profit	Loss
				.	.
				.	.
				.	.

2014 Instructions for Schedule EO (568)

Pass-Through Entity Ownership

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.

Purpose

Use Schedule EO (568), Pass-Through Entity Ownership, to report all partnership, limited liability company (LLC) taxable as partnerships, and disregarded entity ownership interests held by the taxpayer.

This schedule is completed by partnerships and LLCs taxable as partnerships that hold partial ownership interest in other partnerships, LLCs taxable as partnerships, and/or own disregarded entities, including Single Member Limited Liability Companies (SMLLC) that are disregarded.

This schedule should contain information regarding all partnerships, LLCs taxable as partnerships, and all disregarded entities (including SMLLCs) in which the taxpayer holds an interest, regardless of whether the entities are required to file a tax return in California, or are subject to California annual tax or LLC fee.

This schedule will not be completed by S corporations or to report S corporation pass-through income.

Entities to include on this schedule are those that file federal Form 1065, Partnership Return of Income, or are disregarded for federal tax purposes.

When completing this form, provide the name, California Secretary of State (SOS) file number, and federal employer identification number (FEIN) for each entity listed. The FEIN is 9 digits long, and the SOS file number is 12 digits long and must begin with “19” or “20.”

Attach the completed Schedule EO (568) behind Side 7 of Form 568, Limited Liability Company Return of Income, if applicable. Attach additional Schedules EO (568) as necessary.

Specific Instructions

Part I – Partial Ownership

List the entities in which the taxpayer holds partial (less than 100%) ownership interest.

For each partnership and LLC taxable as a partnership, provide the name, California SOS file number, and FEIN.

California Source Income
Enter a check mark in the column to indicate if the taxpayer received pass-through income derived from or attributable to California sources.

Profit and Loss Sharing Percentage
Enter the profit and loss sharing percentages for each partnership and LLC taxable as a partnership at the end of the year. This information is found at Item D (ii) of your California Schedule K-1(565), Partner’s Share of Income, Deductions, Credits, etc., or at Item C (ii) of your California Schedule K-1(568), Member’s Share of Income, Deduction, Credits, etc.

Part II – Full Ownership

List the disregarded entities in which the taxpayer holds full ownership interest of 100%.

For each disregarded entity provide the name, California SOS file number, and FEIN.

California Source Income
Enter a check mark in the column to indicate if the disregarded entity received income derived from or attributable to California sources.

TAXABLE YEAR

CALIFORNIA SCHEDULE

2014 Capital Gain or Loss

D (568)

Name as shown on return

California Secretary of State (SOS) file no.

FEIN

Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less (use additional sheets if necessary)

(a) Description of property, Example, 100 shares 7% preferred of "Z" Co.	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Sales price See instructions.	(e) Cost or other basis See instructions.	(f) Gain or loss (d) minus (e)
1					

1 Enter line 1, column (f) totals here . . . . . 1 _____

2 Short-term capital gain from installment sales, from form FTB 3805E, line 26 or line 37 . . . . . 2 _____

3 LLC's share of net short-term capital gain (loss), including gains (losses) from LLCs, partnerships, fiduciaries, and S corporations . . . . . 3 _____

4 Net short-term capital gain (loss). Add line 1, line 2, and line 3. Enter total here and on Schedule K, line 8 or line 11 . . . . . 4 _____

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

(a) Description of property, Example, 100 shares 7% preferred of "Z" Co.	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Sales price See instructions.	(e) Cost or other basis See instructions.	(f) Gain or loss (d) minus (e)
5					

5 Enter line 5, column (f) totals here . . . . . 5 _____

6 Long–term capital gain from installment sales, from form FTB 3805E, line 26 or line 37 . . . . . 6 _____

7 LLC's share of net long-term capital gain (loss), including gains (losses) from LLCs, partnerships, fiduciaries, and S corporations. . . . . 7 _____

8 Capital gain distributions. . . . . 8 _____

9 Net long-term capital gain (loss). Add line 5, line 6, line 7, and line 8. Enter total here and on Schedule K, line 9 or line 11 . . . . . 9 _____

2014 Instructions for Schedule D (568)

Capital Gain or Loss

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.

Purpose

Use Schedule D (568), Capital Gain or Loss, to report the sale or exchange of capital assets, by the limited liability company (LLC), except capital gains (losses) that are specially allocated to any members. **Do not** use this form to report the sale of business property. For sales of business properties, use California Schedule D-1, Sale of Business Property.

Enter specially allocated short-term capital gains (losses) received from LLCs classified as partnerships, partnerships, S corporations, and fiduciaries on Schedule D (568), line 3. Enter specially allocated long-term capital gains (losses) received from LLCs classified as partnerships, partnerships, S corporations, and fiduciaries on Schedule D (568), line 7. Enter short-term and long-term capital gains (losses) that are specially allocated to members on Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc. **Do not** include these amounts on Schedule D (568). See the instructions for Schedule K (568), Members' Shares of Income, Deductions, Credits, etc., and Schedule K-1 (568) for more information. Also, refer to the instructions for federal Schedule D (1065), Capital Gains and Losses.

Nonresident and Part-Year Resident Members, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency. With the enactment of AB 1115 (Stats. 2001, Ch 920) capital loss carryover and capital loss limitations for nonresident members and part-year resident members, for the portion of the year they were nonresidents, are determined based upon California source income and loss items only for the computation of their California taxable income. Moreover, the character of their gains and losses on the sale or exchange of property used in trade or business or certain involuntary conversions (IRC Section 1231) are determined for purposes of calculating their California taxable income by netting California sources Section 1231 gains and losses only.

California law conforms to federal law for the recognition of gain on a constructive sale of property in which the LLC held an appreciated interest.

TAXABLE YEAR

CALIFORNIA FORM

2014 Depreciation and Amortization 3885L

Name as shown on return

California Secretary of State (SOS) file no.

FEIN

Assets and intangibles placed in service during the 2014 taxable year:			Depreciation of assets			Amortization of property		
(a) Description of property	(b) Date placed in service (mm/dd/yyyy)	(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								
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 beginning before the 2014 taxable year . . . . . 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 beginning before the 2014 taxable year . . . . . 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 2015 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. 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.

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. Attach form FTB 3885L to Form 568.

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. Land is not depreciable.

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

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. Reportable differences may occur if all or part of your assets were placed in service:

- **Before January 1, 1987:** California disallowed depreciation under the federal Accelerated Cost Recovery System (ACRS). Continue to calculate California depreciation in the same manner as in prior years for those assets.
- **On or after January 1, 1987:** California provides special credits and accelerated write-offs that affect the California basis for qualifying assets. California does not conform to all the changes to federal law enacted in 1993. Therefore, the California basis or recovery periods may be different for some assets.

California law does not conform to the federal law for:

- IRC Section 168(k) relating to the 50% bonus depreciation for certain assets.
- The enhanced IRC Section 179 expensing election.
- 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 2014 taxable year.

Complete column (a) through column (i) for each asset or group of assets or property placed in service during the 2014 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 beginning before the 2014 taxable year.

Enter total California depreciation for assets placed in service beginning before the 2014 taxable year, taking into account any differences in asset basis or differences in California and federal tax law.

Line 4 – California amortization for intangibles placed in service beginning before the 2014 taxable year.

Enter total California amortization for intangibles placed in service beginning before the 2014 taxable year, 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.

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 2013. 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 (565), line 12 and on form FTB 3885L, line 7	12	
13	Carryover of disallowed deduction to 2015. Add line 9 and line 10 and subtract line 12. Enter here and on line 8 of form FTB 3885L	13	

2014 Member's Instructions for Schedule K-1 (568)

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

What's New

New Employment Credit – For taxable years beginning on or after January 1, 2014, and before January 1, 2021, the New Employment Credit (NEC) is available to a qualified taxpayer that hires a qualified full-time employee on or after January 1, 2014, and pays or incurs qualified wages attributable to work performed by the qualified full-time employee in a designated census tract or economic development area, and receives a **tentative credit reservation** for that qualified full-time employee. In addition, an **annual certification of employment** is required with respect to each qualified full-time employee hired in a previous taxable year. In order to be allowed a credit, the qualified taxpayer must have a net increase in the total number of full-time employees in California. Any credits not used in the taxable year may be carried forward up to five years. If a qualified employee is terminated within the first 36 months after beginning employment, the employer may be required to recapture previously taken credits. For more information, go to **ftb.ca.gov** and search for **nec** or get form FTB 3554, New Employment Credit.

Repeal of Geographically Targeted Economic Development Area Tax Incentives – The California legislature repealed and made changes to all of the Geographically Targeted Economic Development Area (G-TEDA) Tax Incentives. Enterprise Zones (EZ) and Local Agency Military Base Recovery Areas (LAMBRA) were repealed on January 1, 2014. The Targeted Tax Areas (TTA) and Manufacturing Enhancement Areas (MEA) both expired on December 31, 2012. For more information, go to **ftb.ca.gov** and search for **repeal tax incentives**.

California Competes Credit – For taxable years beginning on and after January 1, 2014, and before January 1, 2025, the California Competes Credit is available to businesses that want to come to California or stay and grow in California. Tax credit agreements will be negotiated by the Governor's Office of Business and Economic Development (GO-Biz) and approved by the California Competes Tax Credit Committee. The California Competes Credit only applies to state income or franchise tax. Taxpayers who are awarded a contract by the committee will claim the credit on their income or franchise tax returns using credit code 233. The credit can reduce tax below the tentative minimum tax. Any credits not used in the taxable year may be carried forward up to six years. For more information, go to the GO-Biz website at **business.ca.gov** or **ftb.ca.gov** and search for **ca competes**.

College Access Credit – For taxable years beginning on or after January 1, 2014, and before January 1, 2017, a credit is available to taxpayers who contribute to the College Access Tax Credit Fund. Taxpayers who receive a certificate from the California Educational Facilities Authority (CEFA) may claim the credit on their income or franchise tax returns using credit code 235. The CEFA will provide a copy of each credit certificate issued to the Franchise Tax Board (FTB). Any credits not used in the taxable year may be carried forward up to six years. For more information, go to **treasurer.ca.gov/cefa**.

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.

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

Members should follow federal reporting requirements as detailed in federal Form 1065, U.S. Return of Partnership Income, and federal Form 4797, Sales of Business Property.

Single-Sales Factor Formula – For taxable years beginning on or after January 1, 2013, R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California using the single-sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income, or go to **ftb.ca.gov** and search for **law changes**.

Market Assignment – For taxable years beginning on or after January 1, 2013, R&TC Section 25136 requires **all** taxpayers to assign sales, other than sales of tangible personal property, using market assignment. For more information, get Schedule R or go to **ftb.ca.gov** and search for **law changes**.

Revised Schedule K-1 – The California Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., line items were revised to be in a similar format with the federal Schedule K-1 (1065), Partner's Share of Income, Deductions, Credits, etc. For more information, get the Schedule K Federal/State Line References chart, included in the Form 568, Limited Liability Company Tax Booklet.

A Purpose

An LLC that has elected to be treated as a partnership for tax purposes uses Schedule K-1 (568) to report your distributive share of the LLC's income, deductions, credits, etc. Keep Schedule K-1 (568) for your records. Information from the Schedule K-1 (568) should be used to complete your California tax return. However, **do not** file the schedule with your California tax return. The LLC has filed a copy with the Franchise Tax Board (FTB).

As a member of the LLC, you are subject to tax on your distributive share of the LLC income, whether or not distributed.

The amount of loss and deduction you are allowed to claim on your California tax return may be less than the amount reported on Schedule K-1 (568). Generally, the amount of loss and deduction you are allowed to claim is limited to your basis in the LLC and the amount for which you are considered at-risk. If you have losses, deductions, or credits from a passive activity, you also must apply the passive activity loss and credit rules. It is the member's responsibility to consider and apply any applicable limitations. See Instructions, Loss Limitations.

You should also read the federal Schedule K-1 (1065) instructions before completing your California tax return with this Schedule K-1 (568) information.

For additional information on the treatment of LLC income, deductions, credits, etc., get the following federal publications:

- Publication 541, Partnerships
- Publication 535, Business Expenses

Any information returns required for federal purposes under IRC Sections 6038, 6038A, and 6038B are also required for California purposes. Attach the information returns to your California return when filed. If the information returns are not provided, penalties may be imposed under R&TC Sections 19141.2 and 19141.5.

B Definitions

Member

An individual or entity owning an interest in the LLC whose potential personal liability for LLC debts is limited to the amount of money or other property that the member contributed or is required to contribute to the LLC.

Federal and California law allows spouses that are the sole owners of an eligible business entity (including an LLC) to be treated as two owners or one owner, for purposes of applying rules to determine the classification of that entity for tax purposes. If the spouses elect to be a single owner, the LLC could be disregarded as a separate entity but may not be classified as a partnership. Similarly, if the spouses elect to be two owners, the entity may be classified as a partnership but cannot be disregarded as a separate entity. This election is not available to RDPs. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Nonrecourse Loans

Liabilities of the LLC for which none of the members have assumed any personal liability.

Qualified Nonrecourse Financing

Any financing for which no one is personally liable for repayment that is borrowed for use in an activity of holding real property and that is loaned or guaranteed by a federal, state, or local government, or borrowed from a "qualified person."

California Business Situs

The place at which intangible personal property is employed as capital in California or the possession and control of the property is localized in connection with a business in California so that its substantial use and value attach to and become an asset of the business in California.

Apportionment

The process by which business income from a trade or business is conducted in two or more states (an apportioning trade or business) is divided between taxing jurisdictions. Get Schedule R, Apportionment and Allocation of Income, for more information.

Unitary

A method of taxation by which all of the activities comprising a single trade or business are viewed as a single unit, regardless of whether those activities are conducted by divisions of a single entity or by commonly owned or controlled entities. For more information about unitary business principles, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

Election

The ability to choose a particular accounting method for tax reporting purposes. Generally, the LLC decides how to compute taxable income from its operations. For example, it chooses the accounting method and depreciation methods it will use.

However, certain elections are made separately on your California tax return and not by the LLC. These elections are made under the following IRC Sections, to which the R&TC conforms:

- IRC Section 108(b)(5) (income from discharge of indebtedness).
- IRC Section 617 (deduction and recapture of certain mining exploration expenditures, paid or incurred).

C Reporting Information from Columns (d) and (e)

If the LLC derives income from activities conducted both within and outside California, the LLC will complete Schedule R, Apportionment and Allocation of Income, to determine the LLC income from California sources. Resident members will use only the information in column (c) and column (d) to report their share of the LLC's income or loss.

Nonresident, corporate, and other entity members must report their share of income apportioned or allocated to California as indicated on Schedule K-1 (568). Special rules apply if a member and the LLC are engaged in a unitary business. See Cal. Code Regs., tit. 18 sections 17951 and 25137-1 for more information. Also see General Information E, Unitary Members.

Nonresident, corporate, and other entity members (other than members that are unitary with the LLC) will use the information in columns (c), (d), and (e) to report their distributive share of income (losses) or credits. Residents, part-year residents, and some nonresidents may qualify for a credit for taxes paid to other states on income that is apportioned or allocated to a state other than California. For more information get Schedule S, Other State Tax Credit.

Nonapportioning LLCs do not need to fill out column (e) on Schedule K-1 (568) if the member is a resident and the "Yes" box is checked on Question H. However, the final determination of residency is made at the member level. If the LLC is uncertain as to the residency status of the member, it should fill out column (e) for that member.

Inconsistent Treatment of Items

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

D Nonbusiness Income

If the LLC has nonbusiness income, the source of that nonbusiness intangible income will be determined at the member level. However, nonbusiness income from real or tangible personal property located in California, such as rents, royalties, gains, or losses is California source income (Cal. Code Regs., tit. 18 section 17951-3 and R&TC Sections 23040, 25124, and 25125). This information should be included on the appropriate line of column (e), as well as in Table 2, Part B, if the LLC believes it is unitary with the member or if the LLC is uncertain whether it is unitary with the member. Non-unitary members should ignore the information in Table 2 and use column (e).

The source of income from all nonbusiness intangibles will depend on whether the member is required to apportion its income and whether the member is a corporation. In most cases, income from nonbusiness intangible property is sourced at the residence or commercial domicile of the member. If the member is a non-apportioning corporation, the intangible income is from California sources unless it has acquired a business situs outside of this State (R&TC Section 23040).

However, for individuals, estates, and trusts that are not required to apportion income, income from nonbusiness intangibles will have a California source if the intangible has acquired a California business situs. For example, a nonresident pledges stocks, bonds, or other intangible personal property in California. This pledge is security for the payment of debt, taxes, or other liabilities incurred for a business in this state. The pledged property will acquire a business situs in California. Another example is a nonresident who maintains an office and bank account in California for the business activities in this state. The bank account will acquire a business situs in California. See Cal. Code Regs., tit. 18 section 17951-2 and R&TC Section 17952. If the intangible income is determined to have a business situs by the LLC, the intangible income will be included in column (e).

If the member is an apportioning taxpayer or is a corporation, Cal. Code Regs., tit. 18 sections 17951-4 and 25137-1 require that nonbusiness income from intangibles be allocated in accordance with the rules of R&TC Sections 25126 and 25127.

Because the source of intangible nonbusiness income is dependent upon the status of the individual member, that income is not included in column (e) and is entered only in Table 1. The member must determine the source of such income by applying the rules described above.

E Unitary Members

The rules discussed below apply to corporations, individuals, and other entities that conduct a trade or business that is unitary with the LLC's trade or business (see Cal. Code Regs., tit. 18 section 17951, incorporating the provisions of R&TC Section 25137 and regulations thereunder).

Unitary members cannot use the California source information reflected in column (e). Such members must use the information in Table 1 and Table 2 as described in the instructions that follow, and in the Line Instructions.

The member's distributive share of LLC items is determined by applying the rules in R&TC Sections 17851 through 17858. The determination of the portion of the distributive share of business and nonbusiness income that has its source in California or that is includible in the member's business income subject to apportionment is made in accordance with Cal. Code Regs., tit. 18 section 25137-1 if the member, or the LLC, or both, have income from sources within and outside this state. The member, in computing net income for its tax accounting period, must include its distributive share of LLC items referred to above for any LLC taxable year ending within or with the member's tax accounting period.

Distributive Items of Business Income

Apportionment of Business Income – Unitary Business

If the LLC's activities and the member's activities constitute a unitary business under established standards (other than ownership requirements), the combined business income of this single trade or business apportioned to California is determined by combining the member's distributive share of the LLC's apportionment factors with the factors of the member for any LLC year ending within the member's tax accounting period. Combined business income is then apportioned by the sales factor. Use of a 3-factor formula depends upon whether combined gross business receipts (member's share of the LLC's gross business receipts plus the member's own gross business receipts) are more than 50% from agricultural, extractive, savings and loans, banking, or financial business activities. For more information, get Schedule R.

If you are a member that is unitary with the LLC, use Table 2 to compute your factors, applying the rules shown below (see Cal. Code Regs., tit. 18 sections 25129 to 25137 for examples). Members that are unitary with the LLC should perform the following steps:

1. Combine your distributive share of the LLC's business income with your own business income to determine total business income.
2. If using the single-sales factor formula, compute the sales factor by combining your share of the LLC's sales factor from Table 2, Part C, with your own sales factor as explained in these instructions. If using the 3-factor formula, compute property, payroll, and sales factors by combining your share of the LLC's factors from Table 2, Part C, with your own factors as explained in these instructions.
3. Apply the apportionment factor determined in Step 2 to the total business income determined in Step 1 to arrive at business income apportioned to this state.

Unitary Member's Computation of the Sales Factor

Compute the numerator and denominator of the sales factor in accordance with Cal. Code Regs., tit. 18 sections 25134 to 25136. Apply the following special rules:

A. Include in the denominator of the sales factor your distributive share of the LLC's sales that give rise to business income. See Table 2, Part C.
B. Include in the numerator of your sales factor the amount of such sales described in part A (above) attributable to California.
C. Eliminate intercompany sales as one of the following:
   - Sales by the member to the LLC to the extent of the member's interest in the LLC.
   - Sales by the LLC to the member not to exceed the member's interest in all LLC sales. See Cal. Code Regs., tit. 18 section 25137-1(f)(3).

Unitary Member's Computation of Property Factor

Use Schedule R to compute the numerator and the denominator of the property factor. Adjust factors in accordance with Cal. Code Regs., tit. 18 sections 25129, 25130, and 25131. Also apply the following special rules:

A. Include in the denominator of your property factor your distributive share of the LLC's beginning and ending balances of real and tangible personal property owned (if rented, multiply net annual rents paid, by 8) and used during the tax accounting period in the regular course of business. See Table 2, Part C.
B. Include in the numerator of your property factor the value of such property that is described in part A (above) that is located in California. See Table 2, Part C.
C. See Cal. Code Regs., tit. 18 section 25137-1(f)(1)(B) for examples of how to avoid duplication of the value of property that is rented by the member to the LLC or vice versa.

Unitary Member's Computation of Payroll Factor

Use Schedule R to compute the numerator and the denominator of the payroll factor in accordance with Cal. Code Regs., tit. 18 sections 25132 and 25133. Apply the following special rules:

A. Include in the denominator of your payroll factor your distributive share of the LLC's payroll used to produce business income. See Table 2, Part C.
B. Include in the numerator any such payroll described in part A (above) that is applicable to California. See Table 2, Part C.

Distributive Items of Nonbusiness Income for a Unitary Member

Income in Table 2, Part B, is from a California source under R&TC Sections 25124 and 25125. Unitary members must make certain to separately include such items from Table 1 and 2 as California source Income. Unitary members shall use Table 1 and 2 to report nonbusiness income instead of Schedule K-1 (568), column (e).

Instructions

Questions and Items

The LLC completes the questions and items on each Schedule K-1 (568) for all its members. For more information, see the instructions for federal Schedule K-1 (1065).

Schedule K-1 (568)

If your Schedule K-1 (568) reports losses and/or deductions, you must first apply the basis, at-risk, and passive activity limitations before such losses/deductions can be deducted on your California tax return. See Instructions, Loss Limitations. Also, see IRC Section 705(a) for information on how to compute basis.

If your return is ever examined, you may be required to provide your computations and the supporting documents for your membership interest.

If you are an individual member, the amounts in column (c), Adjustments, and column (d), Total amounts using California law, that are from nonpassive activities must be reported on the appropriate California form or schedule; such as, Schedule D (540), California Capital Gain or Loss Adjustment, Schedule D-1, Sales of Business Property, Schedule CA (540), California Adjustments – Residents, or Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents.

Amounts in column (e), California source amounts and credits, that are from passive activities must be reported on form FTB 3801, Passive Activity Loss Limitations, form FTB 3801-CR, Passive Activity Credit Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations. Use the related worksheets to figure any passive loss limitations. If the LLC knows that you are a California resident, it may leave column (e) blank. California residents are subject to tax on their entire taxable income shown in column (d) (R&TC Section 17041).

If you are not an individual member, report the amounts as instructed on your California tax return.

If you have losses, deductions, credits, etc., from a prior year that were not deductible or usable because of certain limitations they may be taken into account in determining your net income, loss, etc., for this year. However, **do not** combine the prior-year amounts with any amounts shown on this Schedule K-1 (568) to get a net figure. Instead, report the amounts on an attached schedule, statement, or form on a year-by-year basis. See the instructions for federal Schedule K-1 (1065) for more information.

Loss Limitations

The amounts shown on line 1 through line 3 of your Schedule K-1 (568) reflect your distributive share of income or loss from the LLC's business or rental operations. If you have losses from the LLC, there are three potential limitations imposed on losses before you may deduct them on your return. These limitations and the order in which they must be applied are:

- Basis limitations (IRC Section 704)
- At-risk limitations (IRC Section 465)
- Passive activity loss and credit limitations (IRC Section 469)

Each of these limitations is discussed separately in the following instructions.

Other limitations may apply to specific deductions such as the investment interest expense deduction. These limitations on specific deductions generally apply before the basis, at-risk, and passive loss limitations.

Basis Rules

Generally, California tax law conforms to federal tax law concerning basis limitation. You may not claim your share of an LLC loss (including a capital loss) that is greater than the adjusted basis of your LLC interest at the end of the LLC's taxable year.

The LLC is not responsible for keeping the information needed to compute the basis of your LLC interest. Although the LLC does provide you with an analysis of the changes to your capital account on your Schedule K-1 (568), Item I, that information is based on the LLC's books and records and should not be used to compute your basis.

You can compute the basis of your LLC interest by adding items that increase your basis and then subtracting items that decrease your basis.

Items that increase your basis may include the following:

- Money and the adjusted basis of property you contributed to the LLC.
- Your distributive share of the LLC's income.
- Your distributive share of the increase in the liabilities of the LLC (and/or your individual liabilities caused by your assumption of LLC liabilities).

Items that decrease your basis, but not below zero, may include the following:

- Money and the adjusted basis of property distributed to you.
- Your share of the LLC's losses.
- Your share of the decrease in the liabilities of the LLC (and/or your individual liabilities assumed by the LLC).

This is not a complete list of items and factors that determine basis. Get federal Publication 541, for a complete discussion of how to determine the basis of your LLC interest.

At-Risk Rules

The at-risk rules limit the amount of loss (including loss on disposition of assets) and other deductions (such as IRC Section 179) that you can claim to the amount you could actually lose in the activity.

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

See the instructions for federal Schedule K-1 (1065), At-Risk Limitations, and federal Publication 925, Passive Activity and At-Risk Rules, for more information.

Passive Activity Loss and Credit Rules

IRC Section 469 limits the deduction of certain losses and credits. California law generally conforms to this federal provision. These rules apply to members who have a passive activity loss or credit for the taxable year.

For California purposes, passive loss limitations apply to individuals, estates, trusts (other than grantor trusts), closely held corporations, and S corporations.

Even though the passive loss rules do not apply to grantor trusts, partnerships, and LLCs, they do apply to the owners of these entities.

A passive activity is generally a trade or business activity in which the member does not materially participate or a rental real estate activity in which the member does not actively participate. An LLC may have more than one activity. Each member must apply the passive activity loss and credit limitations on an activity-by-activity basis.

Individuals, estates, trusts, and S corporations must complete form FTB 3801 to calculate the allowable passive losses and form FTB 3801-CR to calculate the allowable passive credits. Corporations must complete form FTB 3802.

The amounts reported on Schedule K-1 (568), line 1 and line 15f, are normally passive activity income (loss) or credits from the trade or business of the LLC if you are a member who did not materially participate in the trade or business activities of the LLC. The amounts reported on Schedule K-1 (568), line 2, line 3, line 15b, line 15c, and line 15d are from rental activities of the LLC and are passive activity income (loss) or credits to all members. There is an exception to this rule for losses incurred by qualified investors in qualified low-income housing projects. The LLC will identify any of these qualified amounts on an attachment for line 2.

The passive loss rules apply to the items attributable to each publicly traded partnership (PTP) that is not treated as a corporation under IRC Section 7704. Thus, members who do not materially participate in the operations of a PTP are allowed to deduct their share of the PTP's losses only to the extent of passive income from the same PTP or when the entire interest is sold, IRC Section 469(k). See the instructions for form FTB 3801 and form FTB 3802 for rules to calculate and report income, gains, and losses from passive activities that you held through each PTP you owned during the taxable year.

See the instructions for federal Schedule K-1 (1065), Passive Activity Limitations, and federal Publication 925, for more information.

Investment Partnership Income

If you are a nonresident individual, the amounts in column (e) will generally not be taxable by California (R&TC Section 17955). However, nonresident individuals will be taxed on their distributive share of California source income from an LLC that is an investment partnership if the income from the qualifying investment securities is interrelated with:

- Any other business activity of the nonresident member.
- Any other entity in which the nonresident member owns an interest that is separate and distinct from the investment activity of the LLC and that is conducted in California.

If you are a corporate member, the amounts in column (e) will generally not be taxable in California provided the income from the LLC is the corporation's only California source income. However, if the corporation does either of the following:

- Participates in the management of the investment activities of the LLC or is engaged in a unitary business with another corporation or partnership that participates in the management of the investment activities of the LLC.
- Has income attributable to sources within California other than income from the investment partnership.

Then the corporation will be taxable on its distributive share of California source income of the LLC. See R&TC Section 23040.1 for more information.

Line Instructions

Enter the difference between federal and California amounts from column (c) on Schedule CA (540) if you are a resident or on Schedule CA (540NR) if you are a nonresident or part-year resident. Also, if you are a nonresident or part-year resident, enter California source amounts from the Schedule K-1 (568), column (e), on your Schedule CA (540NR), column E.

F(1) – If this box is checked, the LLC is a PTP as defined in IRC Section 469(k)(2). Follow the instructions for form FTB 3801 or form FTB 3802 for reporting income, gains, and losses from PTPs.

F(2) – If this box is checked, the LLC qualifies as an investment partnership as defined in R&TC Sections 17955 and 23040.1. If you are a nonresident individual, the amounts in column (e) will generally not be taxable in California.

Nonresident and Part-Year Resident Members, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Part-year resident members must consider their period of residency and nonresidency in the computation of total California income.

The line instructions below that instruct you to enter information from Schedule K-1 (568), column (d), on other forms, apply to resident members. When the instructions make reference to column (d), nonresident members should take information from columns (c), (d), and (e) and apply the information to the appropriate line relating to computation of total income and income from California sources.

Income (Loss)

Line 1 – Ordinary Income (Loss) from Trade or Business Activities

The amount reported on line 1, column (d), is your share of the ordinary income (loss) from the trade or business activities of the LLC. For individual members, where this amount is reported depends on whether or not this amount is a passive activity.

If, in addition to this passive activity income, you have a passive activity loss from this LLC or from any other source, report the income on form FTB 3801 or form FTB 3802. If a loss is reported on line 1, column (d), report the loss on the applicable line of form FTB 3801 or form FTB 3802 to determine how much of the loss is allowable.

If the LLC income is from activities both within and outside California, the amount nonresidents or corporate members must report on their California return is a function of the LLC's apportionment percentage and allocation of income. Reporting instructions are included in the information provided by the LLC. See Cal. Code Regs., tit. 18 sections 17951-4 and 25137-1 for more information. In addition, see General Information E, Unitary Members.

Line 2 – Net Income (Loss) from Rental Real Estate Activities

Generally, the income (loss) reported on line 2, column (d), is a passive activity amount to all members. However, the loss limitations of IRC Section 469 do not apply to qualified investors in qualified low-income housing projects. If applicable, the LLC will attach a schedule for line 2 to identify such amounts. If you have an amount on Schedule K-1 (568), line 2, column (c), report this amount on Schedule CA (540 or 540NR), line 17, column B or column C, whichever is applicable.

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

- If you have a loss on line 2, column (d) (other than a qualified low-income housing project loss), enter the loss on the applicable line of form FTB 3801 or form FTB 3802 to determine how much of the loss is allowable. Your share of the loss may be eligible for the special $25,000 allowance for rental real estate losses. Get the instructions for form FTB 3801 or form FTB 3802 for more information.

See the federal Schedule K-1 (1065) Specific Instructions for box 2, item 1 and item 2, for more information.

Report any California adjustment amount from column (c) on Schedule CA (540 or 540NR) if you are a qualified investor reporting a qualified low-income housing project loss.

- If you have only income on line 2, column (d), and no other passive losses, enter any California adjustment amount from column (c) on Schedule CA (540 or 540NR). However, if in addition to this passive activity income, you have a passive activity loss from this LLC or from any other source, report the line 2, column (d), income on the applicable line of form FTB 3801 or form FTB 3802.

Line 3 – Net Income (Loss) from Other Rental Activities

The amount on line 3, column (d) is a passive activity amount for all members.

- If line 3, column (d) is a loss, report the loss on the applicable line of form FTB 3801 or form FTB 3802.
- If only income is reported on line 3, column (d), and you have no other passive losses, report the California adjustment from column (c) on Schedule CA (540 or 540NR). However, if in addition to this passive activity income, you have a passive activity loss from this LLC or from any other source, report the line 3 income on the applicable line of form FTB 3801 or form FTB 3802.

Line 4 – Guaranteed Payments to Members

Amounts on this line are not normally part of a passive activity. If there is an amount on Schedule K-1 (568), line 4, column (c), enter this amount on Schedule CA (540 or 540NR), line 21f, column B or column C, whichever is applicable. If this is a passive activity for the member, then the member must also complete the passive activity form. Use federal Form 8582, Passive Activity Loss Limitations, for federal purposes and form FTB 3801 for California purposes.

Portfolio Income – Line 5 through Line 11a

Portfolio income (loss), referred to as "portfolio" income (loss) in these instructions, is generally not subject to the passive activity limitations of IRC Section 469. Portfolio income includes interest, dividend, royalty income and gain or loss on the sale of property held for investment. Generally, amounts reported on line 8, line 9, and line 11a, are gains or losses attributable to the disposition of property held for investment and are, therefore, classified as portfolio income (loss). However, if an amount reported on line 8, line 9, or line 11a, column (d), is a passive activity amount, the LLC should identify the amount.

Line 5 – Interest Income

If you have an amount on Schedule K-1 (568) line 5, column (c), report this amount on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is applicable.

Line 6 – Dividends

If you have an amount on Schedule K-1 (568) line 6, column (c), report this amount on Schedule CA (540 or 540NR), line 9, column B or column C, whichever is applicable.

Line 7 – Royalties

If you have an amount reported on Schedule K-1 (568) line 7, column (c), report this amount on Schedule CA (540 or 540NR), line 17, column B or column C, whichever is applicable.

Line 8 and Line 9 – Net Short-term and Net Long-term Capital Gains (Loss)

If you have an amount on Schedule K-1 (568), line 8 or line 9, column (d), report this amount on Schedule D (540 or 540NR), line 2.

Line 10a and Line 10b – Total Gain and Total Loss under IRC Section 1231 (Other Than Due to Casualty or Theft)

If the amounts on line 10a and line 10b relate to rental activity, the IRC Section 1231 gain (loss) is a passive activity amount. If the amounts on line 10a and line 10b relate to a trade or business activity and you are a limited partner, the IRC Section 1231 gain (loss) is a passive activity amount.

- If the amount is not a passive activity amount report it on Schedule D-1, line 2, column (g).
- If a gain is reported on line 10a, column (d), and it is a passive activity amount report the gain on Schedule D-1, line 2, column (g).
- If a loss is reported on line 10b, column (d), and it is a passive activity amount, get form FTB 3801 to determine if your loss is limited.

Line 11a – Other Portfolio Income (Loss)

The LLC uses line 11a, column (d), to report portfolio income other than interest, dividend, royalty, and capital gain (loss) income. The LLC should attach a schedule to Schedule K-1 (568) to tell you what kind of portfolio income is reported on line 11a, column (d). An example of portfolio income that could be reported on line 11a, column (d), is from a real estate mortgage investment conduit (REMIC) in which the LLC is a residual interest holder.

If the LLC has a residual interest in a REMIC, it will report your share of REMIC taxable income (net loss) on the schedule. Report the adjustment amount from column (c) on Schedule CA (540 or 540NR). The LLC will also report your share of "excess inclusion" and your share of IRC Section 212 expenses. If you itemize your deductions on federal Schedule A (1040), Itemized Deductions, you may deduct these IRC Section 212 expenses as a miscellaneous deduction.

Line 11b and Line 11c – Total Other Income and Total Other Loss

Amounts reported on these lines are other items of income (loss) not included on line 1 through line 11a. The LLC should give you a description for each of these items.

Use the following instructions to:

- Report income or gain (not losses) from passive activities.
- Report income, gain, or losses from all other passive activities.

If you have losses from passive activities, or a combination of income, gains, and losses from passive activities, you must first complete form FTB 3801 or form FTB 3802 to determine if any of your losses are limited by the passive loss rules. Use the instructions below to report passive income and losses after the passive loss limitations have been computed.

Line 11b and line 11c items may include:

- LLC gains from disposition of farm recapture property (get Schedule D-1) and other items to which IRC Section 1252 applies.
- Recoveries of bad debts, prior taxes, and delinquency amounts (IRC Section 111). Report the amounts from line 11b and line 11c, column (c), on Schedule CA (540 or 540NR), line 21f, column B or column C, whichever is applicable.
- Gains and losses from wagering (IRC Section 165(d)). Report the amounts from line 11b and line 11c, column (c), on Schedule CA (540 or 540NR), line 21f, column B or column C, whichever is applicable.
- Any income, gain, or loss to the LLC under IRC Section 751. Report this amount on Schedule D-1, line 10.
- Specially allocated ordinary gain or loss. Report this amount on Schedule D-1, line 10.
- Net gain or loss from involuntary conversions due to casualty or theft. The LLC will provide a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, Section B, Part II, line 34, column (b)(i), column (b)(ii), and column (c).
- Other income (loss) including involuntary conversions, IRC Section 1256 contracts & straddles, and Mining exploration costs.

Deductions

Line 12 – Expense Deduction for Recovery Property

For California, the maximum amount of expense deduction for recovery property (IRC Section 179 deduction) that you can claim for all sources is $25,000. The $25,000 limit is reduced if the total cost of IRC Section 179 property placed in service during the year exceeds $200,000.

California does not conform to the federal limitation amounts.

The LLC will provide information on your share of the IRC Section 179 deduction and of the cost of the LLC's IRC Section 179 property so that you can compute this limitation. Your IRC Section 179 deduction is also limited to your taxable income from all of your trades or businesses. Get form FTB 3885A, Depreciation and Amortization Adjustments, and get federal Publication 534, Depreciating Property Placed In Service Before 1987, and Publication 946, How to Depreciate Property, for more information.

If the IRC Section 179 deduction is a passive activity amount, report it on the applicable line of form FTB 3801. If it is not a passive activity amount and there is an amount on Schedule K-1 (568), line 12, column (c), enter this amount on Schedule CA (540 or 540NR), line 21f, column B or column C, whichever is applicable.

Line 13a – Charitable Contributions

The LLC will provide a schedule that shows which contributions were subject to the 50%, 30%, and 20% limitations. See the instructions for federal Form 1040, U.S. Individual Income Tax Return, and federal Publication 526, Charitable Contributions, for more information.

California has not conformed to any of the provisions of the Katrina Emergency Relief Act of 2005.

If there is an amount on Schedule K-1 (568), line 13a, column (c), enter this amount on Schedule CA (540 or 540NR), line 41.

Line 13b – Investment Interest Expense

If the LLC paid or accrued interest debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited. For more information and the special provisions that apply to investment interest expense, get form FTB 3526, Investment Interest Expense Deduction, and federal Publication 550, Investment Income and Expenses.

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

Line 13c – IRC Section 59(e) Expenditures

If you have an amount on Schedule K-1 (568) line 13c, see the instructions for the federal Schedule K-1 (1065), box 13. The LLC should give you a description and the amount of your share for each item applicable to California in this category.

Line 13d – Deductions Related to Portfolio Income

Amounts entered on this line are the deductions that are clearly and directly allocable to portfolio income (other than investment interest expense and expenses from a REMIC). If you have an amount on Schedule K-1 (568), line 13d, column (c), enter this amount on Schedule CA (540 or 540NR), line 41. If any of the line 13d amounts should not be reported on Schedule CA (540 or 540NR), the LLC should identify these amounts.

Line 13e – Other Deductions

Amounts on this line are deductions not included on lines 12, 13a through 13d. If there is an amount on Schedule K-1 (568), line 13e, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR).

See the instructions for federal Schedule K-1 (1065), box 13, for examples of other deductions. Also get FTB Pub. 1001, for differences between federal and state tax law for certain deductions.

Line 14

The information reported in box 14 of the federal Schedule K-1 (1065), does not apply to California and therefore there is no line 14.

Credits

If you have credits that are passive activity credits, complete form FTB 3801-CR (corporations use form FTB 3802), in addition to the credit forms referenced. Get the instructions for form FTB 3801-CR (or form FTB 3802) for more information.

Line 15a – Total Withholding

Total Withholding is the sum of your distributive share of withholding on payments to the LLC by another entity, (allocated to all members according to their respective LLC interests), taxes withheld on you by the LLC, or backup withholding on you as a domestic or foreign nonresident member. If taxes were allocated to you or withheld on you by the LLC, the LLC must provide a completed Form 592-B, Resident and Nonresident Withholding Tax Statement. Attach Form 592-B to the front of your California return to claim the amount withheld.

Schedule K-1 (568) may not be used to claim the withholding credit. If the LLC is not on a calendar year, the amount on line 15a may not match the amount on Form 592-B because of the difference in accounting periods. The amount shown on Form 592-B should be claimed on one of the following:

- Form 540, California Resident Income Tax Return, line 73.
- Form 540NR, California Nonresident or Part-year Resident Income Tax Return (Long), line 83.
- Form 541, California Fiduciary Income Tax Return, line 31.
- Form 109, California Exempt Organization Business Income Tax Return, line 17.
- Form 100, California Corporation Franchise or Income Tax Return, line 34.
- Form 100S, California S Corporation Franchise or Income Tax Return, line 33.

Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

Line 15b – Low-Income Housing Credit

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

Any allowable credit is entered on form FTB 3521. However, the passive activity credit limitations of IRC Section 469 may limit the amount of credit. Credits from passive activities are generally limited to tax attributable to passive activities.

You cannot claim the low-income housing credit on any qualified low-income housing project for which any person was allowed any benefit under Section 502 of the Tax Reform Act of 1986.

Line 15c – Other Credits Related to Rental Real Estate Activities

The information you need to compute credits related to rental real estate activities other than the low-income housing credit is provided with an attached schedule. These credits may be limited due to passive activity limitation rules.

Line 15d – Credits Related to Other Rental Activities

Any information you need to compute credits related to rental activities other than rental real estate activities is provided on this line with an attached schedule. These credits may be limited due to passive activity limitation rules.

Line 15e – Nonconsenting Nonresident Member's Tax Paid by LLC

This line shows any income tax paid on your behalf by the LLC if, as a nonresident member, you did not sign form FTB 3832, Limited Liability Company Nonresident Members' Consent, consenting to California's jurisdiction to tax your distributive share of the LLC income attributable to California sources.

This line also shows any income tax paid on behalf of your LLC by another LLC of which your LLC is a member. This applies if form FTB 3832 is not signed on behalf of your LLC. This means that your LLC is not consenting to California's jurisdiction to tax your LLC's distributive share of another LLC's income attributable to California sources.

You must attach a copy of Schedule K-1 (568) to your California tax return to claim the tax paid by the LLC on your behalf.

For taxable years beginning on or after January 1, 2005, the tax may be reduced by the amount of tax previously withheld and paid by the LLC with respect to each nonconsenting, nonresident member.

If there was income tax paid on behalf of your LLC, you must attach a copy of the following to your California tax return to claim your share of the tax paid by another LLC on behalf of your LLC:

- The Schedule K-1 (568) issued to your LLC by another LLC.
- The Schedule K-1 (568) issued by your LLC.

Line 15f – Other Credits

This line is used to report information you need to compute pass-through credits and other items that are not includable on line 15a through line 15d but are related to the trade or business activity. The LLC should provide a schedule and/or statement explaining any items.

Credits that may be reported on line 15f (depending on the type of activity they relate to) include:

- California Competes Credit. Use credit code 233.
- California Motion Picture and Television Production Credit. Get form FTB 3541.
- College Access Credit. Use credit code 235.
- Community Development Financial Institutions Investment Credit. Use credit code 209.
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548.
- Donated Agricultural Products Transportation Credit. Get form FTB 3547.
- Donated Fresh Fruits or Vegetables Credit. Get form FTB 3811.
- Enhanced Oil Recovery Credit. Get form FTB 3546.
- Enterprise Zone (EZ) Hiring and Sales or Use Tax Credit. Get form FTB 3805Z.
- Environmental Tax Credit. Get form FTB 3511.
- Local Agency Military Base Recovery Area (LAMBRA) Hiring Tax Credit. Get form FTB 3807.
- Manufacturing Enhancement Area (MEA) Hiring Credit. Get form FTB 3808.
- Natural Heritage Preservation Tax Credit. Get form FTB 3503.
- Prison Inmate Labor Credit. Get form FTB 3507.
- Research Credit. Get form FTB 3523.
- Targeted Tax Area (TTA) Hiring Credit. Get form FTB 3809.

The passive activity limitations of IRC Section 469 may limit the amount of credits on line 15b, line 15c, line 15d, and line 15f. Line 15b, line 15c, and line 15d credits are related to the rental activities of the LLC. Line 15f credits are related to the trade or business activities of the LLC.

In general, passive activity credits from passive activities are limited to tax attributable to passive activities for California purposes (R&TC Section 17561). Credits that may be limited under the passive activity credit rules include the following:

- Research credit
- Low-income housing credit

You may be able to use the low-income housing credit, and other credits generated from rental activities, against tax on other income. Get form FTB 3801-CR for more information.

The LLC can include on line 15f your distributive share of net income taxes paid to other states by the LLC. Subject to the limitations of R&TC Section 18006, members may claim a credit against their individual tax for net income taxes paid by the LLC to another state. The amount of tax paid is required to be supported by a copy of the return filed with the other state and evidence of the payment of the tax. Get Schedule S for more information.

Line 16

The information reported in box 16 of the federal Schedule K-1 (1065), does not apply to California and therefore there is no line 16.

Alternative Minimum Tax (AMT) Items

Line 17a through Line 17f, column (d)

Use the information reported on line 17a through line 17f, column (d) as well as your adjustments and tax preference items from other sources to complete Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations. For more information, see the instructions for federal Schedule K-1 (1065), Alternative minimum tax (AMT) items box 17.

Tax-Exempt Income and Nondeductible expenses

Line 18a through Line 18c – Tax-exempt income and Nondeductible Expenses

See the instructions for federal Schedule K-1 (1065), box 18. The LLC should give you a description and the amount of your share for each item applicable to California in this category.

Distributions

Line 19a and Line 19b – Distributions

See the instructions for federal Schedule K-1 (1065), box 19.

Other Information

Line 20a and Line 20b – Investment Income and Investment Expenses

If the LLC paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

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

Use the column (d) amounts to determine the amount to enter on form FTB 3526, line 1.

The amounts shown include only investment income and expenses included on lines 5, 6, 7, 11a, and 13d of this Schedule K-1 (568). The LLC should attach a schedule that shows the amount of any investment income and expenses included in any other lines of this Schedule K-1 (568). Use these amounts, if any, to adjust line 20a and line 20b to determine your total investment income and total investment expenses from this LLC.

Combine these totals with investment income and expenses from all other sources to determine the amount to enter on form FTB 3526, line 1.

Line 20c – Other Information

For credit recaptures attach a schedule including credit recapture names and amounts.

The LLC will provide supplemental information required to be reported to you on this line. If the LLC is claiming tax benefits from an EZ, LARZ, LAMBRA, MEA, or TTA, it will give you the business income, and business capital gains and losses, apportioned to the EZ, LARZ, LAMBRA, MEA, or TTA, on this line. Get form FTB 3805Z, FTB 3806, FTB 3807, FTB 3808, or FTB 3809 to claim any applicable credit.

The LLC may have provided a schedule with amounts showing your proportionate interest in the LLC's aggregate gross receipts, less returns and allowances. A qualified taxpayer may exclude income, positive and negative adjustments, and preference items attributable to any trade or business from alternative minimum taxable income. A "qualified taxpayer" is defined as an individual, estate, or trust that meets both of the following:

- Is the owner of, or has an ownership interest in a trade or business.
- Has aggregate gross receipts, less returns and allowances, of less than $1,000,000 during the taxable year from all trades or businesses in which the taxpayer is an owner or has an ownership interest. In the case of an ownership interest, you should include only your proportional share of aggregate gross receipts of any trade or business from a partnership, LLC, S corporation, regulated investment company (RIC), real estate investment trust (REIT), or real estate mortgage investment conduit (REMIC).

You need to add your share of the aggregate gross receipts from this LLC to your aggregate gross receipts from all other trades or businesses in which you hold an interest to determine if you are a qualified taxpayer.

For purposes of R&TC Section 17062(b)(4), "aggregate gross receipts, less returns and allowances" means the sum of the following:

- The gross receipts of the trades or businesses which the taxpayer owns.
- The proportionate interest of the gross receipts of the trades or businesses which the taxpayer owns.
- The proportionate interest of pass-through entities gross receipts in which the taxpayer holds an interest.

Gross Receipts – For taxable years beginning on or after January 1, 2011, R&TC Section 25120 was amended to add the definition of gross receipts. "Gross receipts" means the gross amounts realized (the sum of money and the fair market value of other property or services received) on:

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

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

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

For purposes of this section "pass-through entity" means a partnership (as defined by R&TC Section 17008), an S corporation, a RIC, a REIT, and a REMIC. See R&TC Section 17062 for more information.

Get FTB Pub. 1001, for a listing of items of nonconformity for individuals.

The pro-rata share of gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on Schedule K-1(568) as other information. Follow the instructions on the federal Form 4797 and federal Schedule K-1 (1065) for the reporting requirements.

Other Member Information

Table 1 – Member's Share of Nonbusiness Income from Intangibles (source of income is dependent on residence or commercial domicile of the member)

Generally, nonbusiness interest and dividends are sourced to the state of residence for nonapportioning individuals. Nonapportioning means doing business entirely within California. For more information regarding the sourcing of intangibles, see R&TC Section 17952.

For apportioning members, nonbusiness interest and dividends generally are allocable to California if the taxpayer's commercial domicile is California. For information regarding sourcing of intangibles for apportioning taxpayers, see R&TC Sections 25126 and 25127.

The income data contained in Table 1 is not reflected in column (e) of Schedule K-1 (568). For more information, see General Information D, Nonbusiness Income, and General Information E, Unitary Members.

Table 2 – Member's Share of Distributive Items

The LLC will complete Table 2, Parts A to C for unitary members and Table 2 Part C for all non-unitary members. Table 2 does not need to be completed for non-unitary individuals. The final determination of unity is made at the member level.

If the member and the LLC are engaged in a single unitary business, or if the LLC is uncertain as to whether it is unitary with the member, the LLC will furnish the information on Table 2.

The member's share of the LLC's business income is entered on Table 2, Part A. The member then adds that income to its own business income and apportions the combined business income using the revised factor described below.

Table 2, Part B, reflects the member's share of nonbusiness income from real and tangible property wholly sourced or allocable to California. This is added to apportioned business income and nonbusiness intangible income allocated to California and becomes a part of California taxable income. For more information, see R&TC Sections 25124 and 25125, and Cal. Code Regs., tit. 18 sections 17951-1, 17951-2, and 17951-3.

The member's share of the LLC's property, payroll, and sales factors is in Table 2, Part C. The member combines its apportionment factors with the apportionment factors of the LLC and uses the revised factor to compute its business income apportioned to California. For more information, see General Information D, Nonbusiness Income, and General Information E, Unitary Members.

The LLC will complete Table 2, Part C to report the member's distributive share of property, payroll and sales **Total within California**.

Members will use Table 2, Part C to determine if they meet threshold amounts of California property, payroll and sales.

R&TC Section 23101 provides that for taxable years beginning on or after January 1, 2011, a taxpayer is doing business if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if any of the following conditions are satisfied:

- The taxpayer is organized or commercially domiciled in California.
- The sales as defined in subdivision (e) or (f) of R&TC Section 25120, of the taxpayer in California, including sales by the taxpayer's agents and independent contractors, exceed the lesser of $529,562 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $52,956 or 25% of the taxpayer's total real property and tangible personal property.
- The amount paid in California by the taxpayer for compensation, as defined in subdivision (c) of R&TC Section 25120, exceeds the lesser of $52,956 or 25% of the total compensation paid by the taxpayer.

If the member's distributive share of property, payroll, or sales in California, when combined with the member's property, payroll, or sales in California from other pass-through entities or its own activities, exceeds the threshold amounts set forth in R&TC Section 23101, the member is "doing business" in California and must file a return and pay all applicable taxes, including the minimum franchise tax if the member is a corporation or the applicable annual tax if the member is a business entity that is required to pay an annual tax.

For more information, see R&TC Section 23101 or go to **ftb.ca.gov** and search for **law changes**. Under **law changes**, see general information and specific examples on the application of doing business rules in California, especially if you are an out-of-state taxpayer or have ownership interest in pass-through entities.

TAXABLE YEAR

2014

Limited Liability Company Nonresident Members' Consent

CALIFORNIA FORM

3832

For use by limited liability companies (LLCs) with one or more nonresident members. Attach to Form 568 and give a copy to each nonresident member. Use additional sheets if necessary. Separate forms FTB 3832 for each nonresident member (or groups of nonresident members) may be used.

Limited liability company name	California Secretary of State (SOS) file number
	FEIN

Note: Completion of this form does not satisfy the requirements for filing a California income tax return. See General Information C, Nonresidents Who Must File a California Return.

List the names and identification numbers below, of the nonresident members of record at the end of the LLC's taxable year.

Number	Nonresident member's name	I consent to the jurisdiction of the State of California to tax my distributive share of the LLC income attributable to California sources.		Nonresident member's SSN, ITIN, or FEIN
		Signature	Date	
1				
2				
3				
4				
5				
6				
7				

List the names and identification numbers below, of the nonresident members who sold or transferred their ownership interests before the end of the LLC's taxable year.

Number	Nonresident member's name	I consent to the jurisdiction of the State of California to tax my distributive share of the LLC income attributable to California sources.		Nonresident member's SSN, ITIN, or FEIN
		Signature	Date	
1				
2				
3				
4				
5				
6				
7				

General Information

Registered Domestic Partners (RDP) – For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

A Purpose

When a multiple member LLC has one or more members who are nonresidents of California, use form FTB 3832, Limited Liability Company Nonresident Members' Consent, to:

- List the names and social security numbers (SSNs), individual taxpayer identification numbers (ITINs), or federal employer identification numbers (FEINs) of all such members.
- Obtain the signature of each nonresident member evidencing consent to the jurisdiction of the State of California to tax that member's distributive share of income attributable to California sources.

Multiple member LLCs must complete form FTB 3832. Single member LLCs **do not** complete form FTB 3832. The owner of the single member LLC consents to be taxed under California jurisdiction by signing the Single Member LLC Information and Consent on Form 568.

If a member fails to sign form FTB 3832, the LLC is required to pay tax on the member's distributive share of income at that member's highest marginal rate. Any amount paid by the LLC will be considered a payment made by the member (California Revenue and Taxation Code Section 18633.5). For more information, get Form 568, Limited Liability Company Tax Booklet.

If the nonresident member has a spouse/RDP, the spouse/RDP must also sign form FTB 3832.

e-file – If you e-file, attach the signed copy of form FTB 3832 to the form FTB 8453-LLC, California e-file Return Authorization for Limited Liability Companies. Retain the signed copy in the LLC Officers' records along with a copy of the return and other associated forms, schedules, and documents, as required by the Franchise Tax Board e-file Program. For more information, get FTB Pub. 1345, 2014 Handbook for Authorized e-file Providers, Section 7, Record Keeping and Data Retention.

B When to File

File form FTB 3832 for either of the following:

- The first taxable period for which the LLC became subject to tax with nonresident members.
- Any taxable period during which the LLC had a nonresident member who has not signed form FTB 3832.

C Nonresidents Who Must File a California Return

Nonresident members (individuals, estates, trusts, corporations, etc.) are required to file the appropriate California tax returns, in addition to signing form FTB 3832. An individual nonresident must file Long Form 540NR, California Nonresident or Part-Year Resident Tax Return, if the individual had income from California sources and:

- Was single, unmarried, or not in a registered domestic partnership at the end of 2014 and the individual's gross income from all sources was more than $16,047; or adjusted gross income from all sources was more than $12,838.
- Was married or in an RDP at the end of 2014, and the individual and spouse/RDP had a combined gross income from all sources of more than $32,097; or adjusted gross income from all sources of more than $25,678.

For more information, get California 540NR, Nonresident or Part-Year Resident Booklet.

Nonresident individuals may have California source income if their customer receives the benefit of their service or intangible in California. For more information, get Schedule R, Apportionment and Allocation of Income, or go to **ftb.ca.gov** and search for **law changes**.

D Group Nonresident Member Return

Certain nonresident members of an LLC doing business in California may elect to file a group nonresident return using Long Form 540NR. For more information, get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR.

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Visit our website:

ftb.ca.gov

2014 Instructions for Form FTB 3537

Payment for Automatic Extension for LLCs

General Information

California does not require the filing of written extensions. However, an extension of time to file is not an extension of time to pay the Limited Liability Company (LLC) tax, fee, or the nonconsenting nonresident (NCNR) members' tax.

LLCs treated as corporations (Form 100 filers)
LLCs electing to be taxed as corporations should use form FTB 3539, Payment for Automatic Extension for Corps and Exempts Orgs.

LLCs treated as partnerships (Form 568 filers)
If an LLC in good standing cannot file Form 568, Limited Liability Company Return of Income, by the due date, the LLC is granted an automatic six-month extension.

If the tax return is filed by the 15th day of the 10th month following the close of the taxable year (fiscal year) or by October 15, 2015 (calendar year), the automatic extension will apply.

LLCs treated as partnerships should use form FTB 3537, Payment for Automatic Extension for LLCs.

If the LLC does not owe tax, there is nothing to file at this time. **Do not** complete or mail this form.

Use form FTB 3537, only if both of the following apply:

- The LLC cannot file Form 568 by the due date.
- Nonconsenting nonresident members' tax is owed for 2014.

Do not use form FTB 3537 if you are paying the LLC estimated fee for the subsequent taxable year. Instead use the 2015 form FTB 3536, Estimated Fee for LLCs. **Do not** use this form if you are paying the $800 annual LLC tax for the subsequent taxable year. Instead use the 2015 form FTB 3522, LLC Tax Voucher.

Web Pay

Make payments online using Web Pay for Businesses. After a one-time online registration, businesses can make an immediate payment or schedule payments up to a year in advance. For more information, go to **ftb.ca.gov**.

Credit Card

Use Discover, MasterCard, Visa or American Express Card to pay your business taxes. Go to **officialpayments.com**. Official Payments Corp. charges a convenience fee for using this service. If paying by credit card, **do not** file form FTB 3537.

If the LLC owes tax, and did not make a payment electronically mail the form by the 15th day of the 4th month following the close of the taxable year (fiscal year) or April 15, 2015 (calendar year), to avoid late payment penalties and interest.

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

Instructions

Enter all the information requested on the form below using black or blue ink. To ensure the timely and proper application of the payment to the LLC's account, enter the California SOS file number (assigned upon registration with the SOS) and the federal employer identification number (FEIN).

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

Side 1
Amount of payment – Enter the amount from Side 2. Get the Form 568 Tax Booklet, (Specific Instructions - Schedule T) for the proper calculation of this tax.

Side 2
List the name, social security number (SSN)/individual taxpayer identification number (ITIN), or FEIN for each nonconsenting nonresident member that did not sign form FTB 3832, Limited Liability Company Nonresident Members' Consent.

Where to File

Using black or blue ink, make check or money order payable to the "Franchise Tax Board." Write the California SOS file number, FEIN, and "2014 FTB 3537" on the check or money order. Detach the form portion from the bottom of the page. Enclose, but **do not** staple, your payment with the form and mail to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531

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

If no payment is due or paid electronically, do not mail this form.

Penalties and Interest

If the LLC fails to pay its NCNR tax liability by the due date of the tax return, a late payment penalty and interest will be added to the tax due. To avoid late payment penalties and interest, the LLC's NCNR tax liability must be paid by the 15th day of the 4th month, following the close of the taxable year. The FTB may waive the late payment penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax is paid by the original due date of the return.

DETACH HERE — — — IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM — — — DETACH HERE

Fiscal year: File and Pay by the 15th day of the 4th month following the close of the taxable year.
Calendar year: File and Pay by April 15, 2015.

TAXABLE YEAR **2014** — **Payment for Automatic Extension for LLCs** — CALIFORNIA FORM **3537 (LLC)**

For calendar year 2014 or fiscal year beginning (mm/dd/yyyy) _____, and ending (mm/dd/yyyy) _____.

Limited liability company name	California Secretary of State (SOS) file number
DBA	FEIN
Address (suite, room, PO Box, or PMB no.)	
City	State / ZIP Code
Contact Telephone No. ( )	

DO NOT USE THIS FORM TO PAY THE ANNUAL LLC TAX OR FEE.

If amount of payment is zero, do not mail form ▶ **Amount of payment** _____ .00

Form at bottom of page

DETACH HERE — — — IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM — — — DETACH HERE

Limited liability company name	California Secretary of State (SOS) file number	FEIN

Nonresident member(s) that did not sign form FTB 3832: **Taxable Year 2014**

(a) Member's name	(b) SSN, ITIN, or FEIN	(c) Distributive share of income	(d) Tax rate	(e) Member's total tax due (see instructions)	(f) Amount withheld by this LLC on this member – reported on Form 592-B	(g) Member's net tax due

Total members tax due. Enter this amount on Side 1, Amount of payment (This is the amount you expect to enter on Form 568, Side 1, line 4). . . . . $ _____

Attach additional sheets if necessary.

2015 Instructions for Form FTB 3522

LLC Tax Voucher

General Information

Use form FTB 3522, LLC Tax Voucher, to pay the annual LLC tax of $800 for taxable year 2015. An LLC should use this voucher if any of the following apply:

- The LLC has articles of organization accepted by the California Secretary of State (SOS).
- The LLC has a certificate of registration issued by the SOS.
- The LLC is doing business in California.

Make a payment online using Web Pay for Businesses. After a one-time online registration, businesses can make an immediate payment or schedule payments up to a year in advance. For more information, go to **ftb.ca.gov**.

Credit Card

Businesses can use Discover, MasterCard, Visa or American Express Card to pay your business taxes. Go to **officialpayments.com**. Official Payments Corp. charges a convenience fee for using this service. If paying by credit card, **do not** file form FTB 3522.

Who Must Pay the Annual LLC Tax

Every LLC that is doing business in California or that has articles of organization accepted or a certificate of registration issued by the SOS **is subject to the $800 annual tax.** The tax must be paid for each taxable year until a certificate of cancellation of registration or of articles of organization is filed with the SOS. Get FTB Pub. 1038, Guide to Dissolve, Surrender, or Cancel a California Business Entity, for more information.

For taxable years beginning on or after January 1, 2003, an LLC as described in Internal Revenue Code Sections 501(c)(2) and 501(c)(25) and California Revenue and Taxation Code Sections 23701h and 23701x is exempt from the annual LLC tax.

When to Pay the Annual LLC Tax

The annual LLC tax is due and payable **by the 15th day of the 4th month** after the **beginning** of the LLC's taxable year (fiscal year) or April 15, 2015 (calendar year).

The first taxable year of an LLC begins when the LLC files its articles of organization with the SOS. The first taxable year of a foreign LLC doing business in California begins when the LLC is organized in another state.

If the 15th day of the 4th month of an existing foreign LLC's taxable year has passed before the foreign LLC commences business in California or registers with the SOS, the annual LLC tax should be paid immediately after commencing business or registering with the SOS.

Example: LLC1, a newly-formed calendar year taxpayer, organizes as an LLC in Delaware on June 1, 2015. LLC1 registers with the SOS on August 13, 2015, and begins doing business in California on August 14, 2015. Because LLC1's initial taxable year begins on June 1, 2015, the annual LLC tax is due by September 15, 2015 (the 15th day of the 4th month of the short-period taxable year). LLC1's short-period (June 1, 2015-December 31, 2015) tax return is due by April 15, 2016. The annual tax payment for taxable year 2016, with form FTB 3522 is also due by April 15, 2016.

Instructions

Enter all the information requested using black or blue ink. To ensure the timely and proper application of the payment to the LLC's account, enter the California SOS file number (assigned upon registration with the SOS), and the federal employer identification number (FEIN).

Series LLC

After the name for each series, write "Series LLC # ___." In addition, write "Series LLC" in red in the top right margin of the voucher. Only the first series to pay tax or file a return may use an SOS file number. For all other series, enter zeroes in the SOS file number field. We will notify each series of its assigned number after we receive its initial payment voucher. The series LLC should use this assigned number for subsequent years. Get FTB 3556, Limited Liability Company Filing Information, for more information.

Private Mail Box (PMB)

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

Where to File

Using black or blue ink, make a check or money order payable to the "Franchise Tax Board." Write the California SOS file number, FEIN, and "2015 FTB 3522" on the check or money order. Detach the payment voucher from the bottom of the page. Enclose, but **do not** staple, your payment with the voucher and mail to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution. **If no payment is due or paid electronically, do not mail this voucher.**

Penalties and Interest

If the LLC fails to pay its annual tax by the 15th day of the 4th month after the beginning of the taxable year, a late payment penalty plus interest will be assessed for failure to pay the annual LLC tax by the due date. The penalty and interest will be computed from the due date of the tax to the date of payment.

Late Payment of Prior Year Annual LLC Tax

If a prior year LLC tax of $800 was not paid by the 15th day of the 4th month after the beginning of the taxable year, the tax should be paid as soon as possible, using the **appropriate taxable year** form FTB 3522. **Do not** use any other form for payment of the tax. This will assure proper application of the payment to the LLC's account.

DETACH HERE _ _ _ _ _ IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS VOUCHER _ _ _ _ _ DETACH HERE

Fiscal year: File and Pay by the 15th day of the 4th month after the beginning of the taxable year.
Calendar year: File and Pay by April 15, 2015.

TAXABLE YEAR — CALIFORNIA FORM

2015 LLC Tax Voucher 3522

For calendar year 2015 or fiscal year beginning (mm/dd/yyyy) _____, and ending (mm/dd/yyyy) _____.

Limited liability company name	California Secretary of State (SOS) file number
DBA	FEIN

Address (suite, room, PO Box, or PMB no.)

City	State	ZIP Code

Contact Telephone no.	Amount of payment
( )	.00

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2015 Instructions for Form FTB 3536

Estimated Fee for LLCs

General Information

The Limited Liability Company (LLC) must estimate the fee it will owe for the taxable year and must make an estimated fee payment by the 15th day of the 6th month of the taxable year. LLCs should use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee payment. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the taxable year. The penalty is equal to 10% of the amount of the LLC fee owed for the year over the amount of the timely estimated fee payment. See Penalties and Interest, for more information.

The LLC fee remains due and payable by the due date of the LLC's return. LLCs should also use form FTB 3536 to pay by the due date of the LLC's return any amount of the LLC fee owed that was not paid as a timely estimated fee payment. If the taxable year of the LLC ends prior to the 15th day of the 6th month of the taxable year, no estimated fee payment is due, and the LLC fee is due on the due date of the LLC's return.

If the LLC does not owe a fee, **do not** complete or mail form FTB 3536.

If the LLC owes an estimated fee, complete the form below. Mail the form along with the check or money order payable to the FTB by the 15th day of the 6th month of the current taxable year (fiscal year) or June 15, 2015 (calendar year).

Web Pay

Make payments online using Web Pay for Businesses. After a one-time online registration, businesses can make an immediate payment or schedule payments up to a year in advance. For more information, go to **ftb.ca.gov**.

Credit Card

Businesses can use Discover, MasterCard, Visa or American Express Card to pay your business taxes. Go to **officialpayments.com**. Official Payments Corp. charges a convenience fee for using this service. If paying by credit card, **do not** file form FTB 3536.

Do not use form FTB 3536 if you are paying the 2015 $800 annual LLC tax. Instead use the 2015 form FTB 3522, LLC Tax Voucher.

Instructions

Enter all the information requested using black or blue ink. To ensure the timely and proper application of the payment to the LLC's account, enter the California Secretary of State (SOS) file number (assigned upon registration with the SOS) and the federal employer identification number (FEIN).

Private Mail Box (PMB)

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

Amount of Payment

This is the amount you expect to enter on the LLC's 2015 Form 568, Side 1, line 2, Limited Liability Company fee. As the fee owed for 2015 may not be known by the 15th day of the 6th month of the current taxable year, you may estimate your 2015 fee by completing the prior year Schedule IW, LLC Income Worksheet, included in the 2014 Form 568 Tax Booklet. Use amounts of income expected for the 2015 taxable year to estimate the 2015 fee amount.

Where to File

Using black or blue ink, make check or money order payable to the "Franchise Tax Board." Write the California SOS file number, FEIN, and "2015 FTB 3536" on the check or money order. Detach the form from the bottom of the page. Enclose, but **do not** staple, your payment with the form and mail to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531

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

If no payment is due or paid electronically, do not mail this form.

Penalties and Interest

If the LLC underpays the estimated fee, a penalty of 10% of the amount of any underpayment will be added to the fee. The underpayment amount will be equal to the difference between the total amount of the fee due for the taxable year less the amount paid by the estimated fee due date. This penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year.

To avoid late payment penalties and interest, the LLC fee must be paid by the 15th day of the 4th month following the close of the taxable year. The penalty and interest will be computed from the due date of the return to the date of the payment.

DETACH HERE — — — IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM — — — DETACH HERE

Fiscal year: File and Pay by the 15th day of the 6th month of the current taxable year.
Calendar year: File and Pay by June 15, 2015.

TAXABLE YEAR **2015** **Estimated Fee for LLCs** CALIFORNIA FORM **3536 (LLC)**

For calendar year 2015 or fiscal year beginning (mm/dd/yyyy) _____, and ending (mm/dd/yyyy) _____.

Limited liability company name	California Secretary of State (SOS) file number
DBA	FEIN

Address (suite, room, PO Box, or PMB no.)

City	State	ZIP Code

Contact Telephone No. ( )

DO NOT USE THIS FORM TO PAY THE ANNUAL LLC TAX.

If amount of payment is zero, do not mail form ▶ Amount of payment _____ .00

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Form 568
Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the limited liability company (LLC) derives the largest percentage of its ''total receipts." Total receipts is defined as the sum of gross receipts or sales plus all other income. If the LLC purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the LLC is considered a manufacturer and must use one of the manufacturing codes (311110-339900).

Once the principal business activity is determined, entries must be made on Form 568, Question C. Enter a description of the principal product or service of the LLC on the next line. Finally, for the business entity code number, enter the six digit code selected from the list below.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production

111100 Oilseed & Grain Farming
111210 Vegetable & Melon Farming (including potatoes & yams)
111300 Fruit & Tree Nut Farming
111400 Greenhouse, Nursery, & Floriculture Production
111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production

112111 Beef Cattle Ranching & Farming
112112 Cattle Feedlots
112120 Dairy Cattle & Milk Production
112210 Hog & Pig Farming
112300 Poultry & Egg Production
112400 Sheep & Goat Farming
112510 Aquaculture (including shellfish & finfish farms & hatcheries)
112900 Other Animal Production

Forestry and Logging

113110 Timber Tract Operations
113210 Forest Nurseries & Gathering of Forest Products
113310 Logging

Fishing, Hunting and Trapping

114110 Fishing
114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
115210 Support Activities for Animal Production
115310 Support Activities for Forestry

Mining

211110 Oil & Gas Extraction
212110 Coal Mining
212200 Metal Ore Mining
212310 Stone Mining & Quarrying
212320 Sand, Gravel, Clay, & Ceramic & Refractory 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

Construction of Buildings

236110 Residential Building Construction
236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction

237100 Utility System Construction
237210 Land Subdivision
237310 Highway, Street, & Bridge Construction
237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors

238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
238210 Electrical Contractors
238220 Plumbing, Heating, & Air-Conditioning Contractors
238290 Other Building Equipment Contractors
238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing

311110 Animal Food Mfg
311200 Grain & Oilseed Milling
311300 Sugar & Confectionery Product Mfg
311400 Fruit & Vegetable Preserving & Specialty Food Mfg
311500 Dairy Product Mfg
311610 Animal Slaughtering and Processing
311710 Seafood Product Preparation & Packaging
311800 Bakeries, Tortilla & Dry Pasta Mfg
311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing

312110 Soft Drink & Ice Mfg
312120 Breweries
312130 Wineries
312140 Distilleries
312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills

313000 Textile Mills
314000 Textile Product Mills

Apparel Manufacturing

315100 Apparel Knitting Mills

Code

315210 Cut & Sew Apparel Contractors
315220 Men's & Boys' Cut & Sew Apparel Mfg
315240 Women's, Girls' and Infants' Cut & Sew Apparel Mfg
315280 Other Cut & Sew Apparel Mfg
315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing

316110 Leather & Hide Tanning & Finishing
316210 Footwear Mfg (including rubber & plastics)
316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing

321110 Sawmills & Wood Preservation
321210 Veneer, Plywood, & Engineered Wood Product Mfg
321900 Other Wood Product Mfg

Paper Manufacturing

322100 Pulp, Paper, & Paperboard Mills
322200 Converted Paper Product Mfg

Printing and Related Support Activities

323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing

324110 Petroleum Refineries (including integrated)
324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing

325100 Basic Chemical Mfg
325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
325410 Pharmaceutical & Medicine Mfg
325500 Paint, Coating, & Adhesive Mfg
325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing

326100 Plastics Product Mfg
326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

327100 Clay Product & Refractory Mfg
327210 Glass & Glass Product Mfg
327300 Cement & Concrete Product Mfg
327400 Lime & Gypsum Product Mfg
327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing

331110 Iron & Steel Mills & Ferroalloy Mfg
331200 Steel Product Mfg from Purchased Steel
331310 Alumina & Aluminum Production & Processing
331400 Nonferrous Metal (except Aluminum) Production & Processing
331500 Foundries

Fabricated Metal Product Manufacturing

332110 Forging & Stamping
332210 Cutlery & Handtool Mfg
332300 Architectural & Structural Metals Mfg
332400 Boiler, Tank, & Shipping Container Mfg
332510 Hardware Mfg
332610 Spring & Wire Product Mfg
332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code

332810 Coating, Engraving, Heat Treating, & Allied Activities
332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing

333100 Agriculture, Construction, & Mining Machinery Mfg
333200 Industrial Machinery Mfg
333310 Commercial & Service Industry Machinery Mfg
333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
333510 Metalworking Machinery Mfg
333610 Engine, Turbine, & Power Transmission Equipment Mfg
333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing

334110 Computer & Peripheral Equipment Mfg
334200 Communications Equipment Mfg
334310 Audio & Video Equipment Mfg
334410 Semiconductor & Other Electronic Component Mfg
334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing

335100 Electric Lighting Equipment Mfg
335200 Household Appliance Mfg
335310 Electrical Equipment Mfg
335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing

336100 Motor Vehicle Mfg
336210 Motor Vehicle Body & Trailer Mfg
336300 Motor Vehicle Parts Mfg
336410 Aerospace Product & Parts Mfg
336510 Railroad Rolling Stock Mfg
336610 Ship & Boat Building
336990 Other Transportation Equipment Mfg

Furniture and Related Product Manufacturing

337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing

339110 Medical Equipment & Supplies Mfg
339900 Other Miscellaneous Manufacturing

Wholesale Trade

Merchant Wholesalers, Durable Goods

423100 Motor Vehicle & Motor Vehicle Parts & Supplies
423200 Furniture & Home Furnishings
423300 Lumber & Other Construction Materials
423400 Professional & Commercial Equipment & Supplies
423500 Metal & Mineral (except Petroleum)
423600 Household Appliances and Electrical & Electronic Goods
423700 Hardware, & Plumbing & Heating Equipment & Supplies
423800 Machinery, Equipment, & Supplies
423910 Sporting & Recreational Goods & Supplies
423920 Toy & Hobby Goods & Supplies
423930 Recyclable Materials
423940 Jewelry, Watch, Precious Stone, & Precious Metals
423990 Other Miscellaneous Durable Goods

Code

Merchant Wholesalers, Nondurable Goods

424100 Paper & Paper Products
424210 Drugs & Druggists' Sundries
424300 Apparel, Piece Goods, & Notions
424400 Grocery & Related Products
424500 Farm Product Raw Materials
424600 Chemical & Allied Products
424700 Petroleum & Petroleum Products
424800 Beer, Wine, & Distilled Alcoholic Beverages
424910 Farm Supplies
424920 Book, Periodical, & Newspapers
424930 Flower, Nursery Stock, & Florists' Supplies
424940 Tobacco & Tobacco Products
424950 Paint, Varnish, & Supplies
424990 Other Miscellaneous Nondurable Goods

Wholesale Electronic Markets and Agents and Brokers

425110 Business to Business Electronic Markets
425120 Wholesale Trade Agents & Brokers

Retail Trade

Motor Vehicle and Parts Dealers

441110 New Car Dealers
441120 Used Car Dealers
441210 Recreational Vehicle Dealers
441222 Boat Dealers
441228 Motorcycle, ATV, and All Other Motor Vehicle Dealers
441300 Automotive Parts, Accessories, & Tire Stores

Furniture and Home Furnishings Stores

442110 Furniture Stores
442210 Floor Covering Stores
442291 Window Treatment Stores
442299 All Other Home Furnishings Stores

Electronics and Appliance Stores

443141 Household Appliance Stores
443142 Electronic Stores (including Audio, Video, Computer, and Camera Stores)

Building Material and Garden Equipment and Supplies Dealers

444110 Home Centers
444120 Paint & Wallpaper Stores
444130 Hardware Stores
444190 Other Building Material Dealers
444200 Lawn & Garden Equipment & Supplies Stores

Food and Beverage Stores

445110 Supermarkets and Other Grocery (except Convenience) Stores
445120 Convenience Stores
445210 Meat Markets
445220 Fish & Seafood Markets
445230 Fruit & Vegetable Markets
445291 Baked Goods Stores
445292 Confectionery & Nut Stores
445299 All Other Specialty Food Stores
445310 Beer, Wine, & Liquor Stores

Health and Personal Care Stores

446110 Pharmacies & Drug Stores
446120 Cosmetics, Beauty Supplies, & Perfume Stores
446130 Optical Goods Stores
446190 Other Health & Personal Care Stores

Gasoline Stations

447100 Gasoline Stations (including convenience stores with gas)

Code

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores
448120 Women's Clothing Stores
448130 Children's & Infants' Clothing Stores
448140 Family Clothing Stores
448150 Clothing Accessories Stores
448190 Other Clothing Stores
448210 Shoe Stores
448310 Jewelry Stores
448320 Luggage & Leather Goods Stores

Sporting Goods, Hobby, Book, and Music Stores

451110 Sporting Goods Stores
451120 Hobby, Toy, & Game Stores
451130 Sewing, Needlework, & Piece Goods Stores
451140 Musical Instrument & Supplies Stores
451211 Book Stores
451212 News Dealers & Newsstands

General Merchandise Stores

452110 Department Stores
452900 Other General Merchandise Stores

Miscellaneous Store Retailers

453110 Florists
453210 Office Supplies & Stationery Stores
453220 Gift, Novelty, & Souvenir Stores
453310 Used Merchandise Stores
453910 Pet & Pet Supplies Stores
453920 Art Dealers
453930 Manufactured (Mobile) Home Dealers
453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers

454110 Electronic Shopping & Mail-Order Houses
454210 Vending Machine Operators
454310 Fuel Dealers (including Heating Oil and Liquefied Petroleum)
454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation and Warehousing

Air, Rail, and Water Transportation

481000 Air Transportation
482110 Rail Transportation
483000 Water Transportation

Truck Transportation

484110 General Freight Trucking, Local
484120 General Freight Trucking, Long-distance
484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation

485110 Urban Transit Systems
485210 Interurban & Rural Bus Transportation
485310 Taxi Service
485320 Limousine Service
485410 School & Employee Bus Transportation
485510 Charter Bus Industry
485990 Other Transit & Ground Passenger Transportation

Pipeline Transportation

486000 Pipeline Transportation

Scenic & Sightseeing Transportation

487000 Scenic & Sightseeing Transportation

Code

Support Activities for Transportation

488100 Support Activities for Air Transportation
488210 Support Activities for Rail Transportation
488300 Support Activities for Water Transportation
488410 Motor Vehicle Towing
488490 Other Support Activities for Road Transportation
488510 Freight Transportation Arrangement
488990 Other Support Activities for Transportation

Couriers and Messengers

492110 Couriers
492210 Local Messengers & Local Delivery

Warehousing and Storage

493100 Warehousing & Storage (except lessors of miniwarehouses & self- storage units)

Information

Publishing Industries (except Internet)

511110 Newspaper Publishers
511120 Periodical Publishers
511130 Book Publishers
511140 Directory Mailing List Publishers
511190 Other Publishers
511210 Software Publishers

Motion Picture and Sound Recording Industries

512100 Motion Picture & Video Industries (except video rental)
512200 Sound Recording Industries

Broadcasting (except Internet)

515100 Radio & Television Broadcasting
515210 Cable & Other Subscription Programming

Telecommunications

517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)

Data Processing Services

518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates & libraries, internet publishing & broadcasting)

Finance and Insurance

Depository Credit Intermediation

522110 Commercial Banking
522120 Savings Institutions
522130 Credit Unions
522190 Other Depository Credit Intermediation

Nondepository Credit Intermediation

522210 Credit Card Issuing
522220 Sales Financing
522291 Consumer Lending
522292 Real Estate Credit (including mortgage bankers & originators)
522293 International Trade Financing
522294 Secondary Market Financing
522298 All Other Nondepository Credit Intermediation

Activities Related to Credit Intermediation

522300 Activities Related to Credit Intermediation (including loan brokers, check clearing & money transmitting)

Code

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

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)

Insurance Carriers and Related Activities

524130 Reinsurance Carriers
524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
524210 Insurance Agencies & Brokerages
524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

Funds, Trusts, and Other Financial Vehicles

525100 Insurance & Employee Benefit Funds
525910 Open-End Investment Funds (Form 1120-RIC)
525920 Trusts, Estates, & Agency Accounts
525990 Other Financial Vehicles (including mortgage REITS & closed-end investments funds)

"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under **Management of Companies (Holding Companies)** on next page.

Real Estate and Rental and Leasing

Real Estate

531110 Lessors of Residential Buildings & Dwellings (including equity REITs)
531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)
531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)
531190 Lessors of Other Real Estate Property (including equity REITs)
531210 Offices of Real Estate Agents & Brokers
531310 Real Estate Property Managers
531320 Offices of Real Estate Appraisers
531390 Other Activities Related to Real Estate

Rental and Leasing Services

532100 Automotive Equipment Rental & Leasing
532210 Consumer Electronics & Appliances Rental
532220 Formal Wear & Costume Rental
532230 Video Tape & Disc Rental
532290 Other Consumer Goods Rental
532310 General Rental Centers
532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)

533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

Code

Professional, Scientific, and Technical Services

Legal Services
541110 Offices of Lawyers
541190 Other Legal Services

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

Code
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)
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

Code

Home Health Care Services
621610 Home Health Care Services

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
722300 Special Food Services (including food service contractors & caterers)
722410 Drinking Places (Alcoholic Beverages)
722511 Full Service Restaurants
722513 Limited Service Restaurants
722514 Cafeterias and Buffets
722515 Snack and Non-alcoholic Beverage Bars

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

Automated Phone Service

Use our automated phone service to get recorded answers to many of your questions about California taxes and to order California business entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Telephone: 800.338.0505 from within the United States
916.845.6500 from outside the United States

If you need an answer to any of the following questions, call 800.338.0505, select "Business Entity Information," then "Frequently Asked Questions." Follow the recorded instructions, and enter the three digit code when you are instructed to do so.

750 How do I organize or register a LLC?
752 What tax forms do I use to file as an LLC?
753 When is the annual tax payment due?

General Phone Service

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

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States

TTY/TDD: 800.822.6268 for persons with hearing or speech impairment

IRS: 800.829.4933 call the IRS for federal tax questions

Asistencia en español:

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

Teléfono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos

TTY/TDD: 800.822.6268 para personas con discapacidades auditivas o del habla

IRS: 800.829.4933 llame al IRS para preguntas sobre impuestos federales

Letters

If you write to us, be sure your letter includes your California SOS file number, your FEIN, your daytime and evening telephone numbers, and a copy of the notice. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0500

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information. **Do not** attach your letter to your California return.

Where to Get Tax Forms and Publications

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

Our California Tax Service Center website offers California business tax information and forms for the BOE, EDD, FTB, and IRS at **taxes.ca.gov**.

You can also download, view, and print federal forms and publications at **irs.gov.**

By phone – Call our automated phone service at the number listed on this page and follow the recorded instructions.

By mail – Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order. Write to:

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

In person – Free California tax booklets are provided at many libraries and post offices during the filing season.

Employees at libraries and post offices cannot provide tax information or assistance.

Your Rights As A Taxpayer

The FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable. See "Where To Get Income Tax Forms and Publications," on this page. To request FTB Pub. 4058 by phone, enter code 943.

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