

2015

Corporation Tax Booklet

Members of the Franchise Tax Board

Betty T. Yee, Chair

Jerome E. Horton, Member

Michael Cohen, Member

This booklet contains:

Form 100, California Corporation Franchise or Income Tax Return

Schedule H (100), Dividend Income Deduction

Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations

FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations

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

FTB 3885, Corporation Depreciation and Amortization



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



Table of Contents

Instructions for Form 100	3
General Information A, Franchise or Income Tax	7
General Information C, Minimum Franchise Tax	7
Form 100, California Corporation Franchise or Income Tax Return	21
Schedule H (100), Dividend Income Deduction	27
Instructions for Schedule H (100)	28
Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations	29
Instructions for Schedule P (100)	31
Credit Chart	36
FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations	37
Instructions for form FTB 3539	37
FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations	39
Instructions for form FTB 3805Q	41
FTB 3885, Corporation Depreciation and Amortization	47
Instructions for form FTB 3885	48
Principal Business Activity Codes	50

Business e-file

Business e-file is available for the following returns:

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

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

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

2015 Instructions for Form 100

California Corporation Franchise or Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2015, and to the California Revenue and Taxation Code (R&TC).

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for conformity. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

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

What's New/Tax Law Changes

Extend the Time for Payment of Taxes for Corporations Expecting Net Operating Loss Carryback — A corporation or an exempt organization that expects a net operating loss (NOL) in the 2016 taxable year, can file form FTB 3593, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to extend the time for payment of taxes for the immediately preceding 2015 taxable year. This includes extending the time for payment of a tax deficiency. The payment of tax that can be postponed cannot exceed the expected overpayment from the carryback of the NOL. For more information, get form FTB 3593.

Payments and Credits Applied to Use Tax – For taxable years beginning on or after January 1, 2015, if a corporation includes use tax on its income tax return, payments and credits will be applied to use tax first, then towards franchise or income tax, interest, and penalties. For more information, see General Information Y, California Use Tax and Specific Line Instructions.

Natural Heritage Preservation Credit – For qualified contributions made on or after January 1, 2015, the credit carryover period has been extended to 15 years or until exhausted, whichever occurs first. Any unused credits remaining before January 1, 2015, will remain subject to an eight-year carryover provision. In addition, the period for when a qualified contribution is made, for which a tax credit will be allowed, has been extended to June 30, 2020.

Financial Incentive for Seismic Improvement – For taxable years beginning on or after July 1, 2015, taxpayers can exclude from gross income any amount received as a loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. See Specific Line Instructions for line 15 Other deductions, for more information.

College Access Tax Credit – For taxable years beginning on or after January 1, 2014, and before January 1, 2018, the College Access Tax Credit can reduce tax below the tentative minimum tax (TMT). Get form FTB 3592, College Access Tax Credit, for more information.

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

Important Information

- The Franchise Tax Board (FTB) offers e-filing for the following entities:
 - Corporations filing Form 100, California Corporation Franchise or Income Tax Return, including combined reports and certain accompanying forms and schedules.
 - Corporations filing Form 100X, Amended Corporation Franchise or Income Tax Return.
 - Exempt homeowners associations and exempt political organizations filing Form 100.
 - Exempt organizations filing Form 199, California Exempt Organization Annual Information Return.

Check with the software providers to see if they support business e-filing.

- 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.
- Corporations can make payments online using Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to ftb.ca.gov for more information.
- Corporations can use a Discover,
 MasterCard, Visa or American Express Card
 to pay business taxes. Go to
 officialpayments.com. Official Payments
 Corp. charges a convenience fee for using
 this service.

- The Internal Revenue Service (IRS) requires certain corporations to file Schedule UTP (Form 1120), Uncertain Tax Position Statement, with their income tax returns.
 For California purposes, if a corporation is required to file the Schedule UTP (Form 1120) with the federal tax return, the corporation must attach a copy of the federal Schedule UTP (Form 1120) to the California tax return.
- For taxable years beginning on or after January 1, 2010, and before January 1, 2018, a corporation that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the minimum franchise tax if the owner is deployed during the taxable year and the corporation operates at a loss or ceases operation. For more information, see General Information C, Minimum Franchise Tax.
- If the corporation made purchases from out-of-state or Internet sellers and owes California use tax, the corporation may report and pay the tax on the California Franchise or Income Tax Return. See General Information Y, California Use Tax, for more information.
- If the corporation was involved in a reportable transaction, including a listed transaction, that corporation may have a disclosure requirement. Attach federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of federal Form 8886 to the address below.

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

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

- For taxable years beginning on or after January 1, 2014, the IRS allows corporations with at least \$10 million but less than \$50 million in total assets at tax year end to file Schedule M-1 (Form 1120/1120-F), Reconciliation of Income (Loss) per Books With Income per Return, in place of Schedule M-3 (Form 1120/1120-F), Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More. Parts II and III. However, Schedule M-3 (Form 1120/1120-F), Part I, is required for these corporations. For California purposes, the corporation 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.
- 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.
- 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 under IRC Section 1031, to file an annual information return with the FTB. For more information, get form FTB 3840, California Like-Kind Exchanges, or go to ftb.ca.gov and search for like kind.
- 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.
 See Specific Line Instructions for line 8,
 Other additions, for more information.
- 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. See Specific Line Instructions for line 15, Other deductions, for more information.
- For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California did not conform to the federal recognition of Cancellation of Debt Income (CODI) under IRC Section 108(i).
 If the corporation recognized the CODI for federal tax purposes, see Specific Line Instructions for line 15, Other deductions, for more information.

- NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years. The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL. For more information, see General Information W, Net Operating Loss (NOL) or form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, included in this booklet.
- 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 single sales factor.
- 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 market assignment.
- A "benefit corporation" can be formed with the purpose of creating general public benefit, provided certain requirements are met. An existing corporation can become a "benefit corporation", if certain procedures are followed. In addition, a "benefit corporation" can be created through a merger or reorganization, if certain requirements are met. For more information, see the corporations Code, commencing with section 14600.
- Beginning on or after January 1, 2012, a type of corporation called a "flexible purpose corporation" could be formed, provided certain requirements were met. An existing corporation could merge or convert into a "flexible purpose corporation", upon completion of certain requirements. A "flexible purpose corporation" must have a special purpose which may include but is not limited to, charitable and public purpose activities that could be carried out by a nonprofit public benefit corporation. For more information, see the Corporations Code, commencing with section 2500.
- Effective January 1, 2015, the provisions of the Corporations Code relating to flexible purpose corporations were amended. All references to "flexible purpose corporations" in the Corporations Code are changed to "social purpose corporations," although the requirements are substantially the same as prior law. Any flexible purpose corporation formed before January 1, 2015, may elect to amend its articles of incorporation to change its status to a "social purpose corporation."

- If a flexible purpose corporation formed prior to January 1, 2015, does not amend its articles of incorporation to change its status, any reference to "social purpose corporation" in the Corporation Code is deemed a reference to a "flexible purpose corporation". For more information, see the Corporations Code.
- R&TC Section 24343.2:
 - Disallows the deduction for payments made to a club that restricts membership or the use of its services or facilities on the basis of ancestry or any characteristic listed or defined in Section 11135 of the Government Code.
 - Excludes genetic information from the characteristics listed or defined in Section 11135 of the Government Code.
- "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).

- R&TC Section 25135(b) adopts the Finnigan rule in assigning sales from tangible personal property.
 For more information regarding "gross receipts" or "Finnigan rule", get Schedule R, or go to ftb.ca.gov and search for corporation law changes.
- For taxable years beginning on or after January 1, 2007, interest and dividends from intangible assets held in connection with a treasury function of the taxpayer's unitary business, as well as the gross receipts and any overall net gain from the maturity, redemption, sale, exchange, or other disposition of these assets, are excluded from the sales factor. This exclusion encompasses the use of futures contracts and options contracts to hedge foreign currency fluctuations. See Cal. Code Regs., tit. 18 section 25137(c)(1)(D) for more information. For taxable years beginning on or after January 1, 2011, see R&TC Section 25120(f).
- Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is a member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liability.
 For more information, get form FTB 3544, Election to Assign Credit Within Combined

Reporting Group, or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee, or go to ftb.ca.gov and search for credit assignment.

- Group nonresident returns may include:
 - Less than two nonresident individuals.
 - Nonresident individuals with more than \$1 million of California taxable income.

An additional 1% tax will be assessed on nonresident individuals who have California taxable income over \$1 million.

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

- In general, water's-edge rules provide for an election out of worldwide combined reporting. By electing water's-edge, a California taxpayer elects into a complex blend of state and federal tax concepts. See R&TC Sections 25110 and 25113. California taxpayers wishing to elect water's-edge should get the Form 100W, Corporation Tax Booklet, Water's-Edge Filers, for more information.
- An S corporation must elect to be treated as an S corporation. The S corporation pays a reduced tax rate of 1.5% on its net income. The profits and losses from the S corporation pass-through to each shareholder through the Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., and each shareholder is responsible for paving taxes on the distributive share. California taxpayers wishing to elect to be treated as an S corporation should get the Form 100S, S Corporation Tax Booklet, for more information.
- Use form FTB 3725, Assets Transferred from Corporation to Insurance Company, to report assets transferred from a corporation to an insurance company. Get form FTB 3725 for more information.
- Use form FTB 3726, Deferred Intercompany Stock Account (DISA) and Capital Gains Information, to meet the annual disclosure requirements of the combined reporting group of each DISA balance. Make sure to answer Question R on Form 100, Side 3. Get form FTB 3726 for more information.
- In general, R&TC Sections 17024.5 and 23051.5 state that federal elections made before a taxpayer becomes a California taxpayer are binding for California tax purposes.
- 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 corporation (payee) has backup withholding, the corporation (payee) must contact the FTB to provide a valid taxpayer identification number, before filing the tax return. Failure to provide a valid taxpayer identification number, may result in a denial of the backup withholding credit. For more information, go to ftb.ca.gov and search for backup withholding.

- For transactions that require withholding, a seller of California real estate may elect an alternative to withholding 3 1/3% of the total sales price. The seller may elect an alternative withholding amount based on the maximum tax rate for individuals, corporations, or banks and financial corporations, as applied to the gain on the sale. The seller is required to certify under penalty of perjury the alternative withholding amount to the FTB. Get FTB Pub. 1016. Real Estate Withholding Guidelines, for more information.
- R&TC Section 18662 requires buyers to withhold income taxes when purchasing California real property from corporate sellers with no permanent place of business in California immediately after the transfer. For more information, get FTB Pub. 1016. Sellers of California real estate must attach a copy of Form 593, Real Estate Withholding Tax Statement, to their tax return as proof of withholding. If the corporation needs to verify withholding payments, the corporation may call Withholding Services and Compliance at 916.845.4900 or 888.792.4900.

California law conforms to federal law for the following:

- Reduce the compensation deduction for certain employers from \$1 million to \$500,000; and makes certain parachute payments nondeductible.
- The IRC Section 1245(b)(8) relating to amortizable Section 197 intangibles property disposed on or after January 1,
- Corporations may **elect** to expense, under IRC Section 179, part or all of the cost of certain properties placed in service during the taxable year and used in the trade or business. For more information, see form FTB 3885, Corporation Depreciation and Amortization, included in this booklet.
- Large banks' bad-debt losses deduction, which are limited to the actual losses rather than contributions to a reserve for bad debts.
- AMT treatment of contributions of appreciated property.
- Disallowing the deduction for club membership fees and employee remuneration in excess of \$1 million.
- Disallowing of the deduction for lobbying
- For purposes of inventory accounting, an adjustment for shrinkage, based on an estimate, may be made. Taxpayers can voluntarily change their method of accounting if the method currently being used does not utilize estimates of inventory shrinkage and the taxpayer now wishes to use that method.
- Timeshare associations may qualify for tax-exempt status like other homeowners' associations.

- Required recognition of gain on certain appreciated financial positions in personal
- Allows securities traders and commodities traders and dealers to elect to use mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt with in the organized commodities exchange. An election to use the mark-to-market method for federal purposes is considered an election for state purposes and a separate election is not allowed.
- Limitation on exception for investment companies under IRC Section 351.
- Expansion of deduction for certain interest and premiums paid for company-owned life
- Repeal of special installment sales rule for manufacturers of tangible personal
- Payment of estimated tax for closely held real estate investment trusts (REITs) and income and services provided by REIT subsidiaries.

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

- IRC Section 382(n) relating to special rule for certain ownership changes.
- The changes to the corporation in control and the issue price for the limitation on deduction of bond premium on repurchase.
- The enhanced IRC Section 179 expensing election.
- The first-vear depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2015.
- The domestic production activities deduction.
- IRC Section 613A(d)(4) relating to the exclusion of certain refiners.
- The IRS Notice 2008-83 relating to the treatment of deductions under IRC Section 382(h) following an ownership
- IRC Section 168(k) relating to the 50% bonus depreciation deduction for certain
- The decreased estimated tax payments for certain small businesses.
- The treatment of the loss from the sale or exchange of certain preferred stock (of Fannie Mae or Freddie Mac).
- The additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.
- Energy efficient commercial buildings deduction.
- The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is restricted to 100% of the net income derived from the oil or gas well property.

- Exclusion from gross income of certain federal subsidies for prescription drug plans under IRC Section 139A.
- Certain environmental remediation expenditures that would otherwise be chargeable to capital accounts may be expensed and taken as a deduction in the year the expense was paid or incurred.
- Deduction for corporate donation of scientific property and computer technology.
- Decreased capital gains tax rate.
- Exemption from AMT for small corporations.
- The treatment of Subpart F income.
- The IRC passive activity loss rules for real estate activities.

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

California Taxpayers that are 25% Foreign-Owned U.S. Corporations and Foreign Corporations

Corporations that are required to file federal Form(s) 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, with the federal return must attach a copy(ies) to the California return. The penalty for failing to include Form(s) 5472 as required is \$10,000 per form. See General Information M, Penalties, for more information.

Information Return for U.S. Taxpayers Who Have Ownership (Directly or Indirectly) in a Foreign Corporation

U.S. taxpayers who have an ownership interest (directly or indirectly) in a foreign corporation and are required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(ies) to the California return. The penalty for failing to include a copy of federal Form(s) 5471 as required is \$1,000 per form. See General Information M, Penalties, for more information.

Records Maintenance Requirements

Any taxpayer subject to the apportionment and allocation provisions of the Corporation Tax Law is required to keep and maintain records and make the following available upon request:

- Any records needed to determine the correct treatment of items reported on the combined report for purposes of determining the income attributable to California.
- Any records needed to determine the treatment of items as nonbusiness or business income.
- Any records needed to determine the apportionment factors.

See R&TC Section 19141.6 and the related regulations, for more information. A corporation may be required to authorize an agent, through a Power of Attorney (POA), to act on its behalf in response to requests

for information or records pursuant to R&TC Section 19504. For more information, go to **ftb.ca.gov** and search for **poa**.

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

Publicly Traded Partnerships

California publicly traded partnerships that are not eligible to make the special federal election under IRC Section 7704(g)(2), and that do not qualify for the exception for partnerships with passive-type income under IRC Section 7704(c), must file Form 100. A federal election under IRC Section 7704(g)(2) is considered an election for state purposes. A separate election is not allowed.

Financial Asset Securitization Investment Trusts (FASITs)

The provisions of the IRC relating to FASITs apply for California with certain modifications. The FASIT is subject to the \$800 minimum franchise tax. File a separate Form 100 to report the \$800 minimum franchise tax. Write "FASIT" in red in the top margin of the return. If a corporation holds an ownership interest in a FASIT, it should report all the items of income, gains, deductions, losses, and credits on the corporation's return and attach a schedule showing the breakdown of items from the FASIT.

Classification of Certain Business Trusts and Certain Foreign Single Member Limited Liability Companies (SMLLCs)

In general, the classification of a business entity should be the same for California purposes as it is for federal purposes. However, an exception may apply for certain eligible business entities (business trusts and SMLLCs) existing prior to January 1, 1997, that were taxed as corporations for California purposes under former R&TC Section 23038. For taxable years beginning on or after January 1, 1997, a business trust or a previously existing foreign SMLLC may make an irrevocable election to be classified the same as federal for California purposes. To make the election the business trust or the SMLLC must have been classified as a corporation under California law, but classified as a partnership (for a business trust) or elected to be treated as a disregarded entity (for foreign SMLLC) for federal tax purposes for taxable years beginning before January 1, 1997. If this election is not made, the existing eligible business entity will continue to be classified and taxed as a corporation for California purposes. Get form FTB 3574, Special Election for Business Trusts and Certain Foreign Single Member LLCs, for more information.

General Information

Form 100 is California's tax return for corporations, banks, financial corporations, real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), real estate investment trusts (REITs), Massachusetts or business trusts, publicly traded partnerships (PTPs), exempt homeowners' associations (HOAs), political action committees (PACs), FASITs, and LLCs or partnerships taxed as corporations.

Corporations Filing on a Water's-Edge Basis
If the corporation elects to file on a water'sedge basis, use Form 100W, California
Corporation Franchise or Income Tax Return —
Water's-Edge Filers. Form 100 is not the form
prescribed by the FTB for corporations filing on
a water's-edge basis. Get the Form 100W Tax
Booklet for more information.

REMICs that are partnerships must file Form 565, Partnership Return of Income. S corporations must file Form 100S, California S Corporation Franchise or Income Tax Return.

An LLC classified as a partnership for federal purposes should generally file Form 568, Limited Liability Company Return of Income. A limited partnership (LP) or limited liability partnership (LLP) classified as a partnership for federal purposes should generally file Form 565.

When Completing the Form 100:

- Use black or blue ink on the tax return sent to the FTB.
- Print name and address (in CAPITAL LETTERS).
- When a domestic corporation files the first California tax return, the fiscal year beginning date must be the date the corporation is incorporated.
- Round cents to the nearest whole dollar.
 For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.
- Send a clean legible copy.
- Enter all types of payments (overpayment from prior year, estimated tax, nonresident tax, etc.) made for the 2015 taxable year on the applicable line.
- When making a payment with a check or money order, enclose, but do not staple the payment to the face of the tax return.
- Assemble the corporation return in the following order: Form 100, Schedule R (if required), supporting schedules, a copy of federal return (if required) and form FTB 5806, Underpayment of Estimated Tax by Corporations, (if required). **Do not** use staples or other permanent bindings to assemble the tax return.

A Franchise or Income Tax

Corporation Franchise Tax

Entities subject to the corporation minimum franchise tax include all corporations (e.g., LLCs electing to be taxed as corporations) that meet any of the following:

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

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

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

A taxpayer is "doing business" if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if **any** of the following conditions is satisfied:

- The taxpayer is organized or commercially domiciled in California.
- The sales, as defined in R&TC
 Section 25120(e) or (f), of the taxpayer in
 California, including sales by the taxpayer's
 agents and independent contractors,
 exceed the lesser of \$536,446 or 25% of
 the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of \$53,644 or 25% of the taxpayer's total real property and tangible personal property.
- The amount paid in California by the taxpayer for compensation, as defined in R&TC Section 25120(c), exceeds the lesser of \$53,644 or 25% of the total compensation paid by the taxpayer.

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

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

In the case of a corporation qualified with the California Secretary of State (SOS) but not doing business in this state, careful attention should be given to the term "doing business." It is not necessary that the corporation conducts business or engages in transactions within the state on a regular basis. Even an isolated transaction during the taxable year may be enough to cause the corporation to be "doing business."

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

Corporation Income Tax

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

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

- Associations.
- Massachusetts or business trusts.
- REITs.
- LLCs electing to be taxed as corporations other than those subject to the corporate franchise tax.
- Other business entities, including partnerships, electing to be taxed as corporations.

Political organizations that are exempt under R&TC Section 23701r and have political taxable income in excess of \$100 must file Form 100. Political organization taxable income is the amount by which gross income (other than exempt function income) less deductions directly connected with production of such gross income exceeds \$100. See the instructions for Schedule F, Computation of Net Income, included in this booklet. Exempt function income includes amounts received as:

- Contributions of money or property.
- Membership fees, dues, or assessments.
- Proceeds from the sale of political campaign material that are not received in the ordinary course of any trade or business.

Get FTB Pub. 1075, Exempt Organizations — Guide for Political Organizations, for more information.

Homeowners' associations that are exempt under R&TC Section 23701t, including unincorporated homeowners' associations, and have homeowners' association taxable income in excess of \$100 must file Form 100. Homeowners' association taxable income is the amount by which gross income (other than exempt function income) less deductions directly connected with the production of such gross income exceeds \$100. See the instructions for Schedule F, included in this booklet.

Exempt function income means amounts received as membership fees, dues, and assessments. Nonexempt gross income of a homeowners' association is defined as all income other than amounts received from membership fees, dues, or assessments.

An exempt homeowners' association may also be required to file Form 199, California Exempt Organization Annual Information Return or form FTB 199N, Annual Electronic Filing Requirement for Small Tax-Exempt Organizations (California e-Postcard). Get FTB Pub. 1028, Guidelines for Homeowners' Associations, for more information.

B Tax Rates

The following tax rates apply to corporations subject to either the corporation franchise tax or the corporation income tax.

- Corporations other than banks and financial corporations 8.84%
- Banks and financial corporations. . 10.84%

C Minimum Franchise Tax

All corporations subject to the franchise tax, including banks, financial corporations, corporate general partners of partnerships, and corporate members of LLCs doing business in California, must file Form 100 and pay at least the minimum franchise tax as required by law. The minimum franchise tax, as indicated below, must be paid whether the corporation is active, inactive, operates at a loss, or files a return for a short period of less than 12 months.

- Domestic qualified inactive gold or quicksilver mining corporations \$25
- All other corporations subject to franchise tax (see General Information A, Franchise or Income Tax, for definitions).....\$800

A combined group filing a single return must pay at least the minimum franchise tax for each corporation in the group that is subject to franchise tax.

A corporation that incorporated or qualified through the California SOS to do business in California, is **not** subject to the minimum franchise tax for its first taxable year and will compute its tax liability by multiplying its state net income by the appropriate tax rate. The corporation will become subject to minimum franchise tax beginning in its second taxable year. This does not apply to corporations that are not qualified by the California SOS, or reorganize solely to avoid payment of their minimum franchise tax.

There is no minimum franchise tax for the following entities:

Corporations that are not incorporated in California, not qualified under the laws of California, and are not doing business in California even though they derive income from California sources. However, if corporations meet the sale, property, or payroll threshold for "doing business" under R&TC Section 23101(b), corporations may be subject to the minimum franchise tax. For more information regarding "doing business", see General Information A, Franchise or Income Tax; refer to R&TC Section 23101(b); get FTB Pub. 1050,

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

Taxable Year of 15 Days or Less

A corporation is not subject to the \$800 minimum franchise tax if the corporation did no business in this state during the taxable year and the taxable year was 15 days or less. See R&TC Section 23114(a) for more information.

Deployed Military Exemption

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

For the purposes of this exemption:

- (A) "Deployed" means being called to active duty or active service during a period when the United States is engaged in combat or homeland defense. "Deployed" does not include either of the following:
 - Temporary duty for the sole purpose of training or processing.
 - A permanent change of station.
- (B) "Operates at a loss" means negative net income as defined in R&TC Section 24341.
- (C) "Small business" means a corporation with \$250,000 or less of total income from all sources derived from or attributable to California.

D Accounting Period/Method

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

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

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

E When to File

File Form 100 on or before the 15th day of the 3rd month after the close of the taxable year unless the return is for a short-period as required under R&TC Section 24634. Generally, the due date of a short-period return is the same as the due date of the federal short-period return. See R&TC Section 18601(c) for the due date of a short period return. Farmers' cooperative associations must file Form 100 by the 15th day of the 9th month after the close of the 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.

Due to the Emancipation Day holiday on April 16, 2016, tax returns filed and payments mailed or submitted on April 18, 2016, will be considered timely.

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

If a corporation converts during its taxable year to an LLC or LP under state law, then generally two short-period California returns must be filed (one short-period return for the corporation and another short-period return for the LLC or LP).

However, if:

- the LLC or LP files a federal election to be classified as an association taxable as a corporation effective as of the conversion date,
- the conversion otherwise qualifies as a reorganization under IRC Section 368(a)(1)(F), and

 the LLC or LP satisfies the statutory requirements to be a corporation,

then the corporation status and taxable year will not terminate and only a single return Form 100 is required.

F Extension of Time to File

If the corporation cannot file its California tax return by the 15th day of the 3rd month after the close of the taxable year, it may file on or before the 15th day of the 10th month without filing a written request for an extension unless the corporation is suspended on or after the original due date. An automatic extension does not extend the time for payment of tax; the full amount of tax must be paid by the original due date of Form 100. If there is an unpaid tax liability, complete form FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations, included in this booklet, and send it with the payment by the original due date of the Form 100. If a corporation or an exempt organization expects an NOL in the 2016 taxable year, the corporation or an exempt organization can file form FTB 3593 to extend the time for payment of tax for the immediately preceding 2015 taxable year. Get form FTB 3593 for more information.

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

Due to the Emancipation Day holiday on April 16, 2016, tax returns filed and payments mailed or submitted on April 18, 2016, will be considered timely.

If the corporation must pay its tax liability electronically, **all** payments **must** be remitted by electronic fund transfer (EFT), Web Pay, or credit card to avoid the penalty. **Do not** send form FTB 3539.

G Electronic Payments

Electronic Funds Transfer

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

Web Pay

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

Credit Card

Corporations can use Discover, MasterCard, Visa or American Express Card to pay business taxes. Go to **officialpayments.com**. Official Payments Corp. charges a convenience fee for using this service. **Do not** file form FTB 3539.

H Where to File

Payments

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

- Mail Form 100 with payment to: FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0501
- e-filed returns: Mail form FTB 3586, Payment Voucher for Corporations and Exempt Organizations e-filed Returns, with payment to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0531

Using black or blue ink, make the check or money order payable to the "Franchise Tax Board." Write the California corporation number and "2015 Form 100" on the check or money order.

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

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

Refunds

 Mail Form 100 requesting a refund to: FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0500

Return Without Payment or Paid Electronically

 Mail Form 100 without a payment or paid by EFT, Web Pay, or credit card to: FRANCHISE TAX BOARD

PO BOX 942857 SACRAMENTO CA 94257-0500

Private Delivery Services

California law conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See federal Form 1120, U.S. Corporation Income Tax Return, for a list

of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD SACRAMENTO CA 95827

Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **do not** use an FTB PO box.

I Net Income Computation

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

1. Federal Reconciliation Method

- a. Transfer the information from federal Form 1120, Page 1 to Form 100, Side 4, Schedule F, and attach a copy of the federal return with all supporting schedules.
- Enter the amount of federal ordinary income (loss) from trade or business activities before any Net Operating Loss (NOL) and special deductions on Form 100, Side 1, line 1.
- Enter state adjustments on line 2 through line 16 to arrive at net income (loss) after state adjustments, Side 2, line 17.

2. Schedule F – California Computation Method

If the corporation has no federal filing requirement or if the corporation **maintains** separate records for state purposes, complete Form 100, Side 4, Schedule F, to determine state ordinary income. If ordinary income is computed under California laws, generally no state adjustments are necessary. Transfer the amount from Schedule F, line 30, to Form 100, Side 1, line 1. Complete Form 100, Side 1 and Side 2, line 2 through line 16, only if applicable.

For more information, see the Specific Line Instructions.

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

J Alternative Minimum Tax (AMT)

Corporations that claim certain types of deductions, exclusions, and credits may be subject to California AMT. Generally, corporations that complete federal Form 4626, Alternative Minimum Tax — Corporations, must also complete California Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations. See Schedule P (100), included in this booklet, for more information.

K Estimated Tax

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

Corporations are required to pay the following percentages of the estimated tax liability during the taxable year:

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

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

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

- The 1st payment is due by the 15th day
 of the 4th month of the taxable year (this
 payment may not be less than the minimum
 franchise tax, if applicable).
- The 2nd, 3rd, and 4th installments are due and payable by the 15th day of the 6th, 9th, and 12th months respectively, of the taxable year.

For purposes of determining the due date of any required installment, a partial month is treated as a full month. Refer to Treas. Reg. Section 1.6655-1(f)(2)(iv) for more information.

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

California law has conformed to the federal expanded annualization periods for the computation of estimate payments. For taxable years beginning on or after January 1, 1998, the applicable percentage for estimate basis is 100%

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

If the corporation must pay its tax liability electronically, **all** estimate payments due **must** be remitted by EFT, Web Pay, or credit card to avoid the EFT penalty. See General Information G, Electronic Payments, for more information.

L New/Commencing Corporations

A corporation is required to pay measured tax instead of minimum tax for the first taxable year if the corporation incorporated or registered through the California SOS. For more information, see General Information C, Minimum Franchise Tax, or get FTB Pub. 1060.

M Penalties

Failure to File a Timely Return

Any corporation that fails to file Form 100 on or before the extended due date is assessed a delinquent filing penalty. The delinquent filing penalty is computed at 5% of the tax due, after allowing for timely payments, for every month that the return is late, up to a maximum of 25%. If a corporation does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty will

be assessed from the original due date of the return. See R&TC Sections 19131 and 23772 for more information

Failure to Pay Total Tax by the Due Date Any corporation that fails to pay the total tax shown on Form 100 by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months),

the tax remains unpaid. This penalty may not exceed 25% of the unpaid tax. See R&TC Section 19132 for more information.

The FTB may waive the late payment penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax shown on the return, but not less than minimum franchise tax if applicable, is paid by the original due date of the return.

Corporations that meet the requirements for filing form FTB 3593 may extend the time for payment of taxes and are not subject to late payment penalties. For more information, get form FTB 3593.

If a corporation is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total penalty may not exceed 25% of the unpaid tax.

Underpayment of Estimated Tax

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

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

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

If the corporation uses Exception B or Exception C on FTB 5806 to compute or eliminate any of the required installments, form FTB 5806 must be attached to **the back of** Form 100 (after all schedules and federal return) and the box on Form 100, Side 2, line 44b should be checked.

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

amount equal to 20% of the understatement of tax liabilities that:

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

See R&TC Section 19138 for exceptions to the large corporate understatement of tax penalty.

EFT Penalty

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

Information Reporting Penalties

U.S. corporations that have an ownership interest (directly or indirectly) in a foreign corporation and were required to file federal Form(s) 5471 with the federal return, must attach a copy(ies) to the California return. The penalty for failure to include a copy of federal Form(s) 5471, as required, is \$1,000 per required form for each year the failure occurs. The penalty will not be assessed if the copy of the information required to be filed with the IRS was not attached to the taxpayer's original return and the taxpayer provides a copy of the form(s) within 90 days of request from the FTB and the taxpayer agrees to attach a copy(ies) of federal Form 5471 to all returns filed for subsequent years. See R&TC Section 19141.2 for more information.

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

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

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

Record Maintenance Penalty

The penalty for failure to maintain certain records is \$10,000 for each taxable year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the corporation of the failure, in general, a penalty of \$10,000 may be assessed for each additional 30-day period of continued failure. There is no maximum amount of penalty that may be assessed.

See Records Maintenance Requirements on page 6 for a discussion of the records required to be maintained. See R&TC Section 19141.6 and the related regulations for more information.

Accuracy and Fraud Related Penalties

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

California Secretary of State (SOS) Penalty

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

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

Other Penalties

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

N Interest

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

O Dissolution/Withdrawal

The corporation must fill in the applicable box on Form 100, Side 1, Question A, if dissolving, merging, or withdrawing. The date should be the date the corporation filed/will file with the California SOS.

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

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

To claim this credit, add this amount to the value on Form 100, Side 2, line 35. Make a notation to the right of line 35: "Dissolving/Withdrawing."

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

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

The minimum franchise tax will not be assessed after the taxable year for which the final tax return is filed, if a corporation meets all of the following requirements:

- The corporation files a timely final franchise tax return for the preceding taxable year, including extension. The corporation must be in good standing to have an extension to file.
- The corporation did **not** do business in California after the final taxable year.
- The corporation files the appropriate documents for dissolution or surrender with the California SOS within 12 months of the timely filed final franchise tax return.

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

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

ATTN: DOCUMENT FILING SUPPORT UNIT CALIFORNIA SECRETARY OF STATE 1500 11TH ST 3RD FLOOR SACRAMENTO CA 95814 Telephone: 916.657.5448

P Ceasing Business

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

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

For more information, see R&TC Section 23151.1.

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

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

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

Q Suspension/Forfeiture

If a corporation does not file Form 100 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 corporation) or forfeited (in the case of a foreign corporation).

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

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

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

R Apportionment of Income

Corporations with business income attributable to sources both within and outside of California are required to apportion such income. Use Schedule R to calculate the apportionment percentage. Be sure to answer Question M on Form 100, Side 3.

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

S Combined Report

When filing a combined report, answer the applicable questions on Form 100, Schedule Q, Question B.

If two or more corporations are engaged in a unitary business and derive income from sources within and outside of California, the members of the unitary group that are subject to California's franchise or income tax are required to apportion the combined income of the entire unitary group in order to compute the measure of the tax.

If the income of a unitary group is derived wholly from California sources, its members may either file returns on a separate accounting basis or file on a combined report basis. See R&TC Section 25101.15 for more information

Members of a unitary group may elect to file a single group return by filing Schedule R-7, Election to File a Unitary Taxpayers' Group Return. For more information, get Schedule R and go to Side 6 for Schedule R-7.

Attach the Schedule R behind the California tax return and prior to the supporting schedules.

A combined unitary group's single return must present the group's data by separate corporation, as well as totals for the combined group.

The total combined tax, which must include at least the applicable minimum franchise tax for each corporation subject to the franchise tax, must be shown on Form 100, Side 2, line 23.

For more information, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

T Signatures

Phone Number and Email Address

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

Preparer Tax Identification Number (PTIN)
Tax preparers must provide their PTIN on the tax returns they prepare. Preparers who want a PTIN should go to the IRS website at irs.gov and search for ptin.

Paid Preparer Authorization

If the corporation wants to allow the FTB to discuss its 2015 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of the return. It does not apply to the firm, if any, shown in that section.

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

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

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

The authorization will automatically end no later than the due date (without regard to extensions) for filing the corporation's 2016 tax return. If the corporation wants to expand the paid preparer's authorization, go to **ftb.ca.gov** and search for **poa**. If the corporation wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

U Amended Return

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

V Information Returns

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

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

- Payments exceeding \$600 annually for compensation for services not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties, legal services whether or not the payee is incorporated, interest (such as interest charged for late payment), and pensions.
- Payments exceeding \$10 annually for interest earned and dividends.
- All payment amounts made by a broker or barter exchange.
- All payment amounts for gross proceeds paid to an attorney whether or not the services are performed for the payer.
- Cash payments over \$10,000 received in a trade or business.

See instructions for federal Forms 1099 (series), 1098, 5498, and W-2G; federal Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G.

Report payments to the FTB and the IRS using the appropriate federal form. Reports must be made for the calendar year. Federal Forms 1099 (series), 1098, and W-2G's are due no later than February 29th if filing on paper (or March 31st, if filing electronically) and federal Form 5498, IRA Contribution Information, is due by May 31st of the year following payment. When the due date falls on a weekend or holiday, the deadline to file without penalty is extended to the next business day. Federal Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, is due within 15 days after the date of the transaction.

California requires corporations to report to the FTB interest paid on municipal bonds held by California taxpayers and issued by a state other than California, or a municipality other than a California municipality. Entities paying interest to California residents on these types of bonds are required to report interest payments aggregating \$10 or more and paid after January 1, 2015. These information returns will be due June 1, 2016. Get form FTB 4800 MEO, Federally Tax Exempt Non-California Bond

Interest and Interest-Dividend Payment Information Media Transmittal, for more information

California conforms to the information reporting requirements imposed under IRC Sections 6038 through 6038C. Any federal Forms 5471, 5472, or 926, Return by a U.S. Transferor of Property to a Foreign Corporation, required to be filed for federal purposes under these IRC sections are also required to be filed for California purposes. These federal information returns should be attached to the Form 100 when filed or provided on a CD as follows:

Corporations That e-file Their Returns. The federal information returns can be included electronically as part of the e-filed return.

Corporations That File Paper Returns. The options are different depending on the number of federal information returns filed:

- If less than 100, attach a copy of each federal information return to the California tax return.
- If 100 or more, attach a copy of each federal information return to the California tax return or submit the federal information returns via CD (not password protected), with the California return, as follows:
 - Save the federal information returns on a CD in Adobe PDF format (not a stream of the federal data).
 - Write on the CD the corporation's name, the California corporation number, and the taxable year.
 - Mail the California tax return and the CD to the regular filing address.

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

W Net Operating Loss (NOL)

NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years.

The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL.

The corporation computes the **NOL carryback** in Part III of form FTB 3805Q. For more information, get FTB Legal Ruling 2011-04 (see Situation 3).

The corporation claims the NOL carryback by amending the 2013 and/or 2014 tax return using Form 100X, or Form 109, California Exempt Organization Business Income Tax Return. **Note:** If the corporation will claim the NOL as a carryback in any of the previous two years, the corporation will first file the applicable 2015 tax return and attach the completed 2015 form FTB 3805Q to the tax return. After the 2015 tax return is filed, the corporation will file the amended return for 2013 and/or 2014 to claim the NOL carryback deduction and provide the

following explanation on Form 100X, Part V, line 2, Explanation of Changes: "2015 NOL carryback deduction". For amended Form 109, attach a statement and provide the following explanation: "2015 NOL carryback deduction". **Do not** attach the 2015 form FTB 3805Q to the 2013 or 2014 amended return. Attaching form FTB 3805Q may delay processing of the amended return.

Any corporation entitled to a carryback period pursuant to IRC Section 172(b)(3) may elect to relinquish/waive the entire carryback period with respect to an NOL incurred in the 2015 taxable year. By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. Once made, the election shall be irrevocable for such taxable year. To make the election, check the box in Part I under Election to Waive Carryback, of form FTB 3805Q and attach form FTB 3805Q to the tax return. For more information, see form FTB 3805Q included in this booklet.

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

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

R&TC Sections 24347.5, 24347.11, 24347.12, and 24347.13 provide the treatment for disaster losses incurred in an area declared by the President of the United States or the Governor of California as a disaster area. For taxable years beginning before January 1, 2014, if the disaster is declared by the Governor of California only, subsequent state legislation is required for the disaster provision to be activated.

For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. See R&TC Section 24347.14 for more information.

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

For more information, see form FTB 3805Q included in this booklet, or get form FTB 3805D, Net Operating Loss (NOL) Carryover Computation and Limitation — Pierce's Disease; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3806, Los Angeles Revitalization Zone Net

Operating Loss (NOL) Carryover Deduction; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

X Limited Liability Companies (LLCs)

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

If an LLC elects to be taxed as a corporation for federal tax purposes, the LLC must file Form 100, Form 100-ES, form FTB 3539, and/or form FTB 3586 and enter the California corporation number, FEIN, and CA 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, first 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.

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

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

Y California Use Tax

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 sales tax paid on purchases made in California. If the corporation has not already paid all use tax due to the Board of Equalization, it may be able to report and pay the use tax due on its state income tax return. However, corporations required to hold a California seller's permit or to otherwise register with the 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 37 of the income tax return.

In general, corporations must pay California use tax on purchases of merchandise for use in California, made from out-of-state sellers, for example, by telephone, online, by mail, or in person.

Corporations must pay California use tax on taxable items if:

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

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

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

For more information about California use tax, please refer to the Board of Equalization's website at **boe.ca.gov**. Under the heading **How Do I**, click on **Find Information About Use Tax**.

Complete the Use Tax Worksheet on page 17 to calculate the amount due.

Extensions to File. If the corporation requests an extension to file the tax return, wait until the corporation files the 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 use tax due may result in the assessment of interest, penalties, and fees.

Application of Payments. The application of payments and credits for use tax reported on an income tax return has changed. Beginning with taxable years starting on or after January 1, 2015, payments and credits will be applied first to the use tax liability, instead of income tax liabilities, penalties, and interest.

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

For assistance, go to the 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 FTB at **ftb.ca.gov**.

Specific Line Instructions

C corporations filing on a water's-edge basis are required to use Form 100W to file their California tax return. Get Form 100W Tax Booklet, for more information.

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

- California corporation number (a valid seven digit number assigned by the California SOS).
- Federal employer identification number (FEIN) (nine digits).
- California Secretary of State file number (twelve digits), if applicable.
- Corporation name (use the legal name filed with the California SOS) and address (include PMB no., if applicable).
- Use the additional information field for "Owner/Representative/Attention" name, and other supplemental address information only.
- If the corporation has a foreign address, follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. Do not abbreviate the country name.

If an LLC elects to be taxed as a corporation for federal tax purposes, see General Information X, Limited Liability Companies (LLCs) for more information.

File the 2015 Form 100 for calendar year 2015 and fiscal year that begins in 2015. Enter taxable year beginning and ending dates **only** if the return is for a short year or a fiscal year. If a domestic corporation files the **first** California tax return, the fiscal year beginning date **must** be the date the corporation is incorporated. If the corporation reports its income using a calendar year, leave the date area blank. If the return is being filed for a short period (less than 12 months), write "short year" in red in the top margin. Convert all foreign monetary amounts to U.S. dollars.

The 2015 Form 100 may also be used if:

- The corporation has a taxable year of less than 12 months that begins and ends in 2016.
- The 2016 Form 100 is not available at the time the corporation is required to file its return. The corporation must show its 2016 taxable year on the 2015 Form 100 and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2015.

Questions A through BB

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions D through BB on Form 100, Side 2 and Side 3. Use the following instructions when answering:

Question B – Combined report informationIf the answer to Question B1 is:

- "Yes," make sure to complete all the questions listed
- "No," skip Questions B2 B4 and go to Question B5

Question B5 - FTB 3544 and/or 3544A

Check the "Yes" box if form FTB 3544 and/or 3544A is attached to Form 100.

Question C – Transfer or acquisition of voting stock

All corporations **must** answer all three questions. The questions provide information regarding changes in control or ownership 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 for more information.)

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 taxable year, one of the following occurred with respect to this corporation or any of its subsidiaries:

- The percentage of outstanding voting shares transferred to, or owned or controlled by, one person or one legal entity cumulatively exceeded 50%.
- The total outstanding voting shares transferred to or held by one irrevocable trust or trust beneficiary cumulatively exceeded 50%.
- One or more irrevocable proxies cumulatively transferred voting rights to more than 50% of the outstanding voting shares to one person or one entity.
- This corporation, or any of its subsidiaries, cumulatively acquired ownership or control of more than 50% of the outstanding voting shares or other ownership interests in any legal entity; or
- As of the end of this taxable year, cumulatively more than 50% of the total outstanding voting shares have been transferred in one or more transactions since an interest in California real property was transferred to the corporation 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.

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

Question F – Principal business activity (PBA) code

All corporations **must** answer Question F.
Include the six digit PBA code from the
Principal Business Activity Codes chart
included in this booklet. The code should
be the number for the specific industry
group from which the greatest percentage of
California "total receipts" is derived. "Total
receipts" means gross receipts plus all other
income. The California PBA code may be
different from the federal PBA code.

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

Question J – Doing business as (DBA)

Corporations doing business under a name other than that entered on Side 1 of Form 100 must enter the DBA name in Question J. If the corporation is doing business under multiple DBA's attach a schedule listing all DBA's.

Leave Question J blank if the corporation is not using DBA's to conduct business.

Question L – Reportable transaction or listed transaction

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

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

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

- A transaction with a significant book-tax difference (entered into prior to August 3, 2007). Beginning January 6, 2006, this transaction was no longer required to be disclosed on Form 8886. See IRS Notice 2006-06.
- A Listed Transaction, or a transaction that is substantially similar to a listed transaction, which has been identified by the IRS or the FTB to be a tax avoidance transaction.

- A Confidential Transaction, which is offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum fee.
- A transaction with contractual protections which provides the taxpayer with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained.
- A loss transaction under IRC Section 165
 which is at least \$10 million in any one-year
 or \$20 million in any combination of
 taxable years. (Those numbers would be
 reduced to \$2 million and \$4 million on the
 Form 100S.)
- A transaction where the taxpayer is claiming a tax credit of greater than \$250,000 and held the asset for less than 45 days (entered into prior to August 3, 2007).
- A transaction of interest is a transaction that is the same as or substantially similar to one of the types of transactions that the IRS has identified by notice, regulation, or other form of published guidance as a transaction of interest (entered into beginning November 1, 2006).

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

Question S – Regulated investment company (RIC)

R&TC Section 24870 indicates that Subchapter M of Chapter 1 of Subtitle A of the IRC, relating to regulated investment companies and real estate investment trusts, shall apply, except as otherwise provided in this part. Also, refer to R&TC Section 24871 for more information.

Question T – Real estate mortgage investment conduit (REMIC)

If a corporation is a REMIC for federal purposes, it will generally be a REMIC for California purposes. A REMIC is subject to the minimum franchise tax but is not subject to the income or franchise tax. The income of a REMIC is taxable to the holders of the REMIC interests. In order to qualify, substantially all of the assets of the entity must consist of "qualified mortgages" and "permitted investments." See the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, to determine if the corporation qualifies. California law is the same as federal law, except California does not impose a tax on prohibited transactions, as defined in IRC Section 860F. The income or gain from such prohibited transactions remains includible in the California tax base. If the corporation is a REMIC for federal purposes, answer "Yes" to Question T, complete Form 100 and attach a copy of federal Form 1066.

Question U – Real estate investment trust (REIT)

California tax law has partially conformed to the REIT provisions of the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170) except for the provisions relating to income from redetermined rents, redetermined deductions, and excess interest. Additionally, a federal election to treat property as foreclosure property under IRC Section 856(e)(5) is considered to be an election for California as well. No separate elections are allowed.

Question V – Limited liability company (LLC) or limited partnership (LP)

Answer "Yes" only if the business entity for which the Form 100 is being filed is organized as an LLC or LP but is classified as a corporation for federal tax purposes. An LLC classified as a partnership for federal purposes should generally file Form 568. An LP should file Form 565.

Question Z – Corporations that own 80% of an insurance company

One of the provisions of R&TC Section 24410 includes a reporting requirement to the Legislature. To meet this requirement, the FTB may contact any corporation who answers, "Yes" for additional information.

Line 1 through Line 44

Line 1 – Net income (loss) before state adjustments

Corporations using the federal reconciliation method to figure net income (see General Information I, Net Income Computation) must:

- Transfer the amount from federal Form 1120, line 28, to Form 100, Side 1, line 1; and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120, Page 1, onto Form 100, Side 4, Schedule F and transfer the amount from Schedule F, line 30, to Form 100, Side 1, line 1.
- Then, complete Form 100, Side 1 and Side 2, line 2 through line 16, State Adjustments.

Corporations using the California computation method to figure net income (see General Information I) must transfer the amount from Form 100, Side 4, Schedule F, line 30, to Side 1, line 1. Complete Form 100, Side 1 and Side 2, line 2 through line 16, only if applicable.

Line 2 through Line 16 – State adjustments

To figure net income for California purposes, corporations using the federal reconciliation method must enter California adjustments to the federal net income on line 2 through line 16. If a specific line for the adjustment is not on Form 100, corporations must enter the adjustment on line 8, Other additions, or line 15, Other deductions, and attach a schedule that explains the adjustment.

Line 2 and Line 3 – Taxes not deductible

California does not permit a deduction of California corporation franchise or income taxes or any other taxes on, according to, or measured by net income or profits. Such taxes that are shown on Form 100, Schedule A, must be added to income by entering the amount on Side 1, line 2 or line 3 (see Schedule A, column (d) for the amount to be added to income). California does not permit a deduction for environmental taxes imposed by IRC Section 59A.

The LLC fee is not a tax, R&TC Section 17942; therefore, it is deductible. **Do not** include any part of an LLC fee on line 2 or line 3.

Line 4 – Interest on government obligations Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state, or municipal bonds). On line 4, enter all interest on government obligations that is not included in federal ordinary income (loss).

Corporations subject to California corporation income tax, see instructions for line 15.

Line 5 – Net California capital gain Complete Schedule D on Side 6 of Form 100 and enter the California net capital gain from Schedule D, line 11 on Form 100, line 5.

Get FTB Pub. 1061 for instructions on determining the net capital gain when a combined report is filed.

Line 6 and Line 12 – Depreciation and amortization

California law is substantially different from federal law for corporations.

Complete form FTB 3885 (included in this booklet), to determine the amounts to enter on line 6 or line 12.

Line 7 – Net income not included in federal consolidated return

Use this line to report the net income from corporations included in the combined report but not included in the federal consolidated return.

Line 8 – Other additions

Any miscellaneous items that must be added to arrive at net income after state adjustments (line 17) should be shown on this line. Attach a schedule to itemize amounts.

If any federal contribution deduction was taken in arriving at the amount entered on Form 100, Side 1, line 1, include that amount on line 8.

California Ordinary Net Gain or Loss. Enter any California ordinary net gain or loss from Schedule D-1, Sales of Business Property. Attach Schedule D-1.

Domestic Production Activities Deduction.

California does not conform to the federal domestic production activities deduction. If the corporation claimed the deduction for federal purposes, include the amount on line 8.

Penalty Assessed by Professional Sports League. 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 corporation deducted the fine or penalty for federal purposes, include the amount on line 8.

Line 10 and Line 11 - Dividends

Complete Schedule H (100), Dividend Income Deduction, included in this booklet. Enter the total amount from Schedule H (100), Part I, line 4, column (d) on Form 100, Side 2, line 10. Enter the total amount from Part II, line 4, column (g) on Form 100, Side 2, line 11.

Line 13 – Capital gain from federal

Enter the federal capital gain net income from federal Form 1120, line 8. The California net capital gain should have been added to income on line 5.

Line 14 - Contributions

The contribution deduction for a California corporation is limited to the adjusted basis of the assets being contributed.

The contribution deduction is limited to 10% of California net income without regard to charitable contribution. Carryover provisions per IRC Section 170(d)(2) apply for excess contributions made during the taxable year.

For taxable years beginning on or after January 1, 2014, and before January 1, 2018, do not include any amounts taken into account for the College Access Tax Credit as a contribution deduction on line 14.

On a separate worksheet, using the Form 100 format, complete Form 100, Side 1 and Side 2, line 1 through line 17 without regard to line 14, Contributions. If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 8 of the Form 100 formatted worksheet. Enter the adjusted basis of the assets contributed on line 5 of the following worksheet. Then complete the worksheet that follows to determine the contributions to enter on line 14.

- 1. Net income after state adjustments from Side 2, line 17.....
- 2. Deduction for dividends received. . . . _
- 4. Contributions. Multiply line 3 by 10% (.10)
- 5. Enter the amount actually contributed
- 6. Enter the smaller of line 4 or line 5 here and on Side 2, line 14. . . . _

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

Line 15 - Other deductions

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

For corporations subject to income tax (instead of the franchise tax), interest received on obligations of the federal government and on obligations of the State of California and its political subdivisions is exempt from income tax. If such interest is reported on line 4, it must be deducted on line 15.

Federal Ordinary Net Gain or Loss. Enter any federal ordinary net gain or loss from federal Form 4797, Sales of Business Property.

Financial Incentive for Seismic Improvement. For taxable years beginning on or after July 1, 2015, California allows an exclusion from gross income for any amount received as a loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. If the corporation included any amount as income for federal purposes, deduct the amount on line 15.

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 was 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 corporation recognized the CODI for federal tax purposes in the current year, deduct the federal CODI amount on line 15.

Financial Incentive for Turf Removal. For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California allows an exclusion from gross income for 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. If the corporation included any amount as income for federal purposes, deduct that amount on line 15.

Line 18 – Net income (loss) for state purposes

If all corporate income is derived from California sources, transfer the amount on line 17 directly to line 18.

If only a portion of income is derived from California sources, complete Schedule R before entering any amount on line 18. Transfer the amount from Schedule R, line 35, to Form 100, line 18. Be sure to answer "Yes" to Question M on Form 100, Side 3.

If this line is a net loss, complete and attach the 2015 form FTB 3805Q to Form 100.

Public Law 86-272

Corporations **not filing a combined report** and who meet the protections of Public Law 86-272 are exempt from state taxes based upon, or measured by, net income. However, they still may be subject to the annual minimum franchise tax if they are doing business in, incorporated in, or qualified to transact intrastate business in, California. If corporations are claiming immunity in California under Public Law 86-272, **do not** include their net income or loss on line 18.

Line 19, Line 20, and Line 21

The order in which line 19, line 20, and line 21 appear is not meant to imply the order in which any NOL deduction or disaster loss deduction should be taken if more than one type of deduction is available.

Line 19 – Net operating loss (NOL) deduction NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years.

The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL.

The corporation computes the NOL carryback in Part III of form FTB 3805Q.

Any corporation entitled to a carryback period pursuant to IRC Section 172(b)(3) may elect to relinquish/waive the entire carryback period with respect to an NOL incurred in the 2015 taxable year. By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. Once made, the election shall be **irrevocable** for such taxable year. To make the election, check the box in Part I under Election to Waive Carryback, of form FTB 3805Q and attach form FTB 3805Q to the tax return. For more information, see form FTB 3805Q included in this booklet.

The NOL carryover deduction is the amount of the NOL carryover from prior years that may be deducted from income in the current taxable year.

For more information, see form FTB 3805Q included in this booklet.

If line 18 is a positive amount, enter the NOL carryover deduction from the 2015 form FTB 3805Q, Part IV, line 3 on Form 100, line 19. The loss may not reduce current year income below zero. Any excess loss must be carried forward. Attach a copy of the 2015 form FTB 3805Q to Form 100.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 2015 form FTB 3805Q showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, corporations may not claim an NOL deduction. Enter -0-on line 19. See the 2015 form FTB 3805Q instructions to compute the NOL carryback to prior years or NOL carryover to future years.

If the corporation terminates its election to be taxed as an S corporation, thus becoming a C corporation, then only that portion of the prior NOL carryover incurred while it had C corporation status may be used to the extent it has not expired.

Line 20 - Pierce's disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction

An NOL generated by a farming business due to Pierce's disease or a business that operates (operated) or invests (invested) within a former EZ, Los Angeles Revitalization Zone (LARZ), TTA, or LAMBRA receives special tax treatment. The loss may not reduce the corporation's current taxable year income below zero.

Corporations can no longer generate/incur any EZ or LAMBRA NOL for taxable years beginning on or after January 1, 2014. Corporations can claim EZ or LAMBRA NOL carryover deduction from prior years. Get FTB 3805Z Booklet or FTB 3807 Booklet for more information.

Corporations can no longer generate/incur any TTA NOL for taxable years beginning on or after January 1, 2013. Corporations can claim TTA NOL carryover deduction from prior years. Get FTB 3809 Booklet for more information.

Compute and enter the Pierce's disease, EZ, TTA, LAMBRA, or LARZ NOL carryover deduction from the corporation's form FTB 3805D; form FTB 3805Z; form FTB 3809; form FTB 3807; or form FTB 3806; on Form 100, line 20. Attach a copy of the applicable form to the Form 100.

For more information, get form FTB 3805D, form FTB 3805Z, form FTB 3806, form FTB 3807, or form FTB 3809.

Line 21 – Disaster loss deduction

If the corporation has a disaster loss carryover deduction and there is income in the current taxable year, enter the total amount from the 2015 form FTB 3805Q, Part IV, line 2.

If the corporation deducts a 2015 disaster loss, any remaining loss for disaster loss incurred in 2015 (NOL attributable to a qualified disaster loss) must be carried back or elect to be carried forward. Get form FTB 3805Q for more information.

Line 23 – Tax

Use rates listed in General Information B, Tax Rates, and C, Minimum Franchise Tax.

Line 24 and Line 25 – New employment credit

Use form FTB 3554 to calculate the New Employment Credit. Enter the credit amount generated on line 24 and amount claimed on line 25. Do not claim the credit on Schedule P (100). Get form FTB 3554 for more information, and attach a copy of the credit form to the Form 100.

Line 26a through Line 27 – Tax credits

An eligible assignee can claim assigned credits, received this taxable year or carried over from prior years, against its tax liabilities. For more information, get form FTB 3544A.

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

A variety of tax credits are available to California corporations to reduce tax. However, corporations may not reduce the tax (line 23) below the minimum franchise tax, if applicable.

Also, the amount of the credit that a corporation is allowed to claim may be limited. Generally, if the corporation completed federal Form 4626, the corporation may have limited credits. Complete Schedule P (100) (included in this booklet) to compute this limitation.

Corporations claiming the following credits are not subject to the tentative minimum tax limitation:

- California Competes Tax Credit
- California Motion Picture and Television **Production Credit**
- College Access Tax Credit
- Enterprise Zone Hiring Credit
- Enterprise Zone Sales or Use Tax Credit carryover
- Solar Energy Credit carryover (Code 180)
- Commercial Solar Energy Credit carryover
- Commercial Solar Electric System Credit carryover
- Research Credit
- Orphan Drug Credit carryover
- Low-income Housing Credit
- Manufacturers' Investment Credit carryover
- Targeted Tax Area Hiring Credit
- Targeted Tax Area Sales or Use Tax Credit carryover
- Natural Heritage Preservation Tax Credit

Each credit is identified by a code. See the Credit Chart on page 36. To claim one or two credits, enter the credit name, code, and the amount of the credit on line 26a and line 26b. To claim more than two credits, use Schedule P (100). List two of the credits on line 26a and line 26b. Enter the total of any remaining credits from Schedule P (100) on line 27. **Do not** make an entry on line 27 unless line 26a and line 26b are complete.

To figure tax credits, use the appropriate form or schedule. If the corporation claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover and Recapture Summary, to figure the amount of credit, unless the corporation is required to complete Schedule P (100). In that case, enter the amount of the credit on Schedule P (100) and complete Schedule P (100). Do not àttach form FTB 3540. For EZ, LAMBRA, or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, or form FTB 3809.

Attach the credit form or schedule and Schedule P (100), if applicable, to Form 100.

Line 29 - Balance

Subtract line 28 from line 23. Enter the result or the applicable minimum franchise tax. whichever is more. See General Information C, Minimum Franchise Tax.

Line 30 - Alternative minimum tax (AMT) Enter on this line the AMT from Schedule P (100), Part I, line 19, or Part II, line 18, whichever is applicable.

Line 33 - 2015 Estimated tax payments Enter the total amount of estimated tax payments made during the 2015 taxable year on this line. If the corporation is a nonconsenting nonresident (NCNR) member of an LLC and tax was paid on the corporation's behalf by the LLC, include the NCNR members' tax from Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., line 15e. If the corporation is including NCNR tax, write "LLC" on the dotted line to the left of the amount on line 33, and attach Schedule K-1 (568) to the California income tax return to claim the tax paid by the LLC on the corporation's behalf.

Line 34 - 2015 Withholding (Form 592-B and/or 593)

Enter the 2015 resident and nonresident or real estate withholding credit from Form 592-B, Resident and Nonresident Withholding Tax Statement, and/or Form 593, Real Estate Withholding Tax Statement. Attach a copy of the form(s) to the lower front of Form 100, Side 1. Do not include NCNR member's tax from Schedule K-1 (568), line 15e as withholding.

Line 37 - Use tax

As explained under General Information Y, California use tax applies to purchases of merchandise from out-of-state sellers (for example, purchases made by telephone, online, 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 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 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 per year in gross receipts.
- Businesses that are otherwise required to be registered with the Board of Equalization for sales and use tax purposes.

A corporation that is not required to report purchases subject to use tax directly to the Board of Equalization may, with some exceptions, report use tax on its Corporation Franchise or Income Tax Return. To report use tax on the tax return, complete the Use Tax Worksheet below.

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

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

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 37. 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 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 corporation is filing.

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

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.
- Cigarettes and tobacco products when the purchaser is registered with the 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 corporation does not know the applicable city or county sales and use tax rate, please go to the Board of Equalization's website at boe.ca.gov and under the heading Popular Topics, click on Latest Sales and Use Tax Rates 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 corporation can claim a credit up to the amount of tax that would have been due if the purchase had been made in California. For example, if the corporation paid \$8.00 sales tax to another state for a purchase, and would have paid \$6.00 in California, the corporation can only claim a credit of \$6.00 for that purchase.

Line 40 and Line 41 – Tax due or overpayment

Revise the amount of tax due or overpayment, if applicable, by the amount on Side 4, Schedule J, line 6. See instructions for Schedule J.

Line 42 – Amount to be credited to 2016 estimated tax

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

Line 43 - Refund

Direct Deposit of Refund (DDR)

Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the corporation's bank account, enter the account information on Form 100, Side 2, lines 43a, 43b, and 43c. Be sure to fill in **all** the information. **Do not** attach a voided check or deposit slip.

Caution: Check with the corporation's financial institution to make sure the deposit will be accepted and to get the correct routing and account numbers. The FTB is not responsible for a lost refund due to incorrect account information

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

Line 44 - Penalties and interest

Enter on line 44a the amount of any penalties and interest due. Complete and attach form FTB 5806 to the **back** of Form 100 (after all schedules and federal return), only if Exception B or Exception C is used in computing or eliminating the penalty. Be sure to check the box on line 44b.

Schedules

Schedule A – Taxes Deducted

Enter the nature of the tax, the taxing authority, the total tax, and the amount of the tax that is not deductible for California purposes on Form 100, Side 4, Schedule A.

If the corporation is using the California computation method to compute the net income, enter the difference of column (c) and column (d) on Schedule F, line 17.

Schedule D – California Capital Gains or Losses

California law does not conform to the federal reduced capital gains tax rates. California taxes capital gains at the same rate as other types of income. California does not allow a three-year carryback of capital losses.

Enter any unused capital loss carryover from 2014 Form 100, Side 6, Schedule D, line 11 on 2015 Form 100, Side 6, Schedule D, line 3.

For information regarding the application of the capital loss limitation and the capital loss carryover in a combined report, see Cal. Code Regs., tit. 18 section 25106.5-2 and FTB Pub. 1061.

Line 1 and Line 5

Report short-term or long-term capital gains (losses) from form FTB 3725 on Schedule D. Make sure to label on Schedule D, Part I, line 1 and/or Part II, line 5, under column (a) Kind of property and description: "FTB 3725." Enter the amount of short-term or long-term capital gains (losses) from form FTB 3725 on Schedule D, Part I, line 1, column (f) and/or Part II, line 5, column (f). Attach a copy of form FTB 3725 to the Form 100.

Report short-term or long-term capital gains from form FTB 3726 on Schedule D. Make sure to label on Schedule D, Part I, line 1 and/or Part II, line 5, under column (a) Kind of property and description: "DISA." Enter the amount of short-term or long-term capital gains from form FTB 3726 on Schedule D, Part I, line 1, column (f) and/or Part II, line 5, column (f). Attach a copy of form FTB 3726 to the Form 100.

Schedule F – Computation of Net Income

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

Line 4 – Total dividends

Enter the total amount of dividends received.

Line 13 – Salaries and wages

Gain from the exercise of California Qualified Stock Options (CQSOs) issued and exercised on or after January 1, 1997, and before January 1, 2002, can be excluded from gross income if the individual's earned income is \$40,000 or less. The exclusion from gross income is subject to AMT and the corporation is not allowed a deduction for the compensation excluded from the employee's gross income. For more information, see R&TC Section 24602.

Line 17 - Taxes

If the corporation is using the California computation method to compute the net income, enter on line 17 the difference of column (c) and column (d) of Schedule A.

Line 27 – Other deductions

Do not include any dividend elimination or deduction on this line. Instead complete Schedule H (100), Dividend Income Deduction, and enter the dividend elimination or deduction on Form 100, Side 2, line 10, or line 11.

Line 28 – Specific deduction for organizations under R&TC Section 23701r or 23701t

Political Organizations

A political organization exempt under R&TC Section 23701r must file Form 100 and report "political taxable income" in excess of \$100.

"Political taxable income" means all amounts received during the taxable year other than:

- Contributions of money or other property.
- Membership fees, dues, or assessments.
- Proceeds from political fundraising or entertainment events, or proceeds from the sale of political campaign material not received in the ordinary course of any trade or business.

Political organizations are not subject to the minimum franchise tax nor are they required to make estimate payments. The tax is computed under Chapter 3 of the Corporation Tax Law.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

Exempt Homeowners' Associations

A homeowners' association exempt under R&TC Section 23701t, including unincorporated homeowners' associations, must file Form 100 if it received nonexempt function gross income in excess of \$100. Form 100 may be required in addition to Form 199.

Nonexempt function gross income means gross income received during the taxable year other than amounts received from membership fees, dues, or assessments. Nonexempt function gross income includes the gross amount of such items as, but not limited to: interest, dividends, rents, royalties, sale of assets, and income from nonmembers.

Exempt homeowners' associations and unincorporated homeowners' associations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Corporation Tax Law. Under Chapter 3, estimated tax payments may be required. Form 100 is due on or before the 15th day of the 3rd month after the close of the taxable year.

Enter the \$100 limit on Schedule F, line 28, as a qualified "specific deduction."

Schedule G – Bad Debts Reserve Method

Only banks that are not a large bank, as defined in the IRC Section 585(c)(2), may use the bad debt reserve method. For the purpose of the bad debt reserve method, banks include savings and loan associations, and other financial institutions. For more information, see IRC Sections 581 and 585. Complete Schedule G on this page and attach it to Form 100.

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

Complete Schedule J on Form 100, Side 4, if the corporation has credit amounts to recapture or is required to include installment payments of "add-on" taxes for the following:

- Last-in, first-out (LIFO) recapture resulting from an S corporation election.
- Interest computed under the look-back method for completed long-term contracts.
- Interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations.
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of an IRC Section 197 intangible.

Revise the amount of tax due or overpayment on Form 100, line 40 or line 41, as applicable by the amount from Schedule J, line 6.

Installment Payment of Tax Attributable to LIFO Recapture for Corporations Making an S Corporation Election. A corporation that uses the LIFO inventory pricing method and makes an S corporation election must include a "LIFO recapture amount" in income for its last year as a C corporation. The corporation's LIFO recapture amount is equal to the excess of the inventory amount using the first-in, first-out (FIFO) method, over the inventory amount using the LIFO method, at the close of the corporation's last taxable year as a C corporation.

The additional tax resulting from inclusion of the LIFO recapture in income is payable in four equal installments. The first installment is due on the original due date of Form 100 of the electing corporation's last year as a C corporation.

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100, Side 2, line 18 through line 31, based on income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100 format, the corporation must complete the equivalent of Form 100, Side 2, line 18 through line 31, based on taxable income including the LIFO recapture amount. Form 100, Side 2, line 31, must then be compared to line 31 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 2, line 31, does not include the additional tax due to LIFO recapture, corporations must include 1/4 of the additional tax on Schedule J, line 1 and adjust line 40 or line 41 accordingly. Attach the worksheet showing the computation.

		Amount add	ed to reserve		
(a) Taxable year	(b) Accounts outstanding at the end of the year	(c) Current year's provisions	(d) Recoveries	(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
2010					
2011					
2012					
2013					
2014					
2015					

The electing S corporations must pay the remaining three installments of deferred tax with Form 100S.

Long-term Contracts. If the corporation must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the corporation owes or the amount of interest to be credited or refunded to the corporation on Schedule J, line 2. If interest is to be credited or refunded, enter as a negative amount. Attach form FTB 3834 to Form 100.

Interest on Tax Attributable to Payments Received on Installment Sales of Certain Timeshares and Residential Lots. If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453(I)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138. Attach a schedule showing the computation.

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

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

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

- FTB 3511, Environmental Tax Credit
- FTB 3531, California Competes Tax Credit
- FTB 3554, New Employment Credit
- FTB 3805Z, Enterprise Zone Deduction and Credit Summary
- FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary
- FTB 3808, Manufacturing Enhancement Area Credit Summary
- FTB 3809, Targeted Tax Area Deduction and Credit Summary

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

- The Community Development Financial Institutions Investment Credit
- The Employer Childcare Program Credit and the Farmworker Housing Credit (See the instructions for form FTB 3540, Part II, for more information.)

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

Schedule M-1 is used to reconcile the difference between book and tax accounting for an income or expense item. The federal and state Schedule M-1 may be the same when the corporation uses the federal reconciliation method for net income computation. See General Information I, Net Income Computation, for more information. The California Schedule M-1 will be different from the federal Form 1120, Schedule M-1, if using the California computation method for net income. The California computation method is generally used when the corporation has no federal filing requirement, or if the corporation maintains separate records for state purposes.

Reporting Requirements: If the corporation's total receipts (see top of page 50 for definition of total receipts) for the taxable year **and** total assets at the end of the taxable year are less than \$250,000, the corporation is not required to complete Schedule L, Schedule M-1, and Schedule M-2. However, this information must be available in the future upon request.

Corporation With Total Assets of At Least \$10 Million but Less Than \$50 Million. For taxable years beginning on or after January 1, 2014, the IRS allows corporations with at least \$10 million but less than \$50 million in total assets at tax year end to file Schedule M-1 (Form 1120/1120-F) in place of Schedule M-3 (Form 1120/1120-F), Parts II and III. However, Schedule M-3 (Form 1120/1120-F), Part I, is required for these corporations. For California purposes, the corporation must complete the California Schedule M-1, and attach either of the following:

- A copy of the federal Schedule M-3 (Form 1120/1120-F) and related attachments to the Form 100.
- A complete copy of the federal return.

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

FORM

100

TAXABLE YEAR California Corporation 2015 Franchise or Income Tax Return

Foi	r ca	lendar year 2015 or fiscal year beginning	(mm/dd/yyyy	and en	nding	(mm/dd/yyyy			RP
Cor	pora	ation name			California cor	poration number	FEIN		
							l		
Add	dition	al information. See instructions.				California	Secretary of S	State file numb	er
Stre	eet a	ddress (suite/room no.)						PMB no.	
City	/ (If t	he corporation has a foreign address, see instructions.)				State	ZIP code		
For	eign	country name	Fo	reign province/state/o	county		For	eign postal cod	de
								0 1	
Sc	he	dule Q Questions (continued on Side 2)							
A	FINA	AL RETURN? • L Dissolved L Surrendered	(withdrawn)	☐ Merged/Red	organized	☐ IRC Sectio	n 338 sale	QSub e	election
					Enter dat	e (mm/dd/yyyy)			
									$\overline{}$
В	1.	s income included in a combined report of a unitary gr	oup?					Yes L	∟ No
:	2.	f "Yes," indicate:	25101.15)						
		within and outside of CA							
	3	s there a change in the members listed in Schedule R-	7 from the nri	or vear?			•	Yes [□ No
		Enter the number of members (including parent or key		-					
		subject to income or franchise tax	. ,					,	
		·					_		
	5.	s form FTB 3544 and/or 3544A attached to the return?	'					Yes L	∟ No
C		During this taxable year, did another person or legal ent					,		
		of this corporation or any of its subsidiaries that owned				* -			
		for a term of 35 years or more, or leased such property	_		-		•	Yes L	No
,		During this taxable year, did this corporation or any of			, ,		auah		
		(more than a 50% interest) in another legal entity that oproperty for a term of 35 years or more, or leased such				- , .		Yes [□ No
		During this taxable year, has more than 50% of the vot			-	-		, 103 _	
,		transactions after an interest in California real property	-	•	-				
		property tax reassessment under R&TC Section 62(a)(•	- /				Yes L	No
	(Yes requires filing of statement, penalties may apply	/ – see instru	ctions.)					
_	Π.		<u>'</u>	•					00
	2								00
ents	3								00
State Adjustments	4	Interest on government obligations				• 4			00
Adju	5	Net California capital gain from Side 6, Schedule D, line					 		00
ate	6	Depreciation and amortization in excess of amount allow							00
\sim	8	A							00
	9	• •							00

t.)	10	Intercompany dividend deduction. Attach Schedule H (100) •	10	00		
con	1	Dividends received deduction. Attach Schedule H (100) •		00		
ts (1	Additional depreciation allowed under CA law. Attach form FTB 3885 .		00		
State Adjustments (cont.)	1	Capital gain from federal Form 1120, line 8		00		
nstr	1	Contributions		00		
Adji	1	Other deductions. Attach schedule(s)		00		
te	1	Total. Add line 10 through line 15.			16	00
Sta	1	The state of the s				00
	1	Net income (loss) for state purposes. Complete Schedule R if apportioning			18	
me	1	Net operating loss (NOL) deduction. See instructions		00	10	100
100	1	Pierce's disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction.	13	00		
==	20	See instructions	20	00		
CA Net Income	21	Disaster loss deduction. See instructions.		00		
3		Net income for tax purposes. Combine line 19 through line 21. Then, sub-			22	00
	1	Tax% x line 22 (at least minimum franchise tax, if applicable	e). Se	e instructions	23	00
		New employment credit, amount generated ●	0.5	00		
		New employment credit, amount claimed		00		
s		Credit name code • amount ▶		00		
Taxes		Credit name code • amount ▶		00		
<u> </u>	1	To claim more than two credits, see instructions		00		
	1	Add line 25 through line 27			28	
		Balance. Subtract line 28 from line 23 (at least minimum franchise tax, if				
	1	Alternative minimum tax. Attach Schedule P (100). See instructions				
	31				31	00
s		Overpayment from prior year allowed as a credit		00		
ent	1	2015 Estimated tax payments. See instructions		00		
Payments		2015 Withholding (Form 592-B and/or 593). See instructions •		00		
Ъ		Amount paid with extension of time to file tax return		00		
_		Total payments. Add line 32 through line 35			36	00
		Use tax. This is not a total line. See instructions ●		00		
	38	Payments balance. If line 36 is more than line 37, subtract line 37 fro	m lin	e 36	38	00
	39	Use tax balance. If line 37 is more than line 36, subtract line 36 from	ı line	37	39	00
	40	Franchise or income tax due. If line 31 is more than line 38, subtract	t line	38 from line 31	40	
ne	41	Overpayment. If line 38 is more than line 31, subtract line 31 from line	1е 38		41	00
=	42	Amount of line 41 to be credited to 2016 estimated tax			42	00
Amount Due	43	Refund. Subtract line 42 from line 41			43	00
Am		See instructions to have the refund directly deposited.				
5		Checking				
Refund or		□ Offecking				
efu		Savings Sings				_
-		43a. ● Routing number 43b. ● Type 43c. ● Accou	nt nı	ımhar		
	11	a Penalties and interest			442	00
					440	1 00
		b ● ☐ Check if estimate penalty computed using Exception B or (C. Se	e instructions.		
	45	Total amount due. Add line 39, line 40, line 42, and line 44a. Then, s	ubtra	ct line 41 from the result	45	00
Sc	hed	ule Q Questions (continued from Side 1)				
		corporation filed on a water's-edge basis pursuant to R&TC Sections 25110 ar	nd 25	113 in previous years, enter the date t	10	
ט	n me water	'S-edge election ended	iu 25	(mm/dd/v)	/VV)	•
				,	,	
E	Was 1	the corporation's income included in a consolidated federal return?				. ●
F	Princ	ipal business activity code. (Do not leave blank):				.•
		less activity				
	Produ	uct or service				
				Schedule	e Q	Questions (continued on Side 3)

Schedule	Q Questions (continued from Side 2)			
G Date incor	rporated (mm/dd/yyyy): Where:	State C	ountry	
	ness began in California or date income was first derived from California sc		-	
	n?	poration is a success	sor to a previously existing busin joint venture (4)	ess, check the appropriate box.
J "Doing bu	(Attach statement showing name, addres siness as" name. See instructions:			
 Of the c Of anoth Of this a 	ne during the taxable year, was more than 50% of the voting stock: corporation owned by any single interest? her corporation owned by this corporation?	y, by the same intere		Yes □ No
If 1, 2, could the ov	B is "Yes," enter the country of the ultimate parent or 3 is "Yes," furnish a statement of ownership indicating pertinent names, wher(s) is an individual, provide the SSN/ITIN. orporation included a reportable transaction or listed transaction within this	addresses, and perc		● ☐ Yes ☐ No
	omplete and attach federal Form 8886 for each transaction. poration apportioning or allocating income to California using Schedule R?)		■ Voc No
	poration apportioning or allocating income to california using Schedule Ka y affiliates in the combined report are claiming immunity from taxation in C			
	on headquarters are:			
	of principal accounting records			
	g method:			Accrual (3) Other
R Does this	corporation or any of its subsidiaries have a Deferred Intercompany Stock	Account (DISA)?		● ☐ Yes ☐ No
If "Yes," e	nter the total balance of all DISAs		●\$	
	poration or any of its subsidiaries a RIC?			
	poration treated as a REMIC for California purposes?			
	poration a REIT for California purposes?			
	poration an LLC or limited partnership electing to be taxed as a corporation			
	nter the effective date of the election (mm/dd/yyyy):			
	poration to be treated as a credit union?			
	poration under audit by the IRS or has it been audited by the IRS in a prior			
	equired information returns (e.g. federal Forms 1099, 5471, 5472, 8300, 88			
	taxpayer (or any corporation of the taxpayer's combined group, if applicable	,		
	corporation file the federal Schedule UTP (Form 1120)?			
Does an				
Sign Here	Under penalties of perjury, I declare that I have examined this return, including a true, correct, and complete. Declaration of preparer (other than taxpayer) is base. Signature of officer	ccompanying schedul ed on all information of	es and statements, and to the best of which preparer has any knowledge Date	
	Officer's email address (optional)		()
Paid Preparer's Use Only	Preparer's signature	Date	Check if self- employed ▶ □	
Jae Only	Firm's name (or yours,		● FEI	N
	if self-employed) and address		● Tele	ephone)
	May the FTB discuss this return with the preparer shown above?	See instructions .	• 🗆	Yes 🗆 No

3603153 Form 100 ct 2015 **Side 3**

JUIT	edule A Taxes Deducted. Use additional (a)	(b)	(c)	(d)
	Nature of tax	Taxing authority	Total amoun	t Nondeductible amount
		,		00
				00
otal.	Enter total of column (c) on Schedule F. line 1	7, and total of column (d) on Side 1, line 2 or line 3.		
		n method to compute the net income, see instructions.		00
iche	edule F Computation of Net Income. See			1 100
	4 \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \			
			e ● 1c	0
		125-A (California Schedule V)		0
	-			0
- 1	·	, (California Schedule H (100))		0
		ates and U.S. instrumentalities		0
шсоше		ates and 0.0. Instrumentanties		0
≣	•			0
				0
		hedule D (California Schedule D)		0
- 1		4797 (California Schedule D-1)		0
		+797 (Galifornia Schedule D-1)		0
- 1	,			0
	2 Compensation of officers. Attach federal F		• 11	0
Ι'	equivalent schedule		00	
4	3 Salaries and wages (not deducted elsewhe		00	
	4 Repairs	,	00	
1	5 Bad debts		00	
'	6 Rents		00	
'	7 Taxes (California Schedule A). See instruc	- 	00	
'	8 Interest. Attach schedule		00	
	9 Contributions. Attach schedule	-	00	
- 1			00	
	Depreciation. Attach federal			
	Form 4562 and FTB 3885 • 20			
3 4	11 Less depreciation claimed	216	00	
ng c	elsewhere on return	21b	00	
_ _	2 Depletion. Attach schedule			
- 1	Advertising	9 -	00	
	4 Pension, profit-sharing plans, etc			
	Employee benefit plans		00	
2	(6 a) Total travel and entertainment		00	
	b) Deductible amounts		00	
	7 Other deductions. Attach schedule		00	
2	8 Specific deduction for organizations under			
	Section 23701r or 23701t. See instruction		00	lad
	•	28	29	00
		tract line 29 from line 11. Enter here and on Side 1, li	ne 1 ● 30	0
	edule J Add-On Taxes and Recapture of			
	IFO recapture due to S corporation election, I	. ,	• 1	0
	•	d for completed long-term contracts (Attach form FTB	, L	0
3 In		ales of certain timeshares and residential lots		0
		lethod for nondealer installment obligations		0
				0
	redit recapture name:		• 5	0
	•	ne 40 or line 41, whichever applies, by this amount. V		
"(Schedule J" to the left of line 40 or line 41		• 6	0

Sc	chedule V Cost of Goods Sold						
_	Inventory at beginning of year				(1)		00
	Purchases				~		00
	Cost of labor				~		00
4	a Additional IRC Section 263A costs. Attach schedu	ule			• 4a		00
	b Other costs. Attach schedule						00
5	Total. Add line 1 through line 4b						00
	Inventory at end of year						00
	Cost of goods sold. Subtract line 6 from line 5. Ente						00
Me	ethod of inventory valuation						
Wa	is there any change in determining quantities, costs o	of valuations between	opening and clo	sing inventory?)		Yes \square No
lf "	Yes," attach an explanation.						
En	ter California seller's permit number, if any 🕨						
Ch	eck if the LIFO inventory method was adopted this ta	xable year for any go	ods. If checked,	attach federal l	Form 970		
lf t	he LIFO inventory method was used for this taxable	year, enter the amour	nt of closing inve	ntory under LIF	-0		
Do	the rules of IRC Section 263A (with respect to proper	erty produced or acqu	uired for resale)	apply to the co	rporation?		Yes \square No
Th	e corporation may not be required to complete Sch	edules L, M-1, and I	VI-2. See Sched	ule M-1 instruc	tions for reportir	ng requirements	s.
So	chedule L Balance Sheet	Beginnin	g of taxable yea	r	End of	f taxable year	
A	ssets	(a)	(b)	(c)	(d)
1	Cash		•			•	
2	a Trade notes and accounts receivable			•			
	b Less allowance for bad debts	() 💿	•	() •	
3	Inventories		lacksquare			•	
4	Federal and state government obligations		lacksquare			•	
	Other current assets. Attach schedule(s)						
6	Loans to stockholders/officers. Attach schedule		lacksquare			•	
7	Mortgage and real estate loans		lacksquare			•	
8	Other investments. Attach schedule(s)		•			•	
9	a Buildings and other fixed depreciable assets			•			
	b Less accumulated depreciation) 💿	•	() •	
10	a Depletable assets		_				
	b Less accumulated depletion	() 💿	()	
	Land (net of any amortization)		•			•	
12	a Intangible assets (amortizable only)	<u>•</u>		•			
	b Less accumulated amortization) 💿	•	() 💿	
	Other assets. Attach schedule(s)		<u> </u>			•	
	Total assets		•			•	
	abilities and Stockholders' Equity						
	Accounts payable		<u> </u>			•	
	Mortgages, notes, bonds payable in less than 1 year		<u>•</u>			•	
	Other current liabilities. Attach schedule(s)		<u>•</u>				
	Loans from stockholders. Attach schedule(s)		<u>•</u>			•	
	Mortgages, notes, bonds payable in 1 year or more		<u>•</u>			•	
20	Other liabilities. Attach schedule(s)	<u> </u>	•			•	
21	Capital stock: a Preferred stock			•			
00	b Common stock		<u> </u>	•			
	Paid-in or capital surplus. Attach reconciliation		<u> </u>			•	
	Retained earnings – Appropriated. Attach schedule						
	Retained earnings – Unappropriated						
	Adjustments to shareholders' equity. Attach schedule		(\		/	
	Less cost of treasury stock)
<u> </u>	Total liabilities and stockholders' equity						

3605153 Form 100 c1 2015 **Side 5**

S	Schedule M-1 Reconciliation of Incon If the corporation comp	n e (Loss) per Books \ Ieted federal Schedu l	With Income (Loss le M-3 (Form 1120	s) per Return. I /1120-F), see instruc	tions.	
1	Net income per books		7	Income recorded on b	ooks this year not	
	Federal income tax			included in this return		
	Excess of capital losses over capital gains				: .\$	
	Taxable income not recorded on books th			b Other		
7	(itemize)			c Total. Add line 7a a		
	(110111120)		8	Deductions in this ret	_	
5	Expenses recorded on books this year no	t deducted		against book income		
U	in this return (itemize)	i deducted			S	
	a Depreciation\$			b State tax refunds .5		
	b State taxes\$			c Other		
	c Travel and				rough line 8c	
	entertainment .\$				-	
	d Other \$		9	Total. Add line 7c and	line 8d	
	e Total. Add line 5a through line 5d		10	Net income per return		
6	Total. Add line 1 through line 5e				ne 6	
_	Schedule M-2 Analysis of Unapprop		nings per Books (S			
_	Balance at beginning of year		_ · ·		h	
2	Net income per books			b Stoo	ck ● _	
	Other increases (itemize)			c Pro	oerty • _	
J	Other increases (itemize)		6	Other decreases (itemi	ze)	
					• <u>_</u>	
		•			ne 6	
				Balance at end of year.	ı	
	Total. Add line 1 through line 3			Subtract line 7 from lir	ne 4	
	Schedule D California Capital Gains a		. W II III			
Pa	art I Short-Term Capital Gains and Losso					(5)
	(a) Kind of property and description	(b) Date acquired	(c) Date sold	(d) Gross sales	(e) Cost or other	(f) Gain (loss)
	(Example, 100 shares of Z Co.)	(mm/dd/yyyy)	(mm/dd/yyyy)	price	basis plus	(d) less (e)
					expense of sale	
_1	1					00
						00
						00
_						00
						00
	2 Short-term capital gain from installment		•			00
	3 Unused capital loss carryover from 2014					00
	4 Net short-term capital gain (loss). Comb					00
_	art II Long-Term Capital Gains and Losse	es – Assets Heid Wor	e inan une year.	Use additional sheet(s) if necessary.	00
_;	5					00
_						00
_						00
_						00
_	C. Foston maio forma Oakaduda D.d. lina O.an.	1/				00
	6 Enter gain from Schedule D-1, line 9 and					00
	7 Long-term capital gain from installment					00
	8 Net long-term capital gain (loss). Combi					00
	9 Enter excess of net short-term capital ga	• •				00
	Net capital gain. Enter excess of net longTotal lines 9 and 10. Enter here and on F			ı-ıoiiii vapitai 1088 (IIII	□ ¬· / · · · · · · · · · · · · · · · · ·	00
•	If losses exceed gains, carry forward los					00
	ii 103303 070000 gaiiis, carry for waru 103	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				00

2015 Dividend Income Deduction

H (100)

Attach to Form 100. Attach addition	nal sheets if necessary.				
Corporation name	•			Californi	a corporation number
Part I Elimination of Intercompan	y Dividends (R&TC Section 25106)				
	(a) Dividend payer			(b)	
4	Dividend payer			Dividend payee	
1					
2					
3					
(c)	(d)	A	(e)	(f)	(g)
Total amount of dividends received	Amount that qualifies for 100% elimination	Amount from C	olumn (d) paid out of earnings and profits	Amount from column (d) paid out prior year earnings and profits	of Balance column (c) minus column (d)
1		- Curront your c	armigo and promo	prior your ournings and promo	column (c) minus column (d)
2					
2					
3		1			
4	•				
Enter total amounts of each column on li	ine 4 above. Enter total from Part I, line 4, o	column (d) on Form	100, Side 2, line 10.		
Part II Deduction for Dividends Pa	iid to a Corporation by an Insurance Co	mpany (R&TC Sect	ion 24410)		

	(a) Dividend payer		(b) Dividend payee	
1				
2				
3				
(c) Percentage of ownership of dividend payer (must be at least 80%)	(d) Total insurance dividends received	(e) ridend percentage nstructions)	(f) Amount of qualified insurance dividends column (d) x column (e)	(g) Deductible dividends 85% of column (f)
1				
2				
3				
4 Total amounts in column (g). Enter h	ere and on Form 100, Side 2, line 11	 		O

2015 Instructions for Schedule H (100)

Dividend Income Deduction

Important Information

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

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

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

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

Specific Instructions

California follows the federal dividend distributions ordering rule where dividends are deemed to be paid out of current year E&P first, and then layered back on a last-in, first-out (LIFO) basis.

A corporation may eliminate or deduct dividend income when certain requirements are met. The available eliminations or deductions are described below.

Part I – Elimination of Intercompany Dividends

A corporation may eliminate dividends received from unitary subsidiaries but only to the extent that the dividends are paid from unitary E&P accumulated while both the payee and payer were members of the combined report. See R&TC Section 25106 for more information. Complete Part I and enter the total of Part I, line 4, column (d) on Form 100, Side 2, line 10.

Part II – Deduction for Dividends Paid to a Corporation by an Insurance Company

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

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

To complete Part II:

- 1. Fill in columns (a) through (c).
- Enter in column (d) the total amount of insurance dividends received.
- 3. Enter the qualified dividend percentage in column (e).
- Multiply the amount in column (d) by the qualified dividend percentage in column (e) and enter that amount in column (f).
- 5. Multiply the amount in column (f) by 85% and enter the result in column (g).
- Total the amounts on Part II, line 4, column (g). Enter the amount from Part II, line 4, column (g) on Form 100, Side 2, line 11.

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

CALIFORNIA SCHEDULE

TAXABLE YEAR Alternative Minimum Tax and **Credit Limitations — Corporations** 2015

P (100)

At	ttach to Form 100 or Form 109.			
Co	rporation name		California corporation nu	umber
_	A TOLIN BRIDGE TO (TRATE) A LANGUE DE LA RACCIO A TOLIN BRIDGE DE LA RACCIO A			
	art I Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation			
1	Net income (loss) after state adjustments. Enter the amount from Form 100, line 17; Schedule			100
_	the lesser of line 1 or line 2. See instructions.		. • 1	00
2	Adjustments. See instructions		20	
	a Depreciation of tangible property placed in service after 1986		<u>00</u>	
	b Amortization of certified pollution control facilities placed in service after 1986		00_	
	c Amortization of mining exploration and development costs incurred after 1987		00_	
	d Basis adjustments in determining gain or loss from sale or exchange of property		00_	
	e Long-term contracts entered into after February 28, 1986		00_	
	f Installment sales of certain property		00_	
	g Tax shelter farm activities (personal service corporations only)		00_	
	h Passive activities (closely held corporations and personal service corporations only)		00_	
	i Certain loss limitations		00_	
	j Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 12a	· —	00_	
	k Merchant marine capital construction funds		00	00
•	I Combine line 2a through line 2k		. • 21	00
3	Tax preference items. See instructions		20	
	a Depletion		<u>00</u> 00	
	b Intangible drilling costs			00
4	Pre-adjustment alternative minimum taxable income (AMTI):		. 🕑 36	00
4	a Combine line 1, line 2l, and line 3c		A 12	00
	b Apportioned pre-adjustment AMTI. If income is derived from sources both within and outs		. • 4a	00
	see instructions. Otherwise, enter the amount from line 4a		. • 4b	00
5	Adjusted current earnings (ACE) adjustment:		. • 40	100
J	a Enter ACE. See instructions	52	00	
	b Apportioned ACE. If income is derived from sources both within and outside of	00	<u>10</u>	
	California, see instructions. Otherwise, enter the amount from line 5a	5h 0	00	
	c Subtract line 4b from line 5b (even if one or both of the figures are negative).		<u>, o</u>	
	If negative, use brackets	. 5c 0	00	
	d Multiply line 5c by 75% (.75) and enter the result as a positive number			00
	e Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adj		. 0 04	- 33
	reductions in AMTI from prior year ACE adjustments. Enter an amount on line 5e (even if lir	•	. (•) 5e	00
	f ACE adjustment:	, , , , , , , , , , , , , , , , , , ,		
	• If line 5c is a positive amount or zero, enter the amount from line 5d on line 5f as a positi	ive amount.		
	• If line 5c is a negative amount, enter the smaller of line 5d or line 5e on line 5f as a negat		. • 5f	00
6	Combine line 4b and line 5f. If zero or less, enter -0		_	00
	a Reduction for disaster loss deduction, if any, from Form 100, line 21		00	
	b AMT net operating loss deduction. See instructions		00	
	c Combine line 7a and line 7b			00
8	AMTI. Subtract line 7c from line 6			00
	Enter \$40,000 exemption. See instructions			00
	Enter \$150,000 limitation. See instructions			00
	Subtract line 10 from line 8. If zero or less, enter -0		_	00
	Multiply line 11 by 25% (.25)			00
	Exemption. Subtract line 12 from line 9. If zero or less, enter -0			00
	Subtract line 13 from line 8. If zero or less, enter -0		. • 14	00
	Multiply line 14 by 6.65% (.0665)		00	
16	Banks and financial corps. Multiply Form 100, line 22, by 2.00% (.0200). See instructions	16	00	

7 TMT. Add line 15 and line 16 from Side 1	, .			17	(
Regular tax before credits. Enter the amount from Form 100, line 23 or Fori					
AMT. Subtract line 18 from line 17. If zero or less, enter -0 See instruction					
art II Credits that Reduce Tax. See instructions.					
Regular tax from Form 100, line 23 or Form 109, line 10				1	(
TMT (before credits) from Part I, line 17 (but not less than the minimum fra					(
		(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by	(d) Credit carryover
ection A - Credits that reduce excess regular tax.				credits	
3 Subtract line 2 from line 1. If zero or less, enter -0- and see instructions.					
This is the excess regular tax which may be offset by credits. Note: Reduce the amount in column (c) by the New Employment Credit					
amount claimed on Form 100, line 25, if applicable	3			•	
Credits that reduce excess regular tax and have no carryover provisions.	0				-
Code: 162 Prison inmate labor credit	4	lacksquare	•	•	
2 Credits that reduce excess regular tax and have carryover provisions.	Ė				
See instructions.					
5 Code: • Credit Name:	5		•	•	•
6 Code: O Credit Name:	6	•	•	•	•
7 Code: • Credit Name:	7	•	•	•	•
3 Code: • Credit Name:	8	•	•	•	•
Gode: 188 Credit for prior year AMT from Part III, line 3	9	•	•	•	•
ection B – Credits that may reduce regular tax below TMT.					
If Part II, line 3 is zero, enter the amount from line 1 minus the minimum					
franchise tax, if applicable. If line 3 is more than zero, enter the total of					
Part II, line 2, minus the minimum franchise tax, if applicable, plus line 9,					
column (c) or the last entry in column (c)	10			•	
Credits that reduce net tax and have carryover provisions.					
See instructions.					
	11		•	•	(a)
<u> </u>	12		•	•	•
<u> </u>	13 14		•	(a)	•
1 Code: O Credit Name:	14	•	•		•
ection C - Credits that may reduce AMT. See instructions.	45				
5 Enter the AMT from Part I, line 19			•	•	•
6b Code: 181 Commercial Solar Energy credit carryover from Section B, column (d)	108				
**	16b		•	•	•
7a Code: 176 Enterprise Zone Hiring & Sales or Use Tax credit carryover	100				
	17a		•	•	•
7b Code: 199 Manufacturers' Investment credit carryover from Section B,	174				
	17b		•	•	•
3 Adjusted AMT. Enter the balance from line 17b, column (c) here and on	17.5				
•	18			•	
art III Credit for Prior Year AMT	1.5				
Enter the AMT from the 2014 Schedule P (100). See instructions				1	(
2 Carryover of unused credit for prior year AMT. See instructions					(
				· · · · · · · · · · · · · · · · · · ·	11

2015 Instructions for Schedule P (100)

Alternative Minimum Tax and Credit Limitations — Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2015, and to the California Revenue and Taxation Code (R&TC)

What's New

Natural Heritage Preservation Credit - For qualified contributions made on or after January 1, 2015, the credit carryover period has been extended to 15 years or until exhausted, whichever occurs first. Any unused credits remaining before January 1, 2015, will remain subject to an eight-year carryover provision. In addition, the period for when a qualified contribution is made, for which a tax credit will be allowed, has been extended to June 30, 2020.

College Access Tax Credit - For taxable years beginning on or after January 1, 2014, and before January 1, 2018, the College Access Tax Credit can reduce tax below the tentative minimum tax (TMT). Get form FTB 3592, College Access Tax Credit, for more information.

Important Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. 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.

Joint Strike Fighter (JSF) Wages and Joint Strike Fighter Property Costs Credit Carryovers **Expired** – The JSF Wages and JSF Property Costs credit carryovers expired during the 2013 taxable year. For taxable years beginning on or after January 1, 2014, taxpayers can no longer use the credit carryovers. Exception: Taxpayers can use the credit carryovers if the following situation applies:

For taxable years beginning on or after January 1, 2008, and before January 1, 2010, business tax credits could only offset 50% of the tax, if a corporation's taxable income was \$500,000 or more. Business tax credits disallowed due to the 50% limitation may be carried over. The carryover period for disallowed credits was extended by the number of taxable years the credits were not allowed. Note: The 2015 taxable year is the last year this extension applies to the JSF Wages and JSF Property Costs credit carryovers.

NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years.

The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning

- January 1, 2013, and before January 1, 2014, the carryback amount shall not exceed 50% of
- January 1, 2014, and before January 1, 2015, the carryback amount shall not exceed 75% of
- January 1, 2015, the carryback amount shall be 100% of the NOL.

The corporation computes the NOL carryback in Part III of form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations. For more information, see R&TC Section 24416.20 and get FTB Legal Ruling 2011-04 (see Situation 3).

The California Motion Picture and Television Production Credit can reduce tax below the TMT for corporations. For more information, see R&TC Section 23036.

Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is a member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liability. For more information, get form FTB 3544, Election to Assign Credit Within Combined Reporting Group or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee, or go to ftb.ca.gov and search for credit assignment.

California law conforms to federal law regarding:

- Large banks' bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.
- The removal of the adjusted current earnings (ACE) depreciation adjustment.
- The use of the same depreciation recovery periods for regular tax and alternative minimum tax (AMT) for property placed in service after December 31, 1998.
- The repeal of the installment method AMT adjustment for farmers. Farmers are allowed to use the installment method of accounting for purposes of AMT for payments received in taxable years beginning on or after January 1, 1997, for installment sales related to the sale or disposition of farm property made in taxable years beginning on or after January 1, 1988.
- The treatment of merchant marine capital construction account funds as an adjustment item for AMT.

California law does not conform to federal law regarding:

- The election to claim additional research and minimum tax credits in lieu of claiming additional first-year depreciation of certain qualified property.
- The 15% alternative tax with qualified timber gains under IRC Section 1201(b).
- The elimination of AMT for small businesses.

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

General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100). Alternative Minimum Tax and Credit Limitations — Corporations, and in these instructions, includes banks, financial corporations, partnerships or limited liability companies (LLCs) classified as corporations, and exempt organizations other than exempt trusts, but not S corporations.

California tax laws give special treatment to some types of income and allow special deductions and credits for some types of expenses. Corporations that benefit from these laws may have to pay AMT in addition to the minimum franchise tax.

Use this schedule to calculate AMT and to figure credits that are limited by the TMT or that may reduce AMT.

See IRC Sections 55 through 59 for more information on figuring AMT. Note that R&TC Sections 23455, 23456, 23457, and 23459 modify IRC Sections 55 through 59.

Who Must File

- Corporations should file Schedule P (100) if the sum of: AMT adjustments, preference items, loss denials, other items as specified under IRC Section 59, and state net income exceeds \$40,000.
- Exempt organizations, other than exempt trusts with unrelated business income, should file Schedule P (100) if the sum of: AMT adjustments, preference items, loss denials, items specified under IRC Section 59, and state net unrelated business taxable income exceeds \$40,000.
- Exempt trusts should use Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries.

In addition, if the corporation claims credits that are limited by TMT (Part I, line 17) or that reduce the AMT (Part I, line 19), the corporation must file Schedule P (100).

Members of a Combined Report. Alternative minimum taxable income (AMTI) and ACE are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for **each** member of a combined report. Complete a separate Schedule P (100) for each member included in the combined report. Attach the Schedule P (100) for each member in the combined report behind the combined Schedule P (100) for all members. See instructions for Part I, line 4b, line 5a, line 5b, line 5e, line 7b, line 9, and line 10.

Short Period Tax Return. For a short-period tax return, use the formula in IRC Section 443(d) to determine the AMTI and AMT.

Credit for Prior Year AMT. If the corporation paid AMT for 2014 or has a carryover of credit for prior year AMT and has no AMT liability for 2015, the corporation may use this credit in 2015 to reduce its regular tax liability. Complete Part III to figure this credit.

Specific Line Instructions

Part I – Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation

Line 1 – Net income (loss) after state adjustments

Enter the amount from Form 100, line 17 or Form 109, the lesser of line 1 or line 2. If the corporation filed a Schedule R, Apportionment and Allocation of Income, with the tax return, enter the amount from Schedule R, line 1c.

Line 2a – Depreciation of tangible property placed in service after 1986 and before 1999 Do not include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows:

- For property other than real property and property on which the straight-line method was used, use the 150% declining balance method, switching to straight-line for the first taxable year in which that method will give a higher depreciation deduction. Use the same life classes as used on the federal Form 4626, Alternative Minimum Tax – Corporations.
- For personal property having no asset depreciation range (ADR) class life, use 12 years
- For residential rental and nonresidential real property, use the straight-line method over 40 years.

Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this line.

If the corporation elected to depreciate a grapevine that was replanted in a vineyard as a result of phylloxera or Pierce's disease infestation over five years instead of 20 years for regular tax, it must depreciate the grapevine over ten years for AMT.

Depreciation that is capitalized to inventory under the uniform capitalization rules must be refigured using the rules described above.

Include on line 2a any differences between regular and AMT depreciation (e.g., IRC Section 179 depreciation differences).

Line 2b – Amortization of certified pollution control facilities placed in service after 1986
For any certified pollution control facility placed in service in California after 1986 and before 1999, the five-year depreciation method available for such facilities for regular tax purposes must be replaced for AMT purposes by the alternative depreciation system (ADS) specified under IRC Section 168(g) (straight-line method, without regard to salvage value). A facility placed in service after December 31, 1998, is depreciated using the IRC Section 168 straight-line method. For more information, see IRC Section 56(a)(5).

Line 2c – Amortization of mining exploration and development costs incurred after 1987

If the corporation elected the optional ten-year write-off under IRC Section 59(e) for all assets in this category, skip this line.

With respect to each mine or other natural deposit, (other than an oil, gas, or geothermal well) refigure the expenses before the 30% reduction under IRC Section 291(b) by amortizing them over ten years beginning with the year in which the expenses were paid or incurred. Figure the adjustment by subtracting the refigured amount from the deduction taken under IRC Section 616(a) or 617(a) after the 30% reduction. Enter the amount on this line. If a loss resulted with respect to those expenses, see IRC Section 56(a)(2)(B).

Line 2d – Basis adjustments in determining gain or loss from sale or exchange of property

If the corporation disposed of property during the year, refigure the gain or loss from such sale taking into account the AMT adjustments on line 2a through line 2c. Enter the difference between the gain or loss reported for regular tax and the recomputed gain or loss. If the recomputed gain is less, or the loss is more, enter the difference as a negative amount. Otherwise, enter a positive amount.

Line 2e – Long-term contracts entered into after February 28, 1986

If the corporation entered into a long-term contract after February 28, 1986, determine the taxable income from the contract under the percentage of completion method of accounting as modified by IRC Section 460(b) and R&TC Section 24673.2 using AMT adjustments and tax preference items.

Determine the difference between that result and the amount determined for the contract in figuring the regular tax and enter the difference on this line. If the refigured taxable income is less than the result when determining the regular tax, enter the difference as a negative amount.

California conforms to IRC Section 460(b)(2). This section requires the taxpayer to "look-back" to previous years during which the contract work for certain contracts was in progress. The taxpayer must compute interest on the difference between the tax that was actually paid and the tax that would have been paid if the taxpayer had known the actual contract prices and costs that would finally result.

Get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the "look-back method."

Line 2f – Installment sales of certain property For regular tax purposes, corporations may use the installment method of accounting for sales of certain property. For AMT, corporations may not determine income from dispositions of inventory or other property described in IRC Section 1221(a)(1) using the installment method, except for certain dispositions of timeshares or residential lots, if the corporation elected to pay interest under IRC Section 453(l)(2)(B) (R&TC Section 24667).

If the corporation used the installment method for regular tax purposes, but was required for AMT purposes to report the entire gain in the year of disposition, the corporation may have adjustments with respect to those dispositions. Enter on this line as a negative amount the current year income the corporation reported for regular tax.

Farmers that received payments for a taxable year beginning on or after January 1, 1997, for qualified installment sales made in taxable years beginning on or after January 1, 1988, **do not** need to make an adjustment on this line.

Line 2g – Tax shelter farm activities (personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, **do not** include them on any other line of this schedule.

Complete this line only if the corporation has a gain or loss from a tax shelter farm activity, as defined in IRC Section 58(a)(2), that is not a passive activity. If the tax shelter farm activity is a passive activity, the corporation must include the gain or loss with its other passive activities on line 2h.

Refigure all gains and losses reported for regular tax purposes from tax shelter farm activities using the AMT adjustments and tax preference items.

Figure the tax shelter farm activity gain or loss for AMT using the same rules the corporation used for regular tax except:

- Do not take any refigured loss unless the corporation is insolvent. For more information, see IRC Section 58(c)(1).
- **Do not** offset gains from other tax shelter activities with any refigured loss.

Instead, suspend and carry over the loss to future taxable years until one of the following applies:

- The corporation has a gain in a future taxable year from that same tax shelter farm activity.
- The corporation disposes of the activity.

Enter on this line the difference between the AMT tax shelter farm activity gain or loss and the regular tax shelter farm activity gain or loss.

Line 2h – Passive activities (closely held corporations and personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, **do not** include them on any other line of this schedule.

For AMT purposes, complete a second form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure the adjustments. Corporations may enter two kinds of adjustments on this line:

Regular Passive Activities. Refigure passive activity gains and losses for AMT by taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses that apply to the passive activity.

Tax Shelter Farm Activities That Are Passive **Activities.** Refigure any gain or loss from a tax shelter farm activity that is a passive activity by taking into account all AMT adjustments, tax preference items, and AMT prior year unallowed losses. If the amount is a gain, it may be included on form FTB 3802, and it may be used to offset AMT losses from other passive activities However, if it is a loss, it must be suspended and carried forward indefinitely until the corporation has a gain in a subsequent year from that same activity or it disposes of the activity. The AMT loss carryover is the refigured AMT loss.

If, at the end of the taxable year, the corporation's liabilities exceed the fair market value of the corporation's assets (insolvency), increase the passive activity loss allowed by that excess (but not more than the total loss). For more information, see IRC Section 58(c)(1).

Line 2i - Certain loss limitations

Refigure the allowable losses from at-risk activities and basis limitations applicable to partnerships, taking into account the AMT adjustments and tax preference items. See IRC Sections 59(h), 465, and 704(d). If the refigured loss is more than the loss reported for purposes of the regular tax, enter on this line as a negative amount the difference between the loss reported on the tax return for purposes of the regular tax and the refigured loss.

Line 2k - Merchant marine capital construction funds

Amounts deposited in these funds are not deductible for AMT. Earnings on these funds are not excludable from gross income for AMT. If the corporation deducted these amounts or excluded them from income for regular tax, add them back on line 2k.

Tax Preference Items

Line 3a - Depletion

In the case of mines, wells, and other natural deposits, enter the amount by which the deduction for depletion under IRC Section 611 is more than the adjusted basis of the property at the end of the corporation's taxable year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

California conformed in 1993 to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. Get federal Form 4626 for more information. However, the California depletion costs may continue to be different from the federal amounts because of prior differences in law and differences in basis.

See IRC Section 291(a)(2) for reduction in the amount allowable as a deduction in the case of iron ore and coal.

Line 3b - Intangible drilling costs

If the corporation elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

Enter the amount by which excess intangible drilling costs exceed 65% of net income from oil, gas, and geothermal properties.

Figure excess intangible drilling costs as follows: From the intangible drilling and development costs allowable under IRC Section 263(c) or 291(b) (except costs in drilling a nonproductive well), subtract the amount that would have been allowable if these costs had been capitalized and either amortized over 120 months starting when production began or treated according to an election made under IRC Section 57(b)(2).

Net income from oil, gas, and geothermal properties is gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 3b amount separately for oil and gas properties that are not geothermal deposits and for oil and gas properties that are geothermal

California conformed in 1993 to the limited federal repeal of intangible drilling costs preferences for independent producers. California now conforms to the limit on the benefit of the exclusion of the preference for intangible drilling costs of 40% of AMTI. See the instructions for federal Form 4626, Also, note that the intangible drilling costs amounts may differ from federal amounts because of prior differences in the law.

Line 4b - Apportioned pre-adjustment AMTI For taxpayers required to apportion their income, pre-adjustment AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, line 1c. Refigure the Schedule R taking into account any AMT adjustments, then transfer the refigured net income from Schedule R, line 35 to Schedule P (100), line 4b.

For combined reports, each taxpayer's pre-adjustment AMTI is the sum of (1) that corporation's apportioned share of combined business pre-adjustment AMTI and (2) any of that corporation's nonbusiness California source pre-adjustment AMTI. For additional guidance in making these computations, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

Line 5a - ACE

If this schedule is for a regulated investment company or a real estate investment trust, skip this line.

The ACE is the pre-adjustment AMTI from line 4a with additional adjustments. California's ACE adjustment generally follows the federal ACE adjustment rules in IRC Section 56(g). To compute the California ACE, the federal ACE worksheet included in the instructions for the federal Form 4626 can be used by taking into account the modifications of R&TC Sections 23456(e) and (f), if applicable. For example:

Taxes. Taxes on, according to, or measured by income are not deductible from earnings and profits (E&P). Foreign taxes on, according to, or measured by income are not deductible even though a foreign tax credit is not taken for federal purposes. Environmental taxes imposed by IRC Section 59A are not deductible from E&P.

Depreciation and Amortization. For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the taxable year beginning before January 1, 1990, and applying IRC Section 168(g). For property placed in service in taxable years beginning on or after January 1, 1990, and before January 1, 1998, use the ADS described in IRC Section 168(g). For property placed in service in taxable years beginning on or after January 1, 1998, the ACE depreciation is the same as the AMT depreciation. Therefore, no ACE depreciation adjustment is necessary.

Dividends. Dividends deductible for regular California tax purposes are deductible from E&P. The provision of IRC Section 56(g)(4)(C)(ii), for 100% dividend, does not apply.

The provisions of IRC Sections 56(g)(4)(C)(iii) and (iv), for dividends from IRC Section 936 companies and certain dividends received by certain cooperatives, do not apply.

Certain Amortization Provisions. IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under IRC Section 173 (R&TC Section 24364) and organizational expenditures under IRC Section 248 (R&TC Section 24407) do not apply to expenditures paid or incurred in taxable years beginning on or after January 1, 1990, for E&P calculations.

Interest Income. For entities not subject to the minimum franchise tax, interest income included in E&P must not exceed the amount of interest income included for regular tax purposes.

Appropriate adjustments must be made to limit deductions from ACE for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425.

Line 5b - Apportioned ACE

For apportioning taxpayers and members of a combined report, ACE is apportioned and allocated to California in the same manner as net income for purposes of the regular tax and AMTI (FTB Legal Ruling 94-3). The method described in the instructions for line 4b may be used to compute the California ACE.

Line 5e - Excess of AMTI increases over AMTI reductions from prior year ACE adjustments For combined reports, each taxpayer corporation enters the excess of its prior year accumulated positive California ACE adjustments over its prior years accumulated negative California ACE adjustments.

Line 7a - Reduction for disaster loss deduction If a disaster loss deduction is claimed in 2015, enter the amount on this line.

Any remaining loss for a disaster loss incurred in 2015 (NOL attributable to a qualified disaster loss) must be carried back or elect to be carried forward. Get form FTB 3805Q for more information.

Line 7b - AMT net operating loss (NOL) deduction

NOLs incurred in the 2015 taxable year, shall be carried back to each of the preceding two taxable years.

Any corporation entitled to a carryback period pursuant to IRC Section 172(b)(3) may elect to relinquish/waive the entire carryback period with respect to an NOL incurred in the 2015 taxable year. By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. An election under IRC Section 172(b)(3) to forgo the carryback period for the regular tax also applies for the AMT. Get form FTB 3805Q for more information.

The AMT NOL is the NOL determined for regular tax except for the following:

- For any taxable year beginning before 1988, reduce the NOL amount by any preference items attributable to the deferred tax that has not been paid.
- In the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
 - (a) Reduced by the positive AMT adjustments and increased by the negative AMT adjustments.
 - (b) Reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax).
- 3. Reduce the AMT NOL by any expired losses.
- The AMT NOL may not offset more than 90% of the AMTI, Part I, line 6. Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

Taxpayers that are members of a unitary group filing a combined report must separately compute the NOL carryover or carryback and application of the NOL carryover or carryback for each corporation in the group (R&TC Section 25108). The amount carried over or carried back for AMT is likely to differ from the amount (if any) that is carried over or carried back for regular tax; therefore, it is essential that the corporation retain adequate records for both AMT and regular tax.

If the corporation had a loss from a farming business due to Pierce's disease or from a business activity within a former Enterprise Zone (EZ), Los Angeles Revitalization Zone, Local Agency Military Base Recovery Area, or Targeted Tax Area, get form FTB 3805D, Net Operating Loss (NOL) Carryover Computation and Limitation – Pierce's Disease; FTB 3805Z Booklet; FTB 3806 Booklet; FTB 3807 Booklet; or FTB 3809 Booklet.

Line 9 and Line 10 – The \$40,000 exemption and the \$150,000 limitation apply to each corporation included in the combined report that has a filing requirement in California, to the extent that each corporation has AMTI.

Line 16 – Banks and financial corporations Corporations with negative or zero taxable income on Form 100, line 22, enter -0-.

Line 18 – Regular tax before credits
For installment obligations subject to IRC
Section 453(I)(2)(B) (Timeshares and Residential
Lots) and IRC Section 453A (Nondealer
dispositions greater than \$150,000), do not
include tax increases for interest on the deferred
tax liability.

Line 19 - AMT

If line 17 is more than zero, and if the corporation has credits or credit carryovers, continue to Part II. Otherwise, stop here and enter the amount from line 19 on Form 100, line 30 or Form 109, line 13.

Part II - Credits that Reduce Tax

Complete Part II only if the corporation has tax credits.

Use Part II to determine the following:

- The amount of credit that may be used to offset tax.
- The tax that may be offset.
- The amount of credit, if any, that may be carried over to future years.
- The order in which to claim credits, if the corporation has more than one credit to claim.

Credits are applied against the tax on a separate entity basis. Unless otherwise provided by statutory authority, specific credit(s) are only available to the corporation that incurred the expense that generated the credits.

Before the corporation completes Part II:

- · Complete Form 100 through line 23.
- Figure the amount of credit(s) using a schedule or the credit form identified in the Credit Table on the next page. Be sure to attach the credit form or schedule to the tax return, if applicable.

To complete Part II:

- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits without carryover provisions are listed on Schedule P (100) in Section A1 and may be taken only in that section. Credits with carryover provisions are listed on the Credit Table on the next page. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 10 in addition to the line(s) for the corporation's credit(s).
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. See "Column Instructions" below for more information.
- Once the corporation has completed Part II, see "How to Claim Credits" on the next page.

Column Instructions – In column:

- (a) Enter the amount of credit available to offset
- (b) Figure the amount of credit the corporation is able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line.
- (c) Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line.
- (d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a).

Section A – Credits that reduce excess regular tax

Section A Instructions

Line 3 – Subtract line 2 from line 1. If the amount is zero or less, continue to Question 1. If the amount is greater than zero, go to the Section A1 instructions.

- Does the Credit Table show that the corporation may take the credit only in Section A1 or A2?
 - **Yes Do not** take the credit this year. Go to Question 2.
 - No Go to Section B to figure the amount of credit the corporation may take this year. Then continue to Section C if the corporation's credit is listed in that section.
- 2. Does the credit have carryover provisions?
 - Yes Enter the credit code, credit name, and credit amount in column (a) in the section indicated by the table. Enter -0-in column (b). Enter the credit amount in column (d). This is the amount of the credit the corporation may carry over and use in future years.
 - **No Do not** take the credit this year or in future years.

Section A1 Instructions

Line 4 – If the corporation has the credit listed in this section, complete column (a) through column (c).

Section A2 Instructions

The credit for prior year AMT has to be applied before any credits that can reduce the regular tax below the TMT in accordance with R&TC Section 23036(c).

Line 5 through Line 9 – Follow the Credit Table Instructions on the next page to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Generally, it is to the corporation's advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on the carryover first if that is more advantageous.

Corporations may use these credits to reduce regular tax but not below TMT. The corporation may be able to carry them over to future years, if applicable. The credits that do not have shading in column (d) can be carried over to future years, if applicable, after reducing the regular tax down to TMT.

Section B – Credits that may reduce regular tax below TMT

Corporations may use these credits to reduce the regular tax below TMT. Corporations may also carryover to future taxable years any credits remaining after reducing the regular tax down to the minimum franchise tax, if applicable. But, if the corporation has a tax balance and can continue to use the credit in Section C, apply the carryover in Section C.

Section B Instructions

Line 11 through Line 14 – Follow the Credit Table Instructions on the next page to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Section C - Credits that may reduce **AMT**

If the corporation has AMT, the corporation may reduce AMT using current EZ Hiring credit and/or remaining credit carryover from either the Solar Energy, Commercial Solar Energy, EZ Hiring & Sales or Use Tax, or Manufacturing Investment Credit (MIC) after reducing the regular tax down to the minimum franchise tax (if applicable). Corporations may carryover to future taxable years any credits remaining after reducing the AMT to zero.

The Board of Equalization ruled in the Appeal of NASSCO Holdings, Inc 2010-SBE-001, November 17, 2010, that a corporate taxpayer may use EZ credits and/or the MIC to reduce AMT. For more information, or go to ftb.ca.gov and search for notice 2011-02.

Section C Instructions

Lines 16a, 16b, 17a and 17b - If the corporation has any of the credits listed in this section, complete column (a) through column (d) for each credit in the order listed.

How to Claim Credits

Claim credits by transferring them to Form 100 or Form 109 as follows:

Credits on line 4 through line 14

Form 100 - If the corporation claims only one or two credits, enter the name, code, and amount of the credit from column (b) on Form 100, line 26a and line 26b.

If the corporation has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 100, line 27.

Form 109 - If the organization claims only one to three credits, enter the name, code, and amount of the credit from column (b) on Form 109, Schedule B, line 1 through line 3.

If the organization claims more than three credits, see Form 109, Schedule B instructions.

Part III – Credit for Prior Year **AMT**

Use this part to figure the 2015 credit for prior year AMT if the corporation paid AMT for 2014 or had an AMT credit carryover from 2014.

For members of a unitary group filing a combined report, compute the credit for prior year AMT for each entity in the current year's group.

Line 1 - Enter the AMT from the 2014 Schedule P (100), Part I, line 19. If this amount was reduced by any credits from Part II, Section C, use the AMT from Section C, line 18 of the 2014 Schedule P (100).

Line 2 - Enter the credit for prior year AMT carryover from the 2014 Schedule P (100), Part II, line 9, column (d).

Credit Table Instructions. To use the table:

- 1. Find the corporation's credit(s) listed in the table.
- See which sections are identified in the columns under "Offset Tax in Section."
- Take the credit only in sections the table identifies for the corporation's credit.
- Complete each section before going to the next section.

Credit Code	Current Credits	Form	Offse	t Tax	in Se	ctio
233	California Competes Tax	FTB 3531	0.1100	Liux	B	
223	California Motion Picture and Television	FTB 3541			В	
235	Production College Access Tax	FTB 3592			В	
				10	Ъ	
209	Community Development Financial Institutions Investment	N/A		A2		
205	Disabled Access for Eligible Small Businesses	FTB 3548		A2		
204	Donated Agricultural Products Transportation	FTB 3547		A2		
224	Donated Fresh Fruits or Vegetables	FTB 3811		A2		
203	Enhanced Oil Recovery	FTB 3546		A2		
176	Enterprise Zone Hiring	FTB 3805Z			В	(
218	Environmental Tax	FTB 3511		A2		
198	Local Agency Military Base Recovery Area Hiring	FTB 3807		A2		
172	Low-Income Housing	FTB 3521			В	
211	Manufacturing Enhancement Area Hiring	FTB 3808		A2		
213	Natural Heritage Preservation	FTB 3503			В	
236	New Advanced Strategic Aircraft	N/A		A2		
234	New Employment*	FTB 3554		A2		
188	Prior Year Alternative Minimum Tax	N/A		A2		
162	Prison Inmate Labor	FTB 3507	A1			
183	Research	FTB 3523			В	
210	Targeted Tax Area Hiring	FTB 3809			В	
Code	Repealed Credits with Carryover or Recapture Provisions	Form	Offset Tax in Sect		cti	
175	Agricultural Products	FTB 3540		A2		
196	Commercial Solar Electric System	FTB 3540			В	
181	Commercial Solar Energy	FTB 3540			В	(
202	Contribution of Computer Software	FTB 3540		A2		
190	Employer Childcare Contribution	FTB 3540		A2		
189	Employer Childcare Program	FTB 3540		A2		
	Employer Ridesharing					
191	Large	FTD 05 40				
192	Small	FTB 3540		A2		
193	Transit Passes	ETD 05.40		ΛΩ.		
182 176	Energy Conservation	FTB 3540 FTB 3805Z		A2	В	
	Enterprise Zone Sales or Use Tax Farmworker Housing – Construction			۸٥	В	(
207		FTB 3540		A2		
215 216	Joint Strike Fighter Wages Joint Strike Fighter Property Costs	FTB 3540 FTB 3540		A2 A2		
198	Local Agency Military Base Recovery	FTB 3540		A2		
	Area Sales or Use Tax					
160	Low-Emission Vehicles	FTB 3540		A2		
199	Manufacturers' Investment	FTB 3540		0.5	В	(
220	New Jobs	FTB 3540		A2		
185	Orphan Drug	FTB 3540			В	
174	Recycling Equipment	FTB 3540		A2		
206	Rice Straw	FTB 3540		A2		
171	Ridesharing	FTB 3540		A2		
200	Salmon & Steelhead Trout Habitat Restoration	FTB 3540		A2		
400	Solar Energy	FTB 3540			В	(
180	10.1. D	FTB 3540		A2		
179	Solar Pump					
	Solar or Wind Energy System	FTB 3540		A2		
179	·			_	В	

^{*}Do not claim the New Employment Credit on Schedule P (100). Claim this credit on Form 100, line 25.

Credit Chart

Credit Name	Code	Description		
Current Credits List				
California Competes Tax – FTB 3531	233	The credit, which is allocated and certified by the California Competes Tax Credit Committee, is available for businesses that want to come to California or to stay and grow in California. Website: business.ca.gov		
California Motion Picture and Television Production – FTB 3541		The credit, which is allocated and certified by the California Film Commission, is 20% of expenditures attributable to a qualified motion picture and 25% of production expenditures attributable to an independent film or a TV series that relocates to California.		
College Access Tax – FTB 3592		The credit, which is allocated and certified by the California Educational Facilities Authority is available for taxpayers who contribute to the College Access Tax Credit Fund. Website: treasurer.ca.gov/cefa		
Community Development Financial Institutions Investment – Obtain certification from: CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN) DEPARTMENT OF INSURANCE 300 CAPITOL MALL, SUITE 1600 SACRAMENTO CA 95814 Website: insurance.ca.gov		20% of qualified investments made into a community development financial institution		
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit, but limited to \$125 per eligible small business, and based on 50% of qualified expenditures that do not exceed \$250		
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations		
onated Fresh Fruits or Vegetables – FTB 3811 224 10% of the donation's co- vegetables to a California		10% of the donation's costs for qualified taxpayers who donate fresh fruits or fresh vegetables to a California food bank		
Enhanced Oil Recovery – FTB 3546	203	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California		
nterprise Zone Hiring – FTB 3805Z		Hiring credit for an enterprise zone		
Environmental Tax – FTB 3511		Five cents (\$0.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in California		
Local Agency Military Base Recovery Area Hiring – FTB 3807		Hiring credit for a local agency military base recovery area		
Low-Income Housing – FTB 3521		Similar to the federal credit but limited to low-income housing in California		
Manufacturing Enhancement Area Hiring – FTB 3808		Hiring credit for manufacturing enhancement area		
Natural Heritage Preservation – FTB 3503		55% of the fair market value of the qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government		
New Advanced Strategic Aircraft	236	The credit is available to qualified corporations that hire qualified employees and pay or incur qualified wages, to manufacture certain property for the United States Air Force.		
New Employment – FTB 3554		The credit is available for a taxpayer that hires a full-time employee and pays or incurs wages in a designated census tract or economic development area, and receives a tentative credit reservation for that full-time employee.		
Prior Year Alternative Minimum Tax	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in the current year		
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates		
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California		
Targeted Tax Area Hiring – FTB 3809	210	Hiring credit for a targeted tax area		
Repealed Credits with Carryover or Recapture P or recapture provisions. The corporation may claim	rovisions n these o	s: The expiration dates for these credits have passed. However, these credits had carryover credits if there is a carryover available from prior years. If the corporation is not required carryover and Recapture Summary, to figure the credit carryover to future years. For EZ,		
Agricultural Products	Ente Farn Join Join Loca Al Low Man New	reprise Zone Sales or Use Tax		

2015 Instructions for Form FTB 3539

Payment for Automatic Extension for Corporations and Exempt Organizations

What's New

Extend the Time for Payment of Taxes for Corporations Expecting a Net Operating Loss Carryback – A corporation or an exempt organization that expects a net operating loss (NOL) in the 2016 taxable year, can file form FTB 3593, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to extend the time for payment of taxes for the immediately preceding 2015 taxable year. This includes extending the time for payment of a tax deficiency. The payment of tax that can be postponed cannot exceed the expected overpayment from the carryback of the NOL. For more information, get form FTB 3593.

General Information

Use form FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations, **only** if both of the following apply:

- The corporation or exempt organization cannot file its 2015 California (CA) tax return by the original due date.
- The corporation or exempt organization owes tax for the 2015 taxable year.

If a limited liability company (LLC) elects to be taxed as a corporation for federal tax purposes, the LLC must file form FTB 3539, and enter the California corporation number, Federal Employer Identification Number (FEIN), and California Secretary of State (CA SOS) file number, if applicable, in the space provided. The Franchise Tax Board (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, first ax 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.

Use the worksheet on the next page to determine if the corporation or exempt organization owes tax.

- If the corporation or exempt organization does not owe tax, do not file form FTB 3539. However, the corporation or exempt organization must file its return by the extended due date listed below.
- If the corporation or exempt organization owes tax, they can pay electronically using one of the options listed below.
 (See Electronic Funds Transfer section on the next page to see if the corporation or exempt organization is required to pay electronically.)
- Electronic Funds Transfer (EFT): For payment options, go to ftb.ca.gov and search for eft. Do not file form FTB 3539.
- Web Pay: Make payments online using Web Pay for Businesses. After a
 one-time registration corporations or exempt organizations can make an
 immediate payment or schedule payments up to a year in advance. Go to
 ftb.ca.gov for more information. Do not file form FTB 3539.
- 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. Do not file form FTB 3539.

If the corporation or exempt organization will not pay the tax due electronically through EFT, Web Pay, or credit card, complete form FTB 3539, make a check or money order, and see Where to File section on the next page for further instructions. The payment must be paid by the original due date of the return to avoid late payment penalties and interest. For more information, see Penalties and Interest section on the next page.

continued on next page

Payment of Tax Dates: To avoid late payment penalties and interest, 100% of the tax liability must be paid by the following dates (see the Note and the exception in item 4 below):

Form Filed

- Form 100, 100W, or 100S
- Form 100 for farmers' cooperative
- Form 199 or 109, generally
- Form 109 for employee's trust (IRC 401(a)) or IRA

Calendar Year Filers

- March 15, 2016
- September 15, 2016
- May 16, 2016
- April 18, 2016

Fiscal Year Filers: 15th day of the

- 3rd month following the close of the taxable year
- 9th month following the close of the taxable year
- 5th month following the close of the taxable year
- 4th month following the close of the taxable year

Note: Form 100, 100W, 100S, or 109 filers that meet the requirements for filing form FTB 3593 may extend the time for payment of taxes and are not subject to late payment penalties. However, the imposition of interest is mandatory. See Tax Payment Worksheet, line 3 instructions on the next page, for more information.

Extended Filing Dates: The extended date for filing the return is as follows:

Form Filed

- Form 100, 100W, or 100S
- Form 100 for farmers' cooperative
- Form 199 or 109, generally
- Form 109 for employee's trust (IRC 401(a)) or IRA

Calendar Year Filers

- October 17, 2016
- April 18, 2017
- December 15, 2016
- November 15, 2016

Fiscal Year Filers: 15th day of the

- 10th month following the close of the taxable year
- 16th month following the close of the taxable year
- 12th month following the close of the taxable year
- 11th month following the close of the taxable year
- . An extension of time to file the CA tax return is **not** an extension of time to pay the tax.
- When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day. Due to the Emancipation Day holiday on April 16, 2016, tax returns filed and payments mailed or submitted on April 18, 2016, will be considered timely.
- 3. Save the completed worksheet, on the next page, as a permanent part of the corporation's or exempt organization's tax records, along with a copy of the CA tax return.
- 4. The FTB may waive the late payment penalty based on reasonable cause if 90% of the tax shown on the return is paid by the original due date of the return, but not less than the minimum franchise tax if applicable.

	IF NO PAYMENT IS I d Pay by March 15, 2016) (Fiscal year Pay by April 18, 2016) — File and Pay by May 16, 2016)		DETACH HERE —————————————————————————————————
	nt for Automatic Ex	ctension	CALIFORNIA FORM
	orations and Exer		3539 (CORP)
or calendar year 2015 or fisca	year beginning (mm/dd/yyyy)	, and ending (mm/d	d/yyyy) .
California corporation number FE	7 7 7	California Secretary of State file number	
Corporation/exempt organization name			This entity will file Form: ☐ 100, 100W, or 100S ☐ 109 ☐ 199
Address (suite, room, or PMB no.)			
Dity			State ZIP code
Telephone		ectronically, do not mail this form. pay electronically. See instructions.	Amount of payment

If a corporation (including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), LLCs electing to be treated as corporations, or an exempt organization in good standing) cannot file its CA tax return by the original due date, a seven-month extension to file is granted without submitting a written request. To qualify for the automatic extension, the corporation or exempt organization must file its CA tax return by the extended due date and its powers, rights, and privileges must not be suspended or forfeited by the FTB or the CA SOS as of the original due date.

Electronic Funds Transfer

Corporations or exempt organizations remitting an estimated tax payment or extension payment in excess of \$20,000 or having a total tax liability in excess of \$80,000 must remit all of their payments through EFT. Once a corporation or an exempt organization meets the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically to avoid a 10% non-compliance penalty. The first payment that would trigger the mandatory EFT requirement does not have to be made electronically. Corporations required to remit payments electronically may use Web Pay or credit card and be considered in compliance with that requirement.

The FTB notifies corporations or exempt organizations that are subject to this requirement. Those that do not meet these requirements may participate on a voluntary basis. If the corporation or exempt organization pays electronically, complete the worksheet for the corporation's or exempt organization's records. **Do not mail form FTB 3539.** See General Information for additional information regarding electronic payment options. For more information, go to **ftb.ca.gov** and search for **eft**, or call 916.845.4025.

Where to File

If tax is due and the corporation or exempt organization is not paying electronically through EFT, Web Pay, or credit card, make a check or money order using black or blue ink payable to the "Franchise Tax Board" for the amount of the tax due. Write the California corporation number, FEIN, or CA SOS file number and "2015 FTB 3539" on the check or money order. Enclose, but **do not** staple, the payment with the form FTB 3539 and mail to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0531

Mail them to the FTB by the original due date of the return to avoid late payment penalties and interest. For more information, see Penalties and Interest section.

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

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

Penalties and Interest

 If the corporation or exempt organization fails to pay its total tax liability by the original due date, the corporation or exempt organization will incur a late payment penalty plus interest. The FTB may waive the late payment

- penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax shown on the return, but not less than minimum franchise tax if applicable, is paid by the original due date of the return. However, the imposition of interest is mandatory.
- If the corporation or exempt organization does not file its CA tax return by the
 extended due date, or the corporation's powers, rights, and privileges have
 been suspended or forfeited by the FTB or the CA SOS, as of the original due
 date, the automatic extension will not apply and a delinquency penalty plus
 interest will be assessed from the original due date of the CA tax return.
- If the corporation or exempt organization is required to remit all of its payments electronically and pays by another method, a 10% non-compliance penalty will be assessed.

Combined Reports

- If members of a combined unitary group have made or intend to make an election to file a combined unitary group single return, only the key corporation designated to file the return should submit form FTB 3539. The key corporation must include payment of at least the minimum franchise tax for each corporation of the combined unitary group that is subject to the franchise tax in California.
- If members of a combined unitary group intend to file separate returns with the FTB, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the Tax Payment Worksheet.
- If any member of a combined unitary group meets the requirements for mandatory EFT, all members must remit their payments electronically, regardless of their filing election.

Exempt Organizations

- Form 100 filers The due dates for corporations also apply to political action committees and exempt homeowners' associations that file Form 100, California Corporation Franchise or Income Tax Return.
 - Political action committees and exempt homeowners' associations that file Form 100 should not enter the minimum franchise tax on line 1 of the Tax Payment Worksheet.
- Form 199 Filers Form 199, California Exempt Organization Annual Information Return, requires a \$10 filing fee to be paid with the return on the original or extended due date.
 - Use form FTB 3539 only if paying the fee early. Enter the amount of the fee on line 3 of the Tax Payment Worksheet.
- Form 109 Filers The due dates for filing Form 109, California Exempt
 Organization Business Income Tax Return, depend on the type of organization
 filing the return. Employees' pension trusts and IRAs (including education
 IRAs) must file on or before the 15th day of the 4th month after the close
 of their taxable year. All other exempt organizations (except homeowners'
 associations and political organizations) must file on or before the 15th day of
 the 5th month after the close of their taxable year.

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tentative tax. Include alternative minimum tax if applicable. See instructions	1	00
2	Estimated tax payments including prior year overpayment applied as a credit	2	00
3	Tax due. If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1. Enter		
	the result here and on form FTB 3539. If form FTB 3593 is filed to extend the time for payment, see instructions	3	00

How to Complete the Tax Payment Worksheet

Line 1 — Enter the total tentative tax, including the alternative minimum tax if applicable, for the taxable year.

- If filing Form 100, 100W, or 100S, and subject to franchise tax, the tentative tax may not be less than the minimum franchise tax and Qualified Subchapter S Subsidiary (QSub) annual tax (S corporations only).
- If filing Form 100, 100W, or 100S, and subject to income tax, enter the amount
 of tax. Corporations subject to the income tax do not pay the minimum
 franchise tax.
- If a corporation incorporates or qualifies to do business in California, the
 corporation will compute its tax liability for the first taxable year by multiplying
 its state net income by the appropriate tax rate and will not be subject to the
 minimum franchise tax. The corporation will become subject to minimum
 franchise tax beginning in its second taxable year.
- If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.
- If filing Form 199, use form FTB 3539 only if paying the filing fee of \$10 early.
 Skip line 1 and line 2, and enter the amount of the filing fee on line 3 of the Tax Payment Worksheet, and on form FTB 3539.

Line 2 – Enter the estimated tax payments, including prior year overpayment applied as a credit. S corporations may include any QSub annual tax payments.

Line 3 — Excess payments. If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tentative tax. The corporation or exempt organization has no tax due. Do not mail form FTB 3539. The corporation or exempt organization will automatically qualify for an extension if the CA tax return is filed by the extended due date and the corporation or exempt organization is in good standing with the FTB and CA SOS.

Tax due. If the amount on line 1 is more than the amount on line 2, the corporation or exempt organization's tentative tax is more than its payments and credits. The corporation or exempt organization has tax due.

Subtract line 2 from line 1. Enter this amount on line 3 and on form FTB 3539.

Form FTB 3593. If the corporation or exempt organization expects to have an NOL carryback in the 2016 taxable year, the corporation or exempt organization can reduce the amount to be remitted to the extent of the overpayment resulting from the carryback, provided all other prior year tax liabilities have been fully paid. Reduce line 3, Tax due amount by the amount of tax for which the time for payment is extended from form FTB 3593, line 6c, and enter the result on the Amount of payment line of form FTB 3539.

2015

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

3805Q

Attach to Form 100, Form 100W, Form 100	S, or Form 109.						
Corporation name				California corporation	n number		
During the taxable year the corporation incurr O S corporation C Exempt organizat If the corporation previously filed California ta	tion Limited liability com	pany (electing to be ta	xed as a corporation)	FEINCalifornia corporatio	n number:		
If the corporation is included in a combined	report of a unitary group, see i	instructions, Genera	l Information C, Com	bined Reporting.			
Part I Current year NOL. If the corpora	ation does not have a current yea	ar NOL, go to Part II.					
1 Net loss from Form 100, line 18; Form 10					00		
	Enter as a positive number						
3 Subtract line 2 from line 1. If zero or less,	2 2015 disaster loss included in line 1. Enter as a positive number 2 3 Subtract line 2 from line 1. If zero or less, enter -0- and see instructions 3						
4 a Enter the amount of the loss incurred							
b Enter the amount of the loss incurredc Add line 4a and line 4b					00		
5 General NOL. Subtract line 4c from line 3	8			5	00		
6 Current year NOL. Add line 2, line 4c, and				• 6	00		
If the corporation is using the current year NC complete Part III, NOL carryback, on Side 2 b			3 2013 and/or 2014,				
7 2015 NOL carryback used to offset 2013	net income. Enter the amount fr	rom Part III, line 3, co			00		
8 2015 NOL carryback used to offset 20149 2015 NOL carryover to 2016. Add line 7 a					00		
Election to waive carryback	and line o, then subtract the rest	uit iroini iiile o. oce ii	1311 40110113		00		
 Check the box if the corporation election, the corporation is electing to See instructions. Continue with Part II, NOL carryover a 	carry an NOL forward instead of	carrying it back in th	e previous two years.	Once the election is			
Part II NOL carryover and disaster loss	s carryover limitations. See Ins	structions.					
Net income – Enter the amount from Form or Form 109, line 2; (but not less than -0)				(g) Available balance			
Prior Year NOLs	,						
Year of loss Code – See instructions Type	ce of NOL – Initial loss – See instructions	(e) Carryover from 2014	(f) Amount used in 2015		(h) Carryover to 2016 col. (e) - col. (f)		
2 💿		•			•		
•		•			•		
•		•			•		
		•			•		
Current Year NOLs					1 (4)1 (6)		
					col. (d) - col. (f) See instructions.		
3 2015	DIS						
4 2015							
2015							
2015							
*Type of NOL: Capacal (CEN) New Business	(MD) FU-11-10. U.D. 1. (5	(CD) Di (C)					

Pa	rt III	NOL carryba	ack						
1				ount from 2013 Form 1					
	Form	100S, line 21;	or taxable in	come from Form 109,	line 9; (but not less	than -0-)			
2				ount from 2014 Form 1					
	Form	100S, line 20;	or taxable in	come from Form 109,	line 9; (but not less	than -0-)			
	(a)	(b)	(c)	(d)	21	013	20	014	(i)
	ear of loss	Code – See instructions	Type of NOL – See below*	Initial loss – See instructions	(e) Carryback used – See instructions	After carryback col. (d) minus col. (e)	(g) Carryback used – See instructions	(h) After carryback col. (f) minus col. (g)	Carryover to 2016 col. (d) minus [col. (e) plus col. (g)]
3 2	2015								
2	2015								
2	2015								
2	2015								
2	2015								
*Ту	pe of N	I OL: General (GEN), New B	usiness (NB), Eligible S	Small Business (ESB), or NOL attributable	to a qualified disast	ter loss (DIS).	
Pa	rt IV	2015 NOL d	eduction						
1	Total th	ne amounts in	Part II, line 2	2, column (f)				1	00
2	Enter the total amount from line 1 that represents disaster loss carryover deduction here and on Form 100, line 21; Form 100W, line 21; or Form 100S, line 19. Form 109 filers enter -0								
_								2	00
3				the result here and on				3	00

2015 Instructions for Form FTB 3805Q

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2015, and to the California Revenue and Taxation Code (R&TC)

What's New

Governor Declared Disasters – For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of a net operating loss (NOL) shall not apply to a net operating loss attributable to these specified disaster losses. The President's declaration continues to activate the disaster loss provisions. For a complete list of all disasters declared by the President and/or the Governor, see the Declared Disasters list in Specific Line Instructions.

Get FTB Pub. 1034, Disaster Loss How to Claim a State Tax Deduction, for more information.

Extend the Time for Payment of Taxes for Corporations Expecting NOL Carryback - A corporation or exempt organization that expects an NOL in the 2016 taxable year, can file form FTB 3593, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to extend the time for payment of taxes for the immediately preceding 2015 taxable year. This includes extending the time for payment of a tax deficiency. The payment of tax that can be postponed cannot exceed the expected overpayment from the carryback of the NOL. For more information, get form FTB 3593.

Net Operating Loss Carryback - For NOLs incurred in taxable years beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL. For more information, see Specific Line Instructions for Parts I, II and III.

Important Information

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

If taxpavers are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of \$300,000 or more shall apply to the aggregate amount of pre-apportioned income for all members included in the combined report.

For taxable years beginning in 2008 and 2009, California suspended the NOL carryover deduction. Corporations continued to compute and carryover an NOL during the suspension period. However, corporations with taxable income of less than \$500,000 or with disaster loss carryovers are not affected by the NOL suspension rules.

The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, are extended by:

- One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
- Two years for losses incurred in taxable years beginning before January 1, 2010.
- Three years for losses incurred in taxable years beginning before January 1, 2009.
- Four years for losses incurred in taxable years beginning before January 1, 2008.

For more information, get FTB Legal Ruling 2011-04.

- For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period from 10 taxable years to 20 taxable years following the vear of the loss.
- For taxable years that began in 2002 and 2003, California suspended the NOL carryover deduction. Corporations continued to compute and carryover an NOL during the suspension period. However, the deduction for disaster losses was not affected by the NOL suspension

The carryover period for an NOL incurred in taxable vears:

- Beginning before January 1, 2002, have been extended for two years.
- Beginning on or after January 1, 2002, and before January 1, 2003, have been extended for one year.

For more information, get FTB Legal Ruling 2011-04.

- The general NOL carryover percentage varies for NOLs incurred prior to January 1, 2004. See the NOL Carryover table for more information.
- In 1998, the Franchise Tax Board (FTB) implemented the new Principal Business Activity (PBA) Codes chart that is based on the North American Industry Classification System (NAICS) in the corporate tax booklets. However, the California Revenue and Taxation Code (R&TC) still uses the Standard Industrial Codes (SIC) for purposes of the new business and eligible small business NOL.

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for conformity. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

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

Purpose Α

Use form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, to figure the current year NOL and to limit NOL carryback/carryover and disaster loss carryover deductions.

Exempt trusts should use form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts.

The California NOL is figured the same way as the federal NOL, except that for California the carryback/carryover period and the amount to be carried back/carried over differ from federal allowances. See the NOL Carryback and NOL Carryover tables for more information.

California will allow NOLs incurred in taxable years beginning on or after January 1, 2013, to be carried back to each of the preceding two taxable years. For more information, see the NOL Carryback table and Specific Line Instructions. No carrybacks are allowed for NOL incurred in taxable years beginning before January 1, 2013.

If the corporation elected to compute the NOL under the Enterprise Zone or Local Agency Military Base Recovery Area provisions prior to the 2014 taxable year, get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, or form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, for more information.

Apportioning Corporations

The loss carryover for a corporation that apportions income is the amount of the corporation's loss, if any, after adding income or loss apportioned to California with income or loss allocable to California under Chapter 17 of the Corporation Tax Law. The loss carryover may be deducted from income of that corporation apportioned and allocable to California in subsequent taxable years.

Combined Reporting

Corporations that are members of a unitary group filing a single tax return must use intrastate apportionment, separately computing the loss carryover for each corporation in the group using its individual apportionment factors (R&TC Section 25108). Complete a separate form FTB 3805Q for each taxpayer included in the combined report. Attach the separate forms for each taxpayer member behind the combined form FTB 3805Q for all members.

Unlike the loss treatment for a federal consolidated tax return, a California loss carryover for one member in a combined report may not be applied to the income of another member included in the combined report. Get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report, for more information.

Note. If taxpayers are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of \$300,000 or more shall apply to the aggregate amount of pre-apportioned income for **all** members included in the combined report.

D Water's-Edge

For water's-edge taxpayers, R&TC Section 24416.20(c) imposes a limitation on the NOL deduction if the NOL is generated during a non-water's-edge taxable year. The NOL carryover is limited to the lesser amount as re-determined by computing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the taxable year of the loss. If R&TC Section 24416.20(c) applies, the NOL carryover for each corporation may be decreased, but not increased.

E S Corporations

An S corporation is allowed to carryover a loss that is incurred during a taxable year in which it has in effect a valid election to be treated as an S corporation. The loss is also separately calculated under the pass-through rules and passed to the shareholders in the year incurred and is taken into account in determining each shareholder's NOL carryover, if any.

If a corporation changes from a C corporation to an S corporation, the loss incurred while the corporation was a C corporation may not be applied to offset income subject to the 1.5% tax imposed on an S corporation. However, losses incurred while the corporation was a C corporation may be applied against the built-in gains which are subject to tax. If the corporation incurred losses while it was a C corporation and an S corporation, and the S corporation is using C corporation losses to offset its built-in gains, the S corporation must complete two forms FTB 3805Q and attach them to Form 100S. California S Corporation Franchise or Income Tax Return. The unused losses incurred while the S corporation was a C corporation are "unavailable" except as provided for above unless and until the S corporation reverts back to a C corporation or the carryover period expires.

However, if an S corporation changes to a C corporation, any S corporation NOLs are lost.

F Types of NOLs

The NOL Carryback and NOL Carryover tables (in these instructions) show the types of NOLs available, a description, the taxable year the NOLs were incurred, the percentages and carryback/carryover periods for each type of loss.

Specific Line Instructions

Part I - Current year NOL

Use Part I to figure the current year NOL eligible for carryback or carryover.

Line 2 – If the corporation incurred a disaster loss during the 2015 taxable year, enter the amount of the loss on this line. Enter as a positive number.

Line 3 – If the amount is zero or less, the corporation does not have a current year general NOL. Go to Part II for computation of general NOL carryovers, the current year disaster loss, and carryover from disaster losses.

Line 6 – Enter the current year NOL on line 6. California will allow NOLs incurred in the current year to be carried back to each of the preceding two taxable years.

NOL carryback general rule: The corporation must first carry back the entire NOL incurred in 2015 to the preceding two years. Any loss not applied in the preceding two years can be carried forward up to 20 years. To determine the amount of NOL incurred in 2015 that can be carried back, complete Part III, NOL carryback, **before** completing Part I, lines 7 - 9.

Amended return – The corporation claims the NOL carryback by amending the 2013 and/or 2014 tax return using Form 100X, Amended Corporation Franchise or Income Tax Return, or Form 109, California Exempt Organization Business Income Tax Return.

Note: If the corporation will claim the NOL as a carryback in any of the previous two years, the corporation will first file the applicable 2015 tax return and attach the completed 2015 form FTB 3805Q to the tax return.

After the 2015 tax return is filed, the corporation will file the amended return for 2013 and/or 2014 to claim the NOL carryback deduction and provide the following explanation on Form 100X, Part V, line 2, Explanation of Changes: "2015 NOL carryback deduction". For amended Form 109, attach a statement and provide the following explanation: "2015 NOL carryback deduction". **Do not** attach the 2015 form FTB 3805Q to the 2013 or 2014 amended return. Attaching form FTB 3805Q may delay processing of the amended return.

Election to waive/relinquish NOL carryback: If the corporation would like to make the election to waive the two year carryback period for NOL incurred in 2015, check the box under the Election to waive carryback section. By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. Once the election is made, it's irrevocable.

If the corporation elects to waive the two-year carryback period and **carry the NOL forward**, go to Part II, Current Year NOLs, to record the corporation's 2015 NOL carryover to 2016. Complete columns (b), (c), (d), and (h) only, for each type of loss that the corporation incurred.

If the corporation has an eligible qualified new business or a small business and the NOL is greater than the amount of net loss from such a business, use the general NOL first. If the corporation operates one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es), the small business(es), and the general NOL in the following manner. The NOL is first treated as a new business NOL to the extent of the loss from the new business. Any remaining NOL is then treated as an eligible small business NOL to the extent of the loss from the eligible small business. Any further remaining NOL is treated as an NOL under the general rules.

Line 9 – Go to Part II, Current Year NOLs, to record the corporation's 2015 NOL carryover to 2016. Complete columns (b), (c), (d), and (h) only, for each type of loss that the corporation incurred. See Part III, line 3, column (c) and column (i) for each type of loss that the corporation incurred.

Part II – NOL carryover and disaster loss carryover limitations

Use Part II to limit current year disaster loss and NOL carryover deductions to current year income and to record all of the corporation's loss carryover information.

If the corporation has losses from more than one source and/or more than one category, the corporation must compute the allowable NOL carryover for **each** loss separately.

When to use an NOL carryover

Use the corporation's NOLs and disaster losses in the order the losses were incurred. There is no requirement to deduct NOL carryovers before disaster loss carryovers.

Line 2 - Prior Year NOLs

Column (a) - Enter the year the loss was incurred.

Column (b) — If the loss is due to a disaster, enter the disaster code from the following Declared Disasters list. If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual.

Do not enter the code from the PBA Codes chart available in the 2015 Form 100, Form 100W, or Form 100S Tax Booklets.

Declared Disasters:

Year	Code	Event
2015	68	Inyo, Kern, and Los Angeles Counties Rainstorms 10/15*
2015	67	Valley Fire (Lake and Napa Counties) 09/15*
2015	66	Butte Fire (Amador and Calaveras Counties) 09/15*
2015	65	Imperial, Kern, Los Angeles, Riverside, San Bernardino, and San Diego Counties Severe Storms 07/15*
2015	64	Lake and Trinity Counties Wildfires 07/15*
2015	63	Butte, El Dorado, Humboldt, Lake, Madera, Napa, Nevada, Sacramento, San Bernardino, San Diego, Shasta, Solano,Tulare, Tuolumne, and Yolo Counties Wildfires 06/15*
2015	62	Santa Barbara County Oil Spill 05/15*
2015	61	Humboldt, Mendocino, and Siskiyou Counties Severe Rainstorms 02/15*
2015	60	Mono County Wildfire 02/15*
2014	59	Severe Winter Storms (Alameda, Contra Costa, Del Norte, Humboldt, Lake, Los Angeles, Marin, Mendocino, Monterey, Orange, San Francisco, San Mateo, Santa Clara, Shasta, Sonoma, Tehama, Ventura, and Yolo Counties) 11/14*
2014	58	King and Boles Wildfires (El Dorado and Siskiyou Counties) 09/14*
2014	57	Napa, Solano, and Sonoma Counties Earthquake 08/14 to 09/14*

2014	56	Siskiyou County Wildfires 08/14*
2014	55	Northern California Wildfires (Amador,
		Butte, El Dorado, Humboldt, Lassen,
		Madera, Mariposa, Mendocino, Modoc,
2011		Shasta, and Siskiyou Counties) 07/14*
2014	54	San Diego County Wildfires 05/14***
2014	53	Los Angeles County Severe Rainstorms 02/14*
2013	52	Tuolumne, Mariposa, and San Francisco Counties Rim Fire 08/13 to 10/13 **
2011	51	Los Angeles and San Bernardino County Severe Winds 11/11***
2011	50	Santa Cruz County Severe Storms 03/11 ***
2011	49	Mendocino County Tsunami
2011	40	Wave Surge 03/11
	48	Del Norte and Santa Cruz County Tsunami Wave Surge 03/11**
2011	47	Severe Winter Storms, Flooding, Debris,
2010	40	and Mud Flows 12/10 to 01/11**
2010	46	San Bruno Explosion
2010	45	Kern County Wildfires
2010	44	CA Winter Storms 01/10 to 02/10
2009	43	Los Angeles, Monterey and Placer County Wildfires
2010	42	Baja California (Imperial County) Earthquake 2010
2010	41	Humboldt County Earthquake
2009	40	Santa Barbara Wildfires
2008	39	Southern California Wildfires 10/08 to 11/08
2008	38	Humboldt County Wildfires
2008	37	California Wildfires 2008
2007	36	Riverside County Winds
2008 2007	35	Inyo Complex Fire
2007	34	Southern California Wildfires
2007	33	Santa Barbara and Ventura County Fires
2007	32	El Dorado County Wildfires
2007	31	California Severe Freeze 01/07
2006	30	Riverside and Ventura County Wildfires
2006	29	San Bernardino County Wildfires
2006	28	Northern California flooding, mudslides, and landslides (03/06 to 04/06)
2006 2005	27	Northern California flooding, mudslides, and landslides (12/05 to 01/06)
2004	26	Shasta County Wildfires
2005	25	Southern California flooding, debris
2004	20	flows, and mudslides
2004	24	San Joaquin Levee Break
2003	23	San Simeon earthquake
2003	22	Southern California fires and other related casualties
2000	21	Napa County earthquake (expired)****
2000	<u> </u>	Trapa County Cartifuant (Expired)

^{*} For taxable years beginning on or after January 1, 2014, and before January 1, 2024, corporations may deduct a disaster loss for Governor declared disasters. For these Governor declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of an NOL shall not apply to an NOL attributable to these specified disaster losses. For more information, see R&TC Section 24347.14 or the NOL Carryover table.

***The Santa Cruz County Severe Storms (occurred in March 2011), the Los Angeles and San Bernardino County Severe Winds (occurred in November 2011), and the San Diego County Wildfires (occurred in May 2014), disaster loss deductions are allowed at 100% in the year the loss was incurred, or corporations can elect to deduct the disaster loss in the prior year under IRC Section 165(i). Any provision of law that suspends, defers, reduces, or otherwise diminishes the deduction of a NOL does not apply to a NOL attributable to the Santa Cruz County Severe Storms that occurred in March 2011, the Los Angeles and San Bernardino County Severe Winds that occurred in November 2011, and the San Diego County Wildfires that occurred in May 2014. Refer to R&TC Sections 24347.11, 24347.12, and 24347.13 for more information.

If the Santa Cruz County Severe Storms or the Los Angeles and San Bernardino County Severe Winds disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years.

If the San Diego County Wildfires disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The corporation must carryback the NOL attributable to the disaster loss for two years or elect to carryforward the NOL for 20 years.

**** Corporations that elected to deduct the disaster loss in the prior year under IRC Section 165(i), the final year to deduct the disaster loss carryover was last year. Corporations that did not elect IRC Section 165(i), the final year to deduct the disaster loss carryover is this year.

Column (c) - Enter the type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS). For more information, see the NOL Carryover table.

If using Pierce's disease, or an EDA NOL, get the applicable form for the NOL type.

Column (d) - Enter 100% of the initial loss for the year given in column (a).

Column (e) - Enter the NOL carryover amount from the 2014 form FTB 3805Q, Part II,

Column (f) - Enter the smaller of the amount in column (e) or the amount in column (g) of the previous line.

Column (g) – Enter the result of subtracting column (f) from the balance in column (g) of the previous line.

Column (h) – Subtract the amount in column (f) from the amount in column (e) and enter the

Current Year NOLs

If a disaster loss occurs between the date of the publication and the end of the taxable year, go to ftb.ca.gov for an updated version of this form, which will include information for any subsequent disaster loss. Then follow the line 3 instructions.

Line 3 – Current Year Disaster Loss

If the corporation deducts the current year disaster loss on the current year tax return (did not elect IRC Section 165(i)):

- In column (d), enter your 2015 disaster loss from Part I, line 2.
- In column (f), enter the disaster loss used in 2015.
 - In column (h), enter column (d) less column (f). Any remaining disaster loss amount would create an NOL for that taxable year. If the disaster loss deduction creates an NOL in the year of the loss, the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The corporation must carryback the 2015 NOL attributable to the disaster loss for two years or elect to waive the carryback period and carryforward the NOL for 20 years. The corporation computes the NOL carryback in Part III or makes the election to waive the carryback period and carryforward the NOL in Part I.

If the corporation still has remaining disaster NOL after applying the two-year carryback, replace the amount in column (h) with the disaster NOL carryover amount from Part III, line 3, column (i).

If the corporation elected under IRC

Section 165(i) to deduct the 2015 disaster loss on the 2014 tax return, any remaining disaster loss amount would create an NOL to which the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The corporation must carryback the 2014 NOL attributable to the disaster loss for two years or elect to waive the carryback period and carryforward the NOL for 20 years.

If the corporation elects to waive the two year carryback period and carry the NOL forward, the corporation enters the disaster loss amount to be carried over to 2015 in Part II, line 2, column (e). Use the Prior Year NOL instructions for column (a) through column (h) except:

- In column (a), enter 2015.
- In column (b), enter the new disaster code.
- In column (d), enter the total disaster loss incurred in 2015.

Part III – NOL carryback

Line 3

General rule: The 2015 NOL must be carried back to the second taxable year before the loss year. Any loss not used in the second preceding taxable year is then carried to the first preceding taxable year. Any loss not applied in the two preceding years is carried forward.

Column (b) – If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual. Do not enter the code from the PBA Codes chart available in the 2015 Form 100, Form 100W, or Form 100S Tax Booklets.

If the loss is due to a disaster, enter the disaster code from the Declared Disasters list on the prior page and this page.

Column (c) - Enter the type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or NOL attributable to a qualified disaster loss (DIS). For more information, see the NOL Carryback table on the next page.

^{**}Carryover period and percentage are limited to the NOL rules. No special legislation was enacted.

Column (d) – Enter 100% of the initial loss for the year given in column (a).

For NOL attributable to a qualified disaster loss, enter the remaining disaster loss amount here (as applicable). The remaining disaster loss amount is figured by taking the initial current year disaster loss less the amount used in the current year (if applicable).

Column (e) – Enter the amount from line 3, column (d) or line 1, whichever is less. This is the amount of 2015 NOL carryback used for 2013. Also enter this amount on the:

- 2013 Form 100X, line 7, and amended 2013 tax return: Form 100, line 20; Form 100W, line 20; Form 100S, line 18; or Form 109, line 7.
- 2013 Form 100X, line 9, and amended 2013 tax return: Form 100, line 22; Form 100W, line 22; Form 100S, line 20; or Form 109, line 7; (for NOL attributable to a qualified disaster loss).

If the current year NOL is comprised of more than one type of loss, list each loss separately. To compute the amount of net income or taxable income available for offset by the NOL carryback, reduce the amount on line 1, 2013 net income or taxable income, by the amount of column (e) carryback used for the first type of loss and all subsequent types of losses. The total amount of NOL carryback used in column (e) should not exceed the 2013 net income or taxable income from line 1.

Column (f) – Subtract column (e) from column (d).

Column (g) – Enter the amount from line 3, column (f) or line 2, whichever is less. This is the amount of 2015 NOL carryback used for 2014. Also enter this amount on the:

- 2014 Form 100X, line 7, and amended 2014 tax return: Form 100, line 19; Form 100W, line 19; Form 100S, line 17; or Form 109, line 7
- 2014 Form 100X, line 9, and amended 2014 tax return: Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 7; (for NOL attributable to a qualified disaster loss).

If the current year NOL is comprised of more than one type of loss, list each loss separately. To compute the amount of net income or taxable income available for offset by the NOL carryback, reduce the amount on line 2, 2014 net income or taxable income, by the amount of column (g) carryback used for the first type of loss and all subsequent types of losses. The total amount of NOL carryback used in column (g) should not exceed the 2014 net income or taxable income from line 2.

Column (h) – Subtract column (g) from column (f).

Column (i) – Subtract the sum of column (e) and column (g) from column (d).

NOL Carryback

Type of NOL and Description	Taxable Year NOL Incurred	NOL Carried Back shall not exceed	Carryback Period
GEN, NB, and ESB NOL NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years. The allowable NOL carryback percentage varies. For more information, see R&TC Section 24416.20 and get FTB Legal Ruling 2011-04 (see	On or after 01/01/2013 and before 01/01/2014	50%	2 Years
Situation 3). DIS NOL For taxable years beginning on or after January 1, 2013, if the disaster loss deduction creates an NOL	On or after 01/01/2014 and before 01/01/2015	75%	2 Years
(whether in the year of the loss or the prior year), the applicable NOL carryback rules for the taxable year the NOL was created would apply.	On or after 01/01/2015	100%	2 Years

(continued on the next page)

NOL Carryover

•			
Type of NOL and Description *Note: The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, is extended. For more information, see Important Information.	Taxable Year NOL Incurred	NOL Carried Over	Carryover* Period
General NOL (GEN) Available as a result of a loss incurred in taxable years after 1986 and allowed under R&TC Section 24416.20. Does not include losses incurred from activities that qualify as a new business, an eligible small business, EZ, LAMBRA, TTA, disaster loss, or Pierce's disease.	On or after 01/01/2008 2004-2007 2002-2003 2000-2001 1987-1999	100% 100% 60% 55% None	20 Years 10 Years 10 Years 10 Years Expired
Disaster Losses (DIS) Casualty losses in areas of California declared by the President of the United States or the Governor of California to be in a state of disaster. For taxable years beginning on or after January 1, 2014, and before January 1, 2024, if the disaster is declared by the Governor of California only, no subsequent state legislation is required for the disaster loss provisions to be activated. For taxable years before 2014, if the disaster was declared by the Governor only, subsequent state legislation was required for the disaster provision to be activated.	See "Declared Disasters list" under Part II instructions	100%	First 5 Years
An election may be made under IRC Section 165(i) permitting the disaster loss to be taken against the previous year's income. If the corporation made this election, see Part II, Current Year NOLs, line 3 and federal Form 4684 instructions for when the election must be filed. If special legislation is enacted and the specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to five taxable years. If any excess loss remains after the five-year period, 50% of that remaining loss may be carried over for up to 10 additional taxable years for losses incurred in any taxable year beginning on or after January 1, 2000, and before January 1, 2002; 60% for losses incurred in any taxable year beginning on or after January 1, 2002, and before January 1, 2004; or 100% for losses incurred in any taxable year beginning on or after January 1, 2004.		See Description	10 Years Thereafter
The following rules would apply if state legislation is enacted; or the President declared an area a major disaster; or the Governor declared an area a major disaster for taxable years beginning on after January 1, 2014:	On or after 01/01/2011	See Description	See Description
The corporation can claim 100% of the disaster loss deduction in the year the loss was incurred, or make an election under IRC Section 165(i) to claim the disaster loss deduction against the previous year's income. For taxable years beginning on or after January 1, 2011, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years.			
For taxable years beginning on or after January 1, 2013, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The corporation must carryback the NOL attributable to the disaster loss for two years or elect to carryforward the NOL for 20 years. See NOL Carryback Table and Specific Line Instructions for more information.			
New Business NOL (NB) Get FTB Legal Ruling 96-5 for more information.	On or after 01/01/2008	100%	20 Years
NB means any trade or business activity that is first commenced in California on or after January 1, 1994. 100% of an NB NOL may be carried over, but only to the extent of the net loss from the new business. The term "new business" also includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the SIC Manual. Also, it includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration. See R&TC 24416.20(g)(7)(A) for more information.	On or after 01/01/2000 and before 01/01/2008	100% For the first three years of	10 Years
If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL.		business	
If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business conducted by the taxpayer or related person is not a new business if the fair market value (FMV) of the acquired assets exceeds 20% of the FMV of the total assets of the trade or business conducted by the taxpayer or any related person. To determine whether the acquired assets exceed 20% of the total assets, include only the assets that continue to be used in the same trade or business activity as were used immediately prior to the acquisition. For this purpose, the same trade or business activity means the same division classification listed in the SIC Manual.	On or after 01/01/1994 and before 01/01/2000		
If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and then starts an additional trade or business in California, the additional trade or business qualifies as a new business only if the activity is classified under a different division classification of the SIC Manual.	Year of business		
Business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Sections 267 or 318.	Year 1 Year 2 Year 3	None None None	Expired Expired Expired
Eligible Small Business NOL (ESB)	On or after 01/01/2008	100%	20 Years
Get FTB Legal Ruling 96-5 for more information. An ESB NOL is an NOL incurred in a trade or business activity that has gross receipts, less returns and allowances, of		1000/	10 Vaars
less than \$1 million during the taxable year. 100% of an ESB NOL may be carried over, but only to the extent of the net loss from the eligible small business. If a	On or after 01/01/2000 and before	100%	10 Years
taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over as a general NOL.	01/01/2008		
The corporation should use the same SIC Code division classifications described in the New Business NOL section to determine what constitutes a trade or business activity.	On or after 01/01/1994 and before 01/01/2000	None	Expired

THIS PAGE INTENTIONALLY LEFT BLANK

Visit our website:

ftb.ca.gov

2015

Corporation Depreciation and Amortization

3885

Attach to Form 100 or Form 100)W.								_			
Corporation name California cor					pora	tion number						
Part I Election To Expense Cert	ain Property Unde	r IRC Section 179										
1 Maximum deduction under IRC											1	\$25,000
2 Total cost of IRC Section 179 pr											2	
3 Threshold cost of IRC Section 1											3	\$200,000
4 Reduction in limitation. Subtract											4	
5 Dollar limitation for taxable year	. Subtract line 4 fro	om line 1. If zero or le	ss, en								5	
(a) Des	cription of property			(b) Cost (busine	ess use	only)	(c) Elec	ted cost		_	
6											4	
											4	
							-				-	
							-				-	
7 Listed property (elected IRC Sec												
	8 Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7											
9 Tentative deduction. Enter the si											9	
10 Carryover of disallowed deducti												
11 Business income limitation. Enter		•		,							-	
12 IRC Section 179 expense deduc										. 1	2	
13 Carryover of disallowed deducti							-					
Part II Depreciation and Election			ı Dedu		1 .			1	(-)		-	(1-)
(a) Description of property	(b) Date acquired (mm/dd/yyyy)	(c) Cost or other basis	0	(d) reciation allowed r allowable in earlier years	Depre	e) ciation thod	(f) Life or rate		(g) Depreciation for this year			(h) Additional first year depreciation
14												
17											\top	
											\top	
15 Add the amounts in column (g)	and column (h). Th	ne total of column (h)	may r	not exceed \$2,0	00.							
See instructions for line 14, colu							15					
Part III Summary												
16 Total: If the corporation is electi	ng:											
IRC Section 179 expense, add tl	ne amount on line	12 and line 15, colum	n (g) c	or								
Additional first year depreciation	under R&TC Sect	ion 24356, add the ar	nounts	s on line 15, co	lumns	s (g) a	nd (h) or					
Depreciation (if no election is m	ade), enter the amo	ount from line 15, col	umn (g)						. 1	6	
17 Total depreciation claimed for fe	deral purposes fro	m federal Form 4562	, line 2	22						. 1	7	
18 Depreciation adjustment. If line	17 is greater than I	ine 16, enter the diffe	erence	here and on Fo	rm 10	00 or F	orm 100	W, Sic	de 1, line 6	i.		
If line 17 is less than line 16, en	ter the difference h	ere and on Form 100	or For	rm 100W, Side	2, line	12. (lf Califorr	ia dep	oreciation			
amounts are used to determine	net income before	state adjustments on	Form	100 or Form 10	00W, r	no adj	<u>ustment i</u>	s nec	essary.)	. 1	8	
Part IV Amortization												
(a) Description of property	(b) Date acquired (mm/dd/yyyy)	(c) Cost or other basis		(d) Amortization allow allowable in earlier			(e) &TC section instruction		(f) Period or percentage	<i>I</i>	Amor	(g) tization for this year
19												
20 Total. Add the amounts in colum	nn (g)								20			
21 Total amortization claimed for fe	deral purposes fro	m federal Form 4562	, line 4	14					21			
22 Amortization adjustment. If line	21 is greater than I	line 20, enter the diffe	erence	here and on Fo	rm 10	00 or F	orm 100	W,				
Side 1, line 6. If line 21 is less the	nan line 20. enter th	ne difference here and	d on Fo	orm 100 or Form	n 100	W. Si	de 2. line	12	22			

7621153 FTB 3885 2015

2015 Instructions for Form FTB 3885

Corporation Depreciation and Amortization

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2015, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. 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 3885, Corporation Depreciation and Amortization, to calculate California depreciation and amortization deduction for corporations, including partnerships and limited liability companies (LLCs) classified as corporations.

S corporations must use Schedule B (100S), S Corporation Depreciation and Amortization.

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. Generally, depreciation is used in connection with tangible property.

Amortization is an amount deducted to recover the cost of certain capital expenses over a fixed period. Generally amortization is used for intangible assets.

For amortizing the cost of certified pollution control facilities, use form FTB 3580, Application and Election to Amortize Certified Pollution Control Facility.

B Federal/State Differences

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

California law conforms to federal law for the following:

- The sport utility vehicles (SUVs) and minivans built on a truck chassis are included in the definition of trucks and vans when applying the 6,000 pound gross weight limit. See IRS Rev. Proc. 2003-75 for more information.
- The additional first-year depreciation, or the election to expense the cost of the property as provided in IRC Section 179, with modification.
- The federal Class Life Asset Depreciation Range (ADR) System provisions, which specifies a useful life for various types of property. However, California law does not allow the corporation to choose a depreciation period that varies from the specified asset guideline system.

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

The enhanced IRC Section 179 expensing election.

- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2015.
- IRC Section 613A(d)(4) relating to the exclusion of certain refiners. See R&TC Section 24831.3 for more information.
- IRC Section 168(k) relating to the 50% bonus depreciation deduction for certain assets.
- The additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.
- The accelerated recovery period for depreciation of smart meters and smart grid systems.
- The ten-year useful life for grapevines planted as replacements for vines subject to Phylloxera or Pierce's disease. California law allows a useful life of five years.
- The federal special class life for gas station convenience stores and similar structures.
- The depreciation under Modified Accelerated Cost Recovery System (MACRS) for corporations, except to the extent such depreciation is passed through from a partnership or LLC classified as a partnership.

C Depreciation Calculation Methods

Depreciation methods are defined in R&TC Sections 24349 through 24354. Depreciation calculation methods, described in R&TC Section 24349, are as follows:

Straight-Line. The straight-line method divides the cost or other basis of property, less its estimated salvage value, into equal amounts over the estimated useful life of the property. An asset may not be depreciated below a reasonable salvage value.

Declining Balance. Under this method, depreciation is greatest in the first year and smaller in each succeeding year. The property must have a useful life of at least three years. Salvage value is not taken into account in determining the basis of the property, but the property may not be depreciated below a reasonable salvage value.

The amount of depreciation for each year is subtracted from the basis of the property and a uniform rate of up to 200% of the straight-line rate is applied to the remaining balance.

For example, the annual depreciation allowances for property with an original basis of \$100,000 are:

Remaining basis	Declining balance rate	Depreciation allowance
\$100,000	20%	\$20,000
80,000	20%	16,000
64,000	20%	12,800
51,200	20%	10,240
	\$100,000 80,000 64,000	Remaining basis balance rate \$100,000 20% 80,000 20% 64,000 20%

Sum-of-the-Years-Digits Method. This method may be used whenever the declining balance method is allowed. The depreciation deduction is figured by subtracting the salvage value from the cost of the property and multiplying the result by a fraction. The numerator of the fraction is the number of years remaining in the useful life of the property. Therefore, the numerator changes each year as the life of the property decreases. The denominator of the fraction is the sum of the digits representing the years of useful life. The denominator remains constant every year.

Other Consistent Methods. Other depreciation methods may be used as long as the total accumulated depreciation at the end of any taxable year during the first 2/3 of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

D Period of Depreciation

Under Cal. Code Regs., tif. 18, section 24349(I), California conforms to the federal useful lives of property.

Use the following information as a guide to determine reasonable periods of useful life for purposes of calculating depreciation. Actual facts and circumstances will determine useful life. However, the figures listed below represent the normal periods of useful life for the types of property listed as shown in IRS Rev. Proc. 87-56.

This category includes furniture and fixtures (that are not structural components of a building) and machines and equipment used in the preparation of paper or data.

Examples include: desks; files; safes; typewriters; accounting, calculating, and data processing machines; communications equipment; and duplicating and copying equipment.

General-purpose trucks:
Light (unloaded weight less than
13,000 lbs.) 4 yrs.
Heavy (unloaded weight 13,000 lbs.
or more) 6 yrs.

Publishers

This category includes the structural shell of a building and all of its integral parts that service normal heating, plumbing, air conditioning, fire prevention and power requirements, and equipment such as elevators and escalators.

E Depreciation Methods to Use

Corporations may use the straight-line method for any depreciable property. Before using other methods, consider the kind of property, its useful life, whether it is new or used, and the date it was acquired. Use the following chart as a general guide to determine which method to use:

	IVIAXIIIIUIII
Property description	depreciation method
Real estate acquired 12/31/70 or earlier New (useful life 3 yrs. or more) Used (useful life 3 yrs. or more)	200% Declining balance
Real estate acquired 1/1/71 or later Residential rental: New. Used (useful life 20 yrs. or more) Used (useful life less than 20 yrs.) Commercial and industrial:	125% Declining balance
New (useful life 3 yrs. or more) Used	
Personal property New (useful life 3 yrs. or more) Used (useful life 3 yrs. or more)	
See "Other Consistent Methods'	information on this

page.

The Class Life ADR System of depreciation may be used for designated classes of assets placed in service after 1970.

The Guideline Class Life System of depreciation may be used for certain classes of assets placed in service before 1971.

Election To Expense Certain Property Under IRC Section 179

For taxable years beginning on or after January 1, 2005, corporations may elect IRC Section 179 to expense part or all of the cost of depreciable tangible property used in the trade or business and certain other property described in federal Publication 946, How to Depreciate Property. To elect IRC Section 179, the corporation must have purchased property, as defined in IRC Section 179(d) (2), and placed it in service during the taxable year. If the corporation elects this deduction, the corporation must reduce the California depreciable basis by the IRC Section 179 expense. The total IRC Section 179 expense deduction cannot exceed the corporation's business income. See the instructions for federal Form 4562, Depreciation and Amortization, for more

California does not allow IRC Section 179 expense election for off-the-shelf computer software.

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

California law does not conform to the federal limitation amounts under IRC Section 179(b)(1) & (2). For California purposes, the maximum IRC Section 179 expense deduction allowed is \$25,000. This amount is reduced if the cost of all IRC Section 179 property placed in service during the taxable year is more than \$200,000.

Amortization

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

Amortization of the following assets is governed by California law:

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

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

Specific Line Instructions

For properties placed in service during the taxable year, the corporation may complete Part I if the corporation elects to expense qualified property under IRC Section 179, or Part II if the corporation elects additional first year depreciation deduction for qualified property under R&TC Section 24356. The corporation may only elect IRC Section 179 or the additional first year depreciation deduction for the same taxable year. The election must be made on a timely filed tax return (including extension). The election may not be revoked except with the Franchise Tax Board's consent.

Part II is also used to calculate depreciation for property (with or without the above elections).

Part I Election To Expense Certain Property **Under IRC Section 179**

Complete Part I if the corporation elects IRC Section 179 expense. Include all assets qualifying for the deduction since the limit applies to all qualifying assets as a group rather than to each asset individually. The total IRC Section 179 expense for property, for which the election may be made, is figured on line 5. The amount of IRC Section 179 expense deductions for the taxable year cannot exceed the corporation's business income on line 11. See the instructions for federal Form 4562 for more information.

Line 2

Enter the cost of all IRC Section 179 qualified property placed in service during the taxable year including the cost of any listed property. See General Information F, Election To Expense Certain Property Under IRC Section 179, for information regarding qualified property. See line 7 instructions for information regarding listed property.

Line 5

If line 5 is zero, the corporation cannot elect to expense any IRC Section 179 property. Skip line 6 through line 11, enter zero on line 12.

Do not include any listed property on line 6. Enter the elected IRC Section 179 cost of listed property

Column (a) - Description of property. Enter a brief description of the property the corporation elects to

Column (b) - Cost (business use only). Enter the cost of the property. If the corporation acquired the property through a trade-in, do not include any carryover basis of the property traded in. Include only the excess of the cost of the property over the value of the property traded in.

Column (c) - Elected cost. Enter the amount the corporation elects to expense. The corporation does not have to expense the entire cost of the property. The corporation can depreciate the amount it does not expense.

Line 7

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

- · Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, SUVs, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Cellular telephones (and other similar telecommunications equipment).
- Computers or peripheral equipment.

Exception. Listed property generally does not include:

- · Photographic, phonographic, communication, or video equipment used exclusively in the corporation's trade or business.
- Any computer or peripheral equipment used exclusively at a regular business.
- An ambulance, hearse, or vehicle used for transporting persons or property for hire.

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

Line 11

The total cost the corporation can deduct is limited to the corporation's business income. For the purpose of the IRC Section 179 election, business income is the net income derived from the corporation's active trade or business, Form 100 or Form 100W, line 17, before the IRC Section 179 expense deduction (excluding items not derived from a trade or business actively conducted by the corporation).

Part II Depreciation and Election of Additional First Year Depreciation **Deduction Under R&TC** Section 24356

Line 14

Corporations may enter each asset separately or group assets into depreciation accounts. Figure the depreciation separately for each asset or group of assets. The basis for depreciation is the cost or other basis reduced by a reasonable salvage value (except when using the declining balance method), additional first-year depreciation (if applicable), and tax credits claimed on depreciable property (where specified). This may cause the California basis to be different from the federal basis.

If the Guideline Class Life System or Class Life ADR System is used, enter the total amount from the corporation's schedule showing the computation on form FTB 3885, column (g), and identify as such.

Line 14, Column (h), Additional first-year depreciation.

Corporations may elect to deduct up to 20% of the cost of "qualifying property" in the year acquired in addition to the regular depreciation deduction. The maximum additional first-year depreciation deduction is \$2,000. Corporations must reduce the basis used for regular depreciation by the amount of additional first-year depreciation claimed.

"Qualifying property" is tangible personal property used in business and having a useful life of at least six years. Land, buildings, and structural components do not qualify. Property converted from personal use, acquired by gift, inheritance, or from related parties also does not qualify.

See R&TC Section 24356 and the applicable regulations for more information.

Part IV Amortization

Line 19, Column (e) – R&TC section. Enter the correct R&TC section for the type of amortization. See General Information G, Amortization, for a list of the R&TC sections.

Principal Business Activity Codes

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the company derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (Form 100, Side 4, Schedule F, line 1a) plus all other income (Form 100, Side 4, Schedule F, lines 4 through 10). If the company purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the company is considered a manufacturer and must use one of the manufacturing codes (311110-339900).

Once the principal business activity is determined, entries must be made on Form 100, Question F. For the business activity code, enter the six-digit code selected from the list below. On the next line enter a brief description of the company's business activity. Finally, enter a description of the principal product or service of the company on the next line.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production 111100 Oilseed & Grain Farming

111100	Oliseca a Oralli i arrilling
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)

	other crop larithing)		
Animal Production			
112111	Beef Cattle Ranching &		
	Farming		
112112	Cattle Feedlots		
112120	Dairy Cattle & Milk Production		
112210	Hog & Pig Farming		
112300	Poultry & Egg Production		
112400	Sheep & Goat Farming		
112510	Aquaculture (including shellfish		
	& finfish farms & hatcheries)		
112900	Other Animal Production		

Forestry and Logging

113110	Timber Tract Operations
113210	Forest Nurseries & Gathering
	of Forest Products
113310	Logging

Fishing,	Hunting	and	Trapping
114110	Fishing		

114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

115110	Support Activities for Crop
	Production (including cotton
	ginning, soil preparation, planting, & cultivating)
115210	Support Activities for Animal Production
115310	Support Activities for Forestry

Mining

211110	Oil & Gas Extraction
212110	Coal Mining
212200	Metal Ore Mining
212310	Stone Mining & Quarrying
212320	Sand, Gravel, Clay, & Ceramic
	& Refractory
	Mineral Mining & Quarrying
212390	Other Nonmetallic Mineral
	Mining & Quarrying
213110	Support Activities for Mining

1 14:1:4: - -

Utilitie	!S
221100	Electric Power Generation, Transmission & Distribution
221210	Natural Gas Distribution
221300	Water, Sewage, & Other Systems
221500	Combination Gas and Electric

Construction

Code

Construction of Buildings

236110	Residential Building Construction
236200	Nonresidential Building Construction

Heavy and Civil Engineering Construction

23/100	Utility System Construction
237210	Land Subdivision
237310	Highway, Street, & Bridge Construction
237990	Other Heavy & Civil Engineering Construction

1	3 3 -		
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

Ariiriai Food iviig
Grain & Oilseed Milling
Sugar & Confectionery Product Mfg
Fruit & Vegetable Preserving & Specialty Food Mfg
Dairy Product Mfg
Animal Slaughtering and Processing
Seafood Product Preparation & Packaging
Bakeries, Tortilla & Dry Pasta Mfg
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	ı	Code	
315210	Cut & Sew Apparel Contractors	332810	Coating, Engraving, Heat
315220	Men's & Boys' Cut & Sew	0020.0	Treating, & Allied Activities
	Apparel Mfg	332900	Other Fabricated Metal
315240	Women's, Girls' and Infants' Cut		Product Mfg
	and Sew Apparel Mfg	Machine	ry Manufacturing
315280	Other Cut & Sew Apparel Mfg	333100	Agriculture, Construction, &
315990	Apparel Accessories & Other		Mining Machinery Mfg
	Apparel Mfg	333200	Industrial Machinery Mfg
	and Allied Product	333310	Commercial & Service Industry
Manufac	-	222440	Machinery Mfg
316110	Leather & Hide Tanning & Finishing	333410	Ventilation, Heating, Air- Conditioning, & Commercial
316210	Footwear Mfg (including rubber		Refrigeration Equipment Mfg
010210	& plastics)	333510	Metalworking Machinery Mfg
316990	Other Leather & Allied Product	333610	Engine, Turbine, & Power
	Mfg		Transmission Equipment Mfg
Wood Pr	oduct Manufacturing	333900	Other General Purpose
321110	Sawmills & Wood Preservation		Machinery Mfg
321210	Veneer, Plywood, & Engineered		er and Electronic Product
	Wood Product Mfg	Manufac	
321900	Other Wood Product Mfg	334110	Computer & Peripheral
Paper Ma	anufacturing	334200	Equipment Mfg Communications Equipment
322100	Pulp, Paper, & Paperboard	334200	Mfg
	Mills	334310	Audio & Video Equipment Mfg
322200		334410	Semiconductor & Other
	and Related Support		Electronic Component Mfg
Activitie		334500	Navigational, Measuring,
323100	Printing & Related Support Activities		Electromedical, & Control
		334610	Instruments Mfg Manufacturing & Reproducing
Manufac	m and Coal Products	334010	Magnetic & Optical Media
324110	Petroleum Refineries (including	Flectrics	al Equipment, Appliance, and
020	integrated)		ent Manufacturing
324120	Asphalt Paving, Roofing, &	335100	Electric Lighting Equipment
	Saturated Materials Mfg		Mfg
324190	Other Petroleum & Coal	335200	Household Appliance Mfg
	Products Mfg	335310	Electrical Equipment Mfg
	I Manufacturing	335900	Other Electrical Equipment &
	Basic Chemical Mfg	_	Component Mfg
325200	Resin, Synthetic Rubber, & Artificial & Synthetic Fibers &		rtation Equipment
	Filaments Mfg	Manufac 336100	
325300	Pesticide, Fertilizer, & Other	336210	Motor Vehicle Mfg Motor Vehicle Body & Trailer
	Agricultural Chemical Mfg	330210	Mfg
325410	Pharmaceutical & Medicine	336300	Motor Vehicle Parts Mfg
	Mfg	336410	Aerospace Product & Parts
325500	Paint, Coating, & Adhesive Mfg		Mfg
325600	Soap, Cleaning Compound, & Toilet Preparation Mfg	336510	Railroad Rolling Stock Mfg
325900	Other Chemical Product &	336610	Ship & Boat Building
520000	Preparation Mfg	336990	Other Transportation
Plastics	and Rubber Products		Equipment Mfg
Manufac			e and Related Product
326100	ū	Manufac 337000	Furniture & Related Product
326200	Rubber Product Mfg	337 000	Manufacturing
Nonmote	Ilia Minaral Product		

326100	Plastics Product Mfg
326200	Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

327100	Clay Product & Refractory Mf
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

331200	Steel Product Mfg from Purchased Steel		
331310	Alumina & Aluminum Production & Processing		
331400	Nonferrous Metal (except Aluminum) Production & Processing		
331500	Foundries		
Cobringted Metal Draduct			

Fabricated Metal Product Manufacturing

332110	Forging & Stamping
332210	Cutlery & Handtool Mfg
332300	Architectural & Structural
	Metals Mfg
332400	Boiler, Tank, & Shipping
	Container Mfg
222542	I I - male command Afficia

332510	Hardware Mig
332610	Spring & Wire Product M
222700	Machine Shope Turned

Product, & Screw, Nut, & Bolt

Product

Miscellaneous Manufacturing

Medical Equipment & Supplies 339110 Mfg Other Miscellaneous Manufacturing 339900

Wholesale Trade

Goods

werchar	it 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 and 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

Nondurable Goods Wholesale Electronic Markets and Agents and Brokers

Book, Periodical, &

Florists' Supplies

Flower, Nursery Stock, &

Paint, Varnish, & Supplies

Other Miscellaneous

Tobacco & Tobacco Products

Newspapers

425110 Business to Business Electronic Markets 425120 Wholesale Trade Agents & Brokers

Retail Trade

424920

424930

424940

424950

424990

Motor Vehicle and Parts Dealers

441110 New Car Dealers 441120 Used Car Dealers 441210

Recreational Vehicle Dealers 441222 **Boat Dealers**

Motorcycle, ATV, and All Other 441228 Motor Vehicle Dealers 441300 Automotive Parts, Accessories,

& Tire Stores **Furniture and Home Furnishings Stores**

442110 Furniture Stores Floor Covering Stores 442210 442291 Window Treatment Stores 442299 All Other Home Furnishings Stores

Electronics and Appliance Stores

443141 Household Appliance Stores 443142 Electronics Stores (including Audio, Video, Computer, and Camera Stores)

Building Material and Garden Equipment and Supplies Dealers

444110 Home Centers Paint & Wallpaper Stores 444120 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 Other Health & Personal Care 446190

Gasoline Stations

Stores

447100 Gasoline Stations (including convenience stores with aas)

Code

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores 448120 Women's Clothing Stores 448130 Children's & Infants' Clothing 448140

Family Clothing Stores 448150 Clothing Accessories Stores 448190 Other Clothing Stores

448210 Shoe Stores 448310 Jewelry Stores

448320 Luggage & Leather Goods

Sporting Goods, Hobby, Book, and Music Stores

451110 Sporting Goods Stores 451120 Hobby, Toy, & Game Stores Sewing, Needlework, & Piece 451130 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 Vending Machine Operators 454210 Fuel Dealers (including Heating 454310 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, Longdistance

484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation

485110 Urban Transit Systems Interurban & Rural Bus 485210 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

Scenic & Sightseeing 487000 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

Warehousing & Storage (except lessors of miniwarehouses & self- storage units)

Information

Publishing Industries (except Internet)

511110 Newspaper Publishers 511120 Periodical Publishers 511130 **Book Publishers** 511140 **Directory & Mailing List** Publishers

511190 Other Publishers 511210 Software Publishers

Motion Picture and Sound Recording Industries

512100 Motion Picture & Video Industries (except video rental) 512200 Sound Recording Industries

Broadcasting (except Internet)

515100 Radio & Television Broadcasting

515210 Cable & Other Subscription Programming

Telecommunications

517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)

Data Processing Services

518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates, libraries, internet publishing & broadcasting)

Finance and Insurance

Depository Credit Intermediation

522110 Commercial Banking 522120 Savings Institutions 522130 Credit Unions 522190 Other Depository Credit

Intermediation

Nondepository Credit Intermediation 522210 Credit Card Issuing

522220 Sales Financing 522291 Consumer Lending 522292 Real Estate Credit (including mortgage bankers &

originators) 522293 International Trade Financing 522294 Secondary Market Financing 522298 All Other Nondepository Credit Intermediation

Activities Related to Credit Intermediation

522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

523110 Investment Banking & Securities Dealing 523120 Securities Brokerage

Code

523130 Commodity Contracts Dealing 523140 Commodity Contracts Brokerage 523210 Securities & Commodity Exchanges 523900 Other Financial Investment Activities (including portfolio management & investment

Insurance Carriers and Related Activities

524130 Reinsurance Carriers

524140 Direct Life Health & Medical Insurance Carriers

524150 Direct Insurance (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 Open-End Investment Funds 525910 (Form 1120-RIC) 525920 Trusts, Estates, & Agency Accounts

525990 Other Financial Vehicles (including mortgage REITS & closed-end investment funds)

'Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under Management of Companies (Holding Companies) on

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 Other Activities Related to Real 531390

Estate Rental and Leasing Services

532100 Automotive Equipment Rental & Leasing

Consumer Electronics & 532210 Appliances Rental

532220 Formal Wear & Costume Rental 532230 Video Tape & Disc Rental

532290 Other Consumer Goods Rental General Rental Centers 532310

532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)

Lessors of Nonfinancial 533110 Intangible Assets (except copyrighted works)

Professional, Scientific, and **Technical Services**

Legal Services

541110 Offices of Lawvers 541190 Other Legal Services

Code	Code	Code	Code
Accounting, Tax Preparation,	561500 Travel Arrangement & Reserva-	Other Ambulatory Health Care	Food Services and Drinking Places
Bookkeeping, and Payroll Services 541211 Offices of Certified Public	tion Services 561600 Investigation & Security	Services 621900 Other Ambulatory Health Care	722300 Special Food Services (including food service
Accountants	Services	Services (including ambulance	contractors & caterers)
541213 Tax Preparation Services 541214 Payroll Services	561710 Exterminating & Pest Control Services	services & blood & organ banks)	722410 Drinking Places (Alcoholic Beverages)
541219 Other Accounting Services	561720 Janitorial Services	Hospitals	722511 Full Service Restaurants
Architectural, Engineering, and Related Services	561730 Landscaping Services 561740 Carpet & Upholstery Cleaning	622000 Hospitals	722513 Limited Service Restaurants 722514 Cafeterias and Buffets
541310 Architectural Services	Services	Nursing and Residential Care Facilities	722515 Snack and Non-alcoholic
541320 Landscape Architecture Services	561790 Other Services to Buildings & Dwellings	623000 Nursing & Residential Care Facilities	Beverage Bars
541330 Engineering Services	561900 Other Support Services (including packaging & labeling	Social Assistance	Other Services
541340 Drafting Services 541350 Building Inspection Services	services, & convention & trade	624100 Individual & Family Services	Repair and Maintenance 811110 Automotive Mechanical
541360 Geophysical Surveying & Map-	show organizers)	624200 Community Food & Housing, & Emergency & Other Relief	& Electrical Repair &
ping Services	Waste Management and Remediation Services	Services	Maintenance 811120 Automotive Body, Paint,
541370 Surveying & Mapping (except Geophysical) Services	562000 Waste Management & Remediation Services	624310 Vocational Rehabilitation Services	Interior, & Glass Repair 811190 Other Automotive Repair &
541380 Testing Laboratories		624410 Child Day Care Services	Maintenance (including oil
Specialized Design Services 541400 Specialized Design Services	Educational Services 611000 Educational Services	Arts, Entertainment, and	change & lubrication shops & car washes)
(including interior, industrial,	(including schools, colleges, &	Recreation	811210 Electronic & Precision
graphic, & fashion design) Computer Systems Design and	universities)	Performing Arts, Spectator Sports, and Related Industries	Equipment Repair & Maintenance
Related Services	Health Care and Social	711100 Performing Arts Companies	811310 Commercial & Industrial Machinery & Equipment
541511 Custom Computer Programming Services	Assistance Offices of Physicians and Dentists	711210 Spectator Sports (including sports clubs & racetracks)	(except Automotive &
541512 Computer Systems Design	621111 Offices of Physicians (except	711300 Promoters of Performing Arts,	Electronic) Repair & Maintenance
Services 541513 Computer Facilities	mental health specialists) 621112 Offices of Physicians, Mental	Sports, & Similar Events 711410 Agents & Managers for Artists,	811410 Home & Garden Equipment & Appliance Repair &
Management Services	Health Specialists	Athletes, Entertainers, & Other Public Figures	Maintenance
541519 Other Computer Related Services	621210 Offices of Dentists Offices of Other Health Practitioners	711510 Independent Artists, Writers, &	811420 Reupholstery & Furniture Repair
Other Professional, Scientific, and	621310 Offices of Chiropractors	Performers Museuma Historical Sites, and Similar	811430 Footwear & Leather Goods
Technical Services 541600 Management, Scientific, &	621320 Offices of Optometrists	Museums, Historical Sites, and Similar Institutions	Repair 811490 Other Personal & Household
Technical Consulting Services	621330 Offices of Mental Health Practitioners (except	712100 Museums, Historical Sites, & Similar Institutions	Goods Repair & Maintenance
541700 Scientific Research & Development Services	Physicians) 621340 Offices of Physical,	Amusement, Gambling, and	Personal and Laundry Services 812111 Barber Shops
541800 Advertising & Related Services	Occupational & Speech	Recreation Industries	812112 Beauty Salons
541910 Marketing Research & Public Opinion Polling	Therapists, & Audiologists 621391 Offices of Podiatrists	713100 Amusement Parks & Arcades 713200 Gambling Industries	812113 Nail Salons 812190 Other Personal Care Services
541920 Photographic Services 541930 Translation & Interpretation	621399 Offices of All Other	713900 Other Amusement & Recreation Industries (including	(including diet & weight
Services	Miscellaneous Health Practitioners	golf courses, skiing facilities,	reducing centers) 812210 Funeral Homes & Funeral
541940 Veterinary Services 541990 All Other Professional,	Outpatient Care Centers	marinas, fitness centers, & bowling centers)	Services
Scientific, & Technical Services	621410 Family Planning Centers 621420 Outpatient Mental Health &	Accommodation and Food	812220 Cemeteries & Crematories 812310 Coin-Operated Laundries &
Management of Companies	Substance Abuse Centers	Services	Drycleaners
(Holding Companies)	621491 HMO Medical Centers 621492 Kidney Dialysis Centers	Accommodation	Services (except Coin-
551111 Offices of Bank Holding Com-	621493 Freestanding Ambulatory	721110 Hotels (except Casino Hotels) & Motels	Operated) 812330 Linen & Uniform Supply
panies 551112 Offices of Other Holding	Surgical & Emergency Centers 621498 All Other Outpatient Care	721120 Casino Hotels	812910 Pet Care (except Veterinary)
Companies	Centers	721191 Bed & Breakfast Inns 721199 All Other Traveler	Services 812920 Photofinishing
Administrative and Support	Medical and Diagnostic Laboratories 621510 Medical & Diagnostic	Accommodation	812930 Parking Lots & Garages
and Waste Management and Remediation Services	Laboratories	721210 RV (Recreational Vehicle) Parks & Recreational Camps	812990 All Other Personal Services
Administrative and Support Services	Home Health Care Services 621610 Home Health Care Services	721310 Rooming & Boarding Houses	Religious, Grantmaking, Civic, Professional, and Similar
561110 Office Administrative Services	621610 Home Health Care Services		Organizations 813000 Religious, Grantmaking,
561210 Facilities Support Services 561300 Employment Services			Civic, Professional, & Šimilar
561410 Document Preparation			Organizations (including condominium and homeowners
Services . 561420 Telephone Call Centers			associations)
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)			

How To Get California Tax Information

Where To Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms, instructions, publications, FTB Notices, and FTB Legal Rulings at ftb.ca.gov.

By phone – You can order current year California tax forms from 6 a.m. to 10 p.m. weekdays, 6 a.m. to 4:30 p.m. Saturdays, except holidays.

- Refer to the list in the right column and find the code for the form you want to order.
- Call 800.338.0505.
- Select "Business Entity Information."
- Select "Forms and Publications."
- Enter the three-digit code shown to the left of the form title when instructed.

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

By mail – Write to:

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

Letters

If you write to us, be sure to include your California corporation number or federal employer identification number, your daytime and evening telephone numbers, and a copy of the notice with your letter. Send your

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 correspondence to your tax return unless the correspondence relates to an item on the return.

General Phone Service

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

Telephone: 800.852.5711 from within the United States

916.845.6500 from outside the United States

TTY/TDD: 800.822.6268 for persons with hearing or speech impairment

IRS: 800.829.4933 call the IRS for federal tax questions

Asistencia en español:

TTY/TDD:

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 800.822.6268 para personas con discapacidades

auditivas o del habla

IRS: 800.829.4933 para preguntas sobre

impuestos federales

California Tax Forms and Publications

- California Corporation Tax Forms and Instructions. This booklet contains:
 - Form 100, California Corporation Franchise or Income Tax Return:
 - Schedule H (100), Dividend Income Deduction
 - Schedule P (100). Alternative Minimum Tax and Credit Limitations — Corporations
 - FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations
 - FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
 - FTB 3885, Corporation Depreciation and Amortization

816 California S Corporation Tax Forms and Instructions. This booklet contains:

- Form 100S, California S Corporation Franchise or Income Tax
- Schedule B (100S), S Corporation Depreciation and Amortization
- Schedule C (100S), S Corporation Tax Credits
- Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains
- Schedule H (100S), S Corporation Dividend Income Deduction
- Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc.
- Schedule QS, Qualified Subchapter S Subsidiary (QSub) Information
- FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations
- 814 Form 109, Exempt Organization Business Income Tax Booklet
- Form 100-ES, Corporation Estimated Tax 818
- Form 199, California Exempt Organization Annual Information 815 Return and Instructions
- 802 FTB 3500, Exemption Application
- 831 FTB 3500A. Submission of Exemption Request
- FTB 4058, California Taxpayers' Bill of Rights

Your Rights As A Taxpayer

The FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable.

See "Where To Get Tax Forms and Publications," on this page.

Automated Phone Service

(Keep This Booklet For Future Use)

Use our automated phone service to get recorded answers to many of your questions about California taxes and to order current year California business entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Telephone: 800.338.0505 from within the United States

916.845.6500 from outside the United States

To Order Forms

See "Where to Get Tax Forms and Publications" on the previous page.

To Get Information

You can hear recorded answers to Frequently Asked Questions 24 hours a day, 7 days a week. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "Frequently Asked Questions." Enter the 3-digit code, listed below, when prompted.

Code Filing Assistance

- 715 If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100 or Form 100W?
- 717 What are the tax rates for corporations?
- 718 How do I get an extension of time to file?
- 722 When does my corporation have to file a short-period return?
- 734 Is my corporation subject to franchise tax or income tax?

S Corporations

- 704 Is an S corporation subject to the minimum franchise tax?
- 705 Are S corporations required to make estimated payments?
- 706 What forms do S corporations file?
- 707 The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 21 of Form 100S?

Exempt Organizations

- 709 How do I get tax-exempt status?
- 710 Does an exempt organization have to file Form 199?
- 736 I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

Minimum Tax and Estimate Tax

- 712 What is the minimum franchise tax?
- 714 My corporation is not doing business; does it have to pay the minimum franchise tax?

Billings and Miscellaneous Notices

- 503 How do I file a protest against a Notice of Proposed Assessment?
- 723 I received a bill for \$250. What is this for?

Corporate Dissolution

724 How do I dissolve my corporation?

Limited Liability Companies (LLCs)

- 750 How do I organize or register an LLC?
- 752 What tax forms do I use to file as an LLC?
- 753 When is the annual tax payment due?
- 754 How is the Gross Receipts calculated and reported? When is it due?
- 755 How do I convert an LLC?
- 756 How do I cancel an LLC?

Miscellaneous

- 700 Who do I need to contact to start a business?
- 701 I need a state Employer ID number for my business. Who do I contact?
- 703 How do I incorporate?
- 737 Where do I send my payment?

