2016 Instructions for Form 100-ES

Corporation Estimated Tax

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

Use Revenue and Taxation Code (R&TC) Section 19011, Sections 19021 through 19027, and Sections 19142 through 19161 to determine the estimated tax requirement for California.

Use Form 100-ES, Corporation Estimated Tax, for the calendar year ending December 31. 2016, or fiscal year ending Devember 17. Complete Form 100-ES using black or blue ink. Check only one box on Form 100-ES to indicate if the estimate payment is for Form 100, California Corporation Franchise or Income Tax Return; Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers; Form 100S, California S Corporation Franchise or Income Tax Return; or Form 109, California Exempt Organization Business Income Tax Return.

If the business entity does not owe any tax, do not mail this form with a zero balance. If a business entity pays electronically, **do not** mail this form.

Corporations - Unless stated otherwise, the term "corporations," as used in Form 100-ES and in these instructions, includes banks, financial corporations, certain associations, regulated investment companies, real estate investment trusts, exempt organizations with unrelated business taxable income, exempt homeowners' associations with non-exempt function income, limited liability companies (LLCs) and limited partnerships (LPs) that have elected to be taxed as corporations for federal tax purposes, and S corporations

LLC Election – If an LLC elects to be taxed as a corporation for federal tax purposes, the LLC must file Form 100-ES 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 (FTR) will assign provided. The Franchise Tax Board (FTB) will assign an 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 the purpose of all instructions unless otherwise indicated

Single-Sales Factor Formula - For taxable years beginning on or after January 1, 2013, R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business, 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. Get Schedule R, Apportionment and Allocation of Income, or R&TC Section 25128.7 for more information.

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

Doing Business – For taxable years beginning on or after January 1, 2011, the definition for doing business in California has been expanded. For more information, get Form 100, 100W, 100S, or 109 Tax Booklets.

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

Purpose

Use Form 100-ES to figure and pay estimated tax for a corporation. Estimated tax is the amount of tax the corporation expects to owe for the taxable year.

Who Must Pay Estimated Tax

One or more payments of estimated tax are required annually from each:

- Corporation incorporated or qualified under the laws of California or doing business in California, whether active, inactive, or having income from sources within California, unless otherwise provided by the Corporation Tax Law.
- LLC or LP electing to be treated as a corporation for tax purposes.
- Bank and national banking association doing business in California.
- Exempt organization or trust with unrelated business income.
- Exempt homeowners' association with non-exempt function income.

An S corporation that is a parent of a Qualified Subchapter S Subsidiary (QSub) is required to pay the \$800 annual tax for each QSub that is:

- Incorporated in California.
- Qualified to do business in California.
- Doing business in California.

The QSub annual tax is due and payable when the S corporation's first estimated tax payment is due. If the QSub is acquired during the taxable year, the QSub annual tax is due with the S corporation's next estimated tax payment after the date of the QSub election or acquisition. The QSub annual tax is subject to the estimated tax rules and penalties.

Enter in the space for QSub Tax Amount the total amount of QSub annual tax paid. Enter the estimated installment payment amount in the space for Estimated Tax Amount. Combine the two amounts and enter the total payment of both QSub annual tax and regular estimated tax in the space for Total Installment Amount.

Real estate mortgage investment conduits (REMICs) are not required to pay estimated tax. However, use this form to remit the minimum franchise tax due by the 15th day of the 4th month of the taxable year.

Financial asset securitization investment trusts (FASITs) are subject to the \$800 minimum tax. Get Form 100, Corporation Tax Booklet, for more information.

Estimated Tax and Tax Rates

R&TC Section 19023 defines tax, for purposes of California estimate payments, to include alternative minimum tax, S corporation taxes from Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains, excess net passive income, the QSub annual tax, credit recapture, and the minimum franchise tax. This definition of tax does not conform to the federal definition of tax. Also, taxable income for S corporations includes the R&TC Section 23802(e) deduction for passive investment income and built-in gains

To compute estimated tax liability, multiply the estimated net income for tax purposes by the applicable rate:

- Corporations, use 8.84%.
- S corporations, use 0.04%.
 Banks and financial corporations, use 10.84%.
- Financial S corporations, use 3.5%.
 Exempt trusts, use personal income tax rate
 Schedule X (single) inside California 540 Personal Income Tax Booklet.

Installment Due Dates and Amounts

Estimated tax is payable in four installments. The installments are due and payable by the 15th day of the 4th, 6th, 9th, and 12th month of the taxable year. When the due date falls on a weekend or holiday, the deadline to file and pay without a 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

Corporations may pay any estimated tax installment before the due date.

The amount of each installment is the applicable percentage of the total estimated tax due (estimated income multiplied by the appropriate tax rate). 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

Franchise Tax Filers. If the amount of estimated tax does not exceed the minimum franchise tax plus any QSub annual tax (if applicable), then the entire amount of the minimum tax and the QSub annual tax is due as an estimate on or before the 15th day of the 4th month of the corporation's taxable year.

If the amount of estimated tax exceeds the minimum franchise and the QSub annual tax (if applicable), then the estimated tax is payable in four installments. However, to avoid the imposition of an estimated tax penalty, at least the minimum franchise tax and QSub annual tax (if applicable) must be paid by the due date of the first installment.

Income Tax Filers. The amount of the estimated tax is payable in four installments. Refer to General Information Section C, Estimated Tax and Tax Rates, for the applicable tax rates.

Short-Period Filers. A corporation with an accounting period of less than 12 months (short period) must pay estimated tax in the number of installments shown in the table on page 4.

Overpayments From Prior Year Returns. The overpayment from a prior year return is credited as of the first estimate installment due date or the date of payment, whichever is later.

For more information, get federal Rev. Rul. 99-40, Internal Revenue Code Section 6513(b)(1) and (2), and the IRS Internal Revenue Manual 20.2.4.3 (03-01-2002).

Minimum Franchise Tax

All corporations subject to the franchise tax must All corporations subject to the mainings tax must pay at least the minimum franchise tax shown below, whether they are active, inactive, operate at a loss, or file a tax return for a short period.

Corporations subject to franchise tax.....\$800

- Qualified inactive gold or

Entities subject to the corporation minimum franchise tax include all corporations that meet any of the following:

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

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

There is no minimum franchise tax for:

Corporations that are subject only to income tax if they are not "doing business" in California, and are not incorporated or qualified under the laws of California, but derive income from sources within California. 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.

- 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 and whose sole activities in California are engaging in convention and trade show activities for seven or fewer days during a taxable year and that do not derive more than \$10,000 of gross income reportable to California during a taxable year.

For more information, get FTB Pub. 1050, Application and Interpretation of Public Law 86-272; or FTB Pub. 1060, Guide for Corporations Starting Business in California.

Newly Formed or Qualified Corporations. For the **first** taxable year, newly formed or qualified corporations are not subject to the minimum franchise tax. To avoid an estimated tax penalty, newly formed or qualified corporations should calculate the estimate installments based on annualized current year income. See the instructions under General Information H, Exceptions to the Estimated Tax Penalty, Worksheet II, Exception B, Annualized Current Year Income, for more information.

Deployed Military Exemption. 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 taxable years beginning on or after January 1, 2010 and before January 1, 2018.

Methods of Payment

Electronic Funds Transfer (EFT) - 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 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 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 a 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, do not mail the estimated tax 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

Credit Card - Use a Discover, MasterCard, Visa, or American Express Card to pay estimated taxes. Go to officialpayments.com. Official Payments Corp. charges a convenience fee for using this service.

Mail – Using black or blue ink, make the check or money order payable to the "Franchise Tax Board." Write the California corporation number, FEIN, and CA SOS file number, if applicable, and "2016 Form 100-ES" 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.

Enclose, but do not staple, the payment with this form and mail to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0531

G Underpayment or Late **Payment**

Generally, an underpayment of estimated tax is the difference between (1) the amount that would be due for each installment of estimated tax if the estimated tax was equal to 100% of the tax shown on the return, prorated to each installment, and (2) the amount actually paid or credited on or before the due date of that installment

Underpayment or late payment of estimated tax installments will result in an estimated tax penalty calculated from the due date of each installment until paid, or until the original due date of the tax return, whichever is earlier. See General Information H, Exceptions to the Estimated Tax Penalty, and use form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine if an exception to a penalty exists and to figure the penalty.

California does not conform to federal law regarding the application of the underpayment penalty. For federal purposes, the application of the penalty is based on the lesser of prior year or current year tax; while for California purposes, the application of the penalty is based on current year tax only.

Exceptions to the Estimated Tax Penalty

If the estimated tax paid is equal to or greater than the amount defined in General Information G, Underpayment or Late Payment, the FTB will not assess an estimated tax penalty. If an underpayment exists, the FTB will not assess the estimated tax penalty if the corporation meets any one of the exceptions listed below.

The following exceptions **do not** apply if the estimated tax installments due are not paid on or before the installment due date.

Worksheet I — Exception A - Prior Year's Tax

This exception applies if the amount paid or credited on or before the installment due date equals or exceeds the tax shown on the preceding year's return for a 12-month period, prorated to each installment.

Newly Formed or Qualified Corporations

The prior year's tax exception does not apply for the first taxable year. For the second taxable year, the prior year tax exception does not apply if no tax liability existed in the first taxable year, or the business operated for less than twelve full months.

If the corporation uses the annualized current year income method or the annualized seasonal income method, see Worksheets II, III, and IV.

Line 1 - Taxable income

Enter the amount of taxable income expected for the current taxable year.

Line 7 – Other taxes

R&TC Section 19023 defines tax, for purposes of California estimate payments, to include alternative minimum tax, S corporation taxes from Schedule D (100S), excess net passive income, the QSub annual tax, credit recapture, and the minimum franchise tax. Enter applicable amounts for each payment period.

Line 11 – A large corporation is any corporation, including a predecessor corporation, that had California net income (computed without regard to the net operating loss deduction) of \$1 million or more for any taxable year during the three taxable years immediately preceding the current taxable year.

Large corporations may use this exception for only the first estimated tax installment and must add any reduction in the first estimated tax installment to the second installment.

If the annualized current year income method or annualized seasonal income method is not used for the third or fourth installment, follow the instructions in the next column to figure the amounts to enter on line 11 of Worksheet I.

- If line 8 is smaller than line 9, multiply line 8 (total tax) by the applicable percentage (30%, 70%, 70%, or 100%) shown for each quarter at the top of column (1) through column (4). Enter the result for each quarter on line 11.
- If line 9 is smaller than line 8, determine the amount to enter as follows:
 - (a) Enter 30% of line 9 in column (1) of line 11. (b) Enter 70% of line 8 in column (2) of line 11. (c) Enter 70% of line 8 in column (3) of line 11.

 - (d) Enter 100% of line 8 in column (4) of line 11.

Line 12 - Total payment

Enter the total payments of estimated tax for the taxable year paid prior to the due date of the installment. Include any overpayments from 2015 tax that were credited to 2016 estimated tax.

Worksheet II — Exception B – Annualized Current **Year Income**

This exception applies if the estimated tax paid on or before the installment due date equals or exceeds 100% of the amount the corporation would owe if its estimated tax was computed on annualized current net income for tax purposes for the months preceding the installment due date.

Line 1 - Annualization periods

Enter the number of months that the corporation is using in the annualization period based on the options listed in the table below. For example, if the corporation elects Option 1, enter the annualization periods 2, 4, 7, and 10 in column (1) through column (4).

Annualization Periods

Installment	1st 2nd		3rd	4th	
Standard Option	3	3	6	9	
Option 1	2	4	7	10	
Option 2	3	5	8	11	

Corporations may use the Standard Option or must make an election to use Option 1 or Option 2. Exempt organizations may use Option 1 (the standard option for exempt organizations) or must make an election to use Option 2. The election must be made on or before the due date of the first required installment payment. The corporation must make a timely election to use an expanded option even if it uses another method, such as Exception A, for its first installment. To make a California election, file federal Form 8842, Election To Use Different Annualization Periods for Corporate Estimated Tax, or if a timely election was made for federal purposes by filing the federal Form 8842, and the corporation is using the same option for state purposes, attach a copy of the federal form to the corporation's tax return when filed. Once made, an election is irrevocable for the taxable year. The corporation should file federal Form 8842 with its first installment payment. If the corporation must pay its tax liability using EFT, file federal Form 8842 on or before the due date of the first installment payment by mailing to:

FRANCHISE TAX BOARD PO BOX 942857 SACRAMENTO CA 94257-0531

Line 3 – Annualization amounts

Enter the annualization amounts from the table below for the elected option. For example, if the corporation elects Option 1, enter on line 3 the annualization amounts 6, 3, 1.71429, and 1.2, in column (1) through column (4), respectively.

Annualization Amounts

Installment	1st	2nd	3rd	4th
Standard Option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

Line 8 – Other taxes R&TC Section 19023 defines tax, for purposes of California estimate payments, to include alternative minimum tax, S corporation taxes from Schedule D (100S), excess net passive income, the QSub annual tax, credit recapture, and the minimum franchise tax. Enter applicable amounts for each payment period.

Line 12 – Total payment Enter the total payments of estimated tax for the taxable year paid prior to the due date of the installment. Include any overpayments from 2015 tax that were credited to 2016 estimated tax.

Worksheet III - Exception C - Annualized Seasonal Income

This exception applies if the estimated tax paid on or before the installment due date equals or exceeds 100% of the amount the corporation would owe if its estimated tax was computed on annualized seasonal net income for tax purposes for the months preceding the installment due date. Use Exception C only if the corporation's base period percentage for any six consecutive months of the taxable year

equals or exceeds 70%. Get the instructions for federal Form 1120-W, Part I, Adjusted Seasonal Installment Method, for an explanation on how to compute the base period percentage.

Line 32 – Other taxes
R&TC Section 19023 defines tax, for purposes
of California estimate payments, to include
alternative minimum tax, S corporation taxes from Schedule D (100S), excess net passive income, the QSub annual tax, credit recapture, and the minimum franchise tax. Enter applicable amounts for each payment period. Note: Last in first out (LIFO) recapture amounts are not included in the computation of an estimated tax underpayment

Line 34 - Total payments

Enter the total payments of estimated tax for the taxable year paid prior to the due date of the installment. Include any overpayments from 2015 tax that were credited to 2016 estimated tax.

Revised Estimates

Corporations may revise the estimated tax any time during the taxable year. If the corporation revises the estimated tax, compute the amount of each remaining installment (if any) by doing the following:

- Subtracting from the revised estimated tax, the
- total estimated tax previously paid.
 Dividing the result by the number of installments remaining as of the date the revision is made.

	Computation	ı of Estin	nated	Tax				
Wor	ksheet I Exception A — Prior Year's Tax							
1	Taxable income expected during this taxable year					1		
	R&TC Section 23802(e) deduction, S corporations only							
3								
4								
5								
6		Tax credits						
7								
8	Total tax. Add line 6 and line 7							
9	Enter the tax shown on the corporation's 2015 tax return							
10	Enter the smaller of line 8 or line 9							
		(1) 30%	6	(2)	70% (3) 70%	(4) 100%	
11	Multiply line 10 by the percentage shown in column 1 through	(not less than	min.)					
	column 4. Large corporations, see instructions							
	T							
12	Total payment. See instructions							
13	Subtract line 12 from line 11. If zero or less, enter -0							
	ge corporations: To meet the exception by paying prior year's tax for the		installm	ent and pa	aving the reductio	n in the first estim	ate installment	
	the second estimate installment, the corporation must have paid the am							
	ksheet II Exception B — Annualized Current Year Income			1)	(2)	(3)	(4)	
1	Annualization periods. See instructions			,	, ,	, ,	, ,	
2	·							
3								
4								
7	b R&TC Section 23802(e) deduction, S corporations only							
	c Net income. Subtract line 4b from line 4a							
5								
6	Tax credits for each payment period.							
7								
8	Other taxes. See instructions	. ,,						
9								
				0%	70%	70%	100%	
10				0 70	1070	1070	10070	
11	Multiply line 9 by line 10							
	Annualized current year income installments. Subtract line 12 from line							
10	If zero or less, enter -0-							
Wnr	ksheet III Exception C — Annualized Seasonal Income		(1)	(2)	(3)	(4)	
Use	this method only if the base period percentage for any six consecutive method to the consecutive	onths		months	First 5 months	First 8 months	First 11 months	
	Enter the taxable income for the following periods:							
7	a Taxable year beginning in 2013							
	b Taxable year beginning in 2014							
	c Taxable year beginning in 2015.							
15	Enter taxable income for each period for the taxable year beginning in 2							

Worksh	eet III Exception C — Annualized Seasonal Income (continued)	(1)	(2)	(3)	(4)
		First 4 months	First 6 months	First 9 months	Entire year
16 En	nter the taxable income for the following periods:				
а	Taxable year beginning in 2013				
b	Taxable year beginning in 2014				
C	Taxable year beginning in 2015				
17 Div	vide the amount in each column on line 14a by the amount in column (4)				
on	ı line 16a				
18 Div	vide the amount in each column on line 14b by the amount in column (4)				
	ı line 16b				
	vide the amount in each column on line 14c by the amount in column (4)				
	l line 16c				
	Id line 17 through line 19				
	vide line 20 by 3				
	Divide line 15 by line 21				
	R&TC Section 23802(e) deduction, S corporations only				
	Net income. Subtract line 22b from line 22a				
	x. Multiply line 22c by the current tax rate				
	vide the amount in column (1) through column (3) on line 16a by the				
	nount in column (4) on line 16a				
	vide the amount in column (1) through column (3) on line 16b by the				
	nount in column (4) on line 16b				
	vide the amount in column (1) through column (3) on line 16c by the				
	nount in column (4) on line 16c				
	Id line 24 through line 26				
	vide line 27 by 3				
	ultiply the amount in column (1) through column (3) of line 23 by the				
	nount in the corresponding column of line 28. In column (4), enter the				
	nount from line 23, column (4)				
	x credit for each payment period				
	ubtract line 30 from line 29. (Not less than minimum tax and QSub annual tax(es),				
if a	applicable.)				
32 Ot	her taxes. See instructions				
33 To	tal tax. Add line 31 and line 32				
34 To	tal payments. See instructions				
35 Ad	fjusted seasonal installments. Subtract line 34 from line 33. If zero or less,				
en	ter -0				
Worksh	eet IV — Required Installments	(1)	(2)	(3)	(4)
36 If (only Worksheet II, Exception B or Worksheet III, Exception C are completed				
	iter the amount in each column from line 13 or line 35. If both Worksheet II				
	d Worksheet III are completed, enter the smaller of the amounts in each				
	olumn from line 13 or line 35				
	oter the amount from Worksheet I, line 13				
	equired installments. Enter the smaller of line 36 or line 37 here and				
	the appropriate form for each installment payment				

Accounting Period Less Than 12 Months (Short Period) — Fiscal year corporations, adjust dates accordingly.

	Number of	Percentage of Estimated Tax Due On or Before*				
If taxable year (calendar year) begins:	Installments Due	April 15	June 15	September 15	December 15	
January 1 through January 16	4	30%	70%	70%	100%	
January 17 through March 16	3		60%	60%	100%	
March 17 through June 15	2			70%	100%	
June 16 through September 15	1				100%	
September 16 through December 31	None					

^{*}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.