



# California

## Forms & Instructions



# 100

# 2020

Corporation  
Tax Booklet

**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](http://ftb.ca.gov) and search for **business efile**.

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## 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 [fb.ca.gov](http://fb.ca.gov) and search for **business efile**.

# 2020 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).

### Differences between California and Federal Law

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 [fb.ca.gov](http://fb.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 instructions. Taxpayers should not consider the instructions as authoritative law.

### What's New/Tax Law Changes

**Shuttered Venue Operator Grant** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for amounts awarded as a shuttered venue operator grant under the Consolidation Appropriations Act (CAA), 2021. The CAA, 2021 allows deductions for eligible expenses paid for with grant amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. “Ineligible entity” means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see Specific Line Instructions or R&TC Section 24308.3.

**Other Loan Forgiveness** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for borrowers of forgiveness of indebtedness described in Section 1109(d)(2)(D) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as stated by section 278, Division N of the federal CAA, 2021. The CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions generally do not apply to an ineligible entity. “Ineligible entity” means a taxpayer that is either a publicly-traded company or does not

meet the 25% reduction from gross receipts requirements under Section 311 of the CAA, 2021. For more information, see Specific Line Instructions or go to [fb.ca.gov](http://fb.ca.gov) and search for **AB 80**.

**California Microbusiness COVID-19 Relief Grant** – For taxable years beginning on or after September 1, 2020, and before January 1, 2023, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Microbusiness COVID-19 Relief Program that is administered by the Office of Small Business Advocate (CalOSBA). For more information, see R&TC Section 24311 and Specific Line Instructions.

**California Venues Grant** – For taxable years beginning on or after September 1, 2020, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Venues Grant Program that is administered by CalOSBA. For more information, see R&TC Section 24312 and Specific Line Instructions.

**Small Business COVID-19 Relief Grant Program** – For taxable years beginning on or after January 1, 2020, and before January 1, 2030, California allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No. E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code. For more information, see Specific Line Instructions.

**Paycheck Protection Program (PPP) Loans Forgiveness** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for covered loan amounts forgiven under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, or the Consolidated Appropriations Act, 2021.

The Consolidated Appropriations Act, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. “Ineligible entity” means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of the Consolidated Appropriations Act, 2021. For more information, see Specific Line Instructions or R&TC Section 24308.6.

Revenue Procedure 2021-20 allows taxpayers to make an election to report the eligible expense deductions related to a PPP loan on a

timely filed original 2021 tax return including extensions. If a taxpayer makes an election for federal purposes, California will follow the federal treatment for California tax purposes.

**Advance Grant Amount** – For taxable years beginning on or after January 1, 2019, California law conforms to the federal law regarding the treatment for an emergency Economic Injury Disaster Loan (EIDL) grant under the federal CARES Act or a targeted EIDL advance under the Consolidated Appropriations Act, 2021.

**Main Street Small Business Tax Credit** – For the taxable year beginning on or after January 1, 2020, and before January 1, 2021, a Main Street Small Business Tax Credit is available to a qualified small business employer that received a tentative credit reservation from the California Department of Tax and Fee Administration (CDTFA). For more information, get form FTB 3866, Main Street Small Business Tax Credit.

**R&TC Section 41 Reporting Requirements** – Beginning in taxable year 2020, a C corporation partner of a partnership conducting a commercial cannabis activity that is licensed under California Medicinal and Adult-Use Cannabis Regulation and Safety Act should file form FTB 4197, Information on Tax Expenditure Items. The Franchise Tax Board (FTB) uses information from form FTB 4197 for reports required by the California Legislature. Get form FTB 4197 for more information.

**Net Operating Loss Suspension** – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California has suspended the net operating loss (NOL) carryover deduction. Corporations may continue to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than \$1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules.

The carryover period for suspended losses is extended by:

- Three years for losses incurred in taxable years beginning before January 1, 2020.
- Two years for losses incurred in taxable years beginning on or after January 1, 2020, and before January 1, 2021.
- One year for losses incurred in taxable years beginning on or after January 1, 2021, and before January 1, 2022.

For more information, see R&TC Section 24416.23, and get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations.

**Credit Limitation** – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a \$5,000,000 limitation on the application of credits for taxpayers. The total of all credits including the

carryover of any credit for the taxable year may not reduce the “tax” by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. The credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. This limitation does not apply to the Low Income Housing Credit.

**New Advanced Strategic Aircraft Credit** – For taxable years beginning on or after January 1, 2020, and before January 1, 2026, California allows the new advanced strategic aircraft credit to reduce tax below the tentative minimum tax.

**Program 3.0 California Motion Picture and Television Production Credit** – For taxable years beginning on or after January 1, 2020, R&TC Section 23698 allows a third film credit, **program 3.0**, against tax. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information, get form FTB 3541, California Motion Picture and Television Production Credit, form FTB 3551, Sale of Credit Attributable to an Independent Film, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **motion picture**, or go to the CFC website at [film.ca.gov](http://film.ca.gov) and search for **incentives**.

**Natural Heritage Preservation Credit** – The Natural Heritage Preservation Credit expired on June 30, 2020. All qualified contributions must be made on or before that date. For more information, get form FTB 3503, Natural Heritage Preservation Credit.

**New Donated Fresh Fruits or Vegetables Credit** – For taxable years beginning on or after January 1, 2020, and before January 1, 2022, the list of qualified donation items has been expanded to include raw agricultural products and processed foods. For more information, get form FTB 3814, New Donated Fresh Fruits or Vegetables Credit.

**Deployed Military Exemption** – For taxable years beginning on or after January 1, 2020, and before January 1, 2030, 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.

**Conformity** – For updates regarding the federal acts, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **conformity**.

## Important Information

- The 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.
- 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](http://ftb.ca.gov) and search for **business efile**.
- For taxable years beginning on or after January 1, 2019, the extension period for filing a C corporation tax return has changed from six months to seven months. Get FTB Notice 2019-07 for more information.
- Corporations can make payments online using Web Pay for Businesses. Corporations can make an immediate payment or schedule payments up to a year in advance. Go to [ftb.ca.gov/pay](http://ftb.ca.gov/pay).
- Corporations can use a Discover, MasterCard, Visa, or American Express Card to pay business taxes. Go to [officialpayments.com](http://officialpayments.com). Official Payments Corporation charges a convenience fee for using this service.
- Corporations can make an estimated tax or extension payment using tax preparation software. Check with the software provider to determine if they support Electronic Funds Withdrawal (EFW) for estimated tax or extension payments.
- 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 Schedule UTP (Form 1120) with their federal tax return, the corporation must attach a copy of federal Schedule UTP (Form 1120) to the California tax return.
- For taxable years beginning on or after July 1, 2019, California requires taxpayers to use their federal IRC Section 338 election treatment for certain stock purchases treated as asset acquisitions or deemed election where purchasing corporation acquires asset of target corporation. If an election has not been made by a taxpayer under IRC Section 338, the taxpayer shall not make a separate state election for California.
- Under IRC Section 965, if the corporation owns (directly or indirectly) certain foreign corporations, it may have to include certain deferred foreign income on its income tax return. California **does not** conform. If the corporation reported IRC Section 965 inclusions and deductions on Form 1120, U.S. Corporation Income Tax Return, for federal purposes, write “IRC 965” at the top of Form 100.
- Under IRC Section 951A, if the corporation is a U.S. shareholder of a controlled foreign corporation, the corporation must include Global Intangible Low-Taxed Income (GILTI) in its income. California **does not** conform.
- The Tax Cuts and Jobs Act (TCJA) signed into law on December 22, 2017, made changes to the IRC. The R&TC does not conform to all of the changes. In general, for taxable years beginning on or after January 1, 2019, California conforms to the following TCJA provisions:
  - Federal Deposit Insurance
  - Corporation (FDIC) Premiums
  - Excess employee compensation
- The TCJA amended IRC Section 1031 limiting the nonrecognition of gain or loss on like-kind exchanges to real property held for productive use or investment. California conforms to this change under the TCJA for exchanges initiated after January 10, 2019.
- For taxable years beginning on or after January 1, 2019, California conforms to certain provisions of the TCJA relating to changes to accounting methods for small businesses.
- A small business may elect to apply the same provisions above to taxable years beginning on or after January 1, 2018, and before January 1, 2019. Taxpayers make the election by providing the following information to the FTB:
  1. Include a statement with their original or amended California tax return stating the taxpayers' intent to make a Small Business Method of Accounting election(s).
  2. On the top of the first page of the original or amended tax return, print “AB 91 - Small Business Method of Accounting Election” in black or blue ink.
  3. Mail returns to:  
FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO, CA 94257-0500
- The TCJA amended IRC Section 280F relating to depreciation limitations on luxury automobiles. California **does not** conform to the federal amendments under the TCJA. For more information, get form FTB 3885, Corporation Depreciation and Amortization.

- The TCJA amended IRC Section 1221, excluding a patent, invention, model or design (whether or not patented), and a secret formula or process held by the taxpayer who created the property (and certain other taxpayers) from the definition of a capital asset. California **does not** conform to this amendment under the TCJA. For California purposes, IRC Section 1221 as of January 1, 2015, applies.
- The TCJA established Opportunity Zones. IRC Sections 1400Z-1 and 1400Z-2 provide a temporary deferral of inclusion of gross income for capital gains reinvested in a qualified opportunity fund, and exclude capital gains from the sale or exchange of an investment in such funds. California **does not** conform to the deferral and exclusion of capital gains reinvested or invested in federal opportunity zone funds under IRC Sections 1400Z-1 and 1400Z-2, and has no similar provisions.

If, for California purposes, gains from investment in qualified opportunity zone property had been included in income during previous taxable year, do not include the gain in the current year income.

- 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  
ABS 389 MS F340  
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](http://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.

- 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](http://ftb.ca.gov) and search for **single sales factor**.
- 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](http://ftb.ca.gov) and search for **market assignment**.
- R&TC Section 25120 was amended to add the definition of gross receipts. For a complete definition of “gross receipts,” refer to R&TC Section 25120(f), or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **25120**.
- 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](http://ftb.ca.gov) and search for **corporation law changes**.
- Beginning on or after January 1, 2012, a type of corporation called 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, 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, commencing with Section 2500.

- California 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, except for genetic information.
- 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).
- For taxable years beginning on or after January 1, 2019, the following forms and instructions have been consolidated into one form FTB 3544, Assignment of Credit:
  - FTB 3544, Election to Assign Credit Within Combined Reporting Group.
  - FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee.
- Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible 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 or go to [ftb.ca.gov](http://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.
- 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 paying taxes on the distributive share. California taxpayers that would like 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.

**California law conforms to federal law for the following:**

- Reducing the compensation deduction for certain employers from \$1 million to \$500,000; and making certain parachute payments nondeductible.
- IRC Section 1245(b)(8) relating to amortizable IRC Section 197 intangibles property disposed on or after January 1, 2010.
- 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 included in this booklet.
- Large banks' bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.
- Disallowing the deduction for club membership fees and employee remuneration in excess of \$1 million.
- Disallowing the deduction for lobbying expenses.
- 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 would like 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 property.

• Securities traders and commodities traders and dealers are allowed 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 insurance.

• Repeal of special installment sales rule for manufacturers of tangible personal property.

• 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:**

- The Coronavirus Aid Relief Economic Security (CARES) Act enhanced deduction for qualified charitable contributions.
- The federal TCJA signed into law on December 22, 2017, made changes to the IRC. In general, California R&TC **does not** conform to the changes. California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. The following is a non-exhaustive list of the TCJA changes:
  - The change in method of accounting treatment of S corporation conversions to C corporations.
  - The application of Subchapter C rules to S corporations.
  - The expanded definition of IRC Section 179 property for certain depreciable tangible personal property related to furnishing lodging and for qualified real property for improvements to nonresidential real property.
  - The change to IRC Section 163(j) which limits the business interest deduction.
  - The repeal of the corporate alternative minimum tax (AMT).
  - The modifications to the NOL provisions.
  - The modifications to the AMT credit.
  - The deferral and exclusion of capital gains reinvested or invested in qualified opportunity zone funds.
  - The exclusion of a patent, invention, model or design, and secret formula or process from the definition of capital asset.
  - The federal modifications to depreciation limitations on luxury automobiles (IRC Section 280F).
  - IRC Section 951A, relating to global intangible low-taxed income (GILTI).
  - IRC Section 965, relating to treatment of deferred foreign income.
- 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-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2020.
- 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 change.
- IRC Section 168(k) relating to the bonus depreciation deduction for certain assets.
- 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 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.
- 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.

**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 [fb.ca.gov/poa](http://fb.ca.gov/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 black or blue ink 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. 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 a 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

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.

If the corporation elects to file on a water's-edge 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 2020 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 \$610,395 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of \$61,040 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 \$61,040 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 [fb.ca.gov](http://fb.ca.gov) and search for **doing business**.

A corporation qualified with the California Secretary of State (SOS) might not be considered to be "doing business" in California. However, careful attention should be given to the term "doing business." It is not necessary that the corporation conduct 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, or form FTB 199N, 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, RICs, REITs, FASITs, 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.
- 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.
- Qualified non-profit farm cooperative associations.
- Credit unions.
- Unincorporated homeowners’ associations.
- Exempt homeowners’ associations.
- Exempt political organizations.
- Exempt organizations.

## **Deployed Military Exemption**

For taxable years beginning on or after January 1, 2020, and before January 1, 2030, 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 black or blue 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 two hundred fifty thousand dollars (\$250,000) or less of total income from all sources derived from or attributable to California.

## **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.

## **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 follows the provisions of Revenue Procedure 2016-29 which updates the procedures for a change of accounting method involving previously unclaimed, but allowable depreciation or amortization deductions.

## E When to File

File Form 100 on or before the 15th day of the 4th 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. Get FTB Notice 2016-04 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.

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).

The corporate status and taxable year of the LLC or LP will not terminate and only a single return Form 100 is required 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.

## F Extension of Time to File

If the corporation cannot file its California tax return by the 15th day of the 4th month after the close of the taxable year, it may file on or before the 15th day of the 11th month without filing a written request for an extension. Get FTB Notice 2019-07 for more information. There is no automatic extension period for business entities 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.

When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day. If the corporation must pay its tax liability electronically, **all** payments **must** be remitted by Electronic Fund Transfer (EFT), EFW, 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 EFW, 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](http://ftb.ca.gov) and search for **eft**, or call 916.845.4025.

### Electronic Funds Withdrawal

Corporations can make an estimated tax or extension payment using tax preparation software. Check with the software provider to determine if they support EFW for estimated tax or extension payments.

### Web Pay

Corporations can make payments online using Web Pay for Businesses. Corporations can make an immediate payment or schedule payments up to a year in advance. Go to [ftb.ca.gov/pay](http://ftb.ca.gov/pay).

### Credit Card

Corporations can use Discover, MasterCard, Visa or American Express Card to pay business taxes. Go to [officialpayments.com](http://officialpayments.com). Official Payments Corporation 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, EFW, 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 "2020 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, EFW, 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 the instructions for 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.
- b. Enter the amount of federal ordinary income (loss) from trade or business activities before any NOL and special deductions on Form 100, Side 1, line 1.
- c. Enter state adjustments on line 2 through line 16 to arrive at net income (loss) after state adjustments, on Form 100, 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 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. To compute California AMT, corporations must 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

Use Form 100-ES, Corporation Estimated Tax, to figure and pay estimated tax for a corporation.

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.

California law conforms to the federal expanded annualization periods for the computation of estimate payments. 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, EFW, Web Pay, or credit card to avoid the EFT penalty. See General Information G, Electronic Payments, for more information.

If no amount is due, or if the corporation pays electronically, **do not** mail Form 100-ES.

## 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.

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, whichever 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 through 19151, and 19161 for more information.

If the corporation uses Exception B or Exception C on form 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 43b should be checked.

### Large Corporate Understatement Penalty (LCUP)

Corporations are subject to the LCUP for the understatement of tax if that understatement 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 the taxable year.

The amount of the penalty is equal to 20% of the understatement of tax. See R&TC Section 19138 for exceptions to the LCUP. For more information, go to [fb.ca.gov](http://fb.ca.gov) and search for **lcup**.

### EFT Penalty

If the corporation **must** pay its tax liability electronically, **all** payments must be remitted by EFT, EFW, 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

**Federal Forms 5471 and 8975 – U.S.** corporations that have an ownership interest (directly or indirectly) in a foreign corporation and were required to file federal Form(s) 5471 or federal Form 8975 and accompanying

Schedule A (8975) 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 or federal Form 8975 and accompanying Schedule A (8975), 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 or federal Form 8975 and accompanying Schedule A (8975) to all returns filed for subsequent years. See R&TC Section 19141.2 for more information.

**Note:** Foreign insurance companies that file as domestic companies are exempt from the requirement of filing federal Form 8975 and accompanying Schedule A (8975).

For additional information, refer to the federal Form 8975 instructions, and Revenue Procedure 2017-23, 2017-7 Internal Revenue Bulletin 915.

**Federal Form 5472** – 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.

#### 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:

SECRETARY OF STATE  
STATEMENT OF INFORMATION UNIT  
ATTENTION: PENALTIES  
PO BOX 944230  
SACRAMENTO CA 94244-2300  
Telephone: 916.657.5448

#### 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 check the applicable box on Form 100, Side 1, Question A, if dissolving, merging, or withdrawing. The date should be the date the corporation filed or 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 34. Make a notation to the right of line 34: "Dissolving/Withdrawal."

The tax return for the final taxable period is due on or before the 15th day of the 4th 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](http://sos.ca.gov) and search for **corporation dissolution**, or address your request to:

CALIFORNIA SECRETARY OF STATE  
BUSINESS ENTITIES FILING UNIT  
PO BOX 944260  
SACRAMENTO, CA 94244-2600  
Telephone: 916.657.5448

## P Ceasing Business

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, distribution of notes, and 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, R&TC Sections 23331 through 23333, and R&TC Section 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, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **revivor**.

## 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.

R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning business under R&TC Section 25128(b), to apportion its business income using the single-sales factor formula.

R&TC Section 25136 requires **all** taxpayers to assign sales, other than sales of tangible personal property, using market assignment. For more information, see R&TC Section 25136 and Cal. Code Regs., tit. 18 section 25136-2, get Schedule R, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **market assignment**.

## S Combined Report

When filing a combined report, answer the applicable questions on Form 100, Side 1, 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 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](http://irs.gov) and search for **ptin**.

### Paid Preparer Authorization

If the corporation wants to allow the FTB to discuss its 2020 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 tax return.
- Call the FTB for information about the processing of the tax return or the status of any related refund or payments.
- Respond to certain FTB notices about math errors, offsets, and tax 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 2021 tax return. If the corporation wants to expand the paid preparer's authorization, go to [ftb.ca.gov/poa](http://ftb.ca.gov/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

### Like-Kind Exchanges

For taxable years beginning on or after January 1, 2014, California requires taxpayers who exchange property located in California for like-kind property located outside of California 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](http://ftb.ca.gov) and search for **like kind**.

### Payments

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:

- Annual payments of \$600 or more 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.
- Annual payments of \$10 or more 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; and federal Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, for the applicable **due dates**.

Report payments to the FTB and the IRS using the appropriate federal form. Reports must be made for the calendar year.

### Interest on Municipal Bonds

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, 2020. These information returns will be due June 1, 2021. Get form FTB 4800 MEO, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment Information Media Transmittal, for more information.

#### **IRC Sections 6038 through 6038D.**

California conforms to the information reporting requirements imposed under IRC Sections 6038 through 6038D. If the corporation files any of the following federal information returns, a copy of the federal return must be filed with California as well:

- Federal Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations
- Federal Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business
- Federal Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation
- Federal Form 8938, Statement of Specified Foreign Financial Assets
- Federal Form 8975, Country-by-Country Report\*
- Schedule A (8975), Tax Jurisdiction and Constituent Entity Information\*

\* Foreign insurance companies that file as domestic companies are exempt from the requirement of filing federal Form 8975 and accompanying Schedule A (8975).

For additional information, refer to federal Form 8975 instructions, Revenue Procedure 2017-23, and 2017-7 Internal Revenue Bulletin 915.

Attach a copy of each federal information return to the California tax return.

If these federal information returns are not provided, penalties may be imposed under R&TC Sections 19141.2 and 19141.5. See General Information M, Penalties, for more information.

## **W Net Operating Loss (NOL)**

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California has suspended the NOL carryover deduction. Corporations may continue to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than \$1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules.

The carryover period for suspended losses is extended by:

- Three years for losses incurred in taxable years beginning before January 1, 2020.
- Two years for losses incurred in taxable years beginning on or after January 1, 2020, and before January 1, 2021.

- One year for losses incurred in taxable years beginning on or after January 1, 2021, and before January 1, 2022.

For more information, see R&TC Section 24416.23.

For taxable years beginning on or after January 1, 2019, NOL carrybacks are **not** allowed.

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 through 24416.7, R&TC Sections 24416.21 through 24416.23, and R&TC Section 25108 provide for NOL deductions incurred in the conduct of a trade or business.

R&TC Sections 24347.5 and 24347.11 through 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 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 3805Z, Enterprise Zone Deduction and Credit Summary; 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 California SOS file number, if applicable, in the space provided. The FTB will (1) assign an identification number to an LLC that files

as a corporation, and (2) notify the LLC with the identification number upon receipt of the first estimated tax payment, 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, Limited Liability Company 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 California Department of Tax and Fee Administration (CDTFA), 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 California Department of Tax and Fee Administration 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 36 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, gifts, 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 exempt 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 California Department of Tax and Fee Administration's website at [cdtfa.ca.gov](http://cdtfa.ca.gov).

For more information about California use tax, please refer to the California Department of Tax and Fee Administration's website at [cdtfa.ca.gov](http://cdtfa.ca.gov) and type "**Find Information About Use Tax**" in the search bar.

**Complete the Use Tax Worksheet** on page 18 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.** For purchases made during taxable years starting on or after January 1, 2015, payments and credits reported on an income tax return 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 (Form 100X) 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 California Department of Tax and Fee Administration.

For assistance, go to the California Department of Tax and Fee Administration's website at [cdtfa.ca.gov](http://cdtfa.ca.gov) or call their Customer Service Center at 1.800.400.7115 (CRS: 711) (for hearing and speech disabilities). For California income tax information, contact the FTB at [ftb.ca.gov](http://ftb.ca.gov).

## Z Withholding

Effective January 1, 2020, the real estate withholding forms and instructions have been consolidated into one new Form 593, Real Estate Withholding Statement. For more information, get Form 593.

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](http://ftb.ca.gov) and search for **backup withholding**.

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, Real Estate Withholding Guidelines.

Sellers of California real estate must attach a copy of Form 593, Real Estate Withholding 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**.

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. For more information, get FTB Pub. 1016.

## 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 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 2020 Form 100 for calendar year 2020 and fiscal year that begins in 2020. 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 black or blue ink in the top margin. Convert all foreign monetary amounts to U.S. dollars.

The 2020 Form 100 may also be used if both of the following apply:

- The corporation has a taxable year of less than 12 months that begins and ends in 2021.
- The 2021 Form 100 is not available at the time the corporation is required to file its return. The corporation must show its 2021 taxable year on the 2020 Form 100 and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2020.

## 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 information

If the answer to Question B1 is:

- "Yes," make sure to complete all the questions listed
- "No," skip Questions B2 and B3 and go to Question B4

### Question B4 – FTB 3544

Check the "Yes" box if form FTB 3544 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*, must be filed with the State of California; failure to do so within 90 days of the event date will result in penalties. The form for this statement is form BOE-100-B, filed with the California State Board of Equalization (BOE). Get this form and information from the BOE website ([boe.ca.gov](http://boe.ca.gov)) by searching for **Legal Entity Ownership Program (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 in determining whether a change in ownership has occurred under Section 64(c) and (d); it is used by the LEOP.

#### **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 a DBA 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 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 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.
- 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 after November 1, 2006).
- 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 2006-6.
- 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).

#### **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 RICs and REITs, 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 includable 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 U1 – 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 U2- REIT subsidiaries**

If the entity owns any qualified REIT subsidiaries that are incorporated or qualified with the California Secretary of State, provide a statement with the name, California corporation number, and FEIN for each entity.

#### **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 43**

**Note:** Do not include IRC Section 965 and 951A amounts.

#### **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.

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.

**Shuttered Venue Operator Grant.** Under federal law, the CAA, 2021 allows deductions for eligible expenses paid for with grant amounts. California law conforms to this federal provision with modifications. For California purposes, if you are an ineligible entity and deducted eligible expenses for federal purposes, include this amount on line 8.

#### **Paycheck Protection Program Loans**

**Forgiveness.** Under federal law, the Consolidated Appropriations Act, 2021 allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision with modifications. For California purposes, if you are an ineligible entity and deducted eligible expenses for federal purposes, include this amount on line 8.

**Other Loan Forgiveness.** Under federal law, the CAA, 2021 allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, if you are an ineligible entity and deducted eligible expenses for federal purposes, enter the total amount of those expenses deducted 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.

#### **Penalty Assessed by Professional Sports League.**

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 – Charitable contributions**

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

The 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 charitable contributions made during the taxable year.

For taxable years beginning on or after January 1, 2014, and before January 1, 2023, **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 charitable 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 charitable contributions to enter on line 14.

1. Net income after state adjustments from Side 2, line 17 . . . . .
2. Deduction for dividends received. . . . .
3. Net income for contribution calculation purposes. Add line 1 and line 2 . . . . .
4. Charitable 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 charitable 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

#### **California Microbusiness COVID-19 Relief**

**Grant.** California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Microbusiness COVID-19 Relief Program that is administered by CalOSBA. Federal law has no similar exclusion. Enter on line 15 the amount of this type of income.

**California Venues Grant.** California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Venues Grant Program that is administered by CalOSBA. Federal law has no similar exclusion. Enter on line 15 the amount of this type of income.

#### **Small Business COVID-19 Relief Grant**

**Program.** California allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No. E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code. If the corporation included any amount as income for federal purposes, deduct the amount 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.** 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.

**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 2020 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 are 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**

The NOL carryover deduction is suspended for the 2020, 2021, and 2022 taxable years, if the corporation's taxable income is \$1,000,000 or more. The corporation may continue to compute and carryover an NOL during the suspension period. See General Information Section W, Net Operating Loss (NOL), for more information.

For taxable years beginning on or after January 1, 2019, NOL carrybacks are **not allowed**.

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 2020 form

FTB 3805Q, Part III, 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 2020 form FTB 3805Q to Form 100.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 2020 form FTB 3805Q showing the computation of the NOL carryover to future years.

If line 18 is a negative amount or \$1,000,000 or more, corporations may not claim an NOL deduction carryover. Enter -0- on line 19. See the 2020 form FTB 3805Q instructions to compute the 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 – EZ, TTA, or LAMBRA NOL carryover deduction**

NOL carryover deductions for the EZ, TTA, or LAMBRA are suspended for the 2020, 2021, and 2022 taxable years, if the corporation's taxable income is \$1,000,000 or more. For more information get form FTB 3805Z, form FTB 3807, or form FTB 3809.

An NOL generated by a business that operates (operated) or invests (invested) within a former EZ, 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 EZ, TTA, or LAMBRA NOL carryover deduction from the corporation's form FTB 3805Z; form FTB 3809; or form FTB 3807; on Form 100, line 20. Attach a copy of the applicable form to the Form 100.

**Line 21 – Disaster loss deduction**

The disaster loss deduction is not subject to the NOL suspension rules for the 2020, 2021, and 2022 taxable years.

If the corporation has a disaster loss carryover deduction and there is income in the current taxable year, enter the total amount from the 2020 form FTB 3805Q, Part III, line 2. The loss may not reduce the current taxable year income below zero. Any excess loss must be carried forward.

If the corporation deducts a 2020 disaster loss, any remaining disaster loss incurred in 2020 (NOL attributable to a qualified disaster loss)

must 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 through Line 26 – Tax credits**

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a \$5,000,000 limitation on the application of credits. The total of all credits including the carryover of any credit for the taxable year may not reduce the "tax" by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level.

Credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. For more information, see R&TC Section 23036.3.

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 3544.

**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 3544, Side 2, Part B, 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. 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 carryover
- College Access Tax Credit
- Commercial Solar Electric System Credit carryover
- Commercial Solar Energy Credit carryover
- Enterprise Zone Hiring Credit carryover
- Enterprise Zone Sales or Use Tax Credit carryover
- Low-income Housing Credit
- Natural Heritage Preservation Tax Credit
- New California Motion Picture and Television Production Credit
- New Advanced Strategic Aircraft Credit
- Orphan Drug Credit carryover
- Program 3.0 California Motion Picture and Television Production Credit
- Research Credit
- Solar Energy Credit carryover
- Targeted Tax Area Hiring Credit Carryover
- Targeted Tax Area Sales or Use Tax Credit carryover

Each credit is identified by a code. See the Credit Chart on page 46. To claim one or two credits, enter the credit name, code, and the amount of the credit on line 24 and line 25. To claim more than two credits, use Schedule P (100). List two of the credits on line 24 and line 25. Enter the total of any remaining credits from Schedule P (100) on line 26. **Do not** make an entry on line 26 unless line 24 and line 25 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** attach form FTB 3540. For EZ, LAMBRA, MEA, or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809. For credit carryover of the original California Motion Picture and Television Production credit, get FTB 3541.

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

#### **Line 28 – Balance**

Subtract line 27 from line 23. Enter the result or the applicable minimum franchise tax, whichever is more. See General Information C, Minimum Franchise Tax.

#### **Line 29 – Alternative minimum tax**

Enter on this line the AMT from Schedule P (100), Part I, line 19, or Part II, line 18, whichever is applicable.

#### **Line 32 – 2020 Estimated tax payments**

Enter the total amount of estimated tax payments made during the 2020 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 32, 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 33 – 2020 Withholding (Form 592-B and/or 593)**

Enter the 2020 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 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 36 – 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 CDTFA website at [cdtfa.ca.gov](http://cdtfa.ca.gov), or call their Customer Service Center at 1.800.400.7115 (CRS: 711) (for hearing and speech disabilities).

**Note:** The following businesses are required to report purchases subject to use tax directly to the California Department of Tax and Fee Administration, and may not report use tax on their income tax return.

- Businesses that have, or are required to hold, a California seller's permit.
- Businesses that receive \$100,000 or more per year in gross receipts.
- Businesses that are otherwise registered or required to be registered with the California Department of Tax and Fee Administration to report use tax.

A corporation that is not required to report purchases subject to use tax directly to the California Department of Tax and Fee Administration 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 below 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 California Department of Tax and Fee Administration. For information on reporting use tax directly to the California Department of Tax and Fee Administration, go to their website at [cdtfa.ca.gov](http://cdtfa.ca.gov) and type "**Find Information About Use Tax**" in the search bar.

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 36. 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 exempt purchases of food products or prescription medicine. For more information on nontaxable and exempt purchases, visit the California Department of Tax and Fee Administration's website at [cdtfa.ca.gov](http://cdtfa.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:** Do not report the following types of purchases 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.
- Rental receipts from leasing machinery, equipment, vehicles, and other tangible personal property to the customers.
- Cigarettes and tobacco products when the purchaser is registered with the California Department of Tax and Fee Administration 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 California Department of Tax and Fee Administration's website at [cdtfa.ca.gov](http://cdtfa.ca.gov) and type "**City and County Sales and Use Tax Rates**" in the search bar. You may also call their Customer Service Center at 1.800.400.7115 (CRS: 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.

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**Line 39 and Line 40 – 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 41 – Amount to be credited to 2021 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 42 – 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 42a, 42b, and 42c. 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 43 – Penalties and interest**

Enter on line 43a 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 of form FTB 5806 is used in computing or eliminating the penalty. Be sure to check the box on line 43b. For more information, see General Information M, Penalties, and N, Interest.

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## Schedules

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### 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.

**Capital Assets**

California does not conform to the exclusion of a patent, invention, model or design (whether or not patented), and a secret formula or process held by the taxpayer who created the property (and certain other taxpayers) from the definition of capital asset under IRC Section 1221.

**Qualified Opportunity Zone Funds**

California does not conform to the deferral and exclusion of capital gains reinvested or invested in qualified opportunity zone funds under IRC Sections 1400Z-1 and 1400Z-2. Enter the entire gain amount on line 1 or line 5, column (f).

If, for California purposes, gains from investment in qualified opportunity zone property had been included in income during previous taxable year, do not include the gain in the current year income.

Enter any unused capital loss carryover from 2019 Form 100, Side 6, Schedule D, line 11 or 2020 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

**Note:** Do not include IRC Section 965 and 951A amounts.

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

**Line 1a – Gross Receipts**

“Gross receipts” means the gross amounts realized (the sum of money and the fair market value of other property or services received) on:

- The sale or exchange of property,
- The performance of services, or
- The use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss

is recognized (or would be recognized if the transaction were in the United States) under the IRC.

Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold. For a complete definition of “gross receipts,” refer to R&TC Section 25120(f).

**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 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 4th 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 below 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, Side 2, line 39 or line 40, 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 30, 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 30, based on taxable income including the LIFO recapture amount. Form 100, Side 2, line 30, must then be compared to line 30 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 2, line 30, 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 39 or line 40 accordingly. Attach the worksheet showing the computation.

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(l)(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.

### Schedule G Bad Debts Reserve Method. See instructions.

(a) Taxable year	(b) Accounts outstanding at the end of the year	Amount added to reserve		(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
		(c) Current year's provisions	(d) Recoveries		
2015					
2016					
2017					
2018					
2019					
2020					

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**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 3531, California Competes Tax Credit
- FTB 3554, New Employment Credit

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

- Community Development Financial Institutions Investment Credit
- Environmental Tax Credit
- Farmworker Housing Credit

Get 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 57 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.

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**Visit our website:**

**ftb.ca.gov**

# California Corporation Franchise or Income Tax Return

2020

100

RP

For calendar year 2020 or fiscal year beginning

and ending

(mm/dd/yyyy)

(mm/dd/yyyy)

Corporation name

California corporation number

FEIN

Additional information. See instructions.

California Secretary of State file number

Street address (suite/room no.)

PMB no.

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

State

ZIP code

Foreign country name

Foreign province/state/county

Foreign postal code

## Schedule Q Questions (continued on Side 2)

**A FINAL RETURN?** •  Dissolved  Surrendered (withdrawn)  Merged/Reorganized  IRC Section 338 sale  QSub election

Enter date (mm/dd/yyyy) •

**B 1.** Is income included in a combined report of a unitary group? ..... •  Yes  No

If "Yes," indicate:  Wholly within CA (R&TC 25101.15)  
 Within and outside of CA

**2.** Is there a change in the members listed in Schedule R-7 from the prior year? ..... •  Yes  No

**3.** Enter the number of members (including parent or key corporation) listed in the Schedule R-7, Part I, Section A, subject to income or franchise tax ..... •

**4.** Is form FTB 3544 attached to the return? ..... •  Yes  No

**C 1.** During this taxable year, did another person or legal entity acquire control or majority ownership (more than a 50% interest) of this corporation or any of its subsidiaries that owned California real property (i.e., land, buildings), leased such property for a term of 35 years or more, or leased such property from a government agency for any term? ..... •  Yes  No

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

**3.** During this taxable year, has more than 50% of the voting stock of this corporation cumulatively transferred in one or more transactions after an interest in California real property (i.e., land, buildings) was transferred to it that was excluded from property tax reassessment under R&TC Section 62(a)(2) and it was not reported on a previous year's tax return? ..... •  Yes  No

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

State Adjustments	1 Net income (loss) before state adjustments. See instructions .....	• <input type="checkbox"/> 1	00
	2 Amount deducted for foreign or domestic tax based on income or profits from Schedule A .....	• <input type="checkbox"/> 2	00
	3 Amount deducted for tax under the provisions of the Corporation Tax Law from Schedule A .....	• <input type="checkbox"/> 3	00
	4 Interest on government obligations .....	• <input type="checkbox"/> 4	00
	5 Net California capital gain from Side 6, Schedule D, line 11 .....	• <input type="checkbox"/> 5	00
	6 Depreciation and amortization in excess of amount allowed under California law. Attach form FTB 3885 .....	• <input type="checkbox"/> 6	00
	7 Net income from corporations not included in federal consolidated return. See instructions .....	• <input type="checkbox"/> 7	00
	8 Other additions. Attach schedule(s) .....	• <input type="checkbox"/> 8	00
	9 Total. Add line 1 through line 8 .....	• <input type="checkbox"/> 9	00

State Adjustments (cont.)	10	Intercompany dividend elimination. Attach Schedule H (100) .....	● 10	00	
	11	Dividends received deduction. Attach Schedule H (100) .....	● 11	00	
	12	Additional depreciation allowed under CA law. Attach form FTB 3885 .....	● 12	00	
	13	Capital gain from federal Form 1120, line 8 .....	● 13	00	
	14	Charitable Contributions .....	● 14	00	
	15	Other deductions. Attach schedule(s) .....	● 15	00	
	16	Total. Add line 10 through line 15 .....	● 16	00	
	17	Net income (loss) after state adjustments. Subtract line 16 from Side 1, line 9 .....	● 17	00	
	18	Net income (loss) for state purposes. Complete Schedule R if apportioning or allocating income. See instructions. ● 18	00		
	19	Net operating loss (NOL) deduction. See instructions .....	● 19	00	
	20	EZ, TTA, or LAMBRA NOL carryover deduction. See instructions .....	● 20	00	
	21	Disaster loss deduction. See instructions .....	● 21	00	
	22	Net income for tax purposes. Combine line 19 through line 21. Then, subtract from line 18 .....	● 22	00	
	23	Tax. _____ % x line 22 (at least minimum franchise tax, if applicable). See instructions .....	● 23	00	
	24	Credit name _____ code ● _____ amount .....	► 24	00	
25	Credit name _____ code ● _____ amount .....	► 25	00		
26	To claim more than two credits, see instructions .....	● 26	00		
27	Add line 24 through line 26 .....	● 27	00		
28	<b>Balance.</b> Subtract line 27 from line 23 (at least minimum franchise tax, if applicable) .....	● 28	00		
29	Alternative minimum tax. Attach Schedule P (100). See instructions .....	● 29	00		
30	<b>Total tax.</b> Add line 28 and line 29 .....	● 30	00		
31	Overpayment from prior year allowed as a credit .....	● 31	00		
32	<b>2020 Estimated tax payments.</b> See instructions .....	● 32	00		
33	2020 Withholding (Form 592-B and/or 593). See instructions .....	● 33	00		
34	Amount paid with extension of time to file tax return .....	● 34	00		
35	Total payments. Add line 31 through line 34 .....	● 35	00		
36	<b>Use tax. This is not a total line.</b> See instructions .....	● 36	00		
37	Payments balance. If line 35 is more than line 36, subtract line 36 from line 35 .....	● 37	00		
38	<b>Use tax balance.</b> If line 36 is more than line 35, subtract line 35 from line 36 .....	● 38	00		
39	<b>Franchise or income tax due.</b> If line 30 is more than line 37, subtract line 37 from line 30 .....	● 39	00		
40	<b>Overpayment.</b> If line 37 is more than line 30, subtract line 30 from line 37 .....	● 40	00		
41	Amount of line 40 to be credited to 2023 estimated tax .....	● 41	00		
42	<b>Refund.</b> Subtract line 41 from line 40 .....	● 42	00		
	See instructions to have the refund directly deposited.				
	<input type="checkbox"/> Checking				
	<input type="checkbox"/> Savings				
42a.	● Routing number	42b. ● Type	42c. ● Account number		
43 a	Penalties and interest .....	● 43a	00		
b ● <input type="checkbox"/>	Check if estimate penalty computed using Exception B or C on form FTB 5806. See instructions.				
44	Total amount due. Add line 38, line 39, line 41, and line 43a. Then, subtract line 40 from the result .....	● 44	00		

#### Schedule Q Questions (continued from Side 1)

**D** If the corporation filed on a water's-edge basis pursuant to R&TC Sections 25110 and 25113 in previous years, enter the date the water's-edge election ended ..... (mm/dd/yyyy) ● \_\_\_\_\_

**E** Was the corporation's income included in a consolidated federal return? ..... ●  Yes  No

**F** Principal business activity code. (Do not leave blank): ..... ● \_\_\_\_\_

Business activity \_\_\_\_\_

Product or service \_\_\_\_\_

Schedule Q Questions (continued on Side 3)

**G** Date incorporated (mm/dd/yyyy): \_\_\_\_\_ Where: ● State \_\_\_\_\_ Country \_\_\_\_\_

**H** Date business began in California or date income was first derived from California sources ..... (mm/dd/yyyy) ● \_\_\_\_\_

**I** First return? ..... ●  Yes  No If "Yes" and this corporation is a successor to a previously existing business, check the appropriate box.

● (1)  Sole proprietorship (2)  Partnership (3)  Joint venture (4)  Corporation (5)  Other  
(Attach statement showing name, address, and FEIN/SSN/ITIN of previous business.)

**J** "Doing business as" name. See instructions: ..... ● \_\_\_\_\_

**K** At any time during the taxable year, was more than 50% of the voting stock:

1. Of the corporation owned by any single interest? ..... ●  Yes  No

2. Of another corporation owned by this corporation? ..... ●  Yes  No

3. Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? ..... ●  Yes  No

If 1 or 3 is "Yes," enter the country of the ultimate parent ..... ● \_\_\_\_\_

If 1, 2, or 3 is "Yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned.

If the owner(s) is an individual, provide the SSN/ITIN and see FTB 1131, for more information.

**L** Has the corporation included a reportable transaction or listed transaction within this return? (See instructions for definitions) ..... ●  Yes  No  
If "Yes," complete and attach federal Form 8886 for each transaction.

**M** Is this corporation apportioning or allocating income to California using Schedule R? ..... ●  Yes  No

**N** How many affiliates in the combined report are claiming immunity from taxation in California under Public Law 86-272? ● \_\_\_\_\_

**O** Corporation headquarters are: ..... ● (1)  Within California (2)  Outside of California, within the U.S. (3)  Outside of the U.S.

**P** Location of principal accounting records: \_\_\_\_\_

**Q** Accounting method: ..... ● (1)  Cash (2)  Accrual (3)  Other

**R** Does this corporation or any of its subsidiaries have a Deferred Intercompany Stock Account (DISA)? ..... ●  Yes  No

If "Yes," enter the total balance of all DISAs ..... ● \$ \_\_\_\_\_

**S** Is this corporation or any of its subsidiaries a RIC? ..... ●  Yes  No

**T** Is this corporation treated as a REMIC for California purposes? ..... ●  Yes  No

**U** 1. Is this corporation a REIT for California purposes? ..... ●  Yes  No

2. If question U1 is "Yes," does the entity own any qualified REIT subsidiaries that are incorporated or qualified with the California Secretary of State? If yes, see instructions ..... ●  Yes  No

**V** Is this corporation an LLC or limited partnership electing to be taxed as a corporation for federal purposes? ..... ●  Yes  No

If "Yes," enter the effective date of the election (mm/dd/yyyy): ..... \_\_\_\_\_

**W** Is this corporation to be treated as a credit union? ..... ●  Yes  No

**X** Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year? ..... ●  Yes  No

**Y** Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, 8865, etc.) been filed with the Franchise Tax Board? .....  N/A  Yes  No

**Z** Does the taxpayer (or any corporation of the taxpayer's combined group, if applicable) own 80% or more of the stock of an insurance company? .....  Yes  No

**AA** Did the corporation file the federal Schedule UTP (Form 1120)? ..... ●  Yes  No

**BB** Does any member of the combined report own an SMLLC or generate/claim credits that are attributable to an SMLLC? ..... ●  Yes  No

<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Signature of officer ►	Title	Date
Officer's email address (optional)			
<b>Paid Preparer's Use Only</b>	Preparer's signature ►	Date	Check if self-employed ► <input type="checkbox"/>
	Firm's name (or yours, if self-employed) ► and address		
May the FTB discuss this return with the preparer shown above? See instructions ..... ● <input type="checkbox"/> Yes <input type="checkbox"/> No			

**Schedule A Taxes Deducted.** Use additional sheet(s) if necessary.

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount
			00
			00

**Total.** Enter total of column (c) on Schedule F, line 17, and total of column (d) on Side 1, line 2 or line 3.

If the corporation uses California computation method to compute the net income, see instructions.

**Schedule F Computation of Net Income.** See instructions.

1 a) Gross receipts or gross sales		c) Balance	1c	00
b) Less returns and allowance			2	00
2 Cost of goods sold. Attach federal Form 1125-A (California Schedule V)			3	00
3 Gross profit. Subtract line 2 from line 1c			4	00
4 Total dividends. Attach federal Schedule C, (California Schedule H (100))			5a	00
5 a) Interest on obligations of the United States and U.S. instrumentalities			5b	00
b) Other interest. Attach schedule			6	00
6 Gross rents			7	00
7 Gross royalties			8	00
8 Capital gain net income. Attach federal Schedule D (California Schedule D)			9	00
9 Ordinary gain (loss). Attach federal Form 4797 (California Schedule D-1)			10	00
10 Other income (loss). Attach schedule			11	00
<b>11 Total income.</b> Add line 3 through line 10				
12 Compensation of officers. Attach federal Form 1125-E or equivalent schedule	●	12		00
13 Salaries and wages (not deducted elsewhere)	●	13		00
14 Repairs and maintenance	●	14		00
15 Bad debts	●	15		00
16 Rents	●	16		00
17 Taxes (California Schedule A). See instructions	●	17		00
18 Interest. Attach schedule	●	18		00
19 Charitable Contributions. Attach schedule	●	19		00
20 Depreciation. Attach federal Form 4562 and FTB 3885.	●	20		
21 Less depreciation claimed elsewhere on return	●	21a	● 21b	00
22 Depletion. Attach schedule	●	22		00
23 Advertising	●	23		00
24 Pension, profit-sharing plans, etc.	●	24		00
25 Employee benefit plans	●	25		00
26 a) Total travel and entertainment				
b) Deductible amounts	●	26b		00
27 Other deductions. Attach schedule	●	27		00
28 Specific deduction for organizations under R&TC Section 23701r or 23701t. See instructions	●	28		00
<b>29 Total deductions.</b> Add line 12 through line 28	●	29		00
<b>30 Net income before state adjustments.</b> Subtract line 29 from line 11. Enter here and on Side 1, line 1	●	30		00

**Schedule J Add-On Taxes and Recapture of Tax Credits.** See instructions.

1 LIFO recapture due to S corporation election, IRC Sec. 1363(d) deferral:	● 1	00
2 Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834)	● 2	00
3 Interest on tax attributable to installment: a Sales of certain timeshares and residential lots	● 3a	00
b Method for nondealer installment obligations	● 3b	00
4 IRC Section 197(f)(9)(B)(ii) election	● 4	00
5 Credit recapture name:	● 5	00
6 Combine line 1 through line 5, revise Side 2, line 39 or line 40, whichever applies, by this amount. Write "Schedule J" to the left of line 39 or line 40	● 6	00

**Schedule V Cost of Goods Sold**

1 Inventory at beginning of year .....	●	1	00
2 Purchases .....	●	2	00
3 Cost of labor .....	●	3	00
4 a Additional IRC Section 263A costs. Attach schedule .....	●	4a	00
b Other costs. Attach schedule .....	●	4b	00
5 Total. Add line 1 through line 4b .....	●	5	00
6 Inventory at end of year .....	●	6	00
7 Cost of goods sold. Subtract line 6 from line 5. Enter here and on Side 4, Schedule F, line 2 .....	●	7	00

Method of inventory valuation ►

Was there any change in determining quantities, costs or valuations between opening and closing inventory?  Yes  No

If "Yes," attach an explanation.

Enter California seller's permit number, if any ►

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

If the LIFO inventory method was used for this taxable year, enter the amount of closing inventory under LIFO \_\_\_\_\_

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

**The corporation may not be required to complete Schedules L, M-1, and M-2. See Schedule M-1 instructions for reporting requirements.**

**Schedule L Balance Sheet**

		Beginning of taxable year		End of taxable year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1 Cash .....		●		●	
2 a Trade notes and accounts receivable .....			●		
b Less allowance for bad debts .....	( )	●	● ( )	●	
3 Inventories .....		●		●	
4 Federal and state government obligations .....		●		●	
5 Other current assets. Attach schedule(s) .....					
6 Loans to stockholders/officers. Attach schedule .....		●		●	
7 Mortgage and real estate loans .....		●		●	
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 .....	( )	●	( )		
11 Land (net of any amortization) .....		●		●	
12 a Intangible assets (amortizable only) .....	●		●		
b Less accumulated amortization .....	● ( )	●	● ( )	●	
13 Other assets. Attach schedule(s) .....		●		●	
<b>14 Total assets</b> .....		●		●	
<b>Liabilities and Stockholders' Equity</b>					
15 Accounts payable .....		●		●	
16 Mortgages, notes, bonds payable in less than 1 year .....		●		●	
17 Other current liabilities. Attach schedule(s) .....		●		●	
18 Loans from stockholders. Attach schedule(s) .....		●		●	
19 Mortgages, notes, bonds payable in 1 year or more .....		●		●	
20 Other liabilities. Attach schedule(s) .....		●		●	
21 Capital stock: a Preferred stock .....	●		●		
b Common stock .....	●	●	●	●	
22 Paid-in or capital surplus. Attach reconciliation .....		●		●	
23 Retained earnings – Appropriated. Attach schedule .....					
24 Retained earnings – Unappropriated .....					
25 Adjustments to shareholders' equity. Attach schedule .....					
26 Less cost of treasury stock .....		( )		( )	
<b>27 Total liabilities and stockholders' equity</b> .....					

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

If the corporation completed federal Schedule M-3 (Form 1120 /1120-F), see instructions.

1 Net income per books .....	●		7 Income recorded on books this year not included in this return (itemize)		
2 Federal income tax .....	●		a Tax-exempt interest .\$._____		
3 Excess of capital losses over capital gains.....	●		b Other ..... \$_____		
4 Taxable income not recorded on books this year (itemize) .....	●		c Total. Add line 7a and line 7b .....	●	
5 Expenses recorded on books this year not deducted in this return (itemize)			8 Deductions in this return not charged against book income this year (itemize)		
a Depreciation . \$._____			a Depreciation ..\$._____		
b State taxes ....\$._____			b State tax refunds ..\$._____		
c Travel and entertainment .\$._____			c Other .....\$._____		
d Other .....\$._____			d Total. Add line 8a through line 8c.....	●	
e Total. Add line 5a through line 5d .....	●		9 Total. Add line 7c and line 8d .....	●	
6 Total. Add line 1 through line 5e.....			10 Net income per return. Subtract line 9 from line 6 .....		

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books** (Side 5, Schedule L, line 24)

1 Balance at beginning of year .....	●		5 Distributions: a Cash .....	●	
2 Net income per books .....	●		b Stock.....	●	
3 Other increases (itemize) .....			c Property .....	●	
4 Total. Add line 1 through line 3 .....			6 Other decreases (itemize) .....		
			7 Total. Add line 5 and line 6 .....		
			8 Balance at end of year. Subtract line 7 from line 4 .....		

**Schedule D California Capital Gains and Losses**

**Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less.** Use additional sheet(s) if necessary.

(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) (d) less (e)
1					00
					00
					00
					00
2 Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37 .....				●	2
3 Unused capital loss carryover from 2019 .....				●	3
4 Net short-term capital gain (loss). Combine line 1 through line 3 .....				●	4

**Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year.** Use additional sheet(s) if necessary.

5					00
					00
					00
					00
6 Enter gain from Schedule D-1, line 9 and/or any capital gain distributions.....				●	6
7 Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37 .....				●	7
8 Net long-term capital gain (loss). Combine line 5 through line 7 .....				●	8
9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8).....					9
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4).....					10
11 Total lines 9 and 10. Enter here and on Form 100, Side 1, line 5. If losses exceed gains, carry forward losses to 2021.....					11
					00

**2020 Dividend Income Deduction**

Attach to Form 100. Attach additional sheets if necessary.

Corporation name

**H (100)**

California corporation number

**Part I Elimination of Intercompany Dividends (R&TC Section 25106)**

	(a) Dividend payer	(b) Dividend payee
1		
2		
3		
4		
Enter total amounts of each column on line 4 above. Enter total from 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)**

	(a) Dividend payer	(b) Dividend payee
1		
2		
3		
4		
Enter total amounts in column (g). Enter here and on Form 100, Side 2, line 11.		

# 2020 Instructions for Schedule H (100)

## Dividend Income Deduction

### Important Information

California 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. An 85% deduction is allowed for qualified dividends. 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.

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).
2. Enter in column (d) the total amount of insurance dividends received.
3. Enter the qualified dividend percentage in column (e).
4. 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).
6. 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 tax 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.

# Alternative Minimum Tax and 2020 Credit Limitations — Corporations

# P (100)

Attach to Form 100 or Form 109.

Corporation name

California corporation number

## Part 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 R, line 1c; or Form 109, the lesser of line 1 or line 2. See instructions .....	<input type="radio"/> 1	00
<b>2</b>	<b>Adjustments.</b> See instructions.		
a	Depreciation of tangible property placed in service after 1986 and before 1999 .....	<input type="radio"/> 2a	00
b	Amortization of certified pollution control facilities placed in service after 1986 .....	<input type="radio"/> 2b	00
c	Amortization of mining exploration and development costs incurred after 1987 .....	<input type="radio"/> 2c	00
d	Basis adjustments in determining gain or loss from sale or exchange of property.....	<input type="radio"/> 2d	00
e	Long-term contracts entered into after February 28, 1986 .....	<input type="radio"/> 2e	00
f	Installment sales of certain property.....	<input type="radio"/> 2f	00
g	Tax shelter farm activities (personal service corporations only).....	<input type="radio"/> 2g	00
h	Passive activities (closely held corporations and personal service corporations only).....	<input type="radio"/> 2h	00
i	Certain loss limitations.....	<input type="radio"/> 2i	00
j	Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 12a.....	<input type="radio"/> 2j	00
k	Merchant marine capital construction funds.....	<input type="radio"/> 2k	00
	I Combine line 2a through line 2k.....	<input type="radio"/> 2l	00
<b>3</b>	<b>Tax preference items.</b> See instructions.		
a	Depletion .....	<input type="radio"/> 3a	00
b	Intangible drilling costs .....	<input type="radio"/> 3b	00
c	Add line 3a and line 3b .....	<input type="radio"/> 3c	00
<b>4</b>	<b>Pre-adjustment alternative minimum taxable income (AMTI):</b>		
a	Combine line 1, line 2l, and line 3c.....	<input type="radio"/> 4a	00
b	<b>Apportioned pre-adjustment AMTI.</b> If income is derived from sources both within and outside of California, see instructions. Otherwise, enter the amount from line 4a .....	<input type="radio"/> 4b	00
<b>5</b>	<b>Adjusted current earnings (ACE) adjustment:</b>		
a	Enter ACE. See instructions .....	<input type="radio"/> 5a	00
b	<b>Apportioned ACE.</b> If income is derived from sources both within and outside of California, see instructions. Otherwise, enter the amount from line 5a.....	<input type="radio"/> 5b	00
c	Subtract line 4b from line 5b (even if one or both of the figures are negative). If negative, use brackets.....	<input type="radio"/> 5c	00
d	Multiply line 5c by 75% (.75) and enter the result as a positive number .....	<input type="radio"/> 5d	00
e	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Enter an amount on line 5e (even if line 5c is positive) .....	<input type="radio"/> 5e	00
f	<b>ACE adjustment:</b>		
	• If line 5c is a positive amount or zero, enter the amount from line 5d on line 5f as a positive amount.	<input type="radio"/> 5f	00
	• If line 5c is a negative amount, enter the smaller of line 5d or line 5e on line 5f as a negative amount .....	<input type="radio"/> 5f	00
6	Combine line 4b and line 5f. If zero or less, enter -0.....	<input type="radio"/> 6	00
7	a Reduction for disaster loss deduction, if any, from Form 100, line 21 .....	<input type="radio"/> 7a	00
	b AMT net operating loss deduction. See instructions.....	<input type="radio"/> 7b	00
	c Combine line 7a and line 7b .....	<input type="radio"/> 7c	00
8	AMTI. Subtract line 7c from line 6 .....	<input type="radio"/> 8	00
9	Enter \$40,000 exemption. See instructions .....	<input type="radio"/> 9	00
10	Enter \$150,000 limitation. See instructions .....	<input type="radio"/> 10	00
11	Subtract line 10 from line 8. If zero or less, enter -0.....	<input type="radio"/> 11	00
12	Multiply line 11 by 25% (.25) .....	<input type="radio"/> 12	00
13	Exemption. Subtract line 12 from line 9. If zero or less, enter -0.....	<input type="radio"/> 13	00
14	Subtract line 13 from line 8. If zero or less, enter -0.....	<input type="radio"/> 14	00
15	Multiply line 14 by 6.65% (.0665).....	<input type="radio"/> 15	00
16	Banks and financial corps. Multiply Form 100, line 22, by 2.00% (.0200). See instructions..	<input type="radio"/> 16	00

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

17 <b>TMT.</b> Add line 15 and line 16 from Side 1 .....	<input type="radio"/> 17	00
18 Regular tax before credits. Enter the amount from Form 100, line 23 or Form 109, line 10. See instructions .....	<input type="radio"/> 18	00
19 <b>AMT.</b> Subtract line 18 from line 17. If zero or less, enter -0-. See instructions .....	<input type="radio"/> 19	00

**Part II Credits that Reduce Tax. See instructions.**

1 Regular tax from Form 100, line 23 or Form 109, line 10 .....	<input type="radio"/> 1	00
2 TMT (before credits) from Part I, line 17 (but not less than the minimum franchise tax, if applicable) .....	<input type="radio"/> 2	00

**Section A – Credits that reduce excess regular tax.**

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 .....	(a) Credit amount 3	(b) Credit used this year* 3	(c) Tax balance that may be offset by credits 3	(d) Credit carryover 3
4 Code: 162 Prison Inmate Labor Credit.....	<input type="radio"/> 4	<input type="radio"/> 4	<input type="radio"/> 4	<input type="radio"/> 4
5 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 5	<input type="radio"/> 5	<input type="radio"/> 5	<input type="radio"/> 5
6 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 6	<input type="radio"/> 6	<input type="radio"/> 6	<input type="radio"/> 6
7 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 7	<input type="radio"/> 7	<input type="radio"/> 7	<input type="radio"/> 7
8 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 8	<input type="radio"/> 8	<input type="radio"/> 8	<input type="radio"/> 8
9 Code: 188 Credit for prior year AMT from Part III, line 3.....	<input type="radio"/> 9	<input type="radio"/> 9	<input type="radio"/> 9	<input type="radio"/> 9

**Section B – Credits that may reduce regular tax below TMT.**

10 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) .....	<input type="radio"/> 10	<input type="radio"/> 10	<input type="radio"/> 10
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**B Credits that reduce net tax and have carryover provisions.**

See instructions.	11	12	13	14
11 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 11	<input type="radio"/> 11	<input type="radio"/> 11	<input type="radio"/> 11
12 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 12	<input type="radio"/> 12	<input type="radio"/> 12	<input type="radio"/> 12
13 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 13	<input type="radio"/> 13	<input type="radio"/> 13	<input type="radio"/> 13
14 Code: <input type="radio"/> Credit Name: .....	<input type="radio"/> 14	<input type="radio"/> 14	<input type="radio"/> 14	<input type="radio"/> 14

**Section C – Credits that may reduce AMT. See instructions.**

15 Enter the AMT from Part I, line 19 .....	<input type="radio"/> 15	<input type="radio"/> 15	<input type="radio"/> 15
16a Code: 180 Solar Energy Credit carryover from Section B, column (d) .....	<input type="radio"/> 16a	<input type="radio"/> 16a	<input type="radio"/> 16a
16b Code: 181 Commercial Solar Energy Credit carryover from Section B, column (d) .....	<input type="radio"/> 16b	<input type="radio"/> 16b	<input type="radio"/> 16b
17 Code: 176 Enterprise Zone Hiring & Sales or Use Tax Credit carryover from Section B, column (d).....	<input type="radio"/> 17	<input type="radio"/> 17	<input type="radio"/> 17
18 Adjusted AMT. Enter the balance from line 17, column (c) here and on Form 100, line 29 or Form 109, Side 1, line 13 .....	<input type="radio"/> 18	<input type="radio"/> 18	<input type="radio"/> 18

**Part III Credit for Prior Year AMT**

1 Enter the AMT from the 2019 Schedule P (100). See instructions.....	<input type="radio"/> 1	00
2 Carryover of unused credit for prior year AMT. See instructions .....	<input type="radio"/> 2	00
3 Total available credit. Add line 1 and line 2. Enter here and on Part II, line 9, column (a).....	<input type="radio"/> 3	00

\*If the corporation is subject to the credit limitation, the total of credits in Part II, column (b) cannot exceed \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. See instructions for more information.

# 2020 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

**Net Operating Loss Suspension** — For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California has suspended the net operating loss (NOL) carryover deduction. Corporations may continue to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than \$1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules. For more information, get form FTB 3805Q, Net Operating Loss Computation and NOL and Disaster Limitations – Corporations.

**Credit Limitation** — For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a \$5,000,000 limitation on the application of credits for taxpayers. The total of all credits including the carryover of any credit for the taxable year may not reduce the "tax" by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. The credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. This limitation does not apply to the Low Income Housing Credit.

**Program 3.0 California Motion Picture and Television Production Credit** — For taxable years beginning on or after January 1, 2020, California Revenue and Taxation Code (R&TC) Sections 17053.98 and 23698 allow a third film credit, **program 3.0**, against tax. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information, get form FTB 3541, California Motion Picture and Television Production Credit, form FTB 3551, Sale of Credit Attributable to an Independent Film, go to [fb.ca.gov](http://fb.ca.gov) and search for **motion picture**, or go to the CFC website at [film.ca.gov](http://film.ca.gov) and search for **incentives**.

**New Advanced Strategic Aircraft Credit** — For taxable years beginning on or after January 1, 2020, and before January 1, 2026, California allows the new advanced strategic aircraft credit to reduce tax below the Tentative Minimum Tax (TMT).

**Natural Heritage Preservation Credit** — The Natural Heritage Preservation Credit expired on June 30, 2020. All qualified contributions must be made on or before that date. For more information, get form FTB 3503, Natural Heritage Preservation Credit.

### New Donated Fresh Fruits or Vegetables Credit

For taxable years beginning on or after January 1, 2020, and before January 1, 2022, the list of qualified donation items has been expanded to include raw agricultural products and processed foods. For more information, get form FTB 3814, New Donated Fresh Fruits or Vegetables Credit.

### Main Street Small Business Tax Credit

For the taxable year beginning on or after January 1, 2020, and before January 1, 2021, a Main Street Small Business Tax Credit is available to a qualified small business employer that received a tentative credit reservation from the California Department of Tax and Fee Administration (CDTFA). For more information, get form FTB 3866, Main Street Small Business Tax Credit.

### 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 [fb.ca.gov](http://fb.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 instructions. Taxpayers should not consider the instructions as authoritative law.

For taxable years beginning on or after January 1, 2019, NOL carrybacks are **not** allowed.

Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible 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, Assignment of Credit, or go to [fb.ca.gov](http://fb.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.

### California law does not conform to federal law regarding:

- The Federal Tax Cuts and Jobs Act (TCJA) signed into law on December 22, 2017, made changes to the IRC. In general, California R&TC **does not** conform to the changes. California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. The following is a non-exhaustive list of the TCJA changes:
  - The repeal of the corporate Alternative Minimum Tax (AMT).
  - The modifications to the NOL provisions.
  - The modifications to the AMT credit.

These lists are not intended to be all-inclusive of the federal and state conformities and differences.

### 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. The AMT rate for C corporations is 6.65%.

Use Schedule P (100) 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 Adjusted Current Earnings (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 2019 or has a carryover of credit for prior year AMT and has no AMT liability for 2020, the corporation may use this credit in 2020 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, California Corporation Franchise or Income Tax Return, line 17 or Form 109, Exempt Organization Business Income Tax Return, 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 provided in federal Pub. 946, How To Depreciate Property.
- 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 conforms to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. 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 deposits.

California conforms to the limited federal repeal of intangible drilling costs preferences for independent producers. California also conforms to the limit on the benefit of the exclusion of the preference for intangible drilling costs of 40% of AMT. 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**

California's ACE adjustment generally follows the federal ACE adjustment rules in IRC Section 56(g) **as of the specified date of January 1, 2015, with modifications.**

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. To compute the California ACE, use the ACE worksheet included in these instructions and take 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.

**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**

The disaster loss deduction is not subject to the NOL suspension rules for taxable years beginning on or after January 1, 2020, and before January 1, 2023.

If a disaster loss deduction is claimed in 2020, enter the amount on this line.

Any remaining disaster loss incurred in 2020 (NOL attributable to a qualified disaster loss) must be carried forward. Get form FTB 3805Q for more information.

#### **Line 7b – AMT net operating loss deduction**

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California has suspended the NOL carryover deduction. Corporations may continue to compute and carryover an NOL during the suspension period. However, corporations with taxable income of less than \$1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules. For more information, get form FTB 3805Q.

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

1. 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.

2. 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.
4. 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 and application of the NOL carryover for each corporation in the group (R&TC Section 25108).

The amount carried over for AMT is likely to differ from the amount (if any) that is carried over 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 business activity within a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area, or Targeted Tax Area, get form FTB 3805Z 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(l)(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 29 or Form 109, line 13.

### **Part II – Credits that Reduce Tax**

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a \$5,000,000 limitation on the application of credits for taxpayers. The total of all credits including the carryover of any credit for the taxable year may not reduce tax by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. This limitation does not apply to the Low Income Housing Credit. For more information, see Whats New and R&TC Section 23036.3.

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 included in these instructions. 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. For taxable years beginning on or after January 1, 2020, and before January 1, 2023, the corporation is allowed to carryover the amount of credit, without carryover provision, that was disallowed due to the \$5,000,000 credit limitation. For taxpayers included in a combined report, the limitation is applied at the group level. The carryover period for the disallowed credit is extended by the number of taxable years the credit was not allowed. Credits **with** carryover provisions are listed on the Credit Table included in these instructions. 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 tax.
- (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.

The total amount of credits claimed in column (b) cannot exceed \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. This limitation does not apply to the Low Income Housing Credit.

(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). The corporation is required to keep track of the credit carryover amounts that were disallowed due to the \$5,000,000 credit limitation.

## 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.

1. 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).

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, if the corporation did not claim all or a portion of the Prison Inmate Labor credit due to the \$5,000,000 credit limitation, only the disallowed portion of the credit may be carried over. The carryover period for the disallowed credit is extended by the number of taxable years the credit was not allowed.

### 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.

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, the total amount of credits claimed cannot reduce tax by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. This limitation does not apply to the Low Income Housing Credit.

## Section C – Credits that may reduce AMT

If the corporation has AMT, the corporation may reduce AMT using credit carryover from either the Solar Energy, Commercial Solar Energy, or EZ Hiring & Sales or Use Tax 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 Manufacturer's

Investment Credit (MIC) to reduce AMT. For more information, go to [fbt.ca.gov](http://fbt.ca.gov) and search for **notice 2011-02**. However, the MIC carryover has expired. Therefore, corporate taxpayers can no longer use MIC carryover to offset against AMT.

### Section C Instructions

**Lines 16a, 16b, and 17** – 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 24 and line 25.

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 26.

**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 2020 credit for prior year AMT if the corporation paid AMT for 2019 or had an AMT credit carryover from 2019.

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 2019 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 2019 Schedule P (100).

**Line 2** – Enter the credit for prior year AMT carryover from the 2019 Schedule P (100), Part II, line 9, column (d).

*(continued on the next page)*

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**Credit Table Instructions.** To use the table:

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

**Credit Table**

Code	Current Credits	Form	Offset Tax in Section		
233	California Competes Tax	FTB 3531		B	
235	College Access Tax	FTB 3592		B	
205	Disabled Access for Eligible Small Businesses	FTB 3548	A2		
204	Donated Agricultural Products Transportation	FTB 3547	A2		
203	Enhanced Oil Recovery	FTB 3546	A2		
172	Low-Income Housing	FTB 3521		B	
240	Main Street Small Business Tax	FTB 3866	A2		
213	Natural Heritage Preservation	FTB 3503		B	
236	New Advanced Strategic Aircraft	N/A		B	
237	New California Motion Picture and Television Production	FTB 3541		B	
238	New Donated Fresh Fruits or Vegetables	FTB 3814	A2		
234	New Employment	FTB 3554	A2		
188	Prior Year Alternative Minimum Tax	N/A	A2		
162	Prison Inmate Labor	FTB 3507	A1		
239	Program 3.0 California Motion Picture and Television Production	FTB 3541		B	
183	Research	FTB 3523		B	
Code	Repealed Credits with Carryover or Recapture Provisions	Form	Offset Tax in Section		
175	Agricultural Products	FTB 3540	A2		
223	California Motion Picture and Television Production	FTB 3541		B	
196	Commercial Solar Electric System	FTB 3540		B	
181	Commercial Solar Energy	FTB 3540		B	C
209	Community Development Financial Institutions Investment	FTB 3540	A2		
202	Contribution of Computer Software	FTB 3540	A2		
224	Donated Fresh Fruits or Vegetables	FTB 3540	A2		
190	Employer Childcare Contribution	FTB 3540	A2		
189	Employer Childcare Program	FTB 3540	A2		
191	Employer Ridesharing				
192	Large				
193	Small	FTB 3540	A2		
193	Transit Passes				
182	Energy Conservation	FTB 3540	A2		
176	Enterprise Zone Hiring	FTB 3805Z		B	C
176	Enterprise Zone Sales or Use Tax	FTB 3805Z		B	C
218	Environmental Tax	FTB 3540	A2		
207	Farmworker Housing – Construction	FTB 3540	A2		
198	Local Agency Military Base Recovery Area Hiring	FTB 3807	A2		
198	Local Agency Military Base Recovery Area Sales or Use Tax	FTB 3807	A2		
160	Low-Emission Vehicles	FTB 3540	A2		
211	Manufacturing Enhancement Area Hiring	FTB 3808	A2		
220	New Jobs	FTB 3540	A2		
185	Orphan Drug	FTB 3540		B	
174	Recycling Equipment	FTB 3540	A2		
171	Ridesharing	FTB 3540	A2		
200	Salmon & Steelhead Trout Habitat Restoration	FTB 3540	A2		
180	Solar Energy	FTB 3540		B	C
179	Solar Pump	FTB 3540	A2		
210	Targeted Tax Area Hiring	FTB 3809		B	
210	Targeted Tax Area Sales or Use Tax	FTB 3809		B	
201	Technological Property Contribution	FTB 3540	A2		

**Adjusted Current Earnings (ACE) Worksheet**

1 Pre-adjustment AMTI. Enter the amount from Schedule P (100), line 4a, or Schedule P (100W), line 4a. ....	1
2 ACE depreciation adjustment:	
a AMT depreciation .....	2a
b ACE depreciation:	
(1) Post-1998 property .....	2b(1)
(2) Post-1990, pre-1998 property .....	2b(2)
(3) Post 1987, pre-1990 property .....	2b(3)
(4) Post-1981, pre-1987 property .....	2b(4)
(5) Property described in IRC Sections 168(f)(1) through (4) .....	2b(5)
(6) Other property .....	2b(6)
(7) Total ACE depreciation. Add lines 2b(1) through 2b(6).....	2b(7)
c ACE depreciation adjustment. Subtract line 2b(7) from line 2a .....	2c
3 Inclusion in ACE of items included in earnings and profits (E&P):	
a Tax-exempt interest income .....	3a
b Death benefits from life insurance contracts .....	3b
c All other distributions from life insurance contracts (including surrenders) .....	3c
d Inside buildup of undistributed income in life insurance contracts .....	3d
e Other items (see Treas. Reg. Sections 1.56(g)-1(c)(6)(ii) through (ix) for a partial list) .....	3e
f Total increase to ACE from inclusion in ACE of items included in E&P. Add lines 3a through 3e .....	3f
4 Disallowance of items not deductible from E&P:	
a Allowable deduction to a credit union .....	4a
b Other items (see Treas. Reg. Sections 1.56(g)-1(d)(3)(i) and (ii) for a partial list) .....	4b
c Total increase to ACE because of disallowance of items not deductible from E&P. Add lines 4a and 4b .....	4c
5 Other adjustments based on rules for figuring E&P:	
a Intangible drilling costs .....	5a
b Circulation expenditures .....	5b
c Organizational expenditures .....	5c
d LIFO inventory adjustments .....	5d
e Installment sales .....	5e
f Total other E&P adjustments. Combine lines 5a through 5e .....	5f
6 Disallowance of loss on exchange of debt pools .....	6
7 Acquisition expenses of life insurance companies for qualified foreign contracts .....	7
8 Depletion .....	8
9 Basis adjustments in determining gain or loss from sale or exchange of pre-1994 property .....	9
10 Interest income .....	10
11 Interest expense .....	11
12 <b>Adjusted current earnings.</b> Combine lines 1, 2c, 3f, 4c, and 5f through 11. Enter the result here and on Schedule P (100), line 5a, or Schedule P (100W), line 5a .....	12

## Adjusted Current Earnings (ACE) Worksheet

### Treatment of Certain Ownership Changes

If a corporation with a net unrealized built-in loss (within the meaning of IRC Section 382(h)) undergoes an ownership change (within the meaning of IRC Section 382(g) and Treas. Reg. Section 1.56(g)-1(k)(2)), refigure the adjusted basis of each asset of the corporation (immediately after the ownership change). The new adjusted basis of each asset is its proportionate share (based on respective fair market values) of the fair market value of the corporation's assets (determined under IRC Section 382(h)) immediately before the ownership change.

To determine if the corporation has a net unrealized built-in loss immediately before an ownership change, use the aggregate adjusted basis of its assets used for figuring its ACE. Also, use these new adjusted bases for all future ACE calculations (such as depreciation and gain or loss on disposition of an asset).

### Line 2 – ACE Depreciation Adjustment

#### Line 2a – AMT depreciation

Generally, the amount entered on this line is the depreciation the corporation claimed for the regular tax on form FTB 3885, line 16, modified by Schedule P (100/100W), line 2a.

#### Line 2b(1) – Post-1998 property

For property placed in service on or after January 1, 1998, ACE depreciation is the same as the depreciation allowable for AMTI. There is no ACE depreciation adjustment for this property. Enter the same amount allowable for AMTI. See R&TC Section 23456(f)(4), for more information.

#### Line 2b(2) – Post-1990, pre-1998 property

For property placed in service on or after January 1, 1990, and prior to January 1, 1998, use the straight-line method in accordance with the alternative depreciation system of IRC Section 168(g). See R&TC Section 23456(f)(3), for more information.

#### Line 2b(3) – Post-1987, pre-1990 property

For property placed in service on or after January 1, 1987, and prior to January 1, 1990, depreciation is determined by the following:

- Using the adjusted basis of the property (as determined for purposes of computing AMT) as of the close of the last taxable year beginning before January 1, 1990.
- Utilizing the straight-line method over the remainder of the recovery period applicable to the property under the alternative depreciation system of IRC Section 168(g).

#### Line 2b(4) – Post 1981, pre-1987 property

For property placed in service on or after January 1, 1981, and prior to January 1, 1987, depreciation allowable for ACE is computed using the straight-line method. See R&TC Section 23456(f)(1), for more information.

#### Line 2b(5) – Property described in IRC Sections 168(f)(1) through (4)

For this property, use the regular tax depreciation, regardless of when the property was placed in service.

Line 2b(5) takes priority over lines 2b(1), 2b(2), 2b(3), and 2b(4). For property that is described in IRC Sections 168(f)(1) through (4), use line 2b(5) instead of the line 2b(1), 2b(2), 2b(3), or 2b(4) that would otherwise apply.

There is no California modification related to IRC Section 56(g)(4)(A)(v) Special Rule for Certain Property.

#### Line 2b(6) – Other property

Use the regular tax depreciation for (a) property placed in service before 1981 and (b) property placed in service after 1980, in a tax year that began before 1990, that is excluded from Modified Accelerated Cost Recovery System (MACRS) by IRC Section 168(f)(5)(A)(i) or original Accelerated Cost Recovery System (ACRS) by IRC Section 168(e)(4), as in effect before the Tax Reform Act of 1986.

There is no California modification related to Treas. Reg. Section 1.56(g)-1(b)(5). It applies to property not subject to ACRS (property placed in service Dec. 31, 1980 - Jan. 1, 1990) and any property placed in service before January 1, 1981. Depreciation is determined in the same manner as used in computing taxable income.

#### Line 2c – ACE depreciation adjustment

Subtract line 2b(7) from line 2a and enter the result on line 2c. If line 2b(7) exceeds line 2a, enter the difference as a negative amount.

#### Line 3 – Inclusion in ACE of Items Included in Earnings and Profits (E&P)

There is no California modification related to IRC Section 56(g)(4)(B).

In general, any income item that is not taken into account in determining the corporation's pre-adjustment AMTI but is taken into account in determining its E&P must be included in ACE. Any such income item can be reduced by all items related to that income item that would be deductible when figuring pre-adjustment AMTI if the income items to which they relate were included in the corporation's pre-adjustment AMTI for the tax year. Examples of these income items and the adjustments that relate to them include:

- Interest income from tax-exempt obligations excluded under IRC Section 103 minus any costs incurred in carrying these tax-exempt obligations and
- Proceeds of life insurance contracts excluded under IRC Section 101 minus the basis in the contract for purposes of ACE.

An income item is considered taken into account without regard to the timing of its inclusion in a corporation's pre-adjustment AMTI or its E&P. Only income items that are permanently excluded from pre-adjustment

AMTI are included in ACE. An income item will not be considered taken into account merely because the proceeds from that item might eventually be reflected in the pre-adjustment AMTI of another taxpayer (for example, that of a shareholder) on the liquidation or disposal of a business.

**Exceptions:** Do not make an adjustment for the following:

- Any income from discharge of indebtedness excluded from gross income under IRC Section 108 (or the corresponding provision of prior law).
- For an insurance company taxed under IRC Section 831(b), any amount not included in gross investment income (as defined in IRC Section 834(b)).
- Any special subsidy payment for prescription drug plans excluded from gross income under IRC Section 139A.
- Any qualified shipping income excluded under IRC Section 1357.
- Tax-exempt interest on certain housing bonds issued after July 30, 2008, excluded under IRC Section 57(a)(5)(C)(iii).
- Tax-exempt interest on certain private activity bonds issued in 2009 and 2010. Special rules apply to refunding bonds. See IRC Section 56(g)(4)(B)(iv).

#### Line 3a – Tax-exempt interest income

There is no modification to IRC Section 56(g)(4)(B), however there is a federal/California difference relating to IRC Section 103. California does not conform to the federal treatment of specifically excluding from gross income the interest on any state or local bond. California's exclusion is limited to obligations of California and its political subdivisions. The adjustment only relates to California and its political subdivisions. For more information, see R&TC Section 24272 and Cal. Code Regs. tit. 18, section 24271(e)(2).

#### Line 3b – Death benefits from life insurance contracts

California generally conforms to the federal treatment of specifically excluding from gross income amounts of certain death benefits. California modifies IRC Section 101 relating to certain death benefits with state-specific provisions. For more information, see R&TC Sections 24302 and 24305.

#### Line 3d – Inside build up of undistributed income in life insurance contracts

Include in ACE the income on life insurance contracts (as determined under IRC Section 7702(g)) for the tax year minus the part of any premium attributable to insurance coverage.

#### Line 3e – Other items

Do not include any adjustment related to the E&P effects of any charitable contribution.

#### Qualified Lessee Construction Allowances.

For qualified lessee construction allowances for short-term leases under IRC Section 110, California conforms to the federal treatment with modifications in R&TC Section 24309.5.

**Recovery of Tax Benefit Items.** For recovery of tax benefit items under IRC Section 111, California conforms to the federal treatment of the recovery of tax benefit items. See R&TC Section 24310, for more information.

**Banking Institutions.** For treatment of transactions in which federal financial assistance is provided under IRC Section 597, California does not conform. California has a franchise tax on banks and financial corporations in lieu of other taxes. For more information, see R&TC Sections 23039, 23181, and Cal Code Regs. tit. 18, section 23183.

#### **Line 4 – Disallowance of Items Not Deductible From E&P**

Generally, no deduction is allowed when figuring ACE for items not taken into account (see below) in figuring E&P for the tax year. These amounts increase ACE if they are deductible in figuring pre-adjustment AMTI (that is, they would be positive adjustments).

An item is considered taken into account without regard to the timing of its deductibility in figuring pre-adjustment AMTI or E&P. Therefore, only deduction items that are permanently disallowed in figuring E&P are disallowed in figuring ACE.

**Items for which no adjustment is necessary.** Generally, no deduction is allowed for an item in figuring ACE if the item is not deductible in figuring pre-adjustment AMTI (even if the item is deductible in figuring E&P). The only exceptions to this general rule are the related reductions to an income item described in the second sentence of the instructions for line 3 above. Deductions that are not allowed in figuring ACE include:

- Capital losses that exceed capital gains.
- Bribes, fines, and penalties disallowed under IRC Section 162.
- Charitable contributions that exceed the limitations of IRC Section 170.
- Meals and entertainment expenses that exceed the limitations of IRC Section 274.
- Federal taxes disallowed under IRC Section 275.
- Golden parachute payments that exceed the limitation of IRC Section 280G.

#### **Line 4a – Allowable deduction to a credit union**

For each taxable year beginning on or after January 1, 1990, a deduction is allowed for amounts allowable as a deduction to a credit union for purposes of the regular tax under R&TC 24405. Also see R&TC Section 23456(g)(1)(A)(ii).

#### **Line 4b – Other items**

Do not include any adjustment related to the E&P effects of any charitable contribution.

#### **Line 5 – Other Adjustments Based on Rules for Figuring E&P**

##### **Line 5a – Intangible drilling costs**

Except as noted below, in figuring ACE, determine the deduction for intangible drilling costs under IRC Section 312(n)(2)(A).

Subtract the ACE expense (if any) from the AMT expense (used to figure Schedule P (100/100W), line 3b) and enter the result on line 5a. If the ACE expense exceeds the AMT amount, enter the result as a negative amount.

**Exception.** The above rule does not apply to amounts paid or incurred for any oil or gas well by corporations that are independent producers (that is, not integrated oil companies as defined in IRC Section 291(b)(4)). If this exception applies, do not enter an amount on line 5a for oil and gas wells.

##### **Lines 5b and 5c**

**Note:** There is a California modification needed under R&TC Section 23456(g)(2). IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under IRC Section 173 (R&TC 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.

##### **Line 5b – Circulation expenditures**

When figuring ACE, the current year deduction for circulation expenditures under IRC Section 173 does not apply. Therefore, treat circulation expenditures for ACE using the case law that existed before IRC Section 173 was enacted.

Subtract the ACE expense (if any) from the regular tax expense (for a personal holding company, from the AMT expense used to figure amortization of circulation expenditures) and enter the result on line 5b. If the ACE expense exceeds the regular tax amount (for a personal holding company, the AMT amount), enter the result as a negative amount.

Do not make this adjustment for expenditures for which the corporation elected the optional 3-year write-off under IRC Section 59(e) for the regular tax.

##### **Line 5c – Organizational expenditures**

When figuring ACE, the amortization provisions of IRC Section 248 do not apply. Therefore, charge all organizational expenditures to a capital account and do not take them into account when figuring ACE until the corporation is sold or otherwise disposed of. Enter on line 5c all amortization deductions for organizational expenditures that were taken for the regular tax during the tax year.

#### **Line 5d – LIFO inventory adjustments**

The LIFO inventory adjustments provided in IRC Section 312(n)(4) apply in figuring ACE. See Treas. Reg. Section 1.56(g)-1(f)(3).

#### **Line 5e – Installment sales**

For any installment sale in a tax year that began after 1989, a corporation generally cannot use the installment method to figure ACE. However, it may use the installment method for the applicable percentage (as determined under IRC Section 453A) of the gain from any installment sale to which IRC Section 453A(a)(1) applies.

Subtract the installment sale income reported for AMT from the ACE income from the sales and enter the result on line 5e. If the ACE income from the sales is less than the AMT amount, enter the difference as a negative amount.

#### **Line 6 – Disallowance of Loss on Exchange of Debt Pools**

When figuring ACE, a corporation may not recognize any loss on the exchange of any pool of debt obligations for any other pool of debt obligations having substantially the same effective interest rates and maturities. Add back (that is, enter as a positive adjustment) on line 6 any such loss to the extent recognized for the regular tax.

#### **Line 7 – Acquisition Expenses of Life Insurance Companies for Qualified Foreign Contracts**

For ACE, acquisition expenses of life insurance companies for qualified foreign contracts (as defined in IRC Section 807(e)(4) without regard to the treatment of reinsurance contract rules of IRC Section 848(e)(5)) must be capitalized and amortized by applying the treatment generally required under generally accepted accounting principles (and as if this rule applied to such contracts for all applicable tax years).

Subtract the ACE expense (if any) from the regular tax expense and enter the result on line 7. If the ACE expense is more than the regular tax expense, enter the result as a negative amount.

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**Line 8 – Depletion**

When figuring ACE, the allowance for depletion for any property placed in service in a tax year that began after 1989 generally must be determined under the cost depletion method.

Subtract the ACE expense (if any) from the AMT expense (used to figure Schedule P (100/100W), line 3a) and enter the result on line 8 of the worksheet. If the ACE expense is more than the AMT amount, enter the result as a negative amount.

**Exception.** Independent oil and gas producers and royalty owners that figured their regular tax depletion deduction under IRC Section 613A(c) do not have an adjustment for ACE purposes.

**Line 9 – Basis Adjustments in Determining Gain or Loss From Sale or Exchange of Pre-1994 Property**

If, during the tax year, the corporation disposed of property for which it is making (or previously made) any of the ACE adjustments, refigure the property's adjusted basis for ACE. Then refigure the property's gain or loss.

Enter the difference between the AMT gain or loss (used to figure Schedule P (100/100W), line 2d) and the ACE gain or loss. Enter the difference as a negative amount if any of the following apply:

- The ACE gain is less than the AMT gain.
- The ACE loss is more than the AMT loss.
- The corporation had an ACE loss and an AMT gain.

**Line 10 – Interest Income**

If a corporation is subject to the corporate income tax rather than the franchise tax, the amount of interest income included in ACE may not exceed the amount included for purposes of the regular tax. For more information, see R&TC Section 23456(g)(3).

**Line 11 – Interest Expense**

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. [R&TC 23456(g)(4)].

# 2020 Instructions for Form FTB 3539

## Payment for Automatic Extension for Corporations and Exempt Organizations

### What's New

**Filing Fees for Exempt Organizations** – Beginning January 1, 2021, exempt organizations are no longer required to pay the \$10 annual information return filing fee for form FTB 199, California Exempt Organization Annual Information Return.

### Important Information

**Extension Due Date Change** – For taxable years beginning on or after January 1, 2019, the extension period for filing a C corporation tax return has changed from six months to seven months. Get FTB Notice 2019-07 for more information.

**Net Operating Loss (NOL) Carrybacks** – For taxable years beginning on or after January 1, 2019, the provision under California Revenue and Taxation Code Section 19131.5 which allowed corporations or exempt organizations expecting a NOL carryback an extension of time to pay tax, is no longer allowed.

### 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 2020 California (CA) tax return by the original due date.
- The corporation or exempt organization owes tax for the 2020 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 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.

*continued on next page*

### Payment of Tax Dates

#### Form Filed

Form 100 or 100W.....	April 15, 2021 .....
Form 100S.....	March 15, 2021 .....
Form 100 for farmers' cooperative.....	September 15, 2021 .....
Form 109, generally.....	May 17, 2021.....
Form 109 for employee's trust (IRC 401(a)) or IRA.....	April 15, 2021 .....

#### Calendar Year Filers

Form 100 or 100W.....	April 15, 2021 .....
Form 100S.....	March 15, 2021 .....
Form 100 for farmers' cooperative.....	September 15, 2021 .....
Form 109, generally.....	May 17, 2021.....
Form 109 for employee's trust (IRC 401(a)) or IRA.....	April 15, 2021 .....

#### Fiscal Year Filers: 15th day of the

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

### Extended Filing Dates

The extended date for filing the return is as follows:

#### Form Filed

Form 100 or 100W.....	November 15, 2021 .....
Form 100S.....	September 15, 2021 .....
Form 100 for farmers' cooperative.....	April 15, 2022 .....
Form 109, generally.....	November 15, 2021 .....
Form 109 for employee's trust (IRC 401(a)) or IRA.....	October 15, 2021 .....

#### Calendar Year Filers

Form 100 or 100W.....	November 15, 2021 .....
Form 100S.....	September 15, 2021 .....
Form 100 for farmers' cooperative.....	April 15, 2022 .....
Form 109, generally.....	November 15, 2021 .....
Form 109 for employee's trust (IRC 401(a)) or IRA.....	October 15, 2021 .....

#### Fiscal Year Filers: 15th day of the

11th month following the close of the taxable year	11th month following the close of the taxable year
9th month following the close of the taxable year	9th month following the close of the taxable year
16th month following the close of the taxable year	16th month following the close of the taxable year
11th month following the close of the taxable year	11th month following the close of the taxable year
10th month following the close of the taxable year	10th month following the close of the taxable year

1. An extension of time to file the CA tax return is not an extension of time to pay the tax.
2. 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.

DETACH HERE \_\_\_\_\_ IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM \_\_\_\_\_ DETACH HERE \_\_\_\_\_

Calendar year C corporations — File and Pay by April 15, 2021

Employees' trust and IRA — File and Pay by April 15, 2021

Calendar year S corporations — File and Pay by March 15, 2021

Fiscal year filers — See instructions

Calendar year exempt organizations — File and Pay by May 17, 2021

TAXABLE YEAR

## Payment for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM

**3539 (CORP)**

For calendar year 2020 or fiscal year beginning (mm/dd/yyyy) \_\_\_\_\_, and ending (mm/dd/yyyy) \_\_\_\_\_.

California corporation number	FEIN	California Secretary of State file number	
-------------------------------	------	-------------------------------------------	--

Corporation/exempt organization name

This payment is for Form:

100, 100W, or 100S  109

Address (suite, room, or PMB no.)

City	State	ZIP code
------	-------	----------

Telephone	If no payment is due or paid electronically, do not mail this form. Caution: You may be required to pay electronically. See instructions.	Amount of payment	00
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Use the **Tax Payment Worksheet** included in these instructions 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 on the prior page.

If the corporation or exempt organization owes tax, they can pay electronically using one of the following options:

(See Electronic Funds Transfer section to see if the corporation or exempt organization is required to pay electronically.)

- **Electronic Funds Transfer (EFT):** For payment options, go to [fb.ca.gov](http://fb.ca.gov) and search for **eft**. **Do not** file form FTB 3539.
- **Electronic Funds Withdrawal (EFW):** Corporations can make an extension payment using tax preparation software. EFW is not available for exempt organizations. Check with the software provider to determine if they support EFW for extension payments. **Do not** file FTB 3539.
- **Web Pay:** Make payments online using Web Pay for Businesses. Corporations or exempt organizations can make an immediate payment or schedule payments up to a year in advance. Go to [fb.ca.gov/pay](http://fb.ca.gov/pay). **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](http://officialpayments.com). Official Payments Corporation 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, EFW, Web Pay, or credit card, complete form FTB 3539, make a check or money order, and see Where to File section 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.

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 six-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 EFW, 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 section for additional information regarding electronic payment options. For more information, go to [fb.ca.gov](http://fb.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, EFW, Web Pay, or credit card, using black or blue ink, make the check or money order 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 "2020 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 meet estimate payment requirements, it may incur an estimate penalty. For more information, get Form 100-ES, Corporation Estimated Tax.
- 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 if 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 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.

## 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.

### 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.

### TAX PAYMENT WORKSHEET (Keep 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. See instructions .....	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.....	3	00

Save the completed Tax Payment Worksheet as a permanent part of the corporation's or exempt organization's tax records, along with a copy of the CA tax return.

# Credit Chart

Credit Name	Code	Description
<b>Current Credits List</b>		
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: <a href="http://business.ca.gov">business.ca.gov</a>
College Access Tax – FTB 3592	235	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: <a href="http://treasurer.ca.gov/cefa">treasurer.ca.gov/cefa</a>
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
Enhanced Oil Recovery – FTB 3546	203	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Main Street Small Business Tax – FTB 3866	240	The credit is available to qualified small business employers that received a tentative credit reservation from the California Department of Tax and Fee Administration (CDTFA).
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government. This credit expired on June 30, 2020. All qualified contributions must be made on or before that date.
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 California Motion Picture and Television Production – FTB 3541	237	For taxable years beginning on or after January 1, 2016, the <b>new</b> credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film, or a TV series that relocates to California. Website: <a href="http://film.ca.gov">film.ca.gov</a>
New Donated Fresh Fruits or Vegetables – FTB 3814	238	15% of the qualified value of the donated fresh fruits, vegetables, or other qualified donated items made to California food banks, based on weighted average wholesale price.
New Employment – FTB 3554	234	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 <b>tentative credit reservation</b> 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
Program 3.0 California Motion Picture and Television Production – FTB 3541	239	For taxable years beginning on or after January 1, 2020, the <b>newest</b> credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film or a TV series that relocates to California. Website: <a href="http://film.ca.gov">film.ca.gov</a>
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California

**Repealed Credits with Carryover or Recapture Provisions:** The expiration dates for the credits listed below have passed. However, these credits had carryover or recapture provisions. The corporation may claim these credits if there is a carryover available from prior years. If the corporation is not required to complete Schedule P (100), get form FTB 3540, Credit Carryover and Recapture Summary, to figure the credit carryover to future years.

For EZ, LAMBRA, MEA, or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809. For carryovers related to the original California Motion Picture and Television Production credit, get form FTB 3541.

Agricultural Products .....	175	Employer Ridesharing – Transit passes..	193	New Jobs .....	220
California Motion Picture and Television Production .....	223	Energy Conservation .....	182	Orphan Drug .....	185
Commercial Solar Electric System .....	196	Enterprise Zone Hiring .....	176	Recycling Equipment .....	174
Commercial Solar Energy .....	181	Enterprise Zone Sales or Use Tax .....	176	Ridesharing .....	171
Community Development Financial Institutions Investment .....	209	Environmental Tax .....	218	Salmon & Steelhead Trout Habitat Restoration .....	200
Contribution of Computer Software .....	202	Farmworker Housing – Construction .....	207	Solar Energy .....	180
Donated Fresh Fruits or Vegetables .....	224	Local Agency Military Base Recovery Area Hiring .....	198	Solar Pump .....	179
Employer Childcare Contribution .....	190	Local Agency Military Base Recovery Area Sales or Use Tax .....	198	Targeted Tax Area Hiring .....	210
Employer Childcare Program .....	189	Low-Emission Vehicles .....	160	Targeted Tax Area Sales or Use Tax .....	210
Employer Ridesharing – Large employer ..	191	Manufacturing Enhancement Area Hiring .....	211	Technology Property Contributions .....	201
Employer Ridesharing – Small employer ..	192				

Attach to Form 100, Form 100W, Form 100S, or Form 109.

Corporation name

California corporation number

During the taxable year the corporation incurred the NOL, the corporation was a(n):   C corporation  
  S corporation   Exempt organization   Limited liability company (electing to be taxed as a corporation)

FEIN

If the corporation previously filed California tax returns under another corporate name, enter the corporation name and California corporation number:

**If the corporation is included in a combined report of a unitary group, see instructions, General Information C, Combined Reporting.****Part I Current year NOL.** If the corporation does not have a current year NOL, go to Part II.

1 Net loss from Form 100, line 18; Form 100W, line 18; Form 100S, line 15; or Form 109, line 2.

Enter as a positive number. .... 1 00

2 2020 disaster loss included in line 1. Enter as a positive number. .... 2 00

3 Subtract line 2 from line 1. If zero or less, enter -0- and see instructions. .... 3 00

4 a Enter the amount of the loss incurred by a new business included in line 3. .... 4a 00

b Enter the amount of the loss incurred by an eligible small business included in line 3. .... 4b 00

c Add line 4a and line 4b. .... 4c 00

5 General NOL. Subtract line 4c from line 3. .... 5 00

6 Current year NOL. Add line 2, line 4c, and line 5. See instructions. .... 6 00

**Part II NOL carryover and disaster loss carryover limitations.** See instructions.

1 Net income – Enter the amount from Form 100, line 18; Form 100W, line 18; Form 100S, line 15 less line 16; or Form 109, line 2; (but not less than -0-) **If the corporation taxable income is \$1,000,000 or more, see instructions.** ....

(g)  
Available balance**Prior Year NOLs**

(a) Year of loss	(b) Code – See instructions	(c) Type of NOL* – See below	(d) Initial loss – See instructions	(e) Carryover from 2019	(f) Amount used in 2020	(g)	(h) Carryover to 2021. col. (e) minus col. (f)
2 <input checked="" type="radio"/>				<input checked="" type="radio"/>			<input checked="" type="radio"/>
<input checked="" type="radio"/>				<input checked="" type="radio"/>			<input checked="" type="radio"/>
<input checked="" type="radio"/>				<input checked="" type="radio"/>			<input checked="" type="radio"/>
<input checked="" type="radio"/>				<input checked="" type="radio"/>			<input checked="" type="radio"/>

**Current Year NOLs**

							col. (d) minus col. (f) See instructions.
3 2020		DIS					
4 2020							
2020							
2020							
2020							

\*Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS).

**Part III 2020 NOL deduction**

1 Total the amounts in Part II, line 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 Subtract line 2 from line 1. Enter the result here and on Form 100, line 19; Form 100W, line 19; Form 100S, line 17; or Form 109, line 7. ....  3 00

# 2020 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

**Net Operating Loss Suspension** — For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California has suspended the net operating loss (NOL) carryover deduction. Corporations may continue to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than \$1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules.

The carryover period for suspended losses is extended by:

- Three years for losses incurred in taxable years beginning before January 1, 2020.
- Two years for losses incurred in taxable years beginning on or after January 1, 2020, and before January 1, 2021.
- One year for losses incurred in taxable years beginning on or after January 1, 2021, and before January 1, 2022.

For more information, see California Revenue & Tax Code (R&TC) Section 24416.23 and situation 1 of FTB Legal Ruling 2011-04 regarding application of NOL suspension provision.

### 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](http://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 instructions. Taxpayers should not consider the instructions as authoritative law.

- The California NOL is figured the same way as the federal NOL, except that for California the carryover period and the amount to be carried over differ from federal allowances. See the NOL Carryover table for more information.
- For taxable years beginning on or after January 1, 2019, NOL carrybacks are **not** allowed.

- NOLs incurred in taxable years beginning on or after January 1, 2013, and before January 1, 2019, were carried back to each of the preceding two taxable years or elected to carryforward for 20 years. The allowable NOL carryback percentage varied. For more information see R&TC Section 24416 and get FTB Legal Ruling 2011-04. If a disaster loss deduction created an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback or carryforward rules for the taxable year the NOL was created applied.
- 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 NOL shall not apply to an NOL attributable to these specified disaster losses. The President's declaration continues to activate the disaster loss provisions. For a list of disasters declared by the President and/or the Governor, see the Declared Disasters list in Specific Line Instructions. For the most current listing of disasters that may have occurred after the finalization date of this form, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **disaster loss for businesses**.
- Get FTB Pub. 1034, Disaster Loss How to Claim a State Tax Deduction, for more 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 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.
- 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 were not affected by the NOL suspension rules.
- 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 year of the loss. 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 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 rules.

The carryover period for an NOL incurred in taxable years:

- 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.
- The Franchise Tax Board (FTB) implemented the Principal Business Activity (PBA) Codes chart that is based on the North American Industry Classification System (NAICS) in the corporate tax booklets. However, the R&TC still uses the Standard Industrial Codes (SIC) for purposes of the new business and eligible small business NOL.

### A Purpose

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 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.

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.

## **B 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.

## **C 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(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(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 Carryover table in these instructions shows the types of NOLs available, a description, the taxable year the NOLs were incurred, the percentages and 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 carryover.

**Line 2 –** If the corporation incurred a disaster loss during the 2020 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, NOL carryover and disaster loss carryover limitations, for computation of general NOL carryovers, the current year disaster loss, and carryover from disaster losses.

**Line 6 –** Go to Part II, Current Year NOLs, to record the corporation's 2020 NOL carryover to 2021. 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.

## **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**

If the corporation NOL carryover deduction is not suspended, 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 1 –** The NOL carryover deduction is suspended for the 2020, 2021, and 2022 taxable years, if the corporation's taxable income is \$1,000,000 or more. The corporation may continue to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than \$1,000,000 **or** with disaster loss carryovers are not affected by the NOL suspension rules.

### **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 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 2020 Form 100, Form 100S, or Form 100W Tax Booklets.

#### **Declared Disasters:**

Year	Code	Event
2020	116	California Wildfires (Fresno, Los Angeles, Madera, Mendocino, Napa, San Bernardino, San Diego, Shasta, Siskiyou, and Sonoma Counties) 09/20*
2020	115	Fires and Extreme Weather Conditions for all California counties 08/20 & 09/20*
2019	114	Extreme Wind and Fire Weather Conditions (All California Counties) 10/19*
2019	113	Kincade & Tick Fires (Los Angeles and Sonoma Counties) 10/19*
2019	112	Eagle, Reche, Saddleridge, Sandalwood, and Wolf Fires (Los Angeles and Riverside Counties) 10/19*
2019	111	Earthquake (Kern and San Bernardino Counties) 07/19*
2019	110	Atmospheric River Storm System (Amador, Glenn, Lake, Mendocino, and Sonoma Counties) 02/19*

Year	Code	Event	2017	77.1	February Winter Storms (Alameda, Amador, Alpine, Butte, Calaveras, Colusa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Kern, Kings, Lake, Lassen, Los Angeles, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Bernardino, San Diego, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Ventura, Yolo, and Yuba Counties) 01/19 and 02/19*	2014	58	King and Boles Wildfires (El Dorado and Siskiyou Counties) 09/14*	
2019	109	Atmospheric River Storm System (Calaveras, El Dorado, Humboldt, Los Angeles, Marin, Mendocino, Modoc, Mono, Monterey, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Barbara, Santa Clara, Shasta, Tehama, Trinity, Ventura, and Yolo Counties) 01/19 and 02/19*					2014	57	Napa, Solano, and Sonoma Counties Earthquake 08/14 to 09/14*
2018	108	Hill & Woolsey Fires (Los Angeles and Ventura Counties) 11/18*					2014	56	Siskiyou County Wildfires 08/14*
2018	107	Camp Fire (Butte County) 11/18*					2014	55	Northern California Wildfires (Amador, Butte, El Dorado, Humboldt, Lassen, Madera, Mariposa, Mendocino, Modoc, Shasta, and Siskiyou Counties) 07/14*
2018	106	Holy Fire (Orange and Riverside Counties) 08/18*					2014	54	San Diego County Wildfires 05/14***
2018	105	River, Ranch & Steele Fires (Lake, Mendocino, and Napa Counties) 07/18*	2017	77	January Winter Storms (Alameda, Alpine, Butte, Calaveras, Contra Costa, El Dorado, Fresno, Humboldt, Inyo, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Marin, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Ventura, Yolo, and Yuba Counties) 02/17*	2014	53	Los Angeles County Severe Rainstorms 02/14*	
2018	104	Ferguson Fire (Mariposa County) 07/18*					2013	52	Tuolumne, Mariposa, and San Francisco Counties Rim Fire 08/13 to 10/13 **
2018	103	Carr Fire (Shasta County) 07/18*					2011	51	Los Angeles and San Bernardino County Severe Winds 11/11***
2018	102	Cranston Fire (Riverside County) 07/18*					2011	50	Santa Cruz County Severe Storms 03/11 ***
2018	101	Monsoonal Rainstorm (San Bernardino County) 07/18*					2011	49	Mendocino County Tsunami Wave Surge 03/11
2018	100	Holiday Fire (Santa Barbara County) 07/18*					2011	48	Del Norte and Santa Cruz County Tsunami Wave Surge 03/11**
2018	99	West Fire (San Diego County) 07/18*					2011	47	Severe Winter Storms, Flooding, Debris, and Mud Flows 12/10 to 01/11**
2018	98	Klamathon Fire (Siskiyou County) 07/18*					2010	46	San Bruno Explosion
2018	97	Pawnee Fire (Lake County) 06/18*					2010	45	Kern County Wildfires
2018	96	March Winter Storms (Amador, Fresno, Kern, Mariposa, Merced, Stanislaus, Tulare and Tuolumne Counties) 03/18*	2016	76	December Winter Storms (Del Norte, Humboldt, Mendocino, Shasta, Santa Cruz, and Trinity Counties) 12/16*	2010	44	CA Winter Storms 01/10 to 02/10	
2018	95	Southern California Mudslides (Ventura and Santa Barbara Counties) 01/18*					2009	43	Los Angeles, Monterey and Placer County Wildfires
2017	94	Lilac Fire (San Diego County) 12/17*					2010	42	Baja California (Imperial County) Earthquake 2010
2017	93	Creek & Rye Fires (Los Angeles County) 12/17*					2010	41	Humboldt County Earthquake
2017	92	Thomas Fire (Ventura and Santa Barbara Counties) 12/17*					2009	40	Santa Barbara Wildfires
2017	91	Severe Winter Storms and Snowmelt (Inyo and Mono Counties) 10/17*					2008	39	Southern California Wildfires 10/08 to 11/08
2017	90	Solano County Atlas Fire (Solano County) 10/17*					2008	38	Humboldt County Wildfires
2017	89	Cherokee, LaPorte, Sulphur, Potter, Cascade, Lobo & Canyon Fires (Butte, Lake, Mendocino, Nevada, and Orange Counties) 10/17*					2008	37	California Wildfires 2008
2017	88	Tubbs, Atlas & Multiple Other Fires (Napa, Sonoma, and Yuba Counties) 10/17*					2007	36	Riverside County Winds
2017	87	Railroad, Pier, Mission & Peak Fires (Madera, Mariposa, Tulare Counties) 08/17 & 09/17*					2008	35	Inyo Complex Fire
2017	86	La Tuna Fire (Los Angeles County) 09/17*					2007	34	Southern California Wildfires
2017	85	Ponderosa Fire (Butte County) 08/17*					2007	33	Santa Barbara and Ventura County Fires
2017	84	Helena Fire (Trinity County) 08/17*					2007	32	El Dorado County Wildfires
2016	83	Siskiyou County Rainstorm (Siskiyou County) 12/16* (declared 08/17)					2007	31	California Severe Freeze 01/07
2017	82	San Bernardino County Rainstorm (San Bernardino County) 07/17*					2006	30	Riverside and Ventura County Wildfires
2017	81	Modoc County Fires (Modoc County) 07/17*					2006	29	San Bernardino County Wildfires
2017	80	Detwiler Fire (Mariposa County) 07/17*					2006	28	Northern California flooding, mudslides, and landslides (03/06 to 04/06)
2017	79	Alamo & Whittier Fires (Santa Barbara County) 07/17*					2006	27	Northern California flooding, mudslides, and landslides (12/05 to 01/06) (expired 2005)****
2017	78	Wall Fire (Butte County) 07/17*					2005	25	Southern California flooding, debris flows, and mudslides (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.

\*\*Carryover period and percentage are limited to the NOL rules. No special state legislation was enacted.

\*\*\*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 an NOL does not apply to an NOL attributable to these four counties. 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 an Economic Development Area (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 2019 form FTB 3805Q, Part II, column (h).

**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 result.

#### Current Year NOLs

If a disaster loss occurs between the date of the publication of this form and the end of the taxable year, go to [fb.ca.gov](http://fb.ca.gov) and search for **disaster loss for businesses**, for the updated disaster chart. 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 the 2020 disaster loss from Part I, Current year NOL, line 2.
- In column (f), enter the disaster loss used in 2020.
- 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 carryforward rule for the taxable year the NOL was created would apply. The corporation must carryforward the 2020 NOL attributable to the disaster loss for 20 years.

If the corporation **elected under IRC**

**Section 165(i)** to deduct the 2020 disaster loss on the 2019 tax return, any remaining disaster loss amount would create an NOL to which the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The corporation can carryforward the NOL attributable to the disaster loss for 20 years.

Enter the remaining disaster loss amount in Part II, line 2, column (e). Use the Prior Year NOL instructions for column (a) through column (h) except:

- In column (a), enter 2020.
- In column (b), enter the new disaster code.
- In column (d), enter the total disaster loss incurred in 2020.

## NOL Carryover

Type of NOL and Description	Taxable Year NOL Incurred	NOL Carried Over	Carryover* Period
<b>*Note:</b> The NOL carryover deduction is suspended for the 2020, 2021 and 2022 taxable years, if the corporation taxable income is \$1,000,000 or more. The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2020-2022 suspension, is extended. For more information, see What's New. 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 General Information.			
<b>General</b> Available as a result of a loss incurred in taxable years after 1986 and allowed under R&TC Section 24416. Does not include losses incurred from activities that qualify as a new business, an eligible small business, EZ, LAMBRA, TTA, or disaster loss.	On or after 01/01/2008 2006-2007 2004-2005 2002-2003 2000-2001 1987-1999	100% 100% 100% 60% 55% None	20 Years 10 Years Expired Expired Expired Expired
<b>Disaster Losses</b> 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. 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 instructions and federal Form 4684, Casualties and Thefts, 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 ten additional taxable years for losses incurred in any taxable year beginning before January 1, 2000; 55% 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. The following rules would apply if state legislation is enacted; <b>or</b> the President declared an area a major disaster; <b>or</b> the Governor declared an area a major disaster for taxable years beginning on or after January 1, 2014: 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.	See "Declared Disasters list" under Part II instructions  Prior to 01/01/2011  On or after 01/01/2011	100% See Description  See Description	First 5 Years 10 Years Thereafter  See Description
<b>New Business</b> Get FTB Legal Ruling 96-5 for more information. 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(g)(7)(A) for more information. If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL. 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. 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. 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.	On or after 01/01/2008  On or after 01/01/2000 <sup>1</sup> and before 01/01/2008  On or after 01/01/1994 and before 01/01/2000  Year of business Year 1 Year 2 Year 3	100% 100% For the first three years of business  None None None	20 Years 10 Years  Expired Expired Expired
<b>Eligible Small Business</b> 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 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 taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over as a general NOL. 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 01/01/2008  On or after 01/01/2000 <sup>1</sup> and before 01/01/2008  On or after 01/01/1994 and before 01/01/2000	100% 100% None	20 Years 10 Years  Expired

<sup>1</sup> For NB or ESB NOL incurred on or after 01/01/2000 and before 01/01/2006, the carryover period has expired.

**Note:** For GEN, NB, or ESB NOL incurred on or after 01/01/2006 and before 01/01/2007, 2020 is the last taxable year to claim the NOL carryover deduction.

# Corporation Depreciation and Amortization

2020

3885

Attach to Form 100 or Form 100W.

Corporation name

California corporation number

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

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

(a) Description of property	(b) Cost (business use only)	(c) Elected cost	
6			
7 Listed property (elected IRC Section 179 cost).....	7		
8 Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7 .....	8		
9 Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8 .....	9		
10 Carryover of disallowed deduction from prior taxable years .....	10		
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 .....	11		
12 IRC Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11 .....	12		
13 Carryover of disallowed deduction to 2021. Add line 9 and line 10, less line 12 .....	13		

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

(a) Description of property	(b) Date acquired (mm/dd/yyyy)	(c) Cost or other basis	(d) Depreciation allowed or allowable in earlier years	(e) Depreciation method	(f) Life or rate	(g) Depreciation for this year	(h) Additional first year depreciation
14							
15 Add the amounts in column (g) and column (h). The total of column (h) may not exceed \$2,000. See instructions for line 14, column (h) .....	15						

**Part III Summary**

16 Total: If the corporation is electing:

IRC Section 179 expense, add the amount on line 12 and line 15, column (g) **or**Additional first year depreciation under R&TC Section 24356, add the amounts on line 15, columns (g) and (h) **or**

Depreciation (if no election is made), enter the amount from line 15, column (g) .....

17 Total depreciation claimed for federal purposes from federal Form 4562, line 22.....

18 Depreciation adjustment. If line 17 is greater than line 16, enter the difference here and on Form 100 or Form 100W, Side 1, line 6.

If line 17 is less than line 16, enter the difference here and on Form 100 or Form 100W, Side 2, line 12. (If California depreciation amounts are used to determine net income before state adjustments on Form 100 or Form 100W, no adjustment is necessary)....

**Part IV Amortization**

(a) Description of property	(b) Date acquired (mm/dd/yyyy)	(c) Cost or other basis	(d) Amortization allowed or allowable in earlier years	(e) R&TC Section (see instructions)	(f) Period or percentage	(g) Amortization for this year
19						
20 Total. Add the amounts in column (g).....	20					
21 Total amortization claimed for federal purposes from federal Form 4562, line 44.....	21					
22 Amortization adjustment. If line 21 is greater than line 20, enter the difference here and on Form 100 or Form 100W, Side 1, line 6. If line 21 is less than line 20, enter the difference here and on Form 100 or Form 100W, Side 2, line 12.....	22					

# 2020 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](http://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 instructions. Taxpayers should not consider the instructions 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 inclusion of sport utility vehicles (SUVs) and minivans built on a truck chassis in the definition of trucks and vans when applying the 6,000 pound gross weight limit. See IRC Section 280F 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 expanded definition of IRC Section 179 property for certain depreciable tangible personal property related to furnishing lodging and for qualified real property for improvements to nonresidential real property.
- 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 2020.
- California does not conform to the federal modifications to depreciation limitations on luxury automobiles (IRC Section 280F).

Depreciation limitations for passenger automobiles (that are not trucks or vans) placed in service in the calendar year 2020:

Tax year	Amount
1st Tax Year	\$ 3,304
2nd Tax year	5,227
3rd Tax Year	3,084
Each Succeeding Year	1,856

Depreciation limitations for trucks and vans placed in service in the calendar year 2020:

Tax year	Amount
1st Tax Year	\$ 3,721
2nd Tax year	5,959
3rd Tax Year	3,502
Each Succeeding Year	2,169

For lease inclusion indexing amounts, go to [ftb.ca.gov/forms/search](http://ftb.ca.gov/forms/search) and enter **lease inclusion**.

- 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 depreciation deduction for certain assets.
- 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. See R&TC Section 24349 for additional information.
- 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 10-year property with an original basis of \$100,000 are:

Year	Remaining basis	Declining rate	Depreciation allowance
First . . . . .	\$100,000	20%	\$20,000
Second . . . . .	80,000	20%	16,000
Third . . . . .	64,000	20%	12,800
Fourth . . . . .	51,200	20%	10,240

**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., tit. 18 section 24349(l), 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.

- Office furniture, fixtures, machines, and equipment. . . . . 10 yrs.

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.

- Computers and peripheral equipment (printers, etc.) . . . . . 6 yrs.
- Transportation equipment and automobiles (including taxis) . . . . . 3 yrs.
- General-purpose trucks:
  - Light (unloaded weight less than 13,000 lbs.) . . . . . 4 yrs.
  - Heavy (unloaded weight 13,000 lbs. or more) . . . . . 6 yrs.

- Buildings

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.

Type of building:

Apartments . . . . .	40 yrs.
Dwellings (including rental residences) . . . . .	45 yrs.
Office buildings . . . . .	45 yrs.
Warehouses. . . . .	60 yrs.

## 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:

Property description	Maximum depreciation method
Real estate acquired 12/31/70 or earlier	
New (useful life 3 yrs. or more) . . . . .	200% Declining balance
Used (useful life 3 yrs. or more) . . . . .	150% Declining balance
Real estate acquired 1/1/71 or later	
Residential rental:	
New . . . . .	200% Declining balance
Used (useful life 20 yrs. or more) . . . . .	125% Declining balance
Used (useful life less than 20 yrs.) . . . . .	Straight-line
Commercial and industrial:	
New (useful life 3 yrs. or more) . . . . .	150% Declining balance
Used . . . . .	Straight-line
Personal property	
New (useful life 3 yrs. or more) . . . . .	200% Declining balance
Used (useful life 3 yrs. or more) . . . . .	150% Declining balance

See "Other Consistent Methods" information in the previous column.

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.

## F Election To Expense Certain Property Under IRC Section 179

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 information.

California law does not conform to the federal limitation amounts under IRC Section 179(b)(1) and (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.

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

California law conforms to the federal law which allows a deduction for business start-up and organizational costs paid or incurred during a taxable year.

## G 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:

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

Other intangible assets may be amortized if it is proved 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.

### **Line 6**

**Do not** include any listed property on line 6. Enter the elected IRC Section 179 cost of listed property on line 7.

#### **Column (a) – Description of property.**

Enter a brief description of the property the corporation elects to expense.

#### **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).
- 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. Net income is from Form 100 or Form 100W, Side 2, line 17, before the IRC Section 179 expense deduction and excludes 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. 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
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

#### Animal Production

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

#### Forestry and Logging

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

#### Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

#### Support Activities for Agriculture and Forestry

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

### Mining

- 211120 Crude Petroleum Extraction
- 211130 Natural 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

### Utilities

- 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

- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

#### Specialty Trade Contractors

- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

### Manufacturing

#### Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries, Tortilla & Dry Pasta Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

#### Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

#### Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

#### Apparel Manufacturing

- 315100 Apparel Knitting Mills

#### Code

- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315240 Women's, Girls' and Infants' Cut and Sew Apparel Mfg
- 315280 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

#### Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

#### Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

#### Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

#### Printing and Related Support Activities

- 323100 Printing & Related Support Activities

#### Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

#### Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

#### Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

#### Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

#### Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

#### Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg

#### Code

- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

#### Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

#### Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

#### Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Major Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

#### Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

#### Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

#### Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

### Wholesale Trade

#### Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Household Appliances and Electrical 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 Goods



<p><b>Code</b></p> <p><b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b></p> <p>541211 Offices of Certified Public Accountants</p> <p>541213 Tax Preparation Services</p> <p>541214 Payroll Services</p> <p>541219 Other Accounting Services</p> <p><b>Architectural, Engineering, and Related Services</b></p> <p>541310 Architectural Services</p> <p>541320 Landscape Architecture Services</p> <p>541330 Engineering Services</p> <p>541340 Drafting Services</p> <p>541350 Building Inspection Services</p> <p>541360 Geophysical Surveying &amp; Mapping Services</p> <p>541370 Surveying &amp; Mapping (except Geophysical) Services</p> <p>541380 Testing Laboratories</p> <p><b>Specialized Design Services</b></p> <p>541400 Specialized Design Services (including interior, industrial, graphic, &amp; fashion design)</p> <p><b>Computer Systems Design and Related Services</b></p> <p>541511 Custom Computer Programming Services</p> <p>541512 Computer Systems Design Services</p> <p>541513 Computer Facilities Management Services</p> <p>541519 Other Computer Related Services</p> <p><b>Other Professional, Scientific, and Technical Services</b></p> <p>541600 Management, Scientific, &amp; Technical Consulting Services</p> <p>541700 Scientific Research &amp; Development Services</p> <p>541800 Advertising &amp; Related Services</p> <p>541910 Marketing Research &amp; Public Opinion Polling</p> <p>541920 Photographic Services</p> <p>541930 Translation &amp; Interpretation Services</p> <p>541940 Veterinary Services</p> <p>541990 All Other Professional, Scientific, &amp; Technical Services</p> <p><b>Management of Companies (Holding Companies)</b></p> <p>551111 Offices of Bank Holding Companies</p> <p>551112 Offices of Other Holding Companies</p> <p><b>Administrative and Support and Waste Management and Remediation Services</b></p> <p><b>Administrative and Support Services</b></p> <p>561110 Office Administrative Services</p> <p>561210 Facilities Support Services</p> <p>561300 Employment Services</p> <p>561410 Document Preparation Services</p> <p>561420 Telephone Call Centers</p> <p>561430 Business Service Centers (including private mail centers &amp; copy shops)</p> <p>561440 Collection Agencies</p> <p>561450 Credit Bureaus</p> <p>561490 Other Business Support Services (including repossession services, court reporting, &amp; stenotype services)</p>	<p><b>Code</b></p> <p>561500 Travel Arrangement &amp; Reservation Services</p> <p>561600 Investigation &amp; Security Services</p> <p>561710 Exterminating &amp; Pest Control Services</p> <p>561720 Janitorial Services</p> <p>561730 Landscaping Services</p> <p>561740 Carpet &amp; Upholstery Cleaning Services</p> <p>561790 Other Services to Buildings &amp; Dwellings</p> <p>561900 Other Support Services (including packaging &amp; labeling services, &amp; convention &amp; trade show organizers)</p> <p><b>Waste Management and Remediation Services</b></p> <p>562000 Waste Management &amp; Remediation Services</p> <p><b>Educational Services</b></p> <p>611000 Educational Services (including schools, colleges, &amp; universities)</p> <p><b>Health Care and Social Assistance</b></p> <p><b>Offices of Physicians and Dentists</b></p> <p>621111 Offices of Physicians (except mental health specialists)</p> <p>621112 Offices of Physicians, Mental Health Specialists</p> <p>621210 Offices of Dentists</p> <p><b>Offices of Other Health Practitioners</b></p> <p>621310 Offices of Chiropractors</p> <p>621320 Offices of Optometrists</p> <p>621330 Offices of Mental Health Practitioners (except Physicians)</p> <p>621340 Offices of Physical, Occupational &amp; Speech Therapists, &amp; Audiologists</p> <p>621391 Offices of Podiatrists</p> <p>621399 Offices of All Other Miscellaneous Health Practitioners</p> <p><b>Outpatient Care Centers</b></p> <p>621410 Family Planning Centers</p> <p>621420 Outpatient Mental Health &amp; Substance Abuse Centers</p> <p>621491 HMO Medical Centers</p> <p>621492 Kidney Dialysis Centers</p> <p>621493 Freestanding Ambulatory Surgical &amp; Emergency Centers</p> <p>621498 All Other Outpatient Care Centers</p> <p><b>Medical and Diagnostic Laboratories</b></p> <p>621510 Medical &amp; Diagnostic Laboratories</p> <p><b>Home Health Care Services</b></p> <p>621610 Home Health Care Services</p>	<p><b>Code</b></p> <p><b>Other Ambulatory Health Care Services</b></p> <p>621900 Other Ambulatory Health Care Services (including ambulance services &amp; blood &amp; organ banks)</p> <p><b>Hospitals</b></p> <p>622000 Hospitals</p> <p><b>Nursing and Residential Care Facilities</b></p> <p>623000 Nursing &amp; Residential Care Facilities</p> <p><b>Social Assistance</b></p> <p>624100 Individual &amp; Family Services</p> <p>624200 Community Food &amp; Housing, &amp; Emergency &amp; Other Relief Services</p> <p>624310 Vocational Rehabilitation Services</p> <p>624410 Child Day Care Services</p> <p><b>Arts, Entertainment, and Recreation</b></p> <p><b>Performing Arts, Spectator Sports, and Related Industries</b></p> <p>711100 Performing Arts Companies</p> <p>711210 Spectator Sports (including sports clubs &amp; racetracks)</p> <p>711300 Promoters of Performing Arts, Sports, &amp; Similar Events</p> <p>711410 Agents &amp; Managers for Artists, Athletes, Entertainers, &amp; Other Public Figures</p> <p>711510 Independent Artists, Writers, &amp; Performers</p> <p><b>Museums, Historical Sites, and Similar Institutions</b></p> <p>712100 Museums, Historical Sites, &amp; Similar Institutions</p> <p><b>Amusement, Gambling, and Recreation Industries</b></p> <p>713100 Amusement Parks &amp; Arcades</p> <p>713200 Gambling Industries</p> <p>713900 Other Amusement &amp; Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, &amp; bowling centers)</p> <p><b>Accommodation and Food Services</b></p> <p><b>Accommodation</b></p> <p>721110 Hotels (except Casino Hotels) &amp; Motels</p> <p>721120 Casino Hotels</p> <p>721191 Bed &amp; Breakfast Inns</p> <p>721199 All Other Traveler Accommodation</p> <p>721210 RV (Recreational Vehicle) Parks &amp; Recreational Camps</p> <p>721310 Rooming &amp; Boarding Houses Dormitories, &amp; Workers' Camps</p>	<p><b>Code</b></p> <p><b>Food Services and Drinking Places</b></p> <p>722300 Special Food Services (including food service contractors &amp; caterers)</p> <p>722410 Drinking Places (Alcoholic Beverages)</p> <p>722511 Full Service Restaurants</p> <p>722513 Limited Service Restaurants</p> <p>722514 Cafeterias and Buffets</p> <p>722515 Snack and Non-alcoholic Beverage Bars</p> <p><b>Other Services</b></p> <p><b>Repair and Maintenance</b></p> <p>811110 Automotive Mechanical &amp; Electrical Repair &amp; Maintenance</p> <p>811120 Automotive Body, Paint, Interior, &amp; Glass Repair</p> <p>811190 Other Automotive Repair &amp; Maintenance (including oil change &amp; lubrication shops &amp; car washes)</p> <p>811210 Electronic &amp; Precision Equipment Repair &amp; Maintenance</p> <p>811310 Commercial &amp; Industrial Machinery &amp; Equipment (except Automotive &amp; Electronic) Repair &amp; Maintenance</p> <p>811410 Home &amp; Garden Equipment &amp; Appliance Repair &amp; Maintenance</p> <p>811420 Reupholstery &amp; Furniture Repair</p> <p>811430 Footwear &amp; Leather Goods Repair</p> <p>811490 Other Personal &amp; Household Goods Repair &amp; Maintenance</p> <p><b>Personal and Laundry Services</b></p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet &amp; weight reducing centers)</p> <p>812210 Funeral Homes &amp; Funeral Services</p> <p>812220 Cemeteries &amp; Crematories</p> <p>812310 Coin-Operated Laundries &amp; Drycleaners</p> <p>812320 Drycleaning &amp; Laundry Services (except Coin-Operated)</p> <p>812330 Linen &amp; Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots &amp; Garages</p> <p>812990 All Other Personal Services</p> <p><b>Religious, Grantmaking, Civic, Professional, and Similar Organizations</b></p> <p>813000 Religious, Grantmaking, Civic, Professional, &amp; Similar Organizations (including condominium and homeowners associations)</p>
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**Visit our website:**

**ftb.ca.gov**

# 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](http://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 and follow the recorded instructions.

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 MS D120  
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 letter to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0500

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information. **Do not** attach 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 disability  
711 or 800.735.2929 California relay service

IRS: 800.829.4933 call the IRS for federal tax questions

### Asistencia en español:

Asistencia telefónica está disponible durante todo el año desde las 7 a.m. hasta las 5 p.m. de lunes a viernes, excepto días feriados. Las horas están sujetas a cambios.

Teléfono: 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos  
TTY/TDD: 800.822.6268 para personas con discapacidades auditivas o del habla  
711 ó 800.735.2929 servicio de relevo de California  
IRS: 800.829.4933 para preguntas sobre impuestos federales

## California Tax Forms and Publications

817 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 Return
- 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

818 Form 100-ES, Corporation Estimated Tax

815 Form 199, California Exempt Organization Annual Information Return and Instructions

802 FTB 3500, Exemption Application

831 FTB 3500A, Submission of Exemption Request

943 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 the **Tax** line on 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 the **Tax** line on 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?

### 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?

