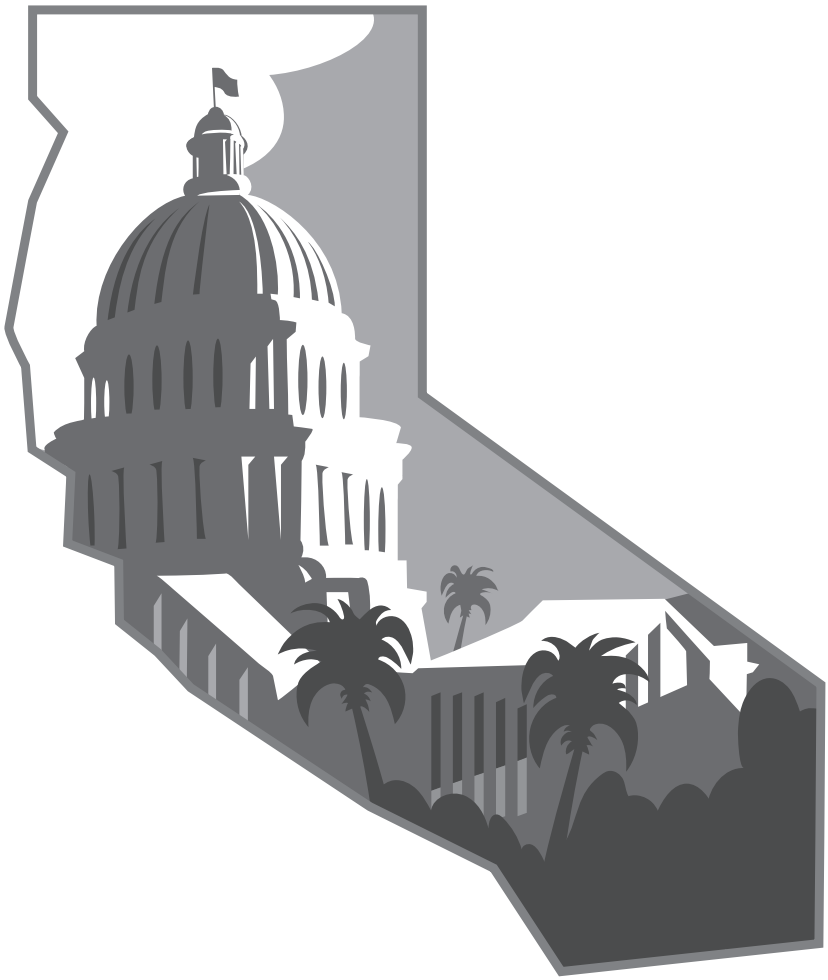
STATE OF CALIFORNIA
Franchise Tax Board

California
Forms & Instructions



100S
2021
S Corporation Tax Booklet

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 QS, Qualified Subchapter S Subsidiary (QSub) Information

Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc.

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

California efile

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

Members of the Franchise Tax Board

Betty T. Yee, Chair
Antonio Vazquez, Member
Keely Bosler, Member

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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 **ftb.ca.gov** and search for **business efile**.

2021 Instructions for Form 100S

California S 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 **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.

What's New/Tax Law Changes

Elective Tax for Pass-Through Entities (PTE) and Credit for Owners – For taxable years beginning on or after January 1, 2021, and before January 1, 2026, California law allows an entity taxed as a partnership or an "S" corporation to annually elect to pay an elective tax at a rate of 9.3 percent based on its qualified net income. The election shall be made on an original, timely filed return and is irrevocable for the taxable year.

The law allows a credit against the personal income tax to a taxpayer, other than a partnership, that is a partner, shareholder, or member of a qualified entity that elects to pay the elective tax, in an amount equal to 9.3 percent of the partner's, shareholder's, or member's pro rata share or distributive share and guaranteed payments of qualified net income subject to the election made by the qualified entity. A disregarded business entity and its partners or members cannot claim the credit, except for a disregarded single member limited liability company (SMLLC) that is owned by an individual, fiduciary, estate, or trust subject to personal income tax. For more information, go to **ftb.ca.gov** and search for **pte elective tax** and get the following new PTE elective tax forms and instructions:

- Form FTB 3893, Pass-Through Entity Elective Tax Payment Voucher
- Form FTB 3804, Pass-Through Entity Elective Tax Calculation
- Form FTB 3804-CR, Pass-Through Entity Elective Tax Credit

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 Consolidated Appropriations Act (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 **ftb.ca.gov** and search for **AB 80**.

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 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.

Main Street Small Business Tax Credit II – For the taxable year beginning on or after January 1, 2021, and before January 1, 2022, a **new** 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 Credits.

New Donated Fresh Fruits or Vegetables Credit – The sunset date for the New Donated Fresh Fruits or Vegetables Credit is extended until taxable years beginning before January 1, 2027. For more information, get form FTB 3814, New Donated Fresh Fruits or Vegetables Credit.

Homeless Hiring Tax Credit – For taxable years beginning on or after January 1, 2022, and before January 1, 2027, a Homeless Hiring Tax Credit (HHTC) will be available to a qualified taxpayer that hires individuals who are, or recently were, homeless. The amount of the tax credit will be based on the number of hours the employee works in the taxable year. Employers must obtain a certification of the individual's homeless status from an organization that works with the homeless and must receive a **tentative credit reservation** for that employee. Any credits not used in the taxable year may be carried forward up to three years. For more information, go to **ftb.ca.gov** and search for **hhtc**.

Natural Heritage Preservation Credit – The Natural Heritage Preservation Credit is available for qualified contributions made on or after January 1, 2021, and no later than June 30, 2026. This credit may **not** be claimed for any contributions made on or after July 1, 2020, and on or before December 31, 2020. For more information, get form FTB 3503, Natural Heritage Preservation Credit.

Water's-Edge Election and "Doing Business" – For taxable years beginning on or after January 1, 2021, if a unitary corporation that is not incorporated in the United States and not subject to tax under Corporation Tax Law in the year that a valid water's-edge election is made, but subsequently becomes subject to taxation under the Corporation Tax Law solely due to it becoming engaged in business per R&TC section 23101(b), it will be deemed to have elected with the other members of the unitary combined reporting group. For more information, see R&TC Section 25113.

Reporting Requirements – For taxable years beginning on or after January 1, 2021, taxpayers who benefited from the exclusion from gross income for the Paycheck Protection Program (PPP) loans forgiveness, other loan forgiveness, the Economic Injury Disaster Loan (EIDL) advance grant, restaurant revitalization grant, or shuttered venue operator grant, and related eligible expense deductions under the federal CARES Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, the American Rescue Plan Act of 2021 (ARPA), or the CAA, 2021, should file form FTB 4197, Information on Tax Expenditure Items, as part of the Franchise Tax Board's (FTB) annual reporting requirement. For more information, get form FTB 4197.

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.

Gross Income Exclusion for Bruce's Beach – Effective September 30, 2021, California law allows an exclusion from gross income for the first time sale in the taxable year in which the land within Manhattan State Beach, known as "Peck's Manhattan Beach Tract Block 5" and commonly referred to as "Bruce's Beach" is sold, transferred, or encumbered. A recipient's gross income does not include the following:

- Any sale, transfer, or encumbrance of Bruce's Beach;
- Any gain, income, or proceeds received that is directly derived from the sale, transfer, or encumbrance of Bruce's Beach.

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 CARES Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, or the CAA, 2021. However, the PPP Extension Act extends the covered period of the PPP to June 30, 2021. California law does not conform to this extension and does not allow an exclusion from gross income for PPP loans forgiven due to the extended covered period after March 31, 2021 to June 30, 2021. For more information, see Specific Line Instructions.

Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility. For more information, see Specific Line Instructions.

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 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 24308.6 or go to **ftb.ca.gov** and search for **AB 80**.

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 EIDL grant under the federal CARES Act or a targeted EIDL advance under the CAA, 2021.

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

Important Information

- The FTB offers e-filing for the following entities:
  - Corporations filing Form 100S, California S Corporation Franchise or Income Tax Return and certain accompanying forms and schedules.
  - Corporations filing Form 100X, Amended Corporation Franchise or Income Tax 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** and search for **business efile**.
- 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**.
- Corporations can use a Discover, MasterCard, Visa, or American Express Card to pay business taxes. Go to **officialpayments.com**. ACI Payments, Inc. (formerly Official Payments) 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.
- **R&TC Section 41 Reporting Requirements –** Beginning in taxable year 2020, partners, members, shareholders, or beneficiaries of pass-through entities conducting a commercial cannabis activity licensed under the California Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) should file form FTB 4197, Information on Tax Expenditure Items. The FTB uses information from form FTB 4197 for reports required by the California Legislature.

  If the S corporation conducted a commercial cannabis activity licensed under the California MAUCRSA, or received flow-through income from another pass-through entity in that business, attach a schedule to the Schedule K-1(100S), Shareholder's Share of Income, Deductions, Credits, etc., showing the breakdown of the following information:
  - The shareholder's share of total deductions related to the cannabis business, including deductions from ordinary income.
  - The shareholder's share of total credits related to the cannabis business.

  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.

- 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 S 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 S corporation reported IRC Section 965 inclusions and deductions on Form 1120-S, U.S. Income Tax Return for an S Corporation, Schedule K for federal purposes, write "IRC 965" at the top of Form 100S.
- Under IRC Section 951A, if the S corporation is a U.S. shareholder of a controlled foreign corporation, the S 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. California 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 Schedule B (100S), S 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 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 S corporation was involved in a reportable transaction, including a listed transaction, the S 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 S corporation fails to file federal Form 8886, Form 8918, Material Advisor Disclosure Statement, or any other required information. A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor. For more information, go to **ftb.ca.gov** and search for **disclosure obligation**.
- The Internal Revenue Service (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-S), Reconciliation of Income (Loss) per Books With Income (Loss) per Return, in place of Schedule M-3 (Form 1120-S), Net Income (Loss) Reconciliation for S Corporations With Total Assets of $10 Million or More, Parts II and III. However, Schedule M-3 (Form 1120-S), Part I, is required for these corporations. **For California purposes**, the S 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** 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** 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** 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** 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.
- Group nonresident returns may include:
  - Less than two nonresident individuals.
  - Nonresident individuals with more than $1 million of California taxable income.

  An additional 1% tax will be assessed on nonresident individuals who have California taxable income over $1 million. Get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR, for more information.
- In general, the 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 General Information T, Water's Edge Reporting; refer to R&TC Sections 25110 and 25113; and get Form 100W, Corporation Tax Booklet – Water's-Edge Filers, for more information.
- A C corporation is taxed on its earnings at regular corporate tax rates and the shareholders are then taxed on these earnings when they are distributed as dividends. For more information, get Form 100, Corporation Tax Booklet.
- S corporations are required to report withholding payments from the S corporation that are allocated to all shareholders, as well as payments withheld on nonresident shareholders. Report these withholding amounts on Schedule K-1 (100S) and Schedule K (100S), S Corporation Shareholder's Shares of Income, Deductions, Credits, etc.
- Use form FTB 3725, Assets Transferred from Corporation to Insurance Company, to report assets transferred from a parent corporation to an insurance company. Get form FTB 3725 for more information.
- California follows the revised federal instructions (with some exceptions) for reporting the sale, exchange or disposition of an asset for which an IRC Section 179 expense deduction was claimed in prior years by a partnership, limited liability company (LLC), or S corporation.

  S corporations should follow the instructions in federal Form 4797, Sales of Business Property, with the exception that the amount of gain on property subject to the IRC Section 179 recapture must be included in the S corporation's taxable income for California purposes. See General Information FF, Property Subject To IRC Section 179 Recapture, and Specific Line Instructions for Form 100S, line 4, for more information.

  Shareholders should follow federal reporting requirements as detailed in federal Form 1120-S and federal Form 4797 instructions.
- A shareholder's pro-rata share of S corporation income is treated like a partner's distributive share of partnership income. The items of income are characterized as if realized directly from the source from which realized by the corporation, then they are sourced according to the rule for each type of income. *Valentino v. Franchise Tax Board* (2001) 87 Cal. App. 4th 1284. Income from California sources is subject to California tax.
- In general, R&TC Section 17024.5 and Section 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:

- IRC Section 1245(b)(8) relating to amortizable Section 197 intangibles property disposed on or after January 1, 2010.
- The qualification requirements of S corporations and their shareholders.
- Disallowing the deduction for club membership fees and employee remuneration in excess of $1 million.
- Disallowing the deduction for lobbying expenses.
- Tax-exempt organizations may be shareholders in an S corporation.
- Family farm corporations with income over $25 million may defer tax on income that was a result of changes in accounting methods required of these corporations. For calendar year taxpayers, the suspense account for these deferrals must be recaptured starting with taxable years beginning on or after January 1, 1998. For fiscal year taxpayers, the suspense account must be recaptured starting in taxable years beginning after June 8, 1997, if the fiscal year taxpayer's taxable year ends on or after December 31, 1997.
- 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.
- Required recognition of gain on certain appreciated financial positions in personal property.
- Securities traders and commodities traders are allowed to elect to use the mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt within 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.
- If an Employee Stock Ownership Plan (ESOP) is an S corporation shareholder, items of income or loss of the S corporation that pass through to the ESOP are not treated as unrelated business taxable income (UBTI). Previously, such items were treated as UBTI.
- S corporations that establish and maintain ESOPs are not required to give participants the right to demand distributions in the form of employer securities, if the participants have the right to receive such distributions in cash.
- An IRC Section 338 election, relating to stock purchases treated as asset acquisitions, is treated as an election for state purposes. A separate election for state purposes is not allowed.
- Expansion of deduction for certain interest and premiums paid for company-owned life insurance.
- Modification of holding period applicable to dividends received deduction.

- 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.
- Reducing the compensation deduction for certain employers from $1 million to $500,000; and making certain parachute payments nondeductible.

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

- In general, the American Rescue Plan Act of 2021.
- The CAA, 2021, temporary expansion for qualified charitable contributions under the CARES Act through 2021 and full deduction for business meals provided by a restaurant paid or incurred during 2021-2022.
- The federal TCJA signed into law on December 22, 2017, made changes to the IRC. In general, the 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 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 business interest deduction.
  - The modifications to the NOL provisions.
  - 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 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 2021.
- The qualified small business stock deferral and gain exclusions under IRC Section 1045 and IRC Section 1202.
- 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 holding period for built-in gains.
- 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.
- Certain special tax rules relating to ESOPs will not apply with respect to S corporation stock held by the ESOP. These include rules relating to certain contributions to ESOPs, the deduction for dividends paid on employer securities, and the rollover of gain on the sale of stock to an ESOP. See IRC Sections 404(a)(9) and 404(k) for more information.
- The treatment of Subpart F income.

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 filing on a water's-edge or worldwide basis 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 worldwide or water's-edge 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 factor.
- Documents and information needed to determine the attribution of income to the U.S. or foreign jurisdictions under Section 482, Sections under Subchapter N of Chapter 1, or other similar provisions of the IRC.

See R&TC Section 19141.6 and the related regulations for more information. An S corporation may be required to authorize an agent, through a Power of Attorney (POA), to act on its behalf in response to requests for information or records pursuant to R&TC Section 19504. For more information, go to **ftb.ca.gov/poa**.

The penalty for not maintaining the 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 S 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.

General Information

Form 100S is used if a corporation has elected to be a small business corporation (S corporation).

All federal S corporations subject to California laws must file Form 100S and pay the greater of the minimum franchise tax or the 1.5% income or franchise tax. The tax rate for financial S corporations is 3.5%.

The taxable income of the S corporation is calculated in two different ways for two different purposes. First, it is calculated in the same manner as for C corporations, with certain modifications, for purposes of computing the 1.5% income or franchise tax. Second, it is calculated using federal rules for the pass through of income and deductions, etc. for purposes of pass through to the shareholders.

A corporation that makes a valid election to be treated as an S corporation is not allowed to be included in a combined report of a unitary group, except as provided by R&TC Section 23801(d)(1).

When Completing the Form 100S:

- Use black or blue ink on the tax return sent to the FTB.
- Print name and address (in CAPITAL LETTERS).
- When a domestic S corporation files the **first** California tax return, the fiscal year beginning date **must** be the date the S 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 2021 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 front of the tax return.
- Assemble the corporation return in the following order: Form 100S, 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 S 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 S corporation is active, inactive, not doing business, or operates at a loss. See General Information B, Tax Rate and Minimum Franchise Tax, for more information.

The measured franchise tax is imposed on S 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 $637,252 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $63,726 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 $63,726 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. All S corporations complete Schedule K-1 (100S), Table 2, Item C to report the shareholder's distributive share of property, payroll and sales total within California. For more information, see R&TC Section 23101 or go to **ftb.ca.gov** and search for **doing business.**

An S corporation incorporated in California, but not doing business in this state, is not subject to the measured franchise tax. However, careful attention should be given to the term "doing business." It is not necessary that the S corporation conducts business or engages in transactions within the state on a regular basis. Even an isolated transaction during the taxable year may be enough to cause the S corporation to be "doing business".

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

Corporation Income Tax
The corporation income tax is imposed on all S 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.
- Other business entities classified as associations under Cal. Code Regs., tit. 18 sections 23038(b)-1 through 23038(b)-3.

B Tax Rate and Minimum Franchise Tax

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

- S corporations 1.5%
- Financial S corporations 3.5%
- Built-in gains and excess net passive income 8.84%

See R&TC Section 23186, General Information J, Built-In Gains, and General Information S, Excess Net Passive Investment Income, for more information.

Minimum Franchise Tax
All S corporations subject to the corporation franchise tax and any S corporation doing business in California must file Form 100S and pay at least the minimum franchise tax as required by law. The minimum franchise tax is $800 and must be paid whether the S corporation is active, inactive, operates at a loss, or files a return for a short-period of less than 12 months.

A corporation that incorporated or qualified through the California Secretary of State (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 qualified Subchapter S subsidiaries or corporations that are not qualified by the California SOS, or reorganize solely to avoid payment of the 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 California are engaging in convention and trade show activities for seven or fewer days during the taxable year; and do not derive more than $10,000 of gross income reportable to California during the taxable year. These S 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.
- 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.

Alternative Minimum Tax
S corporations are not subject to the alternative minimum tax.

C Elections and Terminations

Elections
Corporations that elect federal S corporation status and have a California filing requirement are deemed to have made a California S election effective on the same date as the federal S election.

Terminations
Terminating the taxpayer's federal S election simultaneously terminates its California S election.

If the taxpayer terminates its S corporation status, short-period returns are required for the S corporation short year and the C corporation short year, if applicable.

D Accounting Period and Method

The taxable year of the S 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, an S corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to make a change in its accounting method without prior approval, and does so, is deemed to have the FTB's approval if: (1) the S corporation files a timely Form 100S consistent with the change for the first taxable year the change is 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 100S for the first taxable year the change becomes effective. Get FTB Notice 2020-04 for more information. The FTB may modify requested changes if the adjustments 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 100S by the 15th day of the 3rd month after the close of the taxable year unless the return is for a short-period as required under R&TC Section 24634. Generally, the due date of a short-period return is the same as the due date of the federal short-period return. See R&TC Section 18601(c) for the due date of the short-period return.

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

Due to the federal Emancipation Day holiday observed on April 15, 2022, tax returns filed and payments mailed or submitted on April 18, 2022, will be considered timely.

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

If an S corporation converts during its taxable year to an LLC or limited partnership (LP) under state law, then generally two short-period California returns must be filed (one short-period return for the S 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 100S is required if:

- the LLC or LP files a federal election to be classified as an association taxable as an S 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 an S corporation.

F Extension of Time to File

If an S corporation cannot file its California tax return by the 15th day of the 3rd month after the close of the taxable year, it may file on or before the 15th day of the 9th 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. The full amount of tax must be paid by the original due date of Form 100S. If there is an unpaid tax liability on the original due date, 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 100S.

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

Due to the federal Emancipation Day holiday observed on April 15, 2022, tax returns filed and payments mailed or submitted on April 18, 2022, will be considered timely.

If the S 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 penalties. **Do not** send form FTB 3539.

G Electronic Payments

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 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 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 pays electronically, complete the form FTB 3539 worksheet for its records. **Do not mail the payment voucher.** For more information, go to **ftb.ca.gov** and search for **eft** or call 916.845.4025.

Electronic Funds Withdrawal
S 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**.

Credit Card
Corporations can use Discover, MasterCard, Visa or American Express Card to pay business taxes. Go to **officialpayments.com**. ACI Payments, Inc. (formerly Official Payments) 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 100S 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 "2021 Form 100S" 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 S corporation already filed/e-filed a return for the same taxable year.

Refunds

- Mail Form 100S requesting a **refund** to:

  FRANCHISE TAX BOARD
  PO BOX 942857
  SACRAMENTO CA 94257-0500

Return Without Payment or Paid Electronically

- Mail Form 100S **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-S 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 100S. There are two ways to complete Form 100S, the federal reconciliation method or the California computation method.

1. **Federal Reconciliation Method**
   - **a.** Transfer the information from the federal Form 1120-S, Page 1, to Form 100S, Side 4, Schedule F, Computation of Trade or Business Income, 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 100S, Side 1, line 1.
   - **c.** Enter the state adjustments (including any adjustments necessary to report items not included in ordinary trade or business income or loss) on Form 100S, Side 1 and Side 2, line 2 through line 13, to arrive at net income (loss) after state adjustments, Form 100S, Side 2, line 14.
2. **Schedule F – California Computation Method**

   If the S corporation has no federal filing requirement, or if the S corporation **maintains** separate records for state purposes, complete Form 100S, 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 22, to Form 100S, Side 1, line 1. Complete Form 100S, Side 1 and Side 2, line 2 through line 13, only if applicable.

   See Specific Line Instructions for more information.

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

Substitution of Federal Schedules

S corporations may not substitute federal schedules for California schedules.

J Built-In Gains

When a C corporation elects to be an S corporation, certain items of gain or loss recognized in S corporation years are subject to the C corporation 8.84% tax rate instead of the S corporation 1.5% tax rate (financial S corporations add 2%).

Built-In Gains Under Current IRC Section 1374

For those S corporations that made the initial federal S election after December 31, 1986, certain income items reported by the S corporation are taxed at 8.84% (or the financial C corporation tax rate). This provision applies for a period of ten years following the C corporation's election to become an S corporation. The amount of built-in gain that is taxed at 8.84% (or the financial C corporation tax rate) is the excess of recognized built-in gains over recognized built-in losses, limited by taxable income as determined under IRC Section 1374(d)(2)(A). The following items are treated as built-in gains subject to this tax:

- Accounts receivable of cash basis taxpayers from C corporation years.
- Long-term contract deferred income from C corporation years.
- Deferred income from installment sales made in C corporation years.
- Recapture of depreciation from C corporation years.
- Income from unreplaced last-in, first-out (LIFO) inventory from C corporation years.
- Any other income item that is attributable to C corporation years.

These are just a few of the examples. This list is not intended to be all inclusive.

For Apportioning Corporations Only:

All recognized built-in gains and all recognized built-in losses are apportioned and allocated to California according to the current year Schedule R.

K Estimated Tax

Use Form 100-ES, Corporation Estimated Tax, to figure and pay estimated tax for an S 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 on the 15th day of the 4th month of the taxable year. This payment may not be less than the minimum franchise tax plus QSub annual tax, if applicable.
- The 2nd, 3rd, and 4th installments are due and payable on the 15th day of the 6th, 9th, and 12th months, respectively, of the taxable year.

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 S Corporations

An S 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 B, Tax Rate and Minimum Franchise Tax, or get FTB Pub. 1060.

M Penalties

Failure to File a Timely Return

Any corporation that fails to file Form 100S 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 the S 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.

Unless failure is due to reasonable cause, a penalty will be assessed against the S corporation if it is required to file an S corporation return and one of the following occurs:

- The S corporation fails to file the tax return by the due date, including extensions.
- The S corporation files a return that fails to show all of the information required pursuant to R&TC Section 18601.

The amount of the penalty for each month, or part of a month (for a maximum of 12 months) that the failure continues, is $18 multiplied by the total number of shareholders in the S corporation during any part of the taxable year for which the return is due. See R&TC Section 19172.5 for more information.

Failure to Pay Total Tax by the Due Date
Any S corporation that fails to pay the total tax shown on Form 100S 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. However, the imposition of interest is mandatory.

If an S 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 will not exceed 25% of the unpaid tax.

Underpayment of Estimated Tax
Any S 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 S 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 100S (after all schedules and federal return) and the box on Form 100S, Side 2, line 44b 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 **ftb.ca.gov** and search for **lcup**.

EFT Penalty
If the S 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 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations; or federal Form 8975, Country-by-Country Report, and accompanying Schedule A (8975), Tax Jurisdiction and Constituent Entity Information 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 original 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.

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, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business, to Form 100S.

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 S corporation does not file its Form 100S 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 S corporation files Form 100S, 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 S 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 7 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 100S. Interest is also due on some penalties. The automatic extension of time to file Form 100S 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 S corporation must check the applicable box on Form 100S, Side 1, Question A1, if dissolving, merging, or withdrawing. Enter the date the S corporation filed or will file the documents for dissolution with the California SOS.

The franchise tax for the period in which the S 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.

An S corporation that is a successor to 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, enter the amount on Form 100S, Side 2, line 34. To the left of line 34, write "Dissolving/ Withdrawing" or include it according to your software's instructions.

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

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

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

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

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

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

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 the S corporation does business in California is determined according to or measured by its net income for the taxable year during which the S 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.

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 Section 24672 and Section 24451.

A domestic or qualified S 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 an S corporation does not file Form 100S 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 S corporation) or forfeited (in the case of a foreign S corporation).

S 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 S 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** and search for **revivor**.

R Apportionment of Income

S 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 P on Form 100S, Side 3. Attach the Schedule R behind Form 100S and prior to the supporting schedules.

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** and search for **market assignment**.

For more information, see R&TC Sections 25120 through 25136.1.

Combined Reports – A corporation that has made a valid election to be treated as an S corporation is generally not included in a combined report. However, in some cases, the FTB may use combined reporting methods to clearly reflect income of an S corporation. See R&TC Section 23801(d)(1).

S Excess Net Passive Investment Income

In general, California R&TC Section 23811 conforms to IRC Section 1375. If an S corporation does not have excess net passive investment income for federal purposes, then the S corporation will not have excess net passive investment income for California purposes.

If at the close of the taxable year, an S corporation has undistributed earnings and profits from previous years as a C corporation and has passive investment income that represents more than 25% of total gross receipts, then the S corporation may be subject to tax on the excess net passive investment income at the rate of 8.84% (10.84% in the case of a financial corporation). See R&TC Section 23811 for more information.

If an S corporation has an 80% or greater ownership stake in a C corporation, dividends received from that C corporation are not treated as passive investment income, for purposes of IRC Sections 1362 and 1375, if the dividends are attributable to the earnings and profits of the C corporation derived from the active conduct of a trade or business.

T Water's-Edge Reporting

C corporations filing on a water's-edge basis are required to use Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers, to file their California tax return. S corporations filing on water's-edge basis use Form 100S to file their California tax return.

Taxpayers may elect to compute income attributable to California on the basis of a water's-edge election. In general, affiliated

foreign corporations are excluded from the combined report.

To make the water's-edge election, an S corporation files Form 100-WE, Water's-Edge Election. For the election to be valid for any taxable year, sign and attach Form 100-WE to the original timely filed Form 100S. Attach a copy of the signed Form 100-WE to all subsequent returns filed during the election period.

To be allowed to file on a water's-edge basis, the S corporation must, among other things, do the following:

- File returns on a water's-edge basis for a period of 84 months.
- Agree to business income treatment of dividends received from certain corporations.
- Consent to the taking of certain depositions and the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

Get Form 100W Tax Booklet, for more information.

U Amended Return

To correct or change a previously filed Form 100S, file the most current Form 100X. Using an 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

California requires taxpayers who exchange property located in California for like-kind property located outside of California under IRC Section 1031, to file an annual information return with the FTB. For more information, get form FTB 3840, California Like-Kind Exchanges, or go to **ftb.ca.gov** and search for **like kind**.

Payments

Every S 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 S 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, 2021. These information returns will be due by June 1, 2022. For more information, get form FTB 4800 MEO, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payments Information Media Transmittal.

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
- Federal Form 5472
- 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*
- Schedule A (8975)*

*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.

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 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.

Excess Net Passive Income and Income Tax Worksheet

1	Enter gross receipts for the taxable year (see IRC Section 1362(d)(3)(B) for gross receipts from the sale of capital assets)*.	1		00
2	Enter passive investment income as defined in IRC Section 1362(d)(3)(C)*	2		00
3	Enter 25% (.25) of line 1. If line 2 is less than line 3, the corporation is not liable for this tax	3		00
4	Excess passive investment income. Subtract line 3 from line 2	4		00
5	Enter expenses directly connected with the production of income on line 2. See IRC Section 1375(b)(2)*	5		00
6	Net passive income. Subtract line 5 from line 2	6		00
7	Divide the amount on line 4 by the amount on line 2	7		
8	Excess of net passive income. Multiply line 6 by line 7. See instructions on line 11 below	8		00
9	Enter taxable income**	9		00
10	Enter the smaller of line 8 or line 9	10		00
11	Excess net passive income tax. Enter 8.84% (financial S corporations must use 10.84%) of line 10 here and on Form 100S, Side 2, line 28. (If an amount is entered here, go to line 8 above and carry the line 8 amount to Form 100S, Side 2, line 16).	11		00

*Income and expenses on line 1, line 2, and line 5 are from total operations for the taxable year. This includes applicable income and expenses from Form 100S, Side 1 and Side 2. See IRC Sections 1362(d)(3)(C) and 1375(b)(4) for exceptions regarding line 2 and line 5.

**Taxable income is defined in federal Treas. Regs. Section 1.1374-1A(d). Figure taxable income by completing line 1 through line 17 of Form 100, California Corporation Franchise or Income Tax Return. Clearly mark "ENPI Taxable Income" on the Form 100 computation and attach it to Form 100S.

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

Paid Preparer Authorization
If the S corporation wants to allow the FTB to discuss its 2021 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 S 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 S 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 S corporation is not authorizing the paid preparer to receive any refund check, bind the S corporation to anything (including any additional tax liability), or otherwise represent the S corporation before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the S corporation's 2022 tax return. If the S corporation wants to expand the paid preparer's authorization, go to **ftb.ca.gov/poa**. If the S corporation wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

X 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.

R&TC Sections 24416 through 24416.7, Sections 24416.21 through 24416.23, and Section 25108 provide for NOL deductions incurred in the conduct of a trade or business.

R&TC Sections 24347.5 and 24347.11 through and 24347.13 provide the treatment for disaster losses incurred in an area declared by the President of the United States or the Governor of California as a disaster area.

For taxable years beginning 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-only 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.

Y At-Risk Rules

California S corporations are subject to IRC Section 465 relating to the at-risk rules. For more information, get federal Form 6198, At-Risk Limitations. Losses from passive activities are first subject to the at-risk rules and then to the passive activity rules.

Z Passive Activity Loss Limitation

California S corporations generally follow IRC Section 469 and the regulations thereunder that allow losses from passive activities to be applied only against income from passive activities.

California differs from federal law in that rental real estate activities of taxpayers engaged in a real property business are still treated as a passive activity.

California law also differs from federal law in that the passive activity loss rules are applied at both the S corporation level and at the shareholder level. The passive activity loss rules must be applied in determining the net income of the S corporation that will be taxed using the 1.5% tax rate. Subsequent to the income and deductions passing through to the shareholders, the rules are again applied in determining the net income of the shareholder. Treatment at the shareholder level is the same as the federal treatment prior to January 1, 1994.

The passive activity loss rules apply to the S corporation as if it were an individual (i.e., losses from passive activities may not be used to offset other income, except for $25,000 in losses from rental real estate). However, when determining whether the S corporation materially participates in the activity, the material participation rules that apply to a "closely held C corporation" should be applied to the S corporation. For more information, see IRC Section 469(h)(4).

S corporations must use form FTB 3801, Passive Activity Loss Limitations, to compute the allowable net loss from passive activities.

AA Passive Activity Credits

S corporation credits subject to the passive activity credit limitation rules include the following:

- Research Credit
- Low-Income Housing Credit
- Orphan Drug Credit

Get form FTB 3801-CR, Passive Activity Credit Limitations, for more information.

BB Tax Credits

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to 1/3 and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. Refer to Schedule C (100S), S Corporation Tax Credits, included in this booklet.

S corporations may generate credits from both the Corporation Tax Law and the Personal Income Tax Law. Follow the guidelines below:

- If a credit listed on page 38 is allowed only under the Corporation Tax Law, 1/3 of the credit may be used to offset the S corporation tax or may be carried over, if allowed. The remaining 2/3 must be disregarded and may not be carried over. No part of the credit may be passed through to the shareholders.
- If the credit is allowed only under Personal Income Tax Law, the full credit may be passed through to the shareholders. No part of the credit may be used by the S corporation to offset the S corporation tax or to be carried over.
- If a credit is allowed under both the Corporation Tax Law and Personal Income Tax Law, the S corporation may use 1/3 of the credit to offset the S corporation tax or it may be carried over, if allowed. The remaining 2/3 must be disregarded and may not be carried over. The full amount of the credit, as calculated under the Personal Income Tax Law, may also be passed through to the shareholders.

California Motion Picture & Television Production Credits

The S corporation may not claim either the original, new, or Program 3.0 California Motion Picture and Television Production Credit. The entire amount of the credit passes through to the shareholder. For more information, get form FTB 3541, California Motion Picture and Television Production Credit.

Credits and credit carryovers may not reduce the minimum franchise tax, the QSub annual tax(es), built-in gains tax, excess net passive income tax, credit recaptures, the increase in tax imposed for the deferral of installment sale income, or an installment of LIFO recapture tax.

CC Group Nonresident Shareholder Return

Nonresident individual shareholders of an S corporation doing business in California may elect to file a group nonresident return on Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. Get FTB Pub. 1067, for more information.

S corporations are required to withhold income tax on certain payments to nonresident shareholders. Nonresident shareholders must file Form 540NR to claim the withholding even if there are no filing requirements.

DD Qualified Subchapter S Subsidiary (QSub)

California has conformed to the sections of the IRC that allow an S corporation to own a QSub. A QSub is a domestic corporation that is not an ineligible corporation, i.e., it must be eligible to be an S corporation as defined by IRC Section 1361(b)(2). In addition, 100% of the stock of the subsidiary must be held by the S corporation parent and the parent must elect to treat the subsidiary as a QSub. A QSub is not treated as a separate entity and all assets, liabilities, and items of income, deduction, and credit of the QSub are treated as belonging to the parent S corporation. The activities of the QSub are treated as activities of the parent S corporation.

An election made by the parent S corporation under IRC Section 1361(b)(3) to treat the corporation as a QSub for federal purposes is treated as a binding election for California purposes. A separate election is not filed for California.

The federal election is made on federal Form 8869, Qualified Subchapter S Subsidiary Election. California requires that an S corporation parent attach a copy of the Form 8869 for each QSub doing business or qualified to do business in California to the return for the taxable year during which the QSub election was made. California follows the federal transitional relief procedures for perfecting a QSub election.

A QSub is subject to an $800 annual tax which is paid by the S corporation parent. The QSub annual tax is due and payable when the S corporation's first estimated tax payment is due. If the QSub is acquired, or a QSub election is made during the taxable year, the QSub annual tax is due with the S corporation's next estimated tax payment after the date of the QSub election or acquisition. The QSub annual tax is subject to the estimated tax rules and penalties.

An S corporation that owns a QSub does not file a combined return. Instead, the QSub is disregarded, and the activities, assets, liabilities, income, deductions, and credits of the QSub are considered to be the assets, liabilities, income, and credits of the S corporation. If the QSub is not unitary with the S corporation, then it is treated as a separate division and separate computations must be made to compute business income and apportionment factors for the QSub and the S corporation, and to apportion to California the business income of each.

An S corporation parent must complete the Schedule QS, Qualified Subchapter S Subsidiary (QSub) Information, included in this booklet, and attach it to the Form 100S for each taxable year in which a QSub election is in effect.

EE 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 S 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, S corporations required to hold a California seller's permit or to otherwise register with the CDTFA for sales and use tax purposes may not report use tax on their state income tax return. See the information below and the instructions for line 37 of the income tax return.

In general, S 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.

S corporations must pay California use tax on taxable items if:

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

Example: The S 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 S corporation owes use tax on the purchase. However, not all purchases require the S corporation to pay use tax. For example, the S 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 S 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**.

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

Complete the Use Tax Worksheet on page 21 to calculate the amount due.

Extensions to File. If the S corporation requests an extension to file the tax return, wait until the S 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 S Corporation Franchise or Income Tax Return (Form 100X) to revise the use tax previously reported. If the S 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**, 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**.

FF Property Subject To IRC Section 179 Recapture

Special rules apply for gains from the sale, exchange or disposition of property for which an IRC Section 179 expense deduction was claimed in a prior year. For federal purposes, the gain is no longer included in income at the entity level. However, it must be included in the taxable income of the S corporation for California purposes.

S corporations should follow the instructions in federal Form 4797 **with the exception** that the amount of gain on property subject to the IRC Section 179 expense deduction recapture (capital gain and ordinary gain) must be included in the taxable income of the S corporation. To accomplish this, the S corporation will need to complete **two sets** of Schedule D-1, Sales of Business Property, and Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains. The first set of Schedule D-1 and Schedule D (100S) will include the sale or disposition of both IRC Section 179 assets **and** the sale of non-IRC Section 179 business assets with the amount reported on Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) will include the sale or disposition of non-IRC Section 179 business assets only, with the amount reported on the Schedule K and Schedule K-1 (100S).

See Specific Line Instructions for Property Subject to IRC Section 179 Expense Deduction Recapture. Also, see the Schedule D-1 Instructions.

The S corporation should report the gain on property subject to the IRC Section 179 expense deduction recapture passed through to the shareholders on the Schedule K and Schedule K-1 (100S) as supplemental information as instructed on the federal Form 4797.

GG 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 a LLC elects to be taxed as an S corporation for federal tax purposes, the LLC must file Form 100S, 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 purposes 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, Limited Liability Company Return of Income. 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 a Single Member Limited Liability Company (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 and pay the annual LLC tax as well as the fee (if applicable) based on total income. Form 568 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.

HH 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 S corporation (payee) has backup withholding, the S corporation (payee) must contact the FTB to provide a valid taxpayer identification number, before filing the tax return. Failure to provide a valid taxpayer identification number may result in a denial of the backup withholding credit. For more information, go to **ftb.ca.gov** and search for **backup withholding**.

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. Get FTB Pub. 1016, Real Estate Withholding Guidelines, for more information.

Sellers of California real estate must attach a copy of Form 593 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

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

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

- California corporation number (assigned by the California SOS).
- Federal employer identification number (FEIN).
- California Secretary of State (SOS) file number, if applicable.
- Corporation name (use the true 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.

File the 2021 Form 100S for calendar year 2021 or for a fiscal year that begins in 2021.

Enter taxable year beginning and ending dates **only** if the return is for a short year or a fiscal year. If the S corporation reports its income using a calendar year, leave the date area blank. 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 return is filed for a short period (less than 12 months), write "short year" in black or blue ink in the top margin on Form 100S, Side 1. Convert all foreign monetary amounts to U.S. dollars.

The 2021 Form 100S 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 2022.
- The 2022 Form 100S is not available at the time the corporation is required to file its return. The S corporation must show its 2022 taxable year on the 2021 Form 100S and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2021.

California law is different from federal law. California taxes S corporations under Chapter 2 (commencing with R&TC Section 23101) or Chapter 3 (commencing with R&TC Section 23501) of the Corporation Tax Law.

Questions A through U

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions C through U on Form 100S, Side 3. Read the following instructions when answering:

Question A2 – Check the "Yes" or "No" box to indicate if the S corporation is deferring any income from the disposition of assets. If "Yes," enter the four-digit year in which the assets were disposed (e.g., 2021). If there are multiple years, write "see attached" on the line and attach a schedule listing the years. This question is applicable if the S corporation is deferring any income from a disposition of assets in the **current taxable year or prior taxable years.**

Question A3 – Check the box for the type(s) of previously deferred income the S corporation is reporting. If there are multiple sources of income, check the box for the appropriate items and attach a schedule listing the income type and year of disposition. If the S corporation is reporting "Other" types of previously deferred income, check the box for "Other" and attach a schedule listing the income type and year of disposition. This question is applicable if the S corporation is reporting previously deferred income in the **current taxable year or prior taxable years**.

Question B – Transfer or acquisition of voting stock

All S 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**) 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.
- 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 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 C – Principal business activity (PBA) code

All S corporations **must** answer Question C.

Include the six digit PBA code from the Principal Business Activity Codes chart included in this tax 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 number may be different from the federal PBA code number.

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; and (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 principal product or service on the lines provided.

Question E – Does this return include Qualified Subchapter S Subsidiaries (QSubs)?

Answer "Yes" if the S corporation owns a QSub. Refer to the instructions for line 21 and line 32 to report the QSub annual tax. Be sure to complete Schedule QS included in this tax booklet and attach the schedule to Form 100S when filed.

Question N – Doing business as (DBA)

S corporations doing business under a name other than that entered on Side 1 of Form 100S must enter the DBA name in Question N. If the S corporation is doing business under multiple DBAs attach a schedule listing all DBAs.

Leave Question N blank if the S corporation is not using a DBA to conduct business.

Question Q – 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 S corporation reported from an interest in a reportable transaction. If the S corporation is required to file this form with the federal return, attach a copy to the S corporation's Form 100S.

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 as a tax avoidance transaction.
- A Confidential Transaction which is offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum fee.
- A transaction with contractual protections which provides the taxpayer with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained.
- A loss transaction under IRC Section 165 which is at least $10 million in any one year or $20 million in any combination of taxable years. (Those numbers would be reduced to $2 million and $4 million on the Form 100S.)
- A transaction 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 – FTB 3544

Check the "Yes" box if form FTB 3544, Assignment of Credit, Side 2, Part B, List of Assigned Credit Received and/or Claimed by Assignee, is attached to Form 100S.

Question T – Check the applicable box if activities were aggregated for at-risk purposes or grouped for passive activity purposes. Get the instructions for federal Form 1120-S, under Specific Instructions for Item J, for more information.

Question U – Do Not Round Cents to Dollars
On line (3), do not round cents to the nearest whole dollar. Enter the amounts with dollars and cents as actually remitted.

Line 1 through Line 44

Line 1 – Ordinary income (loss) from trade or business
S 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-S, line 21 to Form 100S, 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-S, page 1, onto Form 100S, Side 4, Schedule F and transfer the amount from Schedule F, line 22, to Form 100S, Side 1, line 1.
- Then, complete Form 100S, Side 1 and Side 2, line 2 through line 13, State Adjustments.

S corporations using the California computation to figure ordinary income (see General Information I, Net Income Computation) must transfer the amount from Form 100S, Side 4, Schedule F, line 22, to Side 1, line 1. Complete Form 100S, Side 1 and Side 2, line 2 through line 13, only if applicable.

Line 2 through Line 13 – State adjustments
To figure net income for California purposes, S corporations using the federal reconciliation method must enter California adjustments to the federal net income on line 2 through line 13. If a specific line for the adjustment is not on Form 100S, enter the adjustment on line 7, Other additions, or line 12, Other deductions, and attach a schedule that explain the adjustment.

Line 2 – Taxes not deductible
California law does not permit a deduction for California corporation franchise or income taxes or any other taxes on, according to, or measured by net income or profits. Add these taxes to income on line 2.

Line 3 – Interest on government obligations
S corporations subject to the California franchise tax must report interest received on government obligations even though it may be exempt from state or federal individual income tax. This interest must be added to income on line 3. See line 12 instructions for S corporations subject to the California corporation income tax.

Line 4 – Net capital gain
Enter on this line any net capital gain subject to the 1.5% tax rate (3.5% for financial S corporations) shown on Schedule D (100S), Section B, line 10, and any gains subject to the 8.84% tax rate (10.84% for financial S corporations) shown on Schedule D (100S), Section A, line 13.

Property Subject To IRC Section 179 Expense Deduction Recapture
If the S corporation has a gain from the sale, exchange or disposition of property for which an IRC Section 179 expense deduction was claimed in a prior year, special rules apply. For federal purposes, the gain is no longer included in income at the entity level. However, it must be included in the taxable income of the S corporation for California purposes on Form 100S, line 4. See General Information FF, Property Subject To IRC Section 179 Recapture, for more information.

The S corporation should complete **two sets** of Schedule D-1 and Schedule D (100S). The first set of Schedule D-1 and Schedule D (100S) will include the gain or loss from the sale or disposition of IRC Section 179 assets as well as gain or loss from non-IRC Section 179 business assets, and will be reported on the Form 100S. Indicate at the top of this Schedule D-1 and Schedule D (100S) "IRC Sec. 179 and Business Assets." When completing Schedule D-1 and Schedule D (100S) for the Form 100S, skip any instructions to report the gain or loss on Schedule K or Schedule K-1 (100S). Transfer the gain amount to Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) is to report the gain or loss on non-IRC Section 179 business assets for use on the Schedule K and Schedule K-1 (100S). To accomplish this, the S corporation should complete a Schedule D-1 and Schedule D (100S) with the gain or loss for the non-IRC Section 179 business assets only. The amounts from this Schedule D-1 and Schedule D (100S) will be reported on the Schedule K (100S) and Schedule K-1 (100S). Indicate at the top of the Schedule D-1 and Schedule D (100S) set "Non-IRC Section 179 Business Assets Only."

Line 5 – Depreciation and amortization
Depreciation for S corporations follows the depreciation rules provided under California Personal Income Tax Law. Unlike other corporations, an S corporation is allowed to compute depreciation using the Modified Accelerated Cost Recovery System (MACRS). Complete Schedule B (100S), for assets subject to depreciation and for assets subject to amortization. Enter the total of Schedule B (100S), Part III, on Form 100S, Side 1, line 5.

Line 6 – Portfolio income
Enter on this line net portfolio income not included in line 1 but that must be included in the S corporation's net income for computing the 1.5% tax. Include interest, dividends, and royalties. Do not include any passive activity amounts on this line. Instead, include passive activity amounts on line 7 or line 12.

Line 7 – Other additions
R&TC Section 24425 disallows expenses allocable to income, which is not included in the measure of the franchise tax or income tax. Add back such deductions on this line.

Also, include on this line other items not added on any other line to arrive at California net income. Attach a schedule that clearly shows how each item was computed and explain the basis for the adjustment.

If a federal contribution deduction was taken in arriving at the amount entered on line 1, include that amount in the computation of line 7. See line 11, Charitable contributions.

Include any income from pass-through entities and passive activities on line 7. Rental real estate activities owned directly by the S corporation are reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

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 7.

Paycheck Protection Program Loans 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, include this amount on line 7.

The PPP Extension Act extends the covered period of the PPP to June 30, 2021. California law does not conform to this extension and does not allow an exclusion from gross income for PPP loans forgiven due to the extended covered period after March 31, 2021 to June 30, 2021. If you excluded the amount from gross income for federal purposes, include this amount on line 7.

Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility. If you met the PPP eligibility requirements and excluded the amount from gross income for federal purposes, include this amount on line 7.

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 7.

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 this amount on line 7.

California Ordinary Net Gain or Loss. Before entering the amount from Schedule D-1, line 18, determine whether the gain is subject to built-in gains tax. If the gain is subject to built-in gains tax, enter the amount on Schedule D (100S), Section A, Part III so the built-in gains tax can be computed, and enter the difference between the amount on Schedule D-1, line 18 and the amount subject to built-in gains tax on Form 100S, Side 1, line 7.

Gain on Installment Notes. Generally, when an S corporation sells assets in an installment sale, the S corporation defers the recognition of gain until it receives payments on the installment obligation. If the S corporation distributes the installment obligation to the shareholders in a corporate liquidation, the corporation pays 1.5% tax on the deferred gain in the final year under R&TC Section 24672. The shareholders continue to defer the gain until they receive payments. If R&TC Section 24672 applies, report the amount of deferred gain on this line.

Line 9 and Line 10 – Dividends deduction
Complete Schedule H (100S), S Corporation Dividend Income Deduction, included in this tax booklet.

Line 11 – Charitable contributions
The charitable contribution deduction for California corporations is limited to the adjusted basis of the assets being contributed.

The deduction is 10% of California net income, without regard to charitable contributions and special deductions (e.g., the deduction for dividends received). The definition of California net income differs from federal taxable income for computing the charitable contribution deduction.

Per IRC Section 170(d)(2), five-year carryover provisions shall apply for excess charitable contributions.

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 charitable contribution deduction on line 11.

On a separate worksheet, using the Form 100S format, complete Form 100S, Side 1 and Side 2, line 1 through line 14, without regard to line 11. If any federal charitable contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as an addition on line 7 of the Form 100S formatted worksheet. Enter the adjusted basis of the assets contributed on line 5 of the following worksheet. Then complete the worksheet to determine the charitable contribution deduction to enter on line 11.

1. Net income after state adjustments from Side 2, line 14 . . . . . _____
2. Deduction for dividends received_____
3. Net income for contribution calculation purposes. Add line 1 and line 2 . . . . . _____
4. Allowable 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 11_____

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

Line 12 – Other deductions

Qualified Opportunity Zone Funds. 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 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, and the corporation recognized the gains for federal tax purposes in the current year, deduct the federal gains amount on line 12.

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.

Include any losses from pass-through entities and passive activities on line 12. Rental real estate activities owned directly by the S corporation are reported on federal Form 8825. Also, enter any IRC Section 179 expense from Schedule B (100S), Part I, line 5.

For S corporations subject to income (and not 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 3, deduct it on line 12.

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 12 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 12 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 12.

Financial Incentive for Seismic Improvement. For taxable years beginning on or after July 1, 2015, California allows an exclusion from gross income for any amount received as a loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. If the S corporation included any amount as income for federal purposes, deduct that amount on line 12.

Federal Ordinary Net Gain or Loss
Enter any federal ordinary net gain or loss from federal Form 4797.

Line 15 – Net income (loss) for state purposes
If all the S corporation income is derived from California sources, transfer the amount from line 14 to line 15.

If only a portion of income is derived from California sources, complete Schedule R before entering any amount on line 15. Transfer the amount from Schedule R, line 35, to this line. Be sure to answer "Yes" to Question P on Form 100S, Side 3.

If this line is a net loss, complete and attach the 2021 form FTB 3805Q to Form 100S.

Public Law 86-272
S corporations 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 S corporations are claiming immunity in California under Public Law 86-272, **do not** include their net income or loss on line 15 and write "PL 86-272" at the top of Form 100S.

Line 16 – R&TC Section 23802(e) deduction
If the S corporation has a tax imposed on excess net passive investment income and built-in gains, a deduction is allowed against the net income taxed at the 1.5% rate. See the "Excess Net Passive Income and Income Tax Worksheet," on page 13 to determine if the S corporation is subject to the tax on excess net passive investment income. If a tax is shown on this worksheet, enter the amount of excess net passive income from line 8 of the worksheet on Form 100S, Side 2, line 16.

For purposes of the built-in gains tax, enter on line 16 the amount from Schedule D (100S), Section A, Part III, line 11.

Line 17, Line 18, and Line 19
The order in which line 17, line 18, and line 19 appear is not meant to imply the order in which any NOL or disaster loss deduction should be taken if more than one type of deduction is available.

Line 17 – 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 X, Net Operating Loss (NOL), for more information.

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

The NOL deduction is the amount of the NOL carryover from prior years that may be deducted from income in this taxable year. However, the loss may not reduce the S corporation's current taxable year income below zero.

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

If line 15 less line 16 is a positive amount, enter the NOL carryover (but not more than the result of line 15 less line 16) from the S corporation's 2021 form FTB 3805Q, Part III, line 3 on Form 100S, Side 2, line 17. Attach a copy of the 2021 form FTB 3805Q to Form 100S. If the full amount of the NOL carryover is not deducted this taxable year, complete and attach a 2021 form FTB 3805Q showing the computation of the NOL carryover to future years.

If line 15 less line 16 is a negative amount or $1,000,000 or more, enter -0- on line 17. See the 2021 form FTB 3805Q instructions to compute the NOL carryover to future years.

No NOL carryover arising from a year in which an S corporation was a C corporation may be applied against the 1.5% tax. See IRC Section 1371(b)(1) and R&TC Section 23802(d). However, if the corporation terminates its' S election, thus becoming a C corporation, then the prior year NOL carryover may be used to the extent it has not expired.

NOL carryovers arising from a year in which the S corporation was a C corporation may be used in computing the tax on built-in gains.

Line 18 – 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.

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

S 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 former EZ, TTA, or LAMBRA NOL carryover deduction from the corporation's form FTB 3805Z; form FTB 3809; or form FTB 3807 on Form 100S, line 18. Attach a copy of the applicable form to Form 100S.

Line 19 – 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 S corporation has a disaster loss carryover deduction and there is income in the current taxable year, enter the total amount from the 2021 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 2021 disaster loss, any remaining disaster loss incurred in 2021 (NOL attributable to a qualified disaster loss) must be carried forward. Get form FTB 3805Q for more information.

Line 21 – Tax
S corporations must use a tax rate of 1.5%. Financial S corporations must use the financial tax rate of 3.5%. The tax on line 21 may not be less than the sum of the minimum franchise tax and QSub annual tax(es), if applicable. See General Information B, Tax Rate and Minimum Franchise Tax.

If the S corporation is the parent of a QSub subject to the annual tax and paid the $800 annual tax on behalf of such QSub, add the total amount of QSub annual tax(es) to the tax on net income or the minimum franchise tax, whichever is applicable, and enter the result on line 21. Use Schedule QS included in this booklet.

Example 1: Corporation A, an S corporation, is the parent of three QSubs, B, C, and D. QSub B and C are either incorporated or qualified to do business in California. QSub D is not incorporated, doing business, or qualified to do business in California. Corporation A is subject to the minimum franchise tax of $800 and $1,600 of QSub annual tax for QSub B and C.

Example 2: Beta Corporation, an S corporation, is the parent of three QSubs. Only one of the QSubs is qualified and doing business in California. Beta Corporation reports net income for California tax purposes on line 20 of $100,000. Tax on net income is $1,500. On line 21, Beta Corporation will report tax of $2,300. The $2,300 includes tax on net income of $1,500 plus $800 of QSub annual tax payments for one QSub. Beta Corporation is not required to pay the QSub tax on the two QSubs not doing business in California.

Line 22 through Line 24 – 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.

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 100S and Schedule C (100S) 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.

Credits may be used to reduce the California tax liability; however, credits may not be used to reduce the tax on line 21 to an amount less than the sum of the minimum franchise tax plus the QSub annual tax(es), if applicable. Also, the S corporation is allowed to claim only 1/3 of the total credit generated against the 1.5% franchise tax. See General Information AA, Passive Activity Credits, and BB, Tax Credits.

To figure tax credits, complete and attach the appropriate form for each credit claimed on Form 100S. See page 38 for a list of available credits.

If the S corporation claims a credit carryover for an expired credit, complete form FTB 3540, Credit Carryover and Recapture Summary. For EZ, LAMBRA, MEA, or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809.

Transfer the credit(s) from the respective credit forms to Schedule C (100S) to compute the amount of credit to claim on Form 100S. Then

transfer the credit(s) from Schedule C (100S) to Form 100S.

Each credit is identified by a code. To claim one or two credits, enter the credit name, code, and the amount of the credit on line 22 and line 23. Enter the total of any remaining credits from Schedule C (100S) on line 24. **Do not** make an entry on line 24 unless line 22 and line 23 are complete.

Attach all credit forms, schedules, and Schedule C (100S) to Form 100S.

Line 27 – Tax from Schedule D (100S)
S corporations must enter the tax from Schedule D (100S) included in this tax booklet. See General Information J, Built-in Gains, for more information.

Line 28 – Excess net passive income tax
If the corporation has always been an S corporation for California purposes or has no federal excess net passive investment income, the excess net passive investment income tax does not apply. See General Information S, Excess Net Passive Investment Income, for more information.

To determine if the S corporation owes this tax, complete line 1 through line 3 and line 9 of the "Excess Net Passive Income and Income Tax Worksheet" on page 13. If line 2 is greater than line 3 and the S corporation has taxable income, it must pay the tax.

Complete a separate schedule using the format of line 1 through line 11 of the worksheet on page 13 to figure the tax. Enter the tax from line 11 of the worksheet on Form 100S, Side 2, line 28. Attach the schedule showing the computation. Reduce each item of passive income passed through to shareholders by its pro-rata share of the tax on line 28. See IRC Section 1366(f)(3) and R&TC Section 23803(b)(2).

R&TC Section 23811(e) provides a deduction for C corporation earnings and profits attributable to California sources for any taxable year by the amount of a consent dividend paid after the close of the taxable year. The amount of the consent dividend is limited to the difference between the C corporation earnings and profits attributable to California sources and the C corporation earnings and profits for federal purposes.

Line 29 – Pass-through entity elective tax
Enter the total amount of elective tax from form FTB 3804, Part I, line 3.

Line 32 – 2021 Estimated tax/Qsub payments
Enter the total amount of estimated tax payments made during the 2021 taxable year on line 32. If the S corporation is the parent of a QSub and made payments for the QSub annual tax, include the total amount of QSub annual tax payment made during 2021 on line 32 along with the total estimated tax payments. See General Information DD, Qualified Subchapter S Subsidiary (QSub), for more information. Be sure to complete Schedule QS included in this tax booklet and attach it to the return.

If the S corporation is a nonconsenting nonresident (NCNR) member of an LLC and tax was paid on the S 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 you are 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 S corporation's behalf.

Line 33 – 2021 Withholding (Forms 592-B and/or 593)
If the corporation was withheld upon by another entity, the corporation can either allocate the entire withholding credit to all its shareholders or claim a portion on line 33 (not to exceed total tax due) and allocate the remaining portion to all its shareholders. S corporations may not receive a refund of withholding on Form 100S. If the S corporation is claiming any of the withholding credit on the corporate return, attach a copy of Form 592-B, Resident and Nonresident Withholding Tax Statement, and/or Form 593 to the lower part of the front of Form 100S, Side 1. If any of the withholding credit is to be allocated to the shareholders, Form 592, Resident and Nonresident Withholding Statement, must be received by the FTB to allocate the credit to its shareholders. Get the instructions for Form 592 for more information.

Do not include NCNR member's tax from Schedule K-1 (568), line 15e as withholding.

Line 35 – Amount paid with form FTB 3893
Enter the amount of payment with form FTB 3893.

Line 37 – Use tax
As explained under General Information EE, 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 California 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 California Department of Tax and Fee Administration's website at **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.

An S 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 S Corporation Franchise or Income Tax Return. To report use tax on the tax return, complete the Use Tax Worksheet on this page.

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

If the S corporation owes use tax, but does not report it on the income tax return, the S corporation must report and pay the tax to the California Department of Tax and Fee Administration. For more information on how to report use tax directly to the California Department of Tax and Fee Administration, go to their website at **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 below	$ _____.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 Form 100S, line 37. If the amount is less than zero, enter -0-	$ _____.00

Worksheet, Line 1, Purchases Subject to Use Tax

Report purchases of items that would have been subject to sales tax if purchased from a California retailer unless the 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.**

- 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 S corporation is filing.

Note: Do not report the following types of purchases on the S 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 S 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** 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 S 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 S corporation paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, the S corporation can only claim a credit of $6.00 for that purchase.

Line 40 and Line 41 – Franchise or income tax due or overpayment

In addition to any amount entered on line 40 or line 41, tax due and overpayment, also include any amounts required to be included from Side 3, Schedule J, Add-On Taxes and Recapture of Tax Credits. See Schedule J instructions for more information.

Line 42 – Amount to be credited to 2022 estimated tax

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

Line 43 – Refund

Direct Deposit of Refund (DDR)

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

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

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

Line 44 – Penalties and interest

Enter on line 44a the amount of any penalties and interest due. Complete and attach form FTB 5806, to the **back** of Form 100S (after all schedules and federal return) only if Exception B or Exception C of form FTB 5806 is used to compute or eliminate the penalty. Be sure to check the box on line 44b. For more information, see General Information M, Penalties, and General Information N, Interest.

Schedules

Schedule F – Computation of Trade or Business Income

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 1a through Line 6 – Income

Complete line 1a through line 6 to figure the income or loss from trade or business activity. Do not report any rental activity or portfolio income or loss on these lines. Rental activity and portfolio income or loss are reported on Form 100S, Side 1, line 7 or Side 2, line 12; Form 100S, Side 6, Schedule K; and Schedule K-1 (100S). Rental real estate activities are also reported on federal Form 8825. Attach a copy of federal Form 8825 to Form 100S.

Line 7 – Compensation of officers

If the S corporation's total receipts are $150,000 or more, complete and attach a schedule showing the compensation of officers. On the schedule, list all of the following:

- Name of officer.
- Social security number of officer.
- Percentage of time devoted to the business.
- Percentage of stock owned.
- Amount of compensation.
- The calculation of compensation of officers deducted (total compensation of officers, minus compensation of officers claimed in the cost of goods sold schedule and elsewhere on the return.)

Line 8 – Salaries and wages

Gain from the exercise of California Qualified Stock Options issued and exercised after 1996 and before 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 the alternative minimum tax and the S 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 20 – Other deductions

Do not include the dividend deduction on this line. Instead enter the dividend deduction on Form 100S, Side 2, line 9 or line 10.

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

Complete Schedule J on Form 100S, Side 3, if the S 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 tax due or overpayment on Form 100S, Side 2, line 40 or line 41, as appropriate, by the amount from Schedule J, line 6.

LIFO Recapture Tax

If the S corporation computed the LIFO recapture tax in the final year as a C corporation, include on Schedule J, line 1, any LIFO installment due this taxable year.

Long-Term Contracts

If the S 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, and include the amount of interest

the S corporation owes or the amount of interest to be credited or refunded to the S corporation on Schedule J, line 2. Attach form FTB 3834 to Form 100S. If interest is to be credited or refunded, enter as a negative amount.

Interest on Tax Attributable to Payments Received on Installment Sales of Certain Timeshares and Residential Lots
If the S 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.

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. Attach a schedule showing the computation. 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 Recaptures
Complete Schedule J, line 5, if the S corporation completed the credit recapture portion for any of the following forms:

- FTB 3531, California Competes Tax Credit – Enter only the recaptured amount used. Get the instructions for form FTB 3531, Part III, Credit Recapture, for more information.
- FTB 3554, New Employment Credit

Also, complete Schedule J, line 5, if the S 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 K and Schedule K-1 (100S)

Shareholders' Share of Income, Deductions, Credits, etc.

Purpose of Schedules
Schedule K is a summary schedule of all the shareholders' shares of the S corporation's income, deductions, credits, etc. Schedule K-1 (100S) shows each shareholder's separate share of pass-through items and adjusted basis. Use federal Schedule K and Schedule K-1 (Form 1120-S) as a basis for preparing California Schedule K and Schedule K-1 (100S).

Amounts on Schedule K-1 (100S) may not add up to amounts reflected on Form 100S, because Form 100S calculates tax at the S corporation level while Schedule K-1 (100S) amounts are calculated using different rules.

Attach one copy of each Schedule K-1 (100S) to the Form 100S filed with the FTB. Keep one copy of each Schedule K-1 (100S) for the S corporation's records, and give each shareholder a copy of Schedule K-1 (100S) on or before the due date of Form 100S.

Be sure to give each shareholder a copy of either the Shareholder's Instructions for Schedule K-1 (100S) included in this booklet or specific instructions for each item reported on the shareholder's Schedule K-1 (100S).

Substitute Forms
The S corporation needs approval from the FTB to use a substitute Schedule K-1 (100S). The substitute schedule must include the Shareholder's Instructions for Schedule K-1 (100S) or other prepared specific instructions. For more information and access to form FTB 1096, Agreement to Comply with FTB Pub. 1098 Annual Requirements and Specification; or FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, email the FTB's Substitute Forms Program at: **SubstituteForms@ftb.ca.gov**.

Paycheck Protection Program Loans 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 that amount on the applicable line(s) as a column (c) adjustment.

The PPP Extension Act extends the covered period of the PPP to June 30, 2021. California law does not conform to this extension and does not allow an exclusion from gross income for PPP loans forgiven due to the extended covered period after March 31, 2021 to June 30, 2021. If you excluded the amount from gross income for federal purposes, enter that amount on the applicable line(s) as a column (c) adjustment.

Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility. If you met the PPP eligibility requirements and excluded the amount from gross income for federal purposes, enter that amount on the applicable line(s) as a column (c) adjustment.

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 the applicable line(s) as a column (c) adjustment.

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, enter the total amount of those expenses deducted on the applicable line(s) as a column (c) adjustment.

Special Reporting for R&TC Section 41
If the S corporation conducted a commercial cannabis activity licensed under the California MAUCRSA, or received flow-through income from another pass-through entity in that business, attach a schedule to the Schedule K-1 (100S) showing the breakdown of the following information:

- The shareholder's share of total deductions related to the cannabis business, including deductions from Ordinary Income.
- The shareholder's share of total credits related to the cannabis business.

Get form FTB 4197 for more information.

Special Reporting Requirements for Passive Activities
If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (100S), the S corporation must attach a statement to Schedule K-1 (100S) for each activity that is a passive activity to the shareholder. Rental activities are passive activities to all shareholders. Trade or business activities are passive activities to shareholders who do not materially participate in the activity.

The attachment must include all the information explained in the instructions for federal Schedule K-1 (Form 1120-S).

Specific Line Instructions

When completing the California Schedule K and Schedule K-1 (100S), refer to the Schedule K Federal/State Line References chart on page 48 included in this tax booklet, that shows the specific line references between the federal and state schedules.

Schedule K Only
In column (b), enter the amounts from federal Schedule K. In column (c), enter the adjustments resulting from differences between California and federal law (not adjustments relating to California source income). In column (d), enter the worldwide income computed under California law.

Item A through Item G (Schedule K-1 (100S) only)
To ensure correct processing of Schedule K-1 (100S), answer all items that are appropriate.

Item A, B, and C – Get the instructions for federal Form 1120-S, under Specific Instructions for Schedule K-1, Part II, Item G, H, and I, for more information.

Income

Line 1 – Ordinary business income (loss)
Enter in column (c) any California adjustments to ordinary income that do not need to be separately stated. Include in this column the adjustment to add back the minimum franchise tax or the 1.5% tax deducted for federal purposes.

Line 2 – Net rental real estate income (loss)
Enter the net income and expenses of any rental real estate activity of the S corporation. If the S corporation has more than one rental real estate activity reported on these lines, attach a separate schedule to list the income or loss from each activity, plus any other information required under the rules for passive activities. Attach form FTB 3801 to Form 100S.

Line 3a, Line 3b, and Line 3c – Other net rental income (loss) (Schedule K only)
Enter the net income and expenses of other rental activities not listed on line 2. If the S corporation has more than one rental activity reported on these lines, attach a separate schedule listing the income or loss from each activity, plus any other information required under the rules for passive activities.

Line 4 through Line 8, and Line 10a – Portfolio income (loss)
Portfolio income (loss) is any gross income from interest, dividends, annuities, or royalties that is not derived in the ordinary course of business. Portfolio income must be separately accounted for as such. Portfolio income also includes gains or losses from the sale or other disposition of property (other than an interest in a passive activity) producing portfolio income or held for investment.

Line 4, Line 5, and Line 6 – Interest income, dividends, and royalties income
Enter only taxable interest, dividend, and royalty income that is portfolio income.

Line 7 and Line 8 – Net capital gain (loss)
Enter on line 7 and line 8 the amount of capital gains and losses that is portfolio income (loss). If any of the income (loss) is not portfolio income (loss), include it on line 10b.

S corporations should report any net long-term capital gains on California Schedule K and Schedule K-1 (100S), line 8.

Qualified Opportunity Zone Funds.
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 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.

Line 9 – Net IRC Section 1231 gain (loss)
The amount for line 9 comes from Schedule D-1. **Do not** include specially allocated ordinary gains and losses or net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report these gains or losses on line 10b.

If the S corporation has more than one activity and the amount on line 9 is a passive activity amount to the shareholder, attach a statement to Schedule K-1 (100S) to identify which activity the IRC Section 1231 gain (loss) relates.

Line 10a – Other portfolio income (loss)
Enter any other portfolio income (loss) not entered on lines 4, 5, 6, 7, and 8.

Line 10b – Other income (loss)
Enter any other item of income or loss not included on line 1 through line 8, line 9 and line 10a, such as:

- Wagering gains and losses. See IRC Section 165(d).
- Recovery of tax benefit items. See IRC Section 111.
- Any gain or loss where the S corporation was a trader or dealer in IRC Section 1256 contracts or property related to such contracts. See IRC Section 1256(f).
- Net gain (loss) from involuntary conversions due to casualty or theft.
- Loss(es) from qualified low-income housing projects for shareholders that are qualified investors.

IRC Section 951A income. California **does not** conform to IRC Section 951A. If, for federal purposes, the S corporation included global intangible low-taxed income (GILTI) on federal Schedules K and K-1, enter that amount in column (c).

IRC Section 965(a) inclusions. California **does not** conform to IRC Section 965. If for federal purposes, the S corporation included deferred foreign income on federal Schedules K and K-1, line 10, enter that amount on Schedules K and K-1 (100S), line 10b, column (c).

If the S corporation reported IRC 965 inclusions and deductions on Form 1120-S, Schedule K for federal purposes, write "IRC 965" at the top of Form 100S.

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 the amount of this type of income on Schedules K and K-1 (100S), line 10b, column (c).

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 the amount of this type of income on Schedules K and K-1 (100S), line 10b, column (c).

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, enter that amount on Schedules K and K-1 (100S), line 10b, column (c).

Deductions

Line 11 – IRC Section 179 expense deduction
The amount of expense deduction for recovery property that can be claimed from all sources will vary depending on the type of property and the year of designation. For more information, see IRC Section 179 and R&TC Section 17201.

Line 12a – Charitable contributions
Enter the total amount of charitable contributions made by the S corporation during its taxable year on Schedule K and each shareholder's distributive share on Schedule K-1 (100S). On an attachment to each schedule, separately show the dollar amount and type of contributions.

A resident shareholder is allowed a deduction for charitable contributions to a qualified organization as provided in IRC Section 170.

Do not include any amounts taken into account for the College Access Tax Credit as a charitable contribution on line 12a.

Line 12b – Investment interest expense
Complete this line whether or not a shareholder is subject to the investment interest rules.

Include on this line interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on Schedules K and K-1 (100S), line 12b rather than line 12e.

Investment interest does not include interest expense allocable to a passive activity. A passive activity is a rental activity or a trade or business activity in which the shareholder does not materially participate.

Property held for investment includes a shareholder's interest in a trade or business activity that is not a passive activity to the shareholder and in which the shareholder does not materially participate. An example would be a shareholder's working interest in oil and gas property (i.e., the shareholder's interest is not limited) if the shareholder does not materially participate in the oil and gas activity.

The amount on line 12b will be reflected (after applying the investment interest expense limitations) by individual shareholders on their Schedule CA (540 or 540NR), California Adjustments.

For more information, get form FTB 3526, Investment Interest Expense Deduction.

Line 12c1 – IRC Section 59(e)(2) expenditures (Schedule K-1 (100S) only)
Enter the same amount in column (e) as entered in column (d). Refer to the instructions for federal Schedules K and K-1 (1120-S).

Line 12d – Deductions-portfolio
Enter on this line the deductions allocable to portfolio income (loss) other than interest expenses. Generally, these deductions are IRC Section 212 expenses and are subject to IRC Section 212 limitations at the shareholder level. However, interest expense related to portfolio income (loss) is generally investment interest expense and is reported on line 12b.

Line 12e – 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.

IRC Section 965 (Schedule K only)
If, for federal purposes, the S corporation included an IRC Section 965 deduction on Schedule K, Line 12d, enter that amount on Form 100S, Schedule K, line 12e, column (c) as an adjustment.

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

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 for federal purposes, the corporation deducted the fine or penalty on the federal Schedule K and K-1, enter that amount in column (c) as an adjustment because for state purposes, the deduction is not allowed.

Credits

Line 13a – Low-income housing credit
R&TC Section 23610.5 provides that a credit may be claimed by owners of residential rental projects providing low-income housing. The credit is generally effective for buildings placed in service after 1986. If the shareholders are eligible to claim the low-income housing credit, attach a copy of form FTB 3521, Low-Income Housing Credit, to Form 100S and to each shareholder's Schedule K-1 (100S), for more information.

Line 13b – Credits related to rental real estate activities
Report any information that the shareholder needs to figure credits related to a rental real estate activity other than the low-income housing credit that is included on line 13a. Attach to each shareholder's Schedule K-1 (100S) a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 13c – Credits related to other rental activities
Use this line to report information that the shareholder needs to figure credits related to a rental activity other than a rental real estate activity. Attach to each shareholder's Schedule K-1 (100S) a schedule showing the amount to be reported and the form on which the amount should be reported.

Line 13d – Other credits
Enter on an attached schedule each shareholder's allocable share of any credit or credit information reported on Schedule C (100S) that is related to a trade or business activity.

The following are examples of credits that may apply to each shareholder:

- Enterprise Zone Hiring Credit (get form FTB 3805Z).
- Local Agency Military Base Recovery Area (LAMBRA) Hiring Credit (get form FTB 3807).
- Manufacturing Enhancement Area (MEA) Hiring Credit (get form FTB 3808)
- Targeted Tax Area (TTA) Hiring Credit (get form FTB 3809).
- Research Credit (get form FTB 3523).

Pass-Through Entity (PTE) Elective Tax Credit – The PTE Elective Tax Credit is not a pass-through item, but should still be reported on Schedule K-1 (100S), line 13d and attached schedule.

For a complete list of credits, refer to the Credit Chart.

Line 14 – Withholding on payments to the S corporation allocated to all shareholders (Schedule K)
If withholding from payments made to the S corporation are made by another entity, payments withheld on you by this S corporation, or backup withholding, they are allocated to the shareholders by their stock ownership. Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

Line 14 – Total withholding (Schedule K-1 (100S))
Line 14 includes withholding from payments made to the S corporation allocated to all shareholders based on their stock ownership and payments withheld on nonresident shareholders. The S corporation must provide each shareholder (including California residents) with a completed Form 592-B. Shareholders must attach Form 592-B to the front of their California tax return to claim the withholding credit. The Schedule K-1 (100S) is not used for claiming the withholding credit.

Alternative Minimum Tax (AMT) Items

Line 15a through Line 15f
Enter the items of income and deductions that enter into each shareholder's computation of AMT items. A shareholder with AMT items may be required to file Schedule P (540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations.

Get the instructions for federal Schedules K and K-1 (Form 1120-S), Alternative Minimum Tax (AMT) Items, line 15a through line 15f, for more information.

Items Affecting Shareholder Basis

Line 16a, Line 16b and Line 16c
Refer to the instructions for federal Schedules K and K-1 (Form 1120-S) for more information.

Line 16d – Total property distributions including cash (Schedule K only)
Enter total distributions made to shareholders other than dividends reported on Schedule K, line 17c. Noncash distributions of appreciated property are valued at fair market value. Refer to the instructions for federal Form 1120-S for the ordering rules on distributions.

Line 16d – Total property distributions including cash (Schedule K-1 (100S) only)
Report the distribution amount for each shareholder for distributions other than dividends reported on Schedule K-1 (100S), line 17c. Noncash distributions of appreciated property are valued at fair market value. Refer to the instructions for federal Form 1120-S for the ordering rules on distributions.

Line 16e – Repayment of loans from shareholders (Schedule K-1 (100S) only)
Report the amount of loan repayments the S corporation has made to each shareholder who has loaned the S corporation money.

Other Information

Line 17a and Line 17b – Investment income and investment expenses
Complete these lines whether or not a shareholder is subject to the investment interest rules.

Enter on line 17a only the investment income included on Schedules K and K-1 (100S), line 4, line 5, line 6, and line 10a. Enter on line 17b only the investment expense included on Schedules K and K-1 (100S), line 12d.

If there are items of investment income or expense included in the amounts that are required to be passed through separately to the shareholder on Schedule K-1 (100S), such as net short-term capital gain or loss, net long-term gain or loss and other portfolio gains or losses, give each shareholder a schedule identifying these amounts. See the instructions for federal Form 1120-S for more information on portfolio income.

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

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

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income.

Get form FTB 3526 for more information.

Line 17c – Total dividend distributions (Schedule K only)
Report the distribution amount made out of prior C corporation years accumulated earnings and profits (E&P). The S corporation should issue a federal Form 1099-DIV, Dividends and Distributions, to each of the shareholders reporting their proportionate distribution amounts.

Line 17c – Total taxable dividend distributions (Schedule K-1 (100S) only)
Report the distribution amount for each shareholder that was paid out of prior C corporation years accumulated E&P. Each shareholder should receive a federal Form 1099-DIV reporting the proportionate distribution amount shown on Schedule K-1 (100S), line 17c.

Line 17d – Other items and amounts (Schedule K only)
The S corporation may need to report supplemental information separately to each shareholder that is not specifically requested on the Schedule K-1 (100S).

If the S corporation has supplemental information not included in lines 1 through 17b and lines 18a-e, write "See attached" on Line 17d, column (b) and column (d) and provide a schedule with details.

Attach the schedule to the Schedule K showing the computation of those items that must be reported separately to shareholders including any credit recapture reported to shareholders on Schedule K-1 (100S), line 17d.

Shareholders may need to obtain the amount of their proportionate interest of aggregate gross receipts, less returns and allowances, from the S corporation. Alternative minimum taxable income shall not include income, adjustments, and items of tax preference related to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than $1 million from **all** trades or businesses. The S corporation can provide the shareholder's proportionate interest of aggregate gross receipts on Schedule K-1 (100S), line 17d.

For purposes of R&TC Section 17062(b)(4), "gross receipts" means the sum of gross receipts from the production of business income (within the meaning of subdivisions (a) and (c) of R&TC Section 25120) and the gross receipts from the production of nonbusiness income (within the meaning of subdivision (d) of R&TC Section 25120). For taxable years beginning on or after January 1, 2011, R&TC Section 25120 was amended to add the definition of gross receipts. For a complete definition of "gross receipts," refer to R&TC Section 25120(f), or go to **ftb.ca.gov** and search for **25120**. "Proportionate interest" includes an interest in a pass-through entity. See R&TC Section 17062, the instructions for federal Schedule K (Form 1120-S), line 17d, and the instructions for Schedule K-1 (100S) for more information.

The gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on the Schedule K and Schedule K-1 (100S) as supplemental information as instructed on the federal Form 4797.

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

- Description of the property.
- Date the property was acquired and placed in service.
- Date of the sale or other disposition of the property.
- The gross sales price or amount realized.
- The cost or other basis plus the expense of sale (reduced as explained in the instructions for federal Form 4797, line 21).
- The depreciation allowed or allowable, determined as described in the instructions for federal Form 4797, line 22, but excluding the IRC Section 179 expense deduction.
- The IRC Section 179 expense deduction (if any) passed through for the property and the S corporation's taxable year(s) in which the amount was passed through.
- If the disposition is due to a casualty or theft, a statement indicating so, and any additional information needed by the shareholder.
- If the sale was an installment sale made during the S corporation's taxable year, any information the shareholder needs to complete federal Form 6252, Installment Sale Income. The S corporation also must separately report the shareholder's share of all payments received for the property in the following taxable years. (Installment payments received for sales made in prior taxable years should be reported in the same manner used in the prior taxable years). See instructions for federal Form 6252 for more information.

Line 17d – Other information (Schedule K-1 (100S) only)

Supplemental Information
The S corporation will provide supplemental information required to be reported to each shareholder on this line. Write "See attached" on Line 17d, column (b) and column (d) and provide a schedule with details.

The gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on the Schedule K and Schedule K-1 (100S) as other information as instructed on the federal Form 4797.

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

- Date the property was acquired and placed in service.
- Date of the sale or other disposition of the property.
- The shareholder's share of the gross sales price or amount realized.
- The shareholder's share of the cost or other basis plus the expense of sale (reduced as explained in the instructions for federal Form 4797, line 21).
- The shareholder's share of the depreciation allowed or allowable, determined as described in the instructions for federal Form 4797, line 22, but excluding the IRC Section 179 expense deduction.
- The shareholder's share of the IRC Section 179 expense deduction (if any) passed through for the property and the S corporation's taxable year(s) in which the amount was passed through.
- If the disposition is due to a casualty or theft, a statement indicating so, and any additional information needed by the shareholder.
- If the sale was an installment sale made during the S corporation's taxable year, any information the shareholder needs to complete federal Form 6252. The S corporation also must separately report the shareholder's share of all payments received for the property in the following taxable years. (Installment payments received for sales made in prior taxable years should be reported in the same manner used in the prior taxable years.) See instructions for federal Form 6252 for details.

The S corporation should provide an amount showing each shareholder's proportionate interest in the S corporation's aggregate gross receipts, less returns and allowances, on Schedule K-1 (100S), line 17d. See the instructions for Schedule K, line 17d.

Report the credit recapture amount on Schedule K-1(100S), line 17d if the S corporation completed the credit recapture portion of the following forms:

- FTB 3531, California Competes Tax Credit – Enter only the recaptured amount used. Get the instructions for form FTB 3531, Part III, Credit Recapture, for more information.
- FTB 3554, New Employment Credit

Also, report the credit recapture amount on line 17d if the corporation is subject to recapture of the following:

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

Get the instructions for form FTB 3540, Part II, for more information.

Attach a statement showing each of the following:

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

Other State Taxes

Line 18a Through Line 18e
Subject to certain conditions, shareholders may claim a credit against their individual tax for net income taxes paid by the S corporation to another state that either taxes the corporation as an S corporation or does not recognize S corporation status. For purposes of this credit, net income taxes include the shareholder's share of taxes on, according to, or measured by income. Enter the name of the other state(s), the income reported to the other state(s), and the amount of tax paid. Attach a copy of the return filed with the other state(s).

Residents are taxable on all their pro-rata share of income and generally receive a credit for taxes paid to other states. Nonresidents must use the amounts shown in Schedule K-1 (100S), column (e). See R&TC Sections 18001, 18002, and 18006 for more information.

Line 19 and Line 20 (Schedule K-1 (100S) only)
The applicable box will be checked if the corporation has more than one activity for at-risk or passive activity purposes. Get the instructions for federal Form 1120-S, under Specific Instructions (Schedules K and K-1), for Line 18 and Line 19, for more information.

Other Shareholder Information (Schedule K-1 (100S) only)

Table 1 – Enter the shareholder's pro-rata share of nonbusiness income from intangibles. Because the source of this income must be determined at the shareholder level, do not enter income in this category in column (e). If the income (loss) for an income item is a mixture of income (loss) in different subclasses (for example, short and long-term capital gain), attach a supplemental schedule providing a breakdown of income in each subclass.

Nonbusiness income is all income other than business income as defined under Table 2.

Table 2 – The S corporation will complete Schedule K-1(100S), Table 2, Items A – C.

In Item A, enter the shareholder's pro-rata share of the S corporation's business income. The shareholder will then add that income to its own business income and apportion the combined business income.

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

In Item B, enter the shareholder's pro-rata share of nonbusiness income from real and tangible property that is located in California. Because this income has a California source, this income should also be included on the appropriate line in column (e).

In Item C, enter the shareholder's pro-rata share of the S corporation's payroll, property, and sales factors. The S corporation will complete Schedule K-1(100S), Table 2, Item C to report the shareholder's distributive share of property, payroll and sales total within California.

The shareholders will use Schedule K-1(100S), Table 2, Item C to determine if they meet threshold amounts of California property, payroll, and sales. For more information on the doing business test, see General Information A, Franchise or Income Tax.

Schedule L – Balance Sheet

If the S corporation's total receipts (see top of page 65 for the definition of total receipts) for the taxable year **and** total assets at the end of the taxable year are less than $250,000, the S corporation is not required to complete Schedule L and Schedule M-1. However, this information must be available in the future upon request.

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. If the S corporation's total receipts for the taxable year **and** total assets at the end of the taxable year are less than $250,000, the S corporation is not required to complete Schedule L and Schedule M-1. However, this information must be available in the future upon request.

To reconcile the S corporation's income (loss) per books with the income (loss) per the California return, adjustments consistent with California income and franchise tax law must be made to the book income and expenses to compute the California income (loss) on Schedule M-1, line 8. These adjustments will convert book income to the total California income (loss) reflected on line 19, column (d) of Schedule K.

S Corporation With Total Assets of At Least $10 Million or More but Less Than $50 Million. 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-S) in place of Schedule M-3 (Form 1120-S), Parts II and III. However, Schedule M-3 (Form 1120-S), Part I, is required for these corporations. **For California purposes**, the S corporation must complete the California Schedule M-1, **and** attach either of the following:

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

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

Schedule M-2 – CA Accumulated Adjustments Account, Other Adjustments Account, and Other Retained Earnings

The computation of the California Accumulated Adjustments Account (AAA) and Other Adjustments Account (OAA) is similar to the federal computation applying California amounts. Get the instructions for federal Form 1120-S and IRC Section 1368 for more information.

Column (a) – The AAA is an account of the S corporation that generally reflects the accumulated undistributed net income of the corporation for the corporation's post-1986 years. S corporations with accumulated E&P from C corporation years must maintain the AAA to determine the tax effect of distributions during S corporation years and the post-termination transition period. An S corporation without accumulated E&P does not need to maintain the AAA in order to determine the tax effect of distributions. However, if an S corporation without accumulated E&P engages in certain transactions to which IRC Section 381(a) applies, such as a merger into an S corporation with accumulated E&P, the S corporation must be able to calculate its AAA at the time of the merger for purposes of determining the tax effect of post-merger distributions. Therefore, it is recommended that all S corporations maintain the AAA.

At the end of the taxable year, the AAA is determined by taking into account all items of income, loss, and deductions for the taxable year (including nondeductible losses and expenses that are not capitalized but excluding certain exempt income and state taxes attributable to C corporation years). After the year-end income and expense adjustments are made, the account is reduced by distributions made during the taxable year. The AAA should be reduced by the California built-in gains tax amount and the minimum franchise tax.

The amount on Form 100S, Side 1, line 2, should be included as an other addition on Schedule M-2, line 3, and as an other reduction on Schedule M-2, line 5. Also, include any other adjustments to arrive at California income.

The AAA may have a negative balance at year-end as a result of losses or deductions from the S corporation.

Column (b) – The other adjustments account is adjusted for tax-exempt income (and related expenses) of the S corporation. After adjusting for tax-exempt income, the account is reduced for any distributions made during the year.

Column (c) – Other retained earnings include appropriated and unappropriated retained earnings accumulated in prior years when the S corporation was a C corporation. Line 1, column (c) for the first S corporation return will be the sum of the ending balances of appropriated and unappropriated retained earnings for the previous year.

Distributions

Generally, property distributions (including cash) are applied in the following order to reduce accounts of the S corporation that are used to compute the tax effect of distributions made by the S corporation to its shareholders:

1. Reduce the AAA determined without regard to any net negative adjustment for the taxable year (but not below zero). If distributions during the taxable year exceed the AAA at the close of the taxable year determined without regard to any net negative adjustment for the taxable year, the AAA is allocated pro-rata to each distribution made during the taxable year. See IRC Section 1368(c). The term "net negative adjustment" means the excess, if any, of the reductions in the AAA for the taxable year (other than distributions) over the increases in the AAA for the taxable year.
2. Reduce accumulated E&P. Generally, the S corporation has accumulated E&P only if it has not distributed E&P accumulated in prior years when the S corporation was a C corporation, IRC Section 1361(a)(2), or when the S corporation merged with another corporation that has C corporation accumulated E&P. The only adjustments that can be made to the accumulated E&P of an S corporation are both of the following:
   a. Reductions for dividend distributions.
   b. Adjustments for redemptions, liquidations, reorganizations, etc.
3. Reduce the OAA.
4. Reduce any remaining shareholders' equity account.

Shareholders' previously taxed income (PTI) on federal Form 1120-S, Schedule M-2, column (c) – California S corporations will **never** have undistributed PTI. The federal code section that created PTI was removed from the IRC before California incorporated the federal S corporation provisions into the R&TC.

Elections Relating to the Order of Distributions

The corporation may modify the ordering rules by making one or more of the following elections:

- Election to distribute accumulated E&P first. If the corporation has accumulated E&P and wants to distribute E&P before making distributions from the AAA, it may elect to do so with the consent of all its affected shareholders – IRC Section 1368(e)(3)(B). This election is irrevocable and applies only for the taxable year for which it is made. For more information regarding this election, see "Statement Regarding Elections" on this page.
- Election to make a deemed dividend. If the corporation wants to distribute all or part of its C corporation accumulated E&P through a deemed dividend, it may elect to do so with the consent of all its affected shareholders – IRC Section 1368(e)(3)(B). Under this section, the corporation will be treated as also having made the election to distribute E&P first. The amount of the deemed dividend cannot exceed the accumulated E&P at the end of the taxable year reduced by any actual distributions of accumulated E&P made during the taxable year. A deemed dividend is treated as if it were a pro-rata distribution of money to the shareholders, received by the shareholders, and immediately contributed back to the corporation all on the last day of the taxable year. This election is irrevocable and applies only for the taxable year for which it is made.

Statement Regarding Elections

To make any elections relating to the order of distribution, the corporation must attach a statement to a timely filed original Form 100S or amended Form 100S for the year in which the election is made. The corporation must identify the election it is making and state that each shareholder consents to the election. A corporate officer must sign the statement under penalties of perjury on behalf of the corporation. The statement of election to make a deemed dividend must include the amount of the deemed dividend distributed to each shareholder.

When making either of the elections, the corporation must prepare copies of federal Form 1099-DIV for shareholders to report this dividend as taxable income.

The corporation may file the election for California purposes only. It is not necessary for the corporation to have the same election for federal purposes in order to make a California election. However, regardless of whether or not the corporation makes the same election on the federal return, the corporation must attach a separate election statement to the California return.

C Corporation E&P

If the S corporation was a C corporation in a prior year(s) and has C corporation E&P at the end of the taxable year enter that amount on line 10. For this purpose, C corporation E&P means the remaining balance of E&P of any S corporation for any taxable year when it was not an S corporation. If the S corporation has C corporation E&P, it may be liable for excess net passive income tax and the distributions to shareholders may have different tax consequences for federal and California purposes. See instructions for Form 100S, Side 2, line 27 and line 28, for details on these taxes.

TAXABLE YEAR **2021**

California S Corporation Franchise or Income Tax Return

FORM **100S**

For calendar year 2021 or fiscal year beginning (m m / d d / y y y y) and ending (m m / d d / y y y y). RP

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 3)*

A 1. FINAL RETURN? ● ☐ Dissolved ☐ Surrendered (withdrawn) ☐ Merged/Reorganized ☐ IRC Section 338 sale ☐ QSub election

Enter date (mm/dd/yyyy) ●

2. Is the S corporation deferring any income from the disposition of assets? ● ☐ Yes ☐ No

If "Yes" enter the year of disposition (yyyy) ●

3. Is the S corporation reporting previously deferred income from: ● ☐ Installment sale ● ☐ IRC §1031 ● ☐ IRC §1033 ● ☐ Other

B 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 Revenue and Taxation Code Section 62(a)(2) and it was not reported on a previous year's tax return? ● ☐ Yes ☐ No

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

State Adjustments

1	Ordinary income (loss) from trade or business activities from Schedule F (Form 100S, Side 4), line 22 or federal Form 1120-S, line 21. If Schedule F (Form 100S, Side 4) was not completed, attach federal Form 1120-S, page 1, and supporting schedules ●	1		00
2	Foreign or domestic tax based on income or profits and California franchise or income tax deducted ●	2		00
3	Interest on government obligations ●	3		00
4	Net capital gain from Schedule D (100S), Section A & Section B. Attach Schedule D (100S). See instructions ●	4		00
5	Depreciation and amortization adjustments. Attach Schedule B (100S) ●	5		00
6	Portfolio income ●	6		00
7	Other additions. Attach schedule(s) ●	7		00
8	Total. Add line 1 through line 7 ●	8		00

State Adjustments *(cont.)*	9	Dividends received deduction. Attach Schedule H (100S)	9		00		
	10	Water's-edge dividend deduction. Attach Schedule H (100S)	10		00		
	11	Charitable contributions. See instructions	11		00		
	12	Other deductions. Attach schedule(s)	12		00		
	13	Total. Add line 9 through line 12				13	00
	14	Net income (loss) after state adjustments. Subtract line 13 from Side 1, line 8				14	00
CA Net Income	15	Net income (loss) for state purposes. Use Schedule R if apportioning or allocating income				15	00
	16	R&TC Section 23802(e) deduction. See instructions	16		00		
	17	Net operating loss (NOL) deduction. See instructions	17		00		
	18	EZ, TTA, or LAMBRA NOL carryover deduction. See instructions	18		00		
	19	Disaster loss deduction. See instructions	19		00		
	20	Net income for tax purposes. Combine line 16 through line 19. Subtract the result from line 15				20	00
Taxes	21	Tax. _____% x line 20 (at least minimum franchise tax, if applicable). See instructions				21	00
	22	Credit name _____ code ● __ __ __ amount. ▶	22		00		
	23	Credit name _____ code ● __ __ __ amount. ▶	23		00		
	24	To claim more than two credits, see instructions	24		00		
	25	Add line 22 through line 24. Attach Schedule C (100S)				25	00
	26	**Balance.** Subtract line 25 from line 21 (not less than minimum franchise tax plus QSub annual tax(es), if applicable)				26	00
	27	Tax from Schedule D (100S). Attach Schedule D (100S). See instructions				27	00
	28	Excess net passive income tax. See instructions				28	00
	29	Pass-through entity elective tax. See instructions				29	00
	30	**Total tax.** Add line 26 through line 29				30	00
Payments	31	Overpayment from prior year allowed as a credit	31		00		
	32	**2021 Estimated tax/QSub payments.** See instructions	32		00		
	33	2021 Withholding (Forms 592-B and/or 593). See instructions	33		00		
	34	Amount paid with extension of time to file tax return	34		00		
	35	Amount paid with form FTB 3893	35		00		
	36	Total payments. Add line 31 through line 35				36	00
Refund or Amount Due	37	**Use tax. This is not a total line.** See instructions	37		00		
	38	Payments balance. If line 36 is more than line 37, subtract line 37 from line 36				38	00
	39	**Use tax balance.** If line 37 is more than line 36, subtract line 36 from line 37				39	00
	40	**Franchise or income tax due.** If line 30 is more than line 38, subtract line 38 from line 30				40	00
	41	**Overpayment.** If line 38 is more than line 30, subtract line 30 from line 38				41	00
	42	Amount of line 41 to be credited to 2022 estimated tax				42	00
	43	**Refund.** Subtract line 42 from line 41				43	00

See instructions to have the refund directly deposited.

☐ Checking

☐ Savings

43a. ● Routing number **43b.** ● Type **43c.** ● Account number

44	**a** Penalties and interest		44a	00
	b ● ☐ Check if estimate penalty computed using Exception B or C on form FTB 5806. See instructions.			
45	**Total amount due.** Add line 39, line 40, line 42, and line 44a. Then, subtract line 41 from the result	◉	45	00

Schedule Q Questions *(continued from Side 1)*

C Principal business activity code. **Do not** leave blank . . . . . ● _____

Business activity _____ Product or service _____

D Is this S corporation filing on a water's-edge basis pursuant to R&TC Sections 25110 and 25113 for the current taxable year? . . . . ● ☐ Yes ☐ No

E Does this tax return include Qualified Subchapter S Subsidiaries? . . . . . ● ☐ Yes ☐ No

F Date incorporated (mm/dd/yyyy) _____ Where: ● State _____ Country _____

G Maximum number of shareholders in the S corporation at any time during the year. **Do not** leave blank . . . . . ● _____

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

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

J Effective date of federal S election (mm/dd/yyyy) . . . . . ● _____

L Accounting method . . . . . ● **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other

M Location of principal accounting records _____

N "Doing business as" (DBA) name. See instructions. . . . . ● _____

O Have all required information returns (e.g., federal Forms 1099, 8300, and state Forms 592, 592-B etc.) been filed with the Franchise Tax Board? . . . . . ☐ N/A ☐ Yes ☐ No

P Is this S corporation apportioning or allocating income to California using Schedule R? . . . . . ● ☐ Yes ☐ No

Q Has the S 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.

R Did this S corporation file the federal Schedule M-3 (Form 1120-S)? . . . . . ● ☐ Yes ☐ No

S Is form FTB 3544, Side 2, Part B, List of Assigned Credit Received and/or Claimed by Assignee, attached to the return? . . . . . ● ☐ Yes ☐ No

T Check if corporation: . . . . . **(1)** ☐ Aggregated activities for IRC Section 465 at-risk purposes
(2) ☐ Grouped activities for IRC Section 469 passive activity purposes

U **(1)** Has this business entity previously filed an unclaimed property Holder Remit Report with the State Controller's Office? . . . . . ● ☐ Yes ☐ No
(2) If "Yes," when was the last report filed? (mm/dd/yyyy) ● _____ **(3)** Amount last remitted ■ $_____ . _____

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

1	LIFO recapture due to S corporation election (IRC Section 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 the amount on Side 2, line 40 or line 41, whichever applies, by this amount. Write "Schedule J" to the left of line 40 or line 41 . . . . . ●	6		00

Sign Here

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

Signature of officer ▶	Title	Date	● Telephone
Officer's email address (optional)			

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	● PTIN
Firm's name (or yours, if self-employed) and address ▶ _____			● Firm's FEIN ● Telephone

May the FTB discuss this return with the preparer shown above? See instructions . . . . . ● ☐ Yes ☐ No

Schedule F Computation of Trade or Business Income. See instructions.

Income	1	a) Gross receipts or sales _____ b) Less returns and allowances _____ c) Balance	1c		00
	2	Cost of goods sold from Schedule V, line 8	2		00
	3	Gross profit. Subtract line 2 from line 1c	3		00
	4	Net gain (loss). Attach schedule	4		00
	5	Other income (loss). Attach schedule	5		00
	6	**Total income (loss).** Combine line 3 through line 5	6		00
Deductions	7	Compensation of officers. Attach schedule. See instructions.	7		00
	8	Salaries and wages	8		00
	9	Repairs and maintenance	9		00
	10	Bad debts	10		00
	11	Rents	11		00
	12	Taxes	12		00
	13	Interest	13		00
	14	a) Depreciation _____ b) Less depreciation reported elsewhere _____ c) Balance	14c		00
	15	Depletion	15		00
	16	Advertising	16		00
	17	Pension, profit-sharing plans, etc	17		00
	18	Employee benefit programs	18		00
	19	a) Total travel and entertainment _____ b) Deductible amount	19b		00
	20	Other deductions. Attach schedule.	20		00
	21	**Total deductions.** Add line 7 through line 20	21		00
	22	Ordinary income (loss) from trade or business. Subtract line 21 from line 6. Enter here and on Side 1, line 1	22		00

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

Schedule L Balance Sheet	Beginning of taxable year		End of taxable year	
Assets	(a)	(b)	(c)	(d)
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 shareholders. Attach schedule(s)				
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)				
14 **Total assets**				
Liabilities and shareholders' equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities. Attach schedule(s)				
18 Loans from shareholders. Attach schedule(s)				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach schedule(s)				
21 Capital stock				
22 Paid-in or capital surplus				
23 Retained earnings				
24 Adjustments. Attach schedule(s)				
25 Less cost of treasury stock		( )		( )
26 **Total liabilities and shareholders' equity**				

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

If the S corporation **completed** federal **Schedule M-3 (Form 1120-S)**. See instructions.

1 Net income per books		**5** Income recorded on books this year not included on Schedule K, line 1 through line 10b (itemize)	
2 Income included on Schedule K, line 1 through line 10b, not recorded on books this year (itemize)		**a** Tax-exempt interest $	
		b Other $	
3 Expenses recorded on books this year not included on Schedule K, line 1 through line 12e (itemize)		**c** Total. Add line 5a and line 5b	
a Depreciation $		**6** Deductions included on Schedule K, line 1 through line 12e, not charged against book income this year (itemize)	
b State taxes $		**a** Depreciation $	
c Travel and entertainment $		**b** State tax refunds $	
d Other $		**c** Other $	
e Total. Add line 3a through line 3d		**d** Total. Add line 6a through line 6c	
4 Total. Add line 1 through line 3e		**7** Total. Add line 5c and line 6d	
		8 Income (loss) (Schedule K, line 19, col. d). Subtract line 7 from line 4	

Schedule M-2 CA Accumulated Adjustments Account, Other Adjustments Account, and Other Retained Earnings. See instructions.

Important: Use California figures and federal procedures.

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Other retained earnings (see instructions)
1 Balance at beginning of year			
2 Ordinary income from Form 100S, Side 1, line 1			
3 Other additions			
4 Loss from Form 100S, Side 1, line 1	( )		
5 Other reductions	( )	( )	( )
6 Combine line 1 through line 5			
7 Distributions other than dividend distributions			
8 Balance at end of year. Subtract line 7 from line 6			
9 Retained earnings at end of year. Add line 8, column (a) through column (c)			
10 If the corp. has C corp. E&P at the end of the taxable year, enter the amount. See instructions			

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 Other IRC Section 263A costs. Attach schedule	**4**		00
5 Other costs. Attach schedule	**5**		00
6 Total. Add line 1 through line 5	**6**		00
7 Inventory at end of year	**7**		00
8 Cost of goods sold. Subtract line 7 from line 6	**8**		00

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. ▶

Method of inventory valuation

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 computed under LIFO

Schedule K S Corporation Shareholder's Shares of Income, Deductions, Credits, etc.

	(a) Pro-rata share items		(b) Amount from federal K (1120-S)	(c) California Adjustment	(d) Total amounts using California law
Income (Loss)	1 Ordinary business income (loss)	1		◉	●
	2 Net rental real estate income (loss). Attach federal Form 8825	2			●
	3 a Other gross rental income (loss)	3a			◉
	b Expenses from other rental activities. Attach schedule	3b			◉
	c Other net rental income (loss). Subtract line 3b from line 3a	3c			●
	4 Interest income	4			●
	5 Dividends. See instructions	5			●
	6 Royalties	6			●
	7 Net short-term capital gain (loss). Attach Schedule D (100S)	7		◉	●
	8 Net long-term capital gain (loss). Attach Schedule D (100S)	8	◉	◉	●
	9 Net IRC Section 1231 gain (loss)	9	◉	◉	●
Other Income (Loss)	10 a Other portfolio income (loss). Attach schedule	10a		◉	●
	b Other income (loss). Attach schedule	10b		◉	●
Deductions	11 IRC Section 179 expense deduction. Attach Schedule B (100S)	11			◉
	12 a Charitable contributions	12a			●
	b Investment interest expense	12b			●
	c 1 IRC Section 59(e)(2) expenditures	12c1			
	2 Type of expenditures _____	12c2			
	d Deductions-portfolio. Attach schedule	12d			●
	e Other deductions. Attach schedule	12e		◉	◉
Credits	13 a Low-income housing credit. See instructions	13a			●
	b Credits related to rental real estate activities. Attach schedule	13b			●
	c Credits related to other rental activities. See instructions. Attach schedule	13c			●
	d Other credits. Attach schedule	13d			●
	14 Total withholding allocated to all shareholders	14			
Alternative Minimum Tax (AMT) Items	15 a Depreciation adjustment on property placed in service after 12/31/86	15a			
	b Adjusted gain or loss. See instructions	15b			
	c Depletion (other than oil and gas)	15c			
	d Gross income from oil, gas, and geothermal properties	15d			
	e Deductions allocable to oil, gas, and geothermal properties	15e			
	f Other AMT items	15f			
Items Affecting Shareholder Basis	16 a Tax-exempt interest income	16a			
	b Other tax-exempt income	16b			●
	c Nondeductible expenses	16c			
	d Total property distributions (including cash) other than dividends distribution reported on line 17c	16d			●
Other Information	17 a Investment income. See instructions	17a			
	b Investment expenses. See instructions	17b			
	c Total dividend distributions paid from accumulated earnings and profits	17c			●
	d Other items and amounts not included in lines 1 - 17b and lines 18a-e that are required to be reported separately to shareholders. Attach schedule	17d			●
Other State Taxes	18 a Type of income _____	18a			
	b Name of state _____	18b			
	c Total gross income from sources outside California. Attach schedule	18c			
	d Total applicable deductions and losses. Attach schedule	18d			
	e Total other state taxes. Check one: ☐ Paid ☐ Accrued	18e			●
Reconciliation	19 Income (loss) (required only if Schedule M-1 must be completed). Combine line 1, line 2, and line 3c through line 10b. From the result, subtract the sum of lines 11, 12a, 12b, 12c1, 12d and 12e	19			●

TAXABLE YEAR **2021**

S Corporation Depreciation and Amortization

CALIFORNIA SCHEDULE **B (100S)**

For use by S corporations only. Attach to Form 100S.

Corporation name | California corporation number

Part I Depreciation. Use additional sheets if necessary.

1 Enter federal depreciation from federal Form 4562, line 22. IRC Section 179 expense deduction is not included on this line. Get federal Form 4562 instructions	**1**		00

California depreciation:

	(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
2							

3 Add the amounts on line 2, column (g)	**3**		00
4 Subtract line 3 from line 1. If negative, use brackets. Enter here and on the applicable line of Form 100S, Side 6, Schedule K.	**4**		00
5 Enter IRC Section 179 expense deduction here and on Form 100S, Side 2, line 12. Do not enter more than $25,000	**5**		00

Part II Amortization. Use additional sheets if necessary.

1 Enter federal amortization from federal Form 4562, line 44	**1**		00

California 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) Code Section	(f) Period or percentage	(g) Amortization for this year
2							

3 Add the amounts on line 2, column (g)	**3**		00
4 California amortization adjustment. Subtract line 3 from line 1. If negative, use brackets. Enter here and on the applicable line of Form 100S, Side 6, Schedule K	**4**		00

Part III Depreciation and Amortization Adjustment

1 Combine the amounts on Part I, line 4, and Part II, line 4. Enter here (if negative, use brackets) and on Form 100S, Side 1, line 5. For passive activities, see instructions.	**1**		00

General Information

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

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

A Purpose

Use Schedule B (100S), S Corporation Depreciation and Amortization, to calculate depreciation and amortization for California tax purposes.

S corporations must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987, in the same manner as in prior years. The following were the most common methods used to calculate depreciation for years prior to 1987:

- Straight-line
- Declining balance
- Sum-of-the-years digits

For assets placed in service in 1987 and after, S corporations may use the same method for California as was used for federal purposes.

Depreciation for S corporations follows the depreciation rules provided under California Personal Income Tax Law. Unlike other corporations, an S corporation is allowed to compute depreciation using the Modified Accelerated Cost Recovery System (MACRS).

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.
- The useful life of seven years of any Alaska natural gas pipeline property.
- The income forecast method and the exemption of limits on depreciation for incremental costs of clean fuel vehicles.

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

- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2021.
- 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 2021:

Tax Year	Amount
1st Tax Year	$3,160
2nd Tax Year	$5,100
3rd Tax Year	$3,050
Each Succeeding Year	$1,875

Depreciation limitations for trucks and vans placed in service in the calendar year 2021:

Tax Year	Amount
1st Tax Year	$3,560
2nd Tax Year	$5,800
3rd Tax Year	$3,450
Each Succeeding Year	$2,075

For lease inclusion indexing amounts, go to **ftb.ca.gov/forms/search** and enter **lease inclusion**.

- IRC Section 168(k) relating to the depreciation deduction for certain assets.
- The enhanced IRC Section 179 expensing election.
- 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.
- IRC Section 613A(d)(4) relating to the exclusion of certain refiners.
- The federal changes regarding treatment of distribution costs and treatment of participations and residuals for purpose of computing depreciation under the income forecast method.
- For years prior to 1987, California did not allow depreciation under the federal accelerated cost recovery system (ACRS). California also does not allow depreciation under MACRS for assets placed in service while the S corporation was taxed as a C corporation. This is a change of accounting method for which the taxpayer must request the Franchise Tax Board's consent.
- 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 17250 for additional information.

Specific Line Instructions

Part I – Depreciation

Election to Expense Certain Property Under IRC Section 179

The S corporation may elect to expense part of the cost of depreciable personal property used in the trade or business and certain other property described in federal Publication 946, How to Depreciate Property. To do so, the S corporation must have purchased property, as defined in the IRC Section 179(d)(2), and placed it in service during the taxable year, or have a carryover of unused cost from prior year. If the S corporation elects this deduction, it must reduce the California depreciable basis by the IRC Section 179 expense. The total IRC Section 179 expense deduction cannot exceed the S corporation's business income.

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.

Complete the Tangible Property Expense Worksheet below to figure the IRC Section 179 expense for California purposes. Include all assets qualifying for the deduction because the limit applies to **all** qualifying assets as a group rather than to each asset individually. Get federal Form 4562, Depreciation and Amortization, for more information.

IRC Section 195 Start-up Expenditures

California conforms to the federal deduction for business start-up and organizational costs.

Definitions

Listed Property – 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 S 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.

Business Income – The total cost the S corporation can deduct is limited to the S corporation's business income. For the purpose of the IRC Section 179 election, business income is the net income derived from the S corporation's active trade or business. Net income is from Form 100S, Side 2, line 14, before the IRC Section 179 expense deduction and excludes items not derived from a trade or business actively conducted by the S corporation.

Part II – Amortization

California conforms to the IRC Section 197 amortization of intangibles. 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. Refer to R&TC Section 17279 pursuant to R&TC Section 23802(f)(1) for more information.

Part III – Depreciation and Amortization Adjustment

If the S corporation has direct ownership of a passive activity, complete a separate Schedule B (100S), write "Passive Activity" on the top of Schedule B (100S), and enter the current year depreciation adjustment on Part III. Also, enter the current year depreciation adjustment on form FTB 3801, Passive Activity Loss Limitations, Side 2, California Passive Activity Worksheet, column (e). Make sure to label "Schedule B (100S)" in column (c) of the California Passive Activity Worksheet. Do not enter the current taxable year depreciation adjustment for passive activity on Form 100S, Side 1, line 5.

The S corporation does not need to complete Schedule B (100S) for pass-through entities except to include IRC Section 179 expense.

Tangible Property Expense Worksheet

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	(c) Elected cost
6			

7	Listed property (elected IRC Section 179 cost)	7	
8	Total elected cost of IRC Section 179 property. Add line 6, column (c) and line 7	8	
9	Tentative deduction. Enter the **smaller** of line 5 or line 8	9	
10	Carryover of disallowed deduction from 2020	10	
11	Enter the smaller of business income (not less than -0-) or line 5	11	
12	IRC Section 179 expense deduction for California. Add line 9 and line 10, but **do not** enter more than line 11. Also enter the result here and on Schedule B (100S), Part I, line 5	12	
13	Carryover of disallowed deduction to 2022. Add line 9 and line 10. Subtract line 12 from the result	13	

TAXABLE YEAR

CALIFORNIA SCHEDULE

2021 S Corporation Tax Credits C (100S)

For use by S corporations only. Attach to Form 100S.

Corporation name

California corporation number

- Complete and attach all supporting credit forms to Form 100S.
- To claim more than seven credits, attach schedule.

	(a) Credit amount limited to 1/3 of total	(b) Carryover from prior year	(c) *Credit used this year, not more than col. (a) + col. (b)	(d) Tax balance that may be offset by credits	(e) Credit carryover to 2022
1 Regular tax from Form 100S, Side 2, line 21					
2 Minimum franchise tax plus QSub annual tax(es), if applicable. . . .					
3 Subtract line 2 from line 1. If zero or less, enter -0-					
4 Code: ____ ____ ____ Credit name:_____					
5 Code: ____ ____ ____ Credit name:_____					
6 Code: ____ ____ ____ Credit name:_____					
7 Code: ____ ____ ____ Credit name:_____					
8 Code: ____ ____ ____ Credit name:_____					
9 Code: ____ ____ ____ Credit name:_____					
10 Code: ____ ____ ____ Credit name:_____					

*If the S corporation is subject to the credit limitation, the total of credits in column (c) cannot exceed $5,000,000.

For the first two credits enter the credit name, code and amount of credit used on Form 100S, Side 2, line 22 and line 23. If more than two credits, enter the total amount of any remaining credits used on Form 100S, Side 2, line 24.

Important Information

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.

The total amount of specific credit claimed/used on Schedule C (100S), S Corporation Tax Credits, should include both: (1) the total assigned credit claimed from form FTB 3544, Assignment of Credit, Side 2, Part B, column (j), and (2) the amount of credit claimed that was generated by the assignee.

Purpose

Use Schedule C (100S) to determine the allowable amount of tax credits to claim on the 2021 Form 100S, California S Corporation Franchise or Income Tax Return, and the credit carryover to future years. For more information, see General Information Z, Passive Activity Loss Limitation; AA, Passive Activity Credits; and BB, Tax Credits; included in this booklet.

The amount entered in column (a) must be limited to 1/3 the amount of the total credit generated, per credit.

Credit Chart

Credit Name	Code	Description
Current Credits List		
California Competes Tax – FTB 3531	233	The credit, which is allocated and certified by the California Competes Tax Credit Committee, is available for businesses that want to come to California or to stay and grow in California. Website: **business.ca.gov**
California Motion Picture and Television Production – FTB 3541	223	For taxable years beginning on or after January 1, 2011, the **original** 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: **film.ca.gov** **Note:** S corporations may not claim this credit. The entire amount of the credit is passed through to the shareholder.
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: **treasurer.ca.gov/cefa**
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 II – FTB 3866	241	The credit is available to qualified small business employers that received a tentative credit reservation from the 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.
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 **new** 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: **film.ca.gov** **Note:** S corporations may not claim this credit. The entire amount of the credit is passed through to the shareholder.
New Donated Fresh Fruits or Vegetables – FTB 3814	238	15% of the qualified value of the donated 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 **tentative credit reservation** for that full-time employee.
Prior Year Alternative Minimum Tax	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in the current year
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program 3.0 California Motion Picture and Television Production – FTB 3541	239	For taxable years beginning on or after January 1, 2020, the **newest** 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: **film.ca.gov** **Note**: S corporations may not claim this credit. The entire amount of the credit is passed through to the shareholder.
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. Get form FTB 3540, Credit Carryover and Recapture Summary, to figure the credit carryover to future years. For EZ, LAMBRA, MEA, or TTA carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809.

Agricultural Products 175
Commercial Solar Electric System 196
Commercial Solar Energy 181
Community Development Financial Institutions Investment 209
Contribution of Computer Software 202
Donated Fresh Fruits or Vegetables. 224
Employer Childcare Contribution 190
Employer Childcare Program 189
Employer Ridesharing – Large employer 191
Employer Ridesharing – Small employer 192
Employer Ridesharing – Transit passes 193
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Enterprise Zone Hiring 176
Enterprise Zone Sales or Use Tax. 176
Environmental Tax Credit 218
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Local Agency Military Base Recovery Area Hiring 198
Local Agency Military Base Recovery Area Sales or Use Tax 198
Low-Emission Vehicles 160
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Manufacturing Enhancement Area Hiring 211
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Salmon & Steelhead Trout Habitat Restoration 200
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Targeted Tax Area Sales or Use Tax 210
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TAXABLE YEAR **2021**

S Corporation Capital Gains and Losses and Built-In Gains

CALIFORNIA SCHEDULE **D (100S)**

Attach to Form 100S.

Corporation name | California corporation number

SECTION A – 8.84% Tax on Built-In Gains

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less. Use additional sheets if necessary.

	(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) col. (d) less col. (e)
1						

2	Short-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions	2		00
3 a	Net short-term capital gain (loss). Combine line 1, column (f) and line 2	3a		00
b	Tax on short-term capital gain(s) included on line 12 below	3b		00
c	Subtract line 3b from line 3a. Enter here and on Form 100S, Schedule K, column (d), line 7 or line 10b	3c		00

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year. Use additional sheets if necessary.

4						

5	Long-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions	5		00
6 a	Net long-term capital gain (loss). Combine line 4, column (f) and line 5	6a		00
b	Tax on long-term capital gain(s) included on line 12 below	6b		00
c	Subtract line 6b from line 6a. Enter here and on Form 100S, Schedule K, column (d), line 8 or line 10b	6c		00

Part III Tax on Built-In Gains. See instructions before completing this part.

7	Excess of recognized built-in gains over recognized built-in losses attributable to California. Attach computation schedule	7		00
8	Taxable income. Get the instructions for federal Schedule D (Form 1120-S). Use California amounts	8		00
9	Enter the smaller of line 7, line 8, or computed amount. See instructions	9		00
10	Net operating loss (NOL) carryover deduction from years the corporation was a C corporation. See instructions	10		00
11	Subtract line 10 from line 9. If zero or less, enter -0- here and on line 12	11		00
12	Tax on built-in gains. Multiply line 11 by 8.84% (financial S corps. must use 10.84%). Enter here and on Form 100S, Side 2, line 27	12		00

Part IV Net Capital Gains (Losses)

13	Combine amounts on Part I, line 3a and Part II, line 6a. Enter here and on Form 100S, Side 1, line 4	13		00

SECTION B – 1.5% Tax on Capital Gains

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less. Use additional sheets if necessary.

	(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) col. (d) less col. (e)
1						

2 a	Short-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824	2a		00
b	Combine line 1, column (f) and line 2a. Enter here and on Form 100S, Schedule K, column (d), line 7 or line 10b	2b		00
c	Unused capital loss carryover from 2020 attributable to the S corporation	2c		00
3	Net short-term capital gain (loss). Combine line 2b and line 2c	3		00

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year. Use additional sheets if necessary.

4						

5	Enter gain from Schedule D-1, line 9 and/or any capital gain distributions	5		00
6	Long-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824	6		00
7	Net long-term capital gain (loss). Combine line 4, column (f) through line 6. Enter here and on Form 100S, Schedule K, column (d), line 8 or line 10b	7		00
8	Enter excess of net short-term capital gain Section B, Part I, line 3 over net long-term capital loss Section B, Part II, line 7	8		00
9	Net capital gain. Enter excess of net long-term capital gain (line 7) over net short-term capital loss (line 3)	9		00
10	Total line 8 and line 9. If line 10 is a gain, enter here and on Form 100S, Side 1, line 4. If line 10 is a loss, carry forward losses to taxable year 2022	10		00

2021 Instructions for Schedule D (100S)

S Corporation Capital Gains and Losses and Built-In Gains

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

Gross Income Exclusion for Bruce's Beach – Effective September 30, 2021, California law allows an exclusion from gross income for the first time sale in the taxable year in which the land within Manhattan State Beach, known as "Peck's Manhattan Beach Tract Block 5" and commonly referred to as "Bruce's Beach" is sold, transferred, or encumbered. A recipient's gross income does not include the following:

- Any sale, transfer, or encumbrance of Bruce's Beach;
- Any gain, income, or proceeds received that is directly derived from the sale, transfer, or encumbrance of Bruce's Beach.

General Information

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

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

Important Information

Like-Kind Exchanges – The Tax Cuts and Jobs Act (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.

The TCJA, signed into law on December 22, 2017, made changes to the IRC. California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. In general, the California R&TC **does not** conform to the following changes:

Capital Assets – The IRC Section 1221 exclusion of a patent, invention, model or design (whether or not patented), and secret formula or process that is held by the taxpayer who created the property (and other certain taxpayers) from the definition of a capital asset.

Qualified Opportunity Zone Funds – The establishment of qualified opportunity zones and the temporary deferral of inclusion in gross income for capital gains reinvested in a qualified opportunity fund and the permanent exclusion of capital gains from the sale or exchange of an investment in the qualified opportunity fund, as defined in IRC Sections 1400Z-1 and 1400Z-2. California 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.

Withholding – The alternative withholding rates for the sale of California real property is 13.8% for S corporations or 15.8% for financial S corporations.

Buyers are required to withhold on each installment sale payment if the sale of California real property is structured as an installment sale.

Purpose

Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains, is divided into Section A and Section B. Use Section A to report all built-in gains subject to the 8.84% tax rate (10.84% for financial S corporations). Use Section B to report all other capital gains subject to the 1.5% tax rate (3.5% for financial S corporations).

Specific Line Instructions

Section A – 8.84% Tax on Built-In Gains

Use Section A, Part I and Part II to report and summarize gains and losses attributable to: (1) sale or exchange of capital assets; and (2) gains on distributions to shareholders of appreciated assets that are capital assets. Be sure to use the California basis for all assets when computing the gain or loss. Get the instructions for federal Schedule D (Form 1120-S), Capital Gains and Losses and Built-In Gains, for more information.

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

Line 1 and Line 4

Report short-term or long-term capital gains or losses from form FTB 3725, Assets Transferred from Corporation to Insurance Company, on Schedule D (100S). Make sure to enter on Schedule D (100S), line 1 and/or line 4, under column (a) Description of property: **"FTB 3725."** Enter the amount of short-term or long-term capital gains (losses) from form FTB 3725, on Schedule D (100S), line 1, column (f), and/or line 4, column (f).

Line 2 and Line 5

Use California amounts when figuring the amount to enter for short or long-term capital gains or losses from like-kind exchanges from federal Form 8824, Like-Kind Exchanges. Attach form FTB 3805E, Installment Sale Income, and/or federal Form 8824 to Schedule D (100S).

Part III – Tax on Built-In Gains

When determining the built-in gains tax, C corporations that were required to convert to S corporations for California purposes are deemed to have elected S corporation status on the effective date of their federal election regardless of the effective date for state purposes.

The recognition period for built-in gains under California law is 10 years.

Line 7

To determine if the S corporation is subject to tax on built-in gains, see General Information J, Built-In Gains, in the Form 100S Booklet, and get the instructions for federal Schedule D (Form 1120-S).

Apportioning Corporations Only:

All recognized built-in gains and all recognized built-in losses must be apportioned and allocated to California according to the current year's Schedule R, Apportionment and Allocation of Income, and included on line 7.

Line 9

Compute the California net unrealized built-in gain reduced by the California net recognized built-in gain from prior years if the S corporation:

- Filed its election to be an S corporation after 1986.
- Was a C corporation before it elected to be an S corporation, or acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation.
- Had a California net unrealized built-in gain as defined in IRC Section 1374(d)(1), that was in excess of the California net recognized built-in gain from prior years.

On line 9, enter the smaller of line 7, line 8, or the amount computed above.

Line 10

See form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, in the Form 100S Booklet, for more information.

Section B – 1.5% Tax on Capital Gains

Use Section B, Part I and Part II to report the sale or disposition of all capital assets acquired as an S corporation or which are not reported in Section A. For more information, get the instructions for federal Schedule D (Form 1120-S).

Property Subject to IRC Section 179 Recapture:

Gain on property subject to the IRC Section 179 expense deduction recapture must be included in the taxable income of the S corporation. To accomplish this, the S corporation should complete **two sets** of Schedule D-1, Sales of Business Property, and Schedule D (100S). The first set of Schedule D-1 and Schedule D (100S) will include the gain or loss from the sale or disposition of IRC Section 179 assets as well as gain or loss from non-IRC Section 179 business assets, and will be reported on the Form 100S. Indicate at the top of this Schedule D-1 and Schedule D (100S) "IRC Section 179 and Business Assets." When completing Schedule D-1 and Schedule D (100S) for the Form 100S, skip any instructions to report the gain or loss on Form 100S, Schedule K, S Corporation Shareholder's Shares of Income, Deductions, Credits, etc. or Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc. Transfer the gain amount to Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) is to report the gain or loss on non-IRC Section 179 business assets for use on the Schedule K and Schedule K-1 (100S). To accomplish this, the S corporation should complete a Schedule D-1 and Schedule D (100S) with the gain or loss for the non-IRC Section 179 business assets only. The amounts from this Schedule D-1 and Schedule D (100S) will be reported on the Schedule K and Schedule K-1 (100S). Indicate at the top of this Schedule D-1 and Schedule D (100S) set "Non-IRC Section 179 Business Assets Only."

Part I – Short-Term Capital Gains and Losses – Assets Held One Year or Less

Line 1

Enter short-term capital gains or losses from form FTB 3725 on Schedule D (100S), line 1, column (f). Make sure to enter on Schedule D (100S), line 1, under column (a) Description of property: **"FTB 3725."**

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

Line 4

Enter long-term capital gains or losses from form FTB 3725 on Schedule D (100S), line 4, column (f). Make sure to enter on Schedule D (100S), line 4, under column (a) Description of property: **"FTB 3725."**

TAXABLE YEAR

CALIFORNIA SCHEDULE

2021 S Corporation Dividend Income Deduction H (100S)

Attach to Form 100S. Attach additional sheets if necessary.

Corporation name

California corporation number

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

	(a) Dividend payer	(b) Dividend payee
1		
2		
3		

	(c) Total amount of dividends received	(d) Amount that qualifies for 100% elimination	(e) Amount from column (d) paid out of current year earnings and profits	(f) Amount from column (d) paid out of prior year earnings and profits	(g) Balance column (c) minus column (d)
1					
2					
3					
4 ◉		◉			

Enter total amounts of each column on line 4 above. If **no** entry in Part III, enter total from Part I, line 4, column (d) on Form 100S, Side 2, line 9. See instructions.

Part II Deduction for Qualifying Dividends Paid to a Member of a Water's-Edge Combined Report (R&TC Section 24411)

(Foreign dividends paid by partially included members of a water's-edge combined report cannot be computed on this schedule.)

	(a) Dividend payer	(b) Name of member of the water's-edge group receiving dividend
1		
2		
3		

	(c) Percentage of ownership of dividend payer	(d) Amount of qualifying dividends received by payee (see instructions)	(e) Amount from column (d) paid out of current year earnings and profits	(f) Amount from column (d) paid out of prior year earnings and profits	(g) Deductible dividends 75% of column (d) or 100% dividends from construction projects
1					
2					
3					
4 Total amounts in Part II, column (g). Enter on Form 100S, Side 2, line 10					◉

Part III Deduction for Dividends Paid to a Corporation by an Insurance Company (R&TC Section 24410)

	(a) Dividend payer	(b) Dividend payee
1		
2		
3		

	(c) Percentage of ownership of dividend payer (must be at least 80%)	(d) Total insurance dividends received	(e) Qualified dividend percentage (see instructions)	(f) Amount of qualified insurance dividends column (d) x column (e)	(g) Deductible dividends 85% of column (f)
1					
2					
3					
4 Total amounts in Part III, column (g). Add Part I, line 4, column (d). Enter on Form 100S, Side 2, line 9					◉

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Schedule H (100S) 2021 **Side 1**

2021 Instructions for Schedule H (100S)

S Corporation 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 Part III, Specific Instructions, 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. Earnings and profits 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.* vs. *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, the 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

Dividends paid to an electing S corporation from earnings and profits accumulated during any taxable year in which the dividend payer was included in the combined report, which included the dividend payee, qualify for the 100% intercompany dividend elimination. See R&TC Section 25106 for more information.

A corporation that has made a valid election to be treated as an S corporation is generally not included in a combined report. However, in some cases, the FTB may use combined reporting methods to clearly reflect income of an S corporation, see R&TC Section 23801(d)(1).

If no entry in Part III, enter the total from Part I, line 4, column (d) on Form 100S, Side 2, line 9.

Part II – Deduction for Dividends Paid to a Fully Included Member of a Water's-Edge Combined Report

R&TC Section 24411 allows for a 75% deduction of a portion of the dividends received and included in the water's-edge return. Dividends received from banks qualify for the water's-edge dividend deduction. Both business and nonbusiness dividends qualify for the dividend deduction. The allowable business dividend deduction is determined by multiplying the total dividend deduction (business and nonbusiness) by the ratio of business dividends to total dividends. The remaining dividend deduction is the nonbusiness dividend deduction.

A deduction of 100% is provided for dividends derived from certain foreign construction projects (FCP). A construction project is defined as an activity attributable to an alteration of land or any improvement thereto. The construction project, the location of which is not subject to the taxpayers' control, must be undertaken for an entity, including a governmental entity, that is not affiliated with the water's-edge group. For more information, see R&TC Section 24411 and Form 100W, California Corporation Tax Booklet — Water's-Edge Filers.

Report the dividends received from certain foreign construction projects in Part II, column (g). Write the dividend payer's name and enter dividends received from certain foreign construction projects as "FCP" in Part II, column (a).

In no event will an R&TC Section 24411 deduction be allowed with respect to a dividend for which a deduction was allowed under R&TC Section 24410 or which was eliminated under R&TC Section 25106.

Current year qualifying dividends are dividends received by any current member of the water's-edge group from a corporation (regardless of the place of incorporation) if both of the following apply:

- The average of the payer's property, payroll, and sales factors within the U.S. is less than 20%.
- More than 50% of the total combined voting power of all classes of voting stock is owned directly or indirectly by a member of the water's-edge group at the time the dividend is received.

Interest Expense Deduction

The amount of interest expense incurred for purposes of foreign investments that must be offset against deductible foreign dividends must be computed by multiplying the amount of interest expense by the same percentage used to compute the deductible portion of the qualifying foreign dividends.

The payer need not be in a unitary relationship with the recipient or any other member of the water's-edge group.

Intercompany dividends received within the current taxable year's water's-edge group should be eliminated pursuant to R&TC Section 25106 before computing the dividend deduction.

Complete Part II and enter the total of line 4 column (g) on Form 100S, Side 2, line 10. For Part II, column (d), if any portion of a dividend also qualifies for the intercompany elimination in Part I, enter the balance from Part I, column (g) in Part II, column (d).

Part III – Deduction for Dividends Paid to a California 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 an 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 III:

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 amounts in Part III, column (g). Add amounts from Part I, line 4, column (d). Enter the result here and on Form 100S, Side 2, line 9.

The calculation of the qualified dividend percentage should be presented in a supplemental schedule that is attached to the taxpayer's tax return. The supplemental 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.

TAXABLE YEAR **2021**

Qualified Subchapter S Subsidiary (QSub) Information

CALIFORNIA SCHEDULE **QS**

Attach to Form 100S.

Parent S corporation name	California corporation number or FEIN

QSubs Included in Parent S Corporation's Form 100S

(a) Name of QSub	(b) California corporation number	(c) Federal employer identification number	(d) Effective date of federal QSub election (mm/dd/yyyy)	(e) Date of QSub annual tax payment (mm/dd/yyyy)	(f) Amount of QSub annual tax paid
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉
◉	◉	◉	◉	◉	◉

General Information

California conforms to the federal treatment of Qualified Subchapter S Subsidiaries (QSubs), with certain exceptions. A QSub is subject to an annual tax of $800 which is paid by the parent S corporation.

The parent S corporation must complete Schedule QS, Qualified Subchapter S Subsidiary (QSub) Information, and attach it to the Form 100S, California S Corporation Franchise or Income Tax Return, for each taxable year in which a QSub election is in effect.

See Form 100S, S Corporation Tax Booklet, General Information DD, Qualified Subchapter S Subsidiary (QSub), for more information.

Purpose

Schedule QS is used by the parent S corporation of a QSub to inform the Franchise Tax Board (FTB) of the QSub(s) it owns. This schedule notifies the FTB that the QSub's items of income, deduction, and credit will be included in the parent's return and the QSub will not file a separate California franchise or income tax return.

Specific Instructions

Enter the name of the parent S corporation, the parent's California corporation number, or federal employer identification number (FEIN).

QSubs Included in Parent S Corporation's Form 100S

Enter the information for each QSub whose items of income, deduction, and credit are required to be included in the parent's Form 100S. In column (a), enter the name of each QSub included in this return. If the QSub has or had a California corporation number, enter the number in column (b). If the QSub has or had a FEIN, enter the number in column (c). If the QSub does not have a California corporation number or a FEIN, leave the fields blank.

Enter the effective date of the federal QSub election made for the subsidiary in column (d). An election made by the parent S corporation under Internal Revenue Code Section 1361(b)(3) to treat a corporation as a QSub for federal purposes is treated as a binding election for California purposes. If the effective date falls on a date other than the first day of the subsidiary's taxable year, the subsidiary must file a short-period return if it was subject to tax in California prior to the effective date.

The parent S corporation is required to pay $800 annual tax for each QSub it owns that is incorporated, qualified, or doing business in California. The QSub annual tax is due and payable when the parent's first estimated tax payment is due. If the QSub is acquired during the taxable year, the QSub annual tax is due with the parent's next estimated tax installment. Enter the date of payment in column (e) and amount of QSub annual tax paid in column (f). Include the amounts reported in column (f) on the parent's Form 100S, Side 2, line 21.

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Visit our website:

ftb.ca.gov

TAXABLE YEAR **2021**

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

CALIFORNIA SCHEDULE **K-1 (100S)**

For use by an S corporation and its shareholders only.

For calendar year 2021 or fiscal year beginning _____ (m m/d d/y y y y) and ending _____ (m m/d d/y y y y).

Shareholder's name

Shareholder's identifying number

Address

City

State

ZIP code

Corporation's FEIN

California corporation number

Corporation's name

Address

City

State

ZIP code

A Current year allocation percentage . . . . . ● _____ . _____ %

B Shareholder's number of shares: . . . . . Beginning _____ and Ending _____

C Loans from shareholder: . . . . . Beginning $ _____ and Ending $ _____

D Reportable transaction or tax shelter registration number(s): _____

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

F What type of entity is this shareholder? . . . . . ● **(1)** ☐ Individual **(2)** ☐ Estate/trust **(3)** ☐ Qualified exempt organization **(4)** ☐ Single member LLC

G Is this shareholder a resident of California? . . . . . ● ☐ Yes ▶ ☐ No

Caution: Refer to the shareholder's instructions for Schedule K-1 (100S) before entering information from this schedule on your California tax return.

	(a) Pro-rata share items	(b) Amount from federal Schedule K-1 (Form 1120-S)	(c) California adjustment	(d) Total amounts using California law. Combine col. (b) and col. (c) where applicable	(e) California source amounts and credits
Income (Loss)	**1** Ordinary business income (loss)			●	▶
	2 Net rental real estate income (loss)			●	▶
	3 Other net rental income (loss)			◉	◉
	4 Interest income			●	▶
	5 Dividends. See instructions.			●	▶
	6 Royalties			●	▶
	7 Net short-term capital gain (loss)			●	▶
	8 Net long-term capital gain (loss)			●	▶
	9 Net IRC Section 1231 gain (loss)			●	▶
Other Income (Loss)	**10 a** Other portfolio income (loss). Attach schedule.			●	▶
	b Other income (loss)			●	▶

Shareholder's name

Shareholder's identifying number

Caution: Refer to the shareholder's instructions for Schedule K-1 (100S) before entering information from this schedule on your California tax return.

	(a) Pro-rata share items	(b) Amount from federal Schedule K-1 (Form 1120-S)	(c) California adjustment	(d) Total amounts using California law. Combine col. (b) and col. (c) where applicable	(e) California source amounts and credits
Deductions	**11** IRC Section 179 expense deduction. Attach schedules				
	12 a Charitable contributions				
	b Investment interest expense			●	▶
	c 1 IRC Section 59(e)(2) expenditures				
	2 Type of expenditures _____				
	d Deductions-portfolio				
	e Other deductions.				
Credits	**13 a** Low-income housing credit. See instructions. Attach schedule.			●	▶
	b Credits related to rental real estate activities other than on line 13(a). Attach schedule			●	▶
	c Credits related to other rental activities. See instructions. Attach schedule			●	▶
	d Other credits. Attach schedule			●	▶
	14 Total withholding (equals amount on Form 592-B if calendar year)			●	▶
Alternative Minimum Tax (AMT) Items	**15 a** Depreciation adjustment on property placed in service after 12/31/86			◉	◉
	b Adjusted gain or loss				
	c Depletion (other than oil and gas)				
	d Gross income from oil, gas, and geothermal properties				
	e Deductions allocable to oil, gas, and geothermal properties				
	f Other AMT items. Attach schedule				
Items Affecting Shareholder Basis	**16 a** Tax-exempt interest income				
	b Other tax-exempt income				
	c Nondeductible expenses				
	d Total property distributions (including cash) other than dividends distribution reported on line 17c			●	▶
	e Repayment of loans from shareholders			●	▶
Other Information	**17 a** Investment income. See instructions				
	b Investment expenses. See instructions				
	c Total taxable dividend distribution paid from accumulated earnings and profits. See instructions			●	▶
	d Other information. See instructions				
Other State Taxes	**18 a** Type of income _____				
	b Name of state _____				
	c Total gross income from sources outside California. Attach schedule				
	d Total applicable deductions and losses. Attach schedule.				
	e Total other state taxes. Check one: ☐ Paid ☐ Accrued			●	▶

19 ☐ More than one activity for at-risk purposes. See instructions.

20 ☐ More than one activity for passive activity purposes. See instructions.

Shareholder's name

Shareholder's identifying number

Other Shareholder Information

Table 1 — Each shareholder's share of nonbusiness income from intangibles. See instructions.

Interest $ _____ Royalties $ _____ Dividends $ _____

IRC Section 1231 Gains/Losses $ _____ Capital Gains/Losses $ _____ Other $ _____

FOR USE BY SHAREHOLDERS ONLY. SEE INSTRUCTIONS.

Table 2 — Shareholder's pro-rata share of business income and factors. See instructions.

A. Shareholder's share of the S corporation's business income $_____

B. Shareholder's share of the nonbusiness income from real and tangible property sourced or allocable to California:

Capital Gains/Losses $_____ Rents/Royalties $_____

IRC Section 1231 Gains/Losses $_____ Other $_____

C. Shareholder's share of the S corporation's property, payroll, and sales:

Factors	Total within and outside California	Total within California
Property: Beginning	$	$
Ending	$	$
Annual Rent Expense	$	$
Payroll	$	$
Sales	$	$

Schedule K Federal/State Line References

The following chart cross-references the line items on the federal Schedule K (1120-S) to the appropriate line items on the California Schedule K (100S). For more information, see Specific Line Instructions for Schedule K (100S) and Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc, included in this booklet.

Federal Schedule K (1120-S)			CA Schedule K (100S)	
Box	**Code**	**Items**	**Line**	**Items**
1		Ordinary business income (loss)	**1**	Ordinary business income (loss)
2		Net rental real estate income (loss)	**2**	Net rental real estate income (loss)
3a		Other gross rental income (loss)	**3a**	Other gross rental income (loss)
3b		Expenses from other rental activities	**3b**	Expenses from other rental activities
3c		Other net rental income (loss)	**3c**	Other net rental income (loss)
4		Interest income	**4**	Interest income
5a		Ordinary dividends	**5**	Dividends
5b		Qualified dividends	**–**	Included in line 5 above
6		Royalties	**6**	Royalties
7		Net short-term capital gain (loss)	**7**	Net short-term capital gain (loss)
8a		Net long-term capital gain (loss)	**8**	Net long-term capital gain (loss)
8b		Collectibles (28%) gain (loss)	**–**	Included in line 8 above, as applicable
8c		Unrecaptured Section 1250 gain	**–**	Included in line 8 above, as applicable
9		Net Section 1231 gain (loss)	**9**	Net Section 1231 gain (loss)
10	**A**	Other portfolio income (loss)	**10a**	Other portfolio income (loss)
10	**B-H**	Other income (loss)	**10b**	Other income (loss)
11		Section 179 deduction	**11**	IRC Section 179 expense deduction
12a	**A-G**	Charitable contributions	**12a**	Charitable contributions
12b		Investment interest expense	**12b**	Investment interest expense
12c	**J**	Section 59(e)(2) expenditures – Amount	**12c1**	Section 59(e)(2) expenditures
12c	**J**	Section 59(e)(2) expenditures – Type	**12c2**	Type of expenditures
12d	**K-L**	Deductions – portfolio	**12d**	Deductions – portfolio
12d	**I, M-S**	Other deductions	**12e**	Other deductions
		Not applicable	**13a**	Low-income housing credit
		Not applicable	**13b**	Credits related to rental real estate activities
		Not applicable	**13c**	Credits related to other rental activities
		Not applicable	**13d**	Other credits
		Not applicable	**14**	Total withholding allocated to all shareholders
		Not applicable	**15a**	Depreciation adjustment on property placed in service after 12/31/86
		Not applicable	**15b**	Adjusted gain or loss
		Not applicable	**15c**	Depletion (other than oil and gas)
		Not applicable	**15d**	Gross income from oil, gas, and geothermal properties
		Not applicable	**15e**	Deductions allocable to oil, gas, and geothermal properties
		Not applicable	**15f**	Other AMT items
16a		Tax-exempt interest income	**16a**	Tax-exempt interest income
16b		Other tax-exempt income	**16b**	Other tax-exempt income
16c		Nondeductible expenses	**16c**	Nondeductible expenses
16d		Distributions	**16d**	Total property distributions (including cash) other than dividend distribution reported on line 17c
16e		Repayment of loans from shareholders		*Not applicable*
16f		Foreign taxes paid or accrued		*Not applicable*
17a		Investment income	**17a**	Investment income
17b		Investment expenses	**17b**	Investment expenses
17c		Dividend distributions paid from accumulated earnings and profits	**17c**	Total dividend distributions paid from accumulated earnings and profits
17d		Other items and amounts	**17d**	Other items and amounts
17d	**I**	Look-back interest-completed long-term contract		(Report amounts from federal Schedule K, box 17d, codes I, J, M, N, O, and P on California Schedule K, line 17d. See instructions.)
17d	**J**	Look-back interest-income forecast method		
17d	**M**	Section 453(l)(3) information		
17d	**N**	Section 453A(c) information		
17d	**O**	Section 1260(b) information		
17d	**P**	Interest allocable to production expenditures		
		Not applicable	**18a**	Type of income
		Not applicable	**18b**	Name of state
		Not applicable	**18c**	Total gross income from sources outside California
		Not applicable	**18d**	Total applicable deductions and losses
		Not applicable	**18e**	Total other state taxes
18		Income/loss reconciliation	**19**	Income (loss)

2021 Shareholder's Instructions for Schedule K-1 (100S)

For S Corporation Shareholder's Use Only

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

General Information

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

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

The California Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc. line items are formatted similar to the federal Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc. For more information, get the Schedule K Federal/State Line References chart included in the Form 100S, S Corporation Tax Booklet.

A corporation with a valid federal S corporation election is considered an S corporation for California purposes and is deemed to make the California S election on the same date as the federal election.

California conforms to the federal provision that affects discharge of indebtedness of an S corporation. IRC Section 108 provides that income from the discharge of indebtedness of an S corporation that is excluded from the S corporation's income is not taken into account as an item of income by any shareholder and thus does not increase the basis of any shareholder's stock in the corporation. This provision applies, for California purposes, to discharges of indebtedness incurred in taxable years ending after December 31, 2001.

California follows federal instructions **(with some exceptions)** for reporting the sale, exchange, or disposition of an asset for which an IRC Section 179 expense deduction was claimed in prior years by a partnership, limited liability company, or an S corporation.

Shareholders should follow federal reporting requirements as detailed in federal Form 1120-S, U.S. Income Tax Return for an S Corporation, and federal Form 4797, Sales of Business Property.

California conforms to the federal qualification requirements for S corporations and their shareholders.

Special Reporting for R&TC Section 41-
Beginning in taxable year 2020, partners, members, shareholders, or beneficiaries of pass-through entities conducting a commercial cannabis activity licensed under the California Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) 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. If the S Corporation conducted a commercial cannabis activity licensed under the California MAUCRSA, or received flow-through income from another pass-through entity in that business, the S corporation will report your share of total deductions and credits related to the cannabis income on a separate schedule attached to Schedule K-1. Use the information from this schedule to complete form FTB 4197. Get form FTB 4197 for more information.

A Purpose

The S corporation uses Schedule K-1 (100S) to report the shareholder's share of the S corporation's income, deductions, credits, etc. Information from the Schedule K-1 (100S) is used to complete your California tax return. Keep a copy of Schedule K-1 (100S) for your records. However, **do not** file the schedule with your California tax return.

Although the S corporation is subject to various taxes, you are liable for the income tax on your share of the S corporation's income, whether or not distributed, and you must include your share on your California tax return.

The amount of losses and deductions that you may claim on your tax return may be less than the amount reported on Schedule K-1 (100S). Generally, the amount of losses and deductions you may claim is limited to your basis in the S corporation stock, debt owed to you by the S corporation, and the amount for which you are considered at-risk. Also, if the S corporation has losses, deductions, or credits from a passive activity, you must apply the passive activity rules. It is your responsibility to consider and apply any applicable limitations. See General Information C, Limitations on Losses, Deductions, and Credits. Use these instructions to help you report the items shown on Schedule K-1 (100S) on your California tax return.

For the line items where "attach schedule" appears, the S corporation should provide additional information applicable to that line.

B Reporting Information from Columns (c), (d), and (e)

Inconsistent treatment of items
Generally, shareholders must report IRC subchapter S items shown on their Schedule K-1 (100S), and any attached schedules, the same way the corporation treated the items on its tax return. If the treatment on a shareholder's original or amended tax return is inconsistent with the corporation's treatment, or if the corporation has not filed a tax return, you must attach a statement with your original or amended tax return to identify and explain any inconsistency or to note that a corporate tax return has not been filed. If a shareholder is required to attach this statement but fails to do so, the shareholder may be subject to an accuracy related penalty.

Line 1 through Line 18
If you are an individual shareholder, take the amounts in column (c) that are from nonpassive activities and enter these amounts on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d) or column (e) that are from passive activities on the California form or schedule where they are normally reported. Bring the total amounts figured on the appropriate California form or schedule to form FTB 3801, Passive Activity Loss Limitations, to figure the amount of your passive activity loss limitation. Then transfer the passive activity loss back to the form or schedule it is normally reported on to figure your California adjustment amount. Enter this adjustment amount on the corresponding line of Schedule CA (540 or 540NR), California Adjustments, or Form 541, California Fiduciary Income Tax Return.

If there is no California schedule or form to figure your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Worksheets on Side 2 of form FTB 3801. Enter the total of your adjustments from all passive activities from the worksheets on Schedule CA (540 or 540NR), as applicable.

If you have losses, deductions, credits, etc., from a prior year that were not deductible or usable because of certain limitations, such as the at-risk rules, these carryforward losses, deductions, and credits may be taken into account in determining your net income, loss, etc., for this taxable year. However, do not combine the prior year amounts with any amounts shown on this Schedule K-1 (100S) to get a net figure to report on any supporting schedules, statements, or forms attached to your tax return. Instead, report the amounts on an attached schedule, statement, or form on a year-by-year basis.

C Limitations on Losses, Deductions, and Credits

The amounts shown on line 1 through line 3 reflect your share of income or loss from the S corporation's business or rental operations without reference to your limitations on losses or adjustments that may be required because of the following:

- The adjusted basis of your S corporation ownership interest per IRC Section 1366(d).
- The amount for which you are at-risk as determined under IRC Section 465.
- The passive activity limitations of IRC Section 469.

Get the instructions for federal Schedule K-1 (Form 1120-S), box 1 through box 3 for more information.

Basis rules

Generally, you may not claim your share of the S corporation loss (including capital loss) that is greater than the adjusted basis of your shareholder interest at the end of the S corporation's taxable year.

Basis is increased by:

1. All income (including tax-exempt income) reported on Schedule K-1 (100S).
2. Money and adjusted basis of property contributed to the corporation.
3. The excess of the deduction for depletion over the adjusted basis of the property subject to depletion.

Basis is decreased by:

1. Fair market value of property distributions (including cash) made by the S corporation (excluding dividend distributions reported on federal Form 1099-DIV, Dividends and Distributions, and distributions in excess of basis) reported on Schedule K-1 (100S), line 16d.
2. All losses and deductions including nondeductible expenses) reported on Schedule K-1 (100S).

These items are not a complete list of factors that determine basis. For examples, see Treas. Reg. Section 1.1367-1.

At-risk rules

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

The at-risk rules generally limit the amount of loss (including loss on disposition of assets) and other deductions (such as IRC Section 179) that you may claim to the amount you could actually lose in the activity. Get the instructions for federal Schedule K-1 (Form 1120-S), for more information about at-risk limitations.

Passive activity limitations

Generally, California tax law conforms to IRC Section 469 rules that limit the deduction of certain losses and credits.

These rules apply to shareholders who meet both of the following:

- Are individuals, estates, or trusts.
- Have a loss or credit from a passive activity.

A passive activity is generally a rental activity or a trade or business activity in which the shareholder does not materially participate.

If you have a loss or deductions from a passive activity, you will need to complete form FTB 3801 to figure the allowable amounts to report on your individual tax return. You will also need to complete form FTB 3801, if you have passive activity income from this S corporation and passive activity loss or deduction from another source.

The amounts reported on Schedule K-1 (100S), line 2 and line 3 are from rental activities of the S corporation and are generally passive activity income (loss) to all shareholders.

There is an exception to this rule for losses incurred by qualified investors in qualified low-income housing projects. The S corporation will identify any of these qualified amounts on an attachment for line 2.

Passive activity credits are also limited to passive income. See the instructions for line 13d.

California **does not** conform to the passive activity loss provisions of the IRC relating to real estate professionals.

D California Adjustment – Column (c)

Use this column to account for your proportionate share of the differences in the computation of federal and California income.

The most common adjustment items are as follows:

- California minimum franchise tax.
- Depreciation expense due to different basis of the assets or depreciation method used.
- Gain or loss on sale of assets due to the effects of different depreciation methods or basis.
- Government bond interest income:
  a) U.S. bond interest is taxable for federal purposes but not for California purposes.
  b) State bond interest (other than from California bonds) is taxable for California purposes but not for federal purposes.

E Total Amounts Using California Law – Column (d) and California Source Amounts and Credits – Column (e)

Shareholders who are California residents will use amounts shown in column (d) because California resident individuals are subject to personal income tax on all income from whatever source derived (R&TC Section 17041). Nonresident shareholders who do not conduct a trade or business that is unitary with the S corporation should use the amounts in column (c), column (d) (for total income purposes), column (e) (for California source income purposes), and Table 1. If the nonresident shareholder conducts a unitary business with the S corporation, data in column (e) should not be used. Instead, the shareholder must combine its share of the S corporation's income with the income from its trade or business and apportion that income using an apportionment percentage consisting of a combination of the factors from its trade or business and the shareholder's share of the factors from the S corporation from Table 2. Amounts in Table 1 should be sourced to the residence or commercial domicile of the shareholder.

Specific Line Instructions

If the shareholder is not an individual, the shareholder may report the amounts as instructed on their California income tax return.

Income (Loss)

Line 1 – Ordinary business income (loss)

The amount reported on line 1, column (d) or column (e) is your share of the ordinary income (loss) from the trade or business activities of the S corporation. Generally, where you report this amount on Form 540, California Resident Income Tax Return; Form 540NR, California Nonresident or Part-Year Resident Income Tax Return; or Form 541, depends on whether or not the amount is from an activity that is a passive activity to you.

If, in addition to this passive activity income, you have a passive activity loss from this S corporation or from any other source, report the line 1, column (d) or column (e) income on form FTB 3801.

If a loss is reported on line 1, column (d) or column (e), report the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

Line 2 – Net rental real estate income (loss)

Generally, the income (loss) reported on line 2, column (d) or column (e), is a passive activity amount to all shareholders. However, there is an exception for losses from a qualified low-income housing project. The loss limitations do not apply to qualified investors in a qualified low-income housing project. The S corporation will have attached a schedule for line 2 to identify such amounts, if applicable. Enter the California adjustment amount from column (c) on Schedule CA (540), Part I, Section B, line 5, or on Schedule CA (540NR), Part II, Section B, line 5, column B or column C, whichever is applicable.

Use the following instructions to determine where to enter a line 2 amount.

- If you have a loss on line 2, column (d) or column (e) (other than a qualified low-income housing project loss), enter this passive activity loss on the applicable

line of form FTB 3801 to determine how much of the loss is allowable.

If you are a qualified investor reporting a qualified low-income housing project loss, enter the California adjustment amount from column (c) directly on Schedule CA (540 or 540NR), as applicable.

- If you have income on line 2, column (d) or column (e) and no passive losses, enter the California adjustment from column (c) on Schedule CA (540 or 540NR), as applicable.

Line 3 – Other net rental income (loss)
The amount on line 3, column (d) or column (e) is a passive activity amount for all shareholders.

- If line 3, column (d) or column (e) is a loss, enter the loss on the applicable line of form FTB 3801.
- If income is reported on line 3, column (d) or column (e) and you have no passive losses, enter the California adjustment from column (c) on Schedule CA (540 or 540NR), as applicable.

Line 4 through Line 8 and Line 10a – Portfolio income (loss)
Income (loss) referred to as "portfolio" income (loss) in these instructions is not part of a passive activity subject to the rules of IRC Section 469. Portfolio income includes income not derived in the ordinary course of a trade or business from interest, dividends, annuities, or royalties and gain (loss) on the sale of property that produces these types of income or is held for investment. If you have amounts on Schedule K-1 (100S), line 4 through line 8 and line 10a, report these amounts as follows:

- Enter line 4, column (c) and/or column (e) on Schedule CA (540), Part I, Section A, line 2, or Schedule CA (540NR), Part II, Section A, line 2, whichever column is applicable.
- Enter line 5, column (c) and/or column (e) on Schedule CA (540), Part I, Section A, line 3, or Schedule CA (540NR), Part II, Section A, line 3, whichever column is applicable.
- Enter line 6, column (c) and/or column (e) on Schedule CA (540), Part I, Section B, line 5, or Schedule CA (540NR), Part II, Section B, line 5, whichever column is applicable.
- Enter line 7 and line 8, column (d) or column (e) on Schedule D (540 or 540NR), line 2.
- Enter line 10a, column (d) or column (e) on the applicable schedule.

Generally, amounts reported on line 7 and line 8 are gains or losses attributable to the disposition of property held for investment and are therefore classified as portfolio income (loss). If, however, an amount reported on line 7 or line 8, column (d) or column (e), is a passive activity amount, the S corporation should identify the amount.

The S corporation uses line 10a, column (d) or column (e), to report portfolio income other than interest, dividend, royalty, and capital gain (loss) income. A statement will be attached to tell you what kind of portfolio income is reported on line 10a, column (d) or column (e).

Line 9 – Net IRC Section 1231 gain (loss)
If the amount on line 9 relates to a rental activity, the IRC Section 1231 gain (loss) is a passive activity amount.

- If the amount is not a passive activity amount to you, report it on Schedule D-1, Sales of Business Property, line 2, column (g). You do not have to complete the information called for in column (b) through column (f). Write "From Schedule K-1 (100S)" across these columns.
- If a gain is reported on line 9, column (d) or column (e), and it is a passive activity amount to you, report the gain on Schedule D-1, line 2, column (g), and refer to "Passive Loss Limitations" in the instructions for Schedule D-1.
- If a loss is reported on line 9, column (d) or column (e) and it is a passive activity amount to you, report the loss on Schedule D-1, line 2, column (g), and refer to "Passive Loss Limitations" in the instructions for Schedule D-1. You will need to use form FTB 3801 to determine how much of the loss is allowed on Schedule D-1.

Line 10b – Other income (loss)
Amounts on this line are other items of income, gain, or loss not included on line 1 through line 10a. The S corporation should give you a description of your share for each of these items.

Report income or gain items that are passive activity amounts to you as instructed below. If, in addition to this passive activity income or gain, you have passive activity losses from any other source, also report the passive activity income or gain on form FTB 3801.

Line 10b items may include the following:

- S corporation gains from the disposition of farm recapture property (refer to Schedule D-1) and other items to which IRC Section 1252 applies.
- Recovery of bad debts, prior taxes, and delinquency amounts (IRC Section 111). Report the amount from line 10b, column (c), on Schedule CA (540), Part I, Section B, line 8z, or Schedule CA (540NR), Part II, Section B, line 8z, whichever column is applicable.
- Gains and losses from gambling, IRC Section 165(d).
- Any income, gain, or loss to the S corporation under IRC Section 751(b) from a partnership. Report this amount on Schedule D-1, line 10.
- Specially allocated ordinary gain (loss) from a partnership. Report this amount on Schedule D-1, line 10.
- Net gain (loss) from involuntary conversions due to casualty or theft. The S corporation will give you a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, line 34, column (b)(i), column (b)(ii), and column (c).
- Net short-term capital gain or loss, net long-term capital gain or loss, gain or loss from Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains, that is **not** portfolio income (e.g., gain or loss from the disposition of nondepreciable personal property used in a trade or business activity of the S corporation).
- Any new gain or loss from IRC Section 1256 contracts.
- Gain (loss) from the disposition of an interest in oil, gas, geothermal, or other mineral properties.

Deductions

Line 11 – IRC Section 179 expense deduction
The maximum amount of IRC Section 179 expense deduction for recovery property that you may claim from all sources is $25,000. The S corporation will give you information on your share of the cost of the S corporation's IRC Section 179 property so that you can compute this limitation. Your IRC Section 179 deduction is also limited to your taxable income from all your trades or businesses. Get form FTB 3885A, Depreciation and Amortization Adjustments, federal Publication 534, Depreciating Property Placed in Service Before 1987, and federal Publication 946, How to Depreciate Property, for more information.

Line 12a – Charitable contributions
The S corporation will give you a schedule that shows which contributions were subject to the 50%, 30%, and 20% limitations. Get the federal instructions for Form 1040, U.S. Individual Income Tax Return, or Form 1040-SR, U.S. Tax Return for Seniors, for more information.

If there is an amount on Schedule K-1 (100S), line 12a, column (c), enter this amount on Schedule CA (540), Part II, line 11 and/or line 12, or Schedule CA (540NR), Part III, line 11 and/or line 12.

Line 12b – Investment interest expense
If the S corporation paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, Investment Interest Expense Deduction, and federal Publication 550, Investment Income and Expenses.

Enter the amount from column (d) or column (e) on form FTB 3526 along with your investment interest expense from other sources. Form FTB 3526 will help you determine how much of your total investment interest is deductible.

Line 12c1 – IRC Section 59(e)(2) expenditures
Amounts on line 12(c)(1) may not necessarily be California source amounts. Get the instructions for federal Schedule K-1 (Form 1120-S).

Line 12d – Deductions-portfolio
Amounts entered on this line are the expenses (other than investment interest expense and expenses from a real estate mortgage investment conduit (REMIC)) paid or incurred to produce portfolio income. If you have an amount on Schedule K-1 (100S), line 12d, column (c), enter this amount on Schedule CA (540), Part II, line 21, or Schedule CA (540NR), Part III, line 21. However, if any of the line 12d amount should not be reported on Schedule CA (540 or 540NR), the S corporation will identify that amount for you.

Line 12e – Other deductions
Amounts on this line are other deductions not included on line 11, and line 12a through line 12d. If there is an amount on Schedule K-1 (100S), line 12e, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR).

Credits

The S corporation must provide the information you need to compute a credit allowable on your tax return.

Line 13a – Low-income housing credit
Your share of the S corporation's low-income housing credit is shown on line 13a, column (d) or column (e). Any available credit is entered on form FTB 3521, Low-Income Housing Credit. To claim this credit, attach a copy of form FTB 3521 to your tax return.

You may not claim the low-income housing credit on any qualified low-income housing project for which any person was allowed any benefit under Section 502 of the federal Tax Reform Act of 1986. Also, the passive activity credit limitations of IRC Section 469 may limit the amount of credit you may claim. Get form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of credit that may be limited under the passive activity rules.

For more information, see the instructions for line 13d.

Line 13b – Credits related to rental real estate activities
If applicable, the S corporation may use this line, through an attached schedule, to give you the information you need to compute credits related to rental real estate activities other than the low-income housing credit.

For more information, see the instructions for line 13d.

Line 13c – Credits related to other rental activities
If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to rental activities other than rental real estate activities.

For more information, see the instructions for line 13d.

Line 13d – Other credits
If applicable, the S corporation will use this line, through an attached schedule, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported on line 13c or line 13d depend on the type of activity they relate to.

For a complete list of credits, refer to the Credit Chart in the applicable tax booklet.

The pass-through rules of IRC Section 1366, the at-risk limitations of IRC Section 465, and the passive activity limitations of IRC Section 469 may limit the amount of credits that you may take. Credits on line 13d may be passive activity credits to shareholders who do not materially participate in the activities of the S corporation.

Passive activity credits are limited to tax attributable to passive activities income. If you do not materially participate in the activity of the S corporation, get form FTB 3801-CR, to determine the amount of the credit you may take.

Pass-Through Entity (PTE) Elective Tax Credit – The PTE Elective Tax Credit is not a pass-through item, but will be reported on line 13d. For more information, get form FTB 3804-CR, Pass-Through Entity Elective Tax Credit.

Line 14 – Total withholding
Line 14 includes withholding from payments made to the S corporation allocated to all shareholders based on their stock ownership, payments withheld on nonresident shareholders, and backup withholding. S corporation shareholders must attach Form 592-B, Resident and Nonresident Withholding Tax Statement, to the front of their California tax return to claim the withholding credit. Do not use Schedule K-1 (100S) to claim the withholding credit.

Report the total withholding credit entered on Schedule K-1 (100S), line 14, under the Payments Section of Form 540, line 73 or Form 540NR, line 83. See instructions for Form 540, or Form 540NR for more information.

Alternative Minimum Tax (AMT) Items

Line 15a through Line 15f
Use the information reported on line 15a through line 15f as well as adjustments and tax preference items from other sources to prepare Schedule P (540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations.

For more information about AMT items, get the instructions for federal Schedule K-1 (Form 1120-S).

Items Affecting Shareholder Basis

Amounts on line 16a through line 16e may not necessarily be California source amounts. However, enter the same amount in column (e) as entered in column (d).

Line 16a through Line 16c
Get the instructions for federal Schedule K-1 (Form 1120-S).

Line 16d – Total property distributions (including cash)
Reduce your basis in stock of the S corporation by the fair market value of the distributions on line 16d. If these distributions exceed your basis in stock, the excess is treated as gain from the sale or exchange of property and is reported on Schedule D (540 or 540NR).

Line 16e – Repayment of loans from shareholders
If the line 16e payments are made on indebtedness with a reduced basis, the repayments must be allocated in part to a return of basis in the loan and in part to income. See IRC Section 1367(b)(2) for information on reduction in basis of a loan and restoration of basis of a loan with a reduced basis. See federal Revenue Ruling 68-537, 1968-2 C.B. 372, for more information.

Other Information

Line 17a and Line 17b – Investment income and investment expenses
If the S corporation paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, and federal Publication 550.

Use the column (d) or column (e) amounts on these lines to determine the amount to enter on form FTB 3526, line 4a and line 5.

The amounts shown on line 17a and line 17b include only investment income and expenses included on line 4 through line 6, line 10a, and line 12d of this Schedule K-1 (100S). The S corporation should attach a schedule that shows you the amount of any investment income and expenses included in any other lines of your Schedule K-1 (100S). Use these amounts, if any, to adjust line 17a and line 17b to determine your total investment income and total investment expenses from this S corporation. Combine these totals with investment income and expenses from all other sources to determine the amount to enter on form FTB 3526, line 4a and line 5.

Line 17c – Total taxable dividend distributions
The S corporation must issue a federal Form 1099-DIV to you for this distribution. Report this amount as a taxable dividend on your tax return.

Line 17d – Other information
The S corporation will provide supplemental information required to be reported to you on this line. If the S corporation is claiming tax benefits from a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), the S corporation will give you your pro-rata share

of (1) business income apportioned to the EZ, LAMBRA, MEA, or TTA, and (2) business capital gains and losses included in (1) on this line. Get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; form FTB 3808, Manufacturing Enhancement Area Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary, to claim any applicable credit.

The S corporation may have provided an amount showing your proportionate interest in the S corporation's aggregate gross receipts, less returns and allowances on Schedule K-1 (100S), line 17d. A qualified taxpayer is allowed to exclude from alternative minimum taxable income adjustments and items of tax preference attributable to any trade or business. A "qualified taxpayer" is defined as an individual, estate, or trust that meets both of the following:

- Is the owner of, or has an ownership interest in a trade or business.
- Has aggregate gross receipts, less returns and allowances, of less than $1,000,000 from **all** trades or businesses that the taxpayer is an owner of, or has an ownership interest in, or in the amount of that taxpayer's proportionate interest in each trade or business.

"Aggregate gross receipts, less returns and allowances" means the sum of the gross receipts of the trades or businesses which you own and the proportionate interest of the gross receipts of the trades or businesses which you own and of pass-through entities in which you hold an interest.

"Proportionate interest" is defined as follows:

- In the case of a pass-through entity which reports a profit for the taxable year, your profit interest in the entity at the end of your taxable year.
- In the case of a pass-through entity which reports a loss for the taxable year, your loss interest in the entity at the end of your taxable year.
- In the case of a pass-through entity which is sold or liquidates during the taxable year, your capital account interest in the entity at the time of the sale or liquidation.

"Proportionate interest" includes an interest in a pass-through entity including a partnership, S corporation, regulated investment company, real estate investment trust, or REMIC.

For purposes of R&TC Section 17062(b)(4), "gross receipts" means the sum of gross receipts from the production of business income, within the meaning of subdivisions (a) and (c) of R&TC Section 25120, and the gross receipts from the production of nonbusiness income, within the meaning of subdivision (d) of R&TC Section 25120. "Proportionate interest" includes an interest in a pass-through entity. See R&TC Section 17062 for more information.

The pro-rata share of gain or loss on property subject to the IRC Section 179 expense deduction recapture should be reported on the Schedule K-1 (100S) as other information. Follow the instructions on the federal Form 4797 and federal Schedule K-1 (Form 1120-S) for the reporting requirements.

If the S corporation listed any credit recapture on line 17d, see the applicable tax booklet for information on how to report the credit recapture.

Other State Taxes

Line 18a through Line 18e
You may claim a credit against your individual tax for your share of net income taxes paid by the S corporation to certain other states which either impose a tax on the S corporation or do not recognize S corporation status. For purposes of this credit, net income taxes include your share of taxes on, according to, or measured by income.

Residents are taxed on their pro-rata share of all income and generally receive a credit for taxes paid to other states. Nonresidents and part-year residents use column (e) for your pro-rata share of California source pass-through income.

For more information, get California Schedule S, Other State Tax Credit.

Line 19 – More than one activity for at-risk purposes
When the corporation has more than one activity for at-risk purposes, it will check this box and attach a statement. For more information, get the instructions for federal Schedule K-1 (Form 1120-S), box 18.

Line 20 – More than one activity for passive activity purposes
When the corporation has more than one activity for passive activity purposes, it will check this box and attach a statement. For more information, get the instructions for federal Schedule K-1 (Form 1120-S), box 19.

Other Shareholder Information

Table 1
The income data contained in Table 1 is not reflected in column (e) because the source of such income must be determined at the shareholder level. The shareholder must make a determination whether the nonbusiness intangible income item is from a California source.

Net nonbusiness income is computed by subtracting related nonbusiness expenses from the nonbusiness income.

Table 2
The S corporation will complete Schedule K-1(100S), Table 2, Item A through Item C to report the shareholder's distributive share of property, payroll and sales total within California.

The shareholders will use Schedule K-1(100S), Table 2, Item C to determine if they meet threshold amounts of California property, payroll, and sales.

If the shareholder and S corporation are engaged in a single unitary business, the shareholder's share of the S corporation's business income is entered on Table 2, Item A. The shareholder will then add that income to its own business income and apportion the combined business income.

The shareholder's share of the S corporation's payroll, property, and sales data is in Table 2, Item C. The business income in Table 2, Item A is combined with the shareholder's other business income from the unitary business. The apportionment numerator and denominator data are added to the appropriate numerator and denominator of the shareholder's payroll, property, and sales factors.

R&TC Section 23101 provides that a taxpayer is doing business if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if any of the following conditions are satisfied:

- The taxpayer is organized or commercially domiciled in California.
- The sales as defined in subdivision (e) or (f) of R&TC Section 25120, of the taxpayer in California, including sales by the taxpayer's agents and independent contractors, exceed the lesser of $637,252 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $63,726 or 25% of the taxpayer's total real property and tangible personal property.
- The amount paid in California by the taxpayer for compensation, as defined in subdivision (c) of R&TC Section 25120, exceeds the lesser of $63,726 or 25% of the total compensation paid by the taxpayer.

If the shareholder's distributive share of property, payroll, or sales in California, when combined with the shareholder's property, payroll, or sales in California from other pass-through entities or its own activities, exceeds the threshold amounts set forth in R&TC Section 23101, the shareholder is "doing business" in California and must file a return and pay all applicable taxes, including the minimum franchise tax if the member is a corporation or the applicable annual tax if the member is a business entity that is required to pay an annual tax.

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

Franchise Tax Board Privacy Notice on Collection

Our privacy notice can be found in annual tax booklets or online. Go to **ftb.ca.gov/privacy** to learn about our privacy policy statement, or go to **ftb.ca.gov/forms** and search for **1131** to locate FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection. To request this notice by mail, call 800.338.0505 and enter form code **948** when instructed.

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ftb.ca.gov

2021 Instructions for Form FTB 3539

Payment for Automatic Extension for Corporations and Exempt Organizations

Important Information

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.

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 2021 California (CA) tax return by the original due date.
- The corporation or exempt organization owes tax for the 2021 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	Calendar Year Filers	Fiscal Year Filers: 15th day of the
Form 100 or 100W	April 18, 2022	4th month following the close of the taxable year
Form 100S	March 15, 2022	3rd month following the close of the taxable year
Form 100 for farmers' cooperative	September 15, 2022	9th month following the close of the taxable year
Form 109, generally	May 16, 2022	5th month following the close of the taxable year
Form 109 for employee's trust (IRC 401(a)) or IRA	April 18, 2022	4th month following the close of the taxable year

Extended Filing Dates

The extended date for filing the return is as follows:

Form Filed	Calendar Year Filers	Fiscal Year Filers: 15th day of the
Form 100 or 100W	November 15, 2022	11th month following the close of the taxable year
Form 100S	September 15, 2022	9th month following the close of the taxable year
Form 100 for farmers' cooperative	April 18, 2023	16th month following the close of the taxable year
Form 109, generally	November 15, 2022	11th month following the close of the taxable year
Form 109 for employee's trust (IRC 401(a)) or IRA	October 17, 2022	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. Due to the federal Emancipation Day holiday observed on April 15, 2022, tax returns filed and payments mailed or submitted on April 18, 2022, will be considered timely.

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

Calendar year C corporations — File and Pay by April 18, 2022
Calendar year S corporations – File and Pay by March 15, 2022
Calendar year exempt organizations — File and Pay by May 16, 2022
Employees' trust and IRA — File and Pay by April 18, 2022
Fiscal year filers – See instructions

TAXABLE YEAR **2021**

Payment for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM **3539 (CORP)**

For calendar year 2021 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

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 **ftb.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 **ftb.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**. ACI Payments, Inc. (formerly Official Payments) 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 **ftb.ca.gov** and search for **eft**, or call 916.845.4025.

Where to File

If tax is due and the corporation or exempt organization is not paying electronically through EFT, 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 "2021 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.

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Visit our website:

ftb.ca.gov

TAXABLE YEAR **2021**

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

CALIFORNIA FORM **3805Q**

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

Corporation name | California corporation number | FEIN

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)

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	2021 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 2020	(f) Amount used in 2021	(g) Available balance	(h) Carryover to 2022 col. (e) minus col. (f)
2	◉				◉			◉
	◉				◉			◉
	◉				◉			◉
	◉				◉			◉

Current Year NOLs

								col. (d) minus col. (f) See instructions.
3	2021		DIS					
4	2021							
	2021							
	2021							
	2021							

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

Part III 2021 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

2021 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).

General Information

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

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

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

  For more information, see R&TC Section 24416.23 and situation 1 of FTB Legal Ruling 2011-04 regarding application of NOL suspension provision.
- 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 carryfoward 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** 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.
- The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, are extended by:
  - One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
  - Two years for losses incurred in taxable years beginning before January 1, 2010.
  - Three years for losses incurred in taxable years beginning before January 1, 2009.
  - Four years for losses incurred in taxable years beginning before January 1, 2008.

  For more information, get FTB Legal Ruling 2011-04.
- For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period from 10 taxable years to 20 taxable years following the year of the loss.
- 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 2021 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 2021 NOL carryover to 2022. 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 2021 Form 100, Form 100S, or Form 100W Tax Booklets.

Declared Disasters:

Year	Code	Event
2021	126	River Complex, French, Washington, Windy, KNP Complex and Hopkins Fires (Kern, Mendocino, Siskiyou, Trinity, Tulare, and Tuolumne Counties) 07/21*, 08/21* & 09/21*
2021	125	Fawn Fire (Shasta County) 09/21*
2021	124	Cache Fire (Lake County) 08/21*
2021	123	Caldor Fire (Alpine, Amador, El Dorado, and Placer Counties) 08/21*
2021	122	Dixie, McFarland, and Monument Fires (Shasta, Tehama, and Trinity Counties) 07/21* & 08/21*
2021	121	Antelope and River Fires (Nevada, Placer, and Siskiyou Counties) 08/21*
2021	120	Dixie, Fly, and Tamarack Fires (Alpine, Butte, Lassen, and Plumas Counties) 07/21*
2021	119	Lava and Beckwourth Complex Fires (Lassen, Plumas, and Siskiyou Counties) 06/21* & 07/21*
2021	118	Extreme Winds (Madera and Mariposa Counties) 01/21*
2021	117	Atmospheric River Storm System (Monterey and San Luis Obispo Counties) 01/21*
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 (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*

Year	Code	Event
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*
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*
2018	108	Hill & Woolsey Fires (Los Angeles and Ventura Counties) 11/18*
2018	107	Camp Fire (Butte County) 11/18*
2018	106	Holy Fire (Orange and Riverside Counties) 08/18*
2018	105	River, Ranch & Steele Fires (Lake, Mendocino, and Napa Counties) 07/18*
2018	104	Ferguson Fire (Mariposa County) 07/18*
2018	103	Carr Fire (Shasta County) 07/18*
2018	102	Cranston Fire (Riverside County) 07/18*
2018	101	Monsoonal Rainstorm (San Bernardino County) 07/18*
2018	100	Holiday Fire (Santa Barbara County) 07/18*
2018	99	West Fire (San Diego County) 07/18*
2018	98	Klamathon Fire (Siskiyou County) 07/18*
2018	97	Pawnee Fire (Lake County) 06/18*
2018	96	March Winter Storms (Amador, Fresno, Kern, Mariposa, Merced, Stanislaus, Tulare and Tuolumne Counties) 03/18*
2018	95	Southern California Mudslides (Ventura and Santa Barbara Counties) 01/18*
2017	94	Lilac Fire (San Diego County) 12/17*
2017	93	Creek & Rye Fires (Los Angeles County) 12/17*
2017	92	Thomas Fire (Ventura and Santa Barbara Counties) 12/17*
2017	91	Severe Winter Storms and Snowmelt (Inyo and Mono Counties) 10/17*
2017	90	Solano County Atlas Fire (Solano County) 10/17*
2017	89	Cherokee, LaPorte, Sulphur, Potter, Cascade, Lobo & Canyon Fires (Butte, Lake, Mendocino, Nevada, and Orange Counties) 10/17*
2017	88	Tubbs, Atlas & Multiple Other Fires (Napa, Sonoma, and Yuba Counties) 10/17*
2017	87	Railroad, Pier, Mission & Peak Fires (Madera, Mariposa, Tulare Counties) 08/17 & 09/17*
2017	86	La Tuna Fire (Los Angeles County) 09/17*
2017	85	Ponderosa Fire (Butte County) 08/17*
2017	84	Helena Fire (Trinity County) 08/17*
2016	83	Siskiyou County Rainstorm (Siskiyou County) 12/16* (declared 08/17)
2017	82	San Bernardino County Rainstorm (San Bernardino County) 07/17*
2017	81	Modoc County Fires (Modoc County) 07/17*
2017	80	Detwiler Fire (Mariposa County) 07/17*
2017	79	Alamo & Whittier Fires (Santa Barbara County) 07/17*
2017	78	Wall Fire (Butte County) 07/17*
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) 02/17*
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, Tulare, Tuolumne, Ventura, Yolo, and Yuba Counties) 01/17*
2016	76	December Winter Storms (Del Norte, Humboldt, Mendocino, Shasta, Santa Cruz, and Trinity Counties) 12/16*
2016	75	Blue Cut Fire (San Bernardino County) 08/16*
2016	74	Clayton Fire (Lake County) 08/16*
2016	73	Chimney Fire (San Luis Obispo County) 08/16*
2016	72	Soberanes Fire (Monterey County) 07/16*
2016	71	Sand Fire (Los Angeles County) 07/16*
2016	70	Erskine Fire (Kern County) 06/16*
2015	69	City of Carlsbad Rainstorms (San Diego County) 12/15*
2015	68	Inyo, Kern, and Los Angeles Counties Rainstorms 10/15*
2015	67	Valley Fire (Lake and Napa Counties) 09/15*
2015	66	Butte Fire (Amador and Calaveras Counties) 09/15*
2015	65	Imperial, Kern, Los Angeles, Riverside, San Bernardino, and San Diego Counties Severe Storms 07/15*
2015	64	Lake and Trinity Counties Wildfires 07/15*
2015	63	Butte, El Dorado, Humboldt, Lake, Madera, Napa, Nevada, Sacramento, San Bernardino, San Diego, Shasta, Solano, Tulare, Tuolumne, and Yolo Counties Wildfires 06/15*
2015	62	Santa Barbara County Oil Spill 05/15*
2015	61	Humboldt, Mendocino, and Siskiyou Counties Severe Rainstorms 02/15*
2015	60	Mono County Wildfire 02/15*
2014	59	Severe Winter Storms (Alameda, Contra Costa, Del Norte, Humboldt, Lake, Los Angeles, Marin, Mendocino, Monterey, Orange, San Francisco, San Mateo, Santa Clara, Shasta, Sonoma, Tehama, Ventura, and Yolo Counties) 11/14*
2014	58	King and Boles Wildfires (El Dorado and Siskiyou Counties) 09/14*
2014	57	Napa, Solano, and Sonoma Counties Earthquake 08/14 to 09/14*
2014	56	Siskiyou County Wildfires 08/14*
2014	55	Northern California Wildfires (Amador, Butte, El Dorado, Humboldt, Lassen, Madera, Mariposa, Mendocino, Modoc, Shasta, and Siskiyou Counties) 07/14*
2014	54	San Diego County Wildfires 05/14***
2014	53	Los Angeles County Severe Rainstorms 02/14*
2013	52	Tuolumne, Mariposa, and San Francisco Counties Rim Fire 08/13 to 10/13 **
2011	51	Los Angeles and San Bernardino County Severe Winds 11/11***
2011	50	Santa Cruz County Severe Storms 03/11 ***
2011	49	Mendocino County Tsunami Wave Surge 03/11
2011	48	Del Norte and Santa Cruz County Tsunami Wave Surge 03/11**
2011 2010	47	Severe Winter Storms, Flooding, Debris, and Mud Flows 12/10 to 01/11**
2010	46	San Bruno Explosion
2010	45	Kern County Wildfires
2010	44	CA Winter Storms 01/10 to 02/10
2009	43	Los Angeles, Monterey and Placer County Wildfires
2010	42	Baja California (Imperial County) Earthquake 2010
2010	41	Humboldt County Earthquake
2009	40	Santa Barbara Wildfires
2008	39	Southern California Wildfires 10/08 to 11/08
2008	38	Humboldt County Wildfires
2008	37	California Wildfires 2008
2007	36	Riverside County Winds
2008 2007	35	Inyo Complex Fire
2007	34	Southern California Wildfires
2007	33	Santa Barbara and Ventura County Fires
2007	32	El Dorado County Wildfires
2007	31	California Severe Freeze 01/07
2006	30	Riverside and Ventura County Wildfires****
2006	29	San Bernardino County Wildfires****
2006	28	Northern California flooding, mudslides, and landslides (03/06 to 04/06) Wildfires****
2006	27	Northern California flooding, mudslides, and landslides (01/06)****

*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 2020 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 **ftb.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 2021 disaster loss from Part I, Current year NOL, line 2.
- In column (f), enter the disaster loss used in 2021.
- 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 carryfoward rule for the taxable year the NOL was created would apply. The corporation carries forward the 2021 NOL attributable to the disaster loss for 20 years.

If the corporation **elected under IRC Section 165(i)** to deduct the 2021 disaster loss on the 2020 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 2021.
- In column (b), enter the new disaster code.
- In column (d), enter the total disaster loss incurred in 2021.

NOL Carryover

Type of NOL and Description ***Note:** 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 General Information. 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.	Taxable Year NOL Incurred	NOL Carried Over	Carryover* Period
General 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[1]-2007 2004-2005	100% 100% 100%	20 Years 10 Years Expired
Disaster Losses Disaster losses are casualty losses in areas of California declared by the President of the United States or the Governor of California to be in a state of disaster. For taxable years beginning on or after January 1, 2014, and before January 1, 2024, if the disaster is declared by the Governor of California only, no subsequent state legislation is required for the disaster loss provisions to be activated. For taxable years before 2014, if the disaster was declared by the Governor only, subsequent state legislation was required for the disaster provision to be activated.	See "Declared Disasters list" under Part II instructions		
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, 100% of that remaining loss may be carried over for up to ten additional taxable years for losses incurred in any taxable year beginning on or after January 1, 2004.	Prior to 01/01/2011	100%	First 5 Years 10 Years Thereafter
The following rules would apply if state legislation is enacted; **or** the President declared an area a major disaster; **or** the Governor declared an area a major disaster for taxable years beginning on or after January 1, 2014:	On or after 01/01/2011	See Description	See Description
The corporation can claim 100% of the disaster loss deduction in the year the loss was incurred, or make an election under IRC Section 165(i) to claim the disaster loss deduction against the previous year's income. For taxable years beginning on or after January 1, 2011, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years.			
New Business Get FTB Legal Ruling 96-5 for more information.	On or after 01/01/2008	100%	20 Years
NB means any trade or business activity that is first commenced in California on or after January 1, 1994. 100% of an NB NOL may be carried over, but only to the extent of the net loss from the new business. The term "new business" also includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the SIC Manual. Also, it includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration. See R&TC 24416(g)(7)(A) for more information.	On or after 01/01/2000[1] and before 01/01/2008	100% For the first three years of business	10 Years
If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL.			
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.			
Eligible Small Business Get FTB Legal Ruling 96-5 for more information.	On or after 01/01/2008	100%	20 Years
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.	On or after 01/01/2000[1] and before 01/01/2008	100%	10 Years
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.			

[1]Generally, for Gen, NB or ESB NOLs incurred on or after 01/01/2000 and before 01/01/2007, the carryover period has expired unless further extended due to the 2020-2022 suspension. For NOLs incurred on or after 01/01/2007 and before 01/01/2008, 2021 is the last taxable year to claim the NOL carryover deduction unless further extended due to the 2020-2022 suspension. **See Note above for exception.**

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 100S, Side 4, Schedule F, line 1a) plus all other income (Form 100S, Side 4, Schedule F, lines 4 and 5). 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 100S, Question C. For the business activity code number, 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

Code

Merchant Wholesalers, Nondurable Goods
- 424100 Paper & Paper Products
- 424210 Drugs & Druggists' Sundries
- 424300 Apparel, Piece Goods, & Notions
- 424400 Grocery & Related Products
- 424500 Farm Product Raw Materials
- 424600 Chemical & Allied Products
- 424700 Petroleum & Petroleum Products
- 424800 Beer, Wine, & Distilled Alcoholic Beverages
- 424910 Farm Supplies
- 424920 Book, Periodical, & Newspapers
- 424930 Flower, Nursery Stock, & Florists' Supplies
- 424940 Tobacco & Tobacco Products
- 424950 Paint, Varnish, & Supplies
- 424990 Other Miscellaneous Nondurable Goods

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

Retail Trade

Motor Vehicle and Parts Dealers
- 441110 New Car Dealers
- 441120 Used Car Dealers
- 441210 Recreational Vehicle Dealers
- 441222 Boat Dealers
- 441228 Motorcycle, ATV, and All Other Motor Vehicle Dealers
- 441300 Automotive Parts, Accessories, & Tire Stores

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

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

Building Material and Garden Equipment and Supplies Dealers
- 444110 Home Centers
- 444120 Paint & Wallpaper Stores
- 444130 Hardware Stores
- 444190 Other Building Material Dealers
- 444200 Lawn & Garden Equipment & Supplies Stores

Food and Beverage Stores
- 445110 Supermarkets and Other Grocery (except Convenience) Stores
- 445120 Convenience Stores
- 445210 Meat Markets
- 445220 Fish & Seafood Markets
- 445230 Fruit & Vegetable Markets
- 445291 Baked Goods Stores
- 445292 Confectionery & Nut Stores
- 445299 All Other Specialty Food Stores
- 445310 Beer, Wine, & Liquor Stores

Health and Personal Care Stores
- 446110 Pharmacies & Drug Stores
- 446120 Cosmetics, Beauty Supplies, & Perfume Stores
- 446130 Optical Goods Stores
- 446190 Other Health & Personal Care Stores

Gasoline Stations
- 447100 Gasoline Stations (including convenience stores with gas)

Code

Clothing and Clothing Accessories Stores
- 448110 Men's Clothing Stores
- 448120 Women's Clothing Stores
- 448130 Children's & Infants' Clothing Stores
- 448140 Family Clothing Stores
- 448150 Clothing Accessories Stores
- 448190 Other Clothing Stores
- 448210 Shoe Stores
- 448310 Jewelry Stores
- 448320 Luggage & Leather Goods Stores

Sporting Goods, Hobby, Book, and Music Stores
- 451110 Sporting Goods Stores
- 451120 Hobby, Toy, & Game Stores
- 451130 Sewing, Needlework, & Piece Goods Stores
- 451140 Musical Instrument & Supplies Stores
- 451211 Book Stores
- 451212 News Dealers & Newsstands

General Merchandise Stores
- 452200 Department Stores
- 452300 General Merchandise Stores, incl. Warehouse Clubs and Supercenters

Miscellaneous Store Retailers
- 453110 Florists
- 453210 Office Supplies & Stationery Stores
- 453220 Gift, Novelty, & Souvenir Stores
- 453310 Used Merchandise Stores
- 453910 Pet & Pet Supplies Stores
- 453920 Art Dealers
- 453930 Manufactured (Mobile) Home Dealers
- 453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers
- 454110 Electronic Shopping & Mail-Order Houses
- 454210 Vending Machine Operators
- 454310 Fuel Dealers (including Heating Oil and Liquefied Petroleum)
- 454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation and Warehousing

Air, Rail, and Water Transportation
- 481000 Air Transportation
- 482110 Rail Transportation
- 483000 Water Transportation

Truck Transportation
- 484110 General Freight Trucking, Local
- 484120 General Freight Trucking, Long-distance
- 484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation
- 485110 Urban Transit Systems
- 485210 Interurban & Rural Bus Transportation
- 485310 Taxi and Ridesharing Services
- 485320 Limousine Service
- 485410 School & Employee Bus Transportation
- 485510 Charter Bus Industry
- 485990 Other Transit & Ground Passenger Transportation

Pipeline Transportation
- 486000 Pipeline Transportation

Scenic & Sightseeing Transportation
- 487000 Scenic & Sightseeing Transportation

Code

Support Activities for Transportation
- 488100 Support Activities for Air Transportation
- 488210 Support Activities for Rail Transportation
- 488300 Support Activities for Water Transportation
- 488410 Motor Vehicle Towing
- 488490 Other Support Activities for Road Transportation
- 488510 Freight Transportation Arrangement
- 488990 Other Support Activities for Transportation

Couriers and Messengers
- 492110 Couriers
- 492210 Local Messengers & Local Delivery

Warehousing and Storage
- 493100 Warehousing & Storage (except lessors of miniwarehouses & self- storage units)

Information

Publishing Industries (except Internet)
- 511110 Newspaper Publishers
- 511120 Periodical Publishers
- 511130 Book Publishers
- 511140 Directory & Mailing List Publishers
- 511190 Other Publishers
- 511210 Software Publishers

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

Broadcasting (except Internet)
- 515100 Radio & Television Broadcasting
- 515210 Cable & Other Subscription Programming

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

Data Processing Services
- 518210 Data Processing, Hosting, & Related Services

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

Finance and Insurance

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

Nondepository Credit Intermediation
- 522210 Credit Card Issuing
- 522220 Sales Financing
- 522291 Consumer Lending
- 522292 Real Estate Credit (including mortgage bankers & originators)
- 522293 International Trade Financing
- 522294 Secondary Market Financing
- 522298 All Other Nondepository Credit Intermediation

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

Securities, Commodity Contracts, and Other Financial Investments and Related Activities
- 523110 Investment Banking & Securities Dealing
- 523120 Securities Brokerage

Code

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

Insurance Carriers and Related Activities
- 524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
- 524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
- 524210 Insurance Agencies & Brokerages
- 524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

Funds, Trusts, and Other Financial Vehicles
- 525100 Insurance & Employee Benefit Funds
- 525910 Open-End Investment Funds (Form 1120-RIC)
- 525920 Trusts, Estates, & Agency Accounts
- 525990 Other Financial Vehicles (including mortgage REITs & closed-end investment funds)

"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under **Management of Companies (Holding Companies)** on next page.

Real Estate and Rental and Leasing

Real Estate
- 531110 Lessors of Residential Buildings & Dwellings (including equity REITs)
- 531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)
- 531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)
- 531190 Lessors of Other Real Estate Property (including equity REITs)
- 531210 Offices of Real Estate Agents & Brokers
- 531310 Real Estate Property Managers
- 531320 Offices of Real Estate Appraisers
- 531390 Other Activities Related to Real Estate

Rental and Leasing Services
- 532100 Automotive Equipment Rental & Leasing
- 532210 Consumer Electronics & Appliances Rental
- 532281 Formal Wear & Costume Rental
- 532282 Video Tape & Disc Rental
- 532283 Home Health Equipment Rental
- 532284 Recreational Goods Rental
- 532289 All Other Consumer Goods Rental
- 532310 General Rental Centers
- 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)
- 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

Professional, Scientific, and Technical Services

Legal Services
- 541110 Offices of Lawyers
- 541190 Other Legal Services

Code

Accounting, Tax Preparation, Bookkeeping, and Payroll Services

541211 Offices of Certified Public Accountants
541213 Tax Preparation Services
541214 Payroll Services
541219 Other Accounting Services

Architectural, Engineering, and Related Services

541310 Architectural Services
541320 Landscape Architecture Services
541330 Engineering Services
541340 Drafting Services
541350 Building Inspection Services
541360 Geophysical Surveying & Mapping Services
541370 Surveying & Mapping (except Geophysical) Services
541380 Testing Laboratories

Specialized Design Services

541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)

Computer Systems Design and Related Services

541511 Custom Computer Programming Services
541512 Computer Systems Design Services
541513 Computer Facilities Management Services
541519 Other Computer Related Services

Other Professional, Scientific, and Technical Services

541600 Management, Scientific, & Technical Consulting Services
541700 Scientific Research & Development Services
541800 Advertising & Related Services
541910 Marketing Research & Public Opinion Polling
541920 Photographic Services
541930 Translation & Interpretation Services
541940 Veterinary Services
541990 All Other Professional, Scientific, & Technical Services

Management of Companies (Holding Companies)

551111 Offices of Bank Holding Companies
551112 Offices of Other Holding Companies

Administrative and Support and Waste Management and Remediation Services

Administrative and Support Services

561110 Office Administrative Services
561210 Facilities Support Services
561300 Employment Services
561410 Document Preparation Services
561420 Telephone Call Centers
561430 Business Service Centers (including private mail centers & copy shops)
561440 Collection Agencies
561450 Credit Bureaus
561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)

Code

561500 Travel Arrangement & Reservation Services
561600 Investigation & Security Services
561710 Exterminating & Pest Control Services
561720 Janitorial Services
561730 Landscaping Services
561740 Carpet & Upholstery Cleaning Services
561790 Other Services to Buildings & Dwellings
561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)

Waste Management and Remediation Services

562000 Waste Management & Remediation Services

Educational Services

611000 Educational Services (including schools, colleges, & universities)

Health Care and Social Assistance

Offices of Physicians and Dentists

621111 Offices of Physicians (except mental health specialists)
621112 Offices of Physicians, Mental Health Specialists
621210 Offices of Dentists

Offices of Other Health Practitioners

621310 Offices of Chiropractors
621320 Offices of Optometrists
621330 Offices of Mental Health Practitioners (except Physicians)
621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists
621391 Offices of Podiatrists
621399 Offices of All Other Miscellaneous Health Practitioners

Outpatient Care Centers

621410 Family Planning Centers
621420 Outpatient Mental Health & Substance Abuse Centers
621491 HMO Medical Centers
621492 Kidney Dialysis Centers
621493 Freestanding Ambulatory Surgical & Emergency Centers
621498 All Other Outpatient Care Centers

Medical and Diagnostic Laboratories

621510 Medical & Diagnostic Laboratories

Home Health Care Services

621610 Home Health Care Services

Code

Other Ambulatory Health Care Services

621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)

Hospitals

622000 Hospitals

Nursing and Residential Care Facilities

623000 Nursing & Residential Care Facilities

Social Assistance

624100 Individual & Family Services
624200 Community Food & Housing, & Emergency & Other Relief Services
624310 Vocational Rehabilitation Services
624410 Child Day Care Services

Arts, Entertainment, and Recreation

Performing Arts, Spectator Sports, and Related Industries

711100 Performing Arts Companies
711210 Spectator Sports (including sports clubs & racetracks)
711300 Promoters of Performing Arts, Sports, & Similar Events
711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures
711510 Independent Artists, Writers, & Performers

Museums, Historical Sites, and Similar Institutions

712100 Museums, Historical Sites, & Similar Institutions

Amusement, Gambling, and Recreation Industries

713100 Amusement Parks & Arcades
713200 Gambling Industries
713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)

Accommodation and Food Services

Accommodation

721110 Hotels (except Casino Hotels) & Motels
721120 Casino Hotels
721191 Bed & Breakfast Inns
721199 All Other Traveler Accommodation
721210 RV (Recreational Vehicle) Parks & Recreational Camps
721310 Rooming & Boarding Houses Dormitories, & Workers' Camps

Code

Food Services and Drinking Places

722300 Special Food Services (including food service contractors & caterers)
722410 Drinking Places (Alcoholic Beverages)
722511 Full Service Restaurants
722513 Limited Service Restaurants
722514 Cafeterias and Buffets
722515 Snack and Non-alcoholic Beverage Bars

Other Services

Repair and Maintenance

811110 Automotive Mechanical & Electrical Repair & Maintenance
811120 Automotive Body, Paint, Interior, & Glass Repair
811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)
811210 Electronic & Precision Equipment Repair & Maintenance
811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance
811410 Home & Garden Equipment & Appliance Repair & Maintenance
811420 Reupholstery & Furniture Repair
811430 Footwear & Leather Goods Repair
811490 Other Personal & Household Goods Repair & Maintenance

Personal and Laundry Services

812111 Barber Shops
812112 Beauty Salons
812113 Nail Salons
812190 Other Personal Care Services (including diet & weight reducing centers)
812210 Funeral Homes & Funeral Services
812220 Cemeteries & Crematories
812310 Coin-Operated Laundries & Drycleaners
812320 Drycleaning & Laundry Services (except Coin-Operated)
812330 Linen & Uniform Supply
812910 Pet Care (except Veterinary) Services
812920 Photofinishing
812930 Parking Lots & Garages
812990 All Other Personal Services

Religious, Grantmaking, Civic, Professional, and Similar Organizations

813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)

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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**.

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
California Relay Service:	711 or 800.735.2929 for persons with hearing or speaking limitations
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
Servicio de Retransmisión de California:	711 o 800.735.2929 para personas con limitaciones auditivas o del habla
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. For more information get FTB 4058, California Taxpayers' Bill of Rights.

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?