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California

Forms & Instructions

109

2016

Exempt Organization Business
Income Tax Booklet

Members of the Franchise Tax Board
Betty T. Yee, Chair
Fiona Ma, CPA, Member
Michael Cohen, Member

This booklet contains:

Form 109, California Exempt Organization Business Income Tax Return

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STATE OF CALIFORNIA
Franchise Tax Board

2016 Instructions for Form 109

California Exempt Organization Business 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).

What's New

Extension Due Date Change – For taxable years beginning on or after January 1, 2016, the extension period for filing an exempt organization tax return has changed from seven months to six months. Get FTB Notice 2016-04 for more information.

New California Motion Picture and Television Production Credit – For taxable years beginning on or after January 1, 2016, a **new** California motion picture and television production credit will be allowed to a qualified taxpayer. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

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

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

Low-Income Housing Credit

Allocations to Partners – For partnerships owning projects that receive a preliminary reservation of the Low-Income Housing Credit (LIHC) before January 1, 2020, the prior law exception that requires a partnership to allocate the credit among partners based upon the partnership agreement is re-enacted.

Sale of Credit – For projects that receive a preliminary reservation of the LIHC beginning on or after January 1, 2016, and before January 1, 2020, a taxpayer may make an irrevocable election in its application to the California Tax Credit Allocation Committee to sell all or any portion of the LIHC allowed to one or more unrelated parties for each taxable year in which the credit is allowed. An original purchaser is allowed a one-time resale of that credit to one or more unrelated parties. For more information, get form FTB 3521, Low-Income Housing Credit, or go to the California Tax Credit Allocation Committee website at **treasurer.ca.gov/ctcac**.

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.

Extend the Time for Payment of Taxes for Corporations Expecting Net Operating Losses (NOL) Carryback – A corporation or an exempt organization that expects an NOL in the 2017 taxable year, can file form FTB 3593, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to extend the time for payment of taxes for the immediately preceding 2016 taxable year. This includes extending the time for payment of a tax deficiency. The payment of tax that can be postponed cannot exceed the expected overpayment from the carryback of the NOL. For more information, get form FTB 3593.

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

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

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

Repeal of Geographically Targeted Economic Development Area Tax Incentives – The California legislature repealed and made changes to all of the Geographically Targeted Economic Development Area (G-TEDA) Tax Incentives. Enterprise Zones (EZ) and Local Agency Military Base Recovery Areas (LAMBRA) were repealed on January 1, 2014. The Targeted Tax Areas (TTA) and Manufacturing Enhancement Areas (MEA) both expired on December 31, 2012.

Note: For employers engaged in a trade or business in a former Economic Development Area (EDA), the hiring credit can be generated for qualified employees hired on or before the date of expiration or repeal of the EDA for the full five-year period of the hiring credit. However, the hiring credit cannot be generated for any employees hired after the date of expiration or repeal of the EDA. For more information, get the applicable EDA booklet, or go to **ftb.ca.gov** and search for **repeal tax incentives**.

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

California e-Postcard – Effective for taxable years beginning on or after January 1, 2012, small tax-exempt organizations with gross receipts normally equal to or less than $50,000 are required to file FTB 199N, Annual Electronic Filing Requirement for Small Tax-Exempt Organizations (California e-Postcard). For more information go to **ftb.ca.gov** and search for **199N**.

Community Development Financial Institutions Investment Credit – The Community Development Financial Institutions Investment Credit has been extended for taxable years beginning on or after January 1, 2012, and before January 1, 2017.

Doing Business – 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 $547,711 or 25% of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in California exceed the lesser of $54,771 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 $54,771 or 25% of the total compensation paid by the taxpayer.

In determining the amount of the taxpayer's sales, property, and payroll for doing business purposes, include the taxpayer's pro rata share of amounts from partnerships and S corporations. For more information, refer to R&TC Section 23101 or go to **ftb.ca.gov** and search for **doing business**.

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

Finnigan Rule – R&TC Section 25135(b) adopts the Finnigan rule in assigning sales from tangible personal property. For more information regarding Finnigan Rule, go to **ftb.ca.gov** and search for **corporation law changes**.

Backup Withholding – With certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the FTB on income sourced to California. If the tax-exempt entity (payee) has backup withholding, the tax-exempt entity (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**.

IRC Sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), or 501(c)(7) Organizations – California law allows federally tax-exempt IRC Sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), or 501(c)(7) organizations to be exempt from state income taxes after submitting

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form FTB 3500A, Submission of Exemption Request, and a federal determination letter to the FTB. To establish state tax-exempt status using the federal determination letter file form FTB 3500A. Go to **ftb.ca.gov** and search for **3500A**.

Revoke Tax-Exempt Status – The organization must notify the FTB when the IRS revokes their federal tax-exempt status. The FTB will revoke the tax-exempt status if the entity fails to meet certain state provisions governing exempt organizations.

Retroactive Tax-Exempt Status – If an organization files form FTB 3500, Exemption Application, the FTB may require the organization to file exempt returns for the period of time the exemption is requested prior to issuing a determination letter. For more information, get form FTB 3500, or go to **ftb.ca.gov** and search for **3500**.

California Disclosure Obligations – If the organization was involved in a reportable transaction, including a listed transaction, the organization may have a disclosure requirement. Attach the federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the organization fails to file federal Form 8886, or any other required information.

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

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

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

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

A Purpose

A tax-exempt organization that regularly carries on a trade or business not substantially related to its exempt purpose may be required to pay tax on the unrelated trade or business income that results from such activity. Use Form 109, California Exempt Organization Business Income Tax Return, to figure the tax on the unrelated business income of the organization.

Filing Form 109 does not replace the requirement to file Form 199, California Exempt Organization Annual Information Return or FTB 199N. State and federal laws are generally the same in this area. Get federal Form 990-T, Exempt Organization Business Income Tax Return, and instructions for detailed information.

B Unrelated Trade or Business

Unrelated trade or business is any regularly carried on trade or business that is not substantially related to the organization's exempt purpose or function, or to exercising or performing any purpose or function described in R&TC Section 23701.

Exceptions: An unrelated trade or business does not include:

- An activity where substantially all the work in carrying on the trade or business is performed by volunteers (without compensation).
- An activity that is carried on by an R&TC Section 23701d organization primarily for the convenience of its members, students, patients, officers, or employees.
- An activity that is carried on by a local association of employees described in R&TC Section 23701f, organized before May 27, 1969, such as selling work-related clothes, equipment, and items normally sold through vending machines, snack bars, etc., for the convenience of its members at their usual workplace.
- The sale of merchandise that was donated to the organization.

For additional information, see IRC Section 513.

Unrelated Business Taxable Income
Unrelated business taxable income is the gross income derived from any regularly carried on unrelated trade or business less the deductions that are directly connected with carrying on the unrelated trade or business.

In the case of an organization that regularly conducts two or more unrelated business activities, unrelated business taxable income is the sum of gross income from all such unrelated business activities, less the sum of the deductions that are directly connected with carrying on the unrelated trade or business.

Expenses, depreciation, and similar items that arise from conducting the exempt function are not deductible in computing unrelated business taxable income. However, expenses directly connected with unrelated business income are deductible (see Specific Line Instructions for Side 2, Part I and Part II, Unrelated Business Taxable Income, line 20, for the exception concerning contributions).

For additional information, see IRC Section 512.

C Exclusions

Items excluded from unrelated business taxable income are:

1. Dividends, interest, annuities, and deductions directly connected with such income. However, unrelated debt-financed income and income derived from controlled organizations is taxable, whether or not the activities that produced such income represent a regularly carried on trade or business.
2. Royalties (including overriding royalties) and deductions directly connected with such income. Mineral royalties are excluded whether measured by production or by gross or taxable income from the mineral property. However, where the organization owns a working interest in a mineral property and is not relieved of its share of the development costs by the terms of any agreement with an operator, income received from the working interest cannot be excluded. Debt-financed royalty income is taxable whether or not the organization owns a working interest in the property.
3. Rents from real property (including elevators and escalators) and rents from personal property leased with such real property and deductions directly connected with such rents.

   Rents attributable to personal property must be an incidental amount of the total rents received or accrued under the lease determined at the time when the property is first subject to use by the lessee. Rents attributable to personal property generally are not an incidental amount of the total rents if the rents attributable to personal property exceed 10% of the total rents from all the property leased. See federal Treasury Regulation Section 1.512(b)-1(c)(3)(iii) regarding multiple leases.

   The exclusion will not apply if such rents are derived from a controlled organization or the property leased is debt-financed property. If the rents are derived from the leasing of debt-financed property to a controlled organization, the taxation of rents is first considered under the controlling organization rules. Only the untaxed portion of rents is subject to the unrelated debt-financed income rules.
4. Gains or losses from the sale, exchange, or other disposition of property, except:
   a. Stock in trade or other property that would be includible in inventory if on hand at the close of the taxable year.
   b. Property held primarily for sale to customers in the ordinary course of the trade or business, or real property and all gains or losses from the forfeiture of good-faith deposits (that are consistent with established business practice) for the purchase, sale, or lease of real property in connection with the organization's investment activities as described in IRC Section 512. The cutting of lumber is considered a sale or exchange of such timber and results in unrelated business taxable income. (See Specific Line Instructions for Side 2, Part I, Unrelated Business Taxable Income, lines 4a, 4b, and 4c, for treatment of capital gains or ordinary losses).
   c. Certain gains on debt-financed and depreciable property.
5. The income and deductions resulting from:
   a. Organizations performing research for the government.
   b. A college, university, or hospital performing research for any person.
   c. Organizations operating primarily for fundamental research.
6. Certain investment income for pension funds. These include:
   a. The gains or losses on the lapse or termination of securities options (IRC Section 512(b)(5)).
   b. Loan commitment fees (IRC Section 512(b)(1)).
   c. The gains from the sale, exchange, or disposition of real property and mortgages acquired from financial institutions in conservatorship or receivership (IRC Section 512(b)(16)).
7. Annual dues not exceeding $100 paid to an agricultural or horticultural organization described in IRC Section 512(d).

Exception
The exclusion rules described above **do not** apply to social and recreational clubs (R&TC Section 23701g), voluntary employees'

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beneficiary associations (R&TC Section 23701i), and supplemental unemployment compensation benefits trusts (R&TC Section 23701n).

California law is the same as federal law for organizations described in IRC Sections 501(c)(7) and 501(c)(9).

Controlled organization means in the case of:

- A Stock Corporation – ownership (by vote or value) of more than 50% of stock in the corporation.
- A Partnership – ownership of more than 50% of the profits, interest, or capital interests in the partnership.
- Any other Case – ownership of more than 50% of the beneficial interest in the entity.

D Exempt Function Income

Exempt function income is any of the following:

a. The amount derived from dues, fees, charges, or similar amounts of gross income from members.
b. The amount (other than gross income derived from any unrelated trade or business that is regularly carried on) set aside for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.
c. In the case of an organization described in R&TC Section 23701i, the amount set aside for the payment of life, sick, accident, or other benefits.

E Income to Be Reported

Corporations and Associations
Report all income from an unrelated trade or business whether derived from sources within or outside California.

Apportion all unrelated business income attributable to sources both within and outside California. See the instructions for Form 109, Side 1, line 2, and Schedule R, Apportionment Formula Worksheet, Side 3.

Trusts
Report all income from an unrelated trade or business derived from sources within California. If income is derived from sources outside California and one or more trustees are residents, report the proportion of income that the resident trustees bear to the total of all trustees.

At-Risk Provisions
For the rules limiting a loss to the amount at risk for certain trade or business and production of income activities, get federal Form 6198, At-Risk Limitations.

Passive Activity Loss and Credit Limitation
For California purposes, the passive loss rules of IRC Section 469 (except for IRC Section 469(c)(7)) apply to closely held corporations, S corporations, personal service corporations, and trusts. Organizations subject to passive loss rules must complete form FTB 3801, Passive Activity Loss Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure their allowable passive activity loss.

An organization subject to the passive activity loss limitations may also be required to adjust credits attributable to passive activities on form FTB 3801-CR, Passive Activity Credit Limitations, or form FTB 3802.

If a passive activity is also subject to the at-risk rules of IRC Section 465, the at-risk rules apply before the passive loss rules apply. Get federal Publication 925, Passive Activity and At-Risk Rules.

F Who Must File

Every organization with California tax-exempt status must file Form 109 if the gross income from an unrelated trade or business is more than $1,000. See General Information B, Unrelated Trade or Business.

Exceptions
A tax-exempt organization is not required to file Form 109 if all of the following apply:

- It is formed to carry out a function of the state.
- It is carrying out that function.
- It is controlled by the state.

Exempt homeowners' associations and exempt political organizations that have a taxable income over $100 must file Form 100, California Corporation Franchise or Income Tax Return.

G Mailing Addresses

Mail returns with payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0501

Mail refund returns or returns without a payment or paid by EFT or Web Pay to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0500

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.

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

If the organization files more than one return, use separate envelopes and checks or money orders to make sure the returns and payments are processed correctly.

H When to File

Generally, Form 109 is due on or before the 15th day of the 5th month following the close of the taxable year. An employees' trust defined in IRC Section 401(a) an IRA, or a Coverdell ESA must file Form 109 by the 15th day of the 4th month after the end of the taxable year.

U.S. Post Office
Official U.S. Post Office postmarks are considered primary evidence of the date of filing of income tax documents and payments. Postage meter dates are not considered proof of filing on the date shown.

Private Delivery Services
California conforms to federal law regarding the use of designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See the federal instructions for Form 990-T, for a list of designated delivery services.

I Extension of Time to File Return

If Form 109 cannot be filed by the due date, the exempt organization has six additional months to file without filing a written request for extension. However, an organization that is not in good standing or is suspended on the original due date of the return will not be given an extension of time to file. To avoid late payment penalties, the organization must pay 100% of the tax liability by the original due date of the return.

If an extension of time is needed, and an unpaid tax liability is owed, get form FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations.

If the return is not filed by the extended due date, a delinquent filing penalty is charged from the original due date of the return.

J Tax Rates

Corporations and Associations
The tax rate imposed on the unrelated business income of an incorporated exempt organization or association treated as a corporation is 8.84%. The alternative minimum tax (AMT) rate is 6.65%.

Any organization determined to be exempt from income or franchise tax by the FTB does not owe the minimum franchise tax.

Trusts
See the Tax Rate Schedule for Trusts on page 9.

K Payment of Tax

The tax due (total tax minus amounts previously paid) must be paid in full by the original due date of the return. Any credit or payment should be claimed on the return and considered in computing the tax due with the return. Get instructions for Form 100-ES, Corporation Estimated Tax, for information regarding how and when to pay estimated tax. Trusts completing Form 100-ES use the Tax Rate Schedule for Trusts on page 9 to figure the correct amount of tax.

Estimated Tax Payments – Organizations 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.

Web Pay
Exempt organizations can make payments online using Web Pay for Businesses. Exempt organizations can make an immediate payment or schedule payments up to a year in advance. For more information, go to **ftb.ca.gov**.

Credit Card
Organizations can use a Discover, MasterCard, Visa, or American Express Card to pay businesses taxes. Go to **officialpayments.com**. Official Payments Corp. charges a convenience fee for using this service.

Electronic Funds Transfer (EFT)
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 an organization 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. Organizations required to remit electronically may use Web Pay, or a credit card and be considered in compliance with that requirement. The FTB notifies organizations that are subject to these requirements. Those that do not meet these requirements may participate on a voluntary basis. For more information, go to **ftb.ca.gov** and search for **EFT** or call 916.845.4025.

L 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 the sales tax paid on purchases made in California. If the exempt organization has not already paid all use tax due to the Board of Equalization, it may be

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able to report and pay the use tax due on its state income tax return. However, exempt organizations required to hold a California seller's permit or to otherwise register with the Board of Equalization for sales and use tax purposes may not report use tax on their state income tax return. See the information below and the instructions for line 20 of the income tax return.

In general, exempt organizations 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.

Exempt organizations must pay California use tax on taxable items if:

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

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

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

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

Complete the Use Tax Worksheet on page 6 to calculate the amount due.

Extension to file. If the exempt organization requests an extension to file the tax return, wait until the exempt organization files the return to report the purchases subject to use tax and to make the use tax payment.

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

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

Changes in Use Tax Reported. Do not file an amended return to revise the use tax previously reported. If the exempt organization has changes to the amount of use tax previously reported on the original tax return, contact the Board of Equalization.

For assistance, go to the Board of Equalization's website at **boe.ca.gov** or call their Customer Service Center at 800.400.7115 or (TTY) 711 (for hearing and speech disabilities).For California income tax information, contact the Franchise Tax Board at **ftb.ca.gov**.

M Penalties and Interest

Late Filing of Return
Any organization that fails to file a return on or before the extended due date may be assessed a penalty. The penalty cannot exceed 25% of the unpaid tax.

Late Payment of Tax
Any organization that fails to pay the total tax shown on the return 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 a month (not to exceed 40 months), that the tax remains unpaid. This penalty cannot exceed 25% of the unpaid tax.

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 is paid by the original due date of the return. If an organization 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 organization that fails to pay, pays late, or underpays an installment of estimated tax is assessed a penalty. The penalty is computed as a percentage of the underpayment for the underpayment period. Get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, or form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

If the organization uses annualized income method on form FTB 5805, Part III, or form 5806, Exception B or Exception C to complete or eliminate the penalty for any of the four installments, a completed form FTB 5805 or form FTB 5806 must be attached to the front of the tax return.

EFT Penalty
If the organization meets the requirements of the EFT program, all payments must be made through EFT. Payment by other means will result in a penalty of 10% of the amount paid. For more information, see General Information K, Payment of Tax, or call the FTB at 916.845.4025.

Interest
Interest is due and payable on any tax due that is not paid by the original due date of the return. An extension of time to file a return does not stop interest from accruing.

N Net Operating Loss

The NOL carryover deduction is the amount of the NOL carryover from prior years that may be deducted from income in the current taxable year. If the full amount of the NOL carryover may not be deducted this year, complete and attach the appropriate NOL form showing the computation of the NOL carryover to future years.

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

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

For more information, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations; form FTB 3805V Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts; form FTB 3805D, Net Operating Loss (NOL) Carryover Computation and Limitation — Pierce's Disease; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

O Alternative Minimum Tax (AMT)

California law is generally the same as federal law regarding AMT. AMT is reported on Side 1, line 13. Trusts subject to AMT must file Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries. Corporations and unincorporated associations subject to AMT must file Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations.

P Information Returns

The organization must file federal Form 1099 series information returns with the FTB as well as the IRS to report certain payments made or received by the organization. Reportable payments include, but are not limited to:

- **All amounts paid** to an attorney whether or not the services are performed for the payer, and all amounts paid by a broker or barter exchange.
- **Payments exceeding $10** annually for interest (earned) and dividends.
- **Payments exceeding $600** annually for compensation for services that are 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.
- **Cash payments over $10,000** received in a trade or business.

For more information, see the IRS General Instructions for federal Forms 1098, Mortgage Interest Statement; 1099, series; 5498, IRA Contribution Information; W2-G, Certain Gambling Winnings; and 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.

Q Federal Form 990-T

See the Instructions for federal Form 990-T, Schedule E for more information regarding:

1. Debt-financed property.
2. Allocation rules for debt-financed property.
3. Acquisition indebtedness.
4. Average acquisition indebtedness.
5. Average adjusted basis.
6. Adjusted basis of property.

For the special rules for holding companies, R&TC Sections 23701h and 23701x and IRC Sections 501(c)(2) and 501(c)(25), see federal Form 990-T, General Instructions for Consolidated Returns.

R Amended Return

To correct or change a previously filed Form 109, file a new Form 109 and check the amended return box on Form 109, side 1, question E. Attach a statement that identifies the line number of each amended item, corrected amount, and explanation of the reason(s) for each change.

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Specific Line Instructions

Accounting Period
File Form 109 for calendar year 2016, and for a fiscal year beginning in 2016. Fiscal year filers complete the tax year information on the top of side 1. Include the month, day, and year for that taxable period.

Entity Information
Provide the following:
- California Corporation or Entity number.
- FEIN
- Organization's legal name
- Address

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

Foreign Address – If the exempt organization 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.

Question F – Accounting Method
Use the same method the organization uses for maintaining its books and records to compute taxable income.

Line 2 – Apportionment Formula
Unrelated business income of corporations and associations attributable to sources within and outside California is apportioned. Use Schedule R, Side 3 of the Form 109, to determine the apportionment percentage.

Line 6 – Pierce's disease, EZ, LARZ, LAMBRA, or TTA NOL carryover deduction
For more information, see Form 100 instructions.

Line 7 – Net Operating Loss deduction
Attach the appropriate form to Form 109. See General Information N, Net Operating Loss, for more information.

Line 11 – Tax Credits from Schedule B
Enter the total from Form 109, Side 3, Schedule B, Tax Credits, line 4. Attach all credit forms, schedules, or statements and Schedule P (100 or 541), if applicable, to Form 109.

Line 16 – 2016 Estimated Tax
Enter the total amount of estimated tax payments made during the 2016 taxable year on this line.

Line 17 – Withholding (Form 592-B and/or 593.)
Enter the 2016 nonresident or real estate withholding credit from Form(s) 592-B, Resident and Nonresident Withholding Tax Statement, or Form 593, Real Estate Withholding Tax Statement. Attach a copy of the form(s) to the lower front of Form 109, Side 1.

Line 20 – Use Tax
As explained under General Information L, California use tax applies to purchases of merchandise from out-of-state sellers (for example, purchases made by telephone, online, by mail, or in person) where sales or use tax was not paid and those items were used in California. For questions on whether a purchase is taxable, go to the Board of Equalization's website at **boe.ca.gov**, or call their Customer Service Center at 800.400.7115 or (TTY) 711 (for hearing and speech disabilities).

Note: The following businesses are required to report purchases subject to use tax directly to the Board of Equalization and may not report use tax on their income tax return:
- Businesses that have, or are required to have, a California seller's permit.
- Businesses that are not required to hold a California seller's permit, but receive at least $100,000 in gross receipts.
- Businesses that are otherwise required to be registered with the Board of Equalization for sales or use tax purposes.

An exempt organization that is not required to report purchases subject to use tax directly to the Board of Equalization may, with some exceptions, report use tax on Form 109. To report use tax on the tax return, complete the Use Tax Worksheet below.

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

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

Use Tax Worksheet
Round all amounts to the nearest whole dollar

1. Enter purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions. . $ _____.00
2. Enter the applicable sales and use tax rate. See worksheet instructions. . . . . _____
3. Multiply line 1 by the tax rate on line 2. Enter result here. . . $ _____.00
4. Enter any sales or use tax paid to another state for purchases included on line 1. See worksheet instructions. . . . . $ _____.00
5. Total Use Tax Due. Subtract line 4 from line 3. Enter the amount here and on Form 109, line 20. If the amount is less than zero, enter -0- . . . . . $ _____.00

Worksheet, Line 1, Purchases Subject to Use Tax
Report purchases of items that would have been subject to sales tax if purchased from a California retailer unless your receipt shows that California tax was paid directly to the retailer. For example, generally, purchases of clothing would be included, but not purchases of food products or prescription medicine. For more information on nontaxable and exempt purchases, visit the Board of Equalization's website at **boe.ca.gov**.
- Include handling charges.
- **Do not** include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that correspond with the tax return the exempt organization is filing.

Note: Report and pay any use tax the exempt organization owes on the following purchases directly to the Board of Equalization, **not** on the exempt organization's income tax return:
- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.
- Cigarettes and tobacco products when the purchaser is registered with the Board of Equalization as a cigarette and/or tobacco products consumer.

Worksheet, Line 2, Sales and Use Tax Rate
Enter the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. If the exempt organization does not know the applicable city or county sales and use tax rate, please go to the Board of Equalization's website at **boe.ca.gov** and under the heading **Popular Topics**, click on **City and County Sales and Use Tax Rates** or call their Customer Service Center at 800.400.7115 or (TTY) 711 (for hearing and speech disabilities).

Worksheet, Line 4, Credit for Tax Paid to Another State
This is a credit for tax paid to other states on purchases reported on Line 1. The organization can claim a credit up to the amount of tax that would have been due if the purchase had been made in California. For example, if the organization paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, the organization can only claim a credit of $6.00 for that purchase.

Line 23 and Line 24 – Tax Due/Overpayment
Add to the amount of tax due or overpayment, as appropriate, the amount from Schedule K, line 5. See Schedule K instructions for more information.

Line 26 – Refund
Direct Deposit of Refund (DDR)
Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the exempt organization's bank account, enter the account information on Form 109, Side 2, lines 26a, 26b, and 26c. Fill in the account number and routing number and check the appropriate box for the type of account. **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 entered by you or your representative.

To cancel the DDR, call the FTB at 916.845.0353.

If the direct deposit is rejected, the FTB will issue a paper check.

Line 27 and 28 – Penalties and Interest
Check the box on line 28 and attach a completed form FTB 5806 only if Exception B, tax on annual income, or Exception C, tax on annualized seasonal income, is used in computing the penalty.

Line 29 – Total Amount Due – Organizations required to pay by EFT must remit the amount due by EFT. See General Information K, Payment of Tax.

Signature

Corporations and Associations – A corporate officer such as the president, vice president, treasurer, assistant treasurer, chief accounting officer, or trustee must sign the return.

Trusts – The individual fiduciary or authorized officer of the trust receiving or having custody or control and management of the income of the trust must sign the return. If two or more individuals act jointly as fiduciaries, the return may be signed by either individual. A receiver, trustee, or assignee must sign any return filed on behalf of the organization.

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Paid Preparer Authorization

Paid Preparer Authorization –The organization can designate a third party to discuss the tax return with the FTB.

If the organization wants to allow the FTB to discuss its 2016 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 organization is authorizing the FTB to call the paid preparer to answer any questions that may arise during the processing of its return. The organization 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 return preparation.

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

The authorization will automatically end no later than the due date (without regard to extensions) for filing the organization's 2017 tax return. If the organization wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

If the organization wants to expand or change the paid preparer's authorization, go to **ftb.ca.gov** and search for **poa**.

Part I and Part II — Unrelated Business Taxable Income

Line 1 – Gross Receipts or Sales
Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services. If the activity is a type includible in Schedule C through Schedule H, report it on the appropriate schedule and corresponding line of Part I instead of on line 1. For example, an exempt social club reports its restaurant and bar receipts from nonmembers on line 1 but would report its investment income on Schedule E and on Form 109, side 2, Part I, line 8.

Line 4a, Line 4b, and Line 4c – Net gain or loss from the sale of capital assets and ordinary gains and losses

Corporations and Associations
California law requires recognition of capital gains and losses for corporations and associations. R&TC Section 24990 places these gains and losses into long-term and short-term categories. California conformed to the federal law that limits the deduction of capital losses to the amount of capital gains and allows excess losses to be carried forward for five years. However, California does not allow loss carrybacks.

The rules relating to debt-financed property do not apply to an R&TC Section 23701g or Section 23701i organization, and Schedule D should be completed without regard to those rules. However, see IRC Section 512(a)(3) for nonrecognition of gain in certain cases.

Trusts
Enter on Form 109, Side 2, Part I, line 4(a), the computation of the **net capital gain** income reported on Schedule D (541), Capital Gain or Loss. Attach a copy of that schedule to Form 109.

Enter on Form 109, Side 2, Part I, line 4(b), the computation of **ordinary gains and losses** reported on Schedule D-1, Sales of Business Property. Attach a copy of that schedule to Form 109.

If a trust has a **net capital loss,** it is subject to the limitations in Schedule D (541). Enter on Form 109, Side 2, Part I, line 4(c), the amount of ordinary gains and losses reported on Schedule D (541). Attach a copy of that schedule to Form 109.

Line 5 – Income (or Loss) from partnerships, limited liability companies, or S corporations
If the organization is a partner in a partnership, a member in a limited liability company, or a shareholder in an S corporation carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the gross income and deductions from the unrelated trade or business. See federal Form 990-T, Specific Instructions for Part I, line 5, for information regarding the treatment of income from publicly traded partnerships.

Line 14 through Line 25 – Deductions not Taken Elsewhere
Enter only the expenses for each item directly connected with unrelated trade or business activities and contribution deductions that may be deducted from unrelated business income.

No expense reported on Schedule A or Schedule C through Schedule H is included in Part II, other than excess advertising costs entered on line 27. For example, officers' compensation allocable to advertising income is reported on Schedule H only and is not entered on Part II, line 14.

Where the facilities or personnel used both to carry on the exempt function and to conduct unrelated trade or business activities, cost of goods sold, depreciation, and similar expenses attributable to such facilities or personnel (e.g., overhead) must be allocated between the two uses on a reasonable basis. Attach a schedule showing the allocation of the expenses between the two uses.

Line 14 – Compensation of officers, directors, and trustees
Complete Schedule I on Side 5, and enter the amount on line 14 of Side 2.

Line 20 – Contributions
If the organization is claiming the College Access Tax credit, do not include the amount used to calculate the credit on line 20.

Attach a detailed schedule showing the name of each organization and the amount paid. If a contribution is made in property other than money, state the kind of property contributed and the method used to determine its fair market value.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization, the adjusted basis for determining the gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property. See IRC Section 1011(b).

Corporations and Associations
Enter charitable contributions or gifts actually paid within the taxable year to or for the use of charitable and governmental organizations described in R&TC Section 24359.

The amount claimed cannot exceed 10% of the unrelated business taxable income computed without regard to this deduction.

This deduction is allowed whether or not directly connected with the carrying on of a trade or business. Attach a declaration, signed by an officer or other authorized person, to the tax return stating that the resolution authorizing the contribution was adopted by the board of directors or other governing body.

Trusts
Enter charitable contributions or gifts actually made within the taxable year to or for the use of charitable and governmental organizations described in IRC Section 170. See the instructions for federal Form 990-T for limitations on amounts of contributions you may claim.

Line 21, Line 21a, and Line 21b – Depreciation

Corporations and Associations
California law is generally the same as federal law with the exceptions noted below:

1. California has not adopted the federal Modified Accelerated Cost Recovery System (MACRS).
2. California prohibits the use of the 20% ADR ranges. Only the mid-range asset guideline period is allowed.
3. California allows the additional first-year depreciation. R&TC Section 24356 in lieu of IRC Section 179.

California law and federal law are the same regarding the computation of depreciation under the income forecast method and the amortization of reforestation expenses over seven years.

Complete Schedule J on Side 5 and enter the amount on line 21a. Enter any depreciation claimed on Schedule A on line 21b.

Trusts
In 1987, California changed the rules for depreciation by conforming to the federal MACRS. The California MACRS applies to assets placed in service on or after January 1, 1987.

Complete form FTB 3885F, Depreciation and Amortization, to figure the difference between state and federal depreciation. Enter the total from form FTB 3885F, line 6 on Form 109, Side 2, Part II, line 21a, and attach form FTB 3885F to Form 109.

Subtract line 21b from line 21a. Enter the amount on Line 21.

Line 22 – Depletion
California law is the same as federal law.

If a deduction is claimed for timber, attach an explanatory statement.

Line 23b – Employee Benefit Programs
Enter the amount of the organization's contributions to employee benefit programs that are not an incidental part of a deferred compensation plan included on line 23a. Contributions to employee benefit programs that are reported on this line include contributions to insurance, health, and welfare programs.

Line 24 – Other Deductions

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

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

Financial Incentive for Turf Removal
For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California law allows an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf removal water conservation program. If the organization included any amount as income for federal purposes, deduct that amount.

Line 29 – Specific Deduction
The law provides for a specific deduction of $1,000 from unrelated business income. Only one specific deduction of $1,000 is allowed regardless of the number of unrelated businesses. However, a diocese, province of a religious order or convention, or association of churches is allowed one specific deduction for each parish, individual church district, or other local unit that regularly conducts an unrelated trade or business. This applies only to such units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, association, etc.). Each specific deduction is equal to the lesser of: (a) $1,000; or (b) the gross income from any unrelated trade or business regularly carried on by the local unit.

Schedule B — Tax Credits

A variety of credits are available to exempt organizations to reduce tax on unrelated business income. However, the amount of some credits may be limited. Corporations and trusts must complete Schedule P (100 or 541), to compute this limitation. Generally, if the organization completed federal Form 4626, Alternative Minimum Tax – Corporations or federal Schedule I (Form 1041), Alternative Minimum Tax – Estates and Trusts, it must also complete Schedule P (100 or 541).

Certain credits are not subject to the tentative minimum tax or the AMT Limitations. Get Schedule P (100 or 541) for more information.

To figure credits, use the appropriate form or schedule as indicated on the credit chart on page 17. Complete Schedule P (100 or 541) if required. Then complete Side 3, Schedule B.

If the organization claims one to three credits: Enter the credit name, three digit credit code, and credit amount on line 1 through line 3. Enter the total of line 1 through line 3 on line 4.

If the organization claims more than three credits: Enter the credit name, three digit credit code, and the credit amount for three of the credits on line 1 through line 3. Add line 1 through line 3 and the remaining credit amounts from Schedule P, Column (b), and enter that total on line 4.

Transfer Schedule B, line 4 to Form 109, Side 1, line 11. Attach all credit forms, schedules, or statements and Schedule P (100 or 541), if applicable, to Form 109.

If the organization claims a credit carryover for a repealed credit, use form FTB 3540, Credit Carryover and Recapture Summary, to figure the amount of the credit, unless the organization is required to complete Schedule P (100 or 541). In that case, enter the amount of the credit on Schedule P (100 or 541), Part II, Section B or Section C and do not attach form FTB 3540.

If the organization claims a credit with carryover provisions and the amount of the credit available this year exceeds the tax, the organization may carry over any excess credit to future years until the credit is used or until the carryover period expires, whichever occurs first.

Schedule K — Add-On Taxes or Recapture of Tax

Complete Schedule K if the organization is required to include installment payments of add-on taxes from any of the following:

- 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.
- Credit amounts to recapture.

Enter the amount of tax due or overpayment from Schedule K, line 5, on Form 109, Side 1, line 23 or 24, as appropriate.

Long-term contracts
If the organization must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the organization owes or the amount of interest to be credited or refunded on Schedule K, line 1.

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots under IRC Section 453
If the organization 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, it must include the interest on Schedule K, line 2a. For the applicable interest rates, get FTB Pub. 1138, Business Entity Refund/Billing Information. Attach a schedule showing the computation. See R&TC Sections 17560(d) and 24667(e).

Interest on tax deferred under the installment method for certain non-dealer installment obligations
If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the organization must include the interest due under IRC Section 453A on Schedule K, line 2b. For the applicable interest rate, get FTB Pub. 1138. Attach a schedule showing the computation. See R&TC Sections 17560(e) and 24667(f).

Credit recapture
Complete Schedule K, line 4, if the organization completed the credit recapture portion of any of the following forms(s):

- FTB 3511, Environmental Tax Credit
- FTB 3531, California Competes Tax Credit
- FTB 3540, Credit Carryover and Recapture Summary
- FTB 3554, New Employment Credit
- FTB 3805Z, Enterprise Zone Deduction and Credit Summary.
- FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary.
- FTB 3808, Manufacturing Enhancement Area Credit Summary.
- FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Complete Schedule K, line 4, if the organization is subject to recapture the Community Development Financial Institutions Investment Credit.

Schedule R — Apportionment Formula Worksheet

Sales Factor Formula

Single-Sales Factor Formula – For taxable years beginning **on or after January 1, 2013**, R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California by multiplying the business income by the sales factor. See R&TC Section 25128.7 for more information.

Special Apportionment – For taxable years beginning **on or after January 1, 2013**, see R&TC Section 25136.1 for more information.

For taxable years beginning on or after January 1, 2011 and before January 1, 2013, any apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), could make an irrevocable annual election on an original timely filed return to apportion California income using the single-sales factor formula. For more information, get R&TC Section 25128.5 and Cal. Regs., tit.18, section 25128.5.

Part A Standard Method Single-Sales Factor Formula

When computing the apportionment percentage, divide the total sales in Schedule R, Part A, line 1 column (b) by the total sales in column (a). Multiply the result by 100 and enter the percentage on Schedule R, Part A, line 2 and on Form 109, Side 1, line 2.

Part B Three Factor Formula

Line 1 – Property factor — Owned property is valued at its original cost. Rented property is valued at eight times its net annual rental. Use the average yearly value of owned and rented real and tangible personal property used in the business.

Line 5 – Average apportionment percentage — Divide the total percentage on line 4 by the number of factors that have amounts in column (a). Multiply the result by 100. Organizations that have all factors would have a denominator of three (property, payroll, and the sales factor). However, do not include those factors with a zero in the totals of both column (a) and column (b). If there is no payroll, then you would divide the factor on line 4 by 2.

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

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

1. Sales from services to the extent that the purchaser of the service receives the benefit of the service in California.
2. Sales of intangible property in California to the extent that the intangible property is used in California. For marketable securities, the sales are in California if the customer is in California.

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3. Sales from the sale, lease, rental, or licensing of real property if the real property is located in California.
4. Sales from the rental, lease, or licensing of tangible personal property if the property is located in California.

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

Schedule C — Rental Income

Important Note: For rental income from debt-financed property, see Schedule D instructions on this page. All organizations except those qualified under R&TC Sections 23701g, 23701i, and 23701n must enter net rental income from Schedule C on Side 2, Part I, line 6.

Organizations qualified under R&TC Sections 23701g, 23701i, and 23701n must include gross rents on Side 2, Part I, line 6 (other than income that is determined to be nonexempt function income) and applicable expenses on Side 2, Part II, line 14 through line 24.

Except in the case of an R&TC Section 23701g, 23701i, or 23701n organization, only the following rents are taxable:

1. Rents from personal property leased with real property, if the rents attributable to the personal property are more than 10% but not more than 50% of the total received or accrued under the lease. In such a case, rents attributable to the real property are not taxable except as specified in General Information C, Exclusions, and in 2 below.
2. All rents from real property and personal property, if either of the following applies:
   a. More than 50% of the total rents received or accrued under the lease are attributable to personal property.
   b. The determination of the amount of the rents depends in whole or in part on the income or profits derived by any person from the property leased, other than an amount based on a fixed percentage or fixed percentages of receipts or sales.

See IRC Section 512(b)(3) requiring a redetermination of the percentage of rent attributable to personal property if either of the following apply:

1. There is an increase of 100% or more by reason of the placing of additional or substitute personal property in service.
2. There is a modification of the lease by which there is a change in the rent charged.

Schedule D — Unrelated Debt-Financed Income

California conforms to the federal law relating to the treatment of certain partnership allocations by the partnership and partnership interests for property acquired after October 13, 1987.

Debt-financed property is any property held to produce income if at any time during the tax year there was acquisition indebtedness.

To complete Schedule D, get the instructions for federal Form 990-T, Schedule E. Use California amounts where there are California and federal differences.

Schedule E — Investment Income of an R&TC Section 23701g, 23701i, or 23701n Organization

Report all income from investments in securities and other similar investment income from nonmembers. Do not include interest received on obligations of the federal government and on obligations of the state of California and its political subdivisions.

Investment income includes all income from debt-financed property whether or not such income is subject to taxation under R&TC Section 23735. However, an R&TC Section 23701g, 23701i, or 23701n organization may set aside income to the extent that it would not be taxable on such income if it were an organization subject to the rules contained in IRC Section 512(a)(1). If income is set aside, attach a schedule showing the computations.

Income and deductions, other than in connection with investment income, are reported in Part I and Part II. For example, nonmember income of an R&TC Section 23701g organization from the use of the club's facilities by the public must be reported on Side 2, Part I, line 1, line 2, and line 3, and the deductions (directly connected) in Part II, line 14 through line 24. (Organizations described in R&TC Section 23701g, see federal Rev. Proc. 71-17 for certain rules relating to nonmember income.)

Schedule F — Interest, Annuities, Royalties and Rents From Controlled Organizations

Controlling organizations: See General Information C, Exclusions. Generally, California law is the same as federal law. Get the instructions for federal Form 990-T.

Schedule G — Exploited Exempt Activity Income, Other than Advertising Income

Generally, California law is the same as federal law.

Schedule H — Advertising Income and Excess Advertising Costs

Generally, California law is the same as federal law.

Schedule J — Depreciation

Corporations and Associations only. Trusts must use form FTB 3885F. Generally, California law is the same as federal law.

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2016 Tax Rate Schedule for Trusts

IF THE TAXABLE INCOME IS ... over —	but not over —	COMPUTED TAX IS ...			of the amount over —
$ 0	$ 8,015	$ 0.00	+	1.00%	$ 0
8,015	19,001	80.15	+	2.00%	8,015
19,001	29,989	299.87	+	4.00%	19,001
29,989	41,629	739.39	+	6.00%	29,989
41,629	52,612	1,437.79	+	8.00%	41,629
52,612	268,750	2,316.43	+	9.30%	52,612
268,750	322,499	22,417.26	+	10.30%	268,750
322,499	537,498	27,953.41	+	11.30%	322,499
537,498	AND OVER	52,248.30	+	12.30%	537,498

Codes for Unrelated Business Activity

(If engaged in more than one unrelated business activity, select up to two codes for the principal activities. List first the largest in terms of gross unrelated income, then the next largest. Be sure to classify your unrelated activities, rather than your related activities. For example, code income from advertising in publications as 541800, Advertising and related services, rather than selecting a code describing a printing or publishing activity. Also, if possible, select a code that more specifically describes your unrelated activity, rather than a code for a more general activity.)

AGRICULTURE, FORESTRY, HUNTING, AND FISHING

Code	
110000	Agriculture, forestry, hunting, and fishing
111000	Crop production

MINING

Code	
211110	Oil and gas extraction
212000	Mining (except oil and gas)

UTILITIES

Code	
221000	Utilities

CONSTRUCTION

Code	
230000	Construction
236000	Construction of buildings

MANUFACTURING

Code	
310000	Manufacturing
323100	Printing and related support activities
339110	Medical equipment and supplies manufacturing

WHOLESALE TRADE

Code	
423000	Merchant wholesalers, durable goods
424000	Merchant wholesalers, nondurable goods

RETAIL TRADEG

Code	
441100	Automobile dealers
442000	Furniture and home furnishings stores
444100	Building materials and supplies dealers
445100	Grocery stores
445200	Specialty food stores
446110	Pharmacies and drug stores
446199	All other health and personal care stores
448000	Clothing and clothing accessories stores
451110	Sporting goods stores
451211	Book stores
452000	General merchandise stores
453000	Miscellaneous store retailers
453220	Gift, novelty, and souvenir stores
453310	Used merchandise stores
454110	Electronic shopping and mail-order houses

TRANSPORTATION AND WAREHOUSING

Code	
480000	Transportation
485000	Transit and ground passenger transportation
493000	Warehousing and storage

INFORMATION

Code	
511110	Newspaper publishers (except Internet)
511120	Periodical publishers (except Internet)
511130	Book publishers (except Internet)
511140	Directory and mailing list publishers (except Internet)
511190	Other publishers (except Internet
512000	Motion picture and sound recording industries
515100	Radio and television broadcasting except Internet)
517000	Telecommunications (including paging, cellular, satellite, cable, other telecommunications, and internet service providers)
519100	Other information services (including news syndicates and libraries)
519130	Internet Publishing and Broadcasting

DATA PROCESSING SERVICES

Code	
518210	Data Processing, Hosting, and Related Services

FINANCE AND INSURANCE

Code	
522100	Depository credit intermediation (including commercial banking, savings institutions, and credit unions)
522200	Nondepository credit intermediation (including credit card issuing and sales financing)
522210	Credit card issuing
522220	Sales financing
522291	Consumer lending
522292	Real estate credit
522298	Other nondepository credit intermediation
523000	Securities, commodity contracts, and other financial investments and related activities
523920	Portfolio management
523930	Investment advice
524113	Direct life insurance carriers
524114	Direct health and medical insurance carriers
524126	Direct property and casualty insurance carriers
524130	Reinsurance carriers
524292	Third-party administration of insurance and pension funds
524298	All other insurance-related activities
525100	Insurance and employee benefit funds
525920	Trusts, estates, and agency accounts
525990	Other financial vehicles (including mortgage REITs)

REAL ESTATE AND RENTAL AND LEASING

Code	
531110	Lessors of residential buildings and dwellings (including equity REITs)
531120	Lessors of nonresidential buildings (except miniwarehouses) (including equity REITs)
531190	Lessors of other real estate property (including equity REITs)
531310	Real estate property managers
531390	Other activities related to real estate
532000	Rental and leasing services
532420	Offices machinery and equipment rental and leasing
533110	Lessors of nonfinancial intangible assets (except copyrighted works)

PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

Code	
541100	Legal services
541990	Consumer credit counseling services
541200	Accounting, tax preparation, bookkeeping, and payroll services
541300	Architectural, engineering, and related services
541380	Testing laboratories
541511	Custom computer programming services
541519	Other computer-related services
541610	Management consulting services
541700	Scientic research and development services
541800	Advertising and related services
541860	Direct mail advertising
541900	Other professional, scientic, and technical services

MANAGEMENT OF COMPANIES AND ENTERPRISES

Code	
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

Code	
561000	Administrative and support services
561300	Employment services
561439	Other business service centers (including copy shops)
561499	All other business support services
561500	Travel arrangement and reservation services
561520	Tour operators
561700	Services to buildings and dwellings

Waste Management and Remediation Services

Code	
562000	Waste management and remediation services (sanitary services)

EDUCATIONAL SERVICES

Code	
611420	Computer training
611430	Professional and management development training
611600	Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their unrelated activities)
611710	Educational support services

HEALTHCARE AND SOCIAL ASSISTANCE

Code	
621110	Offices of physicians
621300	Offices of other health practitioners
621400	Outpatient care centers
621500	Medical and diagnostic laboratories
621610	Home health care services
621910	Ambulance services
621990	All other ambulatory health care services
623000	Nursing and residential care facilities
623990	Other residential care facilities
624100	Individual and family services
624110	Community centers (except rec. only), youth Adoption agencies
624200	Community food and housing, and emergency and other relief services
624210	Meal delivery programs Soup kitchens Food banks
624310	Vocational rehabilitation services
624410	Child day care services

ARTS, ENTERTAINMENT, AND RECREATION

Code	
711110	Theater companies and dinner theaters
711120	Dance companies
711130	Musical groups and artists
711190	Other performing art companies
711210	Spectator sports (including sports clubs and racetracks)
711300	Promoters of performing arts, sports, and simiilar events
713110	Amusement and theme parks
713200	Gambling industries
713910	Golf courses and country clubs
713940	Fitness and recreational sports centers
713990	All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers)

ACCOMMODATION AND FOOD SERVICES

Code	
721000	Accomodation
721110	Hotels (except casino hotels) and motels
721210	RV (recreational vehicle) parks and recreational camps
721310	Rooming and boarding houses
722320	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

Code	
811000	Repair and maintenance
812300	Drycleaning and laundry services
812900	Other personal services
812930	Parking lots and garages

OTHER

Code	
900001	Investment activities of section 501(c)(7), (9), or (17) organizations
900002	Rental of personal property
900003	Passive income activities with controlled organizations
900004	Exploited exempt activities
900099	Other activity

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TAXABLE YEAR **2016**

California Exempt Organization Business Income Tax Return

FORM **109**

Calendar Year 2016 or fiscal year beginning (mm/dd/yyyy)_____, and ending (mm/dd/yyyy)_____.

Corporation/Organization name	California corporation number
Additional information. See instructions.	FEIN
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

A First Return Filed? ☐Yes ☐No

B Is this an education IRA within the meaning of R&TC Section 23712? ☐Yes ☐No

C Is the organization under audit by the IRS or has the IRS audited in a prior year? ● ☐Yes ☐No

D Final Return?
● ☐Dissolved ☐Surrendered (Withdrawn) ☐Merged/Reorganized.
Enter date(mm/dd/yyyy) ● ___/___/___

E Amended Return ● ☐Yes ☐No

F Accounting Method Used: (1)☐ Cash (2)☐ Accrual (3)☐ Other

G Nature of trade or business _____

H Is the organization a non-exempt charitable trust as described in IRC Section 4947(a)(1)? ● ☐Yes ☐No

I Is this organization claiming any former; Enterprise Zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Targeted Tax Area (TTA), or Manufacturing Enhancement Area (MEA) tax benefits? ● ☐Yes ☐No

J Is this organization a qualified pension, profit-sharing, or stock bonus plan as described in IRC Section 401(a)? ● ☐Yes ☐No

K Unrelated Business Activity (UBA) Code ● _____

L Is this a Hospital? ● ☐Yes ☐No
If "Yes," attach federal Schedule H (Form 990)

Taxable Corporation	1	Unrelated business taxable income from Side 2, Part II, line 30 ●	1	00
	2	Multiply line 1 by the average apportionment percentage _____% from the Schedule R, Apportionment Formula Worksheet, Part A, line 2 or Part B, line 5. See instructions ●	2	00
	3	Enter the lesser amount from line 1 or line 2. If the unrelated business activity is wholly in California and Schedule R was not completed, enter the amount from line 1. ●	3	00
Taxable Trust	4	Unrelated business taxable income from Side 2, Part II, line 30 ●	4	00
Tax Computation	5	Unrelated business taxable income from line 3 or line 4 ●	5	00
	6	Pierce's disease, EZ, LARZ, LAMBRA, or TTA NOL carryover deduction ●	6	00
	7	Net Operating Loss deduction. See General Information N ●	7	00
	8	Add line 6 and line 7. ●	8	00
	9	Net unrelated business taxable income. Subtract line 8 from line 5 ●	9	00
	10	Tax _____% x line 9. See General Information J ●	10	00
	11	Tax credits from Schedule B. See instructions ●	11	00
Total Tax	12	Balance. Subtract line 11 from line 10. If line 11 is greater than line 10, enter -0- ●	12	00
	13	Alternative minimum tax. See General Information O. ●	13	00
	14	Total tax. Add line 12 and line 13 ●	14	00
Payments	15	Overpayment from a prior year allowed as a credit ● 15 00		
	16	2016 estimated tax payments. See instructions ● 16 00		
	17	Withholding (Form 592-B and/or 593.) See instructions ● 17 00		
	18	Amount paid with extension (form FTB 3539) ● 18 00		
	19	Total payments and credits. Add line 15 through line 18 ●	19	00
Use Tax/ Tax Due/ Overpayment	20	**Use tax.** See instructions. ●	20	00
	21	Payments balance. If line 19 is more than line 20, subtract line 20 from line 19 ●	21	00
	22	**Use tax balance.** If line 20 is more than line 19, subtract line 19 from line 20 ●	22	00
	23	Tax due. Subtract line 21 from line 14. Pay entire amount with return. See instructions ●	23	00
	24	Overpayment. Subtract line 14 from line 21. See instructions ●	24	00
	25	Enter amount of line 24 to be applied to 2017 estimated tax ●	25	00

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Refund or Amount Due			
26 Refund. If line 25 is less than line 24, then subtract line 25 from line 24		26	00
a Fill in the account information to have the refund directly deposited. Routing number	26a		
b Type: Checking ☐ Savings ☐ c Account Number	26c		
27 Penalties and interest. See General Information M.		27	00
28 ☐ Check if estimate penalty computed using Exception B or C and attach form FTB 5806			
29 Total amount due. Add line 22, line 23, line 25, and line 27, then subtract line 24		29	00

Unrelated Business Taxable Income

Part I Unrelated Trade or Business Income

1 a Gross receipts or gross sales_____ b Less returns and allowances_____ c Balance	1c		00
2 Cost of goods sold and/or operations (Schedule A, line 7)	2		00
3 Gross profit. Subtract line 2 from line 1c	3		00
4 a Capital gain net income. See Specific Line Instructions – Trusts attach Schedule D (541)	4a		00
b Net gain (loss) from Part II, Schedule D-1	4b		00
c Capital loss deduction for trusts	4c		00
5 Income (or loss) from partnerships, limited liability companies, or S corporations. See specific line instructions. Attach Schedule K-1 (565, 568, or 100S) or similar schedule	5		00
6 Rental income (Schedule C)	6		00
7 Unrelated debt-financed income (Schedule D)	7		00
8 Investment income of an R&TC Section 23701g, 23701i, or 23701n organization (Schedule E)	8		00
9 Interest, Annuities, Royalties and Rents from controlled organizations (Schedule F)	9		00
10 Exploited exempt activity income (Schedule G)	10		00
11 Advertising income (Schedule H, Part III, Column A)	11		00
12 Other income. Attach schedule	12		00
13 Total unrelated trade or business income. Add line 3 through line 12	13		00

Part II Deductions Not Taken Elsewhere (Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees from Schedule I	14		00
15 Salaries and wages	15		00
16 Repairs	16		00
17 Bad debts	17		00
18 Interest. Attach schedule	18		00
19 Taxes. Attach schedule	19		00
20 Contributions. See instructions and attach schedule	20		00
21 a Depreciation (Corporations and Associations – Schedule J) (Trusts – form FTB 3885F) 21a 00			
b Less: depreciation claimed on Schedule A. See instructions 21b 00	21		00
22 Depletion. Attach schedule	22		00
23 a Contributions to deferred compensation plans	23a		00
b Employee benefit programs. See instructions	23b		00
24 Other deductions. Attach schedule	24		00
25 Total deductions. Add line 14 through line 24	25		00
26 Unrelated business taxable income before allowable excess advertising costs. Subtract line 25 from line 13	26		00
27 Excess advertising costs (Schedule H, Part III, Column B)	27		00
28 Unrelated business taxable income before specific deduction. Subtract line 27 from line 26	28		00
29 Specific deduction. See instructions	29		00
30 Unrelated business taxable income. Subtract line 29 from line 28. If line 28 is a loss, enter line 28.	30		00

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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 ( )

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | PTIN

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

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

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Schedule A **Cost of Goods Sold and/or Operations.**

Method of inventory valuation (specify)_____

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

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

Schedule B **Tax Credits.**

1 Enter credit name_____ code ●_____	1		00
2 Enter credit name_____ code ●_____	2		00
3 Enter credit name_____ code ●_____	3		00
4 Total. Add line 1 through line 3. If claiming more than 3 credits, enter the total of all claimed credits, on line 4. Enter here and on Side 1, line 11	4		00

Schedule K **Add-On Taxes or Recapture of Tax.** See instructions.

1 Interest computation under the look-back method for completed long-term contracts. Attach form FTB 3834	1		00
2 Interest on tax attributable to installment: a Sales of certain timeshares or residential lots	2a		00
b Method for non-dealer installment obligations	2b		00
3 IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of intangibles	3		00
4 Credit recapture. Credit name_____	4		00
5 Total. Combine the amounts on line 1 through line 4. See instructions	5		00

Schedule R **Apportionment Formula Worksheet.** Use only for unrelated trade or business amounts.

Part A. **Standard Method – Single-Sales Factor Formula.** Complete this part only if the corporation uses the single-sales factor formula.

	(a) Total within and outside California	(b) Total within California	(c) Percent within California [(b) ÷ (a)] x 100
1 **Total Sales**	●	●	
2 **Apportionment percentage.** Divide total sales column (b) by total sales column (a) and multiply the result by 100. Enter the result here and on Form 109, Side 1, line 2.			●

Part B. **Three Factor Formula.** Complete this part only if the corporation uses the three-factor formula.

	(a) Total within and outside California	(b) Total within California	(c) Percent within California [(b) ÷ (a)] x 100
1 **Property factor:** See instructions	●	●	●
2 **Payroll factor:** Wages and other compensation of employees	●	●	●
3 **Sales factor:** Gross sales and/or receipts less returns and allowances	●	●	●
4 **Total percentage:** Add the percentages in column (c)			
5 **Average apportionment percentage:** Divide the factor on line 4 by 3 and enter the result here and on Form 109, Side 1, line 2. See instructions for exceptions			

Schedule C **Rental Income from Real Property and Personal Property Leased with Real Property**

For rental income from debt-financed property, use Schedule D, R&TC Section 23701g, Section 23701i, and Section 23701n organizations. See instructions for exceptions.

1 Description of property	2 Rent received or accrued	3 Percentage of rent attributable to personal property
		%
		%
		%

4 Complete if any item in column 3 is more than 50%, or for any item if the rent is determined on the basis of profit or income		5 Complete if any item in column 3 is more than 10%, but not more than 50%		
(a) Deductions directly connected (attach schedule)	(b) Income includible, column 2 less column 4(a)	(a) Gross income reportable, column 2 x column 3	(b) Deductions directly connected with personal property (attach schedule)	(c) Net income includible, column 5(a) less column 5(b)

Add columns 4(b) and column 5(c). Enter here and on Side 2, Part I, line 6

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Schedule D Unrelated Debt-Financed Income

1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (attach schedule)	(b) Other deductions (attach schedule)

4 Amount of average acquisition indebtedness on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Debt basis percentage, column 4 ÷ column 5	7 Gross income reportable, column 2 x column 6	8 Allocable deductions, total of columns 3(a) and 3(b) x column 6	9 Net income (or loss) includible, column 7 less column 8
		%			
		%			
		%			

Total. Enter here and on Side 2, Part I, line 7 . . . . . .

Schedule E Investment Income of an R&TC Section 23701g, Section 23701i, or Section 23701n Organization

1 Description	2 Amount	3 Deductions directly connected (attach schedule)	4 Net investment income, column 2 less column 3	5 Set-asides (attach schedule)	6 Balance of investment income, column 4 less column 5

Total. Enter here and on Side 2, Part I, line 8 . . . . . .

Enter gross income from members (dues, fees, charges, or similar amounts). . . . . .

Schedule F Interest, Annuities, Royalties and Rents from Controlled Organizations

		Exempt Controlled Organizations			
1 Name of controlled organizations	2 Employer Identification Number	3 Net unrelated income (loss)	4 Total of specified payments made	5 Part of column (4) that is included in the controlling organization's gross income	6 Deductions directly connected with income in column (5)
1					
2					
3					

Nonexempt Controlled Organizations				
7 Taxable Income	8 Net unrelated income (loss)	9 Total of specified payments made	10 Part of column (9) that is included in the controlling organization's gross income	11 Deductions directly connected with income in column (10)
1				
2				
3				

4 Add columns 5 and 10 . . . . . .

5 Add columns 6 and 11 . . . . . .

6 Subtract line 5 from line 4. Enter here and on Side 2, Part 1, line 9 . . . . . .

Schedule G Exploited Exempt Activity Income, other than Advertising Income

1 Description of exploited activity (attach schedule if more than one unrelated activity is exploiting the same exempt activity)	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income from unrelated trade or business, column 2 less column 3	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expense, column 6 less column 5 but not more than column 4	8 Net income includible, column 4 less column 7 but not less than zero

Total. Enter here and on Side 2, Part I, line 10 . . . . . .

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Schedule H Advertising Income and Excess Advertising Costs

Part I Income from Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising income or excess advertising costs. If column 2 is greater than column 3, complete columns 5, 6, and 7. If column 3 is greater than column 2, enter the excess in Part III, column B(b). Do not complete columns 5, 6, and 7.	5 Circulation income	6 Readership costs	7 If column 5 is greater than column 6, enter the income shown in column 4, in Part III, column A(b). If column 6 is greater than column 5, subtract the sum of column 6 and column 3 from the sum of column 5 and column 2. Enter amount in Part III, column A(b). If the amount is less than zero, enter -0-.
Totals						

Part II Income from Periodicals Reported on a Separate Basis

Part III Column A – Net Advertising Income

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals	(b) Enter total amount from Part I, columns 4 or 7, and amount listed in Part II, columns 4 or 7
Enter total here and on Side 2, Part I, line 11	

Part III Column B – Excess Advertising Costs

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals	(b) Enter total amount from Part I, column 4, and amounts listed in Part II, column 4
Enter total here and on Side 2, Part II, line 27	

Schedule I Compensation of Officers, Directors, and Trustees

1 Name of Officer	2 SSN or ITIN	3 Title	4 Percent of time devoted to business	5 Compensation attributable to unrelated business	6 Expense account allowances
			%		
			%		
			%		
			%		
			%		
Total. Enter here and on Side 2, Part II, line 14					

Schedule J Depreciation (Corporations and Associations only. Trusts use form FTB 3885F.)

1 Group and guideline class or description of property	2 Date acquired (dd/mm/yyyy)	3 Cost or other basis	4 Depreciation allowed or allowable in prior years	5 Method of computing depreciation	6 Life or rate	7 Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
2 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
3 Other depreciation						
4 Total						
5 Amount of depreciation claimed elsewhere on return						
6 Balance. Subtract line 5 from line 4. Enter here and on Side 2, Part II, line 21a						

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Credit Chart

Credit Name	Code	Description
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**
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**
Community Development Financial Institutions Investment	209	20% of each qualified investments made to a community development financial institution. Obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capital Mall, Suite 1600, Sacramento CA 95814. Website: **insurance.ca.gov**
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit but limited to $125 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
Donated Fresh Fruits or Vegetables – FTB 3811	224	10% of the donation's costs for qualified taxpayers who donate fresh fruits or fresh vegetables to a California food bank
Enhanced Oil Recovery – FTB 3546	203	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Hiring – FTB 3805Z	176	Hiring credit for an enterprise zone
Environmental Tax - FTB 3511	218	Five cents ($0.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in California
Local Agency Military Base Recovery Area Hiring – FTB 3807	198	Hiring credit for a local agency military base recovery area
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area Hiring – FTB 3808	211	Hiring credit for a manufacturing enhancement area
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**
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
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California (trusts only)
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in the current year
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Targeted Tax Area Hiring – FTB 3809	210	Hiring credit for a targeted tax area

Repealed Credit: The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (100 or 541), get form FTB 3540, Credit Carryover and Recapture Summary, to figure your credit carryover to future years. For EZ, LAMBRA or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, or form FTB 3809.

Agricultural Products	175
Commercial Solar Electric System	196
Commercial Solar Energy	181
Employee Ridesharing	194
Employer Child Care Contribution	190
Employer Child Care Program	189
Employer Ridesharing:	
Large	191
Small	192
Transit passes	193
Energy Conservation	182
Enterprise Zone Sales or Use Tax	176
Farmworker Housing Construction	207
Local Agency Military Base Recovery Area Sales or Use Tax	198
Low-Emission Vehicles	160
New Jobs	220
Orphan Drug	185
Political Contributions (trusts only)	184
Recycling Equipment	174
Residential Rental & Farm Sales (trusts only)	186
Rice Straw	206
Ridesharing	171
Salmon & Steelhead Trout Habitat Restoration	200
Solar Energy	180
Solar Pump	179
Targeted Tax Area Sales or Use Tax	210
Water Conservation	178

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How to Get California Tax Information (Keep this page for future use)

Automated Phone Service

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.

Phone: 800.338.0505 from within the United States
916.845.6500 from outside the United States

Where to get General Tax Information

By Internet – You can get answers to Frequently Asked Questions at **ftb.ca.gov**.

By Phone – 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 current tax rates for corporations?
718 – How do I get an extension of time to file?
722 – When does my corporation file a short period return?
735 – Does an exempt organization have to file FTB 199N, California e-Postcard?
734 – Is my corporation subject to a franchise tax or income tax?

S corporations

704 – Is an S corporation subject to the minimum franchise tax?
705 – Are S corporations required to file 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

723 – I received a bill for $250. What is this for?

Corporate Dissolution

724 – How do I dissolve my corporation?

Miscellaneous

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?

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications 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. See the list below 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.

Code

817 – California Corporation Tax Forms and Instructions. This booklet contains: Form 100, California Corporation Franchise or Income Tax Return
814 – Form 109, California Exempt Organization Business Income Tax Return
815 – Form 199, Exempt Organization Return
818 – Form 100-ES, Corporation Estimated Tax
802 – FTB 3500, Exempt Application Booklet
831 – FTB 3500A, Submission of Exemption Request
943 – FTB 4058, California Taxpayers' Bill of Rights

In person – Many libraries now have internet access. A nominal fee may apply to download, view, and print California forms and publications.

Employees at libraries and post offices cannot provide tax information or assistance.

By mail – Write to:

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

Letters

If you write to us, be sure your letter includes the California corporation number, or FEIN, your daytime and evening telephone numbers, and a copy of the notice with your letter. Send your letter to:

EXEMPT ORGANIZATIONS UNIT MS F120
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA 95741-1286

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 it relates to an item on the return.

General Phone Service

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

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States
TTY/TDD: 800.822.6268 for persons with hearing or speech impairments.
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.

Telefono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos
TTY/TDD: 800.822.6268 para personas con discapacidades auditivas o del habla
IRS: 800.829.4933 para preguntas sobre impuestos federales

Your Rights As A Taxpayer

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

DRAFT as of 11/8/2016 DO NOT FILE

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