California
Forms & Instructions
100

1997
Corporation Tax Booklet

This booklet contains:

Do you need help? 1-800-338-0505 **F.A.S.T**

Most of your questions can be answered by reading the instructions in this booklet. But if you find that you need help, use our F.A.S.T. (**F**ast **A**nswers about **S**tate **T**axes) toll-free phone service available 24 hours a day. If you cannot get the answer you need, call our general toll-free phone service listed on page 39. The best times to call are between 7:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 8:00 p.m.

State of California
Franchise Tax Board

Instructions for Form 100

California Corporation Franchise or Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997,** and to the California Revenue and Taxation Code (R&TC).

Tax Law Changes

Federal Law Changes

Due to California legislation enacted in 1997, California tax law conforms to the Internal Revenue Code as of January 1, 1997 and to selected provisions of the Federal Taxpayer Relief Act of 1997 (Public Law 105-34). Specific provisions of conformity and non-conformity are identified when appropriate.

California conforms to federal law for the following provisions for income years beginning on or after January 1, 1997:

- Federal information return Form 5471 is required to be filed for California. A penalty for failure to file this form as required is $1,000 per form.
- The gain from the sale of publicly traded securities can be rolled over into specialized small business investment companies.
- Substantiation is required for charitable contribution deductions. Also, charitable organizations must provide disclosure for quid pro quo contributions. Showing that federal requirements have been met satisifies California requirements.
- The mark to market accounting method is required for securities dealers. The change in method of accounting must be taken into account ratably over five years beginning with the first income year beginning on or after January 1, 1997.
- The modifications made to the IRC for the accuracy related penalty by P.L. 103-66 and P.L. 103-465 apply for California purposes for information returns filed for income years beginning on or after January 1, 1997.
- Modifications to the substantial understatement penalty for corporations participating in tax shelters apply.
- For property held by a corporation where stock in the corporation is replacement property, a basis adjustment is required under the involuntary conversion rules.
- An abandonment loss is allowed at the termination of a lease for lessor improvements.
- The income forecast method may be used to compute the depreciation deduction.
- The classification of a business entity as an association, partnership or disregarded entity is made under rules consistent with the federal "check the box" regulations. In most cases, the classification of an entity must be the same for California purposes as for federal purposes. If the corporation filed federal Form 8832, attach a copy to the Form 100. A business entity (other than an LLC) that is classified as an association is treated as a corporation for combined reporting purposes, and is taxable as a corporation under Chapter 3 of the California R&TC. A limited liability company classified as an association will be taxed as a corporation subject to the corporate franchise tax under Chapter 2 of the California R&TC. Final California regulations regarding entity classification are expected to be approved in late 1997.

California law does not conform to federal for the following:

- Accelerated depreciation for property on Indian Reservations is not allowed for state purposes.
- Grapevines planted as a replacement for vines subject to Pierce's Disease may be depreciated using a useful life of five years, not ten years.
- Federal modifications to the AMT depreciation rules relating to the ACE adjustment for corporations.
- AMT treatment of contributions of appreciated property.
- The elimination of the deduction for club membership fees. Also, California law does not conform to the disallowance of the deduction for employee remuneration in excess of $1 million.
- The federal provisions disallowing the deduction for lobbying expenses. The expense is still deductible for California purposes.
- The treatment of Subpart F and Section 936 income for taxpayers using annualized method.
- The IRC passive activity loss rules for real estate activities.

California law changes effective for income years beginning on or after January 1, 1997

Expired Credit

Program areas were merged into Enterprise Zones. The Program Area Hiring and Sales or Use Tax Credit has expired. Carryovers of the credit may be reported on form FTB 3805Z, Enterprise Zone Deduction and Credit Summary. For business incentives from program areas passed through from 1996 fiscal year filers, get the 1996 FTB 3805Z, Enterprise Zone and Program Area Booklet for more information.

New Farmworker Housing Credit

A credit is allowed for 50% of the qualified costs paid or incurred to construct or rehabilitate qualified farmworker housing. Also, banks and financial corporations are allowed a credit for 50% of the foregone interest income on qualified farmworker housing loans. The credit is certified by the California Tax Credit Allocation Committee.

New Rice Straw Credit

A credit is allowed in an amount equal to $15 per ton of rice straw grown in California that is purchased by an end user that is not related to the grower. The credit is certified by the Department of Food and Agriculture.

New Community Development Financial Institution Deposits Credit

A credit is allowed in an amount equal to 20% of each qualified deposit made by a taxpayer into a community development financial institution. The credit is certified by the California Organized Investment Network of the Department of Insurance.

California Qualified Stock Options

Federal law regarding incentive stock options is modified by California law to provide that the gain from the exercise of California Qualified Stock Options (CQSOs) issued and exercised after 1996 and before 2002, may be excluded from gross income if the individual's earned income is $40,000 or less. The exclusion from gross income is subject to the alternative minimum tax and the corporation is not allowed a deduction for the compensation excluded from the employee's gross income.

Financial Asset Securitization Investment Trusts (FASITs)

The provisions of the IRC relating to FASITs apply for California with certain modifications. The FASIT is subject to the $800 minimum tax. A separate return should be filed to report the $800 minimum tax, write "FASIT" in red in the top margin of the return.

If a corporation holds an ownership interest in a FASIT, report all the items of income, gain, deductions, losses and credits on the corporation's return and attach a schedule showing the breakdown of items from the FASIT.

Tax Prepayment for Qualified New Corporations

The prepaid minimum tax paid to the California Secretary of State (SOS) at the time of incorporation or qualification is $600 for qualified new corporations. A qualified new corporation is a corporation that is incorporated in California or qualified with the California SOS and reasonably estimates it will have gross receipts, less returns and allowances, of $1 million or less and a tax liability of $800 or less. The commencing tax for the first income year is prepaid to the California SOS. If during the first income year, the qualified new corporation's gross receipts exceed $1 million or the tax liability exceeds $800, the corporation must pay an additional tax of $200 to the Franchise Tax Board (FTB) on the due date of its return, without regard to extension, for its first income year.

Estimated tax payments

California R&TC Section 19147 was amended to incorporate the federal expanded annualization periods for income years beginning on or after January 1, 1997. For income years beginning on or after January 1, 1998 the applicable percentage for estimate basis is 100%. Get the Form 100-ES instructions for more information.

Water's-Edge Qualifying Dividends Deduction

California R&TC Section 24411 allows a 75% deduction for all qualifying dividends received, except that dividends resulting from specified construction projects are 100% deductible. Form FTB 2411 is eliminated and the water's-edge dividend deduction is computed on Form 100, Schedule H.

Interest Expense Deduction

For income years beginning on or after January 1, 1997, the amount of interest expense incurred for purposes of foreign investments that may be offset against deductible foreign dividends must be computed by multiplying the amount of interest expense by the same percentage used to compute the deductible portion of the qualifying foreign dividends.

Special Election for Business Trusts and Single Member LLCs

Certain existing eligible business entities (business trusts and single member LLCs) are currently taxable as corporations for California purposes. If an existing eligible business entity is, without an election for federal purposes, classified as a partnership (in the case of a business trust) or disregarded (in the case of a single member LLC) for income years beginning on or after January 1, 1997, they may elect to be classified the same as federal for income years beginning on or after January 1, 1997 for California. If this election is not made, the existing eligible business entity will continue to be classified and taxed as a corporation for California purposes.

To make this election, the existing electing eligible business entity should file a statement with the following information:

- The effective date of the election;
- The owners or authorized persons making the election;
- The name, address, California tax identification number, if applicable, and federal employer identification number of the eligible entity;
- The name, address, California tax identification number, if applicable, and federal identification number of the successor entity;
- A statement acknowledging the filing requirements under R&TC Sections 18633 and 18633.5;
- A statement acknowledging that the election is irrevocable; and
- A statement acknowledging under penalty of perjury that the person signing the election is authorized to sign for the business entity.

Each person who was an owner at the time the election was to be effective, but is not an owner at the time the election is filed, must also sign the election.

Send the election, by the filing date specified below, to the following address:

FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO, CA 95812-1468
ATTN: POST DISSOLUTION AUDIT

Also attach a copy of the election to the last return filed for the existing business entity.

The election is effective on the date specified in the written election or on the date filed if no date is specified. The effective date specified in the written election can be no more than 12 months after the date on which the election is filed and no more than 75 days prior to the date on which the election is filed. However, the election to be classified the same as federal for tax years beginning on or after January 1, 1997 must be filed within 90 days of the date that the regulations authorizing this election (Title 18 Cal Code Reg. Section 23038(b)-3) are filed with the California SOS. Elections with invalid effective dates are void.

If an entity taxable as a corporation for California purposes elects to be classified as a partnership or disregarded the same as the entity is classified or disregarded for federal, the entity must treat the change of classification as a liquidation of a corporation. This may cause a short period return filing requirement. The corporation must also recognize the tax consequences of such a dissolution.

See revised Title 18 Cal Code Reg. Section 23038(b) for more information on the definition of eligible entities.

Change in Accounting Method From Bad Debt Reserve for Banks, Savings & Loans Associations and Financial Corporations

If the corporation is a financial corporation, savings and loan or a bank, it can no longer use the bad debt reserve method of accounting and elect to be, or continue to be, an S corporation for income years beginning on or after January 1, 1997. However, the S Corporation status can be maintained or elected if the corporation changes accounting method from the bad debt reserve method to the specific write-off method.

If the following conditions are met, file federal Form 3115, Application for Change in Accounting Method with the FTB, in order to obtain or maintain S corporation status for income years beginning on or after January 1, 1997. The corporation is:

- **A savings and loan organization or a bank** that has elected federal S corporation status for the first time for income year 1997, and has been using the bad debt reserve method of accounting for California purposes; or
- **A financial corporation,** that has been an S corporation for California purposes or has elected federal S corporation status for the first time in 1997, and has been using the bad debt reserve method of accounting for California purposes.

This change in method is given deemed consent by the FTB, and is effective for income years beginning on or after January 1, 1997.

Attach a copy of the federal Form 3115 to Form 100 when filed. For more information see FTB Notice titled ''S Corporations — Change in Accounting Method From Bad Debt Reserve for Banks, Savings & Loans Associations and Financial Corporations.'' (FTB Notice number not available at the time this booklet went to press.)

Important Information

California Tax Forms on the Internet!

Do you need a California franchise or income tax form or publication? Do you have Internet access? If so, you may download, view and print 1994, 1995, 1996 and 1997 California tax forms, instructions and publications. Our Internet address is: **http://www.ftb.ca.gov**

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

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

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

For income years beginning on or after January 1, 1997, U. S. taxpayers who have an ownership interest in (directly or indirectly) a foreign corporation and were required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(s) to the California return. A penalty for failure to include a copy of federal Form(s) 5471 as required is $1,000 per required form for each year the failure occurs. The penalty applies for income years beginning on or after January 1, 1998. The penalty will not be assessed if the taxpayer provides a copy of the form(s) within 90 days of request from the FTB and the taxpayer agrees to attach a copy(s) of Form 5471 to all returns filed for subsequent years.

Small Business Stock Questionnaire

An information questionnaire, form FTB 3565, Small Business Stock Questionnaire, is included on page 37 of this booklet. The purpose of this questionnaire is to provide information regarding the issuance of stock pursuant to R&TC Section 18152.5. For income years beginning on or after January 1, 1996, corporations that issue stock intended to be qualified small business stock are required to attach form FTB 3565 to the Form 100. Refer to the instructions for form FTB 3565 on page 38 of this booklet.

General Information

Form 100 is California's tax return for corporations, banks, financial corporations, real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), real estate investment trusts (REITs), Massachusetts or business trusts, publicly traded partnerships (PTPs), exempt homeowners' associations (HOAs), political action committees (PACs) and limited liability companies (LLCs) and partnerships taxed as corporations. REMICs that are partnerships must file Form 565, Partnership Return of Income.

S corporations must file Form 100S, California S Corporation Franchise or Income Tax Return.

Records Maintenance Requirements

Any taxpayer filing on a water's-edge or worldwide basis is required to keep and maintain records and make available upon request the following:

- Any records needed to determine the correct treatment of items reported on the worldwide or water's-edge combined report for purposes of determining the income attributable to California;
- Any records needed to determine the treatment of items as nonbusiness or business income;
- Any records needed to determine the apportionment factor; and
- Documents and information needed to determine the proper attribution of income to the U.S. or foreign jurisdictions under IRC Subpart F, IRC Section 882, or other similar provisions of the IRC.

For more information refer to R&TC Section 19141.6 and Title 18, Cal. Code Regs. Section 19141.6. A corporation may be required to authorize an agent to act on its behalf in response to requests for information or records pursuant to R&TC Section 19504.

A Franchise or Income Tax

Corporation franchise tax

Entities subject to the corporation franchise tax include all corporations:

- Incorporated in California; or
- Qualified to do business in Calfiornia; or
- Doing business in California, whether or not incorporated or qualified under California law; or
- Banks doing business in California

The tax must be prepaid for the privilege of doing business. It is measured by the income of the preceding income year for the privilege of doing business in the following taxable year. For purposes of these instructions, the term ''income year'' means taxable year for corporations that are taxed under Chapter 3 of the Bank and Corporation Tax Law.

The term "doing business" means actively engaging in any transaction for the purpose of financial gain or profit.

Corporation income tax

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

For purposes of the corporation income tax, the term "corporation" includes:

- Associations; and
- Massachusetts or business trusts; and
- Real estate investment trusts; and
- LLC's classified as corporations; and
- Banks

Political organizations that are exempt under R&TC Section 23701r and have political taxable income in excess of $100 also must file Form 100. Political organization taxable income is the amount by which gross income (other than exempt function income) less deductions directly connected with production of such gross income exceeds $100. Exempt function income includes amounts received as:

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

For more information get FTB Pub. 1075, Exempt Organizations - Guide for Political Organizations.

Homeowners' associations that are exempt under R&TC Section 23701t and have homeowners' association taxable income also must file Form 100. Homeowners' association taxable income is the amount by which gross income (other than exempt function income) less deductions directly connected with the production of such gross income exceeds $100. Exempt function income means amounts received as membership fees, dues and assessments. Nonexempt gross income of a homeowners' association is defined as all income other than amounts received from membership fees, dues or assessments.

Note: An exempt homeowners' association may also be required to file Form 199, California Exempt Organization Annual Information Return. For more information get FTB Pub. 1028, Guidelines for Homeowners' Associations.

B Tax Rates

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

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

C Minimum Franchise Tax

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

- Qualified inactive gold or quicksilver mining corporations $25
- All other corporations (see General Information A for definitions) subject to franchise tax $800

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

There is no minimum franchise tax for:

- Corporations that derive income from sources within California but are subject only to income tax because they are not "doing business" in California, and are not incorporated or qualified under the laws of California (get FTB Pub. 1050, FTB Pub. 1060, or FTB Pub. 1063 for more information regarding "doing business");
- Credit unions;
- Exempt HOAs, and PACs;
- Qualified non-profit farm cooperative associations;
- Exempt organizations; and
- Corporations that are not incorporated under the laws of California; whose sole activities in this state are engaging in convention and trade show activities for seven or fewer days during the income year; and do not derive more than $10,000 of gross income reportable to this state during the income year. These corporations are not "doing business" in California (get FTB Pub. 1060 for more information).

D Accounting Period/Method

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

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

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

E When to File

File Form 100 by the 15th day of the 3rd month after the close of the income year unless the return is for a short period as required under R&TC Section 24634. See R&TC Section 18601(c) for the due date of the short period return. Farmer's cooperative associations must file Form 100 by the 15th day of the 9th month after the close of the income year. For final returns, see General Information O and P.

F Extension of Time to File

If the corporation cannot file its California return by the 15th day of the 3rd month after the close of the income year, it may file on or before the 15th day of the 10th month, without filing a written request for an extension unless the corporation is suspended on the original due date. This does not extend the time for payment; the full amount of tax must be paid by the original due date of Form 100. If there is an unpaid tax liability, complete form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations, and send it with the payment by the original due date.

Note: If the corporation must pay its tax liability using electronic funds transfer (EFT), all payments must be remitted by EFT to avoid penalties. Do not send form FTB 3539.

G Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Once a corporation remits an estimated tax payment or extension payment in excess of $20,000 or has a total tax liability in excess of $80,000 in any income year beginning on or after January 1, 1995, the FTB will notify the corporation that all future payments must be made by EFT. Those that wish to participate on a voluntary basis may do so. For more information, call the FTB EFT Section at 916-845-4025, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

H Where to File

If a tax is due, and the corporation is not required to use EFT, make the check or money order payable to the Franchise Tax Board. Write the California corporation number and "1997 Form 100" on the check or money order. Mail the return and payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO, CA 94257-0501

Mail all other returns, including those with payment by EFT to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO, CA 94257-0500

I Net Income Computation

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

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

1. Federal reconciliation method

a. Attach a copy of federal Form 1120 or Form 1120A, Page 1, U.S. Corporation Income Tax Return and all pertinent supporting schedules, or transfer the information from federal Form 1120 or Form 1120A, Page 1, to Schedule F and attach all pertinent schedules;

b. Enter the amount of federal ordinary income (loss) from trade or business activities before any net operating loss (NOL), on Form 100, Side 1, line 1; and

c. Enter state adjustments on line 2 through line 16 to arrive at net income after state adjustments, Side 1, line 17.

2. **Schedule F – California computation**

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

   See the specific line instructions for more information.

J Alternative Minimum Tax

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

K Estimated Tax

Every bank and corporation, unless exempt by law, must pay estimated tax using Form 100-ES, Corporation Estimated Tax. Estimated tax is generally due and payable in four installments:

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

Note for first-time filers: The prepayment of tax made to the California SOS at the time of incorporation or qualification is for the privilege of "doing business" during the corporation's **first** taxable year. **Do not** claim this payment as an estimated tax payment or credit against the tax liability shown on the return for the corporation's first year.

The first tax return the corporation files reports the income of its first income year. The tax shown on that return is the tax for the privilege of doing business in the corporation's **second** taxable year.

California law has conformed to the federal expanded annualization periods for the computation of estimate payments. For income years beginning on or after January 1, 1998, the applicable percentage for estimate basis is 100%. For more information, get the instructions for Form 100-ES.

Note: If the corporation must pay its tax liability using EFT, all estimate payments due **must** be remitted by EFT to avoid penalties.

L Commencing Corporations

Effective for income years beginning on or after January 1, 1997, the prepaid minimum tax for the first income year is $600 for qualified new corporations. The commencing tax for the first income year is prepaid to the California SOS. A qualified new corporation is a corporation that is incorporated or registered with the California SOS and reasonably estimates for the income year that it will have **both** (1) gross receipts, less returns and allowances reportable to California of $1 million or less; and (2) tax on net income that does not exceed $800. If during the first income year the corporation's gross receipts exceed $1 million or tax on net income exceeds $800, then an additional tax amount of $200 shall be due on the **original** due date of its return for the first income year. The $600 commencing tax does not apply to a corporation if 50% or more of the stock is owned by another corporation during the first income year.

The tax measured by the income in the first year of business (first income year) is for the privilege of "doing business" during the second year.

Even if the first income year is for a period of less than 12 months or if the corporation is inactive during the first income year, the corporation must pay at least the minimum franchise tax by the first estimate installment due date and file Form 100 by the due date.

For more information, get FTB Pub. 1060, Guide for Corporations Starting Business in California.

M Penalties

Failure to file a timely return

Any corporation that fails to file Form 100 on or before the extended due date is assessed a penalty. The penalty is 5% of the unpaid tax for each month, or part of the month, the return remains unfiled from the due date of the return until filed. The penalty may not exceed 25% of the unpaid tax. If a corporation does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty will be assessed from the original due date of the return.

Failure to pay total tax by the due date

Any corporation that fails to pay the total tax shown on Form 100 by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months), the tax remains unpaid. This penalty may not exceed 25% of the unpaid tax.

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

Underpayment of estimated tax

Any corporation that fails to pay, pays late or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment for the underpayment period.

Get form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

Note: If the corporation uses Exception B or Exception C to compute or eliminate any of the four installments, form FTB 5806 must be attached to the **front** of Form 100.

Information reporting penalties

For income years beginning on or after January 1, 1997, U. S. taxpayers who have an ownership interest in (directly or indirectly) a foreign corporation and were required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(s) to the California return. A penalty for failure to include a copy of federal Form(s) 5471 as required is $1,000 per required form for each year the failure occurs. The penalty applies for income years beginning on or after January 1, 1998. The penalty will not be assessed if the taxpayer provides a copy of the form(s) within 90 days of request from the FTB and the taxpayer agrees to attach a copy(s) of Form 5471 to all returns filed for subsequent years.

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

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

Secretary of State penalty

The California Corporations Code requires the FTB to assess a penalty for failure to file an annual statement of corporate officers with the California SOS. See R&TC Section 19141.

For more information, contact:

CALIFORNIA SECRETARY OF STATE
PO BOX 944230
SACRAMENTO CA 94244-2300
Telephone: (916) 657-3537

EFT Penalty

If the corporation must pay its tax liability using electronic funds transfer (EFT), all payments must be remitted by EFT to avoid penalties. The EFT penalty is 10% of the amount not paid by EFT. For more information, see General Information G.

Accuracy and fraud related penalties

California conforms to IRC Sections 6662 through 6665 that authorize the imposition of an accuracy-related penalty equal to 20% of the related underpayment, and the imposition of a fraud penalty equal to 75% of the related underpayment.

Other penalties

Other penalties may be imposed for a check returned for insufficient funds, failure to pay by EFT when required, non-U.S. foreign corporations operating while forfeited or without qualifying to do business in California and domestic corporations operating while suspended in California. For more information, see R&TC Sections 19011, 19134, 19135, 19141.5 and 19164.

N Interest

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

O Dissolution/Withdrawal

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

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

To claim this credit, enter the amount on line 33. Make a notation to the right of line 33: ''Dissolving/Withdrawing.''

The return for the final taxable period is due on or before the 15th day of the 3rd full month following formal dissolution or withdrawal.

For more information, get FTB Pub. 1038, Guide for Corporations Dissolving, Surrendering (Withdrawing) or Merging.

Samples and/or forms for a dissolution, surrender or merger agreement filing may be obtained by addressing your request to:

ATTN: LEGAL REVIEW
CALIFORNIA SECRETARY OF STATE
1500 11TH ST 3RD FLOOR
SACRAMENTO CA 95814-5701
Telephone: (916) 657-5448

P Ceasing Business

Because the corporation franchise tax is a prepaid tax, a special tax computation is necessary when a corporation ceases to do business. The tax for the final year in which the corporation does business in California is:

- The tax measured by the income of the preceding year; PLUS
- The tax measured by the income of the year in which the corporation ceases to do business; PLUS
- The tax due on unreported income attributable to installment obligations.

The tax due must be at least the minimum franchise tax. Generally, the corporation will remain subject to the minimum franchise tax for each year it is in existence until it files a certificate of dissolution or withdrawal with the California SOS. For more information, see General Information O and R&TC Sections 23331 through 23335.

Q Suspension/Forfeiture

If a corporation fails to file a Form 100 and/or fails to pay any tax, penalty or interest due, its powers, rights and privileges may be suspended (in the case of a domestic corporation) or forfeited (in the case of a foreign corporation).

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

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

For more information, see R&TC Sections 19135, 19719, 23301, 23305.1 and 23305.2.

R Apportionment of Income

Corporations with business income attributable to sources both within and outside of California are required to apportion such income. To calculate the apportionment percentage, use Schedule R, Apportionment and Allocation of Income. Be sure to answer Question H on Form 100, side 2.

S Combined Report

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

If the income of a unitary group is derived wholly from California sources, its members may either file returns on a separate accounting basis or file on a combined report basis.

Members of a unitary group may elect to file a group single return by filing Schedule R-7, Election to File a Unitary Taxpayers' Group Return and List of Affiliated Corporations. For more information get Schedule R, Apportionment and Allocation of Income.

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

The total combined tax, which must include at least the minimum franchise tax for each corporation subject to the franchise tax, must be shown on Form 100, Side 1, line 23.

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

T Water's-Edge Reporting

To make a water's-edge election, each unitary taxpayer must enter into a contract with the FTB by filing Form 100-WE, Water's-Edge Contract. For the election to be valid for any income year, Form 100-WE must be signed and attached to the original Form 100. A copy of the contract must be attached to all subsequent returns filed during the contract period.

In consideration for being allowed to file on a water's-edge basis, the taxpayer must, among other things:

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

Water's-edge returns must have form FTB 2426, Water's-Edge Cover Sheet, attached to the **front** of Form 100.

For more information and the required forms, get the Form 100-WE, Water's-Edge Booklet.

U Amended Return

To correct or change Form 100, file the most current Form 100X, Amended Corporation Franchise or Income Tax Return. Using the incorrect form may delay processing of the amended return. If the Internal Revenue Service (IRS) examined and changed the corporation's federal return or if the corporation filed an amended federal return, file Form 100X within six months of the final federal determination.

V Information Returns

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

Payments that must be reported include, but are not limited to, compensation for services not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties and pensions exceeding $600 annually, interest and dividends exceeding $10 annually and cash payments over $10,000 received in a trade or business. Payments of any amount by a broker or barter exchange must also be reported.

Report payments on federal Form 1099 (series). Reports must be made for the calendar year and are due to the IRS no later than February 28th of the year following payment. Corporations must also submit federal Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, within 15 days after the date of the transaction.

A new reporting requirement exists for interest paid on municipal bonds issued by a state other than California, or a municipality other than a California municipality that are held by California residents. Entities paying interest to California residents on these types of bonds are required to report interest payments aggregating $10 or more and paid after January 1, 1997, to the FTB. Information returns will be due June 1, 1998. For more information call 1-800-338-0505, select general tax information and enter code number 740 when instructed to do so.

W Net Operating Loss (NOL)

Carryover periods varying from 5 to 15 years and carryover deductions varying from 50% to 100% are allowed for NOLs sustained by qualified corporations for income years beginning on or after January 1, 1994.

R&TC Sections 24416, 24416.1, 24416.2, 24416.3 and 25108 provide for NOL carryovers incurred in the conduct of a trade or business.

R&TC Section 24347.5 provides special treatment for the carryover of disaster losses incurred in an area designated by the President of the United States or the Governor of California as a disaster area.

For more information, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations (included in this booklet), or get form FTB 3805Z, Enterprise Zone Business Booklet; form FTB 3806, Los Angeles Revitalization Zone Booklet and form FTB 3807, Local Agency Military Base Recovery Area Booklet.

X Limited Liability Companies (LLCs)

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

If an LLC elects to be taxed as a corporation for federal tax purposes, it must file Form 100. LLCs electing to be taxed as corporations are subject to the applicable provisions of the Bank and Corporation Tax Law, including the requirement that corporations prepay the minimum franchise tax when they incorporate or qualify to do business with the California SOS.

If an LLC elects to be taxed as a partnership for federal tax purposes, it must file Form 568, Limited Liability Company Return of Income. LLCs electing to be taxed as partnerships determine their income, deductions and credits under the Personal Income Tax Law and are subject to an annual tax as well as a schedule of fees based on gross receipts.

If a single member LLC elects to be disregarded for federal tax purposes, it must file page 1 of Form 568, Limited Liability Company Return of Income. LLCs electing to be disregarded report their income, deductions and credits on the returns of their owners. However, an LLC that is disregarded is subject to the annual LLC tax as well as a fee based on gross receipts. Page 1 of Form 568 provides the FTB with information on the sole owner of the LLC, contains the owner's consent to be taxed on the income of the LLC, and computes the LLC tax and fee.

Specific Line Instructions

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

- California corporation number (7 digits);
- Federal employer identification number (FEIN); and
- Corporation name and address.

Note: Enter income year beginning and ending dates if the return is for a short year or a fiscal year. If the corporation reports its income using a calendar year leave blank. If the return is being filed for a short period of less than twelve months, write short year in red in the top margin. Convert all foreign monetary amounts to U.S. dollars.

Questions A through Z

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions F through Z on Side 2. Note the following instructions when answering:

Question C — Principal business activity code

All corporations **must** answer Question C.

Using the list found on page 32, enter the code number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income.

If, as its principal business activity, the corporation: (1) purchases raw material; (2) subcontracts out for labor to make a finished product from the raw materials; and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing." Use code 8980 **only** if the corporation's industry group is not listed.

Question D — 1998 Tax Forms

If the corporation's return is prepared by someone else, or if the corporation does not need Form 100 mailed to it next year, check the box at Question D.

Question F — Transfer or acquisition of voting stock

All corporations **must** answer Question F. If the answer is "yes," a Statement of Change in Control and Ownership of Legal Entities, (PT-100-B) must be filed with the State Board of Equalization, or substantial penalties may result. Forms and information may be obtained from the Board of Equalization at (916) 323-5685.

Answer "yes" if:

- The percentage of outstanding voting shares of this corporation or its subsidiary(ies) owned by **one** person or **one** entity cumulatively exceeded 50% during this year; or
- The total of voting shares transferred to one irrevocable trust cumulatively exceeded 50% during this year; or
- One or more irrevocable proxies transferred voting rights to more than 50% of the outstanding shares to **one** person or **one** entity during this year; or
- This corporation's cumulative ownership or control of the stock or other ownership interest in any legal entity exceeded 50% during this year; or
- Cumulatively more than 50% of the total outstanding shares of this corporation have transferred, changed ownership or control during this year.

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

Question I — REMIC

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

Question K — Limited liability company

Answer "yes" only if the business entity for which the Form 100 is being filed is organized as an LLC but is classified as a corporation for federal tax purposes. An LLC classified as a **partnership** for federal tax purposes should file **Form 568,** Limited Liability Company Return of Income.

Line 1 – Net income (loss) before state adjustments

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

- Transfer the amount from federal Form 1120, line 28, or federal Form 1120A, line 24, to line 1 and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120 or Form 1120A, Page 1, onto Schedule F and transfer the amount from Schedule F, line 30, to line 1.
- Then, complete Form 100, Side 1, line 2 through line 16, State Adjustments.

Corporations using the California computation method to figure net income (see General Information I) must transfer the amount from Side 3, Schedule F, line 30, to line 1. Complete Form 100, Side 1, line 2 through line 16, only if applicable.

Line 2 through Line 16 – State adjustments

To figure net income for California purposes, corporations using the federal reconciliation method must enter California adjustments to the federal net income on line 2 through line 16. If a specific line for the adjustment is not on Form 100, corporations must enter the adjustment on line 7, Other additions, or line 15, Other deductions and attach a schedule that explains the adjustment.

Line 2 and Line 3 – Taxes not deductible

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

The LLC fee is not a tax (R&TC Section 23092); therefore, it is deductible. Do not enter the amount of the fee on line 2 or line 3.

Line 4 – Interest on government obligations

Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state or municipal bonds) even though exempt from state or federal income tax. Add interest on government obligations that is not reported on the federal return to income by entering the amount on line 4.

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

Line 5 – Net capital gain

Complete Side 2, Schedule D and enter the California net capital gain from Schedule D, line 11.

Subtract the federal capital gain taxable income out of California taxable income on line 12.

Line 6 – Depreciation and amortization

California law is substantially different from federal law.

Complete form FTB 3885, Corporation Depreciation and Amortization (included in this booklet), to determine the amounts to be entered on line 6.

Line 7 – Other additions

Any miscellaneous items that must be added to arrive at net income after state adjustments (line 17) should be shown on this line. Attach a schedule to itemize amounts. If any federal contribution deduction reduced the amount entered on Form 100, Side 1, line 1, enter that amount on this line.

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

Note: Business expense deductions are not allowed for payments to a club that restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin. "Club" means a club as defined in the Business and Professions Code, Div. 9, Ch. 3, Art. 4, beginning with Section 23425. Add back such deductions on this line.

Line 9, Line 10 and Line 11 – Dividends

See Schedule H, Dividend Income Deduction, instructions.

Line 12 – Federal capital gain net income

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

Line 13 – Contributions

For income years beginning on or after January 1, 1996, the contribution deduction is 10% of California net income. Carryover provisions per IRC Section 170(d)(2) apply for excess contributions made during income years beginning on or after January 1, 1996.

On a separate worksheet, using the Form 100 format, complete Form 100, Side 1, line 1 through line 17 without regard to line 13, Contributions. Then complete the worksheet that follows to determine the contributions to enter on this line.

1. Net income after state adjustments from Side 1, line 17. . ________
2. Deduction for dividends received . . . . ________
3. Net income for contribution calculation purposes. Add line 1 and line 2 . . . . ________
4. Contributions. Multiply line 3 by 10% (.10) . . . . ________
5. Enter the amount actually contributed . . . . ________
6. Enter the smaller of line 4 or line 5 here and on Side 1, line 13 . . . . ________

If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 7.

Get Schedule R, Apportionment and Allocation of Income, to figure the contribution computation for apportioning corporations.

Line 14 – EZ, LARZ or LAMBRA business expense and net interest deduction

Businesses conducting a trade or business within an EZ, LARZ or a LAMBRA may elect to treat a portion of the cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct a percentage of the cost in that year rather than depreciate it over the life of the asset. For more information, get form FTB 3805Z, Enterprise Zone Business Booklet, form FTB 3806, Los Angeles Revitalization Zone Booklet, or form FTB 3807, Local Agency Military Base Recovery Areas Booklet.

Also, a deduction may be claimed on this line for the amount of net interest on loans made to an individual or company doing business within an EZ or the LARZ. For more information, get form FTB 3805Z or form FTB 3806, for 1997.

Be sure to attach form FTB 3805Z, form FTB 3806 or form FTB 3807 if any of these benefits are claimed. If the proper form is not attached, these tax benefits may be disallowed.

Line 15 – Other deductions

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

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

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

Line 17 – Net income (loss) after state adjustments

If all income is derived from California sources, transfer the amount from line 17 to line 18. If income is derived from sources both within and outside of CA, complete Schedule R, Apportionment and Allocation of Income, and transfer the amount from Schedule R, line 24 to line 18.

Line 18 – Net income (loss) for state purposes

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

If only a portion of income is derived from California sources, complete Schedule R, Apportionment and Allocation of Income, before entering any amount on line 18. Transfer the amount from Schedule R, line 24, to line 18. Be sure to answer yes to Question H on Form 100, Side 2.

If this line is a net loss, complete and attach the 1997 form FTB 3805Q, to Form 100.

Line 19, Line 20 and Line 21

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

Line 19 – Net operating loss (NOL) carryover deduction

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

If line 18 is a positive amount, enter the NOL carryover from the 1997 form FTB 3805Q, Part III, line 3 on Form 100, line 19. The loss may not reduce current year income below zero. Any excess loss must be carried forward. Attach to Form 100 a copy of the 1997 form FTB 3805Q.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 1997 form FTB 3805Q, showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, corporations may not claim an NOL carryover deduction. Enter -0- on line 19. See the 1997 form FTB 3805Q instructions to compute the NOL carryover to future years.

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

Line 20 – EZ, LARZ or LAMBRA net operating loss (NOL) carryover deduction

An NOL generated by a business that operates or invests within an EZ, the LARZ or a LAMBRA receives special tax treatment. The loss may not reduce the corporation's current year income below zero. Any excess loss must be carried forward. Compute the corporation's EZ, LARZ or LAMBRA NOL using form FTB 3805Z, form FTB 3806 or form FTB 3807.

Enter the EZ, LARZ or LAMBRA NOL carryover deduction from the corporation's 1997 form FTB 3805Z, form FTB 3806 or form FTB 3807, on Form 100, line 20. Attach a copy of the 1997 form FTB 3805Z, form FTB 3806 or form FTB 3807 to the Form 100.

Line 21 – Disaster loss carryover deduction

If you have a disaster loss carryover deduction, enter the total amount from the 1997 form FTB 3805Q, Part III, line 2, only if you have income in the current year. The loss may not reduce current year income below zero. Any excess loss must be carried forward.

Line 23 – Tax

Use rates listed in General Information B and C.

Line 24 through Line 28 – Tax credits

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

Also, the amount of the credit that a corporation is allowed to claim may be limited. Generally, if the corporation completed federal Form 4626, Alternative Minimum Tax — Corporations, the corporation may have limited credits. Complete Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, to compute this limitation.

Corporations claiming only:

- Enterprise zone hiring & sales or use tax credit;
- LARZ construction hiring & sales or use tax credit;
- Solar energy credit carryover;
- Commercial solar energy credit carryover;
- Commercial solar electric system credit;
- Research credit;
- Orphan drug credit carryover; and
- Low-income housing credit

are not subject to this type of limitation.

Each credit is identified by a code number. To claim one, two or three credits, enter the credit name, code number and the amount of the credit on line 24, line 25 and line 26. To claim more than three credits, use Schedule P (100). List three of the credits on line 24, line 25 and line 26. Enter the total of any remaining credits from Schedule P (100) on line 27. Do not make an entry on line 27 unless line 24 through line 26 are complete.

To figure tax credits, use the appropriate form or schedule. If the corporation claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of credit, unless the corporation is required to complete Schedule P (100). In that case, enter the amount of the credit on Schedule P (100) and complete Schedule P (100). Do not attach form FTB 3540.

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

CREDIT NAME	CODE	DESCRIPTION
Community Development Financial Institution Deposits – Obtain certification from: CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN) DEPARTMENT OF INSURANCE 300 CAPITOL MALL, SUITE 1460 SACRAMENTO CA 95814	209	20% of a qualified deposit made into a community development financial institution
Disabled Access for Eligible Small Businesses — FTB 3548	205	Similar to the federal credit, but limited to $125 per eligible small business, and based on 50% of qualified expenditures that do not exceed $250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employer: Cost of establishing a child care program or constructing a child care facility
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 & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Farmworker Housing – Construction Farmworker Housing – Loan Obtain certification from: FARMWORKER HOUSING ASSISTANCE PROGRAM CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE 916 CAPITOL MALL, ROOM 485 SACRAMENTO CA 95814	207 208	50% of qualified costs paid or incurred to construct or rehabilitate qualified farmworkers housing Banks and financial corporations: 50% of foregone interest income on qualified farmworker housing loans
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs
Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax – FTB 3806	159	Business incentives for LARZ
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturers' Investment – FTB 3535	199	6% of the cost of qualified property
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 1997
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program Area Hiring & Sales or Use Tax – FTB 3805Z	177	Business incentives for program areas passed through from 1996 fiscal year filers. See 1996 FTB 3805Z, Enterprise Zone and Program Area Booklet.
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Rice Straw Obtain certification from: DEPARTMENT OF FOOD AND AGRICULTURE 1220 N STREET, ROOM 409 SACRAMENTO CA 95814	206	$15 per ton of rice straw grown in California
Salmon & Steelhead Trout Habitat Restoration – Obtain certification from: DEPARTMENT OF FISH AND GAME C/O FISH TIMBER TAX CREDITS PROGRAM PO BOX 944209 SACRAMENTO CA 95244-2090	200	10% of qualified costs
Agricultural Products Commercial Solar Electric System Commercial Solar Energy Contribution of Computer Software Employer Ridesharing – Large employer Employer Ridesharing – Small employer Employer Rideshare – Transit Energy Conservation Low Emission Vehicles Orphan Drug Recycling Equipment Ridesharing Solar Energy Solar Pump Technology Property Contributions	175 196 181 202 191 192 193 182 160 185 174 171 180 179 201	The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits if there is a carryover available from prior years. If you are not required to complete Schedule P (100), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

Line 29 – Balance

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

Line 30 – Alternative minimum tax (AMT)

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

Line 32 – Additional SOS prepayment tax

For income years beginning on or after January 1, 1997, the corporation must pay an additional $200 on the original due date of the return if it:

- Incorporated as a qualified new corporation with the California SOS; and
- Paid the $600 commencing tax; and
- Had gross receipts, less returns and allowances, exceeding $1 million or tax on net income exceeding $800 during the first income year.

Line 38 and Line 39 – Tax due or overpayment

Revise the amount of tax due or overpayment, if applicable, by the amount on Side 2, Schedule J, line 6. See Schedule J instructions.

Line 42 – Penalties and interest

Complete and attach form FTB 5806, Underpayment of Estimated Tax by Corporations, to the **front** of Form 100, only if Exception B or Exception C is used in computing or eliminating the penalty.

Schedules

Schedule A — Taxes Deducted

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

Schedule D — Capital Gain or Loss

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

Enter any unused capital loss carryover from 1996 on line 3.

Schedule F — Computation of Net Income

Line 28 – Specific deduction for 23701r or 23701t organizations

Political organizations

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

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

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

Political organizations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law.

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

Exempt homeowners' associations

A homeowners' association exempt under R&TC Section 23701t must file Form 100 if it received nonexempt function gross income in excess of $100. Form 100 may be required in addition to Form 199, California Exempt Organization Annual Information Return.

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

Exempt homeowners' associations are not subject to the minimum franchise tax. The tax is computed under Chapter 3 of the Bank and Corporation Tax Law. Under Chapter 3, estimated tax payments may be required.
Form 100 is due within 2 months and 15 days after the close of the income year.

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

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

Complete Schedule J if the corporation has credit amounts to recapture or is required to include installment payments of "add-on" taxes from:

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

Revise the amount of tax due or overpayment on Form 100, line 38 or line 39, as applicable by the amount from Schedule J, line 6.

Installment payment of tax attributable to LIFO recapture for corporations making an S corporation election. A corporation that uses the LIFO inventory pricing method and makes an S corporation election must include a "LIFO recapture amount" in income for its last year as a C corporation. The corporation's LIFO recapture amount is equal to the excess of the inventory amount using the first-in, first-out (FIFO) method, over the inventory amount using the LIFO method, at the close of the corporation's last income year as a C corporation.

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

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100, Side 1, through line 33, based on income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100 format, the corporation must complete the equivalent of Form 100, Side 1, line 18 through line 33, based on taxable income including the LIFO recapture amount.
Form 100, Side 1, line 33, must then be compared to line 33 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100, Side 1, line 33, does not include the additional tax due to LIFO recapture, corporations must include 1/4 of the additional tax on Schedule J, line 1 and adjust line 38 or line 39 accordingly. Attach the worksheet showing the computation.

Note: Corporations must pay the remaining three installments of deferred tax with Form 100S, California S Corporation Franchise or Income Tax Return. The payments must be made by the original due date of Form 100S, for each succeeding year.

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

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots. If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453(l)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138, Refund/Billing Information. Attach a schedule showing the computation.

Interest on tax deferred under the installment method for certain nondealer installment obligations. If an obligation arising from the disposition of property to which

IRC Section 453A(c) applies is outstanding at the close of the year, the corporation must include the interest due under IRC Section 453A on Schedule J, line 3b. For the applicable interest rates, get FTB Pub. 1138.

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

Credit recapture. Complete Schedule J, line 5, if the corporation completed the credit recapture portion of:

- FTB 3501, Employer Child Care Program/Contribution Credit; or
- FTB 3805Z, Part VI, Enterprise Zone Recapture of Deduction and Credits; or
- FTB 3806, Part VI, Los Angeles Revitalization Zone Recapture of Deduction and Credits; or
- FTB 3807, Part VI, Local Agency Military Base Recovery Area Recapture of Deduction and Credits; or
- FTB 3535, Manufacturers' Investment Credit.

Schedule G — Bad Debts Reserve Method

Only savings and loan associations, banks and financial corporations may use the bad debt reserve method. Use the format on page 12 to prepare Schedule G. Attach Schedule G to Form 100.

Schedule H — Dividend Income Deduction

A corporation may eliminate or deduct dividend income when certain requirements are met. There are three different methods to eliminate or deduct dividends received from income.

Intercompany Dividends

A corporation may eliminate dividends received from unitary subsidiaries but only to the extent that the dividends are paid from unitary earnings and profits accumulated while the subsidiary was a member of the combined report (R&TC Section 25106). Complete Form 100, Schedule H, Part I and enter the total of column (d) on Form 100, Side 1, line 9.

Other Dividends

Corporations may claim a deduction for dividends:

- Paid by a corporation taxed by California on earnings from which such dividends are paid (R&TC Section 24402); or
- Received from a California insurance company subject to tax imposed by Part 7 of the R&TC and not previously deducted under R&TC Sections 24411 or 25106 (to qualify for this deduction, the recipient corporation must be commercially domiciled in California and must own at least 80% of each class of stock of the insurance company) (R&TC Section 24410).

To determine the deductible percentage of a dividend (Schedule H, Part II, column (f)), send a written request showing the complete name of the dividend-paying corporation to:

DEDUCTIBLE DIVIDENDS
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

FAX: 1-916-845-6888

Or call the FTB at the telephone numbers on page 39 of this booklet. Allow six to eight weeks for a written reply. Enter this amount on Schedule H, Part II, column (f).

To determine the amount of dividends to enter on Form 100, line 10, fill out Part II and Part III of Schedule H. To complete Part II:

1. Fill in columns (a) through (c)
2. Enter the corporation's percentage of ownership of the dividend paying corporation on Schedule H, Column (d).
3. Determine the limitation percentage and enter it on Schedule H, Part II, column (e). Refer to the ownership percentages in column (d) and the limitation percentages below to determine the applicable limitation percentage.

If the dividend paying corporation is:	then the limitation percentage is:
Less than 20% owned	70%
At least 20% but not more than 50% owned.	80%
More than 50% owned	100%

4. Multiply the dividend received (column (b)) by the limitation percentage (column(e)).
5. Multiply the result of line 4 by the deductible percentage (column (f)).
6. Enter the result of line 5 in column (g).

To complete Part III:

1. Follow steps 1 and 2 above.
2. Enter in column (e) the amount of qualified insurance dividends received from Schedule H, Part I, column (g).
3. Enter the apportionment factors for the insurance corporation in column (f).
4. Multiply the amount in column (e) by the amount in column (f) and enter the result in column (g).

Total the amounts on Schedule H, Part II, column (g), line 7 and Part III, column (g), line 7. Enter the result on Part III, column (g), line 8 and on Form 100, Side 1, line 10.

Water's-Edge Dividends

California R&TC Section 24411 allows a 75% deduction of a portion of the dividends received and included in the water's-edge return. Dividends received from banks **do not** qualify for the water's-edge dividend deduction. Both business and nonbusiness dividends qualify for the dividend deduction. The allowable business dividend deduction is determined by multiplying the total dividend deduction (business and nonbusiness) by the ratio of business dividends to total dividends. The remaining dividend deduction is the nonbusiness dividend deduction.

In no event will a R&TC Section 24411 deduction be allowed with respect to a dividend for which a deduction was allowed under R&TC Section 24402 or Section 24410 or which was eliminated under R&TC Section 25106.

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

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

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

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

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

Complete Schedule H, Part IV and enter the total of column (f) on Form 100, Side 1, line 11.

Schedule G Bad Debts — Reserve Method Complete only if a savings and loan association, bank or financial corporation.

(a) Income year	(b) Accounts outstanding at the end of the year	Amount added to reserve		(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
		(c) Current year's provision	(d) Recoveries		
1992					
1993					
1994					
1995					
1996					
1997					

Instructions for Schedule P (100)

Alternative Minimum Tax and Credit Limitations — Corporations

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997,** and to the California Revenue and Taxation Code (R&TC).

1997 Law Changes

Due to California legislation enacted in 1997, California tax law conforms to the Internal Revenue Code as of January 1, 1997. California law has not conformed to the provisions of the Taxpayer Relief Act of 1997 relating to Alternative Minimum Tax (AMT). **California did not conform to the following AMT provisions:**

- AMT depreciation shall be computed using the same useful life as used for regular tax purposes.
- AMT is eliminated for small business corporations.
- Clarification of existing law that does not allow an AMT adjustment for installment sales of farm property.
- For small property and casualty insurance companies that elect to be taxed only on their taxable investment income, the adjusted current earnings (ACE) adjustment is determined without regard to all other items of income and expense not included in gross investment income.
- The contribution deduction in excess of adjusted basis for appreciated property is still a tax preference item for California purposes.

SB 715 (Ch #96-952) provides clarification that tentative minimum tax applies to the unrelated business taxable income of exempt corporations.

For income years beginning on or after January 1, 1997, the following new credits are available:

- Farmworker Housing Credit;
- Rice Straw Credit; and
- Community Development Financial Institution Deposits Credit.

For income years beginning on or after January 1, 1997, the legislature repealed the Enterprise Zone Act and the Employment and Economic Incentive Act (eliminating enterprise zones and program areas) and enacted a new Enterprise Zone Act. The new Enterprise Zone Act retained the geographic boundaries of the original enterprise zones and converted program areas into enterprise zones. Carryovers of the former program area sales and use tax credit or hiring credit may be used to offset income and tax of the new enterprise zone. Get FTB 3805Z, Enterprise Zone Business Booklet for more information. For business incentives for program areas passed through from 1996 fiscal year filers, see the 1996 FTB 3805Z, Enterprise Zone and Program Area Booklet.

General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100) and in these instructions includes banks, financial corporations, limited liability companies classified as corporations, and certain exempt organizations, but not S corporations.

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

Also use this schedule to figure credits that are limited by the tentative minimum tax (TMT) or that may reduce AMT.

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

Who Must File

Banks and corporations should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; and other items as specified under IRC Section 59 and state net income exceeds $40,000. Exempt organizations with unrelated business income should file Schedule P (100) if the sum of: AMT adjustments; preference items; loss denials; and items specified under IRC Section 59 and state net unrelated business taxable income exceeds $40,000.

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

Members of a Combined Report

Alternative minimum taxable income (AMTI) and adjusted current earnings (ACE) are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for EACH member of a combined report. Complete a separate Schedule P(100), Side 1 and Side 2, for **EACH** taxpayer included in the combined report. Attach the Schedule P(100) for each taxpayer member in the combined report **BEHIND** the combined Schedule P(100) for all members. See instructions for Part I, line 4b, line 5a, line 5d, line 7b, line 9 and line 10.

Short Period Return

For a short period return, use the formula in IRC Section 443(d) to determine AMTI and AMT.

Credit for Prior Year AMT

If the corporation paid AMT for 1996 or has a carryover of credit for prior year AMT and has no AMT liability for 1997, the corporation may use this credit in 1997 to reduce its regular tax liability. Complete Part III to figure this credit.

Specific Line Instructions

Part I — Adjustments

Line 2a – Depreciation of tangible property placed in service after 1986

Do not include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows: For property other than real property and property on which the straight-line method was used, use the 150% declining balance method, switching to straight-line for the first income year in which that method will give a higher depreciation deduction. Use the same life classes as used on the federal Form 4626, Alternative Minimum Tax – Corporations. For personal property having no asset depreciation range (ADR) class life, use 12 years. For residential rental and nonresidential real property, use the straight-line method over 40 years. Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this line.

If the corporation elected to depreciate a grapevine that was replanted in a vineyard as a result of phylloxera or Pierce's Disease infestation over 5 years instead of 20 years for regular tax, it must depreciate the grapevine over 10 years for AMT.

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

Line 2b – Amortization of certified pollution control facilities placed in service after 1986

For any certified pollution control facility placed in service after 1986, figure the entry for this line in the same manner as line 2a (without reducing the basis by 20% under IRC Section 291(a)(5)), using the straight-line method of depreciation instead of 150% declining balance.

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

If the corporation elected the optional 10-year write-off under IRC Section 59(e) for all assets in this category, skip this line.

With respect to each mine or other natural deposit (other than an oil, gas or geothermal well) refigure the expenses (before the 30% reduction under IRC Section 291(b)) by amortizing them over 10 years beginning with the year in which the expenses were paid or incurred. Figure the adjustment by subtracting the refigured amount from the deduction taken under IRC Sections 616(a) or 617(a) after the 30% reduction. Enter the amount on this line. If a loss resulted with respect to those expenses, see IRC Section 56(a)(2)(B).

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

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

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

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

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

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

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

Line 2f – Installment sales of certain property

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

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

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

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

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

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

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

- Do not take any recomputed loss unless the corporation is insolvent. See IRC Section 58(c)(1); and
- Do not offset gains from other tax shelter activities with any recomputed loss.

Instead, suspend and carry over the loss to future income years until:

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

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

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

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

Corporations may enter two kinds of adjustments on this line:

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

Tax shelter passive farm activities. Refigure any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses. If the amount is a gain, it can be included on form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, but if it is a loss, the adjustment for tax shelter passive farm activity is the loss the corporation reported for regular tax. The AMT loss carryover is the refigured AMT loss.

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

Line 2i – Certain loss limitations

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

Tax Preference Items

Line 3a – Depletion

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

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

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

Line 3b – Appreciated property charitable deduction

Contributions deducted in excess of adjusted basis for regular tax purposes (R&TC Section 24357) must be included as a tax preference item.

Refigure the charitable contributions deduction for AMT. Use only income and deductions allowed for AMT purposes when refiguring the limit based on taxable income under IRC Section 170(b)(2). Corporations filing a combined report need to refigure the charitable contribution deduction for AMT separately for each corporation included in the combined report. Also, any AMT carryover of charitable contributions is limited to the cost or other basis for any contribution in excess of adjusted basis.

Line 3c – Intangible drilling costs

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

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

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

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

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

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

Line 3d – Reserves for losses on bad debts of savings and loan associations

In the case of a savings and loan association to which IRC Section 593 applies, enter the excess of the deduction allowable for a reasonable addition to a reserve for bad debts over the amount that would have been allowable had the institution maintained its bad debt reserve for all income years based on actual experience.

Line 3e – Accelerated depreciation of real property placed in service before 1987

Enter on this line, but not less than zero, the difference between the depreciation taken for this property in determining the regular tax and depreciation as refigured using the straight-line method. Figure this amount separately for each property and include only positive adjustments. Use the straight-line method over the life of the property using the half-year convention and no salvage value.

Line 3f – Amortization of certified pollution control facilities placed in service before 1987

For any certified pollution control facility in California placed in service before 1987 (or before August 1, 1986, if an election was made), figure the amount by which the amortization allowable under IRC Section 169 is more than the depreciation deduction otherwise allowable. Before figuring this tax preference item, reduce the amortizable basis by 20% (15% if the facility was placed in service in 1983 or 1984, 0% if placed in service before 1983), as required under IRC Section 291. Multiply the difference above by 59.6% (71.6% if the facility was placed in service in 1983 or 1984, 100% if placed in service before 1983). Enter only positive amounts.

Line 4b – Apportioned pre-adjustment alternative minimum taxable income (AMTI)

For taxpayers required to apportion their income, pre-adjusted current earnings (ACE) adjusted AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, Apportionment and Allocation of Income, line 1a. Recompute the Schedule R taking into account any AMT adjustments, then transfer the recomputed net income from Schedule R, line 24 to Schedule P (100), line 4b.

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

Line 5a – ACE adjustment

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

Note: For federal purposes the ACE depreciation adjustment is no longer required. California has not conformed to this provision of the Revenue Reconciliation Act of 1993.

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

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

Depreciation and amortization. For property placed in service on or after January 1, 1981, and before January 1, 1987, the amount allowable as depreciation or amortization must be determined using the straight-line method for each income year of useful life (determined without regard to R&TC Section 24354.2) that the corporation has held the property.

For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the income year beginning before January 1, 1990 and applying IRC Section 168(g).

Dividends. Dividends deductible for regular California tax purposes are deductible from E&P.

The provision of IRC Section 56(g)(4)(C)(ii), for 100% dividend, does not apply.

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

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

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

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

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

Line 5d – Excess of AMTI increases over AMTI reductions from prior year ACE adjustments

For combined reports, each taxpayer corporation enters the excess of its prior year positive California ACE adjustments over its prior year negative California ACE adjustments.

Line 7a

If a disaster loss carryover is claimed in 1997, enter the amount on this line.

Line 7b – AMT net operating loss (NOL) deduction.

The AMT net operating loss is the NOL determined for regular tax except:

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

Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

Taxpayers that are members of a unitary group filing a combined report must separately compute the NOL carryover and application of the NOL carryover for each corporation in the group (R&TC Section 25108).

Taxpayers who have made a water's-edge election must recompute the NOL carryover to include only those NOLs carried over from affiliated banks and corporations in the current year's water's-edge group.

The amount carried over for AMT is likely to differ from the amount (if any) that is carried over for regular tax; therefore, it is essential that the corporation retain adequate records for both AMT and regular tax.

If you had a loss from business activity within an enterprise zone, the Los Angeles Revitalization Zone (LARZ) or the Local Agency Military Base Recovery Area (LAMBRA), get FTB 3805Z, Enterprise Zone Business Booklet; FTB 3806, Los Angeles Revitalization Zone (LARZ) Booklet; or FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Booklet.

Line 9 and Line 10

The $40,000 exemption and the $150,000 limitation apply to each bank or corporation included in the combined report that has a filing requirement in California, to the extent that each bank or corporation has AMTI.

Line 16 – Banks and financial corporations

Corporations with negative or zero taxable income on Form 100, line 22, enter -0-.

Line 18 – Regular tax before credits

For installment obligations subject to IRC Sections 453 (l)(2)(B) (Timeshares and Residential Lots) and 453A (Nondealer dispositions greater than $150,000), do not include tax increases for interest on the deferred tax liability.

Part II — Credits that Reduce Tax

Complete Part II only if the corporation has tax credits.

Use Part II to determine:

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

Before you begin Part II:

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

To complete Part II:

- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits without carryover provisions are listed on Schedule P(100) in Section A1 and may be taken only in that section. Credits with carryover provisions are listed on the Credit Table on the next page. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 10 in addition to the line(s) for the corporation's credit(s).
- If the corporation's credit is taken in Section A2, or B, enter the credit code and the credit name in the space provided. Refer to the Credit Table for the credit code.
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. Refer to specific column instructions below.
- If the corporation credit(s) are taken in more than one section, complete each section before going to the next section.
- Once the corporation has completed Section II, see How to Claim Credits on page 16.

Section A — Credits that reduce excess regular tax

Section A Instructions

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

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

Section A1 Instructions

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

Section A2 Instructions

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

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

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

Section B — Credits that may reduce regular tax below tentative minimum tax

Corporations may use these credits to reduce the regular tax below TMT. And corporations may carry over to future income years any credits remaining after reducing the regular tax to zero. But, if the corporation has a tax balance and can continue to use the credit in Section C, apply the carryover in Section C.

Section B Instructions

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

Section C — Credits that may reduce alternative minimum tax

If the corporation has AMT and remaining solar energy credit carryover and commercial solar energy credit carryover after reducing the regular tax to zero, the corporation may reduce AMT using these credits. And corporations may carry over to future income years any credits remaining after reducing the AMT to zero.

Section C Instructions

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

Column Instructions – In column:

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

How to Claim Credits

Claim credits by transferring them to Form 100 as follows:

Credits on line 4 through line 17 – If the corporation claims only one, two or three credits, enter the name, code number and amount of the credit from column (b) on Form 100, line 24, line 25 and line 26. To claim credits that are listed in more than one section, total column (b) of the credits that have the same code numbers. Then enter the name, code number and amount of the credit on Form 100, line 24, line 25 and line 26.

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

Credit Table Instructions

To use the table:

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

Part III — Credit for Prior Year AMT

Use this part to figure the 1997 credit for prior year AMT if the corporation paid AMT for 1996 or had an alternative minimum tax credit carryover from 1996.

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

Line 1

Enter the AMT from the 1996 Schedule P (100), Part I, line 19. If this amount was reduced by any commercial solar energy credit carryover or solar energy credit carryover, use the AMT from Section C, line 18 of the 1996 Schedule P (100.)

Line 2

Enter the credit for prior year alternative minimum tax carryover from the 1996 Schedule P (100), Part II, line 10, column (d).

Line 3

Enter this amount on Part II, line 9, column (a).

Credit Table

Code	Current Credits	Form	Offset Tax in Section:				
209	Community Development Financial Institution Deposits	N/A		A2			
205	Disabled Access for Eligible Small Businesses Credit	FTB 3548		A2			
204	Donated Agricultural Products Transportation Credit	FTB 3547		A2			
190	Employer Child Care Contribution	FTB 3501		A2			
189	Employer Child Care Program	FTB 3501		A2			
203	Enhanced Oil Recovery Credit	FTB 3546		A2			
176	Enterprise Zone Hiring & Sales or Use Tax 1 = hiring credit 2 = sales or use tax credit	FTB 3805Z		$A2_1$ $A2_2$	B_1 B_2		
207	Farmworker Housing – Construction	N/A		A2			
208	Farmworker Housing – Loan	N/A		A2			
159	Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax	FTB 3806		A2	B		
198	Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax	FTB 3807		A2			
172	Low-Income Housing	FTB 3521		A2	B		
199	Manufacturers' Investment	FTB 3535		A2	B		
188	Prior Year Alternative Minimum Tax	FTB 3510		A2			
162	Prison Inmate Labor	FTB 3507	A1				
177	Program Area Hiring & Sales or Use Tax (only 1996 fiscal-year pass through)	FTB 3805Z		A2	B		
183	Research	FTB 3523		A2	B		
206	Rice Straw Credit	N/A		A2			
200	Salmon & Steelhead Trout Habitat Restoration	N/A		A2			
Code	Repealed Credits with Carryover Provisions	Form	Offset Tax in Section:				
175	Agricultural Products	FTB 3540		A2			
196	Commercial Solar Electric System	FTB 3540		A2	B		
181	Commercial Solar Energy	FTB 3540		A2	B		C
202	Contribution of Computer Software	FTB 3540		A2			
	Employer Ridesharing						
191	Large Employer						
192	Small Employer	FTB 3540		A2			
193	Transit						
182	Energy Conservation	FTB 3540		A2			
160	Low-Emission Vehicles	FTB 3540		A2			
185	Orphan Drug	FTB 3540		A2	B		
184	Political Contributions	FTB 3540		A2			
174	Recycling Equipment	FTB 3540		A2			
171	Ridesharing	FTB 3540		A2			
180	Solar Energy	FTB 3540		A2	B		C
179	Solar Pump	FTB 3540		A2			
201	Technological Property Contribution	FTB 3540		A2			

INCOME YEAR | FORM

1997 California Corporation Franchise or Income Tax Return 100

For calendar year 1997 or fiscal year beginning M M D D 1 9 9 7 , and ending M M D D 1 9 Y Y .

California corporation number	Federal employer identification number (FEIN)
Corporation name	
Address	
City	State	ZIP code

A Final return? ● ☐ Dissolved ☐ Surrendered (Withdrawn) ☐ Merged/Reorganized
☐ IRC Section 338 sale If a box is checked, enter date ● ________
B Is income included in a combined report of a unitary group? ● ☐ Yes ☐ No
If yes, indicate: ☐ wholly within CA (R&TC 25101.15) ☐ within and outside of CA
C Principal business activity code (Do not leave blank) ● ________
D Check here if the corporation does not need tax forms mailed next year . ● ☐
E Was the corporation's income included in a consolidated federal return? . . . ● ☐ Yes ☐ No

Questions continued on Side 2

State Adjustments

1	Net income (loss) before state adjustments. See instructions		● 1
2	Amount deducted for foreign or domestic tax based on income or profits		● 2
3	Amount deducted for tax under the provisions of the Bank and Corporation Tax Law		● 3
4	Interest on government obligations		● 4
5	Net California capital gain from Schedule D, line 11		● 5
6	Depreciation and amortization in excess of amount allowed under California law. Attach form FTB 3885.		● 6
7	Other additions. Attach schedule(s)		● 7
8	Total. Add line 1 through line 7		● 8
9	Intercompany dividend deduction (Schedule H)	● 9	
10	Other dividend deduction (Schedule H)	● 10	
11	Water's-edge dividend deduction (Schedule H)	● 11	
12	Capital gain from federal Form 1120 or Form 1120A, line 8	● 12	
13	Contributions	● 13	
14	EZ, LARZ or LAMBRA business expense and net interest deduction	● 14	
15	Other deductions. Attach schedule(s)	● 15	
16	Total. Add line 9 through line 15		● 16
17	Net Income (loss) after state adjustments. Subtract line 16 from line 8. See instructions		● 17

If income is from sources both within and outside California, complete Schedule R.

Calif. Net Income

18	Net income (loss) for state purposes. If net loss, see instructions		● 18
19	Net operating loss (NOL) carryover deduction. See instructions	● 19	
20	EZ, LARZ or LAMBRA NOL carryover deduction. See instructions	● 20	
21	Disaster loss carryover deduction. See instructions	● 21	
22	Net income for tax purposes. Combine line 19 through line 21, then subtract from line 18.		● 22

Taxes

23	Tax. ________% x line 22 (not less than minimum franchise tax, if applicable)		■ 23
24	Enter credit name ____________ code no. ___ ___ ___ and amount	▶ 24	
25	Enter credit name ____________ code no. ___ ___ ___ and amount	▶ 25	
26	Enter credit name ____________ code no. ___ ___ ___ and amount	▶ 26	
27	To claim more than three credits, see instructions	● 27	
28	Add line 24 through line 27		■ 28
29	**Balance.** Subtract line 28 from line 23 (not less than minimum franchise tax, if applicable)		■ 29
30	Alternative minimum tax. Attach Schedule P (100). See General Information J		■ 30
31	**Total tax.** Add line 29 and line 30		■ 31
32	Additional SOS prepayment tax. See instructions		■ 32
33	**Adjusted total tax.** Add line 31 and line 32		■ 33

Payments

34	Overpayment from prior year allowed as a credit	■ 34	
35	1997 estimated tax payments	■ 35	
36	Amount paid with extension of time to file return	■ 36	
37	Total payments. Add line 34 through line 36		■ 37

Amount Due or Refund

38	**Tax due.** If line 33 is more than line 37, subtract line 37 from line 33. Go to line 42		■ 38
39	**Overpayment.** If line 37 is more than line 33, subtract line 33 from line 37.		■ 39
40	Amount of line 39 to be credited to 1998 estimated tax		■ 40
41	Amount of line 39 to be refunded	■ 41 $	
42	Penalties and interest. See General Information M and N		42
	● ☐ Check if estimate penalty was computed using Exception B or C and attach form FTB 5806.		
43	**Total amount due.** Add line 38 and line 42. Pay this amount	43 $	

Schedule D California Capital Gains and Losses

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

(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) ((d) less (e))
1					

2 Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37	2	
3 Unused capital loss carryover from 1996	3	
4 Net short-term capital gain (loss). Combine line 1 through line 3	4	

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

5					

6 Enter gain from Schedule D-1, line 7 or line 9	6	
7 Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37	7	
8 Net long-term capital gain (loss). Combine line 5 through line 7	8	
9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11 Total line 9 and line 10. Enter here and on Form 100, Side 1, line 5. **Note:** If losses exceed gains, carry forward losses to 1998	11	

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

1 LIFO recapture due to S corporation election (IRC Sec. 1363(d) deferral: $ ____________) ●	1	
2 Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834) ●	2	
3 Interest on tax attributable to installment: a Sales of certain timeshares and residential lots ●	3a	
b Method for nondealer installment obligations ●	3b	
4 IRC Section 197(f)(9)(B)(ii) election ●	4	
5 Credit recapture name: ____________ ●	5	
6 Combine line 1 through line 5. Revise Side 1, line 38 or line 39, whichever applies, by this amount. Write "Schedule J" to the left of line 38 or line 39 ●	6	

Questions (continued from Side 1)

F Did this corporation or its subsidiary(ies) have a change in control or ownership, or acquire ownership or control of any other legal entity this year? ● ☐ Yes ☐ No
G Is this corporation to be treated as a credit union? ● ☐ Yes ☐ No
H Is this corporation apportioning income to California using Schedule R? ● ☐ Yes ☐ No
I Is this corporation treated as a REMIC for California purposes? ● ☐ Yes ☐ No
J Date incorporated: ____________ ● Where: State ____ Country ________
K Is this corporation an LLC electing to be taxed as a corporation for federal purposes ● ☐ Yes ☐ No
L Date business began in California or date income was first derived from California sources ● ____________
M Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other
N Location of principal accounting records ____________
O Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year? ● ☐ Yes ☐ No
P First return? Check appropriate box(es).
(1) ☐ New business or successor to previously existing business operated as a:
(2) ☐ sole proprietorship (3) ☐ partnership (4) ☐ joint venture (5) ☐ corporation (6) ☐ other
(attach statement showing name, address and FEIN of previous business)
Q "Doing business as" name: ● ____________
R Did this corporation or one of its subsidiaries make a federal election to be treated as a foreign sales corporation (FSC) or a domestic international sales corporation (DISC)? ☐ Yes ☐ No

S Is this corporation a RIC for California purposes? ● ☐ Yes ☐ No
T At any time during the income year, was more than 50% of the voting stock:
a Of the corporation owned by any single interest? ● ☐ Yes ☐ No
b Of another corporation owned by this corporation? ● ☐ Yes ☐ No
c Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? ● ☐ Yes ☐ No
If a or c is "yes" enter the country of the ultimate parent ● ____________
If a, b or c is "yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If the owner(s) is an individual, provide the SSN.
U Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, etc.) been filed with the Franchise Tax Board? ☐ N/A ☐ Yes ☐ No
V Corporation headquarters are: ● (1) ☐ Within California (2) ☐ Outside of California, within the U.S. (3) ☐ Outside of the U.S.
W How many affiliates in the combined report are claiming immunity from taxation in California under Public Law 86-272? ● ____________
X Is this corporation a REIT for California purposes? ☐ Yes ☐ No
Y Is 50% or more of the stock of this corporation owned by another corporation during this income year? ● ☐ Yes ☐ No
Z During the income year, were gross receipts (less returns and allowances) of this corporation more than $1 million? ● ☐ Yes ☐ No

Is this corporation filing on a water's-edge basis pursuant to R&TC Sections 25110 and 25111 for the current income year? ☐ Yes ☐ No

Please Sign Here

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

Signature of officer ▶ | Title | Date | Telephone (   )

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's SSN/FEIN

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

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

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount
Total. Enter total of column (c) on Schedule F, line 17, and amounts in column (d) on Side 1, line 2 or line 3 . .			

Schedule F Computation of Net Income See General Information I.

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

Schedule V Cost of Goods Sold

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

Method of inventory valuation ▶ ______

Was there any substantial change in the manner of determining quantities, costs or valuations between opening and closing inventory? . . . . ☐ Yes ☐ No

If "Yes," attach an explanation. Enter California seller's permit number, if any ▶ ______

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

If the LIFO inventory method was used for this income year, enter the amount of closing inventory under LIFO ______

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

Schedule L Balance Sheets

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

Schedule M–1 Reconciliation of income (loss) per books with income (loss) per return

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than $25,000.

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

Schedule M–2 Analysis of unappropriated retained earnings per books (Schedule L, line 24)

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than $25,000.

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

INCOME YEAR **1997**

California Corporation Franchise or Income Tax Return

FORM **100**

For calendar year 1997 or fiscal year beginning M M D D 1 9 9 7, and ending M M D D 1 9 Y Y .

California corporation number | Federal employer identification number (FEIN)

Corporation name

Address

City | State | ZIP code

A Final return? ☐ Dissolved ☐ Surrendered (Withdrawn) ☐ Merged/Reorganized ☐ IRC Section 338 sale If a box is checked, enter date ________

B Is income included in a combined report of a unitary group? ☐ Yes ☐ No
If yes, indicate: ☐ wholly within CA (R&TC 25101.15) ☐ within and outside of CA

C Principal business activity code (Do not leave blank) ________

D Check here if the corporation does not need tax forms mailed next year . ☐

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

Questions continued on Side 2

State Adjustments

1	Net income (loss) before state adjustments. See instructions		1
2	Amount deducted for foreign or domestic tax based on income or profits		2
3	Amount deducted for tax under the provisions of the Bank and Corporation Tax Law		3
4	Interest on government obligations		4
5	Net California capital gain from Schedule D, line 11		5
6	Depreciation and amortization in excess of amount allowed under California law. Attach form FTB 3885.		6
7	Other additions. Attach schedule(s)		7
8	Total. Add line 1 through line 7		8
9	Intercompany dividend deduction (Schedule H)	9	
10	Other dividend deduction (Schedule H)	10	
11	Water's-edge dividend deduction (Schedule H)	11	
12	Capital gain from federal Form 1120 or Form 1120A, line 8	12	
13	Contributions	13	
14	EZ, LARZ or LAMBRA business expense and net interest deduction	14	
15	Other deductions. Attach schedule(s)	15	
16	Total. Add line 9 through line 15		16
17	Net Income (loss) after state adjustments. Subtract line 16 from line 8. See instructions		17

If income is from sources both within and outside California, complete Schedule R.

Calif. Net Income

18	Net income (loss) for state purposes. If net loss, see instructions		18
19	Net operating loss (NOL) carryover deduction. See instructions	19	
20	EZ, LARZ or LAMBRA NOL carryover deduction. See instructions	20	
21	Disaster loss carryover deduction. See instructions	21	
22	Net income for tax purposes. Combine line 19 through line 21, then subtract from line 18.		22

Taxes

23	Tax. ________% x line 22 (not less than minimum franchise tax, if applicable)		23
24	Enter credit name ____________ code no. ___ ___ ___ and amount	24	
25	Enter credit name ____________ code no. ___ ___ ___ and amount	25	
26	Enter credit name ____________ code no. ___ ___ ___ and amount	26	
27	To claim more than three credits, see instructions	27	
28	Add line 24 through line 27		28
29	**Balance.** Subtract line 28 from line 23 (not less than minimum franchise tax, if applicable)		29
30	Alternative minimum tax. Attach Schedule P (100). See General Information J		30
31	**Total tax.** Add line 29 and line 30		31
32	Additional SOS prepayment tax. See instructions		32
33	**Adjusted total tax.** Add line 31 and line 32		33

Payments

34	Overpayment from prior year allowed as a credit	34	
35	1997 estimated tax payments	35	
36	Amount paid with extension of time to file return	36	
37	Total payments. Add line 34 through line 36		37

Amount Due or Refund

38	**Tax due.** If line 33 is more than line 37, subtract line 37 from line 33. Go to line 42		38
39	**Overpayment.** If line 37 is more than line 33, subtract line 33 from line 37		39
40	Amount of line 39 to be credited to 1998 estimated tax		40
41	Amount of line 39 to be refunded	41 $	
42	Penalties and interest. See General Information M and N		42
	☐ Check if estimate penalty was computed using Exception B or C and attach form FTB 5806.		
43	**Total amount due.** Add line 38 and line 42. Pay this amount	43 $	

Schedule D California Capital Gains and Losses

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

(a) Kind of property and description (Example, 100 shares of Z Co.)	**(b)** Date acquired (mo., day, yr.)	**(c)** Date sold (mo., day, yr.)	**(d)** Gross sales price	**(e)** Cost or other basis plus expense of sale	**(f)** Gain (loss) ((d) less (e))
1					

2 Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37	2	
3 Unused capital loss carryover from 1996	3	
4 Net short-term capital gain (loss). Combine line 1 through line 3	4	

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

5					

6 Enter gain from Schedule D-1, line 7 or line 9	6	
7 Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37	7	
8 Net long-term capital gain (loss). Combine line 5 through line 7	8	
9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11 Total line 9 and line 10. Enter here and on Form 100, Side 1, line 5. **Note:** If losses exceed gains, carry forward losses to 1998	11	

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

1 LIFO recapture due to S corporation election (IRC Sec. 1363(d) deferral: $ ____________) ●	1	
2 Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834) ●	2	
3 Interest on tax attributable to installment: **a** Sales of certain timeshares and residential lots ●	3a	
b Method for nondealer installment obligations ●	3b	
4 IRC Section 197(f)(9)(B)(ii) election ●	4	
5 Credit recapture name: ____________ ●	5	
6 Combine line 1 through line 5. Revise Side 1, line 38 or line 39, whichever applies, by this amount. Write "Schedule J" to the left of line 38 or line 39 ●	6	

Questions (continued from Side 1)

F Did this corporation or its subsidiary(ies) have a change in control or ownership, or acquire ownership or control of any other legal entity this year? ● ☐ Yes ☐ No
G Is this corporation to be treated as a credit union? ● ☐ Yes ☐ No
H Is this corporation apportioning income to California using Schedule R? ● ☐ Yes ☐ No
I Is this corporation treated as a REMIC for California purposes? ● ☐ Yes ☐ No
J Date incorporated: ____________ ● Where: State ____ Country ____________
K Is this corporation an LLC electing to be taxed as a corporation for federal purposes ● ☐ Yes ☐ No
L Date business began in California or date income was first derived from California sources ● ____________
M Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other
N Location of principal accounting records ____________
O Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year? ● ☐ Yes ☐ No
P First return? Check appropriate box(es).
(1) ☐ New business or successor to previously existing business operated as a:
(2) ☐ sole proprietorship (3) ☐ partnership (4) ☐ joint venture (5) ☐ corporation (6) ☐ other (attach statement showing name, address and FEIN of previous business)
Q "Doing business as" name: ● ____________
R Did this corporation or one of its subsidiaries make a federal election to be treated as a foreign sales corporation (FSC) or a domestic international sales corporation (DISC)? ☐ Yes ☐ No

S Is this corporation a RIC for California purposes? ● ☐ Yes ☐ No
T At any time during the income year, was more than 50% of the voting stock:
a Of the corporation owned by any single interest? ● ☐ Yes ☐ No
b Of another corporation owned by this corporation? ● ☐ Yes ☐ No
c Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? ● ☐ Yes ☐ No
If a or c is "yes" enter the country of the ultimate parent ● ____________
If a, b or c is "yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If the owner(s) is an individual, provide the SSN.
U Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, etc.) been filed with the Franchise Tax Board? ☐ N/A ☐ Yes ☐ No
V Corporation headquarters are: ● (1) ☐ Within California (2) ☐ Outside of California, within the U.S. (3) ☐ Outside of the U.S.
W How many affiliates in the combined report are claiming immunity from taxation in California under Public Law 86-272? ● ____________
X Is this corporation a REIT for California purposes? ☐ Yes ☐ No
Y Is 50% or more of the stock of this corporation owned by another corporation during this income year? ● ☐ Yes ☐ No
Z During the income year, were gross receipts (less returns and allowances) of this corporation more than $1 million? ● ☐ Yes ☐ No

Is this corporation filing on a water's-edge basis pursuant to R&TC Sections 25110 and 25111 for the current income year? ☐ Yes ☐ No

Please Sign Here

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

Signature of officer ▶	Title	Date	Telephone ( )

Paid Preparer's Use Only

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

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

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount
Total. Enter total of column (c) on Schedule F, line 17, and amounts in column (d) on Side 1, line 2 or line 3 . .			

Schedule F Computation of Net Income See General Information I.

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

Schedule V Cost of Goods Sold

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

Method of inventory valuation ▶ ______

Was there any substantial change in the manner of determining quantities, costs or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach an explanation. Enter California seller's permit number, if any ▶ ______

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

If the LIFO inventory method was used for this income year, enter the amount of closing inventory under LIFO ______

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

Schedule L Balance Sheets

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

Schedule M–1 Reconciliation of income (loss) per books with income (loss) per return

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than $25,000.

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

Schedule M–2 Analysis of unappropriated retained earnings per books (Schedule L, line 24)

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than $25,000.

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

1997 Dividend Income Deduction H

See instructions for Schedule H. Use and attach additional sheets if necessary.

Part I Deduction For Intercompany Dividends (R&TC 25106)

(a) Dividend Payer	(b) Type of stock (Commmon or Preferred)	(c) Total Amount of Dividends Received	(d) Amount that qualifies for 100% deduction	(e) Amount from column (d) paid out of current year E&P	(f) Amount from column (d) paid out of prior year E&P	(g) Balance column (c) minus column (d)
1						
2						
3						
4						
5						
6						
7 Total amounts in each column. Enter amount from Part I, column (d) on Form 100, Side 1, line 9.						

Part II Deduction For Dividends Paid By A Corporation Taxed By California (R&TC 24402)

(a) Dividend Payer	(b) Dividends From Part I, column (g) paid by CA taxpayer	(c) FEIN or California corporation no. of dividend payer	(d) Percentage of ownership of dividend payer	(e) Limitation Percentage (see instructions)	(f) Percentage of dividends deductible	(g) Deductible Dividends (b)X(e)X(f)
1						
2						
3						
4						
5						
6						
7 Total amounts in column (g)						

Part III Deduction For Dividends Paid To A California Corporation By An Insurance Company (R&TC 24410)

(a) Dividend Payer	(b) Dividend payee	(c) California corporation no. of dividend payee	(d) Percentage of ownership of dividend payer	(e) Amount of qualified insurance dividends received from Part I, col. (g)	(f) Apportionment factors of insurance company	(g) Deductible dividends – multiply col. (e) by col. (f)
1						
2						
3						
4						
5						
6						
7 Total amounts in column (g)						
8 Add amounts from Part II, column (g) and Part III, column (g). Enter the result on Form 100, Side 1, line 10						

Part IV Deduction For Dividends Paid To A Fully Included Member Of A Water's-Edge Combined Report (R&TC 24411)

(a) Dividend Payer	(b) Member of Water's-Edge Combined Reporting Group Dividend was paid to (payee)	(c) Amount of qualified dividends received by payee from Part I, column (g)	(d) Amount from col. (c) paid out of current year Earnings & Profits	(e) Amount from col. (c) paid out of prior year earnings and profits	(f) Deductible dividends – multiply col. (c) by .75
1					
2					
3					
4					
5					
6					
7 Total amounts in column (f). Enter total from Part IV, column (f) on Form 100, Side 1, line 11					

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INCOME YEAR

1997 Alternative Minimum Tax and Credit Limitations — Corporations

CALIFORNIA SCHEDULE

P (100)

Corporation name

California corporation number

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

1	Net income (loss) after state adjustments. Enter the amount from Form 100, line 17 or Form 109, line 6		1
2	**Adjustments.** See instructions		
a	Depreciation of tangible property placed in service after 1986 ●	2a	
b	Amortization of certified pollution control facilities placed in service after 1986	2b	
c	Amortization of mining exploration and development costs incurred after 1987	2c	
d	Basis adjustments in determining gain or loss from sale or exchange of property	2d	
e	Long-term contracts entered into after February 28, 1986	2e	
f	Installment sales of certain property	2f	
g	Tax shelter farm activities (personal service corporations only)	2g	
h	Passive activities (closely held corporations and personal service corporations only)	2h	
i	Certain loss limitations	2i	
j	Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 8.	2j	
k	Combine line 2a through line 2j		2k
3	**Tax preference items.** See instructions		
a	Depletion	3a	
b	Appreciated property charitable deduction ●	3b	
c	Intangible drilling costs	3c	
d	Reserves for losses on bad debts of savings and loan associations	3d	
e	Accelerated depreciation of real property placed in service before 1987	3e	
f	Amortization of certified pollution control facilities placed in service before 1987	3f	
g	Add line 3a through line 3f		3g
4	**Pre-adjustment alternative minimum taxable income (AMTI):**		
a	Combine line 1, line 2k and line 3g. See instructions		4a
b	**Apportioned pre-adjustment AMTI.** If income is derived from sources both within and outside of California see instructions. Otherwise, enter amount from line 4a		4b
5	**Adjusted current earnings (ACE) adjustment:**		
a	Enter ACE. See instructions ●	5a	
b	Subtract line 4b from line 5a (even if one or both of the figures are negative). If negative, use brackets	5b	
c	Multiply line 5b by 75% (.75) and enter the result as a positive number		5c
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. **Note:** Enter an amount on line 5d (even if line 5b is positive)		5d
e	**ACE adjustment:** ● If line 5b is a positive amount or zero, enter the amount from line 5c on line 5e as a positive amount. ● If line 5b is a negative amount, enter the smaller of line 5c or line 5d on line 5e as a negative amount		5e
6	Combine line 4b and line 5e. If zero or less, enter -0-		6
7 a	Reduction for disaster loss carryover deduction, if any from Form 100, line 21	7a	
b	AMT net operating loss deduction (NOL). See instructions ●	7b	
c	Combine line 7a and line 7b		7c
8	AMTI. Subtract line 7c from line 6		8
9	Enter $40,000 exemption. See instructions		9
10	Enter $150,000 limitation. See instructions		10
11	Subtract line 10 from line 8. If zero or less, enter -0-		11
12	Multiply line 11 by 25% (.25)		12
13	Exemption. Subtract line 12 from line 9. If zero or less, enter -0-		13
14	Subtract line 13 from line 8. If zero or less, enter -0-		14
15	Multiply line 14 by 6.65% (.0665)	15	
16	Banks and financial corporations. Multiply Form 100, line 22 by 2.00% (.0200). See instructions	16	
17	**TMT.** Add line 15 and line 16		17
18	Regular tax before credits. Enter amount from Form 100, line 23 or Form 109, line 7. See instructions		18
19	**AMT.** Subtract line 18 from line 17. If zero or less, enter -0-		19

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

Part II Credits that Reduce Tax

1	Regular tax from Form 100, line 23; or Form 109, line 7	1	
2	Tentative minimum tax (before credits) from Part I, line 17 (but not less than the minimum franchise tax)	2	

		(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by credits	(d) Credit carryover
Section A – Credits that reduce excess regular tax					
3 Subtract line 2 from line 1. If zero or less enter -0- and see instructions. This is your excess regular tax which may be offset by credits	3				
A1 Credits that reduce excess regular tax and have no carryover provisions					
4 Code: 162 Prison inmate labor credit	4				
A2 Credits that reduce excess regular tax and have carryover provisions See instructions.					
5 Code: ___ ___ ___ Credit Name: ________	5				
6 Code: ___ ___ ___ Credit Name: ________	6				
7 Code: ___ ___ ___ Credit Name: ________	7				
8 Code: ___ ___ ___ Credit Name: ________	8				
9 Code: 188 Credit for prior year alternative minimum tax from Part III, line 3	9				
Section B – Credits that may reduce regular tax below tentative minimum tax					
10 If Part II, line 3 is zero, enter the amount from line 1 minus the minimum franchise tax. If line 3 is more than zero, enter the total of Part II, line 2, minus the minimum franchise tax plus line 9, column (c)	10				
B Credits that reduce net tax and have carryover provisions See instructions.					
11 Code: ___ ___ ___ Credit Name: ________	11				
12 Code: ___ ___ ___ Credit Name: ________	12				
13 Code: ___ ___ ___ Credit Name: ________	13				
14 Code: ___ ___ ___ Credit Name: ________	14				
Section C – Credits that may reduce alternative minimum tax					
15 Enter your alternative minimum tax from Side 1, Part I, line 19	15				
16 Code: 180 Solar energy credit carryover from Section B, column (d)	16				
17 Code: 181 Commercial solar energy credit carryover from Section B, column (d)	17				
18 Adjusted AMT. Enter the balance from line 17, column (c) here and on Form 100, line 30	18				

Part III Credit for Prior Year AMT

1	Enter the alternative minimum tax from the 1996 Schedule P (100), Part I, line 19. See instructions	1	
2	Carryover of unused credit for prior year alternative minimum tax. See instructions	2	
3	Total available credit. Add line 1 and line 2. See instructions	3	

INCOME YEAR

1997

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

CALIFORNIA FORM

3805Q

Attach to your California tax return.

Corporation name as shown on the return | California corporation number

During the year the corporation incurred the NOL the corporation was a(n): ☐ C Corporation ☐ S Corporation ☐ Exempt Organization ☐ Limited Liability Company (corporations only)

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

Note: If the corporation is included in a combined report of a unitary group, see instructions, General Information C.

PART I Computation of current year NOL. If you do not have a current year NOL, go to Part II.

1 Net loss for state purposes from Form 100, line 18; Form 109, line 2; or Form 100S, line 16. Enter as a positive number. . . . . 1 ________

2 1997 disaster loss included in line 1. Enter as a positive number . . . . . 2 ________

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

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

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

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

5 Subtract line 4c from line 3 . . . . . 5 ________

6 General NOL. Multiply line 5 by 50% (.50) . . . . . 6 ________

7 1997 NOL carryover. Add line 2, line 4c and line 6. See instructions . . . . . 7 ________

PART II NOL carryover and disaster loss carryover limitations. See Instructions.

	(g) Available Balance
1 Net income (loss) – Enter the amount from Form 100, line 18; Form 109, line 2; or Form 100S, line 16 less line 17 (but not less than -0-)	

Prior Year NOLs

(a) Year of loss	(b) Code (See instructions for Part II, Column (b))	(c) Type of NOL (See below)	(d) Initial loss	(e) Carryover from 1996	(f) Amount used in 1997	(g)	(h) Carryover to 1998 (col. (e) – col. (f))
2							

Current Year NOLs

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
3 1997	17	DIS					
4 1997							
1997							
1997							
1997							

Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), Title 11 (T11), or Disaster (DIS).

PART III 1997 NOL deduction

1 Total the amounts in column (f) for Part II, line 2, except current year disaster losses. . . . . 1 ________

2 Enter the total amount from column (f) that represents disaster loss carryovers here and on Form 100, line 21; or Form 100S, line 20. For Form 109, enter -0- . . . . . 2 ________

3 Subtract line 2 from line 1. Enter this amount on Form 100, line 19; Form 109, line 4; or Form 100S, line 18 . 3 ________

1997 Instructions for Form FTB 3805Q

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

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997,** and to the California Revenue and Taxation Code (R&TC).

General Information

Due to California legislation enacted in 1997, California tax law conforms to the Internal Revenue Code as of January 1, 1997 and to specific provisions of the Taxpayer's Relief Act of 1997.

Revised definition of "new business" – Effective January 1, 1997, the term "new business" includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the Standard Industrial Classification (SIC) Manual. It also includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration.

A Purpose

Use form FTB 3805Q to figure the current year NOL and to limit NOL and disaster loss carryover deductions.

The California NOL is figured the same way as the federal NOL, except that for California:

- An NOL may be carried over only to future years (no carrybacks are allowed); and
- The carryover period and percentages differ from federal allowances.

Only a portion of the NOL may be eligible for carryover to future years because California has established different categories of NOL. Refer to General Information F.

Note: If the corporation has a current year NOL under R&TC Section 24416.2 (relating to EZ, LAMBRA or LARZ NOLs), it must **elect** to carry over the loss either under that section or the loss under R&TC Section 24416 (relating to general NOLs). The election is irrevocable. Get form FTB 3805Z, form FTB 3807 or form FTB 3806, for more information.

B Apportioning Corporations

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

C Combined Reporting

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

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

D Water's-Edge

Each taxpayer's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The NOL carryover may not be increased as a result of the recomputation.

E S Corporations

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

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

F Types of NOLs

The following table shows the types of NOL available, a description, and the percentages and carryover periods for each type of loss.

Type of NOL and Description	Year NOL Incurred	NOL Carried Over	Carryover Period
General NOL (GEN) Available as a result of a loss incurred in years after 1986 and allowed under R&TC Section 24416. Does not include losses incurred from activities that qualify as a new business or an eligible small business, an EZ, LARZ, LAMBRA or disaster loss.	1992-1997 1991 1987-1990	50% 50% 50%	5 Years 6 Years 7 Years
New Business NOL (NB) Get Legal Ruling 96-5 for more information. Incurred by a trade or business that first commenced in California on or after January 1, 1994. During the first three years of business, 100% of an NOL may be carried over for an extended period, but only to the extent of the net loss from the new business (see chart). If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL. If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business thereafter conducted by the taxpayer or related person is not a new business if the fair market value (FMV) of the acquired assets exceeds 20% of the FMV of the total assets of the trade or business conducted by the taxpayer or any related person. To determine whether the acquired assets exceed 20% of the total assets, include only the assets that continue to be used in the same trade or business activity as they were used in immediately prior to the acquisition. For this purpose, the same trade or business activity means the same division classification listed in the SIC manual, 1987 edition. If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and thereafter commences an additional trade or business in California, the additional trade or business qualifies as a new business only if the activity is classified under a different division of the Standard Industrial Classification (SIC) Manual, 1987 edition. Business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Sections 267 or 318. *(continued on next page)*	Year of Operation Year 1 Year 2 Year 3	 100% 100% 100%	 8 Years 7 Years 6 Years

Type of NOL and Description *(continued)*	Year NOL Incurred	NOL Carried Over	Carryover Period
Eligible Small Business (ESB) Get Legal Ruling 96-5 for more information. Operates a trade or business activity that has gross receipts, less returns and allowances, of less than $1 million during the income year. 100% of an NOL may be carried over, but only to the extent of the net loss from the eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over at 50% as a general NOL.	Income Years Beginning on or After 1/1/94	100%	5 Years
Title 11 Bankruptcy (T11) If the corporation is claiming an NOL carryover deduction under the provisions of R&TC Section 24416(e)(4)(A), enter the carryover amount on Side 1, Part II, line 2.	1987-1993	50%	10 Years
Disaster Losses (DIS) Casualty losses in areas of Callifornia declared by the President of the United States or the Governor of California to be in a state of disaster. An election may be made under IRC 165(i) permitting the disaster loss to be taken against the previous year's income. If you made this election, see current year NOLs, Part II, line 3. If special legislation is enacted under R&TC Section 24347.5 and the specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to 5 income years. If any excess loss remains after the 5-year period, 50% of that remaining loss may be carried over for up to 10 additional income years.	See list in the Instructions for Part II	100% 50%	5 Years 10 Years

Specific Line Instructions

Part I

Use Part I of this form to figure the current year NOL, if any, eligible for carryover.

Line 1 – Enter the net loss from Form 100, line 18; Form 109, line 2; or Form 100S, line 16.

Line 2 – If the corporation incurred a disaster loss during 1997, enter the amount of the loss on this line. Enter as a positive number.

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

Line 7 – Go to Part II, Current Year NOLs, to record your 1997 NOL carryover to 1998. Complete columns (b), (c), (d) and (h) only, for each type of loss that you incurred.

If you have a business that qualifies as a new business or a small business and your NOL is greater than the amount of net loss from such a business, use the general NOL first. If you operate one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es) and to the small business(es). The NOL deduction will be taken in the following manner. The NOL is first treated as a new business NOL to the extent of the loss from the new business. Any remaining NOL is then treated as an eligible small business NOL to the extent of the loss from the eligible small business. Any further remaining NOL is treated as an NOL under the general rules.

Part II

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

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

When to use an NOL carryover – Use your NOLs in the order the losses were incurred.

There is no requirement to deduct NOL carryovers before disaster loss carryovers.

Prior Year NOLs

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

Column (b) – If the loss is due to a disaster, enter the disaster code from the list below. If the loss is from a new business or eligible small business, enter the principal business activity code from Question C on Form 100 or Form 100S. If the loss was from a pass-through entity, enter the entity's federal employer identification number from Schedule K-1 (100S).

Column (c) – Enter the type of NOL from the table in General Information F.

Following is a list of events that have been declared disasters:

Year	Code	Event
1997 1996	17	Disaster floods '96/97.
1996	16	Firestorms '96.*
1995	15	Storms, flooding and other related casualties.
1994	14	San Luis Obispo fire and other related casualties.
1994	13	Los Angeles, Orange, and Ventura County Earthquake and related casualties.
1993	12	Storms, floods and other related casualties.
1992	11	Wildfires and other related casualties in Calaveras and Shasta Counties.
1992	10	San Bernardino County earthquake and other related casualties.
1992	9	Riots, arson and related casualties in California during April and May.
1992	8	Humboldt County earthquake and related casualties.
1992	7	Storms, floods and other related casualties.
1991	6	Oakland/Berkeley fire and other related casualties.
1990	5	Santa Barbara fires and other related casualties.
1989	4	Bay Area earthquake and other related casualties.
1987	3	Forest fires, October earthquake and other related casualties.
1986	2	Storms, floods, and other related casualties.
1985	1	Forest fires and related casualties occuring in California.

*The carryover period is limited to 5 years at 50%, no special legislation was enacted.

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

Column (e) – Enter the carryover amount from the 1996 form FTB 3805Q, Part II, column (h).

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

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

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

Current Year NOLs

Line 3, Column (d) – Enter your 1997 disaster loss from Part I, line 2. If you did not elect to deduct your disaster loss in the prior year:

- In column (f), enter the disaster loss used in 1997.
- In column (h), enter column (d) less column (f).

If you elected to deduct your 1997 disaster loss on your 1996 return, and you have an excess amount to be carried over to 1997, enter the carryover amount from your 1996 form FTB 3805Q, Part II, line 3, in Part II, line 2, column (e). Use the Prior Year NOL instructions on the previous page for column (a) through column (h) except:

- In column (a), enter 1997;
- In column (b), enter 17; and
- In column (d), enter the total disaster loss incurred in 1997.

Line 4 – Enter your 1997 NOL from Part I, line 3. If you have different types of NOLs in the current year, list each type of loss separately. Enter the initial loss in column (d) and the loss to be carried over to subsequent years in column (h) for each NOL.

Principal Business Activity Code Chart

Agriculture, Forestry and Fishing

Code

0400 Agricultural production
0600 Agricultural services (except veterinarians), forestry, fishing, hunting and trapping

Mining

Metal mining

1010 Iron ores
1070 Copper, lead and zinc, gold and silver ores
1098 Other metal mining
1150 Coal mining

Oil and gas extraction

1330 Crude petroleum, natural gas and natural gas liquids
1380 Oil and gas field services

Nonmetallic minerals, except fuels

1430 Dimension, crushed and broken stone; sand and gravel
1498 Other nonmetallic minerals, except fuels

Construction

General building contractors and operative builders

1510 General building contractors
1531 Operative builders

1600 Heavy construction contractors

Special trade contractors

1711 Plumbing, heating and air conditioning
1731 Electrical work
1798 Other special trade contractors

Manufacturing

Food and kindred products

2010 Meat products
2020 Dairy products
2030 Preserved fruits and vegetables
2040 Grain mill products
2050 Bakery products
2060 Sugar and confectionary products
2081 Malt liquors and malt
2088 Alcoholic beverages, except malt liquors and malt
2089 Bottled soft drinks and flavorings
2096 Other food and kindred products

2100 Tobacco manufacturers

Textile mill products

2228 Weaving mills and textile finishing
2250 Knitting mills
2298 Other textile mill products

Apparel and other textile products

2315 Men's and boy's clothing
2345 Women's and children's clothing
2388 Other apparel and accessories
2390 Miscellaneous fabricated textile products

Lumber and wood products

2415 Logging, sawmills and planing mills
2430 Millwork, plywood and related products
2498 Other wood products, including wood buildings and mobile homes

2500 Furniture and fixtures

Paper and allied products

2625 Pulp, paper and board mills
2699 Other paper products

Printing and publishing

2710 Newspapers
2720 Periodicals
2735 Books, greeting cards and miscellaneous publishing
2799 Commercial and other printing and printing trade services

Chemicals and allied products

Code

2815 Industrial chemicals, plastics materials and synthetics
2830 Drugs
2840 Soap, cleaners and toilet goods
2850 Paints and allied products
2898 Agricultural and other chemical products

Petroleum refining and related industries (including those integrated with extraction)

2910 Petroleum refining (including integrated)
2998 Other petroleum and coal products

Rubber and misc. plastics products

3050 Rubber products, plastics footwear, hose and belting
3070 Misc. plastics products

Leather and leather products

3140 Footwear, except rubber
3198 Other leather and leather products

Stone, clay and glass products

3225 Glass products
3240 Cement, hydraulic
3270 Concrete, gypsum and plaster products
3298 Other nonmetallic mineral products

Primary metal industries

3370 Ferrous metal industries; misc. primary metal products
3380 Nonferrous metal industries

Fabricated metal products

3410 Metal cans and shipping containers
3428 Cutlery, hand tools and hardware; screw machine products, bolts and similar products
3430 Plumbing and heating, except electric and warm air
3440 Fabricated structural metal products
3460 Metal forgings and stampings
3470 Coating, engraving and allied services
3480 Ordnance and accessories, except vehicles and guided missiles
3490 Misc. fabricated metal products

Machinery, except electrical

3520 Farm machinery
3530 Construction and related machinery
3540 Metalworking machinery
3550 Special industry machinery
3560 General industrial machinery
3570 Office, computing and accounting machines
3598 Other machinery except electrical

Electrical and electronic equipment

3630 Household appliances
3665 Radio, television and communication equipment
3670 Electronic components and accessories
3698 Other electrical equipment

3710 Motor vehicles and equipment

Transportation equipment, except motor vehicles

3725 Aircraft, guided missiles and parts
3730 Ship and boat building and repairing
3798 Other transportation equipment, except motor vehicles

Instruments and related products

3815 Scientific instruments and measuring devices; watches and clocks
3845 Optical, medical and ophthalmic goods
3860 Photographic equipment and supplies

3998 Other manufacturing products

Transportation and Public Utilities

Transportation

Code

4000 Railroad transportation
4100 Local and interurban passenger transit
4200 Trucking and warehousing
4400 Water transportation
4500 Transportation by air
4600 Pipe lines, except natural gas
4700 Miscellaneous transportation services

Communication

4825 Telephone, telegraph and other communication services
4830 Radio and television broadcasting

Electric, gas and sanitary services

4910 Electric services
4920 Gas production and distribution
4930 Combination utility services
4990 Water supply and other sanitary services

Wholesale Trade

Durable

5008 Machinery, equipment and supplies
5010 Motor vehicles and automotive equipment
5020 Furniture and home furnishings
5030 Lumber and construction materials
5040 Sporting, recreational, photographic and hobby goods, toys and supplies
5050 Metals and minerals, except petroleum and scrap
5060 Electrical goods
5070 Hardware, plumbing and heating equipment and supplies
5098 Other durable goods

Nondurable

5110 Paper and paper products
5129 Drugs, drug proprietaries and druggists' sundries
5130 Apparel, piece goods and notions
5140 Groceries and related products
5150 Farm-product raw materials
5160 Chemicals and allied products
5170 Petroleum and petroleum products
5180 Alcoholic beverages
5190 Misc. nondurable goods

Retail Trade

Building materials, garden supplies and mobile home dealers

5220 Building materials dealers
5251 Hardware stores
5265 Garden supplies and mobile home dealers

5300 General merchandise stores

Food stores

5410 Grocery stores
5490 Other food stores

Automotive dealers and service stations

5515 Motor vehicle dealers
5541 Gasoline service stations
5598 Other automotive dealers

5600 Apparel and accessory stores

5700 Furniture and home furnishings stores

5800 Eating and drinking places

Misc. retail stores

5912 Drug stores and proprietary stores
5921 Liquor stores
5995 Other retail stores

Finance, Insurance and Real Estate

Banking

Code

6030 Mutual savings banks
6060 Bank holding companies
6090 Banks, except mutual savings banks and bank holding companies

Credit agencies other than banks

6120 Savings and loan associations
6140 Personal credit institutions
6150 Business credit institutions
6199 Other credit agencies

Security, commodity brokers and services

6210 Security brokers, dealers and flotation companies
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

Insurance

6355 Life insurance
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies
6359 Other insurance companies
6411 Insurance agents, brokers and service

Real estate

6511 Real estate operators and lessors of buildings
6516 Lessors of mining, oil and similar property
6518 Lessors of railroad property and other real property
6530 Condominium management and cooperative housing associations
6550 Subdividers and developers
6599 Other real estate

Holding and other investment companies, except bank holding companies

6744 Small business investment companies
6749 Other holding and investment companies except bank holding companies

Services

7000 Hotels and other lodging places

7200 Personal services

Business services

7310 Advertising
7389 Business services, except advertising

Auto repair; misc. repair services

7500 Auto repair and services
7600 Misc. repair services

Amusement and recreation services

7812 Motion picture production, distribution and services
7830 Motion picture theaters
7900 Amusement and recreation services, except motion pictures

Other services

8015 Offices of physicians, including osteopathic physicians
8021 Offices of dentists
8040 Offices of other health practitioners
8050 Nursing and personal care facilities
8060 Hospitals
8071 Medical laboratories
8099 Other medical services
8111 Legal services
8200 Educational services
8300 Social services
8600 Membership organizations
8911 Architectural and engineering services
8930 Accounting, auditing and bookkeeping
8980 Miscellaneous services (including veterinarians)

INCOME YEAR

CALIFORNIA FORM

1997 Corporation Depreciation and Amortization 3885

Attach to Form 100.

Corporation name

California corporation number

Part I Depreciation

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation allowed or allowable in earlier years	(e) Method of figuring depreciation	(f) Life or rate	(g) Depreciation for this year	(h) Additional first year depreciation
1							

2 Add the amounts in columns (g) and (h). The combined total of column (h) may not exceed $2,000. See instructions for line 1, column (h) 2

3 Total. Add the amounts on line 2, columns (g) and (h) 3

4 Total depreciation claimed for federal purposes. 4

5 Depreciation adjustment. If line 4 is greater than line 3, enter the difference here and on Form 100, Side 1, line 6. If line 4 is less than line 3, enter the difference here and on Form 100, Side 1, line 15. (If California depreciation amounts are used on Form 100, no adjustment is necessary) 5

Part II Amortization

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Amortization allowed or allowable in earlier years	(e) R&TC section	(f) Period or percentage	(g) Amortization for this year
1						

2 Total. Add the amounts in column (g) 2

3 Total amortization claimed for federal purposes. 3

4 Amortization adjustment. If line 3 is greater than line 2, enter the difference here and on Form 100, Side 1, line 6. If line 3 is less than line 2, enter the difference here and on Form 100, Side 1, line 15. 4

General Information

Due to California legislation enacted in 1997, California tax law conforms to the Internal Revenue Code as of January 1, 1997. For income years beginning on or after January 1, 1997, 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.

R&TC Section 24371.5, relating to the five-year amortization of child development services facilities has been repealed.

A Purpose

Use this form to figure California depreciation and amortization for corporations and limited liability companies (LLCs) classified as corporations.
S corporations must use Schedule B (100S). Individuals must use form FTB 3885A. Fiduciaries must use form FTB 3885F. Partnerships must use form FTB 3885P. LLCs classified as partnerships must use form FTB 3885L.

Depreciation and amortization are deductions corporations claim for reasonable exhaustion, wear and tear, and normal obsolescence of property used in a trade or business or held for the production of income.

For purposes of this form, depreciation is used in connection with tangible property, while amortization is used for intangible assets.

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

Important differences between federal and California laws affect the calculation of depreciation and amortization. Some of the major differences are briefly described below:

- California law has not conformed to federal statutes allowing accelerated depreciation for property on Indian Reservations;
- California law allows a useful life of five years instead of ten years for grapevines planted as replacements for vines subject to Phylloxera or Pierce's Disease;

- California bank and corporation tax law has not conformed to the federal special class life for gas station convenience stores and similar structures;
- California law allows additional first-year depreciation under R&TC Section 24356, rather than IRC Section 179;
- California has not conformed to federal statutes allowing depreciation under Modified Accelerated Cost Recovery System (MACRS);
- California has adopted provisions of the federal Class Life Asset Depreciation Range System (ADR), which specifies a useful life for various types of property. However, California law does not allow the federal provision that enables a corporation to choose a depreciation period that varies from the specified asset guideline system.

B Depreciation Calculation Methods

For depreciation methods, refer to R&TC Sections 24349 through 24354.

R&TC Section 24349 describes the methods to use for calculating depreciation:

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

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

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

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

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

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

Other consistent method. Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first ⅔ of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

C Period of Depreciation

Use the following information as a guide to determine reasonable periods of useful life for purposes of calculating depreciation. Actual facts and circumstances will determine useful life. Note, however, that the figures listed below represent the normal periods of useful life for the types of property listed as shown in IRS Rev. Proc. 83-35.

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

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

  Examples include: desks; files; safes; typewriters; accounting, calculating and data processing machines; communications equipment; and duplicating and copying equipment.
- Computers and peripheral equipment (printers etc.) . . . . 6 yrs.
- Transportation equipment, automobiles (including taxis) . . . . 3 yrs.
  General-purpose trucks:
  Light (unloaded weight less than 13,000 lbs.) . . . . 4 yrs.
  Heavy (unloaded weight 13,000 lbs. or more) . . . . 6 yrs.
- Buildings

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

  Type of building:
  Apartments . . . . 40 yrs.
  Dwellings (including rental residences) . . . . 45 yrs.
  Office buildings . . . . 45 yrs.
  Warehouses . . . . 60 yrs.

D Depreciation Method to Use

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

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

* Other depreciation methods may be used as long as the total accumulated depreciation at the end of any income year during the first ⅔ of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

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

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

E Amortization

California conformed to the 1993 federal Revenue Reconciliation Act (Public Law 103-66) for the IRC Section 197 amortization of intangibles for income years beginning on or after January 1, 1994. Generally, assets that meet the definition under IRC Section 197 are amortized on a straight-line basis over 15 years. There may be differences in the federal and California amounts for intangible assets acquired in income years beginning prior to January 1, 1994. See R&TC Section 24355.5 for more information.

Amortization of the following assets is governed by California law:

Bond premiums	R&TC 24360 – 24363
Research expenditures	R&TC 24365
Reforestation expenses	R&TC 24372.5
Leased property improvements	R&TC 24373
Organizational expenditures	R&TC 24407 – 24409
Start-up expenses	R&TC 24414

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

Specific Line Instructions

Line 1 —

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

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

Line 1, Column (h),
Additional first-year depreciation —

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

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

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

Note: Property described in R&TC Sections 24356.4, 24356.7 and 24356.8 qualifies for an expanded expense election. For more information, get Form 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; Form 3805Z, Enterprise Zone Deduction and Credit Summary; or Form 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary.

YEAR 1997

Instructions for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM 3539

General Information

If a corporation, including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs) and limited liability companies (LLCs) treated as corporations, or an exempt organization in good standing cannot file its California tax return by the original due date, a seven month extension will be allowed automatically without filing a written request. To qualify for the automatic extension, the corporation's or exempt organization's tax return must be filed by the extended due date. The corporation's powers, rights and privileges must not be suspended or forfeited by the Franchise Tax Board (FTB) or the California Secretary of State (SOS) as of the original due date. The extended due date for corporations is the 15th day of the tenth month following the close of the income year (fiscal year filers) or October 15, 1998 (calendar year filers). The extended due date for exempt organizations filing Form 199 or Form 109 is the 15th day of the twelfth month following the close of the taxable year (fiscal year filers) or December 15, 1998 (calendar year filers).

The extended due date for an employee's trust defined in IRC Section 401(a) and an IRA filing Form 109 is the 15th day of the 11th month after the end of the income year (fiscal year filers) or November 16, 1998 (calendar year filers).

However, to avoid late payment penalties and interest, 100% of the tax liability must be paid by the 15th day of the third month (fiscal year corporations), or the 15th day of the fifth month (fiscal year exempt organizations) following the close of the income year or March 16, 1998 (calendar year corporations), or May 15, 1998 (calendar year exempt organizations). Employees' trusts and IRAs must pay 100% of the tax liability by the 15th day of the 4th month after the end of the income year.

Complete the tax payment worksheet on Side 2 to see if additional tax is due. **Send in the voucher only if a payment is due.**

Save the completed worksheet as a permanent part of the corporation's or exempt organization's tax records along with a copy of the return.

Electronic Funds Transfer (EFT)

Corporations or exempt organizations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Corporations or exempt organizations that remit an estimated tax payment or extension payment in excess of $20,000 or that have a total tax liability in excess of $80,000 in any income year beginning on or after January 1, 1995, must pay through EFT. The FTB will notify corporations or exempt organizations that are subject to this requirement. If you are an EFT taxpayer, DO NOT USE THIS FORM. Those that wish to participate on a voluntary basis may do so. For more information, call 1-800-852-2753 or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

Where to File

If tax is due and the corporation is not required to use EFT, attach a check or money order for the tax due to form FTB 3539 and **mail only the voucher portion** with the payment to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0551

Penalties and Interest

Remember, an extension of time to file the tax return is not an extension of time to pay the tax. If the corporation or exempt organization fails to pay its total tax by the original due date, a late payment penalty plus interest will be added to the tax due. If the corporation or exempt organization does not file its return by the extended due date, or the corporation's powers, rights and privileges have been suspended or forfeited by the FTB or the California SOS, as of the original due date, the automatic extension will not apply and a late filing penalty plus interest will be assessed from the original due date of the return.

DETACH HERE

(Calendar year corporations — Due March 16, 1998)
(Employees' trust and IRA — Due April 15, 1998)
(Calendar year exempt organizations — Due May 15, 1998)

YEAR 1997

Payment Voucher for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM 3539

For calendar year 1997 or fiscal year beginning M M D D 1 9 9 7, and ending M M D D 1 9 Y Y.

California corporation number | Federal employer identification number -

Tax due $ .00

Corporation/Exempt Organization name

Address

City | State | ZIP code

Type of form filed.
☐ Form 100 ☐ Form 109
☐ Form 100S ☐ Form 199

3539

IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM
EFT TAXPAYERS, DO NOT USE THIS FORM

Payment Voucher 5

Combined Reports

If members of a combined unitary group have made or intend to make an election to file a Combined Unitary Group Single Return, only the key corporation designated to file the return should submit form FTB 3539. The key corporation must include payment of at least the minimum franchise tax for each corporation of the combined unitary group that is subject to the franchise tax in California.

If members of a combined unitary group intend to file separate returns with the FTB, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the worksheet.

Exempt Organizations

The due dates for corporations also apply to the filing of Form 100, California Franchise or Income Tax Return, by political action committees and exempt homeowners' associations.

Political action committees and exempt homeowners' associations that file Form 100 should **not** enter the minimum franchise tax on line 1 of the Tax Payment Worksheet below.

Form 199 Filers:
Form 199, California Exempt Organization Annual Information Return, requires a $10 filing fee to be paid with the return on the original or extended due date.

Use form FTB 3539 **only** if paying the fee early. Enter the amount of the fee on line 3 of the Tax Payment Worksheet below.

How to Complete the Tax Payment Worksheet

Line 1 - Enter the total tentative tax, including the alternative minimum tax for the income year.

- If filing Form 100 or Form 100S, the tentative tax may not be less than the minimum franchise tax.
- If the corporation paid the $600 commencing tax as a qualified new corporation, but during the first income year gross receipts, less returns and allowances, are $1 million or more or tax on net income exceeds $800, the corporation must pay an additional $200. Include this amount on line 1.
- If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.

Line 2 - Enter the estimated tax payments, including prior year overpayment applied as a credit.

Line 3 - Tax due. If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tax. The corporation or exempt organization has no tax due. **DO NOT SEND THE PAYMENT VOUCHER.** The corporation or exempt organization will automatically qualify for an extension if the tax return is filed by the extended due date.

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

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

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tentative tax. Include alternative minimum tax if applicable. See instructions	1		
2	Estimated tax payments including prior year overpayment applied as a credit	2		
3	**Tax Due.** If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1. Enter the result here and on form FTB 3539	3		

INCOME YEAR CALIFORNIA FORM

1997 Small Business Stock Questionnaire 3565

Corporation name	California corporation number
Address	Federal employer identification number (FEIN)
City	State	ZIP code

A. Income year (beginning and ending)	B. Date of incorporation	C. State of incorporation
D. Date of qualification in California	E. Principal business activity	F. Principal business activity code (Do not leave blank)

If the answer to any of the following questions is NO, STOP, do not complete this form.

G. Did the corporation issue non-treasury stock during the current income year? . . . . . Yes ☐ No ☐

Date of stock issuance for which this information applies: ____/____/____ Month Day Year

H. Was the non-treasury stock issued, in whole or in part, for money, for property other than stock or for services provided to the corporation? . . . . . . Yes ☐ No ☐

I. Were the corporation's aggregate gross assets less than or equal to $50,000,000 from the period beginning July 1, 1993 to the date of issuance of the non-treasury stock (include the value of property received for the stock in determining the corporation's aggregate gross assets at the date of issuance of the non-treasury stock)? . . . . . Yes ☐ No ☐

J. Was at least 80% of the corporation's payroll in California at the date of issuance of the non-treasury stock? . . . . . Yes ☐ No ☐

K. Was the corporation a domestic corporation at the date of issuance of the non-treasury stock? . . . . . Yes ☐ No ☐

L. Since the issuance of non-treasury stock, was this corporation a C corporation for California purposes? . . . . . Yes ☐ No ☐

M. Since the issuance of non-treasury stock, was this a corporation **other than** a:
- RIC, REIT or REMIC? . . . . . Yes ☐ No ☐
- DISC or former DISC? . . . . . Yes ☐ No ☐
- A corporation with an IRC Section 936 election in effect? . . . . . Yes ☐ No ☐

N. Since the issuance of non-treasury stock, were at least 80% (by value) of the assets of the corporation used in the active conduct of one or more qualified trades or businesses in California? . . . . . Yes ☐ No ☐

O. During the corporation's existence prior to the current issuance what was the aggregate subscription amount for all non-treasury stock issuances? . . . . . $ ________

P. What was the aggregate subscription amount of non-treasury stock issued during the current income year? . . . . . $ ________

Q. Of the amount in Question P, how much was **received for** qualified small business stock? . . . . . $ ________

R. What was the date of the first non-treasury issuance during the current income year? . . . . . ____/____/____ Month Day Year

S. What was the date of the last non-treasury stock issuance during the current income year? . . . . . ____/____/____ Month Day Year

T. How were the proceeds from this issuance of non-treasury stock used by the corporation? (Indicate percent of total proceeds for each category.):
- Purchase of equipment or other business assets . . . . . ________ %
- Fund additional cost of labor . . . . . ________ %
- Reduce indebtedness . . . . . ________ %
- Other: (Indicate type of use.) ________ . . . . . ________ %

U. If proceeds from this issuance of non-treasury stock were used for purchase of equipment or other business assets:
- What was the amount paid for equipment or other business assets? . . . . . $ ________
- What was the amount paid for equipment or other business assets purchased in California? . . . . . $ ________
- How much of the amount paid for equipment or other business assets purchased in California was subject to California sales or use tax? . . $ ________

V. For this issuance of non-treasury stock:
- What was the total number of employees working for the corporation? . . . . . ________
- How many employees were employed in California? . . . . . ________
- What was the total payroll worldwide? . . . . . $ ________
- What was the total payroll in California? . . . . . $ ________

W. If provisions for the 50% exclusion from income on sale of small business stock did not exist, how would the qualified small business have raised funds? (Check all that apply.):

☐ Issue stock ☐ Issue bonds ☐ Borrow funds ☐ Liquidate assets ☐ Other (specify) ________

Under penalties of perjury, I declare that I have examined this form, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of officer ▶	Print name and title	Date

1997 Instructions for Form FTB 3565

Small Business Stock Questionnaire

General Information

A Purpose

Use form FTB 3565, Small Business Stock Questionnaire, to provide information regarding issuance of stock pursuant to Revenue and Taxation Code (R&TC) Section 18152.5.

B Who Must File

A corporation must file form FTB 3565 if it qualifies as a "qualified small business" and issued stock pursuant to R&TC Section 18152.5 during the current income year.

Note: If there was more than one issuance of small business stock during the income year, fill out a separate form FTB 3565 for each issuance. For purposes of this form, all corporations which are members of the same parent-subsidiary controlled group shall be treated as one corporation. A parent-subsidiary controlled group is defined in Internal Revenue Code (IRC) Section 1563(a)(1), except that "more than 50%" shall be substituted for "at least 80%."

Failure to file this form by the corporation's original or extended return due date for the current income year may result in a penalty being assessed to the corporation pursuant to R&TC Section 19133.5. The penalty amount is $50 per failure to file unless the failure is due to negligence or intentional disregard, then the penalty amount is $100 per failure.

Failure of the corporation to file form FTB 3565 will not disqualify the stockholder from excluding gain from the sale or exchange of stock. However, the stockholder bears the burden of proving that the gain from the sale or exchange qualifies for exclusion pursuant to R&TC Section 18152.5.

C When and Where to File

For income years beginning on or after January 1, 1996, a corporation is required to file form FTB 3565 along with Form 100, Corporation Franchise or Income Tax Return. Attach form FTB 3565 to Form 100 and file on or before the due date of the corporate return, including extensions.

R&TC Section 18152.5 also requires the corporation to provide a copy of any completed form FTB 3565 to each shareholder that acquired qualified small business stock as part of the stock issuance that is reported on the completed form FTB 3565 during the current income year.

Specific Instructions

Questions G through N – If the answer to any of these questions is no, stop. You do not need to complete the rest of the form. Do not attach this form to the Form 100 if you do not need to complete the form.

Question K – A domestic corporation is defined in IRC Section 7701(a)(4) as any corporation created or organized in any state in the United States.

Question N – A qualified trade or business is defined as any trade or business **other than:**

- Any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or business is the reputation or skill of one or more of its employees;
- Any banking, insurance, financing, leasing, investing, or similar business;
- Any farming business (including the business of raising or harvesting trees);
- Any business involving the production or extraction of products of a character with respect to which a deduction is allowable under IRC Sections 613 or 613A.
- Any business of operating a hotel, motel, restaurant, or similar business.

Question P – Enter the aggregate subscription amount of non-treasury stock issued by the corporation during the entire income year.

Question Q – Enter the amount included in Question P, that was received for that part of the stock issuance that qualifies as small business stock under the provisions of R&TC Section 18152.5.

Records should be maintained showing that the stock issuance met the requirements of R&TC Section 18152.5.

The amount that is entered in Question P and Question Q should not include the value of stock issued in exchange for stock.

Question T – Enter a percentage for each category listed to indicate how proceeds received from the issuance of non-treasury stock were used. If the category is not listed, indicate type of use on the "Other" line. The total of percentages for all categories should equal 100%.

How To Get California Tax Information

Where To Get Income Tax Forms

By Internet – If you have Internet access, you may download, view, and print 1994, 1995, 1996 and 1997 California income tax forms and publications. Our Internet address is:

http://www.ftb.ca.gov

By phone – Use F.A.S.T. to order the 1997 California tax forms listed to the right. To order a form on the list:

- Call 1-800-338-0505, from within the United States; or
- 1-916-845-6600, from outside the United States (not toll-free)
- Select bank and corporations income tax form requests.
- Enter the three-digit code shown to the left of the form title when you are instructed to do so.

We will send you two copies of each tax form and one copy of each set of instructions. Please allow two weeks to receive your order. If you live outside California please allow three weeks to receive your order.

For prior year California tax forms, call our toll-free number listed under "General Toll-Free Phone Service."

Letters

We can serve you by phone if you call us for information to complete your California income tax return, or to find out about your tax refund. However, you may want to write to us if you are replying to a notice we sent you, or to get a written reply. If you write to us, be sure to include your California Corporation number or federal employer identification number, your daytime and evening telephone numbers and a copy of the notice with your letter. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

We will acknowledge receipt of your letter within eight to ten weeks. In some cases, we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by calling or writing the FTB using the address above for letters.

General Toll-Free Phone Service

Our general toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1998. The best times to call are between 7:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 8:00 p.m. Service is also available on Saturday, April 4 and April 11, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, from 8:00 a.m. until 5:00 p.m.

From within the United States.	1-800-852-5711
From outside the United States	1-916-845-6500 (not toll-free)
For hearing impaired with TDD	1-800-822-6268
For federal tax questions, call the IRS at	1-800-829-1040

Asistencia Bilingüe en Español
Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

In person – Most libraries, post offices and banks provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses 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.

California Tax Forms and Publications

☐ 817 California Corporation Tax Forms and Instructions. This booklet contains:
Form 100, California Corporation Franchise or Income Tax Return
☐ 821 Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations
☐ 822 FTB 3885, Depreciation/Amortization
☐ 807 FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
☐ 816 California S Corporation Tax Forms and Instructions. This booklet contains:
Form 100S, California S Corporation Franchise or Income Tax Return
☐ 823 Schedule B(100S), S Corporation Depreciation and Amortization
Schedule C (100S), S Corporation Tax Credits
Schedule H (100S), Dividend Income
☐ 824 Schedule D (100S), Capital Gains and Losses and Built-In Gains
☐ 825 Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits
☐ 826 FTB 3830, S Corporation's List of Shareholders and Consents
☐ 814 Form 109, Exempt Organization Business Income Tax Return
☐ 818 Form 100-ES, Corporation Estimated Tax
☐ 813 Form 100X, Amended Corporation Return
☐ 815 Form 199, Exempt Organization Return
☐ 819 Schedule R, Apportionment and Allocation of Income
☐ 812 FTB Pub. 1038, Guide for Corporations Dissolving, Withdrawing or Merging
☐ 809 FTB Pub. 1060, Guide for Corporations Starting Business in California
☐ 810 FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report
☐ 827 Form 100-WE, Water's-Edge Booklet
☐ 829 FTB 3564, Authorization of Agent Under Revenue and Taxation Code Section 19141.6
☐ 820 FTB Pub. 1068, Exempt Organizations Requirements for Filing Returns and Paying Filing Fees
☐ 802 FTB 3500, Exemption Application
☐ 808 FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations
☐ 803 FTB 3555, Request for Tax Clearance
☐ 804 FTB 3557, Application for Revivor
☐ 811 FTB 3560, S Corporation Election or Termination/Revocation
☐ 806 FTB 5806, Underpayment of Estimated Tax by Corporations
☐ 800 FTB Pub. 1028, Guidelines for Homeowners' Associations
☐ 801 FTB Pub. 1075, Exempt Organizations – Guide for Political Organizations
☐ 805 FTB 3833, Application for Transfer of S Corporation Overpayments to Shareholders
☐ 830 FTB Pub. 1062, Guide for K-1 (565), Filing Electronic Data
☐ 831 FTB 565, Partnership Return of Income
☐ 832 FTB 3555A, Request for Tax Clearance for Exempt Organizations

F.A.S.T. Toll-Free Phone Service

Call **F**ast **A**nswers about **S**tate **T**axes, the F.A.S.T. toll-free phone service you can use to:

- Get recorded answers to many of your questions about California taxes; and
- Order current year California tax forms.

F.A.S.T. is available in English and Spanish to callers with touch-tone telephones.

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

How To Use F.A.S.T.

Have paper and pencil handy to take notes.

Call from within the United States 1-800-338-0505

Call from outside the United States (not toll-free) . . 1-916-845-6600

Follow the recorded instructions and enter the three-digit code when you are instructed to do so.

To Order Forms

Refer to Where to Get Tax Forms on page 39.

To Get Information

If you need an answer to any of the following questions, call 1-800-338-0505, select general tax information, follow the recorded instructions and enter the three-digit code when you are instructed to do so.

Code- Filing Assistance:

715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100?
717 – What are the tax rates for corporations?
718 – How do I get an extension of time to file?
722 – When do I have to file a short-period return?
730 – May I claim net operating losses in the first year?
731 – Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
733 – Can the prepayment to the Secretary of State be applied to my last year of business?
734 – What is the difference between franchise tax and income tax?

S Corporations

704 – Is an S corporation subject to the minimum franchise tax?
705 – Are S corporations required to file estimate payments?
706 – What forms do S corporations file?
707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
708 – Where do S corporations make the state tax adjustment on Schedule K-1(100S)?

Exempt Organizations

709 – How do I get tax exempt status?
710 – Does an exempt organization have to file Form 199?
735 – How can an exempt organization incorporate without paying corporation fees and costs?
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

711 – Why can't I claim my prepayment tax as credit or estimate payment on my return?
712 – What is the minimum franchise tax?
714 – I'm not doing business; do I have to pay the minimum franchise tax?
716 – When are my estimate payments due?

Billings and Miscellaneous Notices

723 – I received a bill for $250. What is this for?
728 – Why was my corporation suspended?
729 – Why is my subsidiary getting a request for a return when we file a combined report?

Tax Clearance

724 – How do I dissolve my corporation?
725 – What do I have to do to get a tax clearance?
726 – How long will it take to get a tax clearance certificate?
727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

Miscellaneous

700 – Who do I need to contact to start a business?
701 – I need a state ID number for my business. Who do I contact?
702 – Can you send me an employer's tax guide?
703 – How do I incorporate?
719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
720 – How do I change my corporation name?
721 – How do I change my accounting period?
732 – What is the water's-edge election?
737 – Where do I send my payment?
738 – What is electronic funds transfer?
739 – How do I get a copy of my state corporate tax return?