

**2019**  
**Targeted Tax Area Business Booklet**

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**3809**

California Forms & Instructions

Members of the Franchise Tax Board

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**This booklet contains:**

**Form FTB 3809**, Targeted Tax Area Deduction and Credit Summary

Advance Draft  
as of 11/14/19



STATE OF CALIFORNIA  
**Franchise Tax Board**

# 2019 Instructions for Form FTB 3809

## Targeted Tax Area Businesses

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

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### What's New

**Assignment of Credit** - For taxable years beginning on or after January 1, 2019, the following forms and instructions have been consolidated into one form **FTB 3544, Assignment of Credit**:

- FTB 3544, Election to Assign Credit Within Combined Reporting Group.
- FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee.

### General Information

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

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

### Targeted Tax Area (TTA) Credits Carryover Period

The portion of any TTA sales or use tax credit or hiring credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first. Any hiring credits generated for employees hired on or before December 31, 2012, may be carried over to the succeeding 10 taxable years.

### Repeal of Geographically Targeted Economic Development Area Tax Incentives

The California legislature repealed and made changes to all of the Geographically Targeted Economic Development Area Tax Incentives. Enterprise Zones (EZ) and Local Agency Military Base Recovery Areas (LAMBRA) were repealed on January 1, 2014. The Targeted Tax Areas (TTA) and Manufacturing Enhancement Areas (MEA) both expired on December 31, 2012. For more information, get the applicable Economic Development Area (EDA) booklet.

### Single-Sales Factor Formula

R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California using the single-sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **single sales factor**. However, business income apportioned to the TTA continues to be based on the property and payroll factors.

### Expired Targeted Tax Area

The TTA has expired as of December 31, 2012. Generally, no further TTA incentives can be generated after the expiration date. See below for a discussion on how each incentive expired:

- **TTA Hiring Credit** - Taxpayers can no longer generate/incur TTA hiring credits for employees hired on or after January 1, 2013. Taxpayers can claim the hiring credit carryover from prior years.
- **TTA Sales or Use Tax Credit** - For taxpayers engaged in a trade or business in an expired TTA, the sales or use tax credit is not available for assets purchased and/or placed in service on or after January 1, 2013. Taxpayers can claim the sales or use tax credit carryover from prior years.
- **TTA NOL Carryover Deduction** - Taxpayers can no longer generate/incur any TTA NOL for taxable years beginning on or after January 1, 2013. Taxpayers can claim an NOL carryover deduction from prior years.

### Assignment of Credit

Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liability.

For more information, see instructions for Schedule Z, Computation of Credit Carryover Limitations, on page 10, Assignment of Credit, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

**Important:** Affiliated corporations that received credits assigned under R&TC Section 23663, do not include the assigned credits received on this worksheet. Those credits are entered and tracked on form FTB 3544, Part B, List of Assigned Credit Received and/or Claimed by Assignee.

### Pass-Through Entities

For purposes of this booklet, the term "pass-through entity" refers to an S corporation, estate, trust, partnership and a limited liability company (LLC). References to "partnerships" include LLCs classified as partnerships.

### Introduction

### Economic Development Area (EDA) Tax Incentives

California established four types of EDAs that have related tax incentives. These incentives were established to stimulate growth and development in selected areas that were economically depressed. EDA tax incentives applied only to certain business transactions that were undertaken after an EDA had received final designation from the California Department of Housing & Community Development (HCD). Final designation was when the HCD designated an area to be an EDA. Tax incentives were available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (repealed on January 1, 2014)
- Local Agency Military Base Recovery Areas (repealed on January 1, 2014)
- Manufacturing Enhancement Areas (designation expired on December 31, 2012)
- Targeted Tax Areas (designation expired on December 31, 2012)

Additional information on other EDAs can be found in the following FTB tax booklets:

- EZ tax incentives, FTB 3805Z, Enterprise Zone Business Booklet.
- LAMBRA tax incentives, FTB 3807, Local Agency Military Base Recovery Area Business Booklet.
- MEA hiring credit, FTB 3808, Manufacturing Enhancement Area Business Booklet.

References in this booklet to the "TTA" are interpreted as "the boundaries of the former TTA as it existed on December 31, 2012."

## Reporting Requirement

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

Complete items A through H on Side 1 of form FTB 3809, Targeted Tax Area Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement.

## Purpose

This booklet provides specific information on the types of available former TTA tax incentives. Taxpayers operating or investing in a business located within a designated former TTA may be eligible for the following credit carryover and carryover deduction:

- Hiring credit carryover
- Sales or use tax credit carryover
- NOL carryover deduction

Use this booklet to determine the correct amount of credit carryovers and deductions that a business may claim for operating or investing in a business located within a designated former TTA. Complete the worksheets in this booklet for each credit carryover or deduction for which the business is eligible. Then enter the total credits and deductions on form FTB 3809.

## Former Targeted Tax Area Designation

California established the TTA program to stimulate development in a selected economically depressed area of Tulare County. The program offered special tax incentives to entities and individuals located in the Tulare TTA and engaged in a trade or business within the selected Standard Industrial Codes listed on pages 15 through 17 of this booklet.

All of the incorporated cities in Tulare County and portions of the unincorporated areas of Tulare County received final designation as the TTA effective November 1, 1998. The designation was binding for 15 years, commencing from January 1, 1998. **Note:** The TTA designation expired on December 31, 2012. The incorporated cities in Tulare County are:

- Cutler-Orosi
- Dinuba
- Earlimont
- Exeter
- Farmersville
- Goshen
- Lindsay
- Pixley
- Porterville
- Traver
- Tulare
- Visalia
- Woodlake

For business eligibility or zone related information, including questions regarding the former TTA geographic boundaries, contact the HCD or the local zone program manager where the business is located. Go to [hcd.ca.gov](http://hcd.ca.gov) and search for **economic development areas** to find the directory of zone contacts.

For information that is zone-specific, but not tax-specific, you may contact the HCD. See page 18 for the HCD contact information.

## Who Can Claim the Former TTA Tax Incentives?

The TTA hiring credit carryover, sales or use tax credit carryover, and NOL carryover deductions are available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing in a business located within the designated former TTA.

## How to Claim Deductions and Credit Carryovers

To claim any TTA NOL carryover deduction or credit carryover, **attach** a completed form FTB 3809 to your California tax return.

Attach a separate form FTB 3809 for each business you operate or invest in that is located within the former TTA. Also, complete the following schedule and/or worksheets to report credit carryovers and deductions incurred:

- Corporations complete Schedule Z and all the worksheets, except for Worksheet I, Section B.
- Sole proprietors complete Schedule Z and all the worksheets.
- For trusts, estates, and partnerships, complete Worksheet I, Section A.
- Individual investors receiving pass-through former TTA **credits** complete Worksheet I, Section B and Schedule Z. All other investors complete Worksheet I, Section A and Schedule Z.
- Individual investors receiving a pass-through **loss**, and having an overall **NOL** carryover, complete Worksheet I, Section B and Worksheet II. All other investors complete Worksheet II.

Schedule Z is on Side 2 of form FTB 3809.

To assist with the processing of the tax return, indicate that the business operates or invests within the former TTA by doing the following:

- Form 540 filers:** Claim TTA tax incentives on Form 540, line 43 through 45, as applicable.
- Form 540NR filers:** Claim TTA tax incentives on Form 540NR, line 58 through 60, as applicable.

- Form 100 filers:** Claim TTA tax incentives on Form 100, line 20, lines 24 through 26, as applicable.
- Form 100S filers:** Claim TTA tax incentives on Form 100S, line 18, lines 22 through 24, as applicable.
- Form 100W filers:** Claim TTA tax incentives on Form 100W, line 20, lines 24 through 26, as applicable.
- Form 109 filers:** Check the "Yes" box for the TTA question I at the top of Form 109, Side 1.

Keep all completed worksheets and supporting documents for your records.

## Form FTB 3809 – Instructions for items A through H

For corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors who operate businesses in the former TTA, complete items A through H.

Investors of pass-through entities, complete items A through D.

### Standard Industrial Classification (SIC) and Principal Business Activity (PBA) Codes

To qualify for the former TTA hiring credit, you must be engaged in a trade or business within the selected SIC listed on page 15 through page 17 of this booklet. Enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3809, Side 1. If your business has more than one establishment, and if more than one of them qualifies you to take this credit, enter the SIC code that best represents your primary qualifying establishment.

The PBA codes are based on the North American Industry Classification System published by the United States Office of Management and Budget. If you are a business entity, get the PBA code from the 2019 tax booklet (100, 100S, 100W, 565, or 568) that you used to file your tax return. If you are an individual, get the PBA code reported on your federal Form 1040 or 1040-SR, federal Schedule C, Profit or Loss from Business (Sole Proprietorship), line B. Enter the PBA code of your principal activities on form FTB 3809, Side 1.

## Part I – Credit Carryover

### Line 1a – Hiring Credit Carryover

The TTA has expired as of December 31, 2012. Generally, no further TTA incentives can be generated after the expiration date. Taxpayers can no longer generate/incur TTA hiring credits for employees hired on or after January 1, 2013. Although qualified taxpayers can no longer generate/incur TTA hiring credits for qualified employees hired prior to the TTA expiration date for wages paid or incurred within the 60-month period of the TTA hiring credit, they can claim the hiring credit carryover from prior years.

### Credit Limitations

The amount of hiring credit carryover claimed may not exceed the amount of tax on TTA business income in any year. Use Schedule Z on Side 2 of form FTB 3809 to compute the credit limitation.

The portion of any TTA hiring credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first.

### Record Keeping

Retain a copy of VoucherCert 10-07 and the documentation given to the vouchersing agency. In addition, for each qualified employee, keep a schedule of the first 60 months of employment showing (at least) the following:

- Employee's name.
- Date the employee was hired.
- Number of hours the employee worked for each month of employment.
- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage.
- Location of the employee's job site and duties performed.
- Records of any other federal or state subsidies received for hiring the qualified employee.
- Total qualified wages per month for each month of employment.

## Line 1b – Sales or Use Tax Credit Carryover

The TTA has expired as of December 31, 2012. Generally, no further TTA incentives can be generated after the expiration date. For taxpayers engaged in a trade or business in an expired TTA, the sales or use tax credit may only be generated for qualified property purchased on or before December 31, 2012, and placed in service on or before December 31, 2012. The sales or use tax credit is not available for assets purchased and/or placed in service on or after January 1, 2013.

You may claim a credit carryover for the sales or use tax paid or incurred on qualified property under R&TC Sections 17053.33 and 23633, only if a carryover is available from taxable years 1998 through 2012.

### Credit Limitations

- The amount of sales or use tax credit carryover claimed may not exceed the amount of tax on the TTA business income in any year.
- The portion of any TTA sales or use tax credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first.

## Part II – Portion of Business Attributable to the Targeted Tax Area

TTA tax credits are limited to the tax on business income attributable to operations within the former TTA. TTA deductions are limited to business income attributable to operations within the former TTA. If the business is located within and outside the former TTA, determine the portion of total business operations that are attributable to the former TTA. Each taxpayer must complete one form FTB 3809 for each zone, and therefore, must also compute the income limitation for each zone.

## Business Income vs. Nonbusiness Income

Only business income is apportioned to the TTA to determine the incentive limitation.

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. See Cal. Code Regs., tit. 18 section 25120 for further references and examples of nonbusiness income.

For corporations and entities doing business in and outside of the former TTA, use Worksheet I, Section A, to determine the TTA apportionment factor to determine the amount of business income attributable to the former TTA.

Pass-through entities must report to their shareholders, beneficiaries, partners, and members the following items:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the former TTA.
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the former TTA included in item 1.
3. The distributive (or pro-rata for S Corporation) share of the TTA property and payroll to corporate partners, members, shareholders, beneficiaries.

Report these items as other information on Schedule K-1 (100S, 541, 565, or 568).

For an individual, use Worksheet I, Section B to determine business income attributable to the former TTA. Business income includes, but is not limited to, California business income or loss from federal Form 1040 or 1040-SR, federal Schedules C, D, E, F, and California Schedule D-1, Sales of Business Property, (or federal Form 4797, Sales of Business Property, if California Schedule D-1 is not needed), as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal

Form 1040 or 1040-SR, federal Schedule A as itemized deductions.

Generally, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

If you elected to claim part or all of your current year disaster loss under IRC Section 165(i)(1) on prior year's tax return, do not include the amount of the loss that was claimed in your current year business income from the TTA.

## Apportionment

Business income is apportioned to the former TTA by multiplying the **total California business income** of the taxpayer by a fraction. The fraction consists of the numerator which is the property factor plus the payroll factor, and the denominator which is two. Loss is apportioned to the former TTA by multiplying the taxpayer's **total overall business loss** by a fraction. If a taxpayer conducts businesses in more than one former TTA, the TTA apportionment factor and credit limitations are computed separately for each former TTA.

### Property Factor

Property factor is defined as the average value of all real and tangible personal property owned or rented by the taxpayer and used during the taxable year to produce business income.

Property owned by the business is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual subrental rates paid by subtenants.

### Payroll Factor

Payroll is defined as the total amount paid to the business' employees as compensation for the production of business income during the taxable year.

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

### Compensation Within the Former TTA

Compensation is considered to be within the former TTA if any one of the following tests is met:

1. The employee's services are performed within the geographical boundaries of the former TTA.
2. The employee's services are performed within and outside the former TTA, but the services performed outside the former TTA

are incidental to the employee's service within the former TTA.

**Incidental** means any temporary or transitory service performed in connection with an isolated transaction.

3. If the employee's services are performed within and outside the former TTA, the employee's compensation is attributed to the former TTA if any one of the following items is met:
  - A. The employee's base of operations is within the former TTA.
  - B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the former TTA.
  - C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the former TTA.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

#### Corporations Filing a Combined Report

When determining the income attributable to the former TTA, the business income of each corporation doing business in the former TTA is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub. 1061 for further information on combined reports and entity income apportionment. Each corporation computes the income attributable to the former TTA by multiplying California business by TTA apportionment factor computed in Worksheet I, Section A. The former TTA property and payroll factors used in the determination of TTA income includes only the taxpayer's California amounts in the denominator.

#### Example: Computation of former TTA income assigned to each entity operating within the former TTA

Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within the former TTA. The combined reporting group operates within and outside California and apportions its income to California using Schedule R. Assume the combined reporting group's business income apportioned to California was \$1,000,000 and Corporation A and B's share of business income assigned to California is \$228,000 and \$250,000 respectively. Corporation A and B's separate former TTA and separate California property and payroll factor amounts are shown as follows.

Business income apportioned to the TTA is determined as follows:

|                                                               | A           | B           |
|---------------------------------------------------------------|-------------|-------------|
| <b>Property Factor</b>                                        |             |             |
| TTA Property                                                  | \$1,000,000 | \$ 800,000  |
| California Property                                           | \$1,000,000 | \$1,200,000 |
| <b>Apportionment %</b>                                        | 100%        | 66.66%      |
| <b>Payroll Factor</b>                                         |             |             |
| TTA Payroll                                                   | \$ 800,000  | \$ 800,000  |
| California Payroll                                            | \$ 800,000  | \$1,000,000 |
| <b>Apportionment %</b>                                        | 100%        | 80%         |
| <b>Average Apport. %</b><br>(Property + Payroll Factors)<br>2 | 100%        | 73.33%      |
| <b>Apportioned Business Income</b>                            | \$ 228,000  | \$ 250,000  |
| <b>TTA Business Income</b>                                    | \$ 228,000  | \$ 183,325  |

### Instructions for Worksheet I – Income or Loss Apportionment

#### Section A – Income Apportionment

If the business operates solely within the former TTA and all its property and payroll are solely within the former TTA, enter 100% (1.00) on Section A, line 4, column (c). Do not complete the rest of Worksheet I.

Use Worksheet I, Section A, Income Apportionment, to determine the amount of business income apportioned to the former TTA. The apportioned TTA business income determines the amount of the tax incentives that can be used. A taxpayer's TTA business income is its California business income multiplied by the specific TTA apportionment percentage computed in Worksheet I, Section A.

##### Property Factor

When determining the income apportioned to the former TTA, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the former TTA during the taxable year to produce TTA business income, see Worksheet I, Section A, column (b). The denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet I, Section A, column (a).

##### Payroll Factor

When determining income apportioned to the former TTA, the numerator of the payroll factor is the taxpayer's total compensation paid to the employees for working within the former TTA during the taxable year, see Worksheet I, Section A, column (b). The denominator of the payroll factor is the taxpayer's total compensation paid to **employees working in California**. See Worksheet I, Section A, column (a).

### Section B – Income or Loss Apportionment

Taxpayers filing Form 540 and Form 540NR, use Worksheet I, Section B to determine the amount to enter on the following:

- Worksheet II, line 1 and line 6
- Schedule Z, Part I, line 1 and line 3

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the former TTA. A taxpayer's TTA business income is its California apportioned business income computed using Schedule R, multiplied by the specific TTA apportionment percentage computed using Worksheet I, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income," since only business income is apportioned to the former TTA. See Part II, Portion of Business Attributable to the Targeted Tax Area, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Form 1040 or 1040-SR, federal Schedules C, E, F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on California Schedule D, California Capital Gain or Loss Adjustment, and Schedule D-1 (or federal Form 4797, if California Schedule D-1 is not needed). All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA.

#### Part I – Individual Income and Expense Items

##### Wages

For taxpayers with wages from a company located within and outside the former TTA, determine the TTA wage income by entering the percentage of the time that they worked within the former TTA in column (b). The percentage of time should be for the same period for which the wages entered on line 1 were earned. Determine this percentage based on their record of time and events such as a travel log or entries in a daily planner.

#### Part II – Pass-Through Income or Loss

##### Individuals with a Schedule K-1

The individual partner, member, or shareholder completes Worksheet I, Section B, Part II, Pass-Through Income or Loss, and Schedule Z, Computation of Credit Carryover Limitations.

##### Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside the former TTA from which you received TTA tax incentives, see the example below for computing business income in the former TTA.

**Example:**

| Pass-through entity | Trade or business income from Schedule K-1 (100S, 541, 565, or 568) | Entity's TTA apportionment percentage | TTA apportioned income |
|---------------------|---------------------------------------------------------------------|---------------------------------------|------------------------|
| ABC, Inc.           | \$40,000                                                            | 80%                                   | \$32,000               |
| A, B, & C           | 30,000                                                              | 10%                                   | 3,000                  |
| ABC, LLC            | 10,000                                                              | 50%                                   | 5,000                  |
| <b>Total</b>        |                                                                     |                                       | <b>\$40,000</b>        |

**Part III – Taxpayer's Trade or Business****Business Income or Loss**

Use business income or loss from federal Form 1040 or 1040-SR, federal Schedules C, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also, include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 as adjusted on Schedule CA (540 or 540NR).

**Income Computation Located Entirely Within the Former TTA****Line 6 – Line 9**

If your business operation reported on federal Form 1040 or 1040-SR, federal Schedule C, E, F, or other schedule is entirely within the former TTA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12**

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the former TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

**Located Entirely Within California****Line 6 – Line 9**

If your business operation reported on federal Form 1040 or 1040-SR, federal Schedule C, E, F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet I, Section A. Enter the percentage from Worksheet I, Section A, line 4, column (c) on Worksheet I, Section B, column (b).

**Line 11 and Line 12**

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage figure in column (b), complete Worksheet I, Section A. Enter the percentage from Worksheet I, Section A, line 4, column (c) on Worksheet I, Section B, column (b).

**Located Within and Outside the Former TTA and California****Line 6 – Line 9**

If your business operation reported on federal Form 1040 or 1040-SR, federal Schedule C, E, F, or other schedule is within and outside the former TTA and California, get California Schedule R and complete line 1 through line 18b and line 28 through line 31. Enter the amount from Schedule R, line 18b and line 31 in column (a) of this worksheet. To determine the apportionment percentage in column (b), complete Worksheet I, Section A. Enter the percentage from Worksheet I, Section A, line 4, column (c) on Worksheet I, Section B, column (b).

When computing Schedule R, disregard any reference to Forms 100, 100S, 100W, 565, or 568. Also, disregard any reference to Schedules R-3, R-4, or R-5.

Nonresidents that have an apportioning business that operates within the former TTA should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents complete a Schedule R in order to determine their California source business income.

**Worksheet I Income or Loss Apportionment – Targeted Tax Area****Section A Income Apportionment**

Use Worksheet I, Section A, if your business has net income from sources within and outside the former TTA.

**PROPERTY FACTOR**

- 1** Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.
- Inventory .....
- Buildings .....
- Machinery and equipment .....
- Furniture and fixtures .....
- Delivery equipment .....
- Land .....
- Other tangible assets (attach schedule) .....
- Rented property used in the business. See instructions .....
- Total property values** .....

**PAYROLL FACTOR**

- 2** Employees' wages, salaries, commissions, and other compensation related to business income included in the tax return.
- Total payroll** .....
- 3** Total percentage – sum of the percentages in column (c) ..
- 4** Average apportionment percentage (1/2 of line 3).  
Enter here and on form FTB 3809, Side 1, line 2 .....

**(a)**  
Total within  
California

**(b)**  
Total within  
the former TTA

**(c)**  
Percentage within the former TTA  
column (b) ÷ column (a)

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the former TTA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the former TTA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

**Line 11 and Line 12**

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the former TTA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, Part A, line 2 or Part B, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet I, Section A. Enter the percentage from Worksheet I, Section A, line 4, column (c) on Worksheet I, Section B, column (b).

**Line 14**

If you are computing the TTA business income and the result on Worksheet I, Section B, line 14, column (c) is a **positive** amount and:

- You have TTA NOL carryovers, enter the amount on Worksheet II, line 1 and line 6 (skip line 2 through line 5).
- You have TTA credit carryovers, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

If the amount is **negative**, you do not have any business income attributable to the TTA and you cannot utilize any TTA NOL carryover or credit carryover(s) in the current taxable year.

**Part III – Net Operating Loss (NOL) Carryover and Deduction**

The TTA expired as of December 31, 2012. Generally, no further TTA incentives can be generated after the expiration date. For taxable years beginning on or after January 1, 2013, taxpayers can no longer generate any TTA NOL. However, taxpayers can claim an NOL carryover deduction from prior years.

For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period to 20 taxable years following the year of the loss.

**Worksheet I Income or Loss Apportionment-Targeted Tax Area (continued)****Section B Income or Loss Apportionment****Part I Individual Income and Expense Items.** See instructions.

|                                                                  | (a)<br>Amount | (b)<br>Percentage of time providing services in the former TTA | (c)<br>Apportioned amount<br>(a) x (b) |
|------------------------------------------------------------------|---------------|----------------------------------------------------------------|----------------------------------------|
| 1 Wages .....                                                    |               |                                                                |                                        |
| 2 Employee business expenses .....                               |               |                                                                |                                        |
| 3 Total. Combine line 1, column (c) and line 2, column (c) ..... |               |                                                                |                                        |

**Part II Pass-Through Income or Loss.** See instructions.

| (a)<br>Name of entity                 | (b)<br>Distributive or pro-rata share of business income or loss apportioned to the former TTA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4                                     |                                                                                                                                                                              |
| 5 Total. Add line 4, column (b) ..... |                                                                                                                                                                              |

**Part III Taxpayer's Trade or Business.** See instructions.

|                                                                                                       | (a)<br>Business income or loss | (b)<br>Apportionment percentage for the former TTA | (c)<br>Apportioned income or loss<br>(a) x (b) |
|-------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------|------------------------------------------------|
| 6 Schedule C .....                                                                                    |                                |                                                    |                                                |
| 7 Schedule E (Rentals) .....                                                                          |                                |                                                    |                                                |
| 8 Schedule F .....                                                                                    |                                |                                                    |                                                |
| 9 Other business income or loss .....                                                                 |                                |                                                    |                                                |
| 10 Total. Add line 6 through line 9, column (c) .....                                                 |                                |                                                    |                                                |
|                                                                                                       | (a)<br>Business gain or loss   | (b)<br>Apportionment percentage for the former TTA | (c)<br>Apportioned gain or loss<br>(a) x (b)   |
| 11 Schedule D .....                                                                                   |                                |                                                    |                                                |
| 12 Schedule D-1 .....                                                                                 |                                |                                                    |                                                |
| 13 Total. Add line 11, column (c) and line 12, column (c) .....                                       |                                |                                                    |                                                |
| 14 Total. Add line 3, line 10, and line 13, column (c), and line 5, column (b) See instructions ..... |                                |                                                    |                                                |

For taxable years beginning in 2002 and 2003, California had suspended the NOL carryover deduction. Taxpayers continued to carryover an NOL during the suspension period. The carryover period for suspended losses was extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred on or after January 1, 2002, and before January 1, 2003. The deduction for disaster losses was not affected by the NOL suspension rules. See instructions for Worksheet II, on page 8 for more information on the suspension of the NOL carryover deduction for taxable years beginning in 2008 through 2011.

The business cannot generate NOLs from activities within the former TTA before the first taxable year beginning on or after the date the TTA was officially designated.

#### Limitation

A TTA NOL carryover deduction can only offset business income attributable to operations within the former TTA.

#### Election

If you elected and designated the carryover category (general or specific, EZ, LAMBRA, or TTA NOL) on the original tax return for the year of a loss, file form FTB 3809 for each year in which a TTA NOL deduction is being taken. The election is **irrevocable**.

If you elected the TTA NOL deduction, you are prohibited by law from carrying over any other type of NOL (relating to TTA activities) from this year.

#### Alternative Minimum Tax

Taxpayers claiming a TTA NOL carryover deduction determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

#### S Corporations

TTA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a TTA NOL incurred after the "S" election is made. An S corporation may use the NOL carryover as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

#### Combined Report

Corporations that are members of a unitary group filing a combined report separately compute loss carryover for each corporation in the group (R&TC Section 25108) using individual apportionment factors.

Unlike the NOL treatment on a federal consolidated tax return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

#### Water's-Edge Taxpayer

For any water's-edge taxpayer, R&TC Section 24416(c) imposes a limitation on the NOL deduction, if the NOL is generated during a non-water's edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is determined by computing the income and factors of the original worldwide combined reporting group, as if the water's-edge election had been in force for the year of the loss. R&TC Section 24416(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, but not increased.

### Instructions for Worksheet II – Computation of NOL Carryover and Carryover Limitations

Individuals, exempt trusts, and corporations with current year income and a prior year TTA NOL carryover complete Worksheet II.

For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction. Taxpayers continued to compute and carryover NOLs during the suspension period. However, taxpayers with net income after state adjustments (pre-apportioned income) (corporations) or with modified adjusted gross income (individuals) of less than \$300,000, or with disaster loss carryovers are not affected by the NOL suspension rules.

**Corporations** use line 17 of Forms 100 and 100W, or line 14 less line 16 of Form 100S to determine net income after state adjustments (pre-apportioned income).

**Individuals** use the amount shown on your federal tax return for the same taxable year without regard to the federal NOL deduction (Form 540/540NR, line 13, plus the federal NOL deduction listed on Schedule CA (540), Part I, Section B, line 8c, column C or Schedule CA (540NR), Part II, Section B, line 8c, column C).

The carryover periods for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008 - 2011 suspension, are extended by:

- One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
- Two years for losses incurred in taxable years beginning before January 1, 2010.
- Three years for losses incurred in taxable years beginning before January 1, 2009.
- Four years for losses incurred in taxable years beginning before January 1, 2008.

The TTA NOL carryover deduction is used to reduce current year income from the TTA. Use this worksheet to compute the TTA NOL carryover deduction for corporations, individuals, and exempt trusts.

**Line 1** – See Part II on page 4 for a discussion of business and nonbusiness income.

#### Form 540 and Form 540NR filers:

Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040 or 1040-SR, federal Schedule A, as itemized deductions.

**Exception:** If you elected to carry back part or all of your current year disaster loss, under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in the current year business income for the TTA.

**Line 2** – In modifying your income, deduct the capital losses only up to the amount of capital gains. Enter any net capital losses included in line 1 as a positive number.

**Line 3** – Corporations reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** – This is your modified taxable income (MTI). Reduce the MTI amount by your TTA NOL carryover deduction. The TTA NOL carryover deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, carry over the NOL to future years.

**Line 7** – Enter the amount from line 6. If this amount is zero or negative, transfer the amount(s) from line 8a through line 8o, column (b) to column (e). Go to line 9.

**Line 8a through Line 8o** – Enter the amounts on line 8a through line 8o as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

#### Example:

| (b)<br>Carryover<br>from prior<br>year | (c)<br>Amount<br>deducted<br>this year | (d)<br>Balance<br>available to<br>offset losses | (e)<br>TTA NOL<br>carryover |
|----------------------------------------|----------------------------------------|-------------------------------------------------|-----------------------------|
| \$ 500                                 | \$ 500                                 | \$5,000                                         | \$ 0                        |

**Line 9** – Total the amounts in columns (b), (c), and (e). Enter the totals from column (b) and column (e) on form FTB 3809, Side 1, line 3a and line 3c, accordingly.

Your TTA NOL carryover deduction for 2019 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 20
- Form 100S, line 18
- Form 100W, line 20
- Form 109, line 6
- Schedule CA (540), Part I, Section B, line 8e, column B
- Schedule CA (540NR), Part II, Section B, line 8e, column B

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |           |  |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|----------|
| <b>1</b> Enter the amount from Form 100 or Form 100W, line 17; Form 100S, combined amounts of line 14 and line 16; or Form 109, line 1 or line 4. Form 540 and Form 540NR filers, enter the total from Worksheet I, Section B, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Corporations which file a combined report, enter the taxpayer's business income assigned to California (See instructions Part II) . . . . . | <b>1</b>  |  |          |
| <b>2 a</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Form 540NR filers leave blank. . . . .                                                                                                                                                                                                                                                                           | <b>2a</b> |  |          |
| <b>b</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Form 540NR filers leave blank. . . . .                                                                                                                                                                                                                                                                               | <b>2b</b> |  |          |
| <b>c</b> Combine line 2a and line 2b . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>2c</b> |  |          |
| <b>3</b> Form 100 or Form 100W filers: Enter the amount from Form 100 or Form 100W, line 21. Form 100S filers: Enter the total of the amount from Form 100S, line 16 and line 19. Form 540, Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number. . . . .                                                                                                                                                                             | <b>3</b>  |  |          |
| <b>4</b> Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6. . . . .                                                                                                                                                                                                                                                                                                                                                                         | <b>4</b>  |  |          |
| <b>5</b> Enter the average apportionment percentage from Worksheet I, Section A, line 4 . . . . .                                                                                                                                                                                                                                                                                                                                                                   | <b>5</b>  |  |          |
| <b>6</b> Modified taxable income. Multiply line 4 by line 5. See instructions . . . . .                                                                                                                                                                                                                                                                                                                                                                             |           |  | <b>6</b> |

| (a)<br>Description                                                                  | (b)<br>Carryover from<br>prior year | (c)<br>Amount deducted<br>this year | (d)<br>Balance available to<br>offset losses | (e)<br>TTA NOL carryover<br>to future years. |
|-------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>7</b> Modified taxable income from line 6. . . . .                               |                                     |                                     |                                              |                                              |
| <b>8a</b> TTA NOL carryover beginning in 1998 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8b</b> TTA NOL carryover beginning in 1999 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8c</b> TTA NOL carryover beginning in 2000 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8d</b> TTA NOL carryover beginning in 2001 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8e</b> TTA NOL carryover beginning in 2002 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8f</b> TTA NOL carryover beginning in 2003 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8g</b> TTA NOL carryover beginning in 2004 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8h</b> TTA NOL carryover beginning in 2005 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8i</b> TTA NOL carryover beginning in 2006 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8j</b> TTA NOL carryover beginning in 2007 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8k</b> TTA NOL carryover beginning in 2008 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8l</b> TTA NOL carryover beginning in 2009 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8m</b> TTA NOL carryover beginning in 2010 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8n</b> TTA NOL carryover beginning in 2011 . . . .                               |                                     |                                     |                                              |                                              |
| <b>8o</b> TTA NOL carryover beginning in 2012 . . . .                               |                                     |                                     |                                              |                                              |
| <b>9</b> Total the amounts in columns (b), (c), and (e). See instructions . . . . . |                                     |                                     |                                              |                                              |

## Schedule Z – Computation of Credit Carryover Limitations

### Credit Carryover Limitations

The amount of credit carryover you can claim on your California tax return is limited by the amount of tax attributable to TTA business income. The amount of tax attributable to the TTA business income is computed in this schedule. For corporations and other entities doing business in the former TTA, the TTA business income is computed in this schedule using the TTA apportionment factor formula computed on Worksheet I, Section A. For individuals, the TTA business income is computed on Worksheet I, Section B.

### Assignment of Credit

For taxable years beginning on or after July 1, 2008, credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax in taxable years beginning on or after January 1, 2010.

The eligible assignee shall be treated as if it originally generated the assigned credit. Any credit requirements, limitations or restrictions that applied to the assignor will also apply to the eligible assignee. The amount of TTA credit carryovers you may claim on your California tax return is limited to the tax attributable to a specific former TTA. For zone credits assigned, the assignee must have a tax liability as a result of income generated in the same zone that the original credit was generated. For example, if the original credit was generated in the former Tulare TTA of the assignor, the assignee must have a tax liability on the income attributable to the former Tulare TTA in order to use the assigned credit. For more information, get form FTB 3544 or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

### Other Limitations

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit carryover that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. Partnerships allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement. See R&TC Section 17039(e)(2).

Credit carryovers you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), annual tax (partnerships and QSub), alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), built-in gains tax (S corporations), or excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

### S Corporations and the Application of TTA Credits

An S corporation may use its TTA credit carryovers to reduce TTA tax at both the corporate and shareholder levels.

#### Carryover

If the amount of credit carryover available this year exceeds your TTA tax, you may carry over any excess credit to future years. For taxable years beginning on or after January 1, 2014, the carryover period is 10 years if necessary, or until the credit is exhausted, whichever occurs first. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax.

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

#### Credit Code

Use credit code **210** to claim the TTA hiring credit and sales or use tax credit carryover on your tax return. Using an incorrect code may cause a delay in allowing the credit.

## Instructions for Schedule Z – Computation of Credit Carryover Limitations

### Reporting Requirements of S Corporations, Estates, Trusts, and Partnerships

- Partnerships and LLC's treated as partnerships do not complete Schedule Z. The partners and members of these types of entities should compute their TTA income from all sources by completing the Schedule Z to determine the amount of TTA credit carryover that they may claim on their California tax return. For individual partners, report the distributive share of all the business income apportioned to the former TTA. For corporate partners, report the distributive share of the former TTA property and payroll. Report these items as other information on Schedule K-1 (565).
- S corporations and their shareholders complete Schedule Z.
- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, losses, and deductions apportioned to the former TTA; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the former TTA included in the amount above.

### S Corporations

Complete only Part I and Part III of Schedule Z if your entity-level tax before credits is more than the minimum franchise tax.

#### Corporations and S Corporations subject to the minimum franchise tax only

Complete only Part IV of Schedule Z.

**All others:** Complete Part I and Part II of Schedule Z.

### Part I – Computation of Credit Limitations

For filers with NOL carryovers:

- Complete Worksheet II first if you have an NOL carryover.
- Then complete Schedule Z if you have any TTA credits.

If you do not have any NOL carryovers:

- Individuals: Go to Worksheet I, Section B. Follow the instructions there. Enter the amount from Worksheet I, Section B, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

Only business income is apportioned to the TTA to determine the incentive limitation. Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income.

For corporations filing a combined report, the business income of each corporation doing business in the former TTA is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub. 1061 for more information on combined reports and entity income apportionment.

**Line 1** – Enter all trade or business income. See form FTB 3809, Part II instructions for the definition of business income.

**Line 2** – If your business is located entirely within the TTA, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet I, Section A, and represents the percentage of the entity's business income attributable to the TTA.

**Line 6a** – Compute the tax as if the TTA taxable income represented all of your taxable income.

#### Individuals

Use the tax table or tax rate schedule in your tax booklet for your filing status.

#### Exempt Organizations

Use the applicable tax rate in your tax booklet.

## Corporations and S Corporations

Use the applicable tax rate.

If the amount on line 6a is the minimum franchise tax (\$800), you cannot use your TTA credits this year. Complete Part IV of Schedule Z to compute the amount of credit carryover.

### Example: Determination of TTA Income for Shareholders, Partners, or Members of Pass-Through Entities

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one within the TTA and one outside the TTA. Eighty percent (80%) of the S corporation's business is attributable to the TTA.

This percentage was determined by ABC, Inc. using Worksheet I, Section A, when ABC's S corporation tax return (Form 100S) was prepared.

John divides his time equally (50/50) between the two offices of ABC, Inc. Jackie Anderson (John's spouse/RDP) works for ABC, Inc. at its office located within the TTA.

John and Jackie Anderson have the following items of California income and expense for the 2019 taxable year:

|                                     |           |
|-------------------------------------|-----------|
| John's salary from ABC, Inc.        | \$100,000 |
| Jackie's salary from ABC, Inc.      | 75,000    |
| Interest on savings account         | 1,000     |
| Dividends                           | 3,000     |
| Schedule K-1 (100S) from ABC, Inc.: |           |

|                                                               |         |
|---------------------------------------------------------------|---------|
| Ordinary income                                               | 40,000  |
| John's unreimbursed employee expenses from federal Schedule A | (2,000) |

The Anderson's TTA income (total amount to be reported on line 3) is computed as follows:

|                                                                |           |
|----------------------------------------------------------------|-----------|
| John's TTA salary (\$100,000 x 50%)                            | \$50,000  |
| Jackie's TTA salary (\$75,000 x 100%)                          | 75,000    |
| Pass-through ordinary income from ABC, Inc. (\$40,000 x 80%)   | 32,000    |
| John's unreimbursed employee business expenses (\$2,000 x 50%) | (1,000)   |
| Total TTA income (Schedule Z, Part I, line 3)                  | \$156,000 |

The standard deduction and personal or dependency exemptions are not included in the computation of TTA income since they are not related to trade or business activities.

John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total TTA income of \$156,000 (as if it represents all of their income).

### Line 6b – Corporations and S corporations:

If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your TTA credits this year. Complete Part IV of Schedule Z to compute the amount of credit carryover.

## Part II – Limitations of Credits for Corporations, Individuals, Estates, and Trusts

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV of Schedule Z.

Individuals that received a Schedule K-1, complete Schedule Z, Part II, using the information from the Schedule K-1.

**Line 8A, column (e)** – Enter the amount from line 7. This is the amount of limitation based on the tax on TTA business income.

**Line 8A, column (f)** – Enter the amount of credit carryover that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (e) or the amount computed on line 8B, column (d). Enter this amount on form FTB 3809, Side 1, line 1a.

**Line 8B, column (b)** – Enter the amount of the total prior year credit carryover from prior year's Schedule Z, Part II, line 8B, column (g).

**Line 8B, column (c)** – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, Part A, Election to Assign Credit Within Combined Reporting Group, column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, Estates, and Trusts, leave blank and go to column (d) instructions.

**Line 8B, column (d)** – Subtract the amount on line 8B, column (c), if any, from the amount of the total prior year carryover on line 8B, column (b).

**Line 8B, column (e)** – Compare the amounts on line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g)** – Subtract the amount on line 8B, column (e) from the amount on line 8B, column (d). Enter the result on line 8B, column (g). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

**Line 9A, column (e)** – Subtract the amount on line 8B, column (e) from the amount on line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (d) on line 9B, column (g).

**Line 9A, column (f)** – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (e) or the amount computed on line 9B, column (d). Enter this amount on form FTB 3809, Side 1, line 1b.

**Line 9B, column (b)** – Enter the amount of the total prior year credit carryover from prior year's Schedule Z, Part II, line 9B, column (g).

**Line 9B, column (c)** – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, Part A, column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, Estates, and Trusts, leave blank and go to column (d) instructions.

**Line 9B, column (d)** – Subtract the amount on line 9B, column (c), if any, from the amount of the total prior year carryover on line 9B, column (b).

**Line 9B, column (e)** – Compare the amounts on line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g)** – Subtract the amount on line 9B, column (e) from the amount on line 9B, column (d). Enter the result on line 9B, column (g). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

## Part III – Limitation of Credits for S Corporations Only

Use Part III of Schedule Z only if you are an S corporation. Adjust Schedule C (100S) to reflect the TTA business tax limitation (Part I, line 7) after completing this worksheet.

**Line 10, column (b)** – Enter the amount of total prior year credit carryover from prior year's Schedule Z, Part III, line 10, column (d). Also, include this amount on Form 100S, Schedule C.

**Line 11, column (b)** – Enter the amount of total prior year credit carryover from prior year's Schedule Z, Part III, line 11, column (d).

**Line 10 and Line 11, column (c)** – Enter the amount of credit carryover that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amounts in column (c) for line 10 and line 11 on form FTB 3809, Side 1, line 1a and line 1b, as applicable.

**Line 10 and Line 11, column (d)** – Subtract the amount in column (c) for each line from the amounts in column (b). These are the credit amounts that can be carried over to future years and used by the S corporation.

**Part IV – Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax**

Use Part IV of Schedule Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 12, column (b)** – Enter the amount of the total prior year credit carryover from prior year's Schedule Z, Part IV, line 12, column (d).

**Line 13, column (b)** – Enter the amount of total prior year credit carryover from prior year's Schedule Z, Part IV, line 13, column (d).

**Line 12 and Line 13, column (c)** – Enter the amounts of credits assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, Part A, column (g). Only C corporations who completed the form will enter an amount in this column. S corporations, leave blank and go to column (d) instructions.

**Line 12 and Line 13, column (d)** – Subtract the amount in column (c), if any, for each line from the amounts in column (b). These are the credit amounts that can be carried over to future years.

**Example: Part II**

Assume the ABC Business has \$8,000 of tax. The business computed a credit limitation based on the TTA income of \$7,000 on Schedule Z, line 7. The business has the following credits:

Hiring credit carryover — \$300  
Sales or use tax credit carryover — \$9,000

Schedule Z, Part II would be computed as follows:

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See instructions.

| (a)<br>Credit name |                                   | (b)<br>Total prior year carryover | (c)<br>Total credit assigned from form FTB 3544, Part A, col. (g) | (d)<br>Total credit col. (b) minus col. (c) | (e)<br>Limitation based on TTA business income | (f)<br>Credit carryover used on Sch. P can never be greater than col. (d) or col. (e) | (g)<br>Total credit carryover col. (d) minus col. (e) |
|--------------------|-----------------------------------|-----------------------------------|-------------------------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------|
| 8                  | Hiring credit carryover           | A                                 |                                                                   |                                             | 7,000                                          | 300                                                                                   |                                                       |
|                    |                                   | B                                 | 300                                                               | –0–                                         | 300                                            |                                                                                       | –0–                                                   |
| 9                  | Sales or use tax credit carryover | A                                 |                                                                   |                                             | 6,700                                          | 6,700                                                                                 |                                                       |
|                    |                                   | B                                 | 9,000                                                             | –0–                                         | 6,700                                          |                                                                                       | 2,300                                                 |

# Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual classifies business activities based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity is significant; and (3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

The Standard Industrial Classification Manual is organized using a hierarchical structure, first by division, next by two-digit major

groups within each division, then by three-digit industry groups within each major group, and finally by four-digit industry codes within each industry group.

For purposes of this publication, the following SIC codes are listed since only taxpayers with establishments in these industry codes qualify for the TTA tax incentives:

- SIC Codes 2000 through 2099;
- SIC Codes 2200 through 3999;
- SIC Codes 4200 through 4299;
- SIC Codes 4500 through 4599; and
- SIC Codes 4700 through 5199.

To view the manual, go to [osha.gov](http://osha.gov) and search for **SIC code**.

## The four-digit industry codes within Division D of the SIC Manual are: (nec means "not elsewhere classified")

|                                             |                                            |                                                  |                                                |
|---------------------------------------------|--------------------------------------------|--------------------------------------------------|------------------------------------------------|
| 3291 Abrasive products                      | 2231 Broadwoven fabric mills, wool         | 2653 Corrugated & solid fiber boxes              | 3441 Fabricated structural metal               |
| 2891 Adhesives & sealants                   | 3991 Brooms & brushes                      | 3961 Costume jewelry                             | 2399 Fabricated textile products, nec          |
| 2879 Agricultural chemicals, nec            | 3995 Burial caskets                        | 2074 Cottonseed oil                              | 3523 Farm machinery & equipment                |
| 3563 Air & gas compressors                  | 3578 Calculating & accounting equipment    | 2021 Creamery butter                             | 3965 Fasteners, buttons, needles, & pins       |
| 3728 Aircraft parts & equipment, nec        | 2064 Candy & other confectionery products  | 3466 Crowns & closures                           | 2875 Fertilizers, mixing only                  |
| 3724 Aircraft engines & engine parts        | 2062 Cane sugar refining                   | 3643 Current-carrying wiring devices             | 2655 Fiber cans, drums, & similar products     |
| 3721 Aircraft                               | 2033 Canned fruits & vegetables            | 2391 Curtains & draperies                        | 2262 Finishing plants, manmade                 |
| 2812 Alkalies & chlorine                    | 2091 Canned & cured fish & seafood         | 3087 Custom compound purchased resins            | 2261 Finishing plants, cotton                  |
| 3354 Aluminum extruded products             | 2032 Canned specialties                    | 3281 Cut stone & stone products                  | 2269 Finishing plants, nec                     |
| 3355 Aluminum rolling & drawing, nec        | 2394 Canvas & related products             | 3421 Cutlery                                     | 3211 Flat glass                                |
| 3365 Aluminum foundries                     | 3955 Carbon paper & inked ribbons          | 2865 Cyclic crudes & intermediates               | 2087 Flavoring extracts & syrups, nec          |
| 3353 Aluminum sheet, plate, & foil          | 2895 Carbon black                          | 2034 Dehydrated fruits, vegetables, & soups      | 2041 Flour & other grain mill products         |
| 3363 Aluminum die-casting                   | 3624 Carbon & graphite products            | 3843 Dental equipment & supplies                 | 3824 Fluid meters & counting devices           |
| 3483 Ammunition, except for small arms, nec | 3592 Carburetors, pistons, rings, & valves | 2675 Die-cut paper products                      | 3492 Fluid power valves & hose fittings        |
| 3826 Analytical instruments                 | 2273 Carpets & rugs                        | 2085 Distilled & blended liquors                 | 2026 Fluid milk                                |
| 2077 Animal & marine fats & oils            | 2823 Cellulosic manmade fiber              | 2047 Dog & cat food                              | 3594 Fluid power pumps & motors                |
| 2387 Apparel belts                          | 3241 Cement, hydraulic                     | 3942 Dolls & stuffed toys                        | 3593 Fluid power cylinders & actuators         |
| 2389 Apparel & accessories, nec             | 3253 Ceramic wall & floor tile             | 2591 Drapery hardware, blinds, & shades          | 2657 Folding paperboard boxes                  |
| 3446 Architectural metal work               | 2043 Cereal breakfast foods                | 2023 Dry, condensed, & evaporated dairy products | 2099 Food preparations, nec                    |
| 3292 Asbestos products                      | 2899 Chemical preparations, nec            | 2079 Edible fats & oils, nec                     | 3556 Food products machinery                   |
| 2952 Asphalt felts & coatings               | 2067 Chewing gum                           | 3641 Electric lamps                              | 3131 Footwear cut stock                        |
| 2951 Asphalt paving mixtures & blocks       | 2066 Chocolate & cocoa products            | 3634 Electric housewares & fans                  | 3149 Footwear, except rubber, nec              |
| 3581 Automatic vending machines             | 3255 Clay refractories                     | 3699 Electrical equipment & supplies, nec        | 2092 Fresh/frozen prepared fish/seafood        |
| 2396 Automotive & apparel trimmings         | 2295 Coated fabrics, not rubberized        | 3629 Electrical industrial apparatus, nec        | 2053 Frozen bakery products, except bread      |
| 3465 Automotive stampings                   | 3316 Cold finishing of steel shapes        | 3845 Electromedical equipment                    | 2038 Frozen specialties, nec                   |
| 2673 Bags: plastic, laminated, & coated     | 2754 Commercial printing, gravure          | 3313 Electrometallurgical products               | 2037 Frozen fruits & vegetables                |
| 2674 Bags: uncoated paper & multiwall       | 2752 Commercial printing, lithographic     | 3679 Electronic components, nec                  | 2371 Fur goods                                 |
| 3562 Ball & roller bearings                 | 2759 Commercial printing, nec              | 3678 Electronic connectors                       | 2599 Furniture & fixtures, nec                 |
| 2063 Beet sugar                             | 3582 Commercial laundry equipment          | 3671 Electron tubes                              | 3944 Games, toys, & children's vehicles        |
| 2836 Biological products except diagnostic  | 3646 Commercial lighting fixtures          | 3675 Electronic capacitors                       | 3053 Gaskets, packing, & sealing devices       |
| 2782 Blankbooks & looseleaf binders         | 3669 Communication equipment               | 3676 Electronic resistors                        | 3569 General industrial machinery, nec         |
| 3312 Blast furnace & steel mills            | 3577 Computer peripheral equipment, nec    | 3677 Electronic coils & transformers             | 2369 Girls' & children's outerwear, nec        |
| 3564 Blowers & fans                         | 3575 Computer terminals                    | 3571 Electronic computers                        | 2361 Girls' & children's dresses, blouses      |
| 3732 Boat building & repairing              | 3572 Computer storage devices              | 3534 Elevators & moving stairways                | 3221 Glass containers                          |
| 3452 Bolts, nuts, rivets, & washers         | 3271 Concrete block & brick                | 3694 Engine electrical equipment                 | 3321 Gray & ductile iron foundries             |
| 2731 Book publishing                        | 3272 Concrete products, nec                | 2677 Envelopes                                   | 2771 Greeting cards                            |
| 2732 Book printing                          | 3531 Construction machinery                | 3822 Environmental controls                      | 3764 Guided missile & space vehicle parts      |
| 2789 Bookbinding & related work             | 2679 Converted paper products, nec         | 2892 Explosives                                  | 3769 Guided missile & space vehicle parts, nec |
| 2086 Bottled & canned soft drinks           | 3535 Conveyors & conveying equipment       | 2381 Fabric dress & work gloves                  |                                                |
| 2342 Bras, girdles, & allied garments       | 2052 Cookies & crackers                    | 3499 Fabricated metal products, nec              |                                                |
| 2051 Bread, cake, & related products        | 3351 Copper rolling & drawing              | 3443 Fabricated plate work (boiler shops)        |                                                |
| 3251 Brick & structural clay tile           | 3366 Copper foundries                      | 3498 Fabricated pipe & fittings                  |                                                |
| 2211 Broadwoven fabric mills, cotton        | 2298 Cordage & twine                       | 3069 Fabricated rubber products, nec             |                                                |
| 2221 Broadwoven fabric mills, manmade       |                                            |                                                  |                                                |

(continued on next page)

|      |                                          |      |                                         |      |                                      |      |                                       |
|------|------------------------------------------|------|-----------------------------------------|------|--------------------------------------|------|---------------------------------------|
| 3761 | Guided missiles & parts                  | 3061 | Mechanical rubber goods                 | 2035 | Pickles, sauces, & salad dressing    | 3769 | Space vehicle equipment & parts       |
| 2861 | Gum & wood chemicals                     | 2833 | Medicinal & botanicals                  | 3085 | Plastic bottles                      | 3764 | Space propulsion units & parts        |
| 3275 | Gypsum products                          | 2325 | Men's & boys' trousers & slacks         | 3086 | Plastic foam products                | 2429 | Special product sawmills, nec         |
| 3423 | Hand & edge tools, nec                   | 3143 | Men's footwear, except athletic         | 2821 | Plastic materials & resins           | 3544 | Special dies, tools, jigs, & fixtures |
| 3996 | Hardsurface floor coverings, nec         | 2323 | Men's & boys' neckwear                  | 3084 | Plastic pipe                         | 3559 | Special industry machinery, nec       |
| 2429 | Hardware, nec                            | 2329 | Men's & boys' clothing, nec             | 3088 | Plastic plumbing fixtures            | 3566 | Speed changers, drives, & gears       |
| 2426 | Hardwood dimensions & flooring mills     | 2321 | Men's & boys' shirts                    | 3089 | Plastic products, nec                | 3949 | Sporting & athletic goods, nec        |
|      |                                          | 2322 | Men's & boys' underwear & nightwear     | 2796 | Platemaking service                  | 2678 | Stationery products                   |
| 2435 | Hardwood veneer & plywood                |      |                                         | 3471 | Plating & polishing                  | 3493 | Steel springs, except wire            |
| 2353 | Hats, caps, & millinery                  | 2326 | Men's & boys' work clothing             | 2395 | Pleating & stitching                 | 3315 | Steel wire & related products         |
| 3433 | Heating equip, except electric           | 2311 | Men's & boys' suits & coats             | 3432 | Plumbing fixture fittings & trim     | 3317 | Steel pipe & tubes                    |
| 3536 | Hoists, cranes, & monorails              | 2514 | Metal household furniture               | 2842 | Polishes & sanitation goods          | 3325 | Steel foundries, nec                  |
| 2252 | Hosiery, nec                             | 3549 | Metalworking machinery, nec             | 3264 | Porcelain electrical supplies        | 3324 | Steel investment foundries            |
| 2392 | House furnishings, nec                   | 3398 | Metal heat treating                     | 2096 | Potato chips & similar snacks        | 3691 | Storage batteries                     |
| 3142 | House slippers                           | 3411 | Metal cans                              | 3269 | Pottery products, nec                | 3259 | Structural clay products, nec         |
| 3651 | Household audio & video equipment        | 3412 | Metal barrels, drums, & pails           | 2015 | Poultry slaughtering & processing    | 2439 | Structural wood members, nec          |
|      |                                          | 3431 | Metal sanitary ware                     | 3568 | Power transmission equipment, nec    | 2843 | Surface active agents                 |
| 3635 | Household vacuum cleaners                | 3497 | Metal foil & leaf                       |      |                                      | 3841 | Surgical & medical instruments        |
| 3631 | Household cooking appliances             | 3479 | Metal coating & allied services         | 3546 | Power-driven handtools               | 3842 | Surgical appliances & supplies        |
| 3633 | Household laundry equipment              | 3469 | Metal stampings, nec                    | 3448 | Prefabricated metal buildings        | 3613 | Switchgear & switchboard apparatus    |
| 3639 | Household appliances, nec                | 3442 | Metal door, sash, & trim                | 2452 | Prefabricated wood buildings         |      |                                       |
| 2519 | Household furniture, nec                 | 2431 | Millwork                                | 2045 | Prepared flour mixes & doughs        | 2822 | Synthetic rubber                      |
| 3632 | Household refrigerators & freezers       | 3296 | Mineral wool                            | 2048 | Prepared feeds, nec                  | 3795 | Tanks & tank components               |
| 2024 | Ice cream & frozen desserts              | 3295 | Minerals, ground or treated             | 3652 | Prerecorded records & tapes          | 3661 | Telephone & telegraph apparatus       |
| 3491 | Industrial valves                        | 3532 | Mining machinery                        | 3229 | Pressed & blown glass, nec           | 3552 | Textile machinery                     |
| 2819 | Industrial inorganic chem, nec           | 2741 | Misc publishing                         | 3399 | Primary metal products, nec          | 2393 | Textile bags                          |
| 3599 | Industrial machinery, nec                | 3449 | Misc metal work                         | 3339 | Primary nonferrous metals, nec       | 2299 | Textile goods, nec                    |
| 2869 | Industrial organic chem, nec             | 3496 | Misc fabricated wire products           | 3334 | Primary aluminum                     | 2284 | Thread mills                          |
| 3537 | Industrial trucks & tractors             | 2451 | Mobile homes                            | 3331 | Primary copper                       | 2282 | Throwing & winding mills              |
| 2813 | Industrial gases                         | 3716 | Motor homes                             | 3692 | Primary batteries, dry & wet         | 2296 | Tire cord & fabrics                   |
| 3543 | Industrial patterns                      | 3711 | Motor vehicles & car bodies             | 3672 | Printed circuit boards               | 3011 | Tires & inner tubes                   |
| 3567 | Industrial furnaces & ovens              | 3621 | Motor & generators                      | 2893 | Printing ink                         | 2844 | Toilet preparations                   |
| 2816 | Inorganic pigments                       | 3714 | Motor vehicle parts & accessories       | 3555 | Printing trades machinery            | 3612 | Transformers, except electronic       |
| 3825 | Instruments to measure electricity       |      |                                         | 3823 | Process control instruments          | 3799 | Transportation equipment, nec         |
| 3519 | Internal combustion engines, nec         | 3751 | Motorcycles, bicycles, & parts          | 3231 | Products of purchased glass          | 3792 | Travel trailers & campers             |
| 2835 | In vitro & in vivo diagnostic substances | 3931 | Musical instruments                     | 2531 | Public building & related furniture  | 3713 | Truck & bus bodies                    |
|      |                                          | 2441 | Nailed wood boxes & shook               | 2611 | Pulp mills                           | 3715 | Truck trailers                        |
| 3462 | Iron & steel forging                     | 2241 | Narrow fabric mills                     | 3561 | Pumps & pumping equipment            | 3511 | Turbines & turbines generator sets    |
| 3915 | Jewelers' materials & lapidary work      | 2711 | Newspapers                              | 3663 | Radio & TV communication equipment   | 2791 | Typesetting                           |
|      |                                          | 2873 | Nitrogenous fertilizers                 |      |                                      | 3082 | Unsupported plastic profile shapes    |
| 3911 | Jewelry, precious metal                  | 3297 | Nonclay refractories                    | 3743 | Railroad equipment                   | 3081 | Unsupported plastic film & sheet      |
| 2253 | Knit outerwear mills                     | 3644 | Noncurrent-carrying wiring devices      | 2061 | Raw sugar cane                       | 2512 | Upholstered household furniture       |
| 2254 | Knit underwear mills                     |      |                                         | 3273 | Ready-mixed concrete                 | 3494 | Valves & pipe fittings, nec           |
| 2259 | Knitting mills, nec                      | 3369 | Nonferrous foundries, nec               | 2493 | Reconstituted wood products          | 2076 | Vegetable oil mills, nec              |
| 3821 | Laboratory apparatus & furniture         | 3364 | Nonferrous die-casting, except aluminum | 3585 | Refrigeration & heating equipment    | 3647 | Vehicular lighting equipment          |
| 2258 | Lace & warp knit fabric mills            |      |                                         | 3625 | Relays & industrial controls         | 3261 | Vitreous plumbing fixtures            |
| 3083 | Laminated plastic plate & sheet          | 3357 | Nonferrous wiredrawing & insulating     | 3645 | Residential lighting fixtures        | 3262 | Vitreous china table & kitchenware    |
| 3524 | Lawn & garden equipment                  |      |                                         | 2044 | Rice milling                         | 3873 | Watches, clocks, & parts              |
| 3952 | Lead pencils & art goods                 | 3356 | Nonferrous rolling & drawing, nec       | 2095 | Roasted coffee                       | 2385 | Waterproof outerwear                  |
| 3199 | Leather goods, nec                       | 3341 | Nonferrous metals                       | 2384 | Robes & dressing gowns               | 2257 | Weft knit fabric mills                |
| 2386 | Leather & sheep-lined clothing           | 3463 | Nonferrous forging                      | 3547 | Rolling mill machinery               | 3548 | Welding apparatus                     |
| 3111 | Leather tanning & finishing              | 3299 | Nonmetallic mineral products, nec       | 3052 | Rubber & plastic hose & belting      | 2046 | Wet corn milling                      |
| 3151 | Leather gloves & mittens                 | 2297 | Nonwoven fabrics                        | 3021 | Rubber & plastic footwear            | 2084 | Wines, brandy, & brandy spirits       |
| 3648 | Lighting equipment                       | 3579 | Office machines, nec                    | 2068 | Salted & roasted nuts & seeds        | 3495 | Wire springs                          |
| 3274 | Lime                                     | 2522 | Office furniture, except wood           | 2656 | Sanitary food containers             | 2337 | Women's & misses' suits & coats       |
| 2411 | Logging                                  | 3533 | Oil & gas field machinery               | 2676 | Sanitary paper products              | 2335 | Women's, juniors', & misses' dresses  |
| 2992 | Lubricating oils & greases               | 3851 | Ophthalmic goods                        | 2013 | Sausages & other prepared meats      |      |                                       |
| 3161 | Luggage                                  | 3827 | Optical instruments & lenses            | 3425 | Saw blades & handsaws                | 2341 | Women's & children's underwear        |
| 2098 | Macaroni, spaghetti, & noodles           | 3489 | Ordnance & accessories, nec             | 2421 | Sawmills & planing mills, general    | 2251 | Women's hosiery, except socks         |
| 3541 | Machine tools, metal cutting types       | 2824 | Organic fibers, noncellulosic           | 3596 | Scales & balances, except laboratory | 2339 | Women's & misses' outerwear, nec      |
|      |                                          | 3565 | Packaging machinery                     |      |                                      | 2331 | Women's & misses' blouses & shirts    |
| 3545 | Machine tool accessories                 | 2851 | Paints & allied products                | 2397 | Schiffli machine embroideries        | 3171 | Women's handbags and purses           |
| 3542 | Machine tools, metal forming type        | 3554 | Paper industries machinery              | 3451 | Screw machine products               | 3144 | Women's footwear, except athletic     |
| 3695 | Magnetic & optical recording media       | 2621 | Paper mills                             | 3812 | Search & navigation equipment        | 2491 | Wood preserving                       |
|      |                                          | 2671 | Paper coated & laminated, packaging     | 3674 | Semiconductors & related devices     | 2499 | Wood products, nec                    |
| 3322 | Malleable iron foundries                 |      |                                         | 3263 | Semivitreous table & kitchenware     | 2434 | Wood kitchen cabinets                 |
| 2083 | Malt                                     | 2672 | Paper coated & laminated, nec           | 3589 | Service industry machinery, nec      | 2541 | Wood partitions & fixtures            |
| 2082 | Malt beverages                           | 2631 | Paperboard mills                        | 2652 | Setup paperboard boxes               | 2521 | Wood office furniture                 |
| 2761 | Manifold business forms                  | 2542 | Partitions & fixtures, except wood      | 3444 | Sheet metal work                     | 2517 | Wood TV & radio cabinets              |
| 2097 | Manufactured ice                         | 3951 | Pens & mechanical pencils               | 3731 | Ship building & repairing            | 2449 | Wood containers, nec                  |
| 3999 | Manufacturing industries, nec            | 2721 | Periodicals                             | 3993 | Signs & advertising specialties      | 2511 | Wood household furniture              |
| 3953 | Marking devices                          | 3172 | Personal leather goods, nec             | 3914 | Silverware and plate ware            | 2448 | Wood pallets & skids                  |
| 2515 | Mattresses & bedsprings                  | 2911 | Petroleum refining                      | 3484 | Small arms                           | 3553 | Woodworking machinery                 |
| 3586 | Measuring & dispensing pumps             | 2999 | Petroleum & coal products, nec          | 3482 | Small arms ammunition                | 3844 | X-ray apparatus & tubes               |
| 3829 | Measuring & controlling devices, nec     | 2834 | Pharmaceutical preparations             | 2841 | Soap & other detergents              | 2281 | Yarn spinning mills                   |
|      |                                          | 2874 | Phosphatic fertilizers                  | 2436 | Softwood veneer & plywood            |      |                                       |
| 2011 | Meat packing plants                      | 3861 | Photographic equipment & supplies       | 2075 | Soybean oil mills                    |      |                                       |

(continued on next page)

**The four-digit industry codes within Division E of the SIC Manual are: (*nec* means “not elsewhere classified”)**

|                                                                                       |                                                                 |                                                                         |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------|
| 4513 Air courier services                                                             | 4932 Gas & other services combined                              | 4960 Steam & air-conditioning supply                                    |
| 4522 Air transportation, nonscheduled                                                 | 4971 Irrigation systems                                         | 4822 Telegraph & other message communications                           |
| 4512 Air transportation, scheduled                                                    | 4214 Local trucking with storage                                | 4813 Telephone communications, except radiotelephone                    |
| 4581 Airports, flying fields, & airport terminal services                             | 4212 Local trucking without storage                             | 4833 Television broadcasting stations                                   |
| 4729 Arrangement of passenger transportation, <i>nec</i>                              | 4925 Mixed, manufactured, or liquefied petroleum gas production | 4231 Terminal & joint terminal maintenance facilities for motor freight |
| 4730 Arrangement of transportation of freight & cargo                                 | 4924 Natural gas distribution                                   | 4725 Tour operators                                                     |
| 4841 Cable & other pay television services                                            | 4922 Natural gas transmission                                   | 4789 Transportation services, <i>nec</i>                                |
| 4939 Combination utilities, <i>nec</i>                                                | 4923 Natural gas transmission & distribution                    | 4724 Travel agencies                                                    |
| 4899 Communications services, <i>nec</i>                                              | 4783 Packing & crating                                          | 4213 Trucking, except local                                             |
| 4215 Courier services, except by air                                                  | 4832 Radio broadcasting stations                                | 4940 Water supply                                                       |
| 4931 Electric & other services combined                                               | 4812 Radiotelephone communications                              |                                                                         |
| 4911 Electric services                                                                | 4222 Refrigerated warehousing & storage                         |                                                                         |
| 4221 Farm product warehousing & storage                                               | 4953 Refuse systems                                             |                                                                         |
| 4785 Fixed facilities & inspection weighing services for motor vehicle transportation | 4741 Rental of railroad cars                                    |                                                                         |
|                                                                                       | 4959 Sanitary services, <i>nec</i>                              |                                                                         |
|                                                                                       | 4952 Sewerage systems                                           |                                                                         |
|                                                                                       | 4225 Special warehousing & storage                              |                                                                         |
|                                                                                       | 4226 Special warehousing & storage, <i>nec</i>                  |                                                                         |

**The four-digit industry codes within Division F of the SIC Manual are: (*nec* means “not elsewhere classified”)**

|                                                                                  |                                                                       |                                                                 |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------|
| 5012 Automobiles & other motor vehicles                                          | 5021 Furniture                                                        | 5162 Plastics materials & basic forms & shapes                  |
| 5181 Beer & ale                                                                  | 5153 Grain & field beans                                              | 5074 Plumbing & heating equipment & supplies (hydronics)        |
| 5192 Books, periodicals, & newspapers                                            | 5149 Groceries & related products, <i>nec</i>                         | 5144 Poultry & poultry products                                 |
| 5032 Brick, stone, and related construction materials                            | 5141 Groceries, general line                                          | 5111 Printing & writing paper                                   |
| 5169 Chemicals & allied products, <i>nec</i>                                     | 5072 Hardware                                                         | 5049 Professional equipment & supplies, <i>nec</i>              |
| 5052 Coal & other minerals & ores                                                | 5022 Home furnishings                                                 | 5078 Refrigeration equipment & supplies                         |
| 5046 Commercial equipment, <i>nec</i>                                            | 5113 Industrial & personal service paper                              | 5033 Roofing, siding, and insulation materials                  |
| 5045 Computers & computer peripheral equipment & software                        | 5084 Industrial machinery & equipment                                 | 5093 Scrap & waste materials                                    |
| 5145 Confectionery                                                               | 5085 Industrial supplies                                              | 5087 Service establishment equipment & supplies                 |
| 5082 Construction & mining (except petroleum) machinery & equipment              | 5094 Jewelry, watches, precious stones, & precious metals             | 5091 Sporting & recreational goods & supplies                   |
| 5039 Construction materials, <i>nec</i>                                          | 5154 Livestock                                                        | 5112 Stationery & office supplies                               |
| 5143 Dairy products, except dried or canned                                      | 5031 Lumber, plywood, millwork, and wood panels                       | 5014 Tires & tubes                                              |
| 5122 Drugs, drug proprietaries, & druggist' sundries                             | 5147 Meat & meat products                                             | 5194 Tobacco & tobacco products                                 |
| 5099 Durable goods, <i>nec</i>                                                   | 5047 Medical, dental, & hospital equipment & supplies                 | 5092 Toys, hobby goods, & supplies                              |
| 5063 Electrical apparatus & equipment, wiring supplies, & construction materials | 5136 Men's & boy's clothing & furnishings                             | 5088 Transportation equipment & supplies, except motor vehicles |
| 5064 Electrical appliances, television, & radio sets                             | 5051 Metals service centers & offices                                 | 5075 Warm air heating, air-conditioning equipment, & supplies   |
| 5065 Electronic parts & equipment, <i>nec</i>                                    | 5015 Motor vehicle parts, used                                        | 5182 Wine & distilled alcoholic beverages                       |
| 5083 Farm & garden machinery & equipment                                         | 5013 Motor vehicle supplies & new parts                               | 5137 Women's, children's, & infants' clothing & accessories     |
| 5191 Farm supplies                                                               | 5199 Nondurable goods, <i>nec</i>                                     |                                                                 |
| 5159 Farm-product raw materials, <i>nec</i>                                      | 5044 Office equipment                                                 |                                                                 |
| 5146 Fish & seafoods                                                             | 5048 Ophthalmic goods                                                 |                                                                 |
| 5193 Flowers, nursery stock, & florists' supplies                                | 5142 Packaged frozen foods                                            |                                                                 |
| 5138 Footwear                                                                    | 5198 Paints, varnishes, & supplies                                    |                                                                 |
| 5148 Fresh fruits & vegetables                                                   | 5172 Petroleum & petroleum products wholesalers, except bulk stations |                                                                 |
|                                                                                  | 5171 Petroleum bulk stations & terminals                              |                                                                 |
|                                                                                  | 5043 Photographic equipment & sales                                   |                                                                 |
|                                                                                  | 5131 Piece goods, notions, & other dry goods                          |                                                                 |

# How to Get California Tax Information

(Keep This Page For Future Use)

## 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 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. See "Where to Get Tax Forms and Publications" below.

## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications at [ftb.ca.gov/forms](http://ftb.ca.gov/forms).

Access other state agencies' websites at [ca.gov](http://ca.gov).

**By phone** – To order current year California tax forms and publications, call our automated phone service. Refer to the list in your tax booklet and find the code for the form you want to order. Call 800.338.0505 and follow the recorded instructions.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

**In person** – Many post offices and libraries provide free California personal income tax booklets during the filing season.

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

**By mail** – Write to:

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

## Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), California Secretary of State (SOS) file number, California corporation number, social security number (SSN) or individual taxpayer identification number (ITIN), your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

CORRESPONDENCE, ANALYSIS, SUPPORT  
AND EDUCATION SECTION MS F-283  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

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

Do not attach correspondence to your tax return unless the correspondence relates to an item on your tax return.

## Internet and Telephone Assistance

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

Website: [ftb.ca.gov](http://ftb.ca.gov)  
Telephone: 800.852.5711  
from within the United States  
916.845.6500  
from outside the United States  
TTY/TDD: 800.822.6268  
for persons with hearing or  
speech disability  
711 or 800.735.2929 California  
relay service

### Asistencia Por Internet y Teléfono

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

Sitio web: [ftb.ca.gov](http://ftb.ca.gov)  
Teléfono: 800.852.5711  
dentro de los Estados Unidos  
916.845.6500  
fuera de los Estados Unidos  
TTY/TDD: 800.822.6268  
para personas con discapacidades  
auditivas o del habla  
711 ó 800.735.2929 servicio de  
relevo de California

## TTA Contact Information

For business eligibility or zone related information, including questions regarding TTA geographic boundaries and vouchering, contact the HCD or the local zone program manager where the business is located. Go to [hcd.ca.gov](http://hcd.ca.gov) and search for **economic development areas** to find the directory of zone contacts.

For information that is zone-specific but not tax-specific, contact the HCD at:

DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT  
DIVISION OF FINANCIAL ASSISTANCE  
ENTERPRISE ZONE PROGRAMS  
2020 WEST EL CAMINO AVENUE SUITE 650  
SACRAMENTO, CA 95833

**Mailing address**  
PO BOX 952054  
SACRAMENTO CA 94252-2054

Website: [hcd.ca.gov](http://hcd.ca.gov)  
Telephone: 916.274.0575  
Fax: 916.263.2764

or for tax-specific information contact:

FRANCHISE TAX BOARD  
Website: [ftb.ca.gov](http://ftb.ca.gov)  
Telephone: 916.845.3464