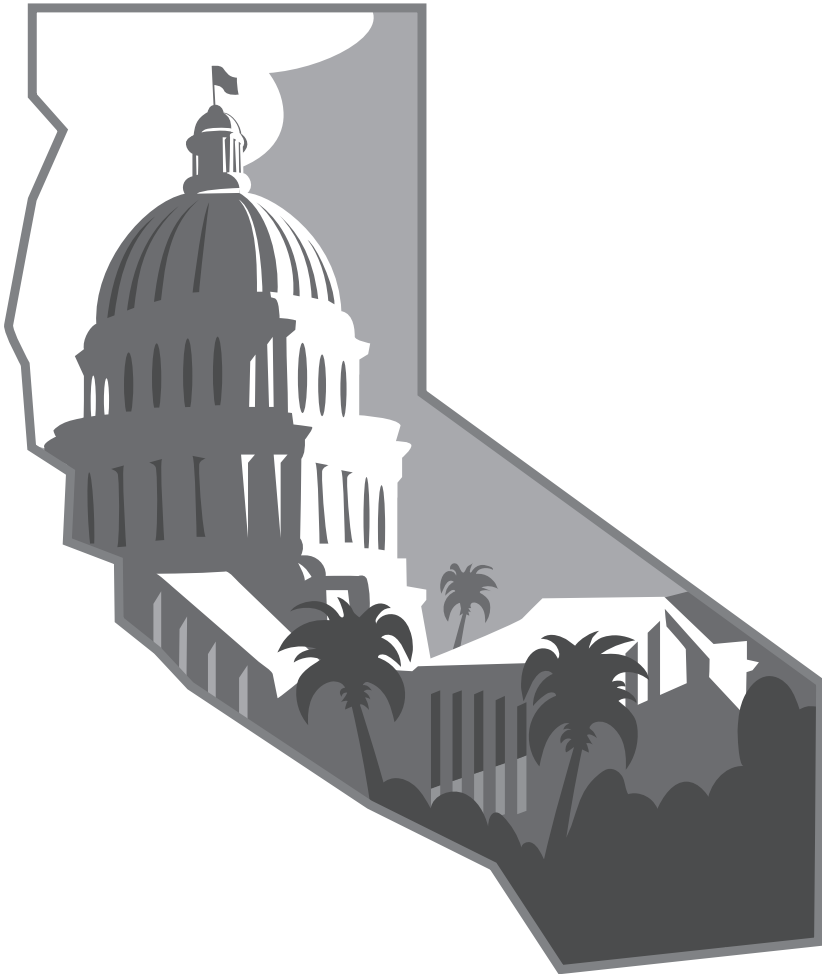




STATE OF CALIFORNIA  
Franchise Tax Board

# California

## Forms & Instructions



# 100W

## 2021

Corporation  
Tax Booklet  
Water's-Edge Filers

### This booklet contains:

**Form 100W**, California Corporation Franchise or Income Tax Return — Water's-Edge Filers

**Schedule H (100W)**, Dividend Income Deduction — Water's-Edge Filers

**Schedule P (100W)**, Alternative Minimum Tax and Credit Limitations — Water's-Edge Filers

**Form 100-WE**, Water's-Edge Election

**FTB 2416**, Schedule of Included Controlled Foreign Corporations (CFC)

**FTB 2424**, Water's-Edge Foreign Investment Interest Offset

**FTB 3539**, Payment for Automatic Extension for Corporations and Exempt Organizations

**FTB 3805Q**, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

**FTB 3885**, Corporation Depreciation and Amortization



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Keely Bosler, Member

For more information regarding business e-file, see page 2 or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **business efile**.

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## **Business e-file**

Business e-file is available for the following returns:

- Form 100, California Corporation Franchise or Income Tax Return, including combined reports
- Form 100S, California S Corporation Franchise or Income Tax Return
- **Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers, including combined reports**
- Form 100X, Amended Corporation Franchise or Income Tax Return
- Form 199, California Exempt Organization Annual Information Return
- Form 565, Partnership Return of Income
- Form 568, Limited Liability Company Return of Income

For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **business efile**.

# 2021 Instructions for Form 100W

## California Corporation Franchise or Income Tax Return — Water’s-Edge Filers

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

### Differences between California and Federal Law

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to [ftb.ca.gov](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.

### Introduction

Corporations may elect to compute income attributable to California sources on the basis of a water’s-edge combined report. In general, under a water’s-edge election, affiliated foreign corporations are excluded from the combined report.

**For purposes of these instructions, the word “taxpayer” means a corporation in the combined group that has a California filing requirement.**

The statute allowing the corporation to file on a water’s-edge basis does not supersede the concept of unity; it merely limits the unitary entities included in the combined report. For a discussion of the concepts of the unitary method of taxation and its application by the State of California, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report. Once the corporation computes its income attributable to California sources on the water’s-edge combined report basis, the corporation may either file a separate return or elect to file a single return with the other corporations in the water’s-edge group. For more information, get Schedule R-7, Election to File a Unitary Taxpayers’ Group Return, which is included in Schedule R, Apportionment and Allocation of Income.

S corporations normally may not be included in a combined report. For S corporations filing on a water’s-edge basis, this booklet should be used in conjunction with Form 100S, California S Corporation Franchise or Income Tax Return.

For more information, see General Information R, Apportionment of Income; S, Combined Report; and T, Water’s-Edge Reporting.

### What’s New/Tax Law Changes

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

**Other Loan Forgiveness** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for borrowers of forgiveness of indebtedness described in Section 1109(d)(2)(D) of the Coronavirus Aid, Relief and Economic Security (CARES) Act as stated by section 278, Division N of the federal Consolidated Appropriations Act (CAA), 2021. The CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions generally do not apply to an ineligible entity. “Ineligible entity” means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of the CAA, 2021. For more information, see Specific Line Instructions or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **AB 80**.

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

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

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

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

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

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

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

information, see R&TC Section 24312 and Specific Line Instructions.

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

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

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

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

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

The CAA, 2021 allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. “Ineligible entity” means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see Specific Line Instructions or R&TC Section 24308.6, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **AB 80**.

Revenue Procedure 2021-20 allows taxpayers to make an election to report the eligible expense deductions related to a PPP loan on a timely filed original 2021 tax return including extensions. If a taxpayer makes an election for federal purposes, California will follow the federal treatment for California tax purposes.

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

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

## Important Information

- The FTB offers e-filing for the following entities:
  - Corporations filing Form 100W, California Corporation Franchise or Income Tax Return - Water’s-Edge Filers, and certain accompanying forms and schedules.
  - Corporations filing Form 100X, Amended Corporation Franchise or Income Tax Return.

Check with the software providers to see if they support business e-filing.

- California law requires any business entity that files an original or amended tax return that is prepared using tax preparation software to electronically file (e-file) their tax return with the FTB. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **business efile**.
- Corporations can make payments online using Web Pay for Businesses. Corporations can make an immediate payment or schedule payments up to a year in advance. Go to [ftb.ca.gov/pay](http://ftb.ca.gov/pay).
- Corporations can use a Discover, MasterCard, Visa, or American Express Card to pay business taxes. Go to [officialpayments.com](http://officialpayments.com). ACI Payments, Inc. (formerly Official Payments) charges a convenience fee for using this service.
- Corporations can make an estimated tax or extension payment using tax preparation software. Check with the software provider to determine if they support Electronic Funds Withdrawal (EFW) for estimated tax or extension payments.
- The Internal Revenue Service (IRS) requires certain corporations to file Schedule UTP (Form 1120), Uncertain Tax Position Statement, with their income tax returns.

**For California purposes**, if a corporation is required to file Schedule UTP (Form 1120) with their federal tax return, the corporation must attach a copy of federal Schedule UTP (Form 1120) to the California tax return.

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

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

The carryover period for suspended losses is extended by:

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

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

- **Credit Limitation** – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a \$5,000,000 limitation on the application of credits for taxpayers. The total of all credits including the carryover of any credit for the taxable year may not reduce the “tax” by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. The credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. This limitation does not apply to the Low Income Housing Credit.
- For taxable years beginning on or after July 1, 2019, California requires taxpayers to use their federal IRC Section 338 election treatment for certain stock purchases treated as asset acquisitions or deemed election where purchasing corporation acquires asset of target corporation. If an election has not been made by a taxpayer under IRC Section 338, the taxpayer shall not make a separate state election for California.
- Under IRC Section 965, if the corporation owns (directly or indirectly) certain foreign corporations, it may have to include certain deferred foreign income on its income tax return. California **does not** conform. If the corporation reported IRC Section 965 inclusions and deductions on Form 1120, U.S. Corporation Income Tax Return, for federal purposes, write “IRC 965” at the top of Form 100W.



- Under IRC Section 951A, if the corporation is a U.S. shareholder of a controlled foreign corporation, the corporation must include Global Intangible Low-Taxed Income (GILTI) in its income. California **does not** conform.
- The Tax Cuts and Jobs Act (TCJA), signed into law on December 22, 2017, made changes to the IRC. The California R&TC does not conform to all of the changes. In general, for taxable years beginning on or after January 1, 2019, California conforms to the following TCJA provisions:
  - Federal Deposit Insurance Corporation (FDIC) Premiums
  - Excess employee compensation
- The TCJA amended IRC Section 1031 limiting the nonrecognition of gain or loss on like-kind exchanges to real property held for productive use or investment. California conforms to this change under the TCJA for exchanges initiated after January 10, 2019.
- For taxable years beginning on or after January 1, 2019, California conforms to certain provisions of the TCJA relating to changes to accounting methods for small businesses.

A small business may elect to apply the same provisions above to taxable years beginning on or after January 1, 2018, and before January 1, 2019. Taxpayers make the election by providing the following information to the FTB:

1. Include a statement with their original or amended California tax return stating the taxpayers' intent to make a Small Business Method of Accounting election(s).
  2. On the top of the first page of the original or amended tax return, print "AB 91 - Small Business Method of Accounting Election" in black or blue ink.
  3. Mail returns to:
 

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO, CA 94257-0500
- The TCJA amended IRC Section 280F relating to depreciation limitations on luxury automobiles. California **does not** conform to the federal amendments under the TCJA. For more information, get form FTB 3885, Corporation Depreciation and Amortization.
  - The TCJA amended IRC Section 1221, excluding a patent, invention, model or design (whether or not patented), and a secret formula or process held by the taxpayer who created the property (and certain other taxpayers) from the definition of a capital asset. California **does not** conform to this amendment under the TCJA. For California purposes, IRC Section 1221 as of January 1, 2015, applies.
  - The TCJA established Opportunity Zones. IRC Sections 1400Z-1 and 1400Z-2 provide a temporary deferral of inclusion of gross income for capital gains reinvested in a

- qualified opportunity fund, and exclude capital gains from the sale or exchange of an investment in such funds. California **does not** conform to the deferral and exclusion of capital gains reinvested or invested in federal opportunity zone funds under IRC Sections 1400Z-1 and 1400Z-2, and has no similar provisions.
- If, for California purposes, gains from investment in qualified opportunity zone property had been included in income during previous taxable year, do not include the gain in the current year income.
  - If the corporation was involved in a reportable transaction, including a listed transaction, the corporation may have a disclosure requirement. Attach federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of federal Form 8886 to the address below.

TAX SHELTER FILING  
ABS 389 MS F340  
FRANCHISE TAX BOARD  
PO BOX 1673  
SACRAMENTO CA 95812-9900

The FTB may impose penalties if the corporation fails to file federal Form 8886, Form 8918, Material Advisor Disclosure Statement, or any other required information. A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **disclosure obligation**.

- The IRS allows corporations with at least \$10 million but less than \$50 million in total assets at tax year end to file Schedule M-1 (Form 1120/1120-F), Reconciliation of Income (Loss) per Books With Income per Return, in place of Schedule M-3 (Form 1120/1120-F), Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More, Parts II and III. However, Schedule M-3 (Form 1120/1120-F), Part I, is required for these corporations. **For California purposes**, the corporation must complete the California Schedule M-1. For more information, see the instructions for Schedule M-1 – Reconciliation of Income (Loss) per Books With Income (Loss) per Return, in this booklet.
- R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California using the single-sales factor formula. For more information, get Schedule R, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **single sales factor**.
- R&TC Section 25136 requires **all** taxpayers to assign sales, other than sales of tangible personal property, using market

assignment. For more information, get Schedule R or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **market assignment**.

- R&TC Section 25120 was amended to add the definition of gross receipts. For a complete definition of "gross receipts," refer to R&TC Section 25120(f), or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **25120**.
- R&TC Section 25135(b) adopts the Finnigan rule in assigning sales from tangible personal property.
- For more information regarding "gross receipts" or "Finnigan rule," get Schedule R or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **corporation law changes**.
- Beginning on or after January 1, 2012, a type of corporation called a "benefit corporation" can be formed with the purpose of creating general public benefit, provided certain requirements are met. An existing corporation can become a "benefit corporation," if certain procedures are followed. In addition, a "benefit corporation" can be created through a merger or reorganization, if certain requirements are met. For more information, see the Corporations Code, commencing with Section 14600.
- Beginning on or after January 1, 2012, a type of corporation called a "flexible purpose corporation" could be formed, provided certain requirements were met. An existing corporation could merge or convert into a "flexible purpose corporation," upon completion of certain requirements. A "flexible purpose corporation" must have a special purpose which may include but is not limited to, charitable and public purpose activities that could be carried out by a nonprofit public benefit corporation. For more information, see the Corporations Code, commencing with Section 2500.
- Effective January 1, 2015, all references to "flexible purpose corporations" in the Corporations Code are changed to "social purpose corporations," although the requirements are substantially the same as prior law. Any flexible purpose corporation formed before January 1, 2015, may elect to amend its articles of incorporation to change its status to a "social purpose corporation." If a flexible purpose corporation formed prior to January 1, 2015, does not amend its articles of incorporation to change its status, any reference to "social purpose corporation" in the Corporations Code is deemed a reference to a "flexible purpose corporation." For more information, see the Corporations Code, commencing with Section 2500.
- California R&TC Section 24343.2 disallows the deduction for payments made to a club that restricts membership or the use of its services or facilities on the basis of ancestry or any characteristic listed or defined in Section 11135 of the Government Code, except for genetic information.

- For taxable years beginning on or after January 1, 2007, interest and dividends from intangible assets held in connection with a treasury function of the taxpayer's unitary business, as well as the gross receipts and any overall net gain from the maturity, redemption, sale, exchange, or other disposition of these assets, are excluded from the sales factor. This exclusion encompasses the use of futures contracts and options contracts to hedge foreign currency fluctuations. See Cal. Code Regs., tit. 18 section 25137(c)(1)(D) for more information. For taxable years beginning on or after January 1, 2011, see R&TC Section 25120(f).

- For taxable years beginning on or after January 1, 2019, the following forms and instructions have been consolidated into one form FTB 3544, Assignment of Credit:
  - FTB 3544, Election to Assign Credit Within Combined Reporting Group.
  - FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee.

Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liability. For more information, get form FTB 3544 or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

- Group nonresident returns may include:
  - Less than two nonresident individuals.
  - Nonresident individuals with more than \$1 million of California taxable income.

An additional 1% tax will be assessed on nonresident individuals who have California taxable income over \$1 million.

Get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR, for more information.

- A C corporation is taxed on its earnings at regular corporate tax rates and the shareholders are then taxed on these earnings when they are distributed as dividends. For more information, get Form 100, Corporation Tax Booklet.
- An S corporation must elect to be treated as an S corporation. The S corporation pays a reduced tax rate of 1.5% on its net income. The profits and losses from the S corporation pass through to each shareholder through the Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., and each shareholder is responsible for paying taxes on the distributive share. California taxpayers that would like to elect to be treated as an S corporation should get the Form 100S, S Corporation Tax Booklet, for more information.
- A controlled foreign corporation (CFC) must include in a water's edge combined report a portion of its income based on the ratio its Subpart F income bears to the current year earnings and profits, and its

U.S. source income, regardless of whether the CFC is a California taxpayer. See form FTB 2416, Schedule of Included Controlled Foreign Corporations (CFC), included in this booklet, for more information.

- Use form FTB 3725, Assets Transferred from Corporation to Insurance Company, to report assets transferred from a corporation to an insurance company. Get form FTB 3725 for more information.
- Use form FTB 3726, Deferred Intercompany Stock Account (DISA) and Capital Gains Information, to meet the annual disclosure requirements of the combined reporting group of each DISA balance. Make sure to answer Question R on Form 100W, Side 3. Get form FTB 3726 for more information.
- In general, R&TC Sections 17024.5 and 23051.5 state that federal elections made before a taxpayer becomes a California taxpayer are binding for California tax purposes.
- For the purposes of determining the correct amount of tax for water's-edge electors, a presumption of correctness attaches to all federal determinations, including determinations made at the audit, appeals, and/or competent authority levels.

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

- Reducing the compensation deduction for certain employers from \$1 million to \$500,000; and making certain parachute payments nondeductible.
- IRC Section 1245(b)(8) relating to amortizable IRC Section 197 intangibles property disposed on or after January 1, 2010.
- Corporations may **elect** to expense under IRC Section 179 part or all of the cost of certain properties placed in service during the taxable year and used in the trade or business. For more information, see form FTB 3885 included in this booklet.
- Large banks' bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.
- Disallowing the deduction for club membership fees and lobbying expenses.
- Disallowing the deduction for employee remuneration in excess of \$1 million.
- For purposes of inventory accounting, an adjustment for shrinkage, based on an estimate, may be made. Taxpayers can voluntarily change their method of accounting if the method currently being used does not utilize estimates of inventory shrinkage and the taxpayer now would like to use that method.
- Required recognition of gain on certain appreciated financial positions in personal property.
- Securities traders and commodities traders and dealers are allowed to elect to use mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt with in

the organized commodities exchange. An election to use the mark-to-market method for federal purposes is considered an election for state purposes and a separate election is not allowed.

- Limitation on exception for investment companies under IRC Section 351.
- Expansion of deduction for certain interest and premiums paid for company-owned life insurance.
- Repeal of special installment sales rule for manufacturers of tangible personal property.
- Payment of estimated tax for closely held real estate investment trusts (REITs) and income and services provided by REIT subsidiaries.

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

- In general, the American Rescue Plan Act of 2021.
- The CAA, 2021, temporary expansion for qualified charitable contributions under the CARES Act through 2021 and full deduction for business meals provided by a restaurant paid or incurred during 2021-2022.
- The federal TCJA, signed into law on December 22, 2017, made changes to the IRC. In general, California R&TC **does not** conform to the changes. California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. The following is a non-exhaustive list of the TCJA changes:
  - The change in method of accounting treatment of S corporation conversions to C corporations.
  - The application of Subchapter C rules to S corporations.
  - The expanded definition of IRC Section 179 property for certain depreciable tangible personal property related to furnishing lodging and for qualified real property for improvements to nonresidential real property.
  - The change to IRC Section 163(j) which limits the business interest deduction.
  - The repeal of the corporate alternative minimum tax (AMT).
  - The modifications to the NOL provisions.
  - The modifications to the AMT credit.
  - The deferral and exclusion of capital gains reinvested or invested in qualified opportunity zone funds.
  - The exclusion of a patent, invention, model or design, and secret formula or process from the definition of capital asset.
  - The federal modifications to depreciation limitations on luxury automobiles (IRC Section 280F).
  - IRC Section 951A, relating to global intangible low-taxed income (GILTI).
  - IRC Section 965, relating to treatment of deferred foreign income.
  - IRC Section 382(n) relating to special rule for certain ownership changes.

- The changes to the corporation in control and the issue price for the limitation on deduction of bond premium on repurchase.
- The enhanced IRC Section 179 expensing election.
- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2021.
- IRC Section 613A(d)(4) relating to the exclusion of certain refiners.
- The IRS Notice 2008-83 relating to the treatment of deductions under IRC Section 382(h) following an ownership change.
- IRC Section 168(k) relating to the bonus depreciation deduction for certain assets.
- The decreased estimated tax payments for certain small businesses.
- The treatment of the loss from the sale or exchange of certain preferred stock (of Fannie Mae or Freddie Mac).
- The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is restricted to 100% of the net income derived from the oil or gas well property.
- Exclusion from gross income of certain federal subsidies for prescription drug plans under IRC Section 139A.
- Certain environmental remediation expenditures that would otherwise be chargeable to capital accounts may be expensed and taken as a deduction in the year the expense was paid or incurred.
- Deduction for corporate donation of scientific property and computer technology.
- Decreased capital gains tax rate.
- The treatment of Subpart F income.
- The IRC passive activity loss rules for real estate activities.

The above lists are not intended to be all-inclusive of the federal and state conformities and differences. For additional information, refer to the R&TC.

#### Records Maintenance Requirements

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

- Any records needed to determine the correct treatment of items reported on the water's-edge combined report for purposes of determining the income attributable to California.
- Any records needed to determine the treatment of items as nonbusiness or business income.
- Any records needed to determine the apportionment factors.
- Documents and information needed to determine the proper attribution of income to the U.S. or foreign jurisdictions under Section 482, Sections under Subchapter N of Chapter 1, or other similar provisions of the IRC.

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

The penalty for not maintaining the required records is \$10,000 for each taxable year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the corporation of the failure, a penalty of \$10,000 may be assessed for each additional 30-day period of continued failure. See General Information M, Penalties, for more information.

#### Classification of Certain Business Trusts and Certain Foreign Single Member Limited Liability Companies (SMLLCs)

In general, the classification of a business entity should be the same for California purposes as it is for federal purposes. However, an exception may apply for certain eligible business entities. A business trust or a previously existing foreign SMLLC may make an irrevocable election to be classified the same as federal for California purposes. To make the election, the business trust or the SMLLC must have been classified as a corporation under California law, but classified as a partnership (for a business trust) or elected to be treated as a disregarded entity (for SMLLC) for federal tax purposes for taxable years beginning before January 1, 1997. If this election is not made, the existing eligible business entity will continue to be classified and taxed as a corporation for California purposes. Get form FTB 3574, Special Election for Business Trusts and Certain Foreign Single Member LLCs, for more information.

#### General Information

C corporations filing on a water's-edge basis are required to use Form 100W to file their California tax returns. In general, water's-edge rules provide for an election out of worldwide combined reporting. Under water's-edge, the scope of combined reporting is limited to certain corporations, whose income is subject to tax (directly or indirectly) by the United States government. S corporations filing on water's-edge basis should use Form 100S to file their California tax returns.

#### When Completing the Form 100W:

- Use black or blue ink on the tax return sent to the FTB.
- Print name and address (in CAPITAL LETTERS).
- When a domestic corporation files the **first** California tax return, the fiscal year beginning date **must** be the date the corporation is incorporated.
- Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.
- Send a clean legible copy.

- Enter all types of payments (overpayment from prior year, estimated tax, nonresident tax, etc.) made for the 2021 taxable year on the applicable line.
- When making a payment with a check or money order, enclose, but **do not** staple, payment to the face of the tax return.
- Assemble the corporation return in the following order: Form 100W, Schedule R (if required) or Form 100-WE, supporting schedules, a copy of federal return (if required) and form FTB 5806, Underpayment of Estimated Tax by Corporations, (if required). **Do not** use staples or other permanent bindings to assemble the tax return.

## A Franchise or Income Tax

### Corporation Franchise Tax

Entities subject to the corporation minimum franchise tax include all corporations (e.g., limited liability companies (LLCs) electing to be taxed as corporations) that meet any of the following:

- Incorporated or organized in California.
- Qualified or registered to do business in California.
- Doing business in California, whether or not incorporated, organized, qualified, or registered under California law.

The minimum franchise tax must be paid by corporations incorporated in California or qualified or registered under California law whether the corporation is active, inactive, not doing business, or operates at a loss. See General Information C, Minimum Franchise Tax, for more information.

The measured franchise tax is imposed on corporations doing business in California and is measured by the net income of the current taxable year for the privilege of doing business in that taxable year.

A taxpayer is "doing business" if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if **any** of the following conditions is satisfied:

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

In determining the amount of the taxpayer's sales, property, and payroll for doing business purposes, include the taxpayer's pro rata



share of amounts from partnerships and S corporations.

For more information, see R&TC Section 23101 or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **doing business**.

A corporation qualified with the California Secretary of State (SOS) might not be considered to be “doing business” in California. However, careful attention should be given to the term “doing business.” It is not necessary that the corporation conduct business or engages in transactions within the state on a regular basis. Even an isolated transaction during the taxable year may be enough to cause the corporation to be “doing business.”

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

### Corporation Income Tax

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

For purposes of the corporation income tax, the term “corporation” is not limited to incorporated entities but also includes the following:

- Associations.
- Massachusetts or business trusts.
- REITs.
- LLCs electing to be taxed as corporations other than those subject to the corporate franchise tax.
- Other business entities, including partnerships, electing to be taxed as corporations.

## B Tax Rates

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

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

## C Minimum Franchise Tax

All corporations subject to the franchise tax, including banks, financial corporations, regulated investment companies (RICs), REITs, corporate general partners of partnerships, and corporate members of LLCs doing business in California, must file Form 100, California Corporation Franchise or Income Tax Return, or Form 100W and pay at least the minimum franchise tax as required by law. The minimum franchise tax, as indicated below, must be paid whether the corporation is active, inactive, operates at a loss, or files a return for a short period of less than 12 months.

- Domestic qualified inactive gold or quicksilver mining corporations . . . . . \$25
- All other corporations subject to franchise tax (see General Information A, Franchise or Income Tax, for definitions) . . . . . \$800

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

A corporation that incorporated or qualified through the California SOS to do business in California, is **not** subject to the minimum franchise tax for its first taxable year and will compute its tax liability by multiplying its state net income by the appropriate tax rate. The corporation will become subject to minimum franchise tax beginning in its second taxable year. This does not apply to corporations that are not qualified by the California SOS, or reorganize solely to avoid payment of their minimum franchise tax.

There is no minimum franchise tax for the following entities:

- Corporations that are not incorporated in California, not qualified under the laws of California, and are not doing business in California even though they derive income from California sources. However, if corporations meet the sale, property, or payroll threshold for “doing business” under R&TC Section 23101(b), corporations may be subject to the minimum franchise tax. For more information regarding “doing business,” see General Information A, Franchise or Income Tax; refer to R&TC Section 23101(b); get FTB Pub. 1050, Application and Interpretation of Public Law 86-272; or FTB Pub. 1060, Guide for Corporations Starting Business in California.
- Corporations that are not incorporated under the laws of California; whose sole activities in this state are engaging in convention and trade show activities for seven or fewer days during the taxable year; and that do not derive more than \$10,000 of gross income reportable to California during the taxable year. These corporations are not “doing business” in California. For more information, get FTB Pub. 1060.
- Newly formed or qualified corporations filing an initial return.
- Credit unions.

### Taxable Year of 15 Days or Less

A corporation is not subject to the \$800 minimum franchise tax if the corporation did no business in this state during the taxable year and the taxable year was 15 days or less. See R&TC Section 23114(a) for more information.

## D Accounting Period/Method

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

A change in accounting method requires consent from the FTB. However, a corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to change its accounting method without prior approval and does so, is deemed to have the FTB’s approval if: (1) the corporation files a timely Form 100W consistent with the change for the first taxable

year the change becomes effective for federal purposes, and (2) the change is consistent with California law. A copy of federal Form 3115, Application for Change in Accounting Method, and a copy of the federal consent to the change must be attached to Form 100W for the first taxable year the change becomes effective. Get FTB Notice 2020-04 for more information. The FTB may modify a requested change if the change would distort income for California purposes.

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

## E When to File

File Form 100W on or before the 15th day of the 4th month after the close of the taxable year unless the return is for a short-period as required under R&TC Section 24634. Generally, the due date of a short-period return is the same as the due date of the federal short-period return. See R&TC Section 18601(c) for the due date of a short-period return. Get FTB Notice 2016-04 for more information.

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

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

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

If a corporation converts during its taxable year to a LLC or limited partnership (LP) under state law, then generally two short-period California returns must be filed (one short-period return for the corporation and another short-period return for the LLC or LP).

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

- the LLC or LP files a federal election to be classified as an association taxable as a corporation effective as of the conversion date,
- the conversion otherwise qualifies as a reorganization under IRC Section 368(a)(1)(F), and
- the LLC or LP satisfies the statutory requirements to be a corporation.

## F Extension of Time to File

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



An automatic extension does not extend the time for payment of tax; the full amount of tax must be paid by the original due date of Form 100W. If there is an unpaid tax liability, complete form FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations, included in this booklet, and send it with the payment by the original due date of the Form 100W.

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

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

If the corporation must pay its tax liability electronically, **all** payments **must** be remitted by electronic fund transfer (EFT), EFW, Web Pay, or credit card to avoid the penalty. **Do not** send form FTB 3539.

## G Electronic Payments

### Electronic Funds Transfer

Corporations remitting an estimated tax payment or extension payment in excess of \$20,000 or having a total tax liability in excess of \$80,000 must remit all of their payments through EFT. Once a corporation meets the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically to avoid the 10% non-compliance penalty. The first payment that would trigger the mandatory EFT requirement does not have to be made electronically. Corporations required to remit payments electronically may use EFW, Web Pay, or credit card and be considered in compliance with that requirement. The FTB notifies corporations that are subject to this requirement. Those that do not meet these requirements may participate on a voluntary basis. If the corporation pays electronically, complete the form FTB 3539 worksheet for its records. **Do not mail the payment voucher.** For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **eft**, or call 916.845.4025.

### Electronic Funds Withdrawal

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

### Web Pay

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

### Credit Card

Corporations can use Discover, MasterCard, Visa or American Express Card to pay business taxes. Go to [officialpayments.com](http://officialpayments.com). ACI Payments, Inc. (formerly Official Payments) charges a convenience fee for using this service. **Do not** file form FTB 3539.

## H Where to File

### Payments

If a tax is due and the corporation is **not** required to make the payment electronically (by EFT, EFW, Web Pay, or credit card),

- Mail Form 100W with **payment** to:  
FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0501
- e-filed returns: Mail form FTB 3586, Payment Voucher for Corporations and Exempt Organizations e-filed Returns, with **payment** to:  
FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0531

Using black or blue ink, make the check or money order payable to the “**Franchise Tax Board.**” Write the California corporation number and “2021 Form 100W” on the check or money order.

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

**Do not** attach a copy of the return with the balance due payment if the corporation already filed/e-filed a return for the same taxable year.

### Refunds

- Mail Form 100W requesting a **refund** to:  
FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0500

### Return Without Payment or Paid Electronically

- Mail Form 100W **without a payment** or **paid by EFT, EFW, Web Pay, or credit card** to:  
FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0500

### Private Delivery Services

California law conforms to federal law regarding the use of certain designated private delivery services to meet the “timely mailing as timely filing/paying” rule for tax returns and payments. See the instructions for federal Form 1120, U.S. Corporation Income Tax Return, for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD  
SACRAMENTO CA 95827

Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **do not** use an FTB PO box.

## I Net Income Computation

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

## 1. Federal Reconciliation Method

- a. Transfer the information from the federal Form 1120, Page 1, to Form 100W, Side 4, Schedule F, and attach a copy of the federal return with all supporting schedules.
- b. Enter the amount of federal ordinary income (loss) from trade or business activities before any NOL and special deductions on Form 100W, Side 1, line 1.
- c. Enter state adjustments on line 2 through line 16 to arrive at net income (loss) after state adjustments, on Form 100W, Side 2, line 17.

## 2. Schedule F – California Computation Method

If the corporation has no federal filing requirement or if the corporation **maintains** separate records for state purposes, complete Form 100W, Side 4, Schedule F, to determine state ordinary income. If ordinary income is computed under California laws, generally no state adjustments are necessary. Transfer the amount from Schedule F, line 29, to Side 1, line 1. Complete Form 100W, Side 1 and Side 2, line 2 through line 16, only if applicable.

For more information, see Specific Line Instructions.

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

## J Alternative Minimum Tax (AMT)

Corporations that claim certain types of deductions, exclusions, and credits may be subject to California AMT. To compute California AMT, corporations must complete California Schedule P (100W), Alternative Minimum Tax and Credit Limitations – Water’s-Edge Filers. See Schedule P (100W), included in this booklet, for more information.

## K Estimated Tax

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

Corporations are required to pay the following percentages of the estimated tax liability during the taxable year:

- 30% for the first required installment
- 40% for the second required installment
- No estimated tax payment is required for the third installment
- 30% for the fourth required installment

For exceptions and prior year’s information, get Form 100-ES.

Estimated tax is generally due and payable in four installments as follows:

- The 1st payment is due by the 15th day of the 4th month of the taxable year (this payment may not be less than the minimum franchise tax, if applicable).

- The 2nd, 3rd, and 4th installments are due and payable by the 15th day of the 6th, 9th, and 12th months respectively, of the taxable year.

For purposes of determining the due date of any required installment, a partial month is treated as a full month. Refer to Treas. Reg. Section 1.6655-1(f)(2)(iv) for more information. California law conforms to the federal expanded annualization periods for the computation of estimate payments. The applicable percentage for estimate basis is 100%.

Get the instructions for Form 100-ES for more information.

If the corporation must pay its tax liability electronically, **all** estimate payments due **must** be remitted by EFT, EFW, Web Pay, or credit card to avoid the EFT penalty. See General Information G, Electronic Payments, for more information.

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

## L New/Commencing Corporations

The corporation is required to pay measured tax instead of minimum tax for its first taxable year if the corporation incorporated or registered through the California SOS. For more information, see General Information C, Minimum Franchise Tax, or get FTB Pub. 1060.

## M Penalties

### Failure to File a Timely Return

Any corporation that fails to file Form 100W on or before the extended due date is assessed a delinquent filing penalty. The delinquent filing penalty is computed at 5% of the tax due, after allowing for timely payments, for every month that the return is late, up to a maximum of 25%. If a corporation does not file its return by the extended due date, the automatic extension will not apply and the late filing penalty will be assessed from the original due date of the return. See R&TC Section 19131 for more information.

### Failure to Pay Total Tax by the Due Date

Any corporation that fails to pay the total tax shown on Form 100W by the original due date is assessed a penalty. The penalty is 5% of the unpaid tax, plus 0.5% for each month, or part of the month (not to exceed 40 months), the tax remains unpaid. This penalty may not exceed 25% of the unpaid tax. See R&TC Section 19132 for more information.

The FTB may waive the late payment penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax shown on the return, but not less than minimum franchise tax if applicable, is paid by the original due date of the return.

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

### Underpayment of Estimated Tax

Any corporation that fails to pay, pays late, or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment of estimated tax for the period from the date the installment was due until the date it is paid, or until the 15th day of the 3rd month after the close of the taxable year, whichever is earlier. Get form FTB 5806 to determine both the amount of underpayment and the amount of penalty.

The underpayment of estimated tax penalty shall not apply to the extent the underpayment of an installment was created or increased by any provision of law that is chaptered during and operative for the taxable year of the underpayment.

See R&TC Sections 19142, 19144, 19145, 19147 through 19151, and 19161 for more information.

If the corporation uses Exception B or Exception C on form FTB 5806 to compute or eliminate any of the required installments, form FTB 5806 must be attached to **the back of** Form 100W (after all schedules and federal return) and the box on Form 100W, Side 2, line 40b should be checked.

### Large Corporate Understatement Penalty (LCUP)

Corporations are subject to the LCUP for the understatement of tax if that understatement exceeds the greater of:

- \$1 million, or
- 20% of the tax shown on an original or amended return filed on or before the original or extended due date of the return for the taxable year.

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

### EFT Penalty

If the corporation **must** pay its tax liability electronically, **all** payments must be remitted by EFT, EFW, Web Pay, or credit card to avoid the penalty. The penalty is 10% of the amount not paid electronically. See R&TC Section 19011 and General Information G, Electronic Payments, for more information.

### Information Reporting Penalties

#### Federal Forms 5471 and 8975 – U.S.

corporations that have an ownership interest (directly or indirectly) in a foreign corporation and were required to file federal Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations; or federal Form 8975, Country-by-Country Report, and accompanying Schedule A (8975), Tax Jurisdiction and Constituent Entity Information with the federal return, must attach a copy(ies) to the California return.

The penalty for failure to include a copy of federal Form(s) 5471 or federal Form 8975 and accompanying Schedule A (8975), as required, is \$1,000 per required form for each year the failure occurs. The penalty will not

be assessed if the copy of the information required to be filed with the IRS was not attached to the taxpayer's original return and the taxpayer provides a copy of the form(s) within 90 days of request from the FTB and the taxpayer agrees to attach a copy(ies) of federal Form 5471 or federal Form 8975 and accompanying Schedule A (8975) to all returns filed for subsequent years. See R&TC Section 19141.2 for more information.

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

For additional information, refer to the federal Form 8975 instructions.

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

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

### Record Maintenance Penalty

The penalty for failure to maintain certain records is \$10,000 for each taxable year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the corporation of the failure, in general, a penalty of \$10,000 may be assessed for each additional 30-day period of continued failure. There is no maximum amount of penalty that may be assessed.

See "Records Maintenance Requirements" on page 7 for a discussion of the records required to be maintained. See R&TC Section 19141.6 and the related regulations for more information.

### Accuracy and Fraud Related Penalties

California conforms to IRC Sections 6662 through 6665 that authorize the imposition of an accuracy-related penalty equal to 20% of the related underpayment, and the imposition of a fraud penalty equal to 75% of the related underpayment. See R&TC Section 19164 for more information.

### California Secretary of State (SOS) Penalty

The California Corporations Code requires the FTB to assess a penalty for failure to file

an annual Statement of Information with the California SOS. For more information, see R&TC Section 19141, or contact:

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

### Other Penalties

Other penalties may be imposed for a payment returned for insufficient funds, foreign corporations operating while forfeited or without qualifying to do business in California, and domestic corporations operating while suspended in California. See R&TC Sections 19134 and 19135 for more information.

## N Interest

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

## O Dissolution/Withdrawal

The corporation must check the applicable box on Form 100W, Side 1, Question A, if dissolving, merging or withdrawing. The date should be the date the corporation filed or will file with the California SOS.

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

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

To claim this credit, add this amount to the value on Form 100W, Side 2, line 34. Make a notation to the right of line 34: "Dissolving/Withdrawing."

The tax return for the final taxable period is due on or before the 15th day of the 4th full month after the month during which the corporation withdrew or stops doing business in California.

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

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

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

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

To get samples and forms for filing a dissolution, surrender, or merger agreement, go to [sos.ca.gov](http://sos.ca.gov) and search for **corporation dissolution**, or address the request to:

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

## P Ceasing Business

The tax for the final year in which a corporation does business in California is determined according to or measured by its net income for the taxable year during which the corporation ceased doing business.

In any event, the tax for any taxable year shall not be less than the minimum franchise tax. For more information, see R&TC Section 23151.1.

The unreported income on installment obligations, distribution of notes, and distribution of corporate assets (i.e. land, buildings) at a gain must be included in income in the year of cessation. There is no federal law counterpart regarding this issue.

For more information, see R&TC Sections 24672 and 24451.

A domestic or qualified corporation will remain subject to the minimum franchise tax for each taxable year it is in existence until a certificate of dissolution (and certificate of winding up, if necessary), certificate of withdrawal, or certificate of surrender is filed with the California SOS. See General Information O, Dissolution/Withdrawal, R&TC Sections 23331 through 23333, and R&TC Section 23335 for more information.

## Q Suspension/Forfeiture

If a corporation does not file a Form 100W and/or does not pay any tax, penalty, or interest due, its powers, rights, and privileges may be suspended (in the case of a domestic corporation) or forfeited (in the case of a foreign corporation).

Corporations that operate while suspended or forfeited may be subject to a \$2,000 penalty per taxable year, which is in addition to any tax, penalties, and interest already accrued. Also, any contracts entered into during suspension or forfeiture are voidable at the request of any

party to the contract other than the suspended or forfeited corporation.

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

See R&TC Sections 19135, 19719, 23301, 23305.1, and 23305.2 for more information, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **revivor**.

## R Apportionment of Income

Corporations with business income attributable to sources both within and outside of California are required to apportion such income. Use Schedule R to calculate the apportionment percentage. Be sure to answer Question M on Form 100W, Side 3.

For more information, see R&TC Sections 25120 through 25136.

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

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

## S Combined Report

When filing a combined report, answer the applicable questions on Form 100W, Side 1, Question B.

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

If the income of a unitary group is derived wholly from California sources, its members may either file returns on a separate accounting basis or file on a combined report basis. See R&TC Section 25101.15 for more information.

Members of a unitary group may elect to file a single group return by filing Schedule R-7. For more information, get Schedule R and go to Side 6 for Schedule R-7.

Attach the Schedule R behind the Form 100W and prior to the supporting schedules.

A combined unitary group's single return must present the group's data stated separately for each corporation, as well as totals for the combined group.

The total combined tax, which must include at least the applicable minimum franchise tax for each corporation subject to the franchise tax, must be shown on Form 100W, Side 2, line 23. For more information, get FTB Pub. 1061.



## T Water's-Edge Reporting

### Water's-Edge Combined Report

#### Entities Included

The water's-edge combined report includes only the income and apportionment factors of the members of the unitary group that meet the criteria set forth in R&TC Section 25110, as summarized below. If an entity meets any one of these criteria **and** is unitary, it must be included in the combined report. If an entity does not meet any of these criteria, it must be excluded from the combined report.

1. Any domestic international sales corporation, as defined in IRC Section 992, and any foreign sales corporation, as defined in IRC Section 922.
2. Any corporation (other than a bank), regardless of where it is incorporated, if the average of its property, payroll, and sales factors within the U.S. is 20% or more.
3. Any corporation incorporated in the U.S., except for corporations making an election under IRC Sections 931 to 936.
4. Any export trade corporation as defined in IRC Section 971.
5. Any CFC, as defined in IRC Section 957, that has Subpart F income as defined in IRC Section 952. The income and apportionment factors of such corporation are included in the combined report based on the ratio of the total Subpart F income of such entity for the year to its current year earnings and profits (E&P). The ratio cannot exceed 100% or be less than 0%. If the current year E&P is zero or less, none of the income and factors of the entity are included in the combined report. Subpart F income defined in IRC Sections 955 and 956, is not considered in the computation.
6. Any corporation not described in items 1 through 5 with less than 20% of its average property, payroll, and sales in the U.S., or any foreign organized bank that has income attributable to sources within the U.S. Such entities are included in the combined report only to the extent of their U.S. located income and factors. In general, U.S. located income includes the income that is effectively connected, or is treated as effectively connected, with the conduct of a trade or business in the United States, under the provisions of the IRC. Because California is not a party to the federal tax treaties, the effectively connected income (ECI) immunity provisions of the federal tax treaties do not apply for California purposes. Any income satisfying the IRC definition of ECI, that is excluded from federal taxable income due to a tax treaty, is included for California purposes.

If a corporation meets the inclusion criteria under both items 5 and 6 above, it must include both items of income in the water's-edge combined report. A CFC cannot exclude from the water's-edge combined report its income

determined under the Subpart F income inclusion ratio rule, even if it is a California taxpayer or has income from a U.S. source.

For more information, see R&TC Section 25110(a) and the regulations thereunder.

A taxpayer that is filing on a water's-edge basis for one or more lines of business should use Form 100W even though that taxpayer may also have one or more lines of business that are not on a water's-edge basis.

#### Intercompany Transactions Occurring On or After January 1, 2001

Cal. Code Regs., tit. 18 Section 25106.5-1 provides detailed rules relating to the treatment of intercompany transactions between members of a combined reporting group. These regulations apply to all intercompany transactions that occur on or after January 1, 2001. In general, the regulations adopt the treatment of intercompany transactions applicable for federal consolidated return purposes.

For more information, see Cal. Code Regs., tit. 18 Section 25106.5-1, and FTB Pub. 1061. In addition, taxpayers may wish to review the federal consolidated return treatment of intercompany transactions as prescribed by Treas. Reg Section 1.1502-13.

#### Intercompany Transactions Occurring Before January 1, 2001

Intercompany transactions that occurred prior to January 1, 2001, are treated as follows:

1. If a combined group has deferred gain or loss from intercompany transactions, a water's-edge election under R&TC Section 25111 will cause certain previously deferred gains or losses to be taxed over a 60-month period beginning with the first day of the election period. This applies only to transactions where either the transferee, the transferor, or both, are to be excluded from a combined report by reason of the water's-edge election. It does not apply if both the transferor and the transferee are included in the water's-edge combination.
2. Generally, such gains or losses will be apportioned using the percentage used in the last worldwide combined report that preceded the first water's-edge year. FTB Notice 89-601 provides that the percentage in the year of the original transaction can be used in certain circumstances.

The deferral method referred to in FTB Notice 89-601 applies to intercompany transactions involving fixed assets and capitalized items only. Certain other types of intercompany transactions, including intercompany sales of inventory and intangible assets, must be reported under the elimination/carryover basis method. When members of a combined group use the elimination/carryover basis method, the transferor's basis will carry over to the transferee.

A subsequent water's-edge election will have no effect on the recognition of profit under this method. Any profit eliminated as a result of using this method would be recognized by the transferee when the asset is sold outside the combined reporting group.

### Water's-Edge Election

R&TC Section 25113 governs the manner of making a water's-edge election. R&TC Section 25113:

- Provides that the FTB may accept other objective evidence that a water's-edge election is intended.
- Reforms the acquisition rules so that a taxpayer's water's-edge election would no longer automatically apply to other non-electing affiliates with which it becomes unitary. Instead, when two or more taxpayers become unitary, the status of the larger taxpayer would prevail.
- Eliminates the automatic renewal provisions. The taxpayer elects for an initial 84-month period and the election remains in place thereafter until terminated.

To make a water's-edge election under R&TC Section 25113, a corporation must:

- Compute the corporation's tax on a water's-edge basis.
- Use Form 100W.
- Attach Form 100-WE, Water's-Edge Election, to the timely filed original return for the year of the election.

To file on a water's-edge basis, the corporation must do all of the following:

- File on a water's-edge basis for a period of 84 months.
- Agree to business income treatment of dividends received from any of the following:
  1. Over 50% owned entities engaged in the same general line of business as the members of the water's-edge group.
  2. Entities that are a significant source of supply to, or a significant purchaser of, the output of the members of the water's-edge group. Significant means an amount equal to 15% or more.
- Consent to the taking of depositions from key employees or officers of the members of the water's-edge group and to the acceptance of subpoenas duces tecum requiring the reasonable production of documents.

For more information, see R&TC Sections 25110(b), 25113, and the regulations thereunder.

#### Taxpayers Covered by an Election

For an election to be effective, all affiliated taxpayers engaged in a single unitary business must file on a water's-edge basis. A taxpayer or an affiliated group of taxpayers that is engaged in more than one unitary business may make a water's-edge election with respect to any one or more of its businesses, but need not elect for all of its businesses. For

example, a taxpayer engaged in two unitary businesses may elect water's-edge for one of the businesses and may remain subject to worldwide combined reporting treatment for the other business.

The common parent of a controlled group that files a consolidated federal return, or the common parent wherever domiciled or organized, may file an election on behalf of all members of the controlled group that are part of the water's-edge combined report group. The common parent need not be a California taxpayer. An election made on a group return of a self-assessed combined reporting group shall constitute an election by each taxpayer member included in that group return.

In cases where the water's-edge election is not entered into by a common parent, each taxpayer included in the combined report must enter into a separate election.

#### **Time of Making the Election**

The election must be made by all unitary taxpayers, included in the combined report, on a timely filed original return for the year of the election. Use Form 100-WE to make the election. Attach the completed Form 100-WE to the timely filed original return Form 100W. Attach a copy of the original election to all subsequent returns filed during the election period.

Taxpayers with valid elections made prior to January 1, 2003, continue to file on a water's-edge basis and are subject to the provisions of R&TC Section 25113. The start date, as elected under R&TC Section 25111, remains in effect.

**The election must be made on a timely filed original return. See R&TC Section 25113 and Cal. Code Regs., tit. 18 Section 25113.**

#### **Taxpayers with Different Fiscal Year Ends**

Taxpayers engaged in a unitary business with different fiscal year ends will make the election on each individual return. For each member of the group, the election period will begin on the first day of the taxable year of the last member of the water's-edge group to file its return and make the election. Each taxpayer that has a taxable year beginning earlier than the last member of the group will compute its tax liability on its initial return using a hybrid worldwide/water's-edge combination method.

#### **Effect of Changes in Affiliation**

If a corporation that is subject to California tax becomes a member of a water's-edge group, or if a unitary affiliate of an electing water's-edge group becomes subject to California tax after the election, it is deemed to have elected and is bound by the original election. When a taxpayer ceases to be a member of the water's-edge group, the taxpayer must continue to file on a water's-edge basis.

If an electing taxpayer is acquired by a nonelecting taxpayer and becomes a member of a new affiliated group, then the filing method, worldwide or water's-edge, would be determined by reference to the larger taxpayer group. The larger taxpayer group is

determined by comparing the value of the total business assets of the electing taxpayer and its component unitary group to the value of the total business assets of the nonelecting taxpayer and its component unitary group.

If a water's-edge taxpayer meets certain criteria, it may automatically terminate the water's-edge election or it may request the FTB's consent to terminate its water's-edge election. See "Termination of Election" section.

A non-electing taxpayer that is subsequently proven to be unitary with a water's-edge group pursuant to an audit determination of the FTB is deemed to have made a water's-edge election.

When an affiliation change occurs, a statement should be attached to the return identifying which affiliates were included in the original group, the appropriate California corporation numbers, and what changes have occurred.

For more information, see R&TC Section 25113 and Cal. Code Regs., tit. 18 Section 25113.

#### **Termination of Election**

Once a valid water's-edge election is made, the election remains in place until it is terminated.

#### **Termination After Expiration of the Initial 84-Month Period**

The taxpayer has the option to terminate its water's-edge election after the initial 84-month period. This termination does not require the FTB's consent. The termination must be made on an original, timely filed return for the first year in which the water's-edge election is to be terminated.

To terminate the corporation's water's-edge election after the 84-month period do all of the following:

- Compute the corporation's tax on a worldwide basis.
- Use Form 100.
- Attach a statement to the Form 100, explaining that the corporation is terminating its water's-edge election. Provide the name of any taxpayer that was bound by the water's-edge election.

If a taxpayer terminates its election, it must file on a worldwide basis for at least 84 months before making another water's-edge election. The FTB may waive application of this rule for good cause. Good cause for these purposes has the same meaning as described in Treas. Reg. Section 1.1502-75(c).

#### **Termination Before Expiration of the Initial 84-Month Period**

**Termination Caused by Affiliation Change** – In the case of an affiliation change, as discussed in the "Effect of Changes in Affiliation" section, if an electing water's-edge taxpayer becomes a member of a larger, nonelecting taxpayer group, then the taxpayer's water's-edge election is automatically terminated. The termination is effective at the time the electing taxpayer becomes part of the combined report of the larger, nonelecting taxpayer group. It is not necessary to file a form FTB 1117, Request to Terminate Water's-Edge Election.

**Termination by the FTB's Consent** – An electing taxpayer may request the FTB's consent to terminate the water's-edge election for good cause or to permit the state to contract with an expatriate corporation, or its subsidiary pursuant to Public Contract Code Section 10286.1(b)(2) prior to the expiration of the 84-month period. Good cause for these purposes has the same meaning as described in Treas. Reg. Section 1.1502-75(c).

If the FTB grants the taxpayer's request to terminate its water's-edge election, the taxpayer must file on a worldwide basis for at least 84-months before making another water's-edge election. The FTB may waive the application of this rule for good cause.

To request termination of a water's-edge election, the corporation must timely file form FTB 1117 **separately from any other form.**

Mail form FTB 1117 to:

FRANCHISE TAX BOARD  
PO BOX 1779  
RANCHO CORDOVA CA 95741-1779

For more information, see R&TC Section 25113 and Cal. Code Regs., tit. 18 Section 25113.

#### **Request for Consent for a Water's-Edge Re-Election**

Use form FTB 1115, Request for Consent for a Water's-Edge Re-Election, to request the FTB's consent to re-elect water's-edge prior to the expiration of the 84-month period following the last day of the terminated election, for good cause as provided in R&TC Section 25113(c)(11). See form FTB 1115 instructions for more information.

## **U Amended Return**

To correct or change a previously filed Form 100W, file the most current Form 100X. Using the incorrect form may delay processing of the amended return. File Form 100X within six months after the corporation filed an amended federal return or after a final federal determination, if the IRS examined and changed the corporation's federal return.

## **V Information Returns**

#### **Like-Kind Exchanges**

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

#### **Payments**

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

Payments that must be reported include, but are not limited to the following:

- Annual payments of \$600 or more for compensation for services not subject to

withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties, legal services whether or not the payee is incorporated, interest (such as interest charged for late payment), and pensions.

- Annual payments of \$10 or more for interest earned and dividends.
- All payment amounts made by a broker or barter exchange.
- All payment amounts for gross proceeds paid to an attorney whether or not the services are performed for the payer.
- Cash payments over \$10,000 received in a trade or business.

See instructions for federal Forms 1099 (series), 1098, 5498, and W-2G; federal Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G; and federal Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, for the applicable **due dates**.

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

#### Interest on Municipal Bonds

California requires corporations to report to the FTB, interest paid on municipal bonds held by California taxpayers and issued by a state other than California, or a municipality other than a California municipality. Entities paying interest to California residents on these types of bonds are required to report interest payments aggregating \$10 or more and paid after January 1, 2021. These information returns will be due June 1, 2022. For more information, get form FTB 4800 MEO, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment Information Media Transmittal.

#### IRC Sections 6038 through 6038D

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

- Federal Form 5471
- Federal Form 5472
- Federal Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation
- Federal Form 8938, Statement of Specified Foreign Financial Assets
- Federal Form 8975\*
- Schedule A (8975)\*

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

For additional information, refer to federal Form 8975 instructions.

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

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

## W Net Operating Loss (NOL)

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

The carryover period for suspended losses is extended by:

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

For more information, see R&TC Section 24416.23.

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

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

NOL carryovers incurred prior to the water's-edge election are limited to the amount of NOL that the taxpayer would have incurred if a water's-edge election had been in effect in the loss year.

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

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

For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent

state legislation is not required to activate the disaster loss provisions. See R&TC Section 24347.14 for more information.

Losses taken into account under the disaster provisions may not be included in computing regular NOL deductions.

For more information, see form FTB 3805Q included in this booklet, or get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

## X Signatures

### Phone Number and Email Address

Include the officer's phone number and email address in case the FTB needs to contact the corporation for information needed to process this return. By providing this information the FTB will be able to process the return or issue the refund faster.

### Preparer Tax Identification Number (PTIN)

Tax preparers must provide their PTIN on the tax returns they prepare. Preparers who want a PTIN should go to the IRS website at [irs.gov](https://www.irs.gov) and search for **ptin**.

### Paid Preparer Authorization

If the corporation wants to allow the FTB to discuss its 2021 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of the return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the corporation is authorizing the FTB to call the paid preparer to answer any questions that may arise during the processing of the tax return. The corporation is also authorizing the paid preparer to:

- Give the FTB any information that is missing from the tax return.
- Call the FTB for information about the processing of the tax return or the status of any related refund or payments.
- Respond to certain FTB notices about math errors, offsets, and tax return preparation.

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

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



## Y Limited Liability Companies (LLCs)

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

If an LLC elects to be taxed as a corporation for federal tax purposes, the LLC must file Form 100W, Form 100-ES, form FTB 3539, and/or form FTB 3586 and enter the California corporation number, FEIN, and California SOS file number, if applicable, in the space provided. The FTB will (1) assign an identification number to an LLC that files as a corporation, and (2) notify the LLC with the identification number upon receipt of the first estimated tax payment, first tax payment, or the first tax return. The LLC will be subject to the applicable provisions of the Corporation Tax Law and should be considered a corporation for purpose of all instructions unless otherwise indicated.

If an LLC elects to be taxed as a partnership for federal tax purposes, it must file Form 568. LLCs taxed as partnerships determine their income, deductions, and credits under the Personal Income Tax Law and are subject to an annual tax as well as an annual fee based on total income.

If an SMLLC is disregarded for federal tax purposes, get Form 568, Limited Liability Company Tax Booklet, for information regarding SMLLC filing requirements. A disregarded LLC reports its income, deductions, and credits on the return of its owner. However, an LLC that is disregarded is required to file Form 568 and pay the annual LLC tax as well as the LLC fee (if applicable) based on total income. Form 568, Side 1, provides the FTB with information on the sole owner of the LLC, contains the owner’s consent to be taxed on the income of the LLC, and provides for the computation of the LLC tax and fee.

## Z Withholding

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

With certain limited exceptions, payers that are required to withhold and remit backup withholding to the IRS are also required to withhold and remit to the FTB on income sourced to California. If the corporation (payee) has backup withholding, the corporation (payee) must contact the FTB to provide a valid taxpayer identification number, before filing the tax return. Failure to provide a valid taxpayer identification number may result in a denial of the backup withholding credit. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **backup withholding**.

R&TC Section 18662 requires buyers to withhold income taxes when purchasing California real property from corporate sellers with no permanent place of business in California immediately after the transfer. For more information, get FTB Pub. 1016, Real Estate Withholding Guidelines.

Sellers of California real estate must attach a copy of Form 593 to their tax return as proof of withholding.

If the corporation needs to verify withholding payments, the corporation may call Withholding Services and Compliance at 916.845.4900 or 888.792.4900.

For transactions that require withholding, a seller of California real estate may elect an alternative to withholding 3 1/3% of the total sales price. The seller may elect an alternative withholding amount based on the maximum tax rate for individuals, corporations, or banks and financial corporations, as applied to the gain on the sale. The seller is required to certify under penalty of perjury the alternative withholding amount to the FTB. For more information, get FTB Pub. 1016.

## Specific Line Instructions

Corporations that are **not** filing on water’s-edge basis should use Form 100.

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

- California corporation number (assigned by the California SOS).
- Federal employer identification number (FEIN).
- California SOS file number, if applicable.
- Corporation name (use the legal name filed with the California SOS) and address (include PMB no., if applicable).
- Use the additional information field for “Owner/Representative/Attention” name, and other supplemental address information only.
- If the corporation has a foreign address, follow the country’s practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

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

File the 2021 Form 100W for calendar year 2021 and fiscal year that begins in 2021. Enter taxable year beginning and ending dates **only** if the return is for a short year or a fiscal year. If a domestic corporation files the **first** California tax return, the fiscal year beginning date **must** be the date the corporation is incorporated. If the corporation reports its income using a calendar year, leave the date area blank. If the return is being filed for a short period (less than 12 months), write “short year” in black or blue ink in the top margin. Convert all foreign monetary amounts to U.S. dollars.

The 2021 Form 100W may also be used if both of the following apply:

- The corporation has a taxable year of less than 12 months that begins and ends in 2022.
- The 2022 Form 100W is not available at the time the corporation is required to file its return. The corporation must show its 2022 taxable year on the 2021 Form 100W and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2021.

## Questions A through CC

Answer all applicable questions and attach additional sheets, if necessary. Be sure to answer Questions D through CC on Form 100W, Side 2 and Side 3. Use the following instructions when answering:

### Question B – Combined report information

If the answer to Question B1 is:

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

### Question B4 – FTB 3544

Check the “Yes” box if form FTB 3544 is attached to Form 100W.

### Question C – Transfer or acquisition of voting stock

All corporations **must** answer all three questions. The questions provide information regarding changes in control or ownership of legal entities owning or under certain circumstances leasing California real property (R&TC Section 64). (Real property includes land, buildings, structures, fixtures – see R&TC Section 104 for more information.)

If any of the answers are “**Yes**”, a *Statement of Change in Control and Ownership of Legal Entities*, must be filed with the State of California; failure to do so within 90 days of the event date will result in penalties. The form for this statement is form BOE-100-B filed with the California State Board of Equalization (BOE). Get this form and information from the BOE website ([boe.ca.gov](http://boe.ca.gov)) by searching for **Legal Entity Ownership Program (LEOP)**.

There may be a change in ownership or control if, during this taxable year, one of the following occurred with respect to this corporation or any of its subsidiaries:

- The percentage of outstanding voting shares transferred to, or owned or controlled by, **one** person or **one** legal entity cumulatively exceeded 50%.
- The total outstanding voting shares transferred to or held by **one** irrevocable trust or trust beneficiary cumulatively exceeded 50%.
- One or more irrevocable proxies cumulatively transferred voting rights to more than 50% of the outstanding voting shares to **one** person or **one** entity.

- This corporation, or any of its subsidiaries, cumulatively acquired ownership or control of more than 50% of the outstanding voting shares or other ownership interests in any legal entity; or
- As of the end of this taxable year, cumulatively more than 50% of the total outstanding voting shares have been transferred in one or more transactions since an interest in California real property was transferred to the corporation that was excluded from property tax reassessment under R&TC Section 62(a)(2) which established an original co-owners' interest status.

For purposes of these questions, leased real property is a leasehold interest in taxable real property: (1) leased for a term of 35 years or more (including renewal options), if not leased from a government agency; or (2) leased for any term, if leased from a government agency.

R&TC Section 64(e) requires this information for use in determining whether a change in ownership has occurred under Section 64(c) and (d); it is used by the LEOP.

#### **Question F – Principal business activity (PBA) code**

All corporations **must** answer Question F.

Include the six digit PBA code from the Principal Business Activity Codes chart included in this booklet. The code should be the number for the specific industry group from which the greatest percentage of California "total receipts" is derived. "Total receipts" means gross receipts plus all other income. The California PBA code may be different from the federal PBA code.

If, as its principal business activity, the corporation: (1) Purchases raw material. (2) Subcontracts out for labor to make a finished product from the raw materials. (3) Retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes under "Manufacturing." Also, write in the business activity and the principal product or service on the lines provided.

#### **Question J – Doing business as (DBA)**

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

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

#### **Question L – Reportable transaction or listed transaction**

Federal Form 8886 is required to be attached to any return on which a deduction, loss, credit, or any other tax benefit is claimed or is reported, or any income the corporation reported from an interest in a reportable transaction. If the corporation is required to file this form with the federal return, attach a copy to the corporation's Form 100W.

A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor.

A Reportable Transaction is any transaction as defined in R&TC Section 18407 and Treas. Reg. Section 1.6011-4 and includes, but is not limited to the following:

- A Listed Transaction, or a transaction that is substantially similar to a Listed Transaction, which has been identified by the IRS or the FTB to be a tax avoidance transaction.
- A Confidential Transaction which is offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum fee.
- A transaction with contractual protections which provides the taxpayer with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained.
- A loss transaction under IRC Section 165 which is at least \$10 million in any one year or \$20 million in any combination of taxable years.
- A transaction of interest is a transaction that is the same as or substantially similar to one of the types of transactions that the IRS has identified by notice, regulation, or other form of published guidance as a transaction of interest (entered into after November 1, 2006).
- A transaction with a significant book-tax difference (entered into prior to August 3, 2007). Beginning January 6, 2006, this transaction was no longer required to be disclosed on Form 8886. See IRS Notice 2006-6.
- A transaction where the taxpayer is claiming a tax credit of greater than \$250,000 and held the asset for less than 45 days (entered into prior to August 3, 2007).

#### **Question S – Regulated investment company (RIC)**

R&TC Section 24870 indicates that Subchapter M of Chapter 1 of Subtitle A of the IRC, relating to RICs and REITs, shall apply, except as otherwise provided in this part. Also, refer to R&TC Section 24871 for more information.

#### **Question T – Real estate mortgage investment conduit (REMIC)**

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

the California tax base. If the corporation is a REMIC for federal purposes, answer "Yes" to Question T, complete Form 100W and attach a copy of federal Form 1066.

#### **Question U1 – Real estate investment trust (REIT)**

California tax law has partially conformed to the REIT provisions of the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170), except for the provisions relating to income from redetermined rents, redetermined deductions, and excess interest. Additionally, a federal election to treat property as foreclosure property under IRC Section 856(e)(5) is considered to be an election for California as well. No separate elections are allowed.

#### **Question U2 – REIT Subsidiaries**

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

#### **Question V – Limited liability company (LLC) or limited partnership (LP)**

Answer "Yes" only if the business entity for which the Form 100W is being filed is organized as an LLC or LP but is classified as a corporation for federal tax purposes. An LLC classified as a partnership for federal purposes should generally file Form 568. An LP should file Form 565.

#### **Question Z – Corporations that own 80% of an insurance company**

One of the provisions of R&TC Section 24410 includes a reporting requirement to the Legislature. To meet this requirement, the FTB may contact any corporation who answers "Yes" for additional information.

#### **Question CC – Do Not Round Cents to Dollars**

On line CC 3, do not round cents to the nearest whole dollar. Enter the amounts with dollars and cents as actually remitted.

### **Line 1 through Line 41**

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

#### **Line 1 – Net income (loss) before state adjustments**

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

- Transfer the amount from federal Form 1120, line 28, to Form 100W, Side 1, line 1; and attach a copy of the federal return and all pertinent supporting schedules; or copy the information from federal Form 1120, Page 1, onto Form 100W, Side 4, Schedule F and transfer the amount from Schedule F, line 29, to Form 100W, Side 1, line 1.
- Then, complete Form 100W, Side 1 and Side 2, line 2 through line 16, State Adjustments.

Corporations using the California computation method to figure net income (see General Information I) must transfer the amount from Form 100W, Side 4, Schedule F, line 29, to Side 1, line 1. Complete Form 100W, Side 1 and Side 2, line 2 through line 16, only if applicable.

**Line 2 through Line 16 – State adjustments**

To figure net income for California purposes, corporations using the federal reconciliation method must enter California adjustments to the federal net income on line 2 through line 16. If a specific line for the adjustment is not on Form 100W, corporations must enter the adjustment on line 8, Other additions, or line 15, Other deductions, and attach a schedule that explains the adjustment.

**Line 2 and Line 3 – Taxes not deductible**

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

R&TC Section 17942 provides that the LLC fee is not a tax. Therefore, it is deductible. **Do not** include any part of an LLC fee on line 2 or line 3.

**Line 4 – Interest on government obligations**

Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state, or municipal bonds). On line 4, enter all interest on government obligations that is not included in the federal ordinary income (loss).

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

**Line 5 – Net California capital gain**

Complete Schedule D, on Side 6 of Form 100W, and enter the California net capital gain from Schedule D, line 11 on Form 100W, line 5.

Get FTB Pub. 1061 for instructions on determining the net capital gain when a combined report is filed.

**Line 6 and Line 12 – Depreciation and amortization**

California law is substantially different from federal law for corporations.

Complete form FTB 3885, included in this booklet, to determine the amounts to enter on line 6 or line 12.

**Line 7a – Net income from Included Controlled Foreign Corporations (CFCs)**

R&TC Section 25110(a)(2)(A) provides that a portion of the income and apportionment factors of any CFC (defined in IRC Section 957) that has Subpart F income, as defined in IRC Section 952, must be included in the combined report of a taxpayer making a water's-edge election. Complete and attach form FTB 2416 included in this booklet, to compute the amount to enter on line 7a.

**Line 7b – Income not included in federal consolidated return**

Use this line to report the net income from corporations included in the combined report but not included in the federal consolidated return.

**Line 8 – Other additions**

R&TC Section 24425 disallows expenses allocable to income, which is not included in the measure of the Franchise Tax or Income Tax. Add back such deductions on this line. Also, any miscellaneous items that must be added to arrive at net income after state adjustments (line 17) should be shown on this line. Attach a schedule to itemize amounts.

If any federal contribution deduction was taken in arriving at the amount entered on Form 100W, Side 1, line 1, include that amount on line 8.

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

**Paycheck Protection Program Loans**

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

Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility. If you met the PPP eligibility requirements and excluded the amount from gross income for federal purposes, include this amount on line 8.

**Other Loan Forgiveness.** Under federal law, the CAA, 2021 allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, if you are an ineligible entity and deducted eligible expenses for federal purposes, enter the total amount of those expenses deducted on line 8.

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

**Penalty Assessed by Professional Sports League.** California does not allow a business expense deduction for any fine or penalty paid or incurred by an owner of a professional sports franchise assessed or imposed by the professional sports league that includes that franchise. If the corporation deducted the fine or penalty for federal purposes, include the amount on line 8.

**Line 10 and Line 11 – Dividends**

Complete Schedule H (100W), Dividend Income Deduction – Water's-Edge Filers, included in this booklet. Enter the total amount from Schedule H (100W), Part I, line 4, column (d), on Form 100W, Side 2, line 10. Enter the total amount from Part II, line 4, column (g), on Form 100W, Side 2, line 11a. Enter the total amount from Part III, line 4, column (g), on Form 100W, Side 2, line 11b.

**Foreign Investment Interest Offset**

R&TC Section 24344(c) provides that interest expense incurred for purposes of foreign investment is offset against the water's-edge dividends deductible under R&TC Section 24411. The offset cannot be greater than the deduction allowed pursuant to R&TC Section 24411. Complete and attach form FTB 2424, Water's-Edge Foreign Investment Interest Offset, to the return. For more information, see the instructions for form FTB 2424 included in this booklet.

**Line 13 – Capital gain from federal**

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

**Line 14 – Charitable contributions**

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

The deduction is limited to 10% of California net income without regard to charitable contribution. Carryover provisions per IRC Section 170(d)(2) apply for excess charitable contributions made during the taxable year.

For taxable years beginning on or after January 1, 2014, and before January 1, 2023, **do not** include any amounts taken into account for the College Access Tax Credit as a contribution deduction on line 14.

On a separate worksheet, using the Form 100W format, complete Form 100W, Side 1 and Side 2, line 1 through line 17 without regard to line 14, Contributions. If any federal charitable contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 8. Enter the adjusted basis of the assets contributed on line 5 of the worksheet. Then complete the



worksheet that follows below to determine the charitable contributions to enter on line 14.

1. Net income after state adjustments from Side 2, line 17. . . . . \_\_\_\_\_
2. Deduction for dividends received. . . . . \_\_\_\_\_
3. Net income for contribution calculation purposes. Add line 1 and line 2. . . . . \_\_\_\_\_
4. Charitable Contributions. Multiply line 3 by 10% (.10) . . . . . \_\_\_\_\_
5. Enter the amount actually contributed . . . . . \_\_\_\_\_
6. Enter the smaller of line 4 or line 5 here and on Side 2, line 14 . . . . . \_\_\_\_\_

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

**Line 15 – Other deductions**

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

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

**California Microbusiness COVID-19 Relief Grant.**

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

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

**Small Business COVID-19 Relief Grant Program.**

California allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No. E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code. If the corporation included any amount as income for federal purposes, deduct the amount on line 15.

**Federal Ordinary Net Gain or Loss.** Enter any federal ordinary net gain or loss from federal Form 4797, Sales of Business Property.

**Financial Incentive for Seismic Improvement.**

California allows an exclusion from gross income for any amount received as a loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. If the corporation included any amount as income for federal purposes, deduct the amount on line 15.

**Line 18 – Net income (loss) for state purposes**

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

If only a portion of income is derived from California sources, complete Schedule R before entering any amount on line 18. Transfer the amount from Schedule R, line 35, to Form 100W, line 18. Be sure to answer “Yes” to Question M on Form 100W, Side 3.

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

**Public Law 86-272.** Corporations **not filing a combined report** and who meet the protections of Public Law 86-272 are exempt from state taxes based upon, or measured by, net income. However, they still are subject to the annual minimum franchise tax if they are doing business in, incorporated in, or qualified to transact intrastate business in, California. If corporations are claiming immunity in California under Public Law 86-272, **do not** include their net income or loss on line 18 and write “PL 86-272” at the top of Form 100W.

**Line 19, Line 20, and Line 21**

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

**Line 19 – Net operating loss (NOL) deduction**

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

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

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

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

If line 18 is a positive amount, enter the NOL deduction carryover from the 2021 form FTB 3805Q, Part III, line 3 on Form 100W, line 19. The loss may not reduce current year income below zero. Any excess loss must be carried forward. Attach a copy of the 2021 form FTB 3805Q to Form 100W.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 2021 form FTB 3805Q showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, or \$1,000,000 or more, corporations may not claim an NOL carryover deduction. Enter -0- on line 19. See the 2021 form FTB 3805Q instructions to compute the NOL carryover to future years.

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

**Line 20 – EZ, TTA, or LAMBRA NOL carryover deduction**

NOL carryover deductions for the Enterprise Zone (EZ), Targeted Tax Area (TTA), or Local Agency Military Base Recovery Area (LAMBRA). NOLs are suspended for the 2020, 2021, and 2022 taxable years, if the corporation’s taxable income is \$1,000,000 or more. For more information get form FTB 3805Z, form FTB 3807, or form FTB 3809.

An NOL generated by a business that operates (operated) or invests (invested) within a former EZ, TTA, or LAMBRA receives special tax treatment. The loss may not reduce the corporation’s current taxable year income below zero.

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

Corporations can no longer generate/incur any TTA NOL for taxable years beginning on or after January 1, 2013. Corporations can claim TTA NOL carryover deduction from prior years. Get FTB 3809 Booklet for more information.

Compute and enter the EZ, TTA, or LAMBRA NOL carryover deduction from the corporation’s form FTB 3805Z; form FTB 3809; or form FTB 3807, on Form 100W, line 20. Attach a copy of the applicable form to the Form 100W.

**Line 21 – Disaster loss deduction**

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

If the corporation has a disaster loss carryover deduction, and there is income in the current taxable year, enter the total amount from the 2021 form FTB 3805Q, Part III, line 2. The loss may not reduce the current taxable year income below zero. Any excess loss must be carried forward.

If the corporation deducts a 2021 disaster loss, any remaining disaster loss incurred in 2021 (NOL attributable a qualified disaster loss) must be carried forward. Get form FTB 3805Q for more information.

#### Line 23 – Tax

Use rates listed in General Information B, Tax Rates, and C, Minimum Franchise Tax.

#### Line 24 through Line 26 – Tax credits

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

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

An eligible assignee can claim assigned credits, received this taxable year or carried over from prior years, against its tax liabilities. For more information, get form FTB 3544.

**Note:** The total amount of specific credit claimed on Form 100W or Schedule P (100W) should include both: (1) the total assigned credit claimed from form FTB 3544, Side 2, Part B, column (j), and (2) the amount of credit claimed that was generated by the assignee.

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

Also, the amount of the credit that a corporation is allowed to claim may be limited. Complete Schedule P (100W), included in this booklet, to compute this limitation.

Corporations claiming the following credits are not subject to the tentative minimum tax limitation:

- California Competes Tax Credit
- California Motion Picture and Television Production Credit
- College Access Tax Credit
- Commercial Solar Electric System Credit carryover
- Commercial Solar Energy Credit carryover
- EZ Hiring Credit carryover
- EZ Sales or Use Tax Credit carryover
- Low-income Housing Credit
- Natural Heritage Preservation Tax Credit
- New California Motion Picture and Television Production Credit
- New Advanced Strategic Aircraft Credit
- Orphan Drug Credit carryover
- Program 3.0 California Motion Picture and Television Production Credit
- Research Credit
- Solar Energy Credit carryover
- TTA Hiring Credit Carryover
- TTA Sales or Use Tax Credit carryover

Each credit is identified by a code. See the Credit Chart on page 52. To claim one or two credits, enter the credit name, code, and the amount of the credit on line 24 and line 25. To claim more than two credits, use Schedule P (100W). List two of the credits on line 24 and line 25. Enter the total of any remaining credits from Schedule P (100W) on line 26. **Do not** make an entry on line 26 unless line 24 and line 25 are complete.

To figure tax credits, use the appropriate form or schedule. If the corporation claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover and Recapture Summary, to figure the amount of credit, unless the corporation is required to complete Schedule P (100W). In that case, enter the amount of the credit on Schedule P (100W) and complete Schedule P (100W). **Do not** attach form FTB 3540. For EZ, LAMBRA, Manufacturing Enhancement Area (MEA), or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809.

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

#### Line 28 – Balance

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

#### Line 29 – Alternative minimum tax

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

#### Line 32 – 2021 Estimated tax payments

Enter the total amount of estimated tax payments made during the 2021 taxable year on this line. If the corporation is a nonconsenting nonresident (NCNR) member of an LLC and tax was paid on the corporation's behalf by the LLC, include the NCNR members' tax from Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., line 15e. If the corporation is including NCNR tax, write “LLC” on the dotted line to the left of the amount on line 32, and attach Schedule K-1 (568) to the California income tax return to claim the tax paid by the LLC on the corporation's behalf.

#### Line 33 – 2021 Withholding (Form 592-B and/or 593)

Enter the 2021 resident and nonresident or real estate withholding credit from Form 592-B, Resident and Nonresident Withholding Tax Statement, and/or Form 593, Real Estate Withholding Statement. Attach a copy of the form(s) to the lower front of Form 100W, Side 1. **Do not** include NCNR member's tax from Schedule K-1 (568), line 15e as withholding.

#### Line 36 and Line 37 – Tax due or overpayment

Revise the amount of tax due or overpayment, if applicable, by the amount on Side 4, Schedule J, line 6. See instructions for Schedule J.

#### Line 38 – Amount to be credited to 2022 estimated tax

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

#### Line 39 – Refund

##### Direct Deposit of Refund (DDR)

Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the corporation's bank account, enter the account information on Form 100W, Side 2, lines 39a, 39b, and 39c. Be sure to fill in **all** the information. **Do not** attach a voided check or deposit slip.

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

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

#### Line 40 – Penalties and interest

Enter on line 40a the amount of any penalties and interest due. Complete and attach form FTB 5806 to the **back** of Form 100W (after all schedules and federal return), only if Exception B or Exception C of form FTB 5806 is used in computing or eliminating the penalty. Be sure to check the box on line 40b. For more information, see General Information M, Penalties, and N, Interest.

## Schedules

### Schedule A — Taxes Deducted

Enter the nature of the tax, the taxing authority, the total tax, and the amount of the tax that is not deductible for California purposes on Form 100W, Side 4, Schedule A.

If the corporation is using the California computation method to compute the net income, enter the difference of column (c) and column (d) on Schedule F, line 17.

### Schedule D — California Capital Gains or Losses

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

**Gross Income Exclusion for Bruce's Beach** – Effective September 30, 2021, California law allows an exclusion from gross income for the first time sale in the taxable year in which the land within Manhattan State Beach, known as “Peck's Manhattan Beach Tract Block 5” and

commonly referred to as “Bruce’s Beach” is sold, transferred, or encumbered. A recipient’s gross income does not include the following:

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

**Capital Assets**

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

**Qualified Opportunity Zone Funds**

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

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

Enter any unused capital loss carryover from 2020 Form 100W, Side 6, Schedule D, line 11 on 2021 Form 100W, Side 6, Schedule D, line 3.

For information regarding the application of the capital loss limitation and the capital loss carryover in a combined report, see Cal. Code Regs., tit. 18 section 25106.5-2 and FTB Pub. 1061.

**Line 1 and Line 5**

Report short-term or long-term capital gains (losses) from form FTB 3725 on Schedule D. Make sure to label on Schedule D, Part I, line 1 and/or Part II, line 5, under column (a) Kind of property and description: “**FTB 3725.**” Enter the amount of short-term or long-term

capital gains (losses) from form FTB 3725 on Schedule D, Part I, line 1, column (f) and/or Part II, line 5, column (f). Attach a copy of form FTB 3725 to the Form 100W.

Report short-term or long-term capital gains from form FTB 3726 on Schedule D. Make sure to label on Schedule D, Part I, line 1 and/or Part II, line 5, under column (a) Kind of property and description: “**DISA.**” Enter the amount of short-term or long-term capital gains from form FTB 3726 on Schedule D, Part I, line 1, column (f) and/or Part II, line 5, column (f). Attach a copy of form FTB 3726 to the Form 100W.

**Schedule F — Computation of Net Income**

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

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

**Line 1a – Gross Receipts**

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

- The sale or exchange of property,
- The performance of services, or
- The use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the IRC.

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

**Line 4 – Total dividends**

Enter the total amount of dividends received.

**Line 13 – Salaries and wages**

Gain from the exercise of California Qualified Stock Options issued and exercised on or after January 1, 1997, and before January 1, 2002, can be excluded from gross income if the individual’s earned income is \$40,000 or less. The exclusion from gross income is subject to AMT and the corporation is not allowed a deduction for the compensation excluded from the employee’s gross income. For more information, see R&TC Section 24602.

**Line 17 – Taxes**

If the corporation is using the California computation method to compute the net income, enter on line 17 the difference of column (c) and column (d) of Schedule A.

**Line 27 – Other deductions**

**Do not** include the dividend deduction on this line. Instead enter the dividend deduction on Form 100W, Side 2, line 10, line 11a or line 11b.

**Schedule G — Bad Debts Reserve Method**

Only banks that are not a large bank, as defined under IRC Section 585(c)(2), may use the bad debt reserve method. For the purpose of the bad debt reserve method, banks include savings and loan associations, and other financial institutions. For more information, see IRC Sections 581 and 585. Complete Schedule G below and attach it to Form 100W.

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

Complete Schedule J on Form 100W, Side 4, if the corporation has credit amounts to recapture or is required to include installment payments of “add-on” taxes for the following:

- Last-in, first-out (LIFO) recapture resulting from an S corporation election.
- Interest computed under the look-back method for completed long-term contracts.

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

(a) Taxable year	(b) Accounts outstanding at the end of the year	Amount added to reserve		(e) Amount charged against reserve	(f) Reserve for bad debts at end of year
		(c) Current year’s provisions	(d) Recoveries		
2016					
2017					
2018					
2019					
2020					
2021					



- Interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations.
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of an IRC Section 197 intangible.

Revise the amount of tax due or overpayment on Form 100W, Side 2, line 36 or line 37, as applicable by the amount from Schedule J, line 6.

**Installment Payment of Tax Attributable to LIFO Recapture for Corporations Making an S Corporation Election.** A corporation that uses the LIFO inventory pricing method and makes an S corporation election must include a “LIFO recapture amount” in income for its last year as a C corporation. The corporation’s LIFO recapture amount is equal to the excess of the inventory amount using the first-in, first-out (FIFO) method, over the inventory amount using the LIFO method, at the close of the corporation’s last taxable year as a C corporation.

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

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100W, Side 2, line 18 through line 30, based on income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100W format, the corporation must complete the equivalent of Form 100W, Side 2, line 18 through line 30, based on taxable income including the LIFO recapture amount. Form 100W, Side 2, line 30, must then be compared to line 30 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100W, Side 2, line 30, does not include the additional tax due to LIFO recapture, the corporations must include 1/4 of the additional tax on Schedule J, line 1, and adjust line 36 or line 37 accordingly. Attach the worksheet showing the computation.

The electing S corporations must pay the remaining three installments of deferred tax with Form 100S.

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

**Interest on Tax Attributable to Payments Received on Installment Sales of Certain Timeshares and Residential Lots.** If the corporation elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453(l)(3), it must include the interest due on Schedule J, line 3a. For the applicable interest rates, get FTB Pub. 1138. Attach a schedule showing the computation.

**Interest on Tax Deferred Under the Installment Method for Certain Nondealer Installment Obligations.** If an obligation arising from the disposition of property to which IRC Section 453A(c) applies is outstanding at the close of the taxable year, the corporation must include the interest due under IRC Section 453A on Schedule J, line 3b. For the applicable interest rates, get FTB Pub. 1138.

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

**Credit Recapture.** Complete Schedule J, line 5, if the corporation completed the credit recapture portion for any of the following forms:

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

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

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

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

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

Schedule M-1 is used to reconcile the difference between book and tax accounting for an income or expense item. The federal and state Schedule M-1 may be the same when the corporation uses the federal reconciliation method for net income computation.

See General Information I, Net Income Computation, for more information. The California Schedule M-1 will be different from the federal Form 1120, Schedule M-1, if using the California computation method for net income. The California computation method is generally used when the corporation has no federal filing requirement, or if the corporation maintains separate records for state purposes.

**Reporting Requirements.** If the corporation’s total receipts (see top of page 63 for definition of total receipts) for the taxable year **and** total assets at the end of the taxable year are less than \$250,000, the corporation is not required to complete Schedule L, Schedule M-1, and Schedule M-2. However, this information must be available in the future upon request.

**Corporation With Total Assets of At Least \$10 Million but Less Than \$50 Million.** The IRS allows corporations with at least \$10 million but less than \$50 million in total assets at tax year end to file Schedule M-1 (Form 1120/1120-F) in place of Schedule M-3 (Form 1120/1120-F), Parts II and III. However, Schedule M-3 (Form 1120/1120-F), Part I, is required for these corporations.

**For California purposes,** the corporation must complete the California Schedule M-1, **and** attach either of the following:

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

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

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# 2021 Instructions for Schedule H (100W)

## Dividend Income Deduction — Water's-Edge Filers

### Important Information

California Revenue and Taxation Code (R&TC) Section 24410 was repealed and re-enacted to allow a "Dividends Received Deduction" for qualified dividends received from an insurer subsidiary. The deduction is allowed whether or not the insurer is engaged in business in California, if at the time of each payment at least 80% of each class of stock of the insurer was owned by the corporation receiving the dividend. An 85% deduction is allowed for qualified dividends. A portion of the dividends may not qualify if the insurer subsidiary paying the dividend is overcapitalized for the purpose of the dividends received deduction. See Specific Instructions, Part III, for more information.

Dividend elimination is allowed regardless of whether the payer/payee are taxpayer members of the California combined unitary group return, or whether the payer/payee had previously filed California tax returns, as long as the payer/payee filed as members of a comparable unitary business outside of California when the earnings and profits (E&P) from which the dividends were paid arose.

In addition, dividend elimination is allowed for dividends paid from a member of a combined unitary group to a newly formed member of the combined unitary group if the recipient corporation has been a member of the combined unitary group from its formation to its receipt of the dividends. E&P earned before becoming a member of the unitary group do not qualify for elimination. See R&TC Section 25106 for more information.

In *Farmer Bros. Co. v. Franchise Tax Board* (2003) 108 Cal App 4th 976, 134 Cal Rptr. 2nd 390, the California Court of Appeal found R&TC Section 24402 to be unconstitutional. A statute that is held to be unconstitutional is invalid and unenforceable. Therefore, R&TC Section 24402 deduction is not available.

### Specific Instructions

California follows the federal dividend distributions ordering rule where dividends are deemed to be paid out of current year E&P first, and then layered back on a last-in, first-out (LIFO) basis.

A corporation may eliminate or deduct dividend income when certain requirements are met. The available eliminations or deductions are described in the next column.

### Part I – Elimination of Intercompany Dividends

A corporation may eliminate dividends received from unitary subsidiaries but only to the extent that the dividends are paid from unitary E&P accumulated while both the payee and payer were members of the combined report. See R&TC Section 25106 for more information.

Complete Part I and enter the total of Part I, line 4, column (d) on Form 100W, Side 2, line 10.

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

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

A deduction of 100% is provided for dividends derived from certain foreign construction projects. A construction project is defined as an activity related to alteration or improvement of land. The construction project, the location of which is not subject to the taxpayer's control, must be undertaken for an entity, including a governmental entity, that is not affiliated with the taxpayer. See R&TC Section 24411 for more information.

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

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

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

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

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

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

Complete Schedule H (100W), Part II and enter the total of Part II, line 4, column (g) on Form 100W, Side 2, line 11a. For Part II, column (d), if any portion of a dividend also qualifies for the intercompany elimination in Part I, enter the balance from Part I, column (g) in Part II, column (d).

### Part III – Deduction for Dividends Paid to a Corporation by an Insurance Company

R&TC Section 24410 provides that a corporation that owns 80% or more of each class of stock of an insurer is entitled to an 85% dividends received deduction for qualified dividends received from that insurer. The deduction would be allowed regardless of whether the insurer does business in California.

The amount of the dividends that qualify for the dividends received deduction is the total amount of dividends received from that insurer, multiplied by the insurer's qualified dividend percentage. The qualified dividend percentage is determined under R&TC Section 24410(c).

To complete Part III:

1. Fill in columns (a) through (c).
2. Enter in column (d) the total amount of insurance dividends received.
3. Enter the qualified dividend percentage in column (e).
4. Multiply the amount in column (d) by the qualified dividend percentage in column (e) and enter that amount in column (f).
5. Multiply the amount in column (f) by 85% and enter the result in column (g).
6. Total amounts in Part III, line 4, column (g). Enter the amount from Part III, line 4, column (g) on Form 100W, Side 2, line 11b.

The calculation of the qualified dividend percentage should be presented in a supplemental schedule that is attached to the taxpayer's tax return. That schedule should identify the amount of the net written premiums for all the insurance companies in the commonly controlled group for the preceding five years (including an identification of property/casualty premiums, life insurance premiums, and financial guarantee premiums), the relative weight given to each class of net written premiums, and the total income of the insurance companies in the commonly controlled group (including premium and investment income for the preceding five years). See R&TC Section 24410 for more information.



# 2021 Instructions for Schedule P (100W)

## Alternative Minimum Tax and Credit Limitations — Water's-Edge Filers

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

### What's New

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

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

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

### Important Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law, 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.

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

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

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

The credit for prior year AMT is not subject to the credit limitation.

**Credit Assignment** – Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liability. For more information, get form FTB 3544, Assignment of Credit, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

**California law conforms to federal law regarding:**

- Large banks' bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.

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

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

- The modifications to the NOL provisions.
- The modifications to the AMT credit.

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

### General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100W), Alternative Minimum Tax and Credit Limitations — Water's-Edge Filers, and in these instructions, includes banks, financial corporations, and partnerships or limited liability companies classified as corporations, but not S corporations.

For the purpose of these instructions the term corporation means a corporation that elects to compute income attributable to California source on the water's-edge basis.

California tax laws give special treatment to some types of income and allow special deductions and credits for some types of expenses. Corporations that benefit from these laws may have to pay AMT in addition to the minimum franchise tax. The AMT rate for C corporations is 6.65%.

Use Schedule P (100W) to calculate AMT and to figure credits that are limited by the Tentative Minimum Tax (TMT) or that may reduce AMT.

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

#### Who Must File

Corporations should file Schedule P (100W) if the sum of: AMT adjustments, preference items, loss denials, other items as specified under IRC Section 59, and state net income exceeds \$40,000.

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

**Members of a Combined Report.** Alternative minimum taxable income (AMTI) and Adjusted Current Earnings (ACE) are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for **each** member of a combined report. Complete a separate Schedule P (100W) for **each** member included in the combined report. Attach the Schedule P (100W) for each member in the combined report **behind** the combined Schedule P (100W) for all members. See instructions for Part I, line 4b, line 5a, line 5b, line 5e, line 7b, line 9, and line 10.

**Short-Period Tax Return.** For a short-period tax return, use the formula in IRC Section 443(d) to determine the AMTI and AMT.

**Credit for Prior Year AMT.** If the corporation paid AMT for 2020 or has a carryover of credit for prior year AMT and has no AMT liability for 2021, the corporation may use this credit in 2021 to reduce its regular tax liability. Complete Part III to figure this credit.

## Specific Line Instructions

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

#### Line 1 – Net income (loss) after state adjustments

Enter the amount from Form 100W, California Corporation Franchise or Income Tax Return - Water's-Edge Filers, line 17. If the corporation filed a Schedule R, Apportionment and Allocation of Income, with the tax return, enter the amount from Schedule R, line 1c.

**Line 2a – Depreciation of tangible property placed in service after 1986 and before 1999**  
**Do not** include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows:

- For property other than real property and property on which the straight-line method was used, use the 150% declining balance method, switching to straight-line for the first taxable year in which that method will give a higher depreciation deduction. Use the same life classes as provided in federal Pub 946, How To Depreciate Property.
- For personal property having no asset depreciation range (ADR) class life, use 12 years.
- For residential rental and nonresidential real property, use the straight-line method over 40 years.

Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this line.

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

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

Include on line 2a any differences between regular and AMT depreciation (e.g., IRC Section 179 depreciation differences).

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

For any certified pollution control facility placed in service in California after 1986 and before 1999, the five-year depreciation method available for such facilities for regular tax purposes must be replaced for AMT purposes by the alternative depreciation system (ADS) specified under IRC Section 168(g) (straight-line method, without regard to salvage value). A facility placed in service after December 31, 1998, is depreciated using the IRC Section 168 straight-line method. For more information, see IRC Section 56(a)(5).

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

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

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

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

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

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

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

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

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

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

#### Line 2f – Installment sales of certain property

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

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

Farmers that received payments for a taxable year beginning on or after January 1, 1997, for qualified installment sales made in taxable years beginning on or after January 1, 1988, **do not** need to make an adjustment on this line.

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

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

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

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

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

- **Do not** take any refigured loss unless the corporation is insolvent. For more information, see IRC Section 58(c)(1).
- **Do not** offset gains from other tax shelter activities with any refigured loss.

Instead, suspend and carry over the loss to future taxable years until one of the following applies:

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

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

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

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

For AMT purposes, complete a second form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure the adjustments. Corporations may enter two kinds of adjustments on this line:

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

**Tax Shelter Farm Activities That Are Passive Activities.** Refigure any gain or loss from a tax shelter farm activity that is a passive activity by taking into account all AMT adjustments, tax preference items, and AMT prior year unallowed losses. If the amount is a gain, it may be included on form FTB 3802 and it may be used to offset AMT losses from other passive activities. However, if it is a loss, it must be suspended and carried forward indefinitely until the corporation has a gain in a subsequent year from that same activity or it disposes of the activity. The AMT loss carryover is the refigured AMT loss.

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

### Line 2i – Certain loss limitations

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

### Line 2k – Merchant marine capital construction funds

Amounts deposited in these funds are not deductible for AMT. Earnings on these funds are not excludable from gross income for AMT. If the corporation deducted these amounts or excluded them from income for regular tax, add them back on line 2k.

## Tax Preference Items

### Line 3a – Depletion

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

California conforms to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. However, the California depletion costs may continue to be different from the federal amounts because of prior differences in law and differences in basis.

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

### Line 3b – Intangible drilling costs

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

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

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

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

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

California conforms to the limited federal repeal of intangible drilling costs preferences for independent producers. California also conforms to the limit on the benefit of the exclusion of the preference for intangible drilling costs of 40% of AMTI. Also, note that the intangible drilling costs amounts may differ from federal amounts because of prior differences in the law.

### Line 4b – Apportioned pre-adjustment AMTI

For taxpayers required to apportion their income, pre-adjustment AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, line 1c. Refigure the Schedule R taking into account any AMT adjustments, then transfer the refigured net income from Schedule R, line 35 to Schedule P (100W), line 4b.

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

### Line 5a – ACE

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

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

The ACE is the pre-adjustment AMTI from line 4a with additional adjustments. To compute the California ACE, use the ACE worksheet included in these instructions and take into account the modifications of R&TC Sections 23456(e) and (f), if applicable. For example:

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

**Depreciation and Amortization.** For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the taxable year beginning before January 1, 1990, and applying IRC Section 168(g). For property placed in service in taxable years beginning on or after January 1, 1990, and before January 1, 1998, use the ADS described in IRC Section 168(g). For property placed in service in taxable years beginning on or after January 1, 1998, the ACE depreciation is the same as the AMT depreciation. Therefore, no ACE depreciation adjustment is necessary.

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

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

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

**Certain Amortization Provisions.** IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under IRC Section 173 (R&TC Section 24364) and organizational expenditures under IRC Section 248 (R&TC Section 24407) do not apply to expenditures paid or incurred in taxable years beginning on or after January 1, 1990, for E&P calculations.

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

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



### Line 5b – Apportioned ACE

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

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

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

### Line 7a – Reduction for disaster loss deduction

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

If a disaster loss deduction is claimed in 2021, enter the amount on this line.

Any remaining disaster loss incurred in 2021 (NOL attributable to a qualified disaster loss) must be carried forward. Get form FTB 3805Q for more information.

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

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

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

1. For any taxable year beginning before 1988, reduce the NOL amount by any preference items attributable to the deferred tax that has not been paid.
2. In the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
  - (a) Reduced by the positive AMT adjustments and increased by the negative AMT adjustments.
  - (b) Reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax).
3. Reduce the AMT NOL by any expired losses.
4. The AMT NOL may not offset more than 90% of the AMTI, Part I, line 6. Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

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

NOL carryovers from pre-water's-edge years are limited to the lesser of the amount of NOL carryover that would have resulted if a water's-edge election had been in effect in the loss year, or the NOL carryover as computed on a world-wide basis under R&TC Section 24416(c).

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

If the corporation had a loss from a business activity within a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area, or Targeted Tax Area, get form FTB 3805Z Booklet; FTB 3807 Booklet; or FTB 3809 Booklet.

**Line 9 and Line 10** - The \$40,000 exemption and the \$150,000 limitation apply to each corporation included in the combined report that has a filing requirement in California, to the extent that each corporation has AMTI.

**Line 16 – Banks and financial corporations** Corporations with negative or zero taxable income on Form 100W, line 22, enter -0-.

### Line 18 – Regular tax before credits

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

### Line 19 – AMT

If line 17 is more than zero, and if the corporation has credits or credit carryovers, continue to Part II. Otherwise, stop here and enter the amount from line 19 on Form 100W, line 29.

## Part II – Credits that Reduce Tax

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

The credit for prior year AMT is not subject to the credit limitation.

Complete Part II only if the corporation has tax credits.

### Use Part II to determine the following:

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

Credits are applied against the tax on a separate entity basis. Unless otherwise provided by statutory authority, specific credits are only available to the corporation that incurred the expense that generated the credits.

### Before the corporation completes Part II:

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

### To complete Part II:

- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits **without** carryover provisions are listed on Schedule P (100W) in Section A1 and may be taken only in that section. For taxable years beginning on or after January 1, 2020, and before January 1, 2023, the corporation is allowed to carryover the amount of credit, without carryover provision, that was disallowed due to the \$5,000,000 credit limitation. For taxpayers included in a combined report, the limitation is applied at the group level. The carryover period for the disallowed credit is extended by the number of taxable years the credit was not allowed. Credits **with** carryover provisions are listed on the Credit Table included in these instructions. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 10 in addition to the line(s) for the corporation's credit(s).
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. See "Column Instructions" below for more information.
- Once the corporation has completed Part II, see "How to Claim Credits" on the next page.

### Column Instructions – In column:

- (a) Enter the amount of credit available to offset tax.
- (b) Figure the amount of credit the corporation is able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line.

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

- (c) Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line.

(d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a). The corporation is required to keep track of the credit carryover amounts that were disallowed due to the \$5,000,000 credit limitation.

## Section A – Credits that reduce excess regular tax

### Section A Instructions

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

1. Does the Credit Table show that the corporation may take the credit **only** in Sections A1 or A2?

**Yes** Do not take the credit this year. Go to Question 2.

**No** Go to Section B to figure the amount of credit the corporation may take this year. Then continue to Section C if the corporation's credit is listed in that section.

2. Does the credit have carryover provisions?

**Yes** Enter the credit code, credit name, and credit amount in column (a) in the section indicated by the table. Enter -0- in column (b). Enter the credit amount in column (d). This is the amount of the credit the corporation may carry over and use in future years.

**No** Do not take the credit this year or in future years.

### Section A1 Instructions

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

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

### Section A2 Instructions

The credit for prior year AMT has to be applied before any credits that can reduce the regular tax below the TMT in accordance with R&TC Section 23036(c).

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

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

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

## Section B – Credits that may reduce regular tax below TMT

Corporations may use these credits to reduce the regular tax below TMT. Corporations may also carry over to future taxable years any credits remaining after reducing the regular tax down to the minimum franchise tax, if applicable. But, if the corporation has a tax balance and can continue to use the credit in Section C, apply the carryover in Section C.

### Section B Instructions

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

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

## Section C – Credits that may reduce AMT

If the corporation has AMT, the corporation may reduce AMT using credit carryover from either the Solar Energy, Commercial Solar Energy, or EZ Hiring & Sales or Use Tax after reducing the regular tax down to the minimum franchise tax (if applicable). Corporations may carry over to future taxable years any credits remaining after reducing the AMT to zero.

The Board of Equalization ruled in the *Appeal of NASSCO Holdings, Inc.*, 2010-SBE-001, November 17, 2010, that a corporate taxpayer may use EZ credits and/or the Manufacturers' Investment Credit (MIC) to reduce AMT. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **notice 2011-02**. However, the MIC carryover has expired. Therefore, corporate taxpayers can no longer use MIC carryover to offset against AMT.

## Section C Instructions

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

## How to Claim Credits

Claim credits by transferring them to Form 100W as follows:

### Credits on Line 4 through Line 14

If the corporation claims only one or two credits, enter the name, code, and amount of the credit from column (b) on Form 100W, line 24 and line 25.

If the corporation has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 100W, line 26.

## Part III – Credit for Prior Year AMT

Use this part to figure the 2021 credit for prior year AMT if the corporation paid AMT for 2020 or had an AMT credit carryover from 2020.

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

**Line 1** – Enter the AMT from the 2020 Schedule P (100W), Part I, line 19. If this amount was reduced by any credits from Part II, Section C, use the AMT from the 2020 Schedule P (100W), Section C, line 18.

**Line 2** – Enter the credit for prior year AMT carryover from the 2020 Schedule P (100W), Part II, line 9, column (d).

*(continued on the next page)*

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

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

**Credit Table**

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



**Adjusted Current Earnings (ACE) Worksheet**

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

## Adjusted Current Earnings (ACE) Worksheet

### Treatment of Certain Ownership Changes

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

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

### Line 2 – ACE Depreciation Adjustment

#### Line 2a – AMT depreciation

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

#### Line 2b(1) – Post-1998 property

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

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

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

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

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

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

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

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

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

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

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

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

### Line 2b(6) – Other property

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

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

### Line 2c – ACE depreciation adjustment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Line 3e – Other items

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

### Qualified Lessee Construction Allowances.

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

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

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

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

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

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

#### **Items for which no adjustment is necessary.**

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

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

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

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

#### **Line 4b – Other items**

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

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

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

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

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

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

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

**Note:** There is a California modification needed under R&TC Section 23456(g)(2). IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under IRC Section 173 (R&TC 24364) and organizational expenditures under IRC Section 248 (R&TC Section 24407) do not apply to expenditures paid or incurred in taxable years beginning on or after January 1, 1990, for E&P calculations.

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

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

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

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

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

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

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

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

##### **Line 5e – Installment sales**

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

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

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

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

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

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

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



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**Line 8 – Depletion**

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

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

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

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

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

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

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

**Line 10 – Interest Income**

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

**Line 11 – Interest Expense**

Appropriate adjustments must be made to limit deductions from ACE for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425. [R&TC 23456(g)(4)].

# 2021 Instructions for Form FTB 2416

## Schedule of Included Controlled Foreign Corporations (CFC)

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

### General Information

#### A Purpose

California Revenue and Taxation Code (R&TC) Section 25110(a)(2)(A)(ii) provides that the income and apportionment factors of any Controlled Foreign Corporation (CFC) (as defined in Internal Revenue Code [IRC] Section 957) that has Subpart F income (defined in IRC Section 952) are to be included in the combined report of a taxpayer making a water's-edge election.

Use form FTB 2416, Schedule of Included Controlled Foreign Corporations (CFC), to compute the net income and apportionment factors required to be included in the water's-edge combined report.

#### B Controlled Foreign Corporation

In general, a foreign corporation is a corporation that is not created or organized in the U.S. or under the laws of the U.S. or any state.

A CFC is any foreign corporation that is more than 50% owned or considered to be owned per IRC Section 958(b) by U.S. shareholders.

#### C Apportionment

For each CFC, the amounts included in income and the apportionment factors are determined by multiplying the total income and each component of the apportionment factors by a fraction. The numerator of the fraction is the current taxable year total Subpart F income defined in IRC Section 952 and the denominator is the current taxable year earnings and profits (E&P) as defined in IRC Section 964.

See R&TC Section 25110(a)(2) and the related regulations for more information.

### Specific Instructions

#### Column (b) – Country of incorporation

Enter the country of incorporation in column (b). Use the list of country codes on form FTB 2416, Side 2.

#### Column (c) – Country of primary business activity

Enter the country in which the CFC conducts its primary trade or business in column (c). Use the list of country codes on form FTB 2416, Side 2. This country may be different from the country of incorporation.

#### Column (d) – Principal business activity (PBA) code

Enter the PBA code of the CFC. The PBA codes are listed on the Principal Business Activity Codes chart included in this booklet.

#### Column (e) – Subpart F income

In determining whether a CFC has Subpart F income, defined by IRC Section 952, for purposes of R&TC Section 25110(a)(2) and the regulations thereunder, the limitation and exclusions provided for in IRC Section 954(b) shall apply. However, IRC Section 952(c) shall not apply.

For these purposes, Subpart F income does not include income defined in IRC Sections 955 or 956.

Include both business and nonbusiness income as defined under R&TC Section 25120 for the current year.

If there is no Subpart F income, none of the income or factors of this CFC will be included in the water's-edge combined report. See *Fujitsu IT Holdings, Inc. vs. Franchise Tax Board* (2004) 120 Cal. App. 4th 459.

#### Column (f) – Current year earnings and profits

E&P, as defined in IRC Section 964, includes both business and nonbusiness income for the current taxable year. In most cases, the E&P can be taken from federal Schedule H (Form 5471), Current Earnings and Profits, line 5d.

If there is no current E&P, stop. None of the income or factors of this CFC will be included in the water's-edge combined report.

#### Column (g) – Percentage

The percentage may not exceed 100% or be less than zero.

#### Column (h) – Net income

Report the total net income as reflected on the CFC's books and records, adjusted to conform to California tax law.

#### Column (i) – Net income included in the combined report

Enter total from column (i) on Form 100W, Side 1, line 7a.

#### Columns (j), (l), (n), and (p) – Apportionment factors

Determine the apportionment factors for the CFC to be included in the water's-edge combined report including:

- Total sales everywhere, if using the single-sales factor formula, **or**
- Total average property everywhere, rent expense everywhere, payroll everywhere, and sales everywhere, if using the three-factor formula.

Refer to the apportionment factor rules set forth in R&TC Sections 25128.7, 25128, and 25129 through 25137. See California Schedule R, Apportionment and Allocation of Income, for more information.

# Alphabetic Listing of Countries and Codes for Form FTB 2416

Country	Code	Country	Code	Country	Code	Country	Code
Afghanistan	.AF	Equatorial Guinea	.EK	Mali	.ML	St.Vincent and the Grenadines	.VC
Akrotiri	.AX	Eritrea	.ER	Malta	.MT	Sudan	.SU
Albania	.AL	Estonia	.EN	Man, Isle of	.IM	Suriname	.NS
Algeria	.AG	Ethiopia	.ET	Marshall Islands	.RM	Svalbard	.SV
American Samoa	.AQ	Falkland Islands (Islas Malvinas)	.FK	Mauritania	.MR	Swaziland	.WZ
Andorra	.AN	Faroe Islands	.FO	Mauritius	.MP	Sweden	.SW
Angola	.AO	Federated States of Micronesia	.FM	Mexico	.MX	Switzerland	.SZ
Anguilla	.AV	Fiji	.FJ	Midway Islands	.MQ	Syria	.SY
Antarctica	.AY	Finland	.FI	Moldova	.MD	Taiwan	.TW
Antigua and Barbuda	.AC	France	.FR	Monaco	.MN	Tajikistan	.TI
Argentina	.AR	French Polynesia	.FP	Mongolia	.MG	Tanzania	.TZ
Armenia	.AM	French Southern and Antarctic Lands	.FS	Montenegro	.MJ	Thailand	.TH
Aruba	.AA	Gabon	.GB	Montserrat	.MH	Togo	.TO
Ashmore and Cartier Islands	.AT	Gambia, The	.GA	Morocco	.MO	Tokelau	.TL
Australia	.AS	Georgia	.GG	Mozambique	.MZ	Tonga	.TN
Austria	.AU	Germany	.GM	Namibia	.WA	Trinidad and Tobago	.TD
Azerbaijan	.AJ	Ghana	.GH	Nauru	.NR	Tunisia	.TS
Bahamas	.BF	Gibraltar	.GI	Navassa Island	.BQ	Turkey	.TU
Bahrain	.BA	Greece	.GR	Nepal	.NP	Turkmenistan	.TX
Baker Island	.FQ	Greenland	.GL	Netherlands	.NL	Turks and Caicos Islands	.TK
Bangladesh	.BG	Grenada	.GJ	New Caledonia	.NC	Tuvalu	.TV
Barbados	.BB	Guam	.GQ	New Zealand	.NZ	Uganda	.UG
Belarus	.BO	Guatemala	.GT	Nicaragua	.NU	Ukraine	.UP
Belgium	.BE	Guernsey	.GK	Niger	.NG	United Arab Emirates	.AE
Belize	.BH	Guinea	.GV	Nigeria	.NI	United Kingdom (England, Northern Ireland, Scotland, Wales)	.UK
Benin	.BN	Guinea-Bissau	.PU	Niue	.NE	Uruguay	.UY
Bermuda	.BD	Guyana	.GY	Norfolk Island	.NF	Uzbekistan	.UZ
Bhutan	.BT	Haiti	.HA	Northern Mariana Islands	.CQ	Vanuatu	.NH
Bolivia	.BL	Heard Island and McDonald Islands	.HM	Norway	.NO	Venezuela	.VE
Bosnia-Herzegovina	.BK	Holy See	.VT	Oman	.MU	Vietnam	.VM
Botswana	.BC	Honduras	.HO	Other Country	.OC	Virgin Islands	.VQ
Bouvet Island	.BV	Hong Kong	.HK	Pakistan	.PK	Wake Island	.WQ
Brazil	.BR	Howland Island	.HQ	Palau	.PS	Wallis and Futuna	.WF
British Indian Ocean Territory	.IO	Hungary	.HU	Palmira Atoll	.LQ	Western Sahara	.WI
British Virgin Islands	.VI	Iceland	.IC	Panama	.PM	Yemen (Aden)	.YM
Brunei	.BX	India	.IN	Papua-New Guinea	.PP	Zambia	.ZA
Bulgaria	.BU	Indonesia	.ID	Paracel Islands	.PF	Zimbabwe	.ZI
Burkina Faso	.UV	Iran	.IR	Paraguay	.PA		
Burma	.BM	Iraq	.IZ	Peru	.PE		
Burundi	.BY	Ireland	.EI	Philippines	.RP		
Cambodia	.CB	Israel	.IS	Pitcairn Islands	.PC		
Cameroon	.CM	Italy	.IT	Poland	.PL		
Canada	.CA	Jamaica	.JM	Portugal	.PO		
Cape Verde	.CV	Jan Mayen	.JN	Puerto Rico	.RQ		
Cayman Islands	.CJ	Japan	.JA	Qatar	.QA		
Central African Republic	.CT	Jarvis Island	.DQ	Romania	.RO		
Chad	.CD	Jersey	.JE	Russia	.RS		
Chile	.CI	Johnston Atoll	.JQ	Rwanda	.RW		
China	.CH	Jordan	.JO	Saint Barthelemy	.TB		
Christmas Island	.KT	Kazakhstan	.KZ	Saint Martin	.RN		
Clipperton Island	.IP	Kenya	.KE	Samoa	.WS		
Cocos (Keeling) Islands	.CK	Kingman Reef	.KQ	San Marino	.SM		
Colombia	.CO	Kiribati	.KR	Sao Tome and Principe	.TP		
Comoros	.CN	Korea, Democratic People's Republic of (North)	.KN	Saudi Arabia	.SA		
Congo (Brazzaville)	.CF	Korea, Republic of (South)	.KS	Senegal	.SG		
Congo, (Kinshasa)	.CG	Kosovo	.KV	Serbia	.RI		
Cook Islands	.CW	Kuwait	.KU	Seychelles	.SE		
Coral Sea Islands	.CR	Kyrgyzstan	.KG	Sierra Leone	.SL		
Costa Rica	.CS	Laos	.LA	Singapore	.SN		
Cote D'Ivoire (Ivory Coast)	.IV	Latvia	.LG	Sint Maarten	.NN		
Croatia	.HR	Lebanon	.LE	Slovakia	.LO		
Cuba	.CU	Lesotho	.LT	Slovenia	.SI		
Curacao	.UC	Liberia	.LI	Solomon Islands	.BP		
Cyprus	.CY	Libya	.LY	Somalia	.SO		
Czech Republic	.EZ	Liechtenstein	.LS	South Africa	.SF		
Denmark	.DA	Lithuania	.LH	South Georgia and the South Sandwich Islands	.SX		
Dhekelia	.DX	Luxembourg	.LU	South Sudan	.OD		
Djibouti	.DJ	Macau	.MC	Spain	.SP		
Dominica	.DO	Macedonia	.MK	Spratly Islands	.PG		
Dominican Republic	.DR	Madagascar	.MA	Sri Lanka	.CE		
East Timor	.TT	Malawi	.MI	St.Helena	.SH		
Ecuador	.EC	Malaysia	.MY	St.Kitts and Nevis	.SC		
Egypt	.EG	Maldives	.MV	St.Lucia Island	.ST		
El Salvador	.ES			St.Pierre and Miquelon	.SB		



# 2021 Instructions for Form FTB 2424

## Water's-Edge Foreign Investment Interest Offset

### General Information

California Revenue and Taxation Code (R&TC) Section 24344(c) provides that interest expense incurred for purposes of foreign investment (as defined below) may be offset against the foreign dividend deduction allowed under R&TC Section 24411. The foreign investment interest offset may not exceed the total foreign dividend deduction allowed for the taxable year.

Use form FTB 2424, Water's-Edge Foreign Investment Interest Offset, to compute the foreign investment interest offset. The amount of interest expense attributable to foreign investment is equal to the amount of interest expense specifically assigned to foreign investment plus the amount of unassigned interest expense allocated to foreign investment. Unassigned interest expense is allocated by formula. The amount of the offset is limited to the lesser of the following:

- The sum of interest expense specifically assigned and interest expense allocated to foreign investment.
- The foreign dividend deduction.

This limited amount is multiplied by 75% to arrive at the foreign investment interest offset. Interest expense that exceeds the offset amount will be subject to the standard interest offset computation of R&TC Section 24344(b). See FTB Notice 2000-9.

If there is no foreign dividend deduction under R&TC Section 24411, then no foreign interest offset computation is necessary.

### A Definitions

#### 1. Foreign investment

Foreign investment is stock or other equity investment, which is included in total assets, regardless of when it was acquired, in the following instances:

- An entity whose dividends would be qualifying dividends for purposes of R&TC Section 24411.
- A non-affiliated corporation that is organized under the laws of a country or political subdivision of a country other than the United States.

To determine the asset value for the foreign investment, see Section B "Asset Values."

#### 2. Interest expense assigned to specific property

Interest expense is considered to be related solely to specific property, if the existence of all of the facts and circumstances described below is established:

- The indebtedness on which the interest was paid was specifically incurred for the purpose of purchasing, maintaining, or improving the specific property.
- The proceeds of the borrowing were actually applied to the specified purpose.

- The creditor can look only to the specific property (or any lease or other interest therein) as security for payment of the principal and interest of the loan and, thus, has no secured interest in any other property of the borrower or the borrower itself with respect to repayment of the loan.

Even though the above facts and circumstances are present in substance as well as form, a deduction for interest will not be considered definitely related to a specific property where the motive for structuring the transaction in the manner described above was without any economic significance.

#### 3. Unassigned interest expense

Interest expense paid that does not meet the above conditions to be assigned, is unassigned interest expense.

#### 4. Interest expense on restricted accounts

Interest expense on restricted accounts is interest expense paid on new debt incurred on or after January 1, 1988, if the proceeds of the debt are deposited into an account that prevents its use for foreign investment and the account is not, in fact, used for foreign investment. However, debt shall not be treated as incurred on or after January 1, 1988, if the majority of the proceeds were used to refinance debt incurred prior to January 1, 1988, or the debt arises pursuant to a line of credit or similar arrangement.

#### 5. Total assets

Total assets means all of the assets of a corporation included in a water's-edge combined report by reason of R&TC Section 25110, after the elimination of intercompany accounts of assets.

#### 6. Average values of assets

An average of values is computed by averaging the value of assets at the beginning and ending of the taxable year.

### B Asset Values

Assets and stock or other equity investments with less than 50% ownership are taken into account at the federal tax book value (original cost for federal tax purposes less depreciation, amortization, or depletion).

Stock or other equity investments with more than a 50% ownership are taken into account at the adjusted basis for federal tax purposes if any of the following apply:

- Increased by the amount of the earnings and profits (E&P) of such corporation attributable to such stock, or other equity investment and accumulated during the period the stock, or other equity investment was owned by another affiliated corporation.

- Reduced (but not below zero) by any deficit in E&P of such corporation attributable to such stock or other equity investment for such period.

See R&TC Section 24344(c) and the related regulations for more information.

### Specific Line Instructions

#### Line 2

Enter total interest expense for all entities included in the water's-edge combined report filed pursuant to R&TC Section 25110, net of intercompany interest expense.

#### Line 3

Enter the interest expense specifically assignable to foreign investments. See R&TC Section 24344(c) and the related regulations for more information.

#### Line 4

Enter the interest expense specifically assignable to domestic investments or other property. See R&TC Section 24344(c) and the related regulations for more information.

#### Line 11

Unassigned foreign investment is the average value of all foreign investment to which interest is not specifically assigned.

#### Line 12

Unassigned total assets is the average value of all the water's-edge group's unassigned total assets.

#### Line 13

In calculating the percentage, do not include any foreign investment, and assets to which interest expense has been specifically assigned.

**Note:** If the taxpayer reported the foreign dividend deduction for dividends received from foreign investments and foreign construction projects, the taxpayer must calculate a separate foreign investment interest offset for each component. The interest expense assignable to the construction project shall be multiplied by 100 percent, while the interest expense assignable to the non-construction project shall be multiplied by 75 percent. The two separately calculated amounts are then added together and entered on Schedule R, Side 1, line 1b.

# 2021 Instructions for Form FTB 3539

## Payment for Automatic Extension for Corporations and Exempt Organizations

### Important Information

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

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

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

### General Information

Use form FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations, **only** if both of the following apply:

- The corporation or exempt organization cannot file its 2021 California (CA) tax return by the original due date.
- The corporation or exempt organization owes tax for the 2021 taxable year.

If a limited liability company (LLC) elects to be taxed as a corporation for federal tax purposes, the LLC must file form FTB 3539, and enter the California corporation number, Federal Employer Identification Number (FEIN), and California Secretary of State (CA SOS) file number, if applicable, in the space provided. The Franchise Tax Board (FTB) will (1) assign an identification number to an LLC that files as a corporation, and (2) notify the LLC with the identification number upon receipt of the first estimated tax payment, first tax payment, or the first tax return. The LLC will be subject to the applicable provisions of the Corporation Tax Law and should be considered a corporation for the purpose of all instructions unless otherwise indicated.

*continued on next page*

### Payment of Tax Dates

Form Filed	Calendar Year Filers	Fiscal Year Filers: 15th day of the
Form 100 or 100W	April 18, 2022	4th month following the close of the taxable year
Form 100S	March 15, 2022	3rd month following the close of the taxable year
Form 100 for farmers' cooperative	September 15, 2022	9th month following the close of the taxable year
Form 109, generally	May 16, 2022	5th month following the close of the taxable year
Form 109 for employee's trust (IRC 401(a)) or IRA	April 18, 2022	4th month following the close of the taxable year

### Extended Filing Dates

The extended date for filing the return is as follows:

Form Filed	Calendar Year Filers	Fiscal Year Filers: 15th day of the
Form 100 or 100W	November 15, 2022	11th month following the close of the taxable year
Form 100S	September 15, 2022	9th month following the close of the taxable year
Form 100 for farmers' cooperative	April 18, 2023	16th month following the close of the taxable year
Form 109, generally	November 15, 2022	11th month following the close of the taxable year
Form 109 for employee's trust (IRC 401(a)) or IRA	October 17, 2022	10th month following the close of the taxable year

1. An extension of time to file the CA tax return is not an extension of time to pay the tax.
2. When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day. Due to the federal Emancipation Day holiday observed on April 15, 2022, tax returns filed and payments mailed or submitted on April 18, 2022, will be considered timely.

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

Calendar year C corporations — File and Pay by April 18, 2022  
 Calendar year S corporations — File and Pay by March 15, 2022  
 Calendar year exempt organizations — File and Pay by May 16, 2022

Employees' trust and IRA — File and Pay by April 18, 2022  
 Fiscal year filers — See instructions

TAXABLE YEAR **2021** **Payment for Automatic Extension** CALIFORNIA FORM  
**for Corporations and Exempt Organizations** **3539 (CORP)**

For calendar year 2021 or fiscal year beginning (mm/dd/yyyy) \_\_\_\_\_, and ending (mm/dd/yyyy) \_\_\_\_\_.

California corporation number	FEIN	California Secretary of State file number	
Corporation/exempt organization name		This payment is for Form: <input type="checkbox"/> 100, 100W, or 100S <input type="checkbox"/> 109	
Address (suite, room, or PMB no.)			
City		State	ZIP code
Telephone	If no payment is due or paid electronically, do not mail this form. <b>Caution:</b> You may be required to pay electronically. See instructions.		Amount of payment _____ <b>00</b>

Use the **Tax Payment Worksheet** included in these instructions to determine if the corporation or exempt organization owes tax.

If the corporation or exempt organization does not owe tax, **do not** file form FTB 3539. However, the corporation or exempt organization must file its return by the extended due date listed on the prior page.

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

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

- **Electronic Funds Transfer (EFT):** For payment options, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **eft**. **Do not** file form FTB 3539.
- **Electronic Funds Withdrawal (EFW):** Corporations can make an extension payment using tax preparation software. EFW is not available for exempt organizations. Check with the software provider to determine if they support EFW for extension payments. **Do not** file FTB 3539.
- **Web Pay:** Make payments online using Web Pay for Businesses. Corporations or exempt organizations can make an immediate payment or schedule payments up to a year in advance. Go to [ftb.ca.gov/pay](http://ftb.ca.gov/pay). **Do not** file form FTB 3539.
- **Credit Card:** Use Discover, MasterCard, Visa, or American Express Card to pay your business taxes. Go to [officialpayments.com](http://officialpayments.com). ACI Payments, Inc. (formerly Official Payments) charges a convenience fee for using this service. **Do not** file form FTB 3539.

If the corporation or exempt organization will not pay the tax due electronically through EFT, EFW, Web Pay, or credit card, complete form FTB 3539, make a check or money order, and see Where to File section for further instructions. The payment must be paid by the original due date of the return to avoid late payment penalties and interest. For more information, see Penalties and Interest section.

If a corporation (including real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), regulated investment companies (RICs), LLCs electing to be treated as corporations, or an exempt organization in good standing) cannot file its CA tax return by the original due date, a six-month extension to file is granted without submitting a written request. To qualify for the automatic extension, the corporation or exempt organization must file its CA tax return by the extended due date and its powers, rights, and privileges must not be suspended or forfeited by the FTB or the CA SOS as of the original due date.

## Electronic Funds Transfer

Corporations or exempt organizations remitting an estimated tax payment or extension payment in excess of \$20,000 or having a total tax liability in excess of \$80,000 must remit all of their payments through EFT. Once a corporation or an exempt organization meets the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically to avoid a 10% non-compliance penalty. The first payment that would trigger the mandatory EFT requirement does not have to be made electronically. Corporations required to remit payments electronically may use EFW, Web Pay, or credit card and be considered in compliance with that requirement.

The FTB notifies corporations or exempt organizations that are subject to this requirement. Those that do not meet these requirements may participate on a voluntary basis. If the corporation or exempt organization pays electronically, complete the worksheet for the corporation's or exempt organization's records. **Do not mail form FTB 3539.** See General Information section for additional information regarding electronic payment options. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **eft**, or call 916.845.4025.

## Where to File

If tax is due and the corporation or exempt organization is not paying electronically through EFT, EFW, Web Pay, or credit card, using black or blue ink, make the check or money order payable to the "Franchise Tax Board" for the amount of the tax due. Write the California corporation number, FEIN, or CA SOS file number and "2021 FTB 3539" on the check or money order. Enclose, but **do not** staple, the payment with the form FTB 3539 and mail to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0531

Mail them to the FTB by the original due date of the return to avoid late payment penalties and interest. For more information, see Penalties and Interest section.

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

### Private Mail Box (PMB)

Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

## Penalties and Interest

- If the corporation or exempt organization fails to meet estimate payment requirements, it may incur an estimate penalty. For more information, get Form 100-ES, Corporation Estimated Tax.
- If the corporation or exempt organization fails to pay its total tax liability by the original due date, the corporation or exempt organization will incur a late payment penalty plus interest. The FTB may waive the late payment penalty based on reasonable cause. Reasonable cause is presumed when 90% of the tax shown on the return, but not less than minimum franchise tax if applicable, is paid by the original due date of the return. However, the imposition of interest is mandatory.
- If the corporation or exempt organization does not file its CA tax return by the extended due date, or if the corporation's powers, rights, and privileges have been suspended or forfeited by the FTB or the CA SOS, as of the original due date, the automatic extension will not apply and a delinquency penalty plus interest will be assessed from the original due date of the CA tax return.
- If the corporation or exempt organization is required to remit all of its payments electronically and pays by another method, a 10% non-compliance penalty will be assessed.

## Combined Reports

- If members of a combined unitary group have made or intend to make an election to file a combined unitary group single return, only the key corporation designated to file the return should submit form FTB 3539. The key corporation must include payment of at least the minimum franchise tax for each corporation of the combined unitary group that is subject to the franchise tax in California.
- If members of a combined unitary group intend to file separate returns with the FTB, each member must submit its own form FTB 3539 if there is an amount entered on line 3 of the Tax Payment Worksheet.
- If any member of a combined unitary group meets the requirements for mandatory EFT, all members must remit their payments electronically, regardless of their filing election.

## Exempt Organizations

- **Form 100 filers** – The due dates for corporations also apply to political action committees and exempt homeowners' associations that file Form 100, California Corporation Franchise or Income Tax Return. Political action committees and exempt homeowners' associations that file Form 100 should not enter the minimum franchise tax on line 1 of the Tax Payment Worksheet.
- **Form 109 Filers** – The due dates for filing Form 109, California Exempt Organization Business Income Tax Return, depend on the type of organization filing the return. Employees' pension trusts and IRAs (including education IRAs) must file on or before the 15th day of the 4th month after the close of their taxable year. All other exempt organizations (except homeowners' associations and political organizations) must file on or before the 15th day of the 5th month after the close of their taxable year.



## How to Complete the Tax Payment Worksheet

### Line 1

Enter the total tentative tax, including the alternative minimum tax if applicable, for the taxable year.

- If filing Form 100, 100W, or 100S, and subject to franchise tax, the tentative tax may not be less than the minimum franchise tax and Qualified Subchapter S Subsidiary (QSub) annual tax (S corporations only).
- If filing Form 100, 100W, or 100S, and subject to income tax, enter the amount of tax. Corporations subject to the income tax do not pay the minimum franchise tax.
- If a corporation incorporates or qualifies to do business in California, the corporation will compute its tax liability for the first taxable year by multiplying its state net income by the appropriate tax rate and will not be subject to the minimum franchise tax. The corporation will become subject to minimum franchise tax beginning in its second taxable year.
- If filing Form 109, enter the amount of tax. Form 109 filers are not subject to the minimum franchise tax.

### Line 2

Enter the estimated tax payments, including prior year overpayment applied as a credit. S corporations may include any QSub annual tax payments.

### Line 3

#### Excess payments

If the amount on line 2 is more than the amount on line 1, the payments and credits are more than the tentative tax. The corporation or exempt organization has no tax due. **Do not mail form FTB 3539.** The corporation or exempt organization will automatically qualify for an extension if the CA tax return is filed by the extended due date and the corporation or exempt organization is in good standing with the FTB and CA SOS.

#### Tax due

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

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

## TAX PAYMENT WORKSHEET (Keep for your records.)

1 Total tentative tax. Include alternative minimum tax if applicable. See instructions . . . . .	<b>1</b>		00
2 Estimated tax payments including prior year overpayment applied as a credit. See instructions . . . . .	<b>2</b>		00
3 Tax due. If line 2 is more than line 1, see instructions. If line 1 is more than line 2, subtract line 2 from line 1. Enter the result here and on form FTB 3539. . . . .	<b>3</b>		00

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

# Credit Chart

Credit Name	Code	Description
<b>Current Credits List</b>		
California Competes Tax – FTB 3531	233	The credit, which is allocated and certified by the California Competes Tax Credit Committee, is available for businesses that want to come to California or to stay and grow in California. Website: <a href="http://business.ca.gov">business.ca.gov</a>
California Motion Picture and Television Production - FTB 3541	223	For taxable years beginning on or after January 1, 2011, the <b>original</b> credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film, or a TV series that relocates to California. Website: <a href="http://film.ca.gov">film.ca.gov</a>
College Access Tax – FTB 3592	235	The credit, which is allocated and certified by the California Educational Facilities Authority, is available for taxpayers who contribute to the College Access Tax Credit Fund. Website: <a href="http://treasurer.ca.gov/cefa">treasurer.ca.gov/cefa</a>
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit, but limited to \$125 per eligible small business, and based on 50% of qualified expenditures that do not exceed \$250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Enhanced Oil Recovery – FTB 3546	203	1/3 of the similar federal credit but limited to qualified enhanced oil recovery projects located within California
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government.
New Advanced Strategic Aircraft	236	The credit is available to qualified corporations that hire qualified employees and pay or incur qualified wages, to manufacture certain property for the United States Air Force.
New California Motion Picture and Television Production – FTB 3541	237	For taxable years beginning on or after January 1, 2016, the <b>new</b> credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film, or a TV series that relocates to California. Website: <a href="http://film.ca.gov">film.ca.gov</a>
New Donated Fresh Fruits or Vegetables – FTB 3814	238	15% of the qualified value of the donated fresh fruits, vegetables, or other qualified donated items made to California food banks, based on weighted average wholesale price.
New Employment – FTB 3554	234	The credit is available for a taxpayer that hires a full-time employee and pays or incurs wages in a designated census tract or economic development area, and receives a <b>tentative credit reservation</b> for that full-time employee.
Prior Year Alternative Minimum Tax	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in the current year
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program 3.0 California Motion Picture and Television Production – FTB 3541	239	For taxable years beginning on or after January 1, 2020, the <b>newest</b> credit is allocated and certified by the California Film Commission, and is available for qualified production expenditures attributable to a qualified motion picture, an independent film or a TV series that relocates to California. Website: <a href="http://film.ca.gov">film.ca.gov</a>
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California

**Repealed Credits with Carryover or Recapture Provisions:** The expiration dates for the credits listed below have passed. However, these credits had carryover or recapture provisions. The corporation may claim these credits if there is a carryover available from prior years. If the corporation is not required to complete Schedule P (100), get form FTB 3540, Credit Carryover and Recapture Summary, to figure the credit carryover to future years. For EZ, LAMBRA, MEA, or TTA credit carryovers, get form FTB 3805Z, form FTB 3807, form FTB 3808, or form FTB 3809.

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

# 2021 Instructions for Form FTB 3805Q

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

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

### General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to [ftb.ca.gov](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.

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

The carryover period for suspended losses is extended by:

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

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

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

- NOLs incurred in taxable years beginning on or after January 1, 2013, and before January 1, 2019, were carried back to each of the preceding two taxable years or elected to carryforward for 20 years. The allowable NOL carryback percentage varied. For more information see R&TC Section 24416 and get FTB Legal Ruling 2011-04. If a disaster loss deduction created an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback or carryforward rules for the taxable year the NOL was created applied.

- For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of a NOL shall not apply to an NOL attributable to these specified disaster losses. The President's declaration continues to activate the disaster loss provisions. For a list of disasters declared by the President and/or the Governor, see the Declared Disasters list in Specific Line Instructions. For the most current listing of disasters that may have occurred after the finalization date of this form, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **disaster loss for businesses**.

Get FTB Pub. 1034, Disaster Loss How to Claim a State Tax Deduction, for more information.

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

If taxpayers are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of \$300,000 or more shall apply to the aggregate amount of pre-apportioned income for **all** members included in the combined report.

- For taxable years beginning in 2008 and 2009, California suspended the NOL carryover deduction. Corporations continued to compute and carryover an NOL during the suspension period. **However**, corporations with taxable income of less than \$500,000 or with disaster loss carryovers were not affected by the NOL suspension rules.

- The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, are extended by:
  - One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
  - Two years for losses incurred in taxable years beginning before January 1, 2010.
  - Three years for losses incurred in taxable years beginning before January 1, 2009.
  - Four years for losses incurred in taxable years beginning before January 1, 2008.For more information, get FTB Legal Ruling 2011-04.
- For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period from 10 taxable years to 20 taxable years following the year of the loss.
- The Franchise Tax Board (FTB) implemented the Principal Business Activity (PBA) Codes chart that is based on the North American Industry Classification System (NAICS) in the corporate tax booklets. However, the R&TC still uses the Standard Industrial Codes (SIC) for purposes of the new business and eligible small business NOL.

### A Purpose

Use form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, to figure the current year NOL and to limit NOL carryover and disaster loss carryover deductions.

Exempt trusts should use form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts.

If the corporation elected to compute the NOL under the Enterprise Zone or Local Agency Military Base Recovery Area provisions prior to the 2014 taxable year, get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, or form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, for more information.

### B Apportioning Corporations

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



## C Combined Reporting

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

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

**Note:** If taxpayers are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of \$300,000 or more shall apply to the aggregate amount of pre-apportioned income for **all** members included in the combined report.

## D Water's-Edge

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

## E S Corporations

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

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

S corporation reverts back to a C corporation or the carryover period expires.

However, if an S corporation changes to a C corporation, any S corporation NOLs are lost.

## F Types of NOLs

The NOL Carryover table in these instructions shows the types of NOLs available, a description, the taxable year the NOLs were incurred, the percentages and carryover periods for each type of loss.

## Specific Line Instructions

### Part I – Current year NOL

Use Part I to figure the current year NOL eligible for carryover.

**Line 2** – If the corporation incurred a disaster loss during the 2021 taxable year, enter the amount of the loss on this line. Enter as a positive number.

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

**Line 6** – Go to Part II, Current Year NOLs, to record the corporation's 2021 NOL carryover to 2022. Complete columns (b), (c), (d), and (h) only, for each type of loss that the corporation incurred.

If the corporation has an eligible qualified new business or a small business and the NOL is greater than the amount of net loss from such a business, use the general NOL first. If the corporation operates one or more new businesses and one or more eligible small businesses, determine the amount of the loss attributable to the new business(es), the small business(es), and the general NOL in the following manner. The NOL is first treated as a new business NOL to the extent of the loss from the new business. Any remaining NOL is then treated as an eligible small business NOL to the extent of the loss from the eligible small business. Any further remaining NOL is treated as an NOL under the general rules.

### Part II – NOL carryover and disaster loss carryover limitations

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

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

#### When to use an NOL carryover

If the corporation NOL carryover deduction is not suspended, use the corporation's NOLs

and disaster losses in the order the losses were incurred. There is no requirement to deduct NOL carryovers before disaster loss carryovers.

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

#### Line 2 – Prior Year NOLs

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

**Column (b)** – If the loss is due to a disaster, enter the disaster code from the Declared Disasters list. If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual. **Do not** enter the code from the PBA Codes chart available in the 2021 Form 100, Form 100S, or Form 100W Tax Booklets.

#### Declared Disasters:

Year	Code	Event
2021	126	River Complex, French, Washington, Windy, KNP Complex and Hopkins Fires (Kern, Mendocino, Siskiyou, Trinity, Tulare, and Tuolumne Counties) 07/21*, 08/21* & 09/21*
2021	125	Fawn Fire (Shasta County) 09/21*
2021	124	Cache Fire (Lake County) 08/21*
2021	123	Caldor Fire (Alpine, Amador, El Dorado, and Placer Counties) 08/21*
2021	122	Dixie, McFarland, and Monument Fires (Shasta, Tehama, and Trinity Counties) 07/21* & 08/21*
2021	121	Antelope and River Fires (Nevada, Placer, and Siskiyou Counties) 08/21*
2021	120	Dixie, Fly, and Tamarack Fires (Alpine, Butte, Lassen, and Plumas Counties) 07/21*
2021	119	Lava and Beckwourth Complex Fires (Lassen, Plumas, and Siskiyou Counties) 06/21* & 07/21*
2021	118	Extreme Winds (Madera and Mariposa Counties) 01/21*
2021	117	Atmospheric River Storm System (Monterey and San Luis Obispo Counties) 01/21*
2020	116	California Wildfires (Fresno, Los Angeles, Madera, Mendocino, Napa, San Bernardino, San Diego, Shasta, Siskiyou, and Sonoma Counties) 09/20*
2020	115	Fires and Extreme Weather Conditions (All California Counties) 08/20* & 09/20*
2019	114	Extreme Wind and Fire Weather Conditions (All California Counties) 10/19*
2019	113	Kincadee & Tick Fires (Los Angeles and Sonoma Counties) 10/19*

Year	Code	Event	Year	Code	Event	Year	Code	Event
2019	112	Eagle, Reche, Saddleridge, Sandalwood, and Wolf Fires (Los Angeles and Riverside Counties) 10/19*	2017	82	San Bernardino County Rainstorm (San Bernardino County) 07/17*	2015	60	Mono County Wildfire 02/15*
2019	111	Earthquake (Kern and San Bernardino Counties) 07/19*	2017	81	Modoc County Fires (Modoc County) 07/17*	2014	59	Severe Winter Storms (Alameda, Contra Costa, Del Norte, Humboldt, Lake, Los Angeles, Marin, Mendocino, Monterey, Orange, San Francisco, San Mateo, Santa Clara, Shasta, Sonoma, Tehama, Ventura, and Yolo Counties) 11/14*
2019	110	Atmospheric River Storm System (Amador, Glenn, Lake, Mendocino, and Sonoma Counties) 02/19*	2017	80	Detwiler Fire (Mariposa County) 07/17*	2014	58	King and Boles Wildfires (El Dorado and Siskiyou Counties) 09/14*
2019	109	Atmospheric River Storm System (Calaveras, El Dorado, Humboldt, Los Angeles, Marin, Mendocino, Modoc, Mono, Monterey, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Barbara, Santa Clara, Shasta, Tehama, Trinity, Ventura, and Yolo Counties) 01/19 and 02/19*	2017	79	Alamo & Whittier Fires (Santa Barbara County) 07/17*	2014	57	Napa, Solano, and Sonoma Counties Earthquake 08/14 to 09/14*
2018	108	Hill & Woolsey Fires (Los Angeles and Ventura Counties) 11/18*	2017	78	Wall Fire (Butte County) 07/17*	2014	56	Siskiyou County Wildfires 08/14*
2018	107	Camp Fire (Butte County) 11/18*	2017	77.1	February Winter Storms (Alameda, Amador, Alpine, Butte, Calaveras, Colusa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Kern, Kings, Lake, Lassen, Los Angeles, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Bernardino, San Diego, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Ventura, Yolo, and Yuba Counties ) 02/17*	2014	55	Northern California Wildfires (Amador, Butte, El Dorado, Humboldt, Lassen, Madera, Mariposa, Mendocino, Modoc, Shasta, and Siskiyou Counties) 07/14*
2018	106	Holy Fire (Orange and Riverside Counties) 08/18*	2017	77	January Winter Storms (Alameda, Alpine, Butte, Calaveras, Contra Costa, El Dorado, Fresno, Humboldt, Inyo, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Marin, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Ventura, Yolo, and Yuba Counties) 01/17*	2014	54	San Diego County Wildfires 05/14***
2018	105	River, Ranch & Steele Fires (Lake, Mendocino, and Napa Counties) 07/18*	2016	76	December Winter Storms (Del Norte, Humboldt, Mendocino, Shasta, Santa Cruz, and Trinity Counties) 12/16*	2014	53	Los Angeles County Severe Rainstorms 02/14*
2018	104	Ferguson Fire (Mariposa County) 07/18*	2016	75	Blue Cut Fire (San Bernardino County) 08/16*	2013	52	Tuolumne, Mariposa, and San Francisco Counties Rim Fire 08/13 to 10/13 **
2018	103	Carr Fire (Shasta County) 07/18*	2016	74	Clayton Fire (Lake County) 08/16*	2011	51	Los Angeles and San Bernardino County Severe Winds 11/11***
2018	102	Cranston Fire (Riverside County) 07/18*	2016	73	Chimney Fire (San Luis Obispo County) 08/16*	2011	50	Santa Cruz County Severe Storms 03/11 ***
2018	101	Monsoonal Rainstorm (San Bernardino County) 07/18*	2016	72	Soberanes Fire (Monterey County) 07/16*	2011	49	Mendocino County Tsunami Wave Surge 03/11
2018	100	Holiday Fire (Santa Barbara County) 07/18*	2016	71	Sand Fire (Los Angeles County) 07/16*	2011	48	Del Norte and Santa Cruz County Tsunami Wave Surge 03/11 **
2018	99	West Fire (San Diego County) 07/18*	2016	70	Erskine Fire (Kern County) 06/16*	2011	47	Severe Winter Storms, Flooding, Debris, and Mud Flows 12/10 to 01/11**
2018	98	Klamathon Fire (Siskiyou County) 07/18*	2015	69	City of Carlsbad Rainstorms (San Diego County) 12/15*	2010	46	San Bruno Explosion
2018	97	Pawnee Fire (Lake County) 06/18*	2015	68	Inyo, Kern, and Los Angeles Counties Rainstorms 10/15*	2010	45	Kern County Wildfires
2018	96	March Winter Storms (Amador, Fresno, Kern, Mariposa, Merced, Stanislaus, Tulare and Tuolumne Counties) 03/18*	2015	67	Valley Fire (Lake and Napa Counties) 09/15*	2010	44	CA Winter Storms 01/10 to 02/10
2018	95	Southern California Mudslides (Ventura and Santa Barbara Counties) 01/18*	2015	66	Butte Fire (Amador and Calaveras Counties) 09/15*	2009	43	Los Angeles, Monterey and Placer County Wildfires
2017	94	Lilac Fire (San Diego County) 12/17*	2015	65	Imperial, Kern, Los Angeles, Riverside, San Bernardino, and San Diego Counties Severe Storms 07/15*	2010	42	Baja California (Imperial County) Earthquake 2010
2017	93	Creek & Rye Fires (Los Angeles County) 12/17*	2015	64	Lake and Trinity Counties Wildfires 07/15*	2010	41	Humboldt County Earthquake
2017	92	Thomas Fire (Ventura and Santa Barbara Counties) 12/17*	2015	63	Butte, El Dorado, Humboldt, Lake, Madera, Napa, Nevada, Sacramento, San Bernardino, San Diego, Shasta, Solano, Tulare, Tuolumne, and Yolo Counties Wildfires 06/15*	2009	40	Santa Barbara Wildfires
2017	91	Severe Winter Storms and Snowmelt (Inyo and Mono Counties) 10/17*	2015	62	Santa Barbara County Oil Spill 05/15*	2008	39	Southern California Wildfires 10/08 to 11/08
2017	90	Solano County Atlas Fire (Solano County) 10/17*	2015	61	Humboldt, Mendocino, and Siskiyou Counties Severe Rainstorms 02/15*	2008	38	Humboldt County Wildfires
2017	89	Cherokee, LaPorte, Sulphur, Potter, Cascade, Lobo & Canyon Fires (Butte, Lake, Mendocino, Nevada, and Orange Counties) 10/17*				2008	37	California Wildfires 2008
2017	88	Tubbs, Atlas & Multiple Other Fires (Napa, Sonoma, and Yuba Counties) 10/17*				2007	36	Riverside County Winds
2017	87	Railroad, Pier, Mission & Peak Fires (Madera, Mariposa, Tulare Counties) 08/17 & 09/17*				2008	35	Inyo Complex Fire
2017	86	La Tuna Fire (Los Angeles County) 09/17*				2007	34	Southern California Wildfires
2017	85	Ponderosa Fire (Butte County) 08/17*				2007	33	Santa Barbara and Ventura County Fires
2017	84	Helena Fire (Trinity County) 08/17*				2007	32	El Dorado County Wildfires
2016	83	Siskiyou County Rainstorm (Siskiyou County) 12/16* (declared 08/17)				2007	31	California Severe Freeze 01/07

\*For taxable years beginning on or after January 1, 2014, and before January 1, 2024, corporations may deduct a disaster loss for Governor declared disasters. For these Governor declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of an NOL shall not apply to an NOL attributable to these specified

disaster losses. For more information, see R&TC Section 24347.14 or the NOL Carryover table.

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

\*\*\*The Santa Cruz County Severe Storms (occurred in March 2011), the Los Angeles and San Bernardino County Severe Winds (occurred in November 2011), and the San Diego County Wildfires (occurred in May 2014), disaster loss deductions are allowed at 100% in the year the loss was incurred, or corporations can elect to deduct the disaster loss in the prior year under IRC Section 165(i). Any provision of law that suspends, defers, reduces, or otherwise diminishes the deduction of an NOL does not apply to an NOL attributable to these four counties. Refer to R&TC Sections 24347.11, 24347.12, and 24347.13 for more information.

If the Santa Cruz County Severe Storms or the Los Angeles and San Bernardino County Severe Winds disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years.

If the San Diego County Wildfires disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The corporation must carryback the NOL attributable to the disaster loss for two years or elect to carryforward the NOL for 20 years.

\*\*\*\* Corporations that elected to deduct the disaster loss in the prior year under IRC Section 165(i), the final year to deduct the disaster loss carryover was last year. Corporations that did not elect IRC Section 165(i), the final year to deduct the disaster loss carryover is this year.

**Column (c)** – Enter the type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS). For more information, see the NOL Carryover table.

If using an Economic Development Area (EDA) NOL, get the applicable form for the NOL type.

**Column (d)** – Enter 100% of the initial loss for the year given in column (a).

**Column (e)** – Enter the NOL carryover amount from the 2020 form FTB 3805Q, Part II, column (h).

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

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

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

#### Current Year NOLs

If a disaster loss occurs between the date of the publication of this form and the end of the taxable year, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **disaster loss for businesses**, for the updated disaster chart. Then follow the line 3 instructions.

#### Line 3 – Current Year Disaster Loss

If the corporation deducts the current year disaster loss on the current year tax return (**did not elect IRC Section 165(i)**):

- In column (d), enter the 2021 disaster loss from Part I, Current year NOL, line 2.
- In column (f), enter the disaster loss used in 2021.
- In column (h), enter column (d) less column (f).

Any remaining disaster loss amount would create an NOL for that taxable year. If the disaster loss deduction creates an NOL in the year of the loss, the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The corporation carries forward the 2021 NOL attributable to the disaster loss for 20 years.

If the corporation **elected under IRC Section 165(i)** to deduct the 2021 disaster loss on the 2020 tax return, any remaining disaster loss amount would create an NOL to which the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The corporation can carryforward the NOL attributable to the disaster loss for 20 years.

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

- In column (a), enter 2021.
- In column (b), enter the new disaster code.
- In column (d), enter the total disaster loss incurred in 2021.



## NOL Carryover

<p style="text-align: center;"><b>Type of NOL and Description</b></p> <p><b>*Note:</b> The NOL carryover deduction is suspended for the 2020, 2021 and 2022 taxable years, if the corporation taxable income is \$1,000,000 or more. The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2020-2022 suspension, is extended. For more information, see General Information.</p> <p>The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, is extended. For more information, see General Information.</p>	<p style="text-align: center;"><b>Taxable Year NOL Incurred</b></p>	<p style="text-align: center;"><b>NOL Carried Over</b></p>	<p style="text-align: center;"><b>Carryover* Period</b></p>
<p><b>General</b> Available as a result of a loss incurred in taxable years after 1986 and allowed under R&amp;TC Section 24416. Does not include losses incurred from activities that qualify as a new business, an eligible small business, EZ, LAMBRA, TTA, or disaster loss.</p>	<p>On or after 01/01/2008 2006<sup>1</sup>-2007 2004-2005</p>	<p>100% 100% 100%</p>	<p>20 Years 10 Years Expired</p>
<p><b>Disaster Losses</b> Disaster losses are casualty losses in areas of California declared by the President of the United States or the Governor of California to be in a state of disaster. For taxable years beginning on or after January 1, 2014, and before January 1, 2024, if the disaster is declared by the Governor of California only, no subsequent state legislation is required for the disaster loss provisions to be activated. For taxable years before 2014, if the disaster was declared by the Governor only, subsequent state legislation was required for the disaster provision to be activated.</p> <p>An election may be made under IRC Section 165(i) permitting the disaster loss to be taken against the previous year's income. If the corporation made this election, see Part II, Current Year NOLs, line 3 instructions and federal Form 4684, Casualties and Thefts, instructions for when the election must be filed. If special legislation is enacted and the specified disaster loss exceeds income in the year it is claimed, 100% of the excess may be carried over for up to five taxable years. If any excess loss remains after the five-year period, 100% of that remaining loss may be carried over for up to ten additional taxable years for losses incurred in any taxable year beginning on or after January 1, 2004.</p> <p>The following rules would apply if state legislation is enacted; <b>or</b> the President declared an area a major disaster; <b>or</b> the Governor declared an area a major disaster for taxable years beginning on or after January 1, 2014:</p> <p>The corporation can claim 100% of the disaster loss deduction in the year the loss was incurred, or make an election under IRC Section 165(i) to claim the disaster loss deduction against the previous year's income. For taxable years beginning on or after January 1, 2011, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years.</p>	<p>See "Declared Disasters list" under Part II instructions</p> <p>Prior to 01/01/2011</p> <p>On or after 01/01/2011</p>	<p>100%</p> <p>See Description</p>	<p>First 5 Years 10 Years Thereafter</p> <p>See Description</p>
<p><b>New Business</b> Get FTB Legal Ruling 96-5 for more information.</p> <p>NB means any trade or business activity that is first commenced in California on or after January 1, 1994. 100% of an NB NOL may be carried over, but only to the extent of the net loss from the new business. The term "new business" also includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the SIC Manual. Also, it includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration. See R&amp;TC 24416(g)(7)(A) for more information.</p> <p>If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL.</p> <p>If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business conducted by the taxpayer or related person is not a new business if the fair market value (FMV) of the acquired assets exceeds 20% of the FMV of the total assets of the trade or business conducted by the taxpayer or any related person. To determine whether the acquired assets exceed 20% of the total assets, include only the assets that continue to be used in the same trade or business activity as were used immediately prior to the acquisition. For this purpose, the same trade or business activity means the same division classification listed in the SIC Manual.</p> <p>If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and then starts an additional trade or business in California, the additional trade or business qualifies as a new business only if the activity is classified under a different division classification of the SIC Manual.</p> <p>Business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business. Related persons are defined in IRC Sections 267 or 318.</p>	<p>On or after 01/01/2008</p> <p>On or after 01/01/2000<sup>1</sup> and before 01/01/2008</p>	<p>100%</p> <p>100% For the first three years of business</p>	<p>20 Years</p> <p>10 Years</p>
<p><b>Eligible Small Business</b> Get FTB Legal Ruling 96-5 for more information.</p> <p>An ESB NOL is an NOL incurred in a trade or business activity that has gross receipts, less returns and allowances, of less than \$1 million during the taxable year.</p> <p>100% of an ESB NOL may be carried over, but only to the extent of the net loss from the eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over as a general NOL.</p> <p>The corporation should use the same SIC Code division classifications described in the New Business NOL section to determine what constitutes a trade or business activity.</p>	<p>On or after 01/01/2008</p> <p>On or after 01/01/2000<sup>1</sup> and before 01/01/2008</p>	<p>100%</p> <p>100%</p>	<p>20 Years</p> <p>10 Years</p>

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

# 2021 Instructions for Form FTB 3885

## Corporation Depreciation and Amortization

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

### General Information

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

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

### A Purpose

Use form FTB 3885, Corporation Depreciation and Amortization, to calculate California depreciation and amortization deduction for corporations, including partnerships and limited liability companies (LLCs) classified as corporations.

S corporations must use Schedule B (100S), S Corporation Depreciation and Amortization.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. Generally, depreciation is used in connection with tangible property.

Amortization is an amount deducted to recover the cost of certain capital expenses over a fixed period. Generally amortization is used for intangible assets.

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

### B Federal/State Differences

Differences between federal and California laws affect the calculation of depreciation and amortization. The following lists are not intended to be all-inclusive of the federal and state conformities and differences. For more information, refer to the R&TC.

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

- The inclusion of sport utility vehicles (SUVs) and minivans built on a truck chassis in the definition of trucks and vans when applying the 6,000 pound gross weight limit. See IRC Section 280F for more information.
- The additional first-year depreciation, **or** the election to expense the cost of the property as provided in IRC Section 179, **with modification**.
- The federal Class Life Asset Depreciation Range (ADR) System provisions, which specifies a useful life for various types of property. However, California law does not allow the corporation to choose a depreciation period that varies from the specified asset guideline system.

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

- The expanded definition of IRC Section 179 property for certain depreciable tangible personal property related to furnishing lodging and for qualified real property for improvements to nonresidential real property.
- The enhanced IRC Section 179 expensing election.
- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2021.
- California does not conform to the federal modifications to depreciation limitations on luxury automobiles (IRC Section 280F).

Depreciation limitations for passenger automobiles (that are not trucks or vans) placed in service in the calendar year 2021:

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

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

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

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

- IRC Section 613A(d)(4) relating to the exclusion of certain refiners. See R&TC Section 24831.3 for more information.
- IRC Section 168(k) relating to the depreciation deduction for certain assets.
- The accelerated recovery period for depreciation of smart meters and smart grid systems.
- The ten-year useful life for grapevines planted as replacements for vines subject to Phylloxera or Pierce's disease. California law allows a useful life of five years. See R&TC Section 24349 for additional information.
- The federal special class life for gas station convenience stores and similar structures.
- The depreciation under Modified Accelerated Cost Recovery System (MACRS) for corporations, except to the extent such depreciation is passed through from a partnership or LLC classified as a partnership.

### C Depreciation Calculation Methods

Depreciation methods are defined in R&TC Sections 24349 through 24354. Depreciation calculation methods, described in R&TC Section 24349, are as follows:

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

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

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

For example, the annual depreciation allowances for 10-year property with an original basis of \$100,000 are:

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

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

**Other Consistent Methods.** Other depreciation methods may be used as long as the total accumulated depreciation at the end of any taxable year during the first 2/3 of the useful life of the property is not more than the amount that would have resulted from using the declining balance method.

## D Period of Depreciation

Under Cal. Code Regs., tit. 18 section 24349(l), California conforms to the federal useful lives of property.

Use the following information as a guide to determine reasonable periods of useful life for purposes of calculating depreciation. Actual facts and circumstances will determine useful life. However, the figures listed below represent the normal periods of useful life for the types of property listed as shown in IRS Rev. Proc. 87-56.

- Office furniture, fixtures, machines, and equipment. . . . . 10 yrs.  
This category includes furniture and fixtures (that are not structural components of a building) and machines and equipment used in the preparation of paper or data.  
Examples include: desks; files; safes; typewriters; accounting, calculating, and data processing machines; communications equipment; and duplicating and copying equipment.
- Computers and peripheral equipment (printers, etc.) . . . . . 6 yrs.
- Transportation equipment and automobiles (including taxis) . . . . . 3 yrs.
- General-purpose trucks:  
Light (unloaded weight less than 13,000 lbs.) . . . . . 4 yrs.  
Heavy (unloaded weight 13,000 lbs. or more) . . . . . 6 yrs.

- Buildings  
This category includes the structural shell of a building and all of its integral parts that service normal heating, plumbing, air conditioning, fire prevention and power requirements, and equipment such as elevators and escalators.  
Type of building:  
Apartments . . . . . 40 yrs.  
Dwellings (including rental residences) . . . . . 45 yrs.  
Office buildings . . . . . 45 yrs.  
Warehouses . . . . . 60 yrs.

## E Depreciation Methods to Use

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

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

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

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

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

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

Corporations may elect IRC Section 179 to expense part or all of the cost of depreciable tangible property used in the trade or business and certain other property described in federal Publication 946, How to Depreciate Property. To elect IRC Section 179, the corporation must have purchased property, as defined in IRC Section 179(d)(2), and placed it in service during the taxable year. If the corporation elects this deduction, the corporation must reduce the California depreciable basis by the IRC Section 179 expense. The total IRC Section 179 expense deduction cannot exceed the corporation's business income. See the instructions for federal Form 4562, Depreciation and Amortization, for more information.

California law does not conform to the federal limitation amounts under IRC Section 179(b)(1) and (2). For California purposes, the maximum IRC Section 179 expense deduction allowed is \$25,000. This amount is reduced if the cost of all IRC Section 179 property placed in service during the taxable year is more than \$200,000.

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

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

## G Amortization

California conforms to the IRC Section 197 amortization of intangibles for taxable years beginning on or after January 1, 1994. Generally, assets that meet the definition under IRC Section 197 are amortized on a straight-line basis over 15 years. There may be differences in the federal and California amounts for intangible assets acquired in taxable years beginning prior to January 1, 1994. See R&TC Section 24355.5 for more information.

Amortization of the following assets is governed by California law:

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

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

## Specific Line Instructions

For properties placed in service during the taxable year, the corporation may complete Part I if the corporation elects to expense qualified property under IRC Section 179, or Part II if the corporation elects additional first year depreciation deduction for qualified property under R&TC Section 24356. The corporation may **only** elect IRC Section 179 or the additional first year depreciation deduction for the same taxable year. The election must be made on a timely filed tax return (including extension). The election may not be revoked except with the Franchise Tax Board's consent. Part II is also used to calculate depreciation for property (with or without the above elections).

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

Complete Part I if the corporation elects IRC Section 179 expense. Include all assets qualifying for the deduction since the limit applies to **all** qualifying assets as a group rather than to each asset individually. The total IRC Section 179 expense for property, for which the election may be made, is figured on line 5. The amount of IRC Section 179 expense deductions for the taxable year cannot exceed the corporation's business income on line 11. See the instructions for federal Form 4562 for more information.

### Line 2

Enter the cost of all IRC Section 179 qualified property placed in service during the taxable year including the cost of any listed property. See General Information F, Election To Expense Certain Property Under IRC Section 179, for information regarding qualified property. See line 7 instructions for information regarding listed property.

### Line 5

If line 5 is zero, the corporation cannot elect to expense any IRC Section 179 property. Skip line 6 through line 11, enter zero on line 12.

### Line 6

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

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

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

### Column (b) – Cost (business use only).

Enter the cost of the property. If the corporation acquired the property through a trade-in, **do not** include any carryover basis of the property traded in. Include only the excess of the cost of the property over the value of the property traded in.

### Column (c) – Elected cost.

Enter the amount the corporation elects to expense. The corporation does not have to expense the entire cost of the property. The corporation can depreciate the amount it does not expense.

### Line 7

Use a format similar to federal Form 4562, Part V, line 26 to determine the elected IRC Section 179 cost of listed property. Listed property generally includes the following:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, SUVs, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Computers or peripheral equipment.

**Exception.** Listed property generally does not include:

- Photographic, phonographic, communication, or video equipment used exclusively in the corporation's trade or business.
- Any computer or peripheral equipment used exclusively at a regular business.
- An ambulance, hearse, or vehicle used for transporting persons or property for hire.

Listed property used 50% or less in business activity does not qualify for the IRC Section 179 expense deduction. For more information regarding listed property, get the instructions for federal Form 4562.

### Line 11

The total cost the corporation can deduct is limited to the corporation's business income. For the purpose of the IRC Section 179 election, business income is the net income derived from the corporation's active trade or business. Net income is from Form 100 or Form 100W, Side 2, line 17, before the IRC Section 179 expense deduction and excludes items not derived from a trade or business actively conducted by the corporation.

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

### Line 14

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

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

### Line 14, Column (h), Additional first-year depreciation.

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

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

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

## Part IV Amortization

### Line 19, Column (e) – R&TC Section.

Enter the correct R&TC section for the type of amortization. See General Information G, Amortization, for a list of the R&TC Sections.



## Principal Business Activity Codes

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. These principal business activity codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the company derives the largest percentage of its "total receipts." **Total receipts** is defined as the sum of gross receipts or sales (Form 100W, Side 4, Schedule F, line 1a) plus all other income (Form 100W, Side 4, Schedule F, lines 4 through 10). If the company purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the company is considered a manufacturer and must use one of the manufacturing codes (311110-339900).

Once the principal business activity is determined, entries must be made on Form 100W, Question F. For the business activity code, enter the six-digit code selected from the list below. On the next line enter a brief description of the company's business activity. Finally, enter a description of the principal product or service of the company on the next line.

### Agriculture, Forestry, Fishing, and Hunting

#### Code

#### Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

#### Animal Production

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

#### Forestry and Logging

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

#### Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

#### Support Activities for Agriculture and Forestry

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

#### Mining

- 211120 Crude Petroleum Extraction
- 211130 Natural Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory
- 212390 Mineral Mining & Quarrying
- 213110 Support Activities for Mining

#### Utilities

- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems
- 221500 Combination Gas and Electric

### Construction

#### Code

#### Construction of Buildings

- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

#### Heavy and Civil Engineering Construction

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

#### Specialty Trade Contractors

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

### Manufacturing

#### Food Manufacturing

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

#### Beverage and Tobacco Product Manufacturing

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

#### Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

#### Apparel Manufacturing

- 315100 Apparel Knitting Mills

#### Code

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

#### Leather and Allied Product Manufacturing

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

#### Wood Product Manufacturing

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

#### Paper Manufacturing

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

#### Printing and Related Support Activities

- 323100 Printing & Related Support Activities

#### Petroleum and Coal Products Manufacturing

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

#### Chemical Manufacturing

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

#### Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

#### Nonmetallic Mineral Product Manufacturing

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

#### Primary Metal Manufacturing

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

#### Fabricated Metal Product Manufacturing

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

#### Code

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

#### Machinery Manufacturing

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

#### Computer and Electronic Product Manufacturing

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

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

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

#### Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336900 Other Transportation Equipment Mfg

#### Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

#### Miscellaneous Manufacturing

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

### Wholesale Trade

#### Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Household Appliances and Electrical and Electronic Goods
- 423700 Hardware, & Plumbing & Heating Equipment & Supplies
- 423800 Machinery, Equipment, & Supplies
- 423910 Sporting & Recreational Goods & Supplies
- 423920 Toy & Hobby Goods & Supplies
- 423930 Recyclable Materials
- 423940 Jewelry, Watch, Precious Stone, & Precious Metals
- 423990 Other Miscellaneous Durable Goods

Code	
<b>Merchant Wholesalers, Nondurable Goods</b>	
424100	Paper & Paper Products
424210	Drugs & Druggists' Sundries
424300	Apparel, Piece Goods, & Notions
424400	Grocery & Related Products
424500	Farm Product Raw Materials
424600	Chemical & Allied Products
424700	Petroleum & Petroleum Products
424800	Beer, Wine, & Distilled Alcoholic Beverages
424910	Farm Supplies
424920	Book, Periodical, & Newspapers
424930	Flower, Nursery Stock, & Florists' Supplies
424940	Tobacco & Tobacco Products
424950	Paint, Varnish, & Supplies
424990	Other Miscellaneous Nondurable Goods
<b>Wholesale Electronic Markets and Agents and Brokers</b>	
425110	Business to Business Electronic Markets
425120	Wholesale Trade Agents & Brokers

### Retail Trade

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

### Furniture and Home Furnishings Stores

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

### Electronics and Appliance Stores

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

### Building Material and Garden Equipment and Supplies Dealers

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

### Food and Beverage Stores

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

### Health and Personal Care Stores

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

### Gasoline Stations

447100	Gasoline Stations (including convenience stores with gas)
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Code	
<b>Clothing and Clothing Accessories Stores</b>	
448110	Men's Clothing Stores
448120	Women's Clothing Stores
448130	Children's & Infants' Clothing Stores
448140	Family Clothing Stores
448150	Clothing Accessories Stores
448190	Other Clothing Stores
448210	Shoe Stores
448310	Jewelry Stores
448320	Luggage & Leather Goods Stores
<b>Sporting Goods, Hobby, Book, and Music Stores</b>	
451110	Sporting Goods Stores
451120	Hobby, Toy, & Game Stores
451130	Sewing, Needlework, & Piece Goods Stores
451140	Musical Instrument & Supplies Stores
451211	Book Stores
451212	News Dealers & Newsstands
<b>General Merchandise Stores</b>	
452200	Department Stores
452300	General Merchandise Stores, incl. Warehouse Clubs and Supercenters
<b>Miscellaneous Store Retailers</b>	
453110	Florists
453210	Office Supplies & Stationery Stores
453220	Gift, Novelty, & Souvenir Stores
453310	Used Merchandise Stores
453910	Pet & Pet Supplies Stores
453920	Art Dealers
453930	Manufactured (Mobile) Home Dealers
453990	All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)
<b>Nonstore Retailers</b>	
454110	Electronic Shopping & Mail-Order Houses
454210	Vending Machine Operators
454310	Fuel Dealers (including Heating Oil and Liquefied Petroleum)
454390	Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

### Transportation and Warehousing

Air, Rail, and Water Transportation	
481000	Air Transportation
482110	Rail Transportation
483000	Water Transportation
<b>Truck Transportation</b>	
484110	General Freight Trucking, Local
484120	General Freight Trucking, Long-distance
484200	Specialized Freight Trucking
<b>Transit and Ground Passenger Transportation</b>	
485110	Urban Transit Systems
485210	Interurban & Rural Bus Transportation
485310	Taxi and Ridesharing Services
485320	Limousine Service
485410	School & Employee Bus Transportation
485510	Charter Bus Industry
485990	Other Transit & Ground Passenger Transportation
<b>Pipeline Transportation</b>	
486000	Pipeline Transportation
<b>Scenic &amp; Sightseeing Transportation</b>	
487000	Scenic & Sightseeing Transportation

Code	
<b>Support Activities for Transportation</b>	
488100	Support Activities for Air Transportation
488210	Support Activities for Rail Transportation
488300	Support Activities for Water Transportation
488410	Motor Vehicle Towing
488490	Other Support Activities for Road Transportation
488510	Freight Transportation Arrangement
488990	Other Support Activities for Transportation
<b>Couriers and Messengers</b>	
492110	Couriers
492210	Local Messengers & Local Delivery
<b>Warehousing and Storage</b>	
493100	Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

Code	
<b>Information</b>	
<b>Publishing Industries (except Internet)</b>	
511110	Newspaper Publishers
511120	Periodical Publishers
511130	Book Publishers
511140	Directory & Mailing List Publishers
511190	Other Publishers
511210	Software Publishers
<b>Motion Picture and Sound Recording Industries</b>	
512100	Motion Picture & Video Industries (except video rental)
512200	Sound Recording Industries
<b>Broadcasting (except Internet)</b>	
515100	Radio & Television Broadcasting
515210	Cable & Other Subscription Programming
<b>Telecommunications</b>	
517000	Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)
<b>Data Processing Services</b>	
518210	Data Processing, Hosting, & Related Services
<b>Other Information Services</b>	
519100	Other Information Services (including news syndicates, libraries, internet publishing & broadcasting)

### Finance and Insurance

Code	
<b>Depository Credit Intermediation</b>	
522110	Commercial Banking
522120	Savings Institutions
522130	Credit Unions
522190	Other Depository Credit Intermediation
<b>Nondepository Credit Intermediation</b>	
522210	Credit Card Issuing
522220	Sales Financing
522291	Consumer Lending
522292	Real Estate Credit (including mortgage bankers & originators)
522293	International Trade Financing
522294	Secondary Market Financing
522298	All Other Nondepository Credit Intermediation
<b>Activities Related to Credit Intermediation</b>	
522300	Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)
<b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b>	
523110	Investment Banking & Securities Dealing
523120	Securities Brokerage

Code	
<b>Support Activities for Transportation</b>	
488100	Support Activities for Air Transportation
488210	Support Activities for Rail Transportation
488300	Support Activities for Water Transportation
488410	Motor Vehicle Towing
488490	Other Support Activities for Road Transportation
488510	Freight Transportation Arrangement
488990	Other Support Activities for Transportation
<b>Couriers and Messengers</b>	
492110	Couriers
492210	Local Messengers & Local Delivery
<b>Warehousing and Storage</b>	
493100	Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

Code	
<b>Insurance Carriers and Related Activities</b>	
524140	Direct Life, Health, & Medical Insurance & Reinsurance Carriers
524150	Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
524210	Insurance Agencies & Brokerages
524290	Other Insurance Related Activities (including third-party administration of insurance and pension funds)
<b>Funds, Trusts, and Other Financial Vehicles</b>	
525100	Insurance & Employee Benefit Funds
525910	Open-End Investment Funds (Form 1120-RIC)
525920	Trusts, Estates, & Agency Accounts
525990	Other Financial Vehicles (including mortgage REITs & closed-end investment funds) "Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under <b>Management of Companies (Holding Companies)</b> on next page.

### Real Estate and Rental and Leasing

#### Real Estate

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

#### Rental and Leasing Services

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

#### Lessors of Nonfinancial Intangible Assets (except copyrighted works)

533110	Lessors of Nonfinancial Intangible Assets (except copyrighted works)
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### Professional, Scientific, and Technical Services

#### Legal Services

541110	Offices of Lawyers
541190	Other Legal Services

**Code**  
**Accounting, Tax Preparation, Bookkeeping, and Payroll Services**  
541211 Offices of Certified Public Accountants  
541213 Tax Preparation Services  
541214 Payroll Services  
541219 Other Accounting Services  
**Architectural, Engineering, and Related Services**  
541310 Architectural Services  
541320 Landscape Architecture Services  
541330 Engineering Services  
541340 Drafting Services  
541350 Building Inspection Services  
541360 Geophysical Surveying & Mapping Services  
541370 Surveying & Mapping (except Geophysical) Services  
541380 Testing Laboratories  
**Specialized Design Services**  
541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)  
**Computer Systems Design and Related Services**  
541511 Custom Computer Programming Services  
541512 Computer Systems Design Services  
541513 Computer Facilities Management Services  
541519 Other Computer Related Services  
**Other Professional, Scientific, and Technical Services**  
541600 Management, Scientific, & Technical Consulting Services  
541700 Scientific Research & Development Services  
541800 Advertising & Related Services  
541910 Marketing Research & Public Opinion Polling  
541920 Photographic Services  
541930 Translation & Interpretation Services  
541940 Veterinary Services  
541990 All Other Professional, Scientific, & Technical Services  
**Management of Companies (Holding Companies)**  
551111 Offices of Bank Holding Companies  
551112 Offices of Other Holding Companies  
**Administrative and Support and Waste Management and Remediation Services**  
**Administrative and Support Services**  
561110 Office Administrative Services  
561210 Facilities Support Services  
561300 Employment Services  
561410 Document Preparation Services  
561420 Telephone Call Centers  
561430 Business Service Centers (including private mail centers & copy shops)  
561440 Collection Agencies  
561450 Credit Bureaus  
561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)

**Code**  
561500 Travel Arrangement & Reservation Services  
561600 Investigation & Security Services  
561710 Exterminating & Pest Control Services  
561720 Janitorial Services  
561730 Landscaping Services  
561740 Carpet & Upholstery Cleaning Services  
561790 Other Services to Buildings & Dwellings  
561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)  
**Waste Management and Remediation Services**  
562000 Waste Management & Remediation Services  
**Educational Services**  
611000 Educational Services (including schools, colleges, & universities)  
**Health Care and Social Assistance**  
**Offices of Physicians and Dentists**  
621111 Offices of Physicians (except mental health specialists)  
621112 Offices of Physicians, Mental Health Specialists  
621210 Offices of Dentists  
**Offices of Other Health Practitioners**  
621310 Offices of Chiropractors  
621320 Offices of Optometrists  
621330 Offices of Mental Health Practitioners (except Physicians)  
621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists  
621391 Offices of Podiatrists  
621399 Offices of All Other Miscellaneous Health Practitioners  
**Outpatient Care Centers**  
621410 Family Planning Centers  
621420 Outpatient Mental Health & Substance Abuse Centers  
621491 HMO Medical Centers  
621492 Kidney Dialysis Centers  
621493 Freestanding Ambulatory Surgical & Emergency Centers  
621498 All Other Outpatient Care Centers  
**Medical and Diagnostic Laboratories**  
621510 Medical & Diagnostic Laboratories  
**Home Health Care Services**  
621610 Home Health Care Services

**Code**  
**Other Ambulatory Health Care Services**  
621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)  
**Hospitals**  
622000 Hospitals  
**Nursing and Residential Care Facilities**  
623000 Nursing & Residential Care Facilities  
**Social Assistance**  
624100 Individual & Family Services  
624200 Community Food & Housing, & Emergency & Other Relief Services  
624310 Vocational Rehabilitation Services  
624410 Child Day Care Services  
**Arts, Entertainment, and Recreation**  
**Performing Arts, Spectator Sports, and Related Industries**  
711100 Performing Arts Companies  
711210 Spectator Sports (including sports clubs & racetracks)  
711300 Promoters of Performing Arts, Sports, & Similar Events  
711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures  
711510 Independent Artists, Writers, & Performers  
**Museums, Historical Sites, and Similar Institutions**  
712100 Museums, Historical Sites, & Similar Institutions  
**Amusement, Gambling, and Recreation Industries**  
713100 Amusement Parks & Arcades  
713200 Gambling Industries  
713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)  
**Accommodation and Food Services**  
**Accommodation**  
721110 Hotels (except Casino Hotels) & Motels  
721120 Casino Hotels  
721191 Bed & Breakfast Inns  
721199 All Other Traveler Accommodation  
721210 RV (Recreational Vehicle) Parks & Recreational Camps  
721310 Rooming & Boarding Houses  
Dormitories, & Workers' Camps

**Code**  
**Food Services and Drinking Places**  
722300 Special Food Services (including food service contractors & caterers)  
722410 Drinking Places (Alcoholic Beverages)  
722511 Full Service Restaurants  
722513 Limited Service Restaurants  
722514 Cafeterias and Buffets  
722515 Snack and Non-alcoholic Beverage Bars  
**Other Services**  
**Repair and Maintenance**  
811110 Automotive Mechanical & Electrical Repair & Maintenance  
811120 Automotive Body, Paint, Interior, & Glass Repair  
811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)  
811210 Electronic & Precision Equipment Repair & Maintenance  
811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance  
811410 Home & Garden Equipment & Appliance Repair & Maintenance  
811420 Reupholstery & Furniture Repair  
811430 Footwear & Leather Goods Repair  
811490 Other Personal & Household Goods Repair & Maintenance  
**Personal and Laundry Services**  
812111 Barber Shops  
812112 Beauty Salons  
812113 Nail Salons  
812190 Other Personal Care Services (including diet & weight reducing centers)  
812210 Funeral Homes & Funeral Services  
812220 Cemeteries & Crematories  
812310 Coin-Operated Laundries & Drycleaners  
812320 Drycleaning & Laundry Services (except Coin-Operated)  
812330 Linen & Uniform Supply  
812910 Pet Care (except Veterinary) Services  
812920 Photofinishing  
812930 Parking Lots & Garages  
812990 All Other Personal Services  
**Religious, Grantmaking, Civic, Professional, and Similar Organizations**  
813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)



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**Visit our website:**

**[ftb.ca.gov](https://ftb.ca.gov)**

# How To Get California Tax Information

## Where To Get Tax Forms and Publications

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

**By phone** – You can order current year California tax forms from 6 a.m. to 10 p.m. weekdays, 6 a.m. to 4:30 p.m. Saturdays, except holidays. Refer to the list in the right column and find the code for the form you want to order. Call 800.338.0505 and follow the recorded instructions.

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

**By mail** – Write to:

TAX FORMS REQUEST UNIT MS D120  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Letters

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

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0500

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information. **Do not** attach correspondence to your tax return unless the correspondence relates to an item on the return.

## General Phone Service

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

Telephone: 800.852.5711 from within the United States  
916.845.6500 from outside the United States

California  
Relay

Service: 711 or 800.735.2929 for persons with hearing or speaking limitations

IRS: 800.829.4933 call the IRS for federal tax questions

### Asistencia En Español:

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

Teléfono: 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos

Servicio de  
Retransmisión

de California: 711 o 800.735.2929 para personas con limitaciones auditivas o del habla

IRS: 800.829.4933 para preguntas sobre impuestos federales

## California Tax Forms and Publications

- 817 California Corporation Tax Forms and Instructions.  
This booklet contains:
- Form 100, California Corporation Franchise or Income Tax Return
  - Schedule H (100), Dividend Income Deduction
  - Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations
  - FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations
  - FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
  - FTB 3885, Corporation Depreciation and Amortization
- 816 California S Corporation Tax Forms and Instructions.  
This booklet contains:
- Form 100S, California S Corporation Franchise or Income Tax Return
  - Schedule B (100S), S Corporation Depreciation and Amortization
  - Schedule C (100S), S Corporation Tax Credits
  - Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains
  - Schedule H (100S), S Corporation Dividend Income Deduction
  - Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc.
  - Schedule QS, Qualified Subchapter S Subsidiary (QSub) Information
  - FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations
  - FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations
- 814 Form 109, Exempt Organization Business Income Tax Booklet
- 818 Form 100-ES, Corporation Estimated Tax
- 815 Form 199, California Exempt Organization Annual Information Return and Instructions
- 802 FTB 3500, Exemption Application
- 831 FTB 3500A, Submission of Exemption Request
- 943 FTB 4058, California Taxpayers' Bill of Rights
- 948 FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection

## Your Rights As A Taxpayer

The FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. For more information get FTB 4058, California Taxpayers' Bill of Rights.

See "Where To Get Tax Forms and Publications," on this page.

### Franchise Tax Board Privacy Notice on Collection

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

Use our automated phone service to get recorded answers to many of your questions about California taxes and to order current year California business entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

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

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**To Order Forms**

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See "Where to Get Tax Forms and Publications" on the previous page.

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**To Get Information**

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You can hear recorded answers to Frequently Asked Questions 24 hours a day, 7 days a week. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "Frequently Asked Questions." Enter the 3-digit code, listed below, when prompted.

**Code Filing Assistance**

- 715 If my actual tax is less than the minimum franchise tax, what figure do I put on the **Tax** line on Form 100 or Form 100W?
- 717 What are the tax rates for corporations?
- 718 How do I get an extension of time to file?
- 722 When does my corporation have to file a short-period return?
- 734 Is my corporation subject to franchise tax or income tax?

**S Corporations**

- 704 Is an S corporation subject to the minimum franchise tax?
- 705 Are S corporations required to make estimated payments?
- 706 What forms do S corporations file?
- 707 The tax for my S corporation is less than the minimum franchise tax. What figure do I put on the **Tax** line on Form 100S?

**Exempt Organizations**

- 709 How do I get tax-exempt status?
- 710 Does an exempt organization have to file Form 199?
- 736 I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

**Minimum Tax and Estimate Tax**

- 712 What is the minimum franchise tax?
- 714 My corporation is not doing business; does it have to pay the minimum franchise tax?

**Billings and Miscellaneous Notices**

- 503 How do I file a protest against a Notice of Proposed Assessment?
- 723 I received a bill for \$250. What is this for?

**Corporate Dissolution**

- 724 How do I dissolve my corporation?

**Limited Liability Companies (LLCs)**

- 750 How do I organize or register an LLC?
- 752 What tax forms do I use to file as an LLC?
- 753 When is the annual tax payment due?

**Miscellaneous**

- 700 Who do I need to contact to start a business?
- 701 I need a state Employer ID number for my business. Who do I contact?
- 703 How do I incorporate?
- 737 Where do I send my payment?