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# California

Forms & Instructions

# 565

## 2003

Partnership Tax Booklet

Members of the Franchise Tax Board

Steve Westly, Chair  
Carole Migden, Member  
Donna Arduin, Member

**This booklet contains:**

**Form 565**, Partnership Return of Income

**FTB 3885P**, Depreciation and Amortization

**FTB 3538**, Payment Voucher for Automatic Extension for Limited Partnerships, LLPs, and REMICs

**Schedule D (565)**, Capital Gain or Loss

**Schedule K-1 (565)**, Partner's Share of Income, Deductions, Credits, etc.



STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**

# Table of Contents

---

General Information .....	3
Instructions for Form 565 .....	9
Instructions for Schedule K (565) and Schedule K-1 (565) .....	12
<b>Form 565</b> .....	17
<b>Schedule K-1 (565)</b> .....	25
<b>Schedule D/FTB 3885P</b> .....	29
Instructions for Schedule D/FTB 3885P .....	33
<b>FTB 3538</b> and Instructions .....	35
Partner's Instructions for Schedule K-1 (565) .....	37
Codes for Principal Business Activity .....	45
How to Get California Tax Information .....	48

# 2003 Instructions for Form 565, Partnership Return of Income

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2001, and to the California Revenue and Taxation Code (R&TC).

## General Information

### What's New

For taxable years beginning on or after January 1, 2003, partnerships that made a purchase from out-of-state or Internet sellers and did not pay California use tax, may report and pay the California use tax on an original timely filed Partnership Return of Income. For more information, see Additional Information on page 9.

Revenue and Taxation Code Sections 17024.5 and 23051.5 have been amended to clarify that, unless otherwise expressly disallowed, federal elections made before a taxpayer becomes a California taxpayer are binding for California tax purposes.

Effective for taxable years beginning on or after January 1, 2003, California will follow the revised federal instructions for reporting the sale, exchange or disposition of property for which an IRC Section 179 expense deduction was claimed in prior years by a partnership.

Partners should follow federal reporting requirements as detailed in federal Form 1065, U.S. Return of Partnership Income instructions and federal Form 4797, Sale of Business Property instructions.

## A Important Information

### Federal/State Conformity

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2001. However, there are continuing differences between California and federal law. It should be noted that California does not always conform to the entire provisions of a public law. California has conformed to some of the changes made to the IRC after January 1, 2001, including some provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), the Victims of Terrorism Tax Relief Act of 2001 (Public Law 107-134), and the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147). California has not conformed to any of the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (Public Law 108-27) and the Military Family Tax Relief Act of 2003 (Public Law 108-121).

### Natural Heritage Preservation Credit

The authority of the Wildlife Conservation Board to award Natural Heritage Preservation Tax Credit was suspended between July 1, 2002, and June 30, 2003, inclusive. Thus, any credits that were allocated before June 30, 2002, were claimed on the 2002 tax return. Any credits that could have been allocated, but were not allocated, or any new credits that are allocated on or after July 1, 2003, can be claimed on the 2003 tax return, or subsequent tax returns. Carryover is not affected for previously awarded credits, credits awarded before June 30, 2002, or any credits allocated on or after July 1, 2003.

### California Tax Information on the Internet

You can download, view, and print California tax forms and publications from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

### Federal Tax Information on the Internet

The Internal Revenue Service (IRS) also has federal forms and publications available to download, view, and print. The IRS's Website is at [www.irs.gov](http://www.irs.gov).

### State Agencies' Websites

Access other state agencies' Websites through the State Agency Index on California's Website at [www.ca.gov](http://www.ca.gov).

### Joint Agency Website

For additional business tax information, visit the California Tax Information Center Website, sponsored by the Board of Equalization (BOE), Employment Development Department (EDD), Franchise Tax Board (FTB), and Internal Revenue Service (IRS). The Joint Agency Website is located at [www.taxes.ca.gov](http://www.taxes.ca.gov).

### Providing California and Federal Returns

The FTB may request a copy of California or federal returns that are subject to or related to a federal examination. Generally, the California statute of limitations is four years from the due date of the return or from the date filed, whichever is later. However, the statute is extended in situations where an individual or a business entity is under examination by the IRS. For additional information concerning the extended statute of limitation due to a federal examination, see General Information J, Amended Return.

The FTB recommends keeping copies of returns and records that verify income, deductions, adjustments, or credits reported, for at least the minimum time required under the statute of limitations. However, some records should be kept much longer. For example, partners should keep records substantiating their basis in a partnership and property owners should keep records to figure the basis of property.

### Substitute Schedule K-1 (565)

The FTB recommends filing **paperless** substitute Schedules K-1 (565), Partner's Share of Income, Deductions, Credits, etc. Since software is most often used to prepare Form 565 and Schedules K-1 (565), you may already have the information needed to prepare paperless Schedules K-1 (565). Once the information is in a database or spreadsheet, it's easy to transfer to the required record layout and then download it to a CD or diskette.

Get approval from the FTB to use substitute Schedules K-1 (565), if the partnership:

- Wants to use paperless Schedules K-1 (565);
- Does not use the official California Schedule K-1 (565) prepared by the FTB; or
- Does not use a software program with an FTB-approved Schedule K-1 (565).

**Note:** The FTB does not accept federal Schedules K-1 (1065) as a substitute schedule.

For more information, see General Information S, Substitute Schedules.

### Federal/State Differences

California tax law generally conforms to federal tax law in the area of partnerships (IRC Subchapter K – Partners and Partnerships). However, there are some differences:

- An \$800 annual tax is generally imposed on limited partnerships (LPs), limited liability companies (LLCs) classified as partnerships for tax purposes, limited liability partnerships (LLPs), and real estate mortgage investment conduits (REMICs) that are partnerships or are classified as partnerships for tax purposes.
- Distributions to certain nonresident partners are subject to withholding for California tax.
- A deduction for taxes paid to other states is not allowed.
- California follows federal law by requiring partnerships to use a required tax year. However, California does not conform to the federal required payment provision.
- California law has specific provisions concerning the distributive share of partnership taxable income allocable to California, with special apportionment formulas for professional partnerships.
- California law modifies the federal definitions for unrealized receivables and substantially appreciated inventory items.
- California does not conform to the electing large partnership provisions.
- Partnerships cannot electronically file their California partnership returns. However, partnerships can file Schedules K-1 (565) via CD, diskette, or cartridge. (See General Information S, Substitute Schedules, for more information.)
- California has not conformed to the provisions relating to the Tax Equity and Fiscal Responsibility Act (TEFRA).
- California has not adopted the federal definition of small partnerships, as defined in IRC Section 6231.

**Note:** This list is not intended to be all-inclusive for the federal and state differences. For additional information, consult California's R&TC.

### **Conversion to a Limited Liability Company (LLC)**

A partnership that converts to an LLC during the year must file two California returns. Even if the partners/members and the business operations remain the same, the partnership should file Form 565, Partnership Return of Income, for the beginning of the year to the date of change. For the remainder of the year, the newly converted LLC would file Form 568, Limited Liability Company Return of Income. See General Information I, Accounting Periods, for further instructions.

### **Revised Uniform Partnership Act (RUPA)**

California has enacted RUPA which applies to partnerships formed after January 1, 1997. RUPA applies to all partnerships after January 1, 1999. RUPA governs the formation, operation, and liquidation of partnerships in California. However, the R&TC governs the taxation of partnerships doing business in California.

### **Net Operating Loss (NOL)**

For taxable years beginning in 2002 and 2003, California suspended the Net Operating Loss carryover deduction. However, the deduction for disaster losses is not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred after January 1, 2002, and before January 1, 2003.

For more information see form FTB 3805V, Net Operating Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources.

## **B Purpose**

Form 565 is an information return for calendar year 2003 or fiscal years beginning in 2003. Use Form 565 to report income, deductions, gains, losses, etc., from the operation of a partnership.

## **C Definitions**

### **Limited Partnership**

A partnership formed by two or more persons under the laws of this state and having one or more general partners and one or more limited partners. Limited partnerships are required to register with the California Secretary of State (SOS).

### **Limited Liability Partnership (LLP)**

California law authorizes the formation of LLPs with activities limited to either the practice of public accountancy, law, architecture, and related services. California also recognizes out-of-state LLPs doing business in California.

An LLP is a partnership, other than a limited partnership, that has a Certificate of Registration on file with the SOS as described in Corporation Code Section 15049.

### **Real Estate Mortgage Investment Conduit (REMIC)**

A special tax vehicle for entities that issue multiple classes of investor interests backed by a fixed pool of mortgages.

For additional information get the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, and federal Publication 938, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information, and Other Collateralized Debt Obligations (CDO).

### **Additional Definitions**

For definitions of a partnership, general partner, limited partner, nonrecourse loans, apportionment, unitary, etc., see the Partner's Instructions for the Schedule K-1 (565) and the instructions for federal Form 1065, U.S. Partnership Return of Income.

## **D Who Must File**

Every partnership (including REMICs classified as partnerships) that engages in a trade or business or has income from a California source must file Form 565. Regardless of where the trade or business of the partnership is conducted, a partnership is considered to be doing business in California if any of its partners (general or limited) or other agents are conducting business in California on behalf of the partnership.

An electing large partnership that completes federal Form 1065-B, U.S. Return of Income for Electing Large Partnerships, must still use Form 565. California does not conform to the electing large partnership provisions.

Limited partnerships and LLPs (both foreign and domestic) doing business in California or that have a certificate on file or are registered with the SOS (whether or not doing business in California) must file a return and pay the \$800 annual tax.

If a limited partnership is registered in California, but:

- Is not doing business in California; and
- Does not have California source income;

the limited partnership is still required to file. However, if the limited partnership meets both of the above provisions, then it may be eligible for the reduced filing program. The limited partnership's filing requirement will be satisfied by:

1. Completing Form 565 with all supplemental schedules;
2. Completing and attaching California Schedules K-1 (565) for partners with California addresses;
3. Writing "SB 1106 Filing" in red at the top of Form 565, Side 1; and
4. Entering the total number of partners in Question K, Side 2, of Form 565.

Religious and apostolic organizations that are exempt from income tax under R&TC Section 23701k are not required to file Form 565.

However, Form 565 should be prepared and attached to Form 199, California Exempt Organization Annual Information Return.

LLCs may be classified for tax purposes as a partnership, a corporation, or a disregarded entity (see General Information R, Check-the-Box Regulations). The LLC must file the appropriate California return for its classification.

Every LLC classified as a partnership for tax purposes that is:

- Doing business in California;
- Organized in California;
- Organized in another state or foreign country, but registered with the SOS; or
- Has income from California sources;

must file Form 568. Nonregistered foreign LLCs that are not doing business, but are deriving income from California or filing to report an election on behalf of a California resident, must file Form 565.

**Note:** Nonregistered foreign LLCs that are members of an LLC doing business in California or general partners in a limited partnership doing business in California are considered to be doing business in California and should file Form 568.

Certain publicly traded partnerships (PTP) treated as corporations under IRC Section 7704 must file Form 100, California Corporation Franchise or Income Tax Return.

A qualifying syndicate, pool, joint venture, or similar organization may elect under IRC Section 761(a) (which California follows) not to be treated as a partnership for state income tax purposes and will not be required to file Form 565 except for the year of election. If Form 565 is filed, a copy of the operating agreement and all amendments must be attached to the return, unless a copy has been previously filed with the FTB.

Partnerships, except limited partnerships and LLPs, that do not do business in California and that do not receive income from California sources are not required to file Form 565. However, resident partners

of a nonresident partnership may be required to furnish a copy of federal Form 1065.

## E When and Where to File

A partnership must file Form 565 and pay the \$800 annual tax (if required) by the 15th day of the 4th month (fiscal year) or April 15, 2004 (calendar year), following the close of its taxable year.

Mail Form 565 **with** payment (limited partnerships, LLPs, and REMICs only) to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0601

Make the check or money order payable to the "Franchise Tax Board." Write the partnership's federal employer identification number (FEIN), SOS file number, and "2003 Form 565" on the check or money order.

Mail Form 565 **without** payment to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0600

### Extensions

California does not require the filing of written extensions. If a partnership needs more time to file Form 565 by the return's due date, the partnership is granted an automatic six month extension.

However, the automatic extension does not extend the time to pay the \$800 annual tax.

If the partnership is filing the return under extension, see form FTB 3538, Payment Voucher for Automatic Extension for Limited Partnerships, LLPs, and REMICs included in this booklet. Form FTB 3538 and the tax payment should be sent to the FTB by the 15th day of the 4th month following the close of the taxable year.

### 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 1065 for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD  
SACRAMENTO CA 95827

**Caution:** Private delivery services cannot deliver items to PO boxes. If you will be using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO box.

## F Annual Tax

The \$800 annual tax applies to:

- Limited partnerships (both foreign and domestic) that do business in California;
- Limited partnerships that have a certificate on file with the SOS;
- LLPs that do business in California;
- LLPs registered with the SOS; and
- REMICs that are partnerships and do business in California at any time during the year.

This tax cannot be deducted as an expense by the partnership nor can it be deducted from the partner's distributive share.

A limited partnership that is filing **ONLY** to report California source income and is **NOT**:

- Doing business in California;
- Registered with the SOS; or
- Organized in California;

is **NOT** subject to the annual tax.

## G Penalties and Interest

### Failure to File a Timely Return or Provide Information

A penalty is assessed against the partnership if it is required to file a partnership return and it:

- Fails to file the return on time, including extensions; or
- Files a return, including Schedules K-1 (565), that fails to show all the information required.

The amount of the penalty for each month, or part of a month (for a maximum of five months) that the failure continues, is \$10 multiplied by the total number of partners in the partnership during any part of the taxable year for which the return is due. Interest will be charged on the penalty from the date the notice of tax due is sent by the FTB to the date the return is filed.

"Small partnerships," as defined in IRC Section 6231, the federal exception to the imposition of penalties for failure to file partnership returns, does not apply for California purposes. Get FTB Notice CR-88-692 for more information and see R&TC Section 19172.

### Failure to Pay Total Tax by Due Date

For limited partnerships, LLPs, and REMICs that must pay the \$800 annual tax with Form 565, a penalty for late payment of tax may be assessed. Any limited partnership, LLP, or REMIC that fails to pay the \$800 annual tax by the original due date is assessed a penalty of 5% of the unpaid tax, plus 0.5% for each month or part of a month (not to exceed 40 months) the tax remains unpaid. This penalty cannot exceed 25% of the unpaid tax. Interest will be due and payable on the late payment.

### Interest

Interest is due and payable on any tax due if not paid by the original due date. Interest is also due on some penalties. The automatic extension of time to file 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.

### Other Penalties/Fees

A penalty may also be charged if a check is returned for insufficient funds. In addition, fees may be charged for the cost of collections.

## H Accounting Methods

Compute ordinary income or loss by the accounting method regularly used to maintain the partnership's books and records. This method must clearly reflect the partnership's income or loss.

Partnerships given permission to change their accounting method for federal purposes should see IRC Section 481 for information relating to the adjustments required.

Generally, a partnership may not use the cash method of accounting if the partnership has a corporate partner, average annual gross receipts of more than \$5 million, or is a tax shelter. For exceptions, see IRC Section 448.

The mark-to-market accounting method is required for securities dealers. The IRC Section 481 adjustment is taken into account ratably over five years beginning with the first income year.

### Rounding to Whole-Dollar Amounts

Whole dollar amounts should be shown on the return and accompanying schedules. To round, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next dollar.

## I Accounting Periods

Partnership returns normally must be filed for an accounting period that includes 12 full months. A short period return must be filed if the partnership is created or terminated within the taxable year. In that case, please write "Short Period" in red ink at the top of Form 565, Side 1.

For information on the required taxable year of a partnership, see the instructions for federal Form 1065.

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0500

## J Amended Return

If, after the partnership files its return, it becomes aware of changes it must make, the partnership should file an amended Form 565 and an amended paper Schedule K-1 (565) for each affected partner, if applicable. Check the "Amended Return" box on Form 565, Side 1, Item I(3) and on Schedule K-1 (565), Side 1, Item H(2). Give a corrected Schedule K-1 (565) labeled "Amended" to each affected partner. If the partnership originally filed a group nonresident partner Form 540NR, the partnership should file an amended Form 540NR.

**Note:** If the partnership wishes to file amended Schedules K-1 (565) via CD, diskette, or cartridge see General Information S, Substitute Schedules.

If the partnership's federal return is changed for any reason, the federal change may affect the partnership's California return. This would include changes made because of an examination. The partnership must file an amended return within six months of the final federal adjustments. The partnership should attach a copy of the federal Revenue Agent's Report or other notice of the adjustments to the return. The partnership should inform the partners that they may also be required to file amended returns based on any changes made by the IRS within six months from the date of the final federal adjustments.

## K Required Information Returns

Every partnership must file information returns if, in the course of its trade or business, it:

- Makes payments of rents, salaries, wages, annuities, or other fixed or determinable income during one taxable year totaling \$600 or more to one person;
- Pays an individual or one payee interest and dividends totaling \$10 or more; or
- Receives cash payments over \$10,000.

Payments of any amount by a broker, dealer, or barter exchange agent must also be reported.

Partnerships must report payments made to California residents by providing copies of federal Form 1099. Get FTB Pub. 4227A, A Guide to Information Returns Filed With California, for more information.

For nonresidents, see the reporting and withholding requirements on Form 592, Nonresident Withholding Annual Return; Form 592-A, Nonresident Withholding Remittance Statement; and Form 592-B, Nonresident Withholding Tax Statement.

Partnerships must submit a copy of federal Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, within 15 days after the date of the transaction.

Partnerships must report interest paid on municipal bonds that are issued by a state other than California or a municipality other than a California municipality and that are held by California taxpayers. Entities paying interest to California taxpayers on these types of bonds are required to report interest payments totaling \$10 or more paid after January 1, 2003. Information returns will be due June 2, 2004. Get form FTB 4800, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment Information, for more information.

Partnerships must use form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report interest due or to be refunded under the look-back method on long-term contracts.

Any information returns required for federal purposes under IRC Sections 6038, 6038A, and 6038B are also required for California purposes. Attach the information returns to Form 565 when filed. If the information returns are not provided, penalties may be imposed.

Mail all information returns, unless otherwise noted, separately from Form 565. Information returns should be mailed to:

## L Special Items

California law generally follows federal law in the areas of:

- IRC Section 702(a) items;
- Elections;
- Distributions of unrealized receivables and inventory items;
- Partners' dealings with the partnership;
- Contributions to the partnership;
- Income of foreign nonresident partners subject to withholding-at-source, Forms 592, 592-A, and 592-B;
- Basis and at-risk rules;
- Passive activity limitations;
- Net operating loss deductions by a partner (a partnership is not allowed the deduction);
- Publicly traded partnerships (PTP);
- Long-term contracts;
- Installment sales;
- Vacation pay;
- Amortization of past service costs;
- Distributions of contributed property by a partnership; and
- Recognition of precontribution gain in certain partnership distributions to contributing partners.

See the instructions for federal Form 1065 for specific information about these provisions.

## M Signatures

### General Partner

Form 565 is not considered a valid return unless it is signed by a general partner. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that individual must sign the return.

### Paid Preparer's Information

Anyone who is paid to prepare the partnership return must sign the return and complete the "Paid Preparer's Use Only" area of the return.

The paid preparer must:

- Complete the required preparer information;
- Sign, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable); and
- Give the partnership a copy of the return in addition to the copy to be filed with the FTB.

An individual who prepares the return and does not charge the partnership should not sign the partnership return.

## N Group Returns

### Nonresidents or Part-year Residents

The laws guiding California's taxation of nonresidents, former nonresidents, and part-year residents changed for taxable years beginning in 2002. The new laws set rules for calculating loss carryovers, deferred deductions, and deferred income. The new laws also change the tax computation method to recognize those items. Get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Nonresident partners of a partnership doing business or deriving income from sources within California may elect to file a group nonresident return (R&TC Section 18535). Get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR, for more information.

## O Investment Partnerships

Income of nonresident partners, including banks or corporations, derived from "qualifying investment securities" of an "investment partnership" is considered income from sources other than California,

except as noted below. Therefore, nonresident partners generally will not be taxed on this income. The partnership should inform its nonresident partners if all or a portion of their distributive share of income is from "qualifying investment securities" of an "investment partnership" and whether it is sourced to California. See Specific Instructions, Question V on page 11 of this booklet, for definitions of *qualifying investment securities* and *investment partnership*.

However, for apportioning purposes, income from a partnership that is an investment partnership is generally considered business income (see Appeal of Estate of Marion Markus, Cal. St. Bd. of Equal., May 6, 1986). Investment partnerships that are doing business within and outside California should apportion California source income using California Schedule R, Apportionment and Allocation of Income.

Investment partnerships doing business solely within California should treat all business income of the investment partnership as California source income.

Investment partnerships that have California source income should fill out column (e) of the Schedule K-1 (565) showing each partner's distributive share of California source income.

Generally, partners who are nonresident individuals would not record this income as California source income. However, there are two exceptions to the general rule when a nonresident individual may have California source income from an investment partnership. Nonresident individual partners will be taxed on their distributive shares of income from the investment partnership if the income from the qualifying investment securities is interrelated with:

- Any other business activity of the nonresident partner; or
- Any other entity in which the nonresident partner owns an interest that is separate and distinct from the investment activity of the partnership and that is conducted in California.

Nonresident individual partners will also be taxed on their distributive share of investment income from an investment partnership if the qualifying securities were purchased with working capital of a trade or business the nonresident owns an interest in, and that is conducted in California (R&TC Section 17955).

Corporations that are partners in an investment partnership are generally not taxed on their distributive share of partnership's income, provided that the income from the partnership is the corporation's only California source income. However, if the corporation:

- Participates in the management of the investment activities of the investment partnership; or
- Has income derived from or attributable to sources within California other than income from the investment partnership;

then the corporation will be taxed on its distributive share of California source income of the partnership.

## P Cancelling a Limited Partnership or Limited Liability Partnership

Limited partnerships and limited liability partnerships are required to pay the \$800 annual tax and file Form 565 until the appropriate papers are filed with the SOS.

### Limited Partnerships

In order to terminate a limited partnership, the following steps must be taken:

1. File Form LP-4/7, Certificate of Cancellation, with the SOS. The SOS also requires a domestic limited partnership to file Form LP-3, Certificate of Dissolution. Please contact the SOS for more details;
2. Pay the \$800 annual tax to the FTB; and
3. File a final California return (Form 565) with the FTB.

**Note:** The Form LP-4/7's effective date will stop the assessment of the \$800 annual tax for future tax years. If Form LP-4/7 is filed after the tax year ending date, a subsequent year return and an additional \$800 tax may be required.

### Limited Liability Partnerships

To cancel a limited liability partnership, the following steps must be taken:

1. File Form LLP-4, Notice of Change of Status, with the SOS. Please contact the SOS for more details;
2. File form FTB 3555L, Request for Tax Clearance Certificate-Limited Liability Company or Limited Liability Partnership, with the SOS;
3. Pay the \$800 annual tax to the FTB; and
4. File a final California return (Form 565) with the FTB.

**Note:** The effective date (date Form LLP-4 and form FTB 3555L are received by the SOS) will stop the assessment of the \$800 annual tax for future tax years. If Form LLP-4 is filed after the tax year ending date, a subsequent year return and an additional \$800 tax may be required.

### Additional Information

For more information on how to cancel your LP or LLP, contact:

By Mail: BUSINESS ENTITY  
CALIFORNIA SECRETARY OF STATE  
PO BOX 944225  
SACRAMENTO CA 94244-2250

In Person: CALIFORNIA SECRETARY OF STATE  
1500 11TH STREET SUITE 345  
SACRAMENTO CA 95814

Phone Number: (916) 653-3365

Office hours are Monday through Friday, 8 a.m. to 5 p.m.

Website [www.ss.ca.gov](http://www.ss.ca.gov)

Email address: [Partnership@ss.ca.gov](mailto:Partnership@ss.ca.gov)

If the partnership is being terminated or cancelled to convert to another type of business entity, be sure to file the appropriate forms with the SOS.

## Q Withholding Requirements

### Foreign Nonresident Partners

As described in IRC Section 1446 and modified by R&TC Section 18666, if a partnership has any income or gain from a trade or business within California, and if any portion of that income or gain is allocable under IRC Section 704 to a foreign nonresident partner, the partnership is required to withhold tax on the allocable amount.

### State and Federal Differences Regarding Foreign Nonresident Partners

California generally conforms to IRC Section 1446 and corresponding federal rulings and procedures. The main differences between California and federal laws in this area are:

- a. The California withholding rate is 8.84% for C corporations and 9.3% for individuals, partnerships, and fiduciaries.
- b. Income attributable to the disposition of California real property is subject to withholding under R&TC Section 18662.

### Domestic Nonresident Partners

A partnership is required to withhold funds for income or franchise taxes when it makes a distribution of income to a domestic nonresident partner (R&TC Section 18662). This includes prior year income that should have been, but was not, previously reported as income from California sources on the partner's California income tax return. However, withholding is not required if distributions of income from California sources to the partner are \$1,500 or less during the calendar year or if the FTB directs the payer not to withhold.

Domestic nonresident partners include individuals who are nonresidents of California and corporations that are not qualified to do business in California or do not have a permanent place of business in California. Domestic nonresident partners also include nonresident estates, trusts, LLCs, and partnerships that do not have a permanent

place of business in California. Foreign nonresident partners covered under R&TC Section 18666 are not domestic nonresident partners. Partnerships with income from within and outside California must make a reasonable estimate of the ratio, to be applied to the distributions, that approximates the ratio of California source income to total income. The ratio for the prior year will generally be accepted as reasonable in determining the California part of the distribution subject to the withholding. Partnerships are required to withhold at a rate of 7% of distributions (including property) of income from California sources made to domestic nonresident partners.

The FTB has administrative authority to allow reduced withholding rates, including waivers, when requested in writing. These authorizations may be one-time, annual, or for a longer period. Waivers or reduced withholding rates will normally be approved when distributions are made by publicly traded partnerships and on distributions to brokerage firms, tax-exempt organizations, and tiered partnerships.

No withholding is required if the distribution is a return of capital or does not represent taxable income for the current or prior years. Although a waiver is not required in this situation, if upon examination the FTB determines that withholding was required, the partnership may be liable for the withholding and penalties.

Send waiver requests and inquiries to:

WITHHOLDING SERVICES and COMPLIANCE SECTION  
FRANCHISE TAX BOARD  
PO BOX 651  
SACRAMENTO CA 95812-0651  
Telephone: (888) 792-4900 (U.S. toll-free) or  
(916) 845-4900

The withholding should be reported on and sent with Form 592, Form 592-A, and/or Form 592-B. For more information, get FTB Pub. 1017, Nonresident Withholding Partnership Guidelines.

The taxable income of nonresident partners is the distributive share of California sourced partnership income, not the distributed amount.

## R Check-the-Box Regulations

California generally conforms to the federal entity classification regulations (commonly known as “check-the-box” regulations). These regulations allow certain unincorporated entities to choose tax treatment as a partnership, a corporation, or an entity disregarded as separate from its owner (SB 1234, Stats. 1997, Ch. 608).

Generally, any elections made for federal purposes under the federal “*check-the-box*” regulations are considered California elections. No separate elections are allowed. If federal Form 8832, Entity Classification Election, is filed with the federal return, a copy should be attached to the electing entity’s California return for the year in which the election is effective. The entity should file the appropriate California return.

An “*eligible entity*” may choose its classification. An eligible entity is a business entity that is not a trust, a corporation organized under a federal or state statute, a foreign entity specifically listed as a per se corporation, or other special business entities. Other special business entities under the IRC include PTPs, REMICs, financial asset securitization investment trusts (FASITs), or regulated investment companies (RICs). An eligible entity with two or more owners will be a partnership (for tax purposes) unless it elects to be taxed as a corporation. An eligible entity with a single owner will be disregarded for tax purposes, unless the entity elects to be taxed as a corporation. If the separate existence of an entity is disregarded, its activities are treated as activities of the owner and are reported on the appropriate California return.

**IMPORTANT:** There is an exception to the general rule. The exception exists in the case of an eligible business entity, other than one which, within the 60 month period preceding January 1, 1997:

- Was not doing business in California;
- Did not derive income from sources within California; or

- Had no partners who were residents of California; and that was appropriately classified as an association taxable as a corporation, see R&TC Section 23038(b)(1)(c).  
These entities are generally: 1) Business trusts that were classified as corporations under California law, but were classified as partnerships for federal tax purposes for taxable years beginning before January 1, 1997; and 2) Previously existing foreign single member limited liability companies (SMLLCs) that were classified as corporations under California law but claimed to be partnerships for federal tax purposes for taxable years beginning before January 1, 1997.

These business trusts and previously existing foreign SMLLCs will continue to be classified as corporations for California tax purposes and must continue to file Form 100, unless they make an irrevocable election to be classified or disregarded the same as they are for federal tax purposes. See form FTB 3574, Special Election for Business Trusts and Certain Foreign Single Member LLCs, and Cal. Code Regs., tit. 18 sections 23038(a)-(b).

## S Substitute Schedules

Partnerships or their tax professional must get approval from the FTB to use a substitute schedule, if the partnership:

- Wants to use **paperless** Schedules K-1 (565);
- Does not use the official California Schedule K-1 (565) prepared by the FTB; or
- Does not use a software program with an FTB-approved Schedule K-1 (565)

If you use computer software, please read the company's user manual to make sure you have the necessary hardware and printer fonts to produce FTB-approved forms. All printing should be done to the standards specified in FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms.

Partnerships are subject to penalties for failure to file the appropriate Schedule K-1 (565). See General Information G, Penalties and Interest.

To participate in the FTB's substitute forms program, get FTB Pub. 1098, and form FTB 1096, Agreement to Comply with FTB Pub. 1098.

### Paperless Schedule K-1 (565)

To help accomplish paperless Schedules K-1 (565) filing, the FTB has prepared FTB Pub. 1062, Schedules K-1 (565 or 568), Guide for Filing Paperless.

For the procedures, formatting specifications, and record layouts needed to program paperless Schedules K-1 (565) get FTB Pub. 1062. FTB Pub. 1062 also includes form FTB 3604, Transmittal of Paperless Schedules K-1 (565 or 568) on CD, Diskette, or Cartridge, the form the partnership needs to transmit paperless Schedules K-1 (565).

K-1 (565 or 568) TestWare is also available at no charge. K-1 (565 or 568) TestWare will help identify and correct errors during programming and before submitting the paperless schedules.

K-1 (565 or 568) TestWare includes two programs:

- K-1 Verify, edits the Schedule K-1 (565) records to ensure the fields are the correct length and position the FTB requires and produces an edit report; and
- K-1 Convert, converts spreadsheet formats to standard fixed length formats so you can use them with K-1 Verify.

Once verification is made to ensure the partnership's paperless Schedules K-1 (565) pass the K-1 Verify program, send the schedules to the FTB using form FTB 3604. Multiple partnerships can be put on the same CD, diskette, or cartridge. It is not necessary to provide a separate CD or diskette for each partnership. However, include each partnership's name, FEIN, and number of Schedules K-1 for that partnership in the space provided on form FTB 3604.

If the partnership files paperless Schedules K-1 (565), file all Schedules K-1 (565) for that partnership using the paperless format.

Do not file paper Schedules K-1 (565) with your Form 565 if the partnership has already filed or will file paperless Schedules K-1 (565).

**Note:** Do not file Schedules K-1 (565) on microfiche or file federal Schedules K-1 (1065) with the Form 565.

To get all the publications and the K-1 TestWare mentioned above, visit the e-Services page on our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

Assistance is available from our e-file Help Desk at (916) 845-0353.

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## Additional Information

### California Use Tax

#### General Information

The use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state or Internet sellers. It is similar to the sales tax paid on purchases made in California.

In general, the partnership must pay California use tax on purchases made from out of state (for example, by telephone, over the Internet, by mail, or in person) and

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

**Example:** The Partnership purchases a conference table from a company in North Carolina. The company ships the table from North Carolina to the partnership's address in California for its use and does not charge California sales or use tax. The partnership owes use tax for the purchase.

**Complete the Use Tax Worksheet** on page 10 to calculate the amount due. If the partnership does not know the applicable use tax rate, see the chart beginning on page 10. If the partnership has questions regarding the use tax rate in effect in its area, please visit the State Board of Equalization's Website at [www.boe.ca.gov](http://www.boe.ca.gov) or call the State Board of Equalization's Information Center at (800) 400-7115. Please call this number for use tax questions only. Income tax information is not available at this number.

**Extensions to file.** If the partnership requests an extension to file the tax return, wait until the partnership files its return to report the purchases subject to use tax and to make the use tax payment.

**Corrected use tax calculations.** Do not file an Amended Partnership Return of Income to revise the use tax previously reported. If the partnership has changes to the amount of use tax previously reported on the original tax return, contact the State Board of Equalization.

**For assistance,** please visit the State Board of Equalization's Website at [www.boe.ca.gov](http://www.boe.ca.gov) or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929. Income tax information is not available at this number.

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## Specific Instructions

### Form 565

#### Fill In All Applicable Lines and Schedules

Enter the total amounts on the applicable lines of Schedule K (565), Partners' Share of Income, Deductions, Credits, etc. Do not enter these items directly on Form 565, Side 1, Schedule A or Schedule D. **Do not** apply the apportionment factor to the items on Schedule K (565). Enter any items specially allocated to the partners on the applicable line of the partner's Schedule K-1 (565).

**Reminder:** Whole numbers should be shown on the return and accompanying schedules.

#### Name, Address, FEIN, and SOS File Number

The partnership may use its legal or trade name on all California returns and other documents filed. Print the partnership's legal or trade name, address, FEIN, and SOS file number.

If the partnership leases a private mailbox (PMB) from a private business rather than a PO box from the United States Postal Service, include the box number in the field labeled "PMB no." in the address area.

**Note:** Limited partnerships and LLPs need to enter the SOS file number. General partnerships that have registered under RUPA should enter the prefix "GP" and the 12-digit file number.

#### Item C – Principal Business Code

California uses the 6-digit federal Principal Business Activity (PBA) Code based on the North American Industry Classification System (NAICS).

Common trust funds are required to use PBA code 525920. Investment clubs are required to use PBA code 523910. For further information, see the instructions for federal Form 1065.

#### Item F – Total Assets at End of Taxable Year

See the instructions for Question O before completing this item.

If the partnership is required to complete this item, enter the total assets at the end of the partnership's taxable year. This is determined by the accounting method regularly used to maintain the partnership's books and records. If there are no assets at the end of the taxable year, enter the total assets as of the beginning of the taxable year.

## Income

#### Line 1 through Line 8

California's reporting requirements are generally the same as the federal reporting requirements. Follow the instructions for federal Form 1065 and only include trade or business activity income on line 1 through line 8. However, for California tax purposes, business income of the partnership is computed using the rules set forth in R&TC Section 25120. Therefore, certain income that may be portfolio income for federal purposes may be business income for California sourcing purposes. Do not include rental activity income or portfolio income on these lines. Rental activity income and portfolio income are separately reported on Schedule K (565) and Schedule K-1 (565). Rental real estate activities are also reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation. Attach a copy of federal Form 8825 to Form 565. Use California numbers and attach a statement reconciling any differences between federal and California amounts.

**Note:** Use worldwide amounts determined under California law when completing these lines.

#### Line 5 – Net Farm Profit (Loss)

Enter the partnership's net profit (loss) from federal Schedule F (Form 1040), Profit or Loss From Farming. Attach federal Schedule F to Form 565. If the amount includable for California purposes is different from the amount on federal Schedule F, enter the California amount and attach a note explaining the difference.

#### Line 6 – Net Gain (Loss) from Schedule D-1

Include only ordinary gains (losses) from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Ordinary gains (losses) from the sale, exchange, or involuntary conversion of rental activity assets must be reported separately on Schedule K (565) and Schedule K-1 (565).

A partnership that is a partner in another partnership must include on Schedule D-1, Sales of Business Property, its share of ordinary gains (losses) from sales, exchanges, or involuntary conversions (other than casualties or thefts) of the other partnership's trade or business assets.

## Deductions

#### Line 9 through Line 21

California's reporting requirements are generally the same as the federal reporting requirements. Follow the instructions for federal Form 1065 and only include trade or business activity deductions on

line 9 through line 20. Do not include any rental activity expenses or deductions that are allocable to portfolio income on these lines. Rental activity deductions and deductions allocable to portfolio income are separately reported on Schedule K (565) and Schedule K-1 (565).

**Note:** Use worldwide amounts determined under California law when completing these lines.

Federal reporting requirements for organization expenses, syndication expenses, and uniform capitalization rules apply for California.

**Line 16a – Depreciation and Amortization**

Enter on line 16a the total depreciation and amortization claimed on assets used in a trade or business activity. Complete and attach form FTB 3885P, Depreciation and Amortization, included in this booklet, to figure depreciation and amortization. Transfer the total from form FTB 3885P, line 6, to Form 565, Side 1, line 16a, or federal Form 8825 as appropriate (use California amounts). See the instructions for form FTB 3885P for more information.

Do not include any expense deduction for recovery property (IRC Section 179; Enterprise Zones, R&TC Section 17267.2; Targeted Tax Area, R&TC Section 17267.6 and Local Agency Military Base Recovery Area, R&TC Section 17268) on this line. This expense is not deducted by the partnership. Instead, it is passed through separately to the partners and is reported on line 9 of Schedule K (565) and Schedule K-1 (565).

**Line 23 – Tax**

Enter the \$800 annual tax required for limited partnerships, LLPs, and REMICs. See General Information F, Annual Tax, for further details on the annual tax requirements.

**Line 24 – Nonresident Withholding Credit**

If taxes were withheld from payment to the partnership, the partnership can either allocate the entire withholding credit to all its partners or claim a portion (not to exceed the total tax due) and allocate the remaining portion to all its partners. If the partnership claims any of the amount withheld, be sure to attach Form 592-B from the withholding entity to the front lower portion of the partnership return. The partnership must file Forms 592 and 592-B to allocate any remaining withholding credit to its partners. For more information, get FTB Pub. 1017, Nonresident Withholding Partnership Guidelines.

**Note:** The above explanation does not apply to the nonconsenting nonresident member's tax paid by an LLC on behalf of the nonresident member. The nonconsenting nonresident members' tax is not related to the partnership withholding on nonresident partners. Therefore, the tax cannot be claimed using Forms 592 and 592-B; thus, not claimed by the partnership on this line. The partnership will allocate the entire amount paid by the LLC on its behalf to all of its partners on Schedule K and Schedule K-1 (565), line 13e.

**Line 28 – Use Tax**

As explained on page 9, the partnership may owe California use tax for purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person).

Partnerships may now report use tax on its Franchise or Income Tax Return instead of having to file a use tax return with the California State Board of Equalization. To report use tax on the partnership tax return, complete the Use Tax Worksheet below.

If the partnership owes use tax but chooses not to report it on its Partnerships Return of Income, the partnership must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Use Tax, from [www.boe.ca.gov](http://www.boe.ca.gov). The partnership can also request a copy by calling the State Board of Equalization's Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

**Note:** Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

See Additional Information on page 9 for more information.

<b>Use Tax Worksheet</b>	
Round all amounts to the nearest whole dollar.	
1. Enter purchases from out-of-state or Internet sellers made without payment of California sales/use tax <sup>1</sup> . See instructions below <sup>1</sup> . . . . .	\$ _____ .00
See below "Worksheet, Line 1, Purchases Subject to Use Tax" for amounts to enter on this line.	
2. Enter the applicable sales and use tax rate. <sup>2</sup> . . . . .	_____
3. Multiply line 1 by the tax rate on line 2. Enter result here . . . . .	\$ _____ .00
4. Enter any sales or use tax the partnership paid to another state for purchases included on line 1. <sup>3</sup> . . . . .	\$ _____ .00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 28. If the amount is less than zero, enter -0- . . . . .	\$ _____ .00

1. Include handling charges. Do not include any other states' sales or use tax paid on the purchase(s).
2. Enter the decimal equivalent of the sales and use tax rate. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375. Use the tax rate applicable to the place in California where the property is used, stored, or otherwise consumed.
3. This is a credit for tax paid to other states. Partnerships cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if the partnership paid \$8.00 sales tax to another state for a purchase, and it would have paid \$6.00 in California, the partnership can claim a credit of only \$6.00 for that purchase.

**Use Tax Worksheet, Line 1, Purchases Subject to Use Tax**

- Report only purchases from out-of-state or Internet sellers made during the year that corresponds with the tax return the partnership is filing.
- Report items that would have been taxable in a California store, such as office equipments and supplies. If the partnership has a question on whether a purchase is taxable, visit the State Board of Equalization's Website at [www.boe.ca.gov](http://www.boe.ca.gov), or call its Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.
- Do not report the following on the partnership's tax return:
  - Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
  - Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
  - Vessels documented with the U.S. Coast Guard.
  - Aircraft.
  - Leases of machinery, equipment, vehicles, and other tangible personal property.

**Sales and Use Tax Rates by County**

(includes state, local, and district taxes)

As of December 31, 2003

County	Rate	County	Rate
Alameda	8.25%	Orange	7.75%
Alpine	7.25%	Placer	7.25%
Amador	7.25%	Plumas	7.25%
Butte	7.25%	Riverside	7.75%
Calaveras	7.25%	Sacramento	7.75%
Colusa	7.25%	San Benito	7.25%
Contra Costa	8.25%	San Bernardino	7.75%
Del Norte	7.25%	San Diego	7.75%
El Dorado <sup>1</sup>	7.25%	San Francisco	8.50%
Fresno <sup>1</sup>	7.875%	San Joaquin	7.75%
Glenn	7.25%	San Luis Obispo	7.25%
Humboldt	7.25%	San Mateo	8.25%
Imperial <sup>1</sup>	7.75%	Santa Barbara	7.75%
Inyo	7.75%	Santa Clara	8.25%
Kern	7.25%	Santa Cruz	8.00%
Kings	7.25%	Shasta	7.25%
Lake <sup>1</sup>	7.25%	Sierra	7.25%
Lassen	7.25%	Siskiyou	7.25%
Los Angeles <sup>1</sup>	8.25%	Solano	7.375%
Madera	7.75%	Sonoma <sup>1</sup>	7.50%
Marin	7.25%	Stanislaus	7.375%

Mariposa	7.75%	Sutter	7.25%
Mendocino <sup>1</sup>	7.25%	Tehama	7.25%
Merced	7.25%	Trinity	7.25%
Modoc	7.25%	Tulare	7.25%
Mono	7.25%	Tuolumne	7.25%
Monterey	7.25%	Ventura	7.25%
Napa	7.75%	Yolo <sup>1</sup>	7.25%
Nevada <sup>1</sup>	7.375%	Yuba	7.25%

<sup>1</sup> Many cities and towns in California impose a district tax, which results in a higher sales and use tax rate than in other parts of the county. If you are reporting an item that was purchased for use in any of the following cities or towns, please use the appropriate tax rates for those areas. The following tax rates apply within the city limits or the town limits of the listed community.

County	City or Town with a Special Tax District	Tax Rate
El Dorado	Placerville	7.50%
Fresno	Clovis	8.175%
Imperial	Calexico	8.25%
Lake	Clearlake	7.75%
Los Angeles	Avalon	8.75%
Mendocino	Willits	7.75%
	(effective October 1, 2003) <sup>2</sup>	
Nevada	Truckee	7.875%
Sonoma	Sebastopol	7.625%
	(effective April 1, 2003) <sup>3</sup>	
Yolo	West Sacramento	7.75%
	(effective April 1, 2003) <sup>4</sup>	
Yolo	Woodland	7.75%

<sup>2</sup> The tax rate in the City of Willits prior to October 1, 2003 is 7.25%.

<sup>3</sup> The tax rate in the City of Sebastopol prior to April 1, 2003 is 7.50%.

<sup>4</sup> The tax rate in the City of West Sacramento prior to April 1, 2003 is 7.25%.

## Schedule A — Cost of Goods Sold

California's reporting requirements are generally the same as the federal reporting requirements. Follow the instructions for federal Form 1065, Schedule A.

## Questions

### Question J

Check only one box for this question. The partnership checks the box that best describes its business type. For definitions of general partnership, limited partnership, REMIC, and LLP, see General Information C, Definitions, and the instructions for federal Form 1065.

The term "*doing business*" means actively engaging in any transaction for the purpose of financial gain or profit (R&TC Section 23101).

Line Item 6 of Question J is for other types of entities not previously mentioned on line 1 through line 5. If your entity is not a general partnership, limited partnership, REMIC, or LLP, then check the box for line Item 6 only. In the space provided, write in the type of entity.

### Question K

Enter the maximum number of partners in the partnership during the taxable year. The number of Schedules K-1 (565) sent via magnetic media or attached to Form 565, must equal the number of partners entered in Question K. **Do not** use abbreviations or terms such as "Various."

### Question O

If the answers to Question 5a through Question 5c on federal Form 1065, Schedule B are all "Yes," answer "Yes" to Question O on Form 565.

If Question O is answered "Yes," the partnership is not required to complete Schedules L, M-1, M-2, or Item F, on Side 1 of Form 565 or Item J on Schedule K-1 (565).

### Question T

Answer "Yes" to Question T if:

Under R&TC Section 64(c):

- The percentage of interests including interests in both the capital and profits of this partnership or in any of its subsidiary(ies) owned by **one** person or **one** entity cumulatively surpassed 50% during this year;
- The total partnership interests, including capital and profits interests, transferred to **one** irrevocable trust cumulatively surpassed 50% during this year;
- One or more partners transferred the control of, or the interests in, more than 50% of the total interests in the partnership capital and profits to **one** person or **one** entity during this year;
- This partnership's cumulative ownership or control of the capital and profits interests, voting stock, or other ownership interests in any other legal entity surpassed 50% this year; or

Under R&TC Section 64(d):

- Cumulatively more than 50% of the total interests including capital and profits interests, in this partnership have been transferred this year in one or more transactions that have occurred since March 1, 1975.

If the answer is "Yes," a BOE-100-B, Statement of Change in Control and Ownership of Legal Entities, must be filed with the State Board of Equalization, or substantial penalties may result. Get forms and information from the State Board of Equalization at (916) 323-5685, or their Website at [www.boe.ca.gov](http://www.boe.ca.gov).

### Question U

California requires taxes to be withheld from certain payments or allocations of income and sent to the FTB (R&TC Section 18662 and Section 18666). If upon examination, the FTB determines that tax withholding was required, the partnership can be liable for the tax and penalties.

The reference to Forms 592, 592-A, and 592-B relates to withholding done by the partnership. If you need additional information concerning partnership withholding, please see General Information K, Required Information Returns, and Q, Withholding Requirements.

### Question V – Investment Partnership.

An "*investment partnership*" is a partnership that meets the following two criteria:

1. No less than 90% of the cost of the partnership's total assets consist of:
  - Qualifying investment securities;
  - Deposits at banks or other financial institutions; and
  - Office equipment and office space reasonably necessary to carry on the activities of an investment partnership.
2. No less than 90% of the partnership's gross income is from interest, dividends, and gains from the sale or exchange of qualifying investment securities defined in R&TC Section 17955 and Section 23040.1.

Qualifying investment securities include:

- Common and preferred stock, as well as debt securities convertible into common stock;
- Bonds, debentures, and other debt securities;
- Foreign and domestic currency deposits or equivalent and securities convertible into foreign securities;
- Mortgage-backed or asset-backed securities secured by governmental agencies;
- Repurchase agreements and loan participations;
- Foreign currency exchange contracts and forward and futures contracts on foreign currencies;
- Stock and bond index securities and futures contracts, and other similar securities;
- Regulated futures contracts; and
- Options to purchase or sell any of the preceding qualified investment securities, except regulated futures contracts.

Qualifying investment securities do not include an interest in a partnership, unless the partnership qualifies as an investment partnership. See R&TC Section 17955 and Section 23040.1 and General Information O, Investment Partnership, for more information.

#### Question X

Federal Form 8271, Investor Reporting of Tax Shelter Registration Number, 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 partnership's reported from an interest in a registration-required tax shelter. If the partnership is required to file this form with the federal return, attach a copy to the partnership's Form 565. **Do not** attach copies of federal Schedules K-1 (1065).

### Schedule L — Balance Sheets

California's reporting requirements are the same as the federal reporting requirements. The amounts reported on the balance sheet should agree with the books and records of the partnership and should include all amounts whether or not subject to taxation. Attach a statement explaining any differences between federal and state amounts or any differences between the balance sheet and the partnership's books and records. Follow the instructions for federal Form 1065, Schedule L.

**Note:** Domestic partnerships with 10 or fewer partners may not have to complete Schedule L. See the instructions for Question O for the specific requirements to qualify for this exception.

### Schedule M-1, Reconciliation of Income (Loss) per Books With Income (Loss) per Return, Schedule M-2, Analysis of Partner's Capital Accounts

Domestic partnerships with 10 or fewer partners may not have to complete Schedule M-1, Schedule M-2, or Item J of Schedule K-1 (565). See the instructions for Question O for the specific requirements to qualify for this exception.

If the partnership is required to complete Schedule M-1 and Schedule M-2, the amounts shown should agree with the partnership's books and records and the balance sheet amounts. Attach a statement explaining any differences.

**Note:** Use worldwide amounts determined under California law when completing Schedule M-1. Also, the amounts on Schedule M-2 should equal the total of the amounts reported in Item J, column (c), of all the partners' Schedules K-1 (565).

### Schedule K (565) and Schedule K-1 (565) — Partner's Shares of Income, Deductions, Credits, Etc.

#### Purpose of Schedules

Schedule K (565) is a summary schedule for the partnership's income, deductions, credits, etc. and Schedule K-1 (565) shows each partner's distributive share. The line items for both of these schedules are the same unless otherwise noted.

One copy of each Schedule K-1 (565) must be attached to Form 565 when it is filed with the FTB. For alternative methods of filing Schedules K-1 (565), please see General Information S, Substitute Schedules.

Be sure to give each partner a copy of their respective Schedule K-1 (565). Also include a copy of the Partner's Instructions for Schedule K-1 (565) or specific instructions for each item reported on the partner's Schedule K-1 (565). These items should be provided to the partner on or before the due date of the Form 565.

#### Schedule K (565) Only

In column (b), enter the amounts from federal Schedule K. In column (c), enter the adjustments resulting from differences between California and federal law (not adjustments relating to California source income). In column (d) on Schedule K (565), enter the worldwide income computed under California law. For partners to comply with the requirements of IRC Section 469, trade or business activity income (loss), rental activity income (loss), and portfolio income must be considered separately by the partners. Rental activity income (loss) and portfolio income are not reported on Form 565, Side 1 so that these amounts are not combined with trade or business activity income (loss). Schedule K (565) is used to report the totals of these (and other) amounts.

**Note (for apportioning partnerships only):** Once the Schedule K (565) has been completed, apportioning partnerships should also complete Schedule R before completing its partners' Schedules K-1 (565).

#### Compliance with Partnership Filing Requirements

To help ensure the accurate and timely processing of your Form 565, please verify the following:

- A California approved Schedule K-1 (565) has been sent via magnetic media or attached (to Form 565) for each partner identified on Form 565, Side 2, Question K. Partnerships eligible for the reduced filing program, see General Information D, Who Must File.
- The Schedule K-1 (565) contains the partner's correct name, address, and identifying number in the correct fields.
- Questions A through I are completed on Side 1 of Schedule K-1 (565).
- The appropriate entity type box (Schedule K-1 (565), Side 1, Question B) is checked for each partner.
- All Schedules K-1 (565) reconcile to Form 565, Schedule K (565).
- The partner's percentage (Schedule K-1 (565) Question D) is expressed in decimal format and carried to four decimal places (i.e., 33.5432). Do not print fractions, the percentage symbol (%), or use terms such as "Various."
- Substitute computer-generated Schedule K-1 (565) forms **must** be approved by the FTB.

**Note:** For the highest rate of accuracy and rapid processing, file Schedules K-1 (565) on CD, diskette, or cartridge. See General Information S, Substitute Schedules, for more details.

#### Schedule K-1 (565)

The partnership completes the entire Schedule K-1 (565) filling out the partner's and partnership's information (name, address, identifying numbers), Questions A through J, and the partner's distributive share of items.

**Note:** For partners with PMB addresses, include the designation number in the partner's address area. Precede the number (or letter) with "PMB."

If a husband and wife each held a separate interest in the partnership, prepare separate Schedules K-1 (565) for each spouse. If a husband and wife held an interest together, prepare a single Schedule K-1 (565) since they are considered to be one partner.

For each individual partner, enter the partner's social security number. For all other partners enter the FEIN. However, if a partner is an individual retirement account (IRA), enter the identifying number of the custodian of the IRA. Do not enter the social security number of the person for whom the IRA is maintained.

The partnership files one California Schedule K-1 (565) for each partner either by CD, diskette, or cartridge or by attaching a copy to the partnership return. Do not attach federal Schedules K-1 (1065). These forms are not California approved forms.

A copy of the California Schedule K-1 (565) should also be given to the appropriate partner. The partners should also be provided a copy of either the Partner's Instructions for Schedule K-1 (565) or specific instructions for each reported item.

## Determining the Source of the Partnership's Income for a Resident Partner

A resident partner should include the entire distributive share of partnership income in their California income. If the partnership is apportioning, the partner may be entitled to a credit for taxes paid to other states. The partner should be referred to Schedule S, Other State Tax Credit, for more information.

## Determining the Source of the Partnership's Income for a Nonresident Partner

**Business income:** Regardless of the classification of income for federal purposes, income from California sources is determined in accordance with California law, (Cal. Code Regs., tit. 18 section 17951-4). If the partnership conducts:

- A trade or business wholly within California, the income from that trade or business is California source income;
- A business within and outside California, but the part within California is so separate and distinct that it can be separately accounted for, then only that separate income within California is California source income; or
- A single trade or business within and outside California;

then California source business income of that trade or business is determined by apportionment. The partnership should apportion business income using the Uniform Division of Income for Tax Purposes Act (R&TC Section 25120 through Section 25139). Special rules apply if the partnership has income that is not attributable to the trade or business of the partnership (nonbusiness income).

**Nonbusiness Income:** Nonbusiness income attributable to real or tangible personal property (such as rents, royalties, gains, or losses) located in California is California source income (Cal. Code Regs., tit. 18 section 17951-3 and R&TC Section 25124 and Section 25125). Enter this information on the appropriate line of Schedule K-1 (565). If the partnership believes it may have a unitary partner, the information should also be entered on Side 2, Table 2, Part B, for that partner.

The source of nonbusiness income attributable to intangible property depends upon the partner's state of residence or commercial domicile. Individuals generally source this income to their state of residence and corporations to their commercial domicile.

**Note:** Because the determination of the source of intangible nonbusiness income must be made at the partner level, this income is not entered on Schedule K-1 (565), column (e). It is entered only on Side 2, Table 1.

## Completing Schedule K-1 (565)

- In **column (b)**, enter the amounts from federal Schedule K-1 (1065).
- In **column (c)**, enter the adjustments resulting from differences between California and federal law for each specific line item.
- In **column (d)**, enter the result of combining column (b) and column (c). This is total income under California law.

**Column (e)** is used to report California source income and credits. Include the following items in this column:

1. Income from separate businesses, trades, or professions conducted wholly within California, Cal. Code Regs., tit. 18 section 17951-4(a).
2. Income from a trade or business conducted within and outside California, when the part of business conducted within California can be separately accounted for, Cal. Code Regs., tit. 18 section 17951-4(b).
3. Income from a trade or business conducted within and outside California that is apportioned to California. This includes intangible income attributable to the business, trade, or profession, Cal. Code Regs., tit. 18 section 17951-4(c) and R&TC Sections 25128 through 25137. Generally, the partnership should apportion business income using a four-factor formula consisting of property, payroll, and a double-weighted sales factor. Use a three-factor formula consisting of payroll, property, and a single-weighted sales factor if more than 50% of the business receipts of the partnership are from agricultural, extractive, savings and loans, banks, and financial

activities. Apportioning partnerships should complete Schedule R and attach it to Form 565.

4. Nonbusiness income from real and tangible property located in California. Enter the partner's share of nonbusiness income from real and tangible property located in California in column (e). If the partnership believes it may have a unitary partner, enter this income in Table 2, Part B.
5. California credits.

**Note:** Nonbusiness income from intangible property should not be entered in column (e). Enter this income in Table 1. For more information, see Partner's Instructions for Schedule K-1 (565).

## Completing Column (d) and Column (e)

Schedule K-1 (565), column (d), includes the partner's distributive share of total partnership income, deductions, gains, or losses under California law. Column (e) includes only income, deductions, gains, or losses that are apportioned or sourced to California. The computation of these amounts is a matter of law and regulation. The residency of the partner is not a factor in the computation of amounts to be included in column (d) and column (e).

For a partnership that is doing business wholly within California, column (e) will generally be the same as column (d), except for nonbusiness intangible income (for example, nonbusiness interest, dividends, gains, or losses from sales of securities).

For a partnership that is doing business within and outside California, the amounts in column (d) and column (e) may be different.

If the partnership knows the partner is a resident individual, then the partnership answers "No" to Question I on Schedule K-1 (565), and completes column (d) only. Otherwise the partnership should complete column (e) for all other partners.

## Completing Table 1

Complete Table 1 only if the partnership has nonbusiness intangible income. If the partnership has nonbusiness intangible income, but knows that the partner is a resident individual, then the partnership does not need to complete Table 1 for the partner.

## Completing Table 2

The partnership does not need to complete Table 2 for a partner, if the partnership knows that the partner is not unitary with its trade or business or any other trade or business.

## Special Rules for Partners and Partnerships in a Single Unitary Business

Special rules apply if the partnership and a partner are engaged in a single unitary business. In that case, a unitary partner will not use the income information shown in column (e). Instead, the partner's distributive share of business income is combined with the partner's own business income. The combined business income is apportioned using an apportionment formula that consists of an aggregate of the partner's share of the apportionment factors from the partnership and the partner's apportionment factors, Cal. Code Regs., tit. 18 section 25127-1(f). The determination of whether a three-factor or four-factor apportionment formula applies to the combined income will be made at the partner level. The partner's distributive share of business income and property, payroll, and sales factors are entered in Table 2.

If the partnership knows that all of the partners are unitary with the partnership, the partnership need not complete column (e) for any of the Schedules K-1 (565) or attach a Schedule R. For further information, see Partner's Instructions for Schedule K-1 (565).

## Special Reporting Requirements for Passive Activities

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (565), the partnership must attach a statement to Schedule K-1 (565) for each activity that is a passive activity to the partner. Rental activities are passive activities to all partners; trade or business activities are passive activities to limited partners and to general partners who do not materially participate in

the activity. The statement must include all the information explained in the instructions for federal Schedule K-1 (1065).

#### **Questions A and E, Schedule K-1 (565)**

See the federal instructions for Questions A and E on Schedule K-1 (1065).

#### **Question B, Schedule K-1 (565)**

Check the box for the partner's entity type. An exempt organization should check box 10 regardless of its legal form.

#### **Question D, Schedule K-1 (565)**

Percentages must be four to seven characters in length and have a decimal point before the four final characters. For example, 50% is represented as 50.0000, 5% as 5.0000, 100% as 100.0000. Do not enter fractions, the percentage symbol (%), or use terms such as "Various."

#### **Questions C and I, Schedule K-1 (565)**

Check the boxes at Questions C and I for the partner's California residency status.

#### **Specific Line Instructions**

The California Schedule K (565) generally follows the federal Schedule K (1065). Where California and federal laws are the same, the instructions for California Schedule K (565) refer to the instructions for federal Schedule K (1065).

## **Income**

#### **Line 1 through Line 7**

See the instructions for federal Schedule K (1065) and Schedule K-1 (1065), Income (Loss), line 1 through line 7.

**Note:** Schedule K (565) must include all income and losses from the partnership activities as determined under California laws and regulations. Any differences reported between the federal and California amounts should be related to differences in the tax laws. Do not apply the apportionment formula to the income or losses on Schedule K (565).

**Line 6 –** Enter on line 6, the amount shown on Schedule D-1, Sales of Business Property, line 7. Do not include specially allocated ordinary gains and losses or net gains or losses from involuntary conversions due to casualties or thefts. Instead, report them on line 7.

If the partnership has more than one activity and the amount on line 6 is a passive activity amount to the partner, attach a statement to Schedule K-1 (565) that identifies to which activity the IRC Section 1231 gain (loss) relates.

## **Deductions**

#### **Line 8 – Charitable Contributions**

Enter the total amount of charitable contributions made by the partnership during its taxable year on Schedule K (565) and each partner's distributive share on Schedule K-1 (565). Attach an itemized list to both schedules showing the amount subject to the 50%, 30%, and 20% limitations.

Partners are allowed a deduction for contributions to qualified organizations as provided in IRC Section 170. For taxable years beginning on or after January 1, 2002, California law conforms to the federal law, relating to the denial of the deduction for lobbying activities, club dues, and employee remuneration in excess of one million dollars.

**Note:** California conforms to IRC Section 170(f)(8) substantiation requirement for charitable contributions.

#### **Line 9 through Line 11**

See the instructions for federal Schedule K (1065) and Schedule K-1 (1065), Deductions, line 9 through line 11.

IRC Section 179 expense deductions are subject to different rules for California. See instructions for form FTB 3885P, Depreciation and Amortization.

California has not conformed to the federal Job Creation and Worker Assistance Act of 2002 that allows taxpayers to take an additional first-year depreciation deduction and Alternative Minimum Tax depreciation adjustment for property placed in service after September 10, 2001.

## **Investment Interest**

#### **Line 12a through Line 12b(2)**

These lines must be completed whether or not a partner is subject to the investment interest rules.

**Line 12a – Interest Expense on Investment Debts:** Enter the interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on line 12a of Schedule K (565) and Schedule K-1 (565), rather than line 10 of Schedule K (565) and Schedule K-1 (565).

Property held for investment includes a partner's interest in a trade or business activity that is not a passive activity to the partnership and in which the partner does not materially participate. An example would be a partner's working interest in an oil and gas property (i.e., the partner's interest is not limited) if the partner does not materially participate in the oil and gas activity. Investment interest does not include interest expense allocable to a passive activity. For more information, get form FTB 3526, Investment Interest Expense Deduction.

#### **Line 12b(1) and Line 12b(2) – Investment Interest Income and Expenses:**

Enter on line 12b(1) only the investment income included on line 4a, line 4b, line 4c, and line 4e of Schedule K (565) and Schedule K-1 (565). Enter on line 12b(2) only investment expense included on line 10 of Schedule K (565) and Schedule K-1 (565).

If items of investment income or expense are included in the amounts that are required to be passed through separately to the partner on Schedule K-1 (565), items other than the amounts included on line 4 and line 10 of Schedule K-1 (565), give each partner a statement identifying these amounts.

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

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

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income. Get the instructions for form FTB 3526 for more information.

## **Credits**

#### **Line 13a(1) – Withholding on Payments to the Partnership Allocated to All Partners**

If taxes were withheld from payments to the partnership by another entity, this withholding is allocated to all partners according to their partnership interests.

#### **Line 13a(2) – Partnership Withholding on Nonresident Partners, Schedule K-1 (565) only**

If taxes were withheld-at-source on domestic or foreign nonresident partners, the withheld amount is entered on the partner's Schedule K-1 (565), line 13a(2). This is not a distributable item.

**Line 13a(3) – Total Withholding, Schedule K-1 (565) only**

The amounts on a partner's Schedule K-1 (565), line 13a(1) and line 13a(2) are added together to get the total amount of withholding credit for that partner for the partnership year. If taxes were withheld by the partnership or if there is a pass-through withholding credit from another entity, the partnership must provide each affected partner (including California residents) a completed Form 592-B. Partners must attach Form 592-B to the front of their California return to claim withheld amounts. Schedule K-1 (565) may **not** be used to claim this withholding credit.

**Line 13b through Line 13d**

These lines relate to rental activities. Use line 14 to report credits related to trade or business activities.

**Note:** California line numbers are different from federal line numbers in this section.

**Line 13b – Low-Income Housing Credit**

A credit may be claimed by owners of residential rental projects providing low-income housing (IRC Section 42). Generally, the credit is effective for buildings placed in service after 1986. Get form FTB 3521, Low-Income Housing Credit, for more information.

**Line 13c – Credits Related to Rental Real Estate Activities Other Than Line 13b**

Report any information that the partners need to figure credits related to a rental real estate activity, other than the low-income housing credit. Attach to each partner's Schedule K-1 (565) a statement showing the amount to be reported and the applicable form on which the amount should be reported.

**Line 13d – Credits Related to Other Rental Activities**

Use this line to report information that the partners need to figure credits related to a rental activity. Attach to each partner's Schedule K-1 (565) a statement showing the amount to be reported and the applicable form on which the amount should be reported.

**Line 13e – Nonconsenting Nonresident Member's Tax Allocated to All Partners**

If income tax was paid by an LLC on behalf of a member that is a partnership because the general partner in the partnership did not sign form FTB 3832, the amount paid is entered on the member's Schedule K-1 (568), line 13e. This credit is allocated to all partners according to their partnership interest. Partners must attach a copy of the Schedule K-1 (568), previously issued to their partnership by the LLC as well as the Schedule K-1 (565) issued by their partnership, to their California tax return to claim their share of the tax paid by the LLC on their partnership's behalf.

**Line 14 – Other Credits**

Attach a statement showing each partner's allocable share of any credit or credit information that is related to a trade or business activity.

Credits that can be reported on line 14 are:

- Community Development Financial Institution Deposits Credit. Use credit code 209.
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548.
- Donated Agricultural Products Transportation Credit. Get form FTB 3547.
- Employer Child Care Program/Contribution Credit. Get form FTB 3501.
- Enhanced Oil Recovery Credit. Get form FTB 3546.
- Enterprise Zone (EZ) Hiring and Sales or Use Tax Credit. Get form FTB 3805Z.
- Farmworker Housing Credit – Construction. Use credit code 207.
- Joint Strike Fighter Credits. Get form FTB 3534.
- Farmworker Housing Credit – Loan. Use credit code 208.
- Local Agency Military Base Recovery Area (LAMBRA) Hiring and Sales or Use Tax Credit. Get form FTB 3807.
- Manufacturers' Investment Credit. Get form FTB 3535.

- Manufacturing Enhancement Area (MEA) Hiring Credit. Get form FTB 3808.
- Natural Heritage Preservation Credit. Get form FTB 3503. (Suspended from 07/01/02-6/30/03)
- Prison Inmate Labor Credit. Get form FTB 3507.
- Research Credit. Get form FTB 3523.
- Rice Straw Credit. Use credit code 206.
- Solar Energy System Credit. Get form FTB 3508
- Targeted Tax Area (TTA) Hiring and Sales or Use Tax credit. Get form FTB 3809.

Line 14 may also include the distributive share of net income taxes paid to other states by the partnership. Subject to limitations of R&TC Section 18001 and R&TC Section 18006, partners may claim a credit against their individual income tax for net income taxes paid by the partnership to another state. The amount of tax paid must be supported by a schedule of payments and evidence of tax liability by the partnership to the other states. Refer partners to Schedule S for more information.

**Reminder:** All of the above credit forms and many other forms are available from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**Adjustments and Tax Preference Items****Line 15a through Line 15e**

Enter each partner's distributive share of income and deductions that are adjustments and tax preference items. Get Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents, Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents or Part-Year Residents, Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries, Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, or Schedule P (100W), Alternative Minimum Tax Credit Limitations – Water's-Edge Filers, to determine amounts and for other information.

California law conforms to the existing federal law eliminating the deduction for contributions of appreciated property as an item of tax preference. As a result, taxpayers no longer need to include in their computation of Alternative Minimum Taxable Income the amount by which any allowable deduction for contributions of appreciated property exceeds the taxpayer's adjusted basis in the contributed property.

For additional information, see instructions for federal Schedule K (1065), Adjustments and Tax Preference Items, line 16a through line 16e. For differences between federal and California law for alternative minimum tax (AMT), see R&TC Section 17062.

**Other****Line 16 through Line 21**

See the instructions for federal Schedule K-1 (1065), "Other," line 18 through line 24.

**Line 22 – Schedule K-1 (565) only**

The partnership may need to report supplemental information that is not specifically requested on the Schedule K-1 (565) separately to each partner.

Partners may need to obtain the amount of their proportionate interest of aggregate gross receipts, less returns and allowances, from the partnership.

Alternative minimum taxable income does not include income, positive and negative adjustments, and preference items attributed to any trade or business of a qualified taxpayer who has aggregate gross receipts, less returns and allowances, during the taxable year of less than \$1,000,000 from all trades or businesses in which the taxpayer is an owner or has an ownership interest. The partnership should provide the partner's proportionate interest of aggregate gross receipts on Schedule K-1 (565), line 22.

For purposes of R&TC Section 17062(b)(4), “*aggregate gross receipts, less returns and allowances*” means the sum of:

- The gross receipts of the trades or businesses which the taxpayer owns;
- The proportionate interest of the gross receipts of the trades or businesses which the taxpayer owns; and
- The proportionate interest of the pass-through entity’s gross receipts in which the taxpayer holds an interest.

“*Aggregate gross receipts*” means the sum of gross receipts from the production of business income, within the meaning of subdivisions (a) and (c) of R&TC Section 25120, and the gross receipts from the production of nonbusiness income as defined in subdivision (d) of R&TC Section 25120.

For purposes of this section, “*pass-through entity*” means a partnership (as defined by R&TC Section 17008), an S corporation, a regulated investment company (RIC), a real estate investment trust (REIT), and a REMIC.

See R&TC Section 17062 for more information.

Also show on line 22 a statement showing each of the following:

1. Each partner’s distributive share of business income apportioned to an EZ, LAMBRA, MEA, or TTA; and
2. Each partner’s distributive share of business capital gain or loss included in 1 above.

## Analysis — Schedule K (565) only

### Line 23a through Line 23b(2)

For the instructions for line 23a through line 23b(2) of Schedule K (565), see the instructions for federal Schedule K (1065), Analysis of Net Income (Loss).

## Tables — Schedule K-1 (565) only

### Table 1

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

**Note:** Enter nonbusiness income from intangibles in Table 1 net of related expenses.

### Table 2

The final determination of unity is made at the partner level. If the partnership and the partner are unitary, or if the partnership is uncertain as to whether it is unitary with the partner, it should furnish the information in Table 2.

**Part A.** Enter the partner’s distributive share of the partnership’s business income. The partner will then add that income to its own business income and apportion the combined business income.

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

**Part B.** Enter the partner’s share of nonbusiness income from real and tangible property that is located in California. Because this income has a California source, this income should also be included on the appropriate line in column (e).

Nonbusiness income is all income other than business income.

**Part C.** Enter the partner’s distributive share of the partnership’s payroll, property, and sales factors.

# Form 565

## Codes for Principal Business Activity

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. For taxable years beginning on or after January 1, 1998, 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 partnership derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales plus all other income. If the partnership purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the partnership is considered a manufacturer and must use one of the manufacturing codes (31110-33990).

Once the principal business activity is determined, entries must be made on Form 565, Question C. For the business activity code number, enter the six-digit code selected from the list below. On the next line enter a brief description of the partnership's business activity. Finally, enter a description of the principal product or service of the partnership on the next line.

### Agriculture, Forestry, Fishing, and Hunting

#### Code

#### Crop Production

- 11110 Oilseed & Grain Farming
- 11120 Vegetable & Melon Farming (including potatoes & yams)
- 11130 Fruit & Tree Nut Farming
- 11140 Greenhouse, Nursery, & Floriculture Production
- 11190 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

#### Animal Production

- 11211 Beef Cattle Ranching & Farming
- 11212 Cattle Feedlots
- 11210 Dairy Cattle & Milk Production
- 11220 Hog & Pig Farming
- 11230 Poultry & Egg Production
- 11240 Sheep & Goat Farming
- 11250 Animal Aquaculture (including shellfish & finfish farms & hatcheries)
- 11290 Other Animal Production

#### Forestry and Logging

- 11310 Timber Tract Operations
- 11320 Forest Nurseries & Gathering of Forest Products
- 11330 Logging

#### Fishing, Hunting and Trapping

- 11410 Fishing
- 11420 Hunting & Trapping

#### Support Activities for Agriculture and Forestry

- 11510 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 11520 Support Activities for Animal Production
- 11530 Support Activities for Forestry

#### Mining

- 21110 Oil & Gas Extraction
- 21210 Coal Mining
- 21220 Metal Ore Mining
- 21230 Stone Mining & Quarrying
- 21230 Sand, Gravel, Clay, & Ceramic & Refractory

#### Minerals Mining & Quarrying

- 21230 Other Nonmetallic Mineral Mining & Quarrying
- 21310 Support Activities for Mining

#### Utilities

- 22100 Electric Power Generation, Transmission & Distribution
- 22120 Natural Gas Distribution
- 22130 Water, Sewage, & Other Systems

### 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

- 31110 Animal Food Mfg
- 31120 Grain & Oilseed Milling
- 31130 Sugar & Confectionery Product Mfg
- 31140 Fruit & Vegetable Preserving & Specialty Food Mfg
- 31150 Dairy Product Mfg
- 31160 Animal Slaughtering and Processing
- 31170 Seafood Product Preparation & Packaging
- 31180 Bakeries & Tortilla Mfg
- 31190 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
- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 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 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

#### Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

#### Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

#### Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

### Wholesale Trade

#### Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Electrical & 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

<i>Code</i>	
<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

<b>Motor Vehicle and Parts Dealers</b>	
441110	New Car Dealers
441120	Used Car Dealers
441210	Recreational Vehicle Dealers
441221	Motorcycle Dealers
441222	Boat Dealers
441229	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

443111	Household Appliance Stores
443112	Radio, Television, & Other Electronics Stores
443120	Computer & Software Stores
443130	Camera & Photographic Supplies 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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<i>Code</i>	
<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
451220	Prerecorded Tape, Compact Disc, & Record Stores

### General Merchandise Stores

452110	Department stores
452900	Other General Merchandise Stores

### Miscellaneous Store Retailers

453110	Florists
453210	Office Supplies & Stationery Stores
453220	Gift, Novelty, & Souvenir Stores
453310	Used Merchandise Stores
453910	Pet & Pet Supplies Stores
453920	Art Dealers
453930	Manufactured (Mobile) Home Dealers
453990	All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)
<b>Nonstore Retailers</b>	
454110	Electronic Shopping & Mail-Order Houses
454210	Vending Machine Operators
454311	Heating Oil Dealers
454312	Liquefied Petroleum Gas (Bottled Gas) Dealers
454319	Other Fuel Dealers
454390	Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

### Transportation and Warehousing

#### Air, Rail, and Water Transportation

481000	Air Transportation
482110	Rail Transportation
483000	Water Transportation

#### Truck Transportation

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

#### Transit and Ground Passenger Transportation

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

#### Pipeline Transportation

486000	Pipeline Transportation Scenic & Sightseeing Transportation
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#### Scenic & Sightseeing Transportation

487000	Scenic & Sightseeing Transportation
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<i>Code</i>	
<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)

### Information

#### Publishing Industries

511110	Newspaper Publishers
511120	Periodical Publishers
511130	Book Publishers
511140	Database & Directory Publishers
511190	Other Publishers
511210	Software Publishers

#### Motion Picture and Sound Recording Industries

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

#### Broadcasting (except Internet)

515100	Radio & Television Broadcasting
515210	Cable & Other Subscription Programming

#### Internet Publishing and Broadcasting

516110	Internet Publishing & Broadcasting
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#### Telecommunications

517000	Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications)
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#### Internet Service Providers, Web Search Portals, and Data Processing Services

518111	Internet Service Providers
518112	Web Search Portals
518210	Data Processing, Hosting, & Related Services

#### Other Information Services

519100	Other Information Services (including news syndicates & libraries)
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### Finance and Insurance

#### Depository Credit Intermediation

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

#### Nondepository Credit Intermediation

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

#### Activities Related to Credit Intermediation

522300	Activities Related to Credit Intermediation (including loan brokers)
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### Securities, Commodity Contracts, and Other Financial Investments and Related Activities

523110	Investment Banking & Securities Dealing
523120	Securities Brokerage
523130	Commodity Contracts Dealing
523140	Commodity Contracts Brokerage
523210	Securities & Commodity Exchanges
523900	Other Financial Investment Activities (including portfolio management & investment advice)

### Insurance Carriers and Related Activities

524140	Direct Life, Health, & Medical Insurance & Reinsurance Carriers
524150	Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
524210	Insurance Agencies & Brokerages
524290	Other Insurance Related Activities

### Funds, Trusts, and Other Financial Vehicles

525100	Insurance & Employee Benefit Funds
525910	Open-End Investment Funds (Form 1120-RIC)
525920	Trusts, Estates, & Agency Accounts
525930	Real Estate Investment Trusts (Form 1120-REIT)
525990	Other Financial Vehicles "Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under <b>Management of Companies (Holding Companies)</b> below.

### Real Estate and Rental and Leasing

#### Real Estate

531110	Lessors of Residential Buildings & Dwellings
531114	Cooperative Housing
531120	Lessors of Nonresidential Buildings (except Miniwarehouses)
531130	Lessors of Miniwarehouses & Self-Storage Units
531190	Lessors of Other Real Estate Property
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
532220	Formal Wear & Costume Rental
532230	Video Tape & Disc Rental
532290	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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Code

**Professional, Scientific, and Technical Services**

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

**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

Code

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)

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

Code

**Home Health Care Services**

621610 Home Health Care Services

**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

Code

**Food Services and Drinking Places**

722110 Full-Service Restaurants  
722210 Limited-Service Eating Places  
722300 Special Food Services (including food service contractors & caterers)  
722410 Drinking Places (Alcoholic Beverages)

**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

# How to Get California Tax Information

## Automated Toll-Free Phone Service

Call the FTB automated toll-free phone service to order tax forms and publications. The automated toll-free phone service is available 24 hours a day, seven days a week, in English or Spanish to callers with touch tone telephones.

Call from within the United States, call . . . . . (800) 338-0505  
Call from outside the United States, call . . . . . (916) 845-6600  
(not toll-free)

## General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday. We may modify these hours without notice to meet operational needs.

From within the United States, call . . . . . (800) 852-5711  
From outside the United States, call (not toll-free) . . . . (916) 845-6500

### For federal tax questions

Call the IRS at . . . . . (800) 829-1040

### Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

TTY/TDD . . . . . (800) 822-6268

### Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 7 p.m. lunes a viernes, excepto días festivos estatales. Sin embargo, podríamos modificar este horario sin aviso previo para cumplir necesidades de operación.

Dentro de los Estados Unidos, llame al . . . . . (800) 852-5711  
Fuera de los Estados Unidos,  
llame al (cargos aplican) . . . . . (916) 845-6500

Para preguntas sobre impuestos federales,  
llame el IRS al . . . . . (800) 829-1040

Página Electrónica:  
[www.ftb.ca.gov](http://www.ftb.ca.gov)

Asistencia para personas discapacitadas: Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla, pueden llamar al (800) 822-6268 con un aparato de telecomunicación TTY/TDD.

## Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), SOS file number, your daytime and evening telephone numbers, and a copy of the notice. Send your letter to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0640

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information. Please do not attach your letter to your California return.

## Where to Get Tax Forms and Publications

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

Our Joint Agency Website offers California business tax information and forms for the BOE, EDD, FTB, and IRS at [www.taxes.ca.gov](http://www.taxes.ca.gov).

You can also download, view, and print federal forms and publications from the IRS Website at [www.irs.gov](http://www.irs.gov).

**By phone** – Call our automated toll-free phone number, listed above, and follow the recorded instructions.

**By mail** – Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order. Write to:

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

**In person** – Free California tax booklets are provided at many libraries, post offices, and banks during the filing season. Most libraries and some quick print businesses have forms and schedules to photocopy (a nominal fee may apply).

**Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

## Your Rights As A Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the Franchise Tax Board on whether a particular transaction is taxable. See "Where to Get Income Tax Forms and Publications," on this page for how to get FTB Pub. 4058.

