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

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

Introduction
Corporations may elect to compute income attributable to California sources on the basis of a water’s-edge combined report. In general, under a water’s-edge election, affiliated foreign corporations are excluded from the combined report. For purposes of these instructions, the word “taxpayer” means a corporation in the combined group that has a California filing requirement.

The statute allowing the corporation to file on a water’s-edge basis does not supersede the concept of unity; it merely limits the unitary entities included in the combined report. For a discussion of the concepts of the unitary method of taxation and its application by the State of California, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report. Once the corporation computes its income attributable to California sources on the water’s-edge combined report basis, the corporation may either file a separate return or elect to file a single return with the other corporations in the water’s-edge group. For more information, go to Schedule R-7, Election to File a Unitary Taxpayers’ Group Return, which is included in Schedule R, Apportionment and Allocation of Income. S corporations normally may not be included in a combined report. For S corporations filing on a water’s-edge basis, this booklet should be used in conjunction with Form 100S, California Corporation Franchise or Income Tax Return. For more information, see General Information R, Apportionment of Income; S, Combined Report; and T, Water’s-Edge Reporting.

What’s New/Tax Law Changes
Extend the Time for Payment of Taxes for Corporations Expecting Net Operating Loss Carryback—A corporation or an exempt organization that expects a net operating loss (NOL) in the 2016 taxable year, can file form FTB 3593, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to extend the time for payment of taxes for the immediately preceding 2015 taxable year. This includes extending the time for payment of a tax deficiency. The payment of tax that can be postponed cannot exceed the expected overpayment from the carryback of the NOL. For more information, get form FTB 3593.

Natural Heritage Preservation Credit—For qualified contributions made on or after January 1, 2015, the credit carryover period has been extended to 15 years or until exhausted, whichever occurs first. Any unused credits remaining before January 1, 2015, will remain subject to an eight-year carryover provision. In addition, the period for when a qualified contribution is made, for which a tax credit will be allowed, has been extended to June 30, 2020.

Financial Incentive for Seismic Improvement—For taxable years beginning on or after July 1, 2015, taxpayers can exclude from gross income any amount received as a loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. See Specific Line Instructions for line 15 Other deductions, for more information.

College Access Tax Credit—For taxable years beginning on or after January 1, 2014, and before January 1, 2018, the College Access Tax Credit, can reduce tax below the tentative minimum tax (TMT). Get form FTB 3592, College Access Tax Credit, for more information.

Conformity—For updates regarding the federal acts, go to ftb.ca.gov and search for conformity.

Important Information
• The Franchise Tax Board (FTB) offers e-filing for the following entities:
  • Corporations filing Form 100W, California Corporation Franchise or Income Tax Return — Water’s-Edge Filers, and certain accompanying forms and schedules.
  • Corporations filing Form 100X, Amended Corporation Franchise or Income Tax Return.
Check with the software providers to see if they support business e-filing.

• For taxable years beginning on or after January 1, 2014, California law requires any business entity that files an original or amended tax return that is prepared using tax preparation software to electronically file (e-file) their tax return with the FTB. For more information, go to ftb.ca.gov and search for business efile.

• Corporations can make payments online using Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to ftb.ca.gov for more information.

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

• The Internal Revenue Service (IRS) requires certain corporations to file Schedule UTP (Form 1120), Uncertain Tax Position Statement, with their income tax returns.

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

• If the corporation was involved in a reportable transaction, including a listed transaction, the corporation may have a disclosure requirement. Attach federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of federal Form 8886 to the address below.

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

The FTB may impose penalties if the corporation fails to file federal Form 8886, Form 8918, Material Advisor Disclosure Statement, or any other required information. A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor. For more information, go to ftb.ca.gov and search for disclosure obligation.
For taxable years beginning on or after January 1, 2014, the IRS allows corporations with at least $10 million but less than $50 million in total assets at tax year end to file Schedule M-1 (Form 1120/1120-F), Reconciliation of Income (Loss) per Books With Income per Return, in place of Schedule M-3 (Form 1120/1120-F), Net Income (Loss) Reconciliation for Corporations With Total Assets of $10 Million or More, Parts II and III. However, Schedule M-3 (Form 1120/1120-F), Part I, is required for these corporations. For California purposes, the corporation must complete the California Schedule M-1. For more information, see the instructions for Schedule M-1 – Reconciliation of Income (Loss) per Books With Income (Loss) per Return, in this booklet.

The California legislature repealed and made changes to all of the Geographically Targeted Economic and Development Areas (G-TEDA) Tax Incentives. Enterprise Zones (EZ) and Local Agency Military Base Recovery Areas (LAMBRA) were repealed on January 1, 2014. The Targeted Tax Areas (TTA) and Manufacturing Enhancement Areas (MEA) both expired on December 31, 2012. For more information, go to ftb.ca.gov and search for repeal tax incentives.

For taxable years beginning on or after January 1, 2014, California requires taxpayers who exchange property located in California for like-kind property located outside of California under IRC Section 1031, to file an annual information return with the FTB. For more information, get form FTB 3840, California Like-Kind Exchanges, or go to ftb.ca.gov and search for like kind.

For taxable years beginning on or after January 1, 2014, an owner of all or part of a professional sports franchise will not be allowed a deduction for the amount of any fine or penalty paid or incurred, that was assessed or imposed by the professional sports league that includes that franchise. See Specific Line Instructions for line 8, Other additions, for more information.

For taxable years beginning on or after January 1, 2014, and before January 1, 2019, taxpayers can exclude from gross income any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf removal water conservation program. See Specific Line Instructions for line 15, Other deductions, for more information.

For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California did not conform to the federal recognition of Cancellation of Debt Income (CODI) under IRC Section 108(i). If the corporation recognized the CODI for federal tax purposes, see Specific Line Instructions for line 15, Other deductions, for more information.

NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years. The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL. For more information, see General Information W, Net Operating Loss (NOL) or form FTB 38050, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, included in this booklet.

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

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

A “benefit corporation” can be formed with the purpose of creating general public benefit, provided certain requirements are met. An existing corporation can become a “benefit corporation”, if certain procedures are followed. In addition, a “benefit corporation” can be created through a merger or reorganization, if certain requirements are met. For more information, see the Corporations Code, commencing with Section 14600.

Beginning on or after January 1, 2012, a type of corporation called a “flexible purpose corporation” could be formed, provided certain requirements were met. An existing corporation could merge or convert into a “flexible purpose corporation”, upon completion of certain requirements. A “flexible purpose corporation” must have a special purpose which may include but is not limited to, charitable and public purpose activities that could be carried out by a nonprofit public benefit corporation. For more information, see the Corporations Code, commencing with Section 2500.

Effective January 1, 2015, the provisions of the Corporations Code relating to flexible purpose corporations were amended. All references to “flexible purpose corporations” in the Corporations Code are changed to “social purpose corporations,” although the requirements are substantially the same as prior law. Any flexible purpose corporation formed before January 1, 2015, may elect to amend its articles of incorporation to change its status to a “social purpose corporation.” If a flexible purpose corporation formed prior to January 1, 2015, does not amend its articles of incorporation to change its status, any reference to “social purpose corporation” in the Corporation Code is deemed a reference to a “flexible purpose corporation.” For more information, see the Corporations Code.

R&T Section 24343.2:
• Disallows the deduction for payments made to a club that restricts membership or the use of its services or facilities on the basis of ancestry or any characteristic listed or defined in Section 11135 of the Government Code.
• Excludes genetic information from the characteristics listed or defined in Section 11135 of the Government Code.
• “Gross receipts” means the gross amounts realized (the sum of money and the fair market value of other property or services received) on:
  • The sale or exchange of property,
  • The performance of services, or
  • The use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the IRC.

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

R&T Section 25135(b) adopts the Finnigan rule in assigning sales from tangible personal property.

For more information regarding “gross receipts” or “Finnigan rule”, get Schedule R or go to ftb.ca.gov and search for corporation law changes.

For taxable years beginning on or after January 1, 2007, interest and dividends from intangible assets held in connection with a treasury function of the taxpayer’s unitary business, as well as the gross receipts and any overall net gain from the maturity, redemption, sale, exchange, or other disposition of these assets, are excluded from the sales factor. This exclusion encompasses the use of futures contracts and options contracts to hedge foreign currency fluctuations. See Cal. Code Regs., tit. 18 section 25137(c)(1)(D) for more information. For taxable years beginning on or after January 1, 2011, see R&T Section 25120(f).
Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is a member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liability. For more information, get form FTB 3544, Election to Assign Credit Within Combined Reporting Group, or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee or go to ftb.ca.gov and search for credit assignment.

Group nonresident returns may include:
- Less than two nonresident individuals.
- Nonresident individuals with more than $1 million of California taxable income. An additional 1% tax will be assessed on nonresident individuals who have California taxable income over $1 million.

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

A C corporation is taxed on its earnings at regular corporate tax rates and the shareholders are then taxed on these earnings when they are distributed as dividends. For more information, get Form 100, Corporation Tax Booklet.

An S corporation must elect to be treated as an S corporation. The S corporation pays a reduced tax rate of 1.5% on its net income. The profits and losses from the S corporation pass-through to each shareholder through the Schedule K-1 (100S), Shareholder’s Share of Income, Deductions, Credits, etc., and each shareholder is responsible for paying taxes on the distributive share. California taxpayers wishing to elect to be treated as an S corporation should get the Form 100S, S Corporation Tax Booklet, for more information.

A controlled foreign corporation (CFC) must include in a water’s edge combined report a portion of its income based on the ratio of its Subpart F income bears to the current year earnings and profits, and its U.S. source income, regardless of whether the CFC is a California taxpayer. See form FTB 2416, Schedule of Included Controlled Foreign Corporations (CFC), included in this booklet, for more information.

Use Form FTB 3725, Assets Transferred from Corporation to Insurance Company, to report assets transferred from a corporation to an insurance company. Get form FTB 3725 for more information.

Use Form FTB 3726, Deferred Intercompany Stock Account (DISA) and Capital Gains Information, to meet the annual disclosure requirements of the combined reporting group of each DISA balance. Make sure to answer Question R on Form 100W, Side 3. Get form FTB 3726 for more information.

In general, R&TC Sections 17024.5 and 23051.5 state that federal elections made before a taxpayer becomes a California taxpayer are binding for California tax purposes.

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

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

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

Sellers of California real estate must attach a copy of Form 593, Real Estate Withholding Tax Statement, to their tax return as proof of withholding. If the corporation needs to verify withholding payments, the corporation may call Withholding Services and Compliance at 916.845.4900 or 888.792.4900.

For the purposes of determining the correct amount of tax for water’s-edge electors, a presumption of correctness attaches to all federal determinations, including determinations made at the audit, appeals, and/or competent authority levels.

California law does not conform to federal law for the following:
- IRC Section 382(m) relating to special rule for certain ownership changes.
- The changes to the corporation in control and the issue price for the limitation on payment of estimated tax for closely held corporations under IRC Section 382(h) following an ownership change.
- The enhanced IRC Section 179 expensing election.
- The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2015.
- The domestic production activities deduction.
- IRC Section 613A (d)(4) relating to the exclusion of certain refiners.
- IRC Section 168(k) relating to the 50% bonus depreciation deduction for certain assets.
- The decreased estimated tax payments for certain small businesses.

California law conforms to federal law for the following:
- IRC Section 1245(b)(8) relating to amortizable Section 197 intangibles property disposed on or after January 1, 2010.
- Corporations may elect to expense under IRC Section 179 part or all of the cost of certain properties placed in service during the taxable year and used in the trade or business. For more information, see form FTB 3885, Corporation Depreciation and Amortization, included in this booklet.
- Large banks’ bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.
- AMT treatment of contributions of appreciated property.
- Disallowing the deduction for club membership fees and lobbying expenses.
- Disallowing the deduction for employee remuneration in excess of $1 million.
- For purposes of inventory accounting, and adjustment for shrinkage, based on an estimate, may be made. Taxpayers can voluntarily change their method of accounting if the method currently being used does not utilize estimates of inventory shrinkage and the taxpayer now wishes to use that method.
- Required recognition of gain on certain appreciated financial positions in personal property.
- Allows securities traders and commodities traders and dealers to elect to use mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt within in the organized commodities exchange. An election to use the mark-to-market method for federal purposes is considered an election for state purposes and a separate election is not allowed.
- Limitation on exception for investment companies under IRC Section 351.
- Expansion of deduction for certain interest and premiums paid for company-owned life insurance.
- Repeal of special installment sales rule for manufacturers of tangible personal property.
- Payment of estimated tax for closely held real estate investment trusts (REIT) and income and services provided by REIT subsidiaries.

California law conforms to federal law for the following:
- IRC Section 1245(b)(8) relating to amortizable Section 197 intangibles property disposed on or after January 1, 2010.
- Corporations may elect to expense under IRC Section 179 part or all of the cost of certain properties placed in service during the taxable year and used in the trade or business. For more information, see form FTB 3885, Corporation Depreciation and Amortization, included in this booklet.
- Large banks’ bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.
- AMT treatment of contributions of appreciated property.
- Disallowing the deduction for club membership fees and lobbying expenses.
- Disallowing the deduction for employee remuneration in excess of $1 million.
- For purposes of inventory accounting, and adjustment for shrinkage, based on an estimate, may be made. Taxpayers can voluntarily change their method of accounting if the method currently being used does not utilize estimates of inventory shrinkage and the taxpayer now wishes to use that method.
- Required recognition of gain on certain appreciated financial positions in personal property.
- Allows securities traders and commodities traders and dealers to elect to use mark-to-market accounting similar to what is currently required for securities dealers. Commodities would include only commodities of a kind that are dealt within in the organized commodities exchange. An election to use the mark-to-market method for federal purposes is considered an election for state purposes and a separate election is not allowed.
- Limitation on exception for investment companies under IRC Section 351.
- Expansion of deduction for certain interest and premiums paid for company-owned life insurance.
- Repeal of special installment sales rule for manufacturers of tangible personal property.
- Payment of estimated tax for closely held real estate investment trusts (REIT) and income and services provided by REIT subsidiaries.
- California law does not conform to federal law for the following:
  - IRC Section 382(m) relating to special rule for certain ownership changes.
  - The changes to the corporation in control and the issue price for the limitation on payment of estimated tax for closely held corporations under IRC Section 382(h) following an ownership change.
  - The enhanced IRC Section 179 expensing election.
  - The first-year depreciation deduction allowed for new luxury autos or certain passenger automobiles acquired and placed in service in 2010 through 2015.
  - The domestic production activities deduction.
  - IRC Section 613A (d)(4) relating to the exclusion of certain refiners.
  - IRC Section 168(k) relating to the 50% bonus depreciation deduction for certain assets.
  - The decreased estimated tax payments for certain small businesses.
• The treatment of the loss from the sale or exchange of certain preferred stock (of Fannie Mae or Freddie Mac).
• The additional first-year depreciation of certain qualified property placed in service after October 3, 2008, and the election to claim additional research and minimum tax credits in lieu of claiming the bonus depreciation.
• The energy efficient commercial buildings deduction.
• The percentage depletion deduction, which may not exceed 65% of the taxpayer's taxable income, is restricted to 100% of the net income derived from the oil or gas well property.
• Certain environmental remediation expenditures that would otherwise be chargeable to capital accounts may be expensed and taken as a deduction in the year the expense was paid or incurred.
• Deduction for corporate donation of scientific property and computer technology.
• Decreased capital gains tax rate.
• Exemption from AMT for small corporations.
• The treatment of Subpart F income.

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

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

Information Return for U.S. Taxpayers Who Have Ownership (Directly or Indirectly) in a Foreign Corporation
U.S. taxpayers who have an ownership interest (directly or indirectly) in a foreign corporation and are required to file federal Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with the federal return, must attach a copy(ies) to the California return. The penalty for failing to include a copy of federal Form(s) 5471 as required is $1,000 per form. See General Information M, Penalties, for more information.

Records Maintenance Requirements
Any taxpayer filing on a worldwide or a water's-edge basis is required to keep and maintain records and make the following available upon request:
• Any records needed to determine the treatment of items as nonbusiness or business income.
• Any records needed to determine the apportionment factors.
• Documents and information needed to determine the proper attribution of income to the U.S. or foreign jurisdictions under Section 482, Sections under Subchapter N of Chapter 1, or other similar provisions of the IRC.

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

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

Classification of Certain Business Trusts and Certain Foreign Single Member Limited Liability Companies (SMLLCs)
In general, the classification of a business entity should be the same for California purposes as it is for federal purposes. However, an exception may apply for certain eligible business entities (business trusts and SMLLCs) existing prior to January 1, 1997, that were taxed as corporations for California purposes under former R&TC Section 23038. For taxable years beginning on or after January 1, 1997, a business trust or a previously existing foreign SMLLC may make an irrevocable election to be classified the same as federal for California purposes.

To make the election the business trust or the SMLLC must have been classified as a corporation under California law, but classified as a partnership (for a business trust) or elected to be treated as a disregarded entity (for SMLLC) for federal tax purposes for taxable years beginning before January 1, 1997. If this election is not made, the existing eligible business entity will continue to be classified and taxed as a corporation for California purposes. Get form FTB 3574, Special Election for Business Trusts and Certain Foreign Single Member LLCs, for more information.

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

When Completing the Form 100W:
• Use black or blue ink on the tax return sent to the FTB.
• Print name and address (in CAPITAL LETTERS).
• When a domestic corporation files the first California tax return, the fiscal year beginning date must be the date the corporation is incorporated.
• Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.
• Send a clean legible copy.
• Enter all types of payments (overpayment from prior year, estimated tax, nonresident tax, etc.) made for the 2015 taxable year on the applicable line.
• When making a payment with a check or money order, enclose, but do not staple, payment to the face of the tax return.
• Assemble the corporation return in the following order: Form 100W, Schedule R (if required) or Form 100-WE, supporting schedules, a copy of federal return (if required) and form FTB 5806, Underpayment of Estimated Tax by Corporations, (if required). Do not use staples or other permanent bindings to assemble the tax return.

A Franchise or Income Tax Corporation Franchise Tax
Entities subject to the corporation minimum franchise tax include all corporations (e.g., limited liability companies (LLCs) electing to be taxed as corporations) that meet any of the following:
• Incorporated or organized in California.
• Qualified or registered to do business in California.
• Doing business in California, whether or not incorporated, organized, qualified, or registered under California law.

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

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

A taxpayer is “doing business” if it actively engages in any transaction for the purpose of financial or pecuniary gain or profit in California or if any of the following conditions is satisfied:
• The taxpayer is organized or commercially domiciled in California.
The sales, as defined in R&T Section 25120(e) or (f), of the taxpayer in California, including sales by the taxpayer's agents and independent contractors, exceed the lesser of $336,446 or 25% of the taxpayer's total sales.

The real property and tangible personal property of the taxpayer in California exceed the lesser of $53,644 or 25% of the taxpayer's real property and tangible personal property.

The amount paid in California by the taxpayer for compensation, as defined in R&T Section 25120(c), exceeds the lesser of $53,644 or 25% of the total compensation paid by the taxpayer.

In determining the amount of the taxpayer's sales, property, and payroll for doing business purposes, include the taxpayer's pro rata share of amounts from partnerships and S corporations.

For more information, see R&T Section 23101 or go to ftb.ca.gov and search for doing business.

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

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

Corporation Income Tax

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

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

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

B Tax Rates

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

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

C Minimum Franchise Tax

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

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

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

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

There is no minimum franchise tax for the following entities:

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

Taxable Year of 15 Days or Less

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

D Accounting Period/Method

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

A change in accounting method requires consent from the FTB. However, a corporation that obtains federal approval to change its accounting method, or that is permitted or required by federal law to change its accounting method without prior approval and does so, is deemed to have the FTB’s approval if: (1) the corporation files a timely Form 100W consistent with the change for the first taxable year the change becomes effective for federal purposes, and (2) the change is consistent with California law. A copy of federal Form 3115, Application for Change in Accounting Method, and a copy of the federal consent to the change must be attached to Form 100W for the first taxable year the change becomes effective. Get FTB Notice 2000-8 for more information. The FTB may modify a requested change if the change would distort income for California purposes.

California is not following the automatic consent procedure for a change of accounting method involving previously unclaimed allowable depreciation or amortization prescribed by federal Revenue Procedure 96-31. Get FTB Notice 96-3 for more information.

E When to File

File Form 100W on or before the 15th day of the 3rd month after the close of the taxable year unless the return is for a short-period as required under R&T Section 24634. Generally, the due date of a short-period return is the same as the due date of the federal short-period return. See R&T Section 18061(c) for the due date of a short-period return.

When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day. Due to the Emancipation Day holiday on April 16, 2016, tax returns filed and payments mailed or submitted on April 18, 2016, will be considered timely.

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

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

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

then the corporation status and taxable year will not terminate and only a single return Form 100 is required.

### Extension of Time to File

If the corporation cannot file its California return by the 15th day of the 3rd month after the close of the taxable year, it may file on or before the 15th day of the 10th month without filing a written request for an extension unless the corporation is suspended on or after the original due date.

An automatic extension does not extend the time for payment of tax; the full amount of tax must be paid by the original due date of Form 100W. If there is an unpaid tax liability, complete Form FTB 3539, Payment for Automatic Extension for Corporations and Exempt Organizations, included in this booklet, and send it with the payment by the original due date of the Form 100W. If a corporation or an exempt organization expects an NOL in the 2016 taxable year, the corporation or an exempt organization can file form FTB 3593 to extend the time for payment of tax for the immediately preceding 2015 taxable year. Get form FTB 3593 for more information.

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

Due to the Emancipation Day holiday on April 16, 2016, tax returns filed and payments mailed or submitted on April 18, 2016, will be considered timely.

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

### Electronic Payments

**Electronic Funds Transfer**

Corporations remitting an estimated tax payment or extension payment in excess of $20,000 or having a total tax liability in excess of $80,000 must remit all of their payments through EFT. Once a corporation meets the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically to avoid the 10% non-compliance penalty. The first payment that would trigger the mandatory EFT requirement does not have to be made electronically.

Corporations required to remit payments electronically may use Web Pay or credit card and be considered in compliance with that requirement. The FTB notifies corporations that are subject to this requirement. Those that do not meet these requirements may participate on a voluntary basis. If the corporation pays electronically, complete the form FTB 3539 worksheet for its records. Do not mail the payment voucher. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for eft, or call 916.845.4025.

**Web Pay**

Corporations can make payments online using Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to [ftb.ca.gov](http://ftb.ca.gov) for more information.

**Credit Card**

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

### Where to File

**Payments**

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

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

Using black or blue ink, make the check or money order payable to the “Franchise Tax Board.” Write the California corporation number and “2015 Form 100W” on the check or money order.

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

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

**Refunds**

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

**Return Without Payment or Paid Electronically**

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

### Private Delivery Services

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

**FRANCHISE TAX BOARD**

**SACRAMENTO CA 95827**

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

### Net Income Computation

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

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

2. **Schedule F – California Computation Method**

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

For more information, see the Specific Line Instructions.

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

Corporations that claim certain types of deductions, exclusions, and credits may be subject to California AMT. Generally, corporations that complete federal Form 4626, Alternative Minimum Tax – Corporations, also must complete California Schedule P (100W), Alternative Minimum Tax and Credit Limitations – Water’s-Edge Filers. See Schedule P (100W), included in this booklet, for more information.

K Estimated Tax

Every corporation must pay estimated tax using Form 100-ES, Corporation Estimated Tax. Corporations are required to pay the following percentages of the estimated tax liability during the taxable year:
- 30% for the first required installment
- 40% for the second required installment
- 30% for the third required installment
- 30% for the fourth required installment

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

Estimated tax is generally due and payable in four installments as follows:
- The 1st payment is due by the 15th day of the 4th month of the taxable year (this payment may not be less than the minimum franchise tax, if applicable).
- The 2nd, 3rd, and 4th installments are due and payable by the 15th day of the 6th, 9th, and 12th months respectively, of the taxable year.

For purposes of determining the due date of any required installment, a partial month is treated as a full month. Refer to Treas. Reg. Section 1.6655-1(f)(2)(iv) for more information.

If no amount is due, do not mail Form 100-ES. California law has conformed to the federal expanded annualization periods for the computation of estimate payments. For taxable years beginning on or after January 1, 1998, the applicable percentage for estimate basis is 100%.

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

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

L New/Commencing Corporations

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

M Penalties

Failure to File a Timely Return

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

Failure to Pay Total Tax by the Due Date

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

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

Corporations that meet the requirements for filing form FTB 3953 may extend the time for payment of taxes and are not subject to late payment penalties. For more information, get form FTB 3953.

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

Underpayment of Estimated Tax

Any corporation that fails to pay, pays late, or underpays an installment of estimated tax is assessed a penalty. The penalty is a percentage of the underpayment of estimated tax for the period from the date the installment was due until the date it is paid, or until the original due date of the tax return, whichever is earlier. Get form FTB 5806 to determine both the amount of underpayment and the amount of penalty.

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

See R&TC Sections 19142, 19144, 19145, 19147, 19148, 19149, 19150, 19151, and 19161 for more information.

If the corporation uses Exception B or Exception C on form FTB 5806 to compute or eliminate any of the required installments, form FTB 5806 must be attached to the back of Form 100W (after all schedules and federal return) and the box on Form 100W, Side 2, line 41b should be checked.

Large Corporate Understatement of Tax

Corporations are subject to a penalty in an amount equal to 20% of the understatement of tax liabilities that:
- Exceeds the greater of $1 million or 20% of the tax shown on an original or amended return filed on or before the original or extended due date of the return, for taxable years beginning on or after January 1, 2010.
- In excess of $1 million for taxable years beginning on after January 1, 2003, and before January 1, 2010.

See R&TC Section 19138 for exceptions to the large corporate understatement of tax penalty.

EFT Penalty

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

Information Reporting Penalties

U.S. corporations that have an ownership interest (directly or indirectly) in a foreign corporation and were required to file federal Form(s) 5471 with the federal return, must attach a copy(ies) to the California return. The penalty for failure to include a copy of federal Form(s) 5471, as required, is $1,000 per required form for each year the failure occurs. The penalty will not be assessed if the copy of the information required to be filed with the IRS was not attached to the taxpayer's original return and the taxpayer provides a copy of the form(s) within 30 days of request from the FTB and the taxpayer agrees to attach a copy(ies) of federal Form 5471 to all returns filed for subsequent years. See R&TC Section 19141.2 for more information.

Certain domestic corporations that are 25% or more foreign-owned and foreign corporations engaged in a U.S. trade or business must attach a copy(ies) of the federal Form(s) 5472 to Form 100W. The penalty for failing to include a copy of federal Form(s) 5472, as required, is $10,000 per required form for each year the failure occurs. See R&TC Section 19141.5 for more information.
If the corporation does not file its Form 100W by the due date or extended due date, whichever is later, copy(ies) of federal Form(s) 5472 must still be filed on time or the penalty will be imposed. Attach a cover letter to the copy(ies) indicating the taxpayer’s name, California corporation number, and taxable year. Mail to the same address used for returns without payments. See General Information H, Where to File, for more information. When the corporation files Form 100W, also attach copy(ies) of the federal Form(s) 5472. For information on filing the required federal informational returns on a CD, see General Information V, Information Returns.

Record Maintenance Penalty
The penalty for failure to maintain certain records is $10,000 for each taxable year for which the failure applies. In addition, if the failure continues for more than 90 days after the FTB notifies the corporation of the failure, in general, a penalty of $10,000 may be assessed for each additional 30-day period of continued failure. There is no maximum amount of penalty that may be assessed. See “Records Maintenance Requirements” on page 6 for a discussion of the records required to be maintained. See R&TC Section 19141.6 and the regulations thereunder for more information.

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

California Secretary of State (SOS) Penalty
The California Corporations Code requires the FTB to assess a penalty for failure to file an annual Statement of Information with the California SOS. For more information, see R&TC Section 19141, or contact:

STATEMENT OF INFORMATION UNIT ATTENTION: PENALTY CALIFORNIA SECRETARY OF STATE PO BOX 944230 SACRAMENTO CA 94244-2300 Telephone: 916.657.3537

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

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

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

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

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

To claim this credit, add this amount to the value on Form 100W, Side 2, line 35. Make a notation to the right of line 35: “Dissolving/Withdrawal.”

The return for the final taxable period is due on or before the 15th day of the 3rd full month after the month during which the corporation withdrew or stops doing business in California.

Corporations are subject to income tax or franchise tax for the final taxable period. Corporations that file a final franchise tax return must pay at least the minimum franchise tax as specified in R&TC Section 23153. The minimum franchise tax will not be assessed after the taxable year for which the final tax return is filed, if a corporation meets all of the following requirements:

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

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

To get samples and forms for filing a dissolution, surrender, or merger agreement, go to sos.ca.gov and search for corporation dissolution. Or address the request to:

ATTN: DOCUMENT FILING SUPPORT UNIT CALIFORNIA SECRETARY OF STATE 1500 11TH ST 3RD FLOOR SACRAMENTO CA 95814 Telephone: 916.657.5448

P Ceasing Business
For taxable years beginning on or after January 1, 2000 (other than the first taxable year beginning on or after that date), the tax for the final year in which a corporation does business in California is determined according to or measured by its net income for the taxable year during which the corporation ceased doing business.

In any event, the tax for any taxable year shall not be less than the minimum franchise tax.

For more information, see R&TC Section 23151.1.

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

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

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

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

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

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

See R&TC Sections 19135, 19719, 23301, 23305.1, and 23305.2 for more information.
**R  Apportionment of Income**

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

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

**S Combined Report**

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

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

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

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

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

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

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

For more information, get FTB Pub. 1061.

**T Water’s-Edge Reporting**

**Water’s-Edge Combined Report**

**Entities Included**

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

1. Any domestic international sales corporation, as defined in IRC Section 992, and any foreign sales corporation, as defined in IRC Section 992.
2. Any corporation (other than a bank), regardless of where it is incorporated, if the average of its property, payroll, and sales factors within the U.S. is 20% or more.

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

If a corporation meets the inclusion criteria under both items 5 and 6 above, it must include both items of income in the water’s-edge combined report. A CFC cannot exclude from the water’s-edge combined report its income determined under the Subpart F income inclusion ratio rule, even if it is a California taxpayer or has income from a U.S. source.

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

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

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

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

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

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

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

1. If a combined group has deferred gain or loss from intercompany transactions, a water’s-edge election under R&TC Section 25111 will cause certain previously deferred gains or losses to be taxed over a 60-month period beginning with the first day of the election’s effective period. This applies only to transactions where either the transferee, the transferor, or both, are to be excluded from a combined report by reason of the water’s-edge election. It does not apply if both the transferor and the transferee are included in the water’s-edge combination.

2. Generally, such gains or losses will be apportioned using the percentage used in the last worldwide combined report that preceded the first water’s-edge year. FTB Notice 89-601 provides that the percentage in the year of the original transaction can be used in certain circumstances.

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

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

**Water’s-Edge Election**

For taxable years beginning on or after January 1, 2003, R&TC Section 25113 governs the manner of making a water’s-edge election. R&TC Section 25113:

- Provides that the FTB may accept other objective evidence that a water’s-edge election is intended.
- Reforms the acquisition rules so that a taxpayer’s water’s-edge election would no longer automatically apply to other non-electing affiliates with which it becomes unitary. Instead, when two or more taxpayers become unitary, the status of the larger taxpayer would prevail.
In cases where the water's-edge election is to be made on a group return, the group must do all of the following:

1. **Consent to the taking of depositions from key employees or officers of the members of the water's-edge group and to the acceptance of subpoenas duces tecum requiring the reasonable production of documents.**

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

### Taxpayers Covered by an Election

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

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

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

### Time of Making the Election

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

Taxpayers with valid elections made prior to January 1, 2003, continue to file on a water's-edge basis and are subject to the provisions of R&TC Section 25113. The start date, as elected under R&T Section 25111, remains in effect.

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

### Taxpayers with Different Fiscal Year Ends

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

### Effect of Changes in Affiliation

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

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

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

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

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

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

### Termination of Election

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

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

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

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

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

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

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

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

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

If the FTB grants the taxpayer’s request to terminate its water’s-edge election, the taxpayer must file on a worldwide basis for at least 84 months before making another water’s-edge election. The FTB may waive the application of this rule for good cause.
To request termination of a water's-edge election, the corporation must timely file form FTB 1117 separately from any other form. Mail form FTB 1117 to:

FRANCHISE TAX BOARD
PO BOX 1779
RANCHO CORDOVA CA 95741-1779
For more information, see R&T Section 25113 and Cal. Code Regs., tit. 18 Section 25113.

Request for Consent for a Water's-Edge Re-Election
Use form FTB 1115, Request for Consent for a Water’s-Edge Re-Election, to request the FTB’s consent to re-elect water’s-edge prior to the expiration of the 84 month period following the last day of the terminated election, for good cause as provided in R&T Section 25113(c)(11). See form FTB 1115 instructions for more information.

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

V Information Returns
Every corporation engaged in a trade or business or making or receiving certain payments in the course of the trade or business is required to file information returns to report the amount of such payments. Payments that must be reported include, but are not limited to the following:

- Payments exceeding $600 annually for compensation for services not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties, legal services whether or not the payee is incorporated, interest (such as interest charged for late payment), and pensions.
- Payments exceeding $10 annually for interest earned and dividends.
- All payment amounts made by a broker or barter exchange.
- All payment amounts for gross proceeds paid to an attorney whether or not the services are performed for the payor.
- Cash payments over $10,000 received in a trade or business.

See instructions for federal Forms 1099 (series), 1098, 5498, and W-2G; federal Publication 1220, Specifications for Electronic Filing of Forms 1099, 1098, 1099, 3921, 3922, 5498, and W-2G.

Report payments to the FTB and the IRS using the appropriate federal form. Reports must be made for the calendar year. Federal Forms 1099 (series), 1098, and W-2G’s are due no later than February 28th if filing on paper (or March 31st, if filing electronically) and federal Form 5498, IRA Contribution Information, is due by May 31st of the year following payment. When the due date falls on a weekend or holiday, the deadline to file without penalty is extended to the next business day. Federal Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, is due within 15 days after the date of the transaction.

California requires corporations to report to the FTB, interest paid on municipal bonds held by California taxpayers and issued by a state other than California, or a municipality other than a California municipality. Entities paying interest to California residents on these types of bonds are required to report interest payments aggregating $10 or more and paid after January 1, 2015. These information returns will be due June 1, 2016. For more information, get form FTB 4800 MEO, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment Information Media Transmittal.

California conforms to the information reporting requirements imposed under IRC Sections 6038 through 6038C. Any federal Forms 5471, 5472, or 926, Return by a U.S. Transferor of Property to a Foreign Corporation, required to be filed for federal purposes under these IRC sections are also required to be filed for California purposes. These federal information returns should be attached to the Form 100W when filed or provided on CD as follows:

Corporations That e-file Their Returns. The federal information returns can be included electronically as part of the e-filed return.

Corporations That File Paper Returns. The options are different depending on the number of federal information returns filed:

- If less than 100, attach a copy of each federal information return to the California tax return.
- If 100 or more, attach a copy of each federal information return to the California tax return or submit the federal information returns via CD (not password protected) with the California return, as follows:
  - Save the federal information returns on a CD in Adobe PDF format (not a stream of the federal data).
  - Write on the CD the corporation’s name, the California corporation number, and the taxable year.
  - Mail the California tax return and the CD to the regular filing address.

If these federal information returns are not provided, penalties may be imposed under R&T Sections 19141.2 and 19141.5.

W Net Operating Loss (NOL)

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

The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL. The corporation computes the NOL carryback in Part III of form FTB 3805Q. For more information, get FTB Legal Ruling 2011-04 (see Situation 3).

The corporation claims the NOL carryback by amending the 2013 and/or 2014 tax return using Form 100X, or Form 109, California Exempt Organization Business Income Tax Return. Note: If the corporation will claim the NOL as a carryback in any of the previous two years, the corporation will first file the applicable 2015 tax return and attach the completed 2015 form FTB 3805Q to the tax return. After the 2015 tax return is filed, the corporation will file the amended return for 2013 and/or 2014 to claim the NOL carryback deduction and provide the following explanation on Form 100X, Part V, line 2, Explanation of Changes: “2015 NOL carryback deduction”. For amended Form 109, attach a statement and provide the following explanation: “2015 NOL carryback deduction”.

Do not attach the 2015 form FTB 3805Q to the 2013 or 2014 amended return. Attaching form FTB 3805Q may delay processing of the amended return.

Any corporation entitled to a carryback period pursuant to IRC Section 172(b)(3) may elect to relinquish/waive the entire carryback period with respect to an NOL incurred in the 2015 taxable year. By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. Once made, the election shall be irrevocable for such taxable year. To make the election, check the box in Part I under Election to Waive Carryback, of form FTB 3805Q and attach form FTB 3805Q to the tax return. For more information, see form FTB 3805Q included in this booklet.

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

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

R&T Section 24416.1 through 24416.7, 24416.20 and R&T Section 25108 provide for NOL deductions incurred in the conduct of a trade or business.
R&TC Sections 24347.5, 24347.11, 24347.12, and 24347.13 provide the treatment for disaster losses incurred in an area declared by the President of the United States or the Governor of California as a disaster area. For taxable years beginning on or after January 1, 2014, if the disaster is declared by the Governor of California only, subsequent state legislation is required for the disaster provision to be activated.

For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. See R&TC Section 24347.14 for more information.

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

For more information, see form FTB 3805Q included in this booklet, or get form FTB 3805D, Net Operating Loss (NOL) Carryover Computation and Limitation – Pierce's Disease; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3806, Los Angeles Revitalization Zone Net Operating Loss (NOL) Carryover Deduction; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

X Signatures

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

Preparer Tax Identification Number (PTIN)
Tax preparers must provide their PTIN on the tax returns they prepare. Preparers who want a PTIN should go to the IRS website at irs.gov and search for ptin.

Paid Preparer Authorization
If the corporation wants to allow the FTB to discuss its 2015 tax return with the paid preparer who signed it, check the “Yes” box in the signature area of the return. This authorization applies only to the individual whose signature appears in the “Paid Preparer’s Use Only” section of the return. It does not apply to the firm, if any, shown in that section.

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

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

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

The authorization will automatically end no later than the due date (without regard to extensions) for filing the corporation’s 2016 tax return. If the corporation wants to expand the paid preparer’s authorization, go to ftb.ca.gov and search for poa. If the corporation wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

Y Limited Liability Companies (LLCs)

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

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

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

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

Specific Line Instructions
Taxpayers that are not filing on water’s-edge basis should use Form 100.

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

- California corporation number (a valid seven digit number assigned by the California SOS).
- Federal employer identification number (FEIN) (nine digits).
- California Secretary of State file number (twelve digits), if applicable.
- Corporation name (use the true legal name filed with the California SOS) and address (include PMB no., if applicable).

Use the additional information field for “Owner/Representative/Attention” name, and other supplemental address information only.

If the corporation has a foreign address, follow the country’s practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. Do not abbreviate the country name.

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

File the 2015 Form 100W for calendar year 2015 and fiscal year that begins in 2015. Enter taxable year beginning and ending dates only if the return is for a short year or a fiscal year. If a domestic corporation files the first California tax return, the fiscal year beginning date must be the date the corporation is incorporated. If the corporation reports its income using a calendar year, leave the date area blank. If the return is being filed for a short period (less than 12 months), write “short year” in red in the top margin. Convert all foreign monetary amounts to U.S. dollars.

The 2015 Form 100W may also be used if:

- The corporation has a taxable year of less than 12 months that begins and ends in 2016.
- The 2016 Form 100W is not available at the time the corporation is required to file its return. The corporation must show its 2016 taxable year on the 2015 Form 100W and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2015.

Questions A through BB

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

Question B – Combined report information
If the answer to Question B1 is:

- “Yes,” make sure to complete all the questions listed
- “No,” skip Questions B2 – B4 and go to Question B5
Question B5 – FTB 3544 and/or 3544A
Check the “Yes” box if form FTB 3544 and/or 3544A is attached to Form 100W.

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

If any of the answers are “Yes,” a Statement of Change in Control and Ownership of Legal Entities (BOE-100-B), must be filed with the California State Board of Equalization (BOE). Failure to do so within 90 days of the event date will result in penalties. Get forms and information from the BOE website (boe.ca.gov) by searching for “leap.”

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

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

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

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

Question F – Principal business activity (PBA) code
All corporations must answer Question F.

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

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

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

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

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

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

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

- A transaction with a significant book-tax difference (entered into prior to August 3, 2007). Beginning January 6, 2006, this transaction was no longer required to be disclosed on Form 8886. See IRS Notice 2006-06.
- A Listed Transaction, or a transaction that is substantially similar to a Listed Transaction, which has been identified by the IRS or the FTB to be a tax avoidance transaction.
- A Confidential Transaction which is offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum fee.
- A transaction with contractual protections which provides the taxpayer with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained.
- A loss transaction under IRC Section 165 which is at least $10 million in any one year or $20 million in any combination of taxable years. (Those numbers would be reduced to $2 million and $4 million on the Form 100S.)
- A transaction where the taxpayer is claiming a tax credit of greater than $250,000 and held the asset for less than 45 days (entered into prior to August 3, 2007).
- A transaction of interest is a transaction that is the same as or substantially similar to one of the types of transactions that the IRS has identified by notice, regulation, or other form of published guidance as a transaction of interest (entered into beginning November 1, 2006).

A Listed Transaction is a specific transaction, or one that is substantially similar, which has been identified by the IRS or the FTB to be a tax avoidance transaction.

Question S – Regulated investment company (RIC)
R&TC Section 24870 indicates that Subchapter M of Chapter 1 of Subtitle A of the IRC, relating to regulated investment companies and real estate investment trusts, shall apply, except as otherwise provided in this part. Also, refer to R&TC Section 24871 for more information.

Question T – Real estate investment conduit (REMIC)
If a corporation is a REMIC for federal purposes, it will generally be a REMIC for California purposes. A REMIC is subject to the minimum franchise tax but is not subject to the income or franchise tax. The income of a REMIC is taxable to the holders of the REMIC interests. In order to qualify, substantially all of the assets of the entity must consist of “qualified mortgages” and “permitted investments.” See the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, to determine if the corporation qualifies. California law is the same as federal law, except California does not impose a tax on prohibited transactions, as defined in IRC Section 860F. The income or gain from such prohibited transactions remains includible in the California tax base. If the corporation is a REMIC for federal purposes, answer “Yes” to Question T, complete Form 100W and attach a copy of federal Form 1066.

Question U – Real estate investment trust (REIT)
California tax law has partially conformed to the REIT provisions of the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170), except for the provisions relating to income from redetermined rents, redetermined deductions, and excess interest. Additionally, a federal election to treat property as foreclosure property under IRC Section 856(e)(5) is considered to be an election for California as well. No separate elections are allowed.
Line 1 through Line 42

Line 1 – Net income (loss) before state adjustments

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

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

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

Line 2 through Line 16 – State adjustments

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

Line 2 and Line 3 – Taxes not deductible

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

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

Line 4 – Interest on government obligations

Corporations subject to California franchise tax must report all interest received on government obligations (such as federal, state, or municipal bonds). On line 4, enter all interest on government obligations that is not included in the federal ordinary income (loss). Corporations subject to California corporation income tax, see instructions for line 15.

Line 5 – Net California capital gain

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

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

Line 6 and Line 12 – Depreciation and amortization

California law is substantially different from federal law for corporations.

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

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

R&T&C Section 25110(a)(2)(A) provides that a portion of the income and apportionment factors of any CFC (defined in IRC Section 957) that has Subpart F income, as defined in IRC Section 952, must be included in the combined report of a taxpayer making a water’s-edge election. Complete and attach form FTB 2416, Schedule of Included Foreign Corporations (CFC), included in this booklet, to compute the amount to enter on line 7a.

Line 7b – Income not included in federal consolidated return

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

Line 8 – Other additions

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

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

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

Domestic Production Activities Deduction. California does not conform to the federal domestic production activities deduction. If the corporation claimed the deduction for federal purposes, include the amount on line 8.

Penalty Assessed by Professional Sports League. For taxable years beginning on or after January 1, 2014, California does not allow a business expense deduction for any fine or penalty paid or incurred by an owner of a professional sports franchise assessed or imposed by the professional sports league that includes that franchise. If the corporation deducted the fine or penalty for federal purposes, include the amount on line 8.

Line 10 and Line 11 – Dividends

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

Foreign Investment Interest Offset

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

Line 13 – Capital gain from federal

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

Line 14 – Contributions

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

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

For taxable years beginning on or after January 1, 2014, and before January 1, 2018, do not include any amounts taken into account for the College Access Tax Credit as a contribution deduction on line 14.
On a separate worksheet, using the Form 100W format, complete Form 100W, Side 1 and Side 2, line 1 through line 17 without regard to line 14. Contributions. If any federal contribution deduction was taken in arriving at the amount entered on Side 1, line 1, enter that amount as a positive number on line 8. Enter the adjusted basis of the assets contributed on line 5 of the worksheet. Then complete the worksheet that follows to determine the contributions to enter on line 14.

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

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

**Line 15 – Other deductions**
Include on this line deductions not claimed on any other line. Attach a schedule that clearly shows how each deduction was computed and explain the basis for the deduction.

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

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

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

If the corporation included any amount as income for federal purposes, deduct the amount on line 15.

**Cancellation of Debt Income (CODI).** California did not conform to the federal election under IRC Section 108(i) to defer the recognition of CODI in connection with the reacquisition of an applicable debt instrument after December 31, 2008, and before January 1, 2011. The deferral period was five taxable years for CODI generated in 2009, or four taxable years for CODI generated in 2010. For federal tax purposes, at the end of the deferral period (taxable years beginning on or after January 1, 2014 and before January 1, 2019), the income is reported ratably over five years. If for California purposes, the CODI had been included in income during previous taxable years and the corporation recognized the CODI for federal tax purposes in the current year, deduct the federal CODI amount on line 15.

**Financial Incentive for Turf Removal.** For taxable years beginning on or after January 1, 2014, and before January 1, 2019, California allows an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf removal water conservation program. If the corporation included any amount as income for federal purposes, deduct that amount on line 15.

**Line 18 – Net income (loss) for state purposes**
If all corporate income is derived from California sources, transfer the amount on line 17 directly to line 18.

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

If this line is a net loss, complete and attach the 2015 form FTB 3805Q to Form 100W.

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

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

**Line 19 – Net operating loss (NOL) deduction**
NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years.

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

The corporation computes the NOL carryback in Part III of form FTB 3805Q.

Any corporation entitled to a carryback period pursuant to IRC Section 172(b)(3) may elect to relinquish waive the entire carryback period with respect to an NOL incurred in the 2015 taxable year. By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. Once made, the election shall be irrevocable for such taxable year. To make the election, check the box in Part I under Election to Waive Carryback, of form FTB 3805Q and attach form FTB 3805Q to the tax return. For more information, see form FTB 3805Q included in this booklet.

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

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

If line 18 is a positive amount, enter the NOL carryover deduction from the 2015 form FTB 3805Q, Part IV, line 3 on Form 100W, line 19. The loss may not reduce current year income below zero. Any excess loss must be carried forward. Attach a copy of the 2015 form FTB 3805Q to Form 100W.

If the full amount of the NOL carryover may not be deducted this year, complete and attach a 2015 form FTB 3805Q showing the computation of the NOL carryover to future years.

If line 18 is a negative amount, corporations may not claim an NOL deduction. Enter -0- on line 19. See the 2015 form FTB 3805Q instructions to compute the NOL carryback to prior years or NOL carryover to future years.

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

**Line 20 – Pierce’s disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction**
An NOL generated by a farming business due to Pierce’s disease or a business that operates (operated) or invests (invested) within a former EZ, Los Angeles Revitalization Zone (LARZ), TTA, or LAMBRA receives special tax treatment. The loss may not reduce the corporation’s current taxable year income below zero.

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

Corporations can no longer generate/incur any TTA NOL for taxable years beginning on or after January 1, 2013. Corporations can claim TTA NOL carryover deduction from prior years. Get FTB 3809 Booklet for more information.
Compute and enter the Pierce’s disease, EZ, TTA, LARZ, or LAMBRa NOL carryover deduction from the corporation’s form FTB 3805D; form FTB 3805Z; form FTB 3809; form FTB 3806; or form FTB 3807, on Form 100W, line 20. Attach a copy of the applicable form to the Form 100W.

For more information, get form FTB 3805D, form FTB 3805Z, form FTB 3806, form FTB 3807, or form FTB 3809.

Line 21 – Disaster loss deduction
If the corporation has a disaster loss carryover deduction, and there is income in the current taxable year, enter the total amount from the 2015 form FTB 3805Q, Part IV, line 2. If the corporation deducts a 2015 disaster loss, any remaining loss for disaster loss incurred in 2015 (NOL attributable to a qualified disaster loss) must be carried back or elect to be carried forward. Get form FTB 3805Q for more information.

Line 23 – Tax
Use rates listed in General Information B, Tax Rates, and C, Minimum Franchise Tax.

Line 24 and Line 25 – New employment credit
Use form FTB 3545 to calculate the New Employment Credit. Enter the credit amount generated on line 24 and amount claimed on line 25. Do not claim the credit on Schedule P (100W). Get form FTB 3545 for more information, and attach a copy of the credit form to the Form 100W.

Line 26a through Line 27 – Tax credits
An eligible assignee can claim assigned credits, received this taxable year or carried over from prior years, against its tax liabilities. For more information, get form FTB 3544A.

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

A variety of tax credits are available to California corporations to reduce tax. However, corporations may not reduce the tax (line 23) below the minimum franchise tax, if applicable. Also, the amount of the credit that a corporation is allowed to claim may be limited. Generally, if the corporation completed federal Form 4626, the corporation may have limited credits. Complete Schedule P (100W), included in this booklet, to compute this limitation.

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

- Commercial Solar Electric System Credit carryover
- Research Credit
- Orphan Drug Credit carryover
- Low-income Housing Credit
- Manufacturers’ Investment Credit carryover
- Targeted Tax Area Hiring Credit
- Targeted Tax Area Sales or Use Tax Credit carryover
- Natural Heritage Preservation Tax Credit

Each credit is identified by a code. See the Credit Chart on page 36. To claim one or more credits, enter the credit name, code, and the amount of the credit on line 26a and line 26b. To claim more than two credits, use Schedule P (100W). List two of the credits on line 26a and line 26b. Enter the total of any remaining credits from Schedule P (100W) on line 27. Do not make an entry on line 27 unless line 26a and line 26b are complete.

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

Attach the credit form or schedule and complete Schedule P (100W), Part I, line 26a and line 26b. To claim more than two credits, use form FTB 3805Z, form FTB 3807, or form FTB 3809.

Schedule P (100W) is not deductible for California purposes on Form 100W, Schedule J, line 6. See instructions for Schedule J.

Line 37 and Line 38 – Tax due or overpayment
Revise the amount of tax due or overpayment, if applicable, by the amount on Schedule 4, line 2. Schedule 4, line 6. See instructions for Schedule 4.

Line 39 – Amount to be credited to 2016 estimated tax
If the corporation chooses to have the overpayment credited to next year’s estimated tax payment, the corporation cannot later request that the overpayment be applied to the prior year to offset any tax due.

Line 40 – Refund
Direct Deposit of Refund (DDR)
Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the corporation’s bank account, enter the account information on Form 100W, Side 2, lines 40a, 40b, and 40c. Be sure to fill in all the information. Do not attach a voided check or deposit slip.

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

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

Line 41 – Penalties and interest
Enter on line 41a the amount of any penalties and interest due. Complete and attach form FTB 5806 to the back of Form 100W (after all schedules and federal return), only if Exception B or Exception C is used in computing or eliminating the penalty. Be sure to check the box on line 41b.

Schedules

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

If the corporation is using the California computation method to compute the net income, enter the difference of column (c) and column (d) on Schedule F, line 17.
Schedule D — California Capital Gains or Losses
California law does not conform to the federal reduced capital gains tax rates. California taxes capital gains at the same rate as other types of income. California does not allow a three-year carryback of capital losses.

Enter any unused capital loss carryover from 2014 Form 100W, Side 6, Schedule D, line 11 on 2015 Form 100W, Side 6, Schedule D, line 3.

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

Line 1 and Line 5
Report short-term or long-term capital gains (losses) from form FTB 3725 on Schedule D. Make sure to label on Schedule D, Part I, line 1 and/or Part II, line 5, under column (a) Kind of property and description: “FTB 3725.” Enter the amount of short-term or long-term capital gains (losses) from form FTB 3725 on Schedule D, Part I, line 1, column (f) and/or Part II, line 5, column (f). Attach a copy of form FTB 3725 to the Form 100W.

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

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

Line 4 - Total dividends
Enter the total amount of dividends received.

Line 13 – Salaries and wages
Gain from the exercise of California Qualified Stock Options issued and exercised on or after January 1, 1997, and before January 1, 2002, can be excluded from gross income if the individual’s earned income is $40,000 or less. The exclusion from gross income is subject to AMT and the corporation is not allowed a deduction for the compensation excluded from the employee’s gross income. For more information, see R&TC Section 24602.

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

Line 27 – Other deductions
Do not include the dividend deduction on this line. Instead enter the dividend deduction on Form 100W, Side 2, line 10, line 11a or line 11b.

Schedule G — Bad Debts Reserve Method
Only banks that are not a large bank, as defined under IRC Section 586(c)(2), may use the bad debt reserve method.

For the purpose of the bad debt reserve method, banks include savings and loan associations, and other financial institutions.

For more information, see IRC Sections 581 and 585. Complete Schedule G on this page and attach it to Form 100W.

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

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

Revise the amount of tax due or overpayment on Form 100W, line 37 or line 38, as applicable by the amount from Schedule J, line 6.

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

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

To determine the additional tax due to LIFO recapture, the corporation must complete Form 100W, Side 2, line 18 through line 31, based on income that does not include the LIFO recapture amount.

On a separate worksheet using the Form 100W format, the corporation must complete the equivalent of Form 100W, Side 2, line 18 through line 31, based on taxable income including the LIFO recapture amount.

Form 100W, Side 2, line 31, must then be compared to line 31 of the worksheet. The difference is the additional tax due to LIFO recapture.

Since Form 100W, Side 2, line 31, does not include the additional tax due to LIFO recapture, the corporations must include 1/4 of the additional tax on Schedule J, line 1, and adjust line 37 or line 38 accordingly. Attach the worksheet showing the computation.

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

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<th>(b) Accounts outstanding at the end of the year</th>
<th>(c) Current year’s provisions</th>
<th>(d) Recoveries</th>
<th>(e) Amount charged against reserve</th>
<th>(f) Reserve for bad debts at end of year</th>
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Schedule G — Bad Debts Reserve Method. See instructions
Long-term Contracts. If the corporation must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the corporation owes or the amount of interest to be credited or refunded to the corporation on Schedule J, line 2. If interest is to be credited or refunded, enter as a negative amount. Attach form FTB 3834 to Form 100W.

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

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

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

Credit Recapture. Complete Schedule J, line 5, if the corporation completed the credit recapture portion for any of the following credits:
- The Community Development Financial Institutions Investment Credit
- The Employer Childcare Program Credit and the Farmworker Housing Credit (See the instructions for form FTB 3540, Part II, for more information.)

Schedule M-1— Reconciliation of Income (Loss) per Books With Income (Loss) per Return
Schedule M-1 is used to reconcile the difference between book and tax accounting for an income or expense item. The federal and state Schedule M-1 may be the same when the corporation uses the federal reconciliation method for net income computation. See General Information I, Net Income Computation, for more information. The California Schedule M-1 will be different from the federal Form 1120, Schedule M-1, if using the California computation method for net income. The California computation method is generally used when the corporation has no federal filing requirement, or if the corporation maintains separate records for state purposes.

Reporting Requirements. If the corporation's total receipts (see top of page 56 for definition of total receipts) for the taxable year and total assets at the end of the taxable year are less than $250,000, the corporation is not required to complete, Schedule L, Schedule M-1, and Schedule M-2. However, this information must be available in the future upon request.

Corporation With Total Assets of At Least $10 Million but Less Than $50 Million. For taxable years beginning on or after January 1, 2014, the IRS allows corporations with at least $10 million but less than $50 million in total assets at tax year end to file Schedule M-1 (Form 1120/1120-F) in place of Schedule M-3 (Form 1120/1120-F), Parts II and III. However, Schedule M-3 (Form 1120/1120-F), Part I, is required for these corporations.

For California purposes, the corporation must complete the California Schedule M-1, and attach either of the following:
- A copy of the federal Schedule M-3 (Form 1120/1120-F) and related attachments to the Form 100W.
- A complete copy of the federal return.

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