



California

Forms & Instructions

568

2010

Limited Liability Company Tax Booklet

Members of the Franchise Tax Board

John Chiang, Chair
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This booklet contains:

Form 568, Limited Liability Company Return of Income

FTB 3537 (LLC), Payment for Automatic Extension for LLCs

FTB 3522, LLC Tax Voucher

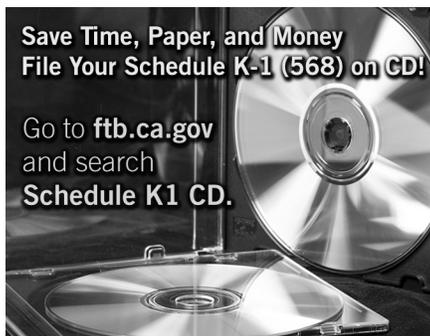
FTB 3536 (LLC), Estimated Fee for LLCs

FTB 3832, Limited Liability Company Nonresident Members' Consent

FTB 3885L, Depreciation and Amortization

Schedule D (568), Capital Gain or Loss

Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc.



**File 568 K-1s via CD or Diskette.
Put up to 300,000+ K-1s on CD or
12,000 K-1s on a diskette.**



For more information regarding business e-file, see page 2 or go to **ftb.ca.gov** and search for **business efile**.



State of California
Franchise Tax Board

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Business e-file

Business e-file is available for the following returns:

- **Form 568, Limited Liability Company Return of Income**
- Form 565, Partnership Return of Income
- Form 100, California Corporation Franchise or Income Tax Return, including combined reports
- Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers, including combined reports
- Form 100S, California S Corporation Franchise or Income Tax Return
- Form 100X, Amended Corporation Franchise or Income Tax Return, for taxable years beginning on or after January 1, 2010.

For more information, go to ftb.ca.gov and search for **business efile**.

2010 Instructions for Form 568, Limited Liability Company Return of Income

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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.

What's New

Web Pay – Beginning November 2010, Limited Liability Companies (LLCs) can make payments electronically at the Franchise Tax Board's (FTB's) website using Web Pay. After a one-time online registration, LLCs can make an immediate payment or schedule payments up to a year in advance. For more information go to ftb.ca.gov and search for **web pay**.

Failure to File Penalty (R&TC Section 19172) – For returns required to be filed on or after January 1, 2011, the failure to file penalty has been increased from \$10 to \$18 multiplied by the number of members, but not to exceed 12 months. The maximum number of months has increased from 5 months to 12 months. For more information, see General Information G, Penalties and Interest.

Doing Business – For taxable years beginning on or after January 1, 2011, an LLC 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 are satisfied:

- The LLC is organized or commercially domiciled in California
- Sales, as defined in subdivision (e) or (f) of R&TC Section 25120, of the LLC in California, including sales by the LLC's agents and independent contractors, exceed the lesser of \$500,000 or 25 percent of the taxpayer's total sales
- Real and tangible personal property of the LLC in California exceed the lesser of \$50,000 or 25 percent of the taxpayer's total real and tangible personal property
- The amount paid in California by the LLC for compensation, as defined in subdivision (c) of R&TC Section 25120, exceeds the lesser of \$50,000 or 25 percent of the total compensation paid by the LLC.

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

For more information, go to ftb.ca.gov and search for **2011**.

Deployed Military Exemption – For taxable years beginning on or after January 1, 2010, and before January 1, 2018, an LLC that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the annual tax if the owner is deployed during the taxable year and the LLC operates at a loss or ceases operation. For more information, see General Information F, Limited Liability Company Tax and Fee.

Charitable Contributions for 2010 Haiti Disaster – California law conforms to the federal law which allows a 2009 charitable contribution deduction for cash contributions made after January 11, 2010, and before March 1, 2010, for the relief of victims in areas affected by the earthquake in Haiti on January 12, 2010. LLCs may claim the deduction on the 2009 or 2010 California tax return. LLCs may choose to claim the deduction in different taxable years for federal and California purposes.

New Jobs Credit – For taxable years beginning on or after January 1, 2009, a new jobs credit in the amount of \$3000 is allowed for a qualified employer for each increase in qualified full-time employee hired in the current taxable year that increases the employer's number of full-time employees over the previous year.

For more information, go to ftb.ca.gov and search for **new jobs** or get form FTB 3527, New Jobs Credit.

Backup Withholding – Beginning on or after January 1, 2010, with certain limited exceptions, payers that are required to withhold and remit backup

withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the FTB. The California backup withholding rate is 7% of the payment. For California purposes, dividends, interests, and any financial institutions release of loan funds made in the normal course of business are exempt from backup withholding.

If the LLC (payee) has backup withholding, the LLC (payee) must contact the FTB to provide a valid Taxpayer Identification Number, which is either the Secretary of State (SOS) file number or the federal employer identification number (FEIN), before filing the tax return. Failure to provide the SOS number or FEIN may result in a denial of the backup withholding credit. For more information, go to ftb.ca.gov and search for **backup withholding**.

California Film and Television Tax Credit – For taxable years beginning on or after January 1, 2011, a film and television credit against the net tax will be allowed. The credit, which is allocated and certified by the California Film Commission (CFC), is 20% of expenditures attributable to a qualified motion picture and 25% of production expenditures attributable to an independent film or a TV series that relocates to California. A qualified taxpayer may sell a credit, attributable to an independent film, to an unrelated party once they receive the certificate from the CFC. Prior to the sale, the qualified taxpayer must notify the Franchise Tax Board of the sale by using form FTB 3551, Sale of Credit Attributable to an Independent Film. For more information, go to ftb.ca.gov and search for **film**.

Natural Heritage Preservation Credit – The funding for the Natural Heritage Preservation Credit is available beginning January 1, 2010, until June 30, 2015.

Deferred Income – California has not conformed to the federal election under IRC Section 108(i) to defer the income from discharge of indebtedness in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of a debt instrument issued by a C corporation or by any person in connection with the conduct of a trade or business.

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

- The Health Care and Education Reconciliation Act of 2010.
- The Patient Protection and Affordable Care Act.
- Small Business Jobs Act of 2010.

General Information

A Important Information

Income Exclusion of Federal Energy Grants

Federal energy grants provided in lieu of federal energy credits are excluded from California gross income and alternative minimum taxable income of individuals and businesses. The income exclusion is applicable for any taxable year and is thus retroactive in its application.

Suspension/Forfeiture – Beginning January 1, 2009, LLCs will be suspended or forfeited for failure to file or failure to pay. See General Information V, Suspension/Forfeiture, for more information.

Increase in Rates – For taxable years beginning on or after January 1, 2009, the maximum personal income tax rate increased to 9.55%. In addition, non-California Partnerships are subject to withholding requirements on the sale of California real property at a rate of 3 1/3% of sales price or 9.55% of gain. The alternative withholding rates for the sale of California real property by S corporations increased to 11.05% and 13.05% for Financial S corporations.

Group Nonresident Returns (also known as Composite Returns) – For taxable years beginning on or after January 1, 2009:

- Group nonresident returns may include less than two nonresident individuals.
- Nonresident individuals with more than \$1,000,000 of California taxable income are eligible to be included in group nonresident returns.
- An additional one percent tax will be assessed on nonresident individuals who would have California taxable income over \$1,000,000.

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

Estimated Fee for LLCs

For taxable years beginning on or after January 1, 2009, the LLC must estimate the fee it will owe for the year and make an estimated fee payment by the 15th day of the 6th month of the current taxable year. LLCs will use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the year. The penalty is equal to 10% of the amount of the LLC fee owed for the

year over the amount of the timely estimated fee payment. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year.

The LLC fee remains due and payable by the due date without extension of the LLC's return. LLCs will use form FTB 3536 to pay by the due date of the LLC's return, any amount of LLC fee owed that was not paid as a timely estimated fee payment. If the taxable year of the LLC ends prior to the 15th day of the 6th month of the taxable year, no estimated fee payment is due, and the LLC fee is due on the due date of the LLC's return. See General Information F, Limited Liability Company Tax and Fee, for more information.

Filing Requirements for Disregarded Entities

The filing requirements for disregarded entities have been revised. See General Information S, Check-the-Box Regulations, for more information.

Installment Sales

For installment sales occurring on or after January 1, 2009, buyers are required to withhold on each installment sale payment if the sale of California real property is structured as an installment sale.

Third-Party Designee

For taxable years beginning on or after January 1, 2008, a partnership can designate a third party to discuss the tax return with the Franchise Tax Board (FTB). For more information see General Information M, Signatures.

e-filing

Beginning January 2007, the FTB offers e-filing for limited liability companies filing a Form 568, Limited Liability Company Return of Income, and certain accompanying forms and schedules. Check with the software provider to see if it supports business e-filing.

Revised Schedule K and Schedule K-1

The California Schedule K (568) and Schedule K-1 (568) line items were revised to be in a similar format with the federal Schedule K (1065) and K-1 (1065). Refer to the Schedule K Federal/State Line References chart, in this booklet, and Specific Line Instructions when completing California Schedule K (568) and Schedule K-1 (568).

LLC Fee

The LLC fee is based on total California source income rather than on worldwide total income. For more information, see the LLC Income Worksheet Instructions included in this booklet.

Series LLC

A series LLC is a single LLC that has separate allocations of assets each within its own series. When filing form FTB 3522, LLC Tax Voucher, write "Series LLC # ____" after the name for each series. In addition, write "Series LLC" in red on the top right margin of the voucher. Only the first series to pay tax or file a return may use a California SOS file number. On all other series, enter zeros for the entity identification number on the first voucher and we will assign a number and notify each series. Get FTB Pub. 3556, Limited Liability Company Filing Information, for more information.

Registered Domestic Partners (RDP)

Under California Law, RDPs must file their California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status.

For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Reconciliation of Income

For taxable years beginning on or after January 1, 2006, the Internal Revenue Service (IRS) requires certain LLCs to complete Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships, instead of Schedule M-1, Reconciliation of Income (Loss) per Books With Income (Loss) per Return. For California purposes, the LLC must complete the California Schedule M-1, and attach either of the following:

- A copy of the Schedule M-3 (Form 1065) and related attachments to the Limited Liability Company Return of Income.
- A complete copy of the federal return.

The FTB will accept the Schedule M-3 (Form 1065) in a spreadsheet format if more convenient.

Business Entity Name and Identification Number

In order to expedite processing, be sure to use the business entity name as it appears with the California SOS and a valid California identification number.

California Use Tax

If the LLC made purchases from out-of-state sellers and owes California use tax, the LLC may report and pay the tax on its Limited Liability Company Return of Income. See Additional Information, "California Use Tax," for more information.

California Tax Information on the Internet

You can download, view, and print California tax forms and publications at ftb.ca.gov.

Federal Tax Information on the Internet

The IRS has federal forms and publications available to download, view, and print at irs.gov.

State Agencies' Websites

Access other state agencies' websites at ca.gov.

Joint Agency Website

For additional business tax information, go to the California Tax Service Center at taxes.ca.gov, sponsored by the Board of Equalization (BOE), Employment Development Department (EDD), the FTB, and the IRS.

Providing California and Federal Returns

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

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

Substitute Schedule K-1 (568)

The FTB recommends filing **paperless** substitute Schedules K-1 (568). Since software is most often used to prepare Form 568 and Schedules K-1 (568), you may already have the information needed to prepare paperless Schedules K-1 (568). Once the information is in a database or spreadsheet, it's easy to transfer to the required record layout and then save it to a CD or diskette.

Get approval from the FTB to use substitute Schedules K-1 (568), if any of the following apply:

- The LLC wants to use paperless Schedules K-1 (568).
- The LLC does not use the official California Schedule K-1 (568) prepared by the FTB.
- The LLC does not use a software program with an FTB-approved Schedule K-1 (568).

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

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

Federal/State Differences

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

- California does not conform to the changes in the percentage of the gain exclusion for the sale of qualified small business stock acquired after February 17, 2009, and before January 1, 2011.
- California does not conform to the federal domestic production activities deduction.
- California does not conform to 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.
- California does not conform to the energy efficient commercial buildings deduction.
- California does not conform to reduce the compensation deduction for certain employers from \$1 million to \$500,000, and makes certain parachute payments nondeductible.

- California does not conform to the extent of suspension of income limitations on percentage depletion for production from marginal wells. 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.
- An \$800 annual tax is generally imposed on limited partnerships (LPs), LLCs, limited liability partnerships (LLPs), and real estate mortgage investment conduits (REMICs) that are partnerships or classified as partnerships for tax purposes.
- Distributions to certain nonresident partners are subject to withholding for California tax.
- Deductions for taxes paid to other states are not allowed.
- California follows federal law by requiring partnerships to use a required taxable year. However, California does not conform to the federal required payment provision.
- California law has specific provisions concerning the distributive share of partnership taxable income allocable to California, with special apportionment formulas for professional partnerships.
- California law modifies the federal definitions for unrealized receivables and substantially appreciated inventory items.
- California does not conform to the electing large partnership provisions.
- LLCs can electronically file their California LLC returns. Also, LLCs can file Schedules K-1 (568) via CD or diskette – (See General Information T, Substitute Schedules, for more information).
- California has not conformed to the provisions relating to the Tax Equity and Fiscal Responsibility Act (TEFRA).
- California has not adopted the federal definition of small partnerships, as defined in IRC Section 6231.

This list is not intended to be all-inclusive of the federal and state differences. For more information, consult California's R&TC.

Partnership Converting to a Corporation – IRS Revenue Ruling 2009-15 was released which explains that in certain situations, a partnership that converts to a corporation under Section 301.7701-3(c)(1)(i) or under a state law formless conversion statute is eligible to make an S election effective for the corporation's first taxable year.

Limited Liability Company Taxed as a Corporation

If an LLC elects to be taxed as a corporation for federal tax purposes, the LLC must file Forms 100/100S/100-ES/100W and leave the California Corporation number field blank. 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 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.

Conversion to a Limited Liability Company (LLC)

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

Tax Shelter

If the LLC was involved in a reportable transaction, including a listed transaction, the LLC may have a disclosure requirement. Attach the 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 the federal Form 8886 to the address below. The FTB may impose penalties if the LLC fails to file federal Form 8886, federal 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.

ATSU 398 F385
FRANCHISE TAX BOARD
PO BOX 1673
SACRAMENTO CA 95812-1673

For more information, go to ftb.ca.gov and search for **tax shelter**.

Claim of Right

If the LLC had to repay an amount that was included in income in an earlier year, under a claim of right, the LLC may be able to deduct the amount repaid from its income for the year in which it was repaid. Or, if the amount the LLC

repaid is more than \$3,000, the LLC may be able to take a credit against its tax for the year in which it was repaid. For more information, see the Repayment section of federal Publication 525, Taxable and Nontaxable Income.

B Introduction

LLCs combine traditional corporate and partnership characteristics. LLC members are afforded all of the following:

- Limited liability with the extent of a member's liability limited to the member's equity investment.
- Flexible management alternatives.
- Liberal membership qualification requirements.

LLCs classified as partnerships for tax purposes generally will determine their California income, deductions, and credits under the Personal Income Tax Law. They will be subject to an annual tax as well as the LLC fee based on total California income. See General Information F, Limited Liability Company Tax and Fee, and the LLC Income Worksheet Instructions, for more information.

LLCs organized in California are vested with all the rights and powers enjoyed by a natural person in carrying out business affairs. However, California law does not allow the formation or registration of LLCs (foreign or domestic) in California to render any type of professional service for which a license, certification, or registration is required under the Business and Professions Code or the Chiropractic Act, with the exception of insurance agents and insurance brokers.

California law requires LLCs not organized in the state of California to register with the California SOS before entering into any intrastate business in California. The laws of the state or foreign country in which the LLC is organized generally govern the internal affairs of the LLC. The California SOS may not deny recognition of an LLC because the laws of the organization's home state or foreign country differ from California's laws, except in the case of professional service LLCs, which are not allowed to register as LLCs in California.

For more information about organizing and registering an LLC, contact:

BUSINESS ENTITIES SECTION
CALIFORNIA SECRETARY OF STATE
PO BOX 944228
SACRAMENTO CA 94244-2280
Telephone: 916.657.5448

or go to sos.ca.gov.

C Purpose

Use Form 568:

- To determine the amount of the LLC fee (including a disregarded entity's fee) based on total California income.
- To report the LLC fee.
- To report the annual tax.
- To report and pay any nonconsenting nonresident members' tax.
- To report income, deductions, gains, losses, etc., from the operation of a multiple member LLC that has elected to be classified as a partnership. Form 568 is the return for calendar year 2010 or any fiscal year beginning in 2010.

D Who Must File

An LLC may be classified for tax purposes as a partnership, a corporation, or a disregarded entity. The LLC should file the appropriate California return.

Form 568 must be filed by every LLC that is not taxable as a corporation if any of the following apply:

- The LLC is doing business in California.
- The LLC is organized in California.
- The LLC is organized in another state or foreign country, but registered with the California SOS.
- The LLC has income from California sources.

Registration

LLCs that are formed in California, are required to file articles of incorporation with the California SOS before doing business in this state.

LLCs organized under the laws of another state or foreign country are required to register with the California SOS before entering into intrastate business in California.

Nonregistered foreign LLCs that are members of an LLC doing business in California or general partners in a limited partnership doing business in California are considered doing business in California.

Regardless of where the trade or business of the LLC is primarily conducted, an LLC is considered to be doing business in California if any of its members, managers, or other agents are conducting business in California on behalf of the LLC. For more information get FTB Pub. 1063, California Corporation Tax Law — A Guide for Corporations.

Exceptions to Filing Form 568:

- The LLC elected to be taxed as a corporation for federal tax purposes.
- The LLC is a single member limited liability company (SMLLC) that was treated as an association taxable as a corporation prior to January 1, 1997, for California tax purposes, and did not elect to change that tax treatment in the current taxable year.
- Nonregistered foreign LLCs (excluding disregarded entities/single member LLCs) that are not doing business, but are deriving income from California or filing to report an election on behalf of a California resident, file Form 565.
- A single-member, nonregistered foreign LLC classified as disregarded which is not doing business in California does not file Form 568.

LLCs classified as a general corporation file Form 100, California Corporation Franchise or Income Tax Return. LLCs classified as an S corporation file Form 100S, California S Corporation Franchise or Income Tax Return. For LLCs classified as disregarded entities, see General Information S, Check-the-Box Regulations.

The LLC is still required to file Form 568 if the LLC is registered in California and both of the following apply:

- The LLC is not doing business in California.
- The LLC does not have California source income.

The LLC's filing requirement will be satisfied by doing all of the following:

1. Completing Form 568 with all supplemental schedules.
2. Completing and attaching California Schedules K-1 (568) for members with California addresses.
3. Writing "SB 1106 Filing" in red at the top of Form 568, Side 1.
4. Entering the total number of members in Question J on Side 2 of the Form 568.

An LLC that is an electing large partnership for federal purposes and uses the federal Form 1065-B, U.S. Return of Income for Electing Large Partnerships, must still use Form 568. California law does not conform to the federal electing large partnership provisions.

Certain publicly traded partnerships treated as corporations under IRC Section 7704 must file Form 100.

A resident member of an out-of-state LLC taxed as a partnership not required to file Form 568, may be required to furnish a copy of federal Form 1065, U.S. Return of Partnership Income, to substantiate the member's share of LLC income or loss.

E When and Where to File

An LLC must file Form 568, pay any nonconsenting members' tax, and pay any amount of the LLC fee owed that was not paid as an estimated fee with form FTB 3536, by the 15th day of the 4th month (fiscal year) or April 15*, 2011 (calendar year), following the close of its taxable year.

*Due to the federal Emancipation Day holiday on April 15, 2011, tax returns filed and payments received on April 18, 2011, will be considered timely.

PAYMENTS

- Mail Form 568 with **payment** to:
FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0601
- E-Filed returns: Mail form FTB 3588, Payment Voucher for LLC 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 LLC's, SOS file number, federal employer identification number (FEIN), and "2010 Form 568" on the check or money order.

The SOS file number is 12 digits long and must begin with "19" or "20."

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 LLC already filed a return for the same taxable year.

REFUNDS

- Mail Form 568 requesting a **refund** to:
FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0602

RETURN WITHOUT PAYMENT or PAID BY EFT

- Mail Form 568 **without a payment or paid by EFT** to:
FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0600

Extensions

California does not require the filing of written applications for extensions. If the LLC cannot file its Form 568 by the return's due date, the LLC is granted an automatic six month extension unless the LLC is suspended or forfeited.

However, the automatic extension does not extend the time to pay the LLC fee or nonconsenting nonresident members' tax.

If the LLC is filing the return under extension, see form FTB 3537, Payment for Automatic Extension for LLCs, included in this booklet, to submit the required payments.

Penalty

To avoid late payment penalties for use tax, the limited liability company must report and pay the use tax with a **timely** filed franchise or income tax return.

Annual Limited Liability Company Tax

If the 2010 annual tax of \$800 was not paid on or before the 15th day of the 4th month after the beginning of the taxable year (fiscal year) or April 15, 2010 (calendar year), the tax should be sent using the 2010 form FTB 3522, LLC Tax Voucher, as soon as possible.. (**Do not** use the 2011 form FTB 3522 included in this booklet).

Also see General Information G, Penalties and Interest, for the additional amount that is now due. To assure proper application of the tax payment to the LLC account, **do not** send the \$800 annual tax with Form 568.

The 2011 \$800 annual tax is due on or before the 15th day of the 4th month after the **beginning** of the 2011 taxable year (fiscal year) or April 15, 2011 (calendar year). The payment is sent with form FTB 3522. **Do not mail the \$800 annual tax with Form 568.** 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.

Private Delivery Services

California law conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See the instructions for federal Form 1065 for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

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

F Limited Liability Company Tax and Fee

The definition of limited liability company has been revised to exclude certain title holding companies that are tax exempt provided that they are treated as partnerships or disregarded entities for tax purposes. As such they are not liable for the Annual LLC tax and fees.

Enter all payment types (overpayment from prior year, annual tax, fee, etc.) made for the 2010 taxable year on the applicable line of Form 568.

Annual Limited Liability Company Tax

LLCs are subject to an \$800 annual tax if they are doing business in California or have articles of organization accepted, or a certificate of registration issued by the California SOS. The annual tax is prepaid for the privilege of doing business in California, and is due and payable on or before the 15th day of the 4th month after the **beginning** of the taxable year. The annual tax must be paid for each taxable year until the appropriate papers are filed. See General Information Q, Cancelling a Limited Liability Company, for more information.

Use form FTB 3522 to submit the \$800 annual tax payment. Using black or blue ink, make the check or money order payable to the "Franchise Tax Board." Write the LLC's SOS file number, FEIN, and "2011 FTB 3522" on the check or money order.

If the 15th day of the 4th month of an existing foreign LLC's taxable year has passed before the existing foreign LLC commences business in California or registers with the California SOS, the annual tax should be paid immediately after commencing business or registering with the California SOS.

Deployed Military Exemption

For taxable years beginning on or after January 1, 2010, and before January 1, 2018, an LLC that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the annual tax if the owner is deployed during the taxable year and the LLC operates at a loss or ceases operation. LLCs exempt from the annual tax should write "Deployed Military" in red ink in the top margin of the tax return.

For the purposes of this exemption:

(A) "Deployed" means being called to active duty or active service during a period when the United States is engaged in combat or homeland defense. "Deployed" does not include either of the following:

- Temporary duty for the sole purpose of training or processing.
- A permanent change of station.

(B) "Operates at a loss" means an LLC's expenses exceed its receipts.

(C) "Small business" means an LLC with two hundred fifty thousand dollars (\$250,000) or less of total income from all sources derived from or attributable to California.

If the LLC is claiming Deployed Military Exemption, enter zero on line 2 and line 3 of Form 568. See the Specific Instructions for Form 568 for more details.

Limited Liability Company Fee

In addition to the annual tax, every LLC must pay a fee if the total California annual income is equal to or greater than \$250,000. For more information see the LLC Income Worksheet instructions included in this booklet.

For the 2008 taxable year and prior, the LLC fee is due on or before the 15th day of the 4th month after the close of the LLC's taxable year.

For taxable years beginning on or after January 1, 2009, the LLC must estimate the fee it will owe for the year and make an estimated fee payment by the 15th day of the 6th month of the current taxable year. LLCs should use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the year. The penalty is equal to 10% of the amount of the LLC fee owed for the year over the amount of the timely estimated fee payment. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year.

The LLC fee remains due and payable by the due date without extension of the LLC's return. LLCs will use form FTB 3536 to pay by the due date of the LLC's return, any amount of LLC fee owed that was not paid as a timely estimated fee payment. If the taxable year of the LLC ends prior to the 15th day of the 6th month of the taxable year, no estimated fee payment is due, and the LLC fee is due on the due date of the LLC's return. For taxable years beginning on or after January 1, 2006, use the following chart to compute the fee:

| If total California annual income from Form 568, Side 1, line 1 is: | | The fee is: |
|--|----------------|-------------|
| Equal to or over – | but not over – | |
| \$ 250,000 | \$ 499,999 | \$ 900 |
| 500,000 | 999,999 | 2,500 |
| 1,000,000 | 4,999,999 | 6,000 |
| 5,000,000 | and over | 11,790 |

If you have a total California annual income of \$250,000 or greater, you must report a fee.

To determine the LLC fee see the Specific Line Instructions for line 1.

If the FTB determines multiple LLCs were formed for the primary purpose of reducing fees, the LLC's total income from all sources that are reportable to California could include the aggregate total income of all commonly controlled LLC members. "Commonly controlled" means control of more than 50% of the capital interests or profit interests of the taxpayer and any other LLC or partnership by the same persons.

Series LLCs

If the laws of the state where the LLC is formed provide for the designation of series of interests (for example, a Delaware Series LLC) and: (1) the holders of the interests in each series are limited to the assets of that series upon redemption, liquidation, or termination, and may share in the income only of that series, and (2) under home state law, the payment of the expenses, charges, and liabilities of each series is limited to the assets of that series, then each series in a series LLC is considered a separate LLC and must file its own Form 568 and pay its own separate LLC annual tax and fee, if it is registered or doing business in California.

Nonconsenting Nonresident Members' Tax

Every nonresident member must sign a form FTB 3832, Limited Liability Company Nonresident Members' Consent. The LLC returns the signed form with Form 568. If a nonresident member fails to sign form FTB 3832, the LLC is required to pay tax on that member's distributive share of income at the highest marginal rate. Any amount paid by the LLC will be considered a payment made by the nonresident member.

The tax may be reduced by the amount of tax previously withheld and paid by the limited liability company with respect to each nonconsenting, nonresident member.

Reminder: All nonresident members must file a California tax return. The completion of form FTB 3832 does not satisfy the nonresident member's California filing requirement. Corporate members are also considered doing business in California and may have additional filing requirements. For more information, get FTB Pub. 1060, Guide for Corporations Starting Business in California. Nonresident individuals may qualify to file a group Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, and should get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR.

If the LLC's return is being filed on or before the 15th day of the 4th month (fiscal year) or April 15, 2011 (calendar year), the LLC completes the Schedule T, Nonconsenting Nonresident (NCNR) Members' Tax Liability. See Specific Line Instructions for Schedule T in this booklet for more information.

If the LLC owes NCNR tax and is unable to complete Form 568 on or before the original due date, it must complete form FTB 3537. The nonconsenting nonresident members' tax along with the voucher must be received by:

- Fiscal year: On or before the 15th day of the fourth month following the close of the taxable year
- Calendar year: April 15, 2011. Failure to do so causes penalties and interest to be assessed. See the instructions for form FTB 3537 included in this booklet.

G Penalties and Interest

Failure to Comply with Filing Requirements

Unless failure is due to a reasonable cause, a penalty will be assessed if the LLC is required to file a Form 568 and either of the following apply:

- The LLC fails to file the return on time, including extensions.
- The LLC files a return, including Schedules K-1 (568), that fails to show all the information required.

The amount of the penalty for each month, or part of a month (for a maximum of twelve months), that the failure continues, is \$18 multiplied by the total number of members in the LLC during any part of the taxable year for which the return is due. Interest will be charged on the penalty from the date the notice of tax due is mailed until the date the return is filed.

For "small partnerships," as defined in IRC Section 6231, the federal exception to the imposition of penalties for failure to file partnership returns does not apply for California purposes. For more information see R&TC Section 19172.

Failure to File a Timely Return

Any LLC that fails to file Form 568 on or before the extended due date is assessed a penalty. The penalty is 5% of the unpaid tax (which includes the LLC fee and nonconsenting nonresident members' tax) for each month, or part of the month, the return remains unfiled from the due date of the return until filed. The penalty may not exceed 25% of the unpaid tax. If an LLC 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 by the Due Date

The failure-to-pay penalty is imposed from the due date of the return or the due date of the payment. Since any amount of the LLC fee due which was not paid as an estimated fee payment, and the nonconsenting nonresident members' tax are due with the return, the penalty is calculated from the 15th day of the 4th month after the close of the taxable year. The annual tax payment date is the 15th day of the 4th month during the taxable year, so the penalty is calculated from this date. The penalty for each item is calculated separately.

The failure-to-pay penalty begins at 5%. Every month or fraction thereof the amount is not paid the penalty increases 0.5%. The penalty continues to increase for 40 months, thereby maximizing at 25%. See R&TC Section 19132 for more information.

If an LLC 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. However, the penalty for failure to comply with the filing

requirements will be assessed in addition to the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date. The late payment penalty may be waived where 90% of the tax shown on the return is paid by the original due date of the return, but not less than the annual tax.

If the LLC underpays the estimated fee, a penalty of 10% will be added to the fee. The underpayment amount will be equal to the difference between the total amount of the fee due for the taxable year less the amount paid by the due date. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the LLC for the preceding taxable year.

Interest

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

Other Penalties/Fees

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

H Accounting Methods

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

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

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

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

I Accounting Periods

LLC returns normally must be filed for an accounting period that includes 12 full months. A short period return must be filed if the LLC is created or terminated within the taxable year. In that case, write "Short Period" in red ink at the top of Form 568, Side 1.

For information on the required taxable year of a partnership that also applies to LLCs, see the instructions for federal Form 1065.

J Amended Return

If, after the LLC files its return, it becomes aware of changes it must make, the LLC should file an amended Form 568 and an amended Schedule K-1 (568) for each member, if applicable. Check the amended return box in Item H(3) Form 568, Side 1. Give a corrected Schedule K-1 (568) with box G(2) checked and label "Amended" to each affected member. If the LLC originally filed a Form 540NR group nonresident member return, the LLC should file an amended Form 540NR.

Attach a statement explaining the basis or reasons for making changes to the original return.

If the LLC wishes to file amended Schedules K-1 (568) via CD or diskette, see General Information T, Substitute Schedules.

If the LLC's federal return is changed for any reason, the federal change may affect the LLC's California return. This would include changes made because of an examination. The LLC must file an amended return within six months of the final federal determination if the LLC fee or tax a member owes has been affected. The LLC should attach a copy of the federal Revenue Agent's Report or other notice of the adjustments to the return. The LLC should inform the members that they may also be required to file amended returns within six months from the date of the final federal determination.

K Required Information Returns

Every LLC must file information returns if, in the course of its trade or business, any of the following occur:

- The LLC makes payments to one person of rents, salaries, wages, annuities, or other fixed or determinable income during one calendar year totaling \$600 or more.
- The LLC pays an individual or one payee interest and dividends totaling \$10 or more during one calendar year.
- The LLC receives cash payments over \$10,000.

Payments of any amount by a broker, dealer, or barter exchange agent must also be reported. Get FTB Pub. 4227A, Guide to Information Returns Filed With California, for more information.

LLCs must report payments made to California residents by providing copies of federal Form 1099 (series). For nonresidents, see the reporting and withholding requirements on Form 592, Resident and Nonresident Withholding Statement; Form 592-B, Resident and Nonresident Withholding Tax Statement; and Form 592-F, Foreign Partner or Member Annual Return. Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

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

LLCs must report interest paid on municipal bonds that are issued by a state other than California or a municipality other than a California municipality that are held by California taxpayers. Entities paying interest to California taxpayers on these types of bonds are required to report interest payments aggregating \$10 or more paid after January 1, 2010. Information returns will be due June 1, 2011. For more information, go to ftb.ca.gov and search for **FTB 4800**, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment Information.

LLCs must use form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report interest due or to be refunded under the look-back method on long-term contracts. If you are filing form FTB 3834 to compute the interest due or to be refunded under the Look-Back method, attach a copy of form FTB 3834 to Form 568.

Any information returns required for federal purposes under IRC Sections 6038, 6038A, and 6038B are also required for California purposes. Attach the information returns to the Form 568 when filed. If the information returns are not provided, penalties may be imposed under R&TC Sections 19141.2 and 19141.5.

All information returns, unless otherwise noted, are mailed separately from the Form 568. Information returns should be sent to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0600

L Special Items

California LLC tax law generally follows federal partnership tax law for LLCs classified as partnerships, in all of the following areas:

- IRC Section 702(a) items
- Elections
- Distributions of unrealized receivables and inventory
- Members' dealings with the LLC
- Contributions to the LLC
- Income of foreign nonresident members subject to withholding, Form 592-A, Form 592-B, and Form 592-F
- Basis and at-risk rules
- Passive activity limitations
- Net operating loss deduction by a member of the LLC (an LLC is not allowed the deduction)
- Publicly traded partnerships
- Long-term contracts
- Installment sales
- Vacation pay
- Amortization of past service costs
- Distributions of contributed property by an LLC
- Recognition of precontribution gain in certain LLC distributions to members

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

M Signatures

Form 568 is not considered a valid return unless it is signed by an authorized member or manager of the LLC. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that individual must sign the return.

Include an officer's phone number and email address in case the FTB needs to contact the LLC 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.

Paid Preparer's Information

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

All of the following must be completed by the paid preparer:

- Complete the required preparer information.
- Sign in the space provided for the preparer's signature.
- Give the LLC a copy of the return in addition to the copy to be filed with the FTB.

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

Third Party Designee

If the LLC wants to allow the paid preparer to discuss its 2010 Form 568 with the FTB, 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 LLC is authorizing the FTB to call the paid preparer to answer any questions that may arise during the processing of its return. The LLC is also authorizing the paid preparer to:

- Give the FTB any information that is missing from the return.
- 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 LLC is not authorizing the paid preparer to receive any refund check, bind the LLC to anything (including any additional tax liability), or otherwise represent the LLC before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the LLC's 2011 tax return. If the LLC wants to expand the paid preparer's authorization, see form FTB 3520, Power of Attorney Declaration for the Franchise Tax Board. If the LLC wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

N Group Returns

Nonresident Group Returns

A corporation may file a group nonresident return on behalf of electing nonresident individuals who receive wages, salaries, fees, or other compensation from that corporation for director services performed in California, including attendance of board of directors' meetings in California.

Nonresident members of an LLC doing business or deriving income from sources in California may elect to file a group nonresident return (R&TC Section 18535).

For taxable years beginning on or after January 1, 2009:

- Group nonresident returns may include less than two nonresident individuals.
- Nonresident individuals with more than \$1,000,000 of California taxable income are eligible to be included in group nonresident returns.
- An additional one percent tax will be assessed on nonresident individuals who would have California taxable income over \$1,000,000.

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

O Investment Partnerships

Income of nonresident members, including banks and corporations, derived from "qualifying investment securities" of an LLC that qualifies as an "investment partnership" is considered income from sources other than California, except as noted below. Therefore, nonresident individuals or foreign members generally will not be taxed on this income. The LLC should inform its nonresident individuals or foreign members if all or a portion of their distributive share of income is from "qualifying investment securities" of an "investment partnership" and whether it is sourced to California. See the instructions for Question K, included in this booklet, for definitions of "investment partnership" and "qualifying investment securities."

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

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

LLC investment partnerships that have California source income should show on Schedule K-1 (568), column (e) each member's distributive share of California source income.

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

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

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

Corporations that are members in an LLC investment partnership are not generally taxed on their distributive share of LLC income, provided that the income from the LLC is the corporation's only California source income. However, the corporation will be taxed on its distributive share of California source income from the LLC if either of the following apply:

- The corporation participates in the management of the investment activities of the LLC investment partnership.
- The corporation has income derived from or attributable to sources within this state other than income from the LLC investment partnership.

P Nonresident Members

An LLC with multiple members is required to file form FTB 3832 with Form 568 when one or more of its members is a nonresident of California. Form FTB 3832 is signed by the nonresident individuals and foreign entity members to show their consent to California's jurisdiction to tax their distributive share of income attributable to California sources.

File form FTB 3832 for either of the following:

- The first taxable period for which the LLC became subject to tax with nonresident members.
- Any taxable period during which the LLC had a nonresident member who has not signed a form FTB 3832.

Separate forms for an individual (or groups of individuals) are permissible. The LLC must maintain and have available for examination a form FTB 3832 signed by each nonresident member.

The LLC must pay the tax for every nonresident member that did not sign a form FTB 3832. The LLC is responsible for paying the tax on that nonresident member's distributive share of income determined at the highest marginal rate for that member. See General Information F, Limited Liability Company Tax and Fee, for more information.

For taxable years beginning on or after January 1, 2005, the tax may be reduced by the amount of tax previously withheld and paid by the limited liability company with respect to each nonconsenting, nonresident member.

If the LLC fails to timely pay the tax of such nonresident member, the LLC shall be subject to penalties and interest (R&TC Sections 19132 and 19101). Any amount paid by the LLC on behalf of a nonresident individual or foreign entity member will be considered a payment made by the member.

An LLC may recover from the nonresident member the tax it paid on behalf of the nonresident member.

To claim credit for the tax, the nonresident member needs to attach a copy of the Schedule K-1 (568) to their California income tax return.

Nonresidents or Part-Year Residents

Nonresidents pay tax to California only on their California taxable income. For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

CAUTION: The requirements and procedures discussed above are not related to the nonresident withholding requirements discussed under General Information R, Withholding Requirements.

Q Cancelling a Limited Liability Company

In general, LLCs are required to pay the \$800 annual tax and file a California return until the appropriate papers are filed. In order to cancel an LLC, the following steps must be taken:

1. File a timely final California return (Form 568) with the FTB and pay the \$800 annual tax for the taxable year of the final return.
2. File Form LLC-4/7, Certificate of Cancellation, with the California SOS. The California SOS also requires a domestic LLC to file Form LLC-3, Certificate of Dissolution. Contact the California SOS for more details.

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

For taxable years beginning on or after January 1, 2006, the annual tax will not be assessed if the LLC meets all of the following requirements:

- The LLC files a timely **Final** Limited Liability Company Return of Income, for the preceding taxable year, including extension.
- The LLC did not do business in California after the final taxable year.
- The LLC files the appropriate documents for cancellation with the California SOS within 12 months of the timely filed **Final** Limited Liability Company Return of Income.

Short Form Cancellation

Beginning January 1, 2005, domestic LLCs organized in California on or after January 1, 2004, can file a Limited Liability Company Short Form Certificate of Cancellation (Form LLC-4/8) if the following requirements are met:

- Form LLC-4/8 is being filed within 12 months from the date the Articles of Organization were filed with the SOS.
- The domestic LLC has no debts or other liabilities (other than tax liability).
- The known assets have been distributed to the persons entitled thereto or no known assets have been acquired.
- The final tax return or a final annual tax return has been or will be filed with the FTB.
- The domestic LLC has not conducted any business from the time of the filing of the Articles of Organization.
- A majority of the managers or members, or if there are no managers or members, the person or a majority of the persons who signed the Articles of Organization, voted to dissolve the domestic LLC.
- If the domestic LLC received payments for interests from investors, those payments have been returned to those investors.

The LLC must file SOS Form LLC-4/8, with the SOS. The LLC must include a statement that all of the items above have been completed before the California SOS will cancel the LLC.

For more information on how to cancel your LLC, contact:

By mail: BUSINESS ENTITIES SECTION
CALIFORNIA SECRETARY OF STATE
PO BOX 944228
SACRAMENTO CA 94244-2280

In person: CALIFORNIA SECRETARY OF STATE
1500 11TH STREET 3RD FLOOR
SACRAMENTO CA 95814

By phone: 916.657.5448

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

Website: sos.ca.gov

Email address: partnerships@sos.ca.gov

If the LLC is being cancelled to be converted to another type of business entity, be sure to file the appropriate forms with the California SOS.

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

Short Period Return

If the LLC is filing a short period return for 2011 and the 2011 forms are not available, the LLC must use the 2010 Form 568 and change the taxable year.

R Withholding Requirements

Foreign (non U.S.) Nonresident Members

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

State and Federal Differences Regarding Foreign (non U.S.) Nonresident Members

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

- a. The California withholding rate is 8.84% for C corporations and 9.55% for individuals, partnerships, LLCs, and fiduciaries.
- b. Income attributable to the disposition of California real property is subject to withholding under R&TC Section 18666.

Domestic (U.S.) Nonresident Members

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

Domestic (U.S.) nonresident members include individuals who are nonresidents of California and corporations that are not qualified to do business in California or do not have a permanent place of business in California. Domestic nonresident members also include nonresident estates, trusts, partnerships, and LLCs that do not have a permanent place of business in California. Foreign nonresident members covered under R&TC Section 18666 are not domestic nonresident members.

LLCs with income from both within and outside California must make a reasonable estimate of the ratio, to be applied to the distributions, that approximates the ratio of California source income to total income. The ratio for the prior year will generally be accepted as reasonable in determining the California part of the distribution subject to withholding. LLCs are required to withhold tax at a rate of seven percent of distributions (including property) of income from California sources made to domestic nonresident members. For more information, get Schedule R.

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

No withholding of tax is required if the distribution is a return of capital or does not represent taxable income for the current or prior years. Although a waiver is not required in this situation, if upon examination the FTB determines that tax withholding was required on a distribution, the LLC may be liable for the amount that should have been withheld including interest and penalties.

Send waiver requests and inquiries to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Telephone: 888.792.4900
or 916.845.4900 (not toll-free)

Report withholding on Forms 592, 592-B, and 592-F. Withholding payments are remitted with Forms 592-A and 592-V.

The taxable income of nonresident members is the distributive share of California sourced LLC income, not the distributed amount. For more information, get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines.

The nonresident withholding requirements and procedures discussed above are not related to the nonconsenting nonresident members' tax paid by an LLC on behalf of nonresident members as discussed under General Information P, Nonresident Members.

S Check-the-Box Regulations

California generally conforms to the federal entity classification regulations (commonly known as "check-the-box" regulations). These regulations allow certain unincorporated entities to choose tax treatment as a partnership, a corporation, or a single member LLC (SMLLC) (SB 1234; Stats. 1997, Ch. 608).

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

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

Exceptions

The exception to the general rule exists under R&TC Section 23038(b)(2)(C) in the case of an eligible business entity. The exception does not apply to a business entity which, during the 60 month period preceding January 1, 1997, was appropriately classified as an association taxable as a corporation and met all of the following conditions:

- The business entity was not doing business in California.
- The business entity did not derive income from sources within California.
- The business entity had no members who were residents of California.

The eligible business entities are generally:

- 1) Business trusts that were classified as corporations under California law, but were classified as partnerships for federal tax purposes for taxable years beginning before January 1, 1997.
- 2) Previously existing foreign SMLLCs that were classified as corporations under California law but claimed to be partnerships for federal tax purposes for taxable years beginning before January 1, 1997.

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

California regulations make the classification of business entities under federal regulations (Treas. Reg. Sections 301.7701 through 301.7701-3) generally applicable to California. If an eligible entity is disregarded for federal tax purposes, it is also disregarded for state tax purposes, except that a SMLLC must still pay a tax and fee, file a return, and limit tax credits.

Filing Requirements for Disregarded Entities

Beginning with the 2008 taxable year, an SMLLC is required to complete Form 568 Side 1, Side 2, the LLC Income Worksheet, and pay the annual tax and LLC fee (if applicable).

Schedule B and Schedule K are required to be filed if any of the following are met:

- The income or loss amount reported on Schedule B, line 1 or line 3 through line 11, is \$3,000,000 or more.
- The “Total distributive income/payment items,” Schedule K, line 21a, is greater than or equal to \$3,000,000 OR less than or equal to -\$3,000,000.

If the SMLLC does not meet the \$3 million criteria for filing Schedule B (568) and Schedule K (568), the SMLLC is still required to complete Form 568, Side 1, Side 2, the LLC Income Worksheet, and pay the annual tax and LLC fee (if applicable). If Schedule K (568) is required to be filed, disregarded entities should prepare Schedule K (568) by entering the amount of the corresponding Member’s share of Income, Deductions, Credits, etc. attributable to the activities of the disregarded entity from the Member’s federal Form 1040, including Schedules B, C, D, E, F, and Federal Schedule K, or Federal Form 1120 or 1120S (of the owner). SMLLCs do not complete Schedule K-1 (568). The LLC should have filed by the 15th day of the 4th month of the taxable year. The single owner would include the various items of income, deductions, credits, etc., of the SMLLC on the tax return filed by the owner.

Utilization of credits attributable to the SMLLC is limited to the regular tax liability on the income attributable to the activities of the SMLLC. The limitation on the SMLLC’s credits is the difference between: 1) The regular tax liability of the single owner computed with the items of income, deductions, etc., attributable to the SMLLC; and 2) The regular tax liability of the single owner computed without the items of income, deductions, etc., attributable

to the SMLLC. It is the responsibility of the single owner to limit the credits on the owner’s tax return. The single owner should be prepared to furnish information supporting the use of any credits attributable to the SMLLC.

The owner of the SMLLC should perform the following steps to determine the SMLLC’s credit limitation:

- Compute the owner’s tax with the SMLLC income, and the owner’s tax without the SMLLC income.
- Complete Schedule P (100, 100W, 540, 540NR, or 541), up to the line where the credit is to be taken.
- Determine the credit to be utilized. The amount allowed is the lesser of either of the following:
 1. The total credit or the limitation based on the LLC’s business income.
 2. The net tax balance that may be offset by credits on Schedule P (100, 100W, 540, 540NR, or 541) on the line above the line where the credit is to be taken.

The following example shows the credit limit calculation for an SMLLC that is owned by a C corporation. The SMLLC has a Research credit of \$4,000. The computation of the C corporation’s regular tax liability with the SMLLC income is \$5,000. The computation of the C corporation’s regular tax liability without the SMLLC income is \$3,000. The difference in tax is \$2,000, which is the C corporation’s credit limitation on all LLC credits. The owner of the SMLLC then performs the following steps:

1. Completes Schedule P (100), Side 2, down to line 4, column (c). The amount is \$1,000.
2. Enters the limitation amount from Schedule P (100), Side 2, line 4, column (c) in column (f).
3. Enters the following amounts from the table on this page on the Schedule P (100):
 - \$4,000 from column (d) of the table on this page, to Schedule P (100), Side 2, line 5, column (a);
 - \$1,000 from column (f) of the table on this page, to Schedule P (100), Side 2, line 5, column (b);
 - \$3,000 from column (g) of the table on this page, to Schedule P (100), Side 2, line 5, column (d).

| (a) | (b) | (d) | (d) | (e) | (f) | (g) |
|-------------|---------------|------------------------------------|---------------------------------------|---|---|--|
| Credit name | Credit amount | Total prior year credit carry-over | Total credit: add col. (b) & col. (c) | Limitation based on LLC business income | Credit used on Sch P, but not greater than col. (d) or col. (e) | Carry col. (d) minus the smaller of col. (e) or col. (f) |
| Research | \$4,000 | 0 | \$4,000 | \$2,000 | \$1,000 | \$3,000 |

T Substitute Schedules

LLCs or their tax professional must get approval from the FTB to use a substitute schedule, if any of the following apply:

- The LLC wants to use **paperless** Schedules K-1 (568).
- The LLC does not use the official California Schedule K-1 (568) prepared by the FTB.
- The LLC does not use a software product with an FTB-approved Schedule K-1 (568).

If computer software is used, read the company’s user manual to ensure you have the necessary hardware and printer fonts to produce FTB-approved forms. All printing should be done to the standards specified in FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms. For more information, go to ftb.ca.gov and search for **FTB Pub. 1095D**, Tax Practitioner Guidelines for Computer-Prepared Returns.

LLCs are subject to penalties for failure to file the appropriate Schedule K-1 (568). See General Information G, Penalties and Interest.

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

Paperless Schedule K-1 (568)

For procedures, formatting specifications, and record layouts required to program paperless Schedules K-1 (568) get FTB Pub. 1062, Guide for Filing Paperless Schedules K-1 (565 or 568).

The transmittal form FTB 3604, Transmittal of Paperless Schedules K-1 (565 or 568) on CD or Diskette, must accompany paperless Schedules K-1 (568) submitted on CD or diskette. Form FTB 3604 is included in FTB Pub. 1062 or in a fillable format at ftb.ca.gov.

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

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

- K-1 Verify, edits Schedules K-1 (568) records to ensure the fields are the correct length and position the FTB requires and produces an edit report.
- K-1 Convert, converts spreadsheet formats to standard fixed length formats so you can use them with K-1 Verify.

Once verification is made to ensure paperless Schedules K-1 (568) pass the K-1 Verify program, send the schedules to the FTB using form FTB 3604, which contains mailing instructions. Multiple LLCs can be put on the same CD or diskette. It is not necessary to provide a separate CD or diskette for each LLC. However, provide each LLC name, SOS file number, and the number of K-1's for that LLC in the space provided on form FTB 3604.

If the LLC files paperless Schedules K-1 (568), file all Schedules K-1 (568) for that LLC using the paperless format. **Do not** file paper Schedules K-1 (568) with Form 568 if the LLC has or will file paperless Schedules K-1 (568).

Do not file Schedules K-1 (568) on microfiche or file federal Schedules K-1 (1065) with the Form 568.

To get the publications and K-1 (565 or 568) go to ftb.ca.gov and search for **testware**.

Assistance is available from our e-Programs Customer Service Desk at 916.845.0353.

U Property Subject to IRC Section 179 Recapture

California will follow the revised federal instructions (with some exceptions) for reporting the sale, exchange, or disposition of property for which an IRC Section 179 expense deduction was claimed in prior years by a partnership, LLC, or S corporation.

If there is gain from the sale, exchange, or disposition of property for which an IRC Section 179 expense deduction was claimed in a prior year, special rules apply. Members should follow the instructions in federal Form 4797, Sales of Business Property.

LLCs should follow the instructions in federal Form 4797 with the exception that the amount of gain on property subject to the IRC Section 179 recapture must be included in the total income for the LLC.

The gain on property subject to the IRC Section 179 recapture should be reported on the Schedule K and Schedule K-1 as supplemental information as instructed on the federal Form 4797.

The LLC must provide all of the following information with respect to a disposition of business property if an IRC Section 179 expense deduction was claimed in prior years:

1. Description of the property.
2. Date the property was acquired and placed in service.
3. Date the property was sold or other disposition.
4. Gross sales price or amount realized.
5. Cost or other basis plus expense of sale (not including the entity's basis reduction in the property due to IRC Section 179 expense deduction).
6. Depreciation allowed or allowable (not including the IRC Section 179 expense deduction).
7. Amount of IRC Section 179 expense deduction (if any).
8. An indication if the disposition is from a casualty or theft.
9. If this is an installment sale, compute the installment amount by using the method provided in form FTB 3805E, Installment Sale Income. Enter the gain on line 5 of the worksheet.

V Suspension/Forfeiture

If an LLC does not file Form 568 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 LLC) or forfeited (in the case of a foreign LLC). 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 LLC. Such contracts will remain voidable and unenforceable unless the LLC applies for relief from contract voidability and the FTB grants relief. See R&TC Sections 23301, 23305.1, and 23305.2, for more information.

Additional Information

California Use Tax

General Information

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

In general, LLCs must pay California use tax on purchases made from out-of-state (for example, by telephone, over the Internet, by mail, or in person) if both of the following apply:

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

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

Complete the Use Tax Worksheet on page 14 to calculate the amount due.

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

Penalty. Failure to timely report and pay the use tax due may result in the assessment of penalties.

Changes in use tax reported. **Do not** file an Amended LLC Return of Income to revise the use tax previously reported. If the LLC has changes to the amount of use tax previously reported on the original income tax return, contact the State Board of Equalization.

For assistance, go to the State Board of Equalization's website at boe.ca.gov or call their Taxpayer Information Section at 800.400.7115 or TTY/TDD 800.735.2929. Income tax information is not available at this number.

Specific Instructions

LLC Income Worksheet Instructions

For purposes of this worksheet, "Total California Income" means total income from all sources derived from or attributable to this state. "Total income" means gross income, plus the cost of goods sold that are paid or incurred in connection with the trade or business of the taxpayer attributed to California. Total income from all sources derived or attributable to this state is determined using the rules for assigning sales under R&TC Sections 25135 and 25136 and the regulations thereunder, as modified by regulations under R&TC Section 25137, if applicable, other than those provisions that exclude receipts from the sales factor.

Disregarded entities that do not meet the filing requirements to complete Form 568 Schedule B or Schedule K should prepare the LLC Income Worksheet by entering the California amounts attributable to the disregarded entity from the member's federal Schedule C, E, F (Form 1040), or additional schedules associated with other activities. For more information about California income assignment, see the next paragraph.

Determining Total Income From All Sources Derived From or Attributable to California

Use only amounts that are from sources derived from or attributable to California when completing lines 1-17 of this worksheet. If the LLC business is wholly within California, the total income amount is assigned to California and is entered on the LLC Income Worksheet. If the LLC conducts business within and outside of California, the LLC must assign its total income, item by item, to California based on the following rules:

Sales of Tangible Property

Total income from sales of tangible personal property with a destination in California (except sales to the U. S. Government) are attributable to California if the property is delivered or shipped to a purchaser within California regardless of the freight on board point or other conditions of sale. Total income from sales of tangible personal property (except sales to the U. S. Government) which are shipped from an office, store, warehouse, factory, or other place of storage within California are assigned to California unless the seller is taxable in the state of destination. Any transportation of goods by vehicle is a form of shipment, whether the vehicle is owned by the seller, the purchaser, or a common carrier. If a seller transfers possession of goods to a purchaser at the purchaser's place of business in California, the sale is a California sale. However, if goods are transferred to the purchaser's employee or agent at some other location in California and the purchaser immediately transports the goods to another state, the sale is not a California sale. (See FTB Legal Ruling 95-3).

Total income from sales of tangible personal property to the U.S. Government are attributable to California if the property is shipped from California even if the taxpayer is taxable in the state of destination. Only sales for which the U.S. Government makes direct payment to the seller according to the terms of a contract constitute sales to the U.S. Government. Thus, as a general rule, sales by a subcontractor to the prime contractor, the party to the contract with the U.S. Government, do not constitute sales to the U.S. Government.

Sales of Other Than Sales of Tangible Personal Property

Total income from sales, other than sales of tangible personal property, are attributable to California if either of the following applies:

1. The income-producing activity related to the sale is performed wholly within California.
2. A portion of the income-producing activity is performed outside of California but a greater portion of this activity is performed within California than in any other state, based on costs of performance.

“Income-producing activity” means the transactions and activity directly engaged in by the LLC in the regular course of its trade or business for the ultimate purpose of earning gains or profits. “Income producing activity” applies to each separate item of income. “Income-producing activity” does not include transactions and activities performed on behalf of an LLC, such as those conducted by an independent contractor.

Example: LLC A conducts its business in California and Nevada. LLC A maintains a bank account located in California that generates interest income. In assigning the interest income for fee purposes, if there is an income producing activity performed by the managing member, the income will be assigned to the state where the managing member is located, regardless of the fact that the bank account is located in California. Accordingly, “income producing activity” includes but is not limited to the following:

- (1) The rendering of personal services by employees or the utilization of tangible and intangible property by the taxpayer in performing a service.
- (2) The sale, rental, leasing, licensing, or other use of real property.
- (3) The rental, leasing, licensing, or other use of tangible property.
- (4) The sale, licensing, or other use of intangible personal property.

“Costs of performance” means direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with industry practices in the LLC’s trade or business.

Special Rules. The following are special rules to determine if receipts from the income-producing activities are attributable to California:

1. Total income from the rendering of personal services by employees or the use of tangible and intangible property by the LLC in performing a personal service are attributable to California to the extent that the personal services are performed within California. (See FTB Legal Ruling 2005-1 for the definition of personal services).

When personal services are performed within and outside California, usually the services performed in each state will constitute separate income producing activities. In such cases, the personal service total income is measured by the ratio of time spent within California versus the time spent performing services everywhere.

Example: LLC A is an investment LLC and manages intangible property. LLC A has a managing member in California as well as a managing member in New York. During the year, from their activities of managing the intangible assets, LLC A earns total income of \$700,000. The activities of the managers are personal services and the total income earned from these services can be split between New York and California based on the time spent by the two managers in performing their services for the LLC. If the California managing member spent 600 hours and the New York managing member spent 400 hours, then 600 of the total 1000 hours were performed in California and 60% (600/1000) of the total income, or \$420,000 would be includable as total income for purposes of computing the California LLC fee.

Time spent in performing personal services includes the amount of time expended in the performance of a contract or other obligation that gives rise to the total income. Personal services not directly connected with the performance of the contract or other obligation (for example, time expended in negotiating the contract) is excluded from the computations.

2. Total income from the sale, rental, leasing, licensing, or other use of real property are attributable to California if the real property is located within California.

Example: LLC A owns an apartment complex in California. The managing members of LLC A are located in Nevada. The total income derived from the California apartment complex (the rental income) is attributable to California and computing the California LLC fee.

Example: LLC A owns an apartment complex in Nevada. The managing members of LLC A are located in California. The total income derived from the Nevada apartment complex (the rental income) is attributable to Nevada and therefore not includable in the calculation of the LLC fee.

3. Total income from the rental, leasing, licensing, or other use of tangible personal property are attributable to California if the property is located within California.

If tangible personal property is located within and outside of California during the rental, lease, or licensing period, total income attributable to California is measured by the ratio of time the property was physically present or was used within California bears to the total time or use of the property during the period.

Alternative Methods. There are alternative methods to assign total income to California that apply to specific industries. These rules are contained in the regulations adopted pursuant to R&TC Section 25137. If the LLC is in one of these lines of business, the sale assignment methodology employed in the regulation applicable to the LLC’s line of business should be used to determine total income derived from or attributable to California.

The rules contained in R&TC Section 25137(c) that serve to remove items from assignment in their totality are not applicable to the determination of income derived from or attributable to California.

The definition of “Total Income” excludes allocations, distributions, or gains to an LLC from another LLC, if that allocation, distribution, or gain was already subject to the LLC fee. Use line 3d to exclude these amounts.

Pass-through Entities. LLCs with ownership interest in a pass-through entity, other than an LLC, must report their distributive share of the pass-through entity’s “Total Income from all sources derived from or attributable to this state.” Their distributive share must include the matching cost of goods sold and any deductions that are subtracted from gross ordinary income to obtain net ordinary income. The matching cost of goods sold must be entered on line 3b and any deductions on line 3c. Contact the pass-through entity to get the necessary information for lines 3a through 3c.

Lines 1b, 2b, 3b, 3c, 4, 8c, and 17 may not be negative numbers. LLCs that are disregarded entities compute the “Total Income” on the LLC Income Worksheet. Use the applicable lines. Attach a copy of the completed LLC Income Worksheet to the LLC’s Form 568 return.

Form 568

Fill In All Applicable Lines and Schedules

Enter any items specially allocated to the members on the appropriate line of the member’s Schedule K-1 (568) and the total amount on the line of Schedule K (568). **Do not** enter these items directly on Form 568, Side 3, or on Schedule A or Schedule D (568).

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

Name, Address, SOS File Number, and FEIN

Before mailing, make sure entries have been made for all of the following:

- SOS file number is 12 digits and begins with “19” or “20”
- FEIN (9-digits)
- LLC legal or trade name or doing business as (DBA)

Include the Private Mail Box (PMB) in the address field. Write “PMB” first, then the box number. Example: 111 Main Street PMB 123.

Item G – Total Assets at End of Taxable Year

See the instructions for Schedule L – Balance Sheets – before completing this item.

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

Item I – Principal Business Activity (PBA) Code

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

Common trust funds are required to use the PBA code 525920. Investment clubs are required to use PBA code 523900.

Line 1 – Total Income from the LLC Income Worksheet

Enter the LLC’s “Total California Income” as computed on line 17 of the LLC Income Worksheet. The amount entered on Form 568, line 1, may not be a negative number.

Line 2 – Limited Liability Company Fee

Enter the amount of the LLC fee. The LLC must pay a fee if the total California income is equal to or greater than \$250,000.

Enter zero if the LLC is claiming Deployed Military Exemption. See General Information F, Limited Liability Company Tax and Fee, for more details.

For taxable years beginning on or after January 1, 2009, the LLC must estimate the fee it will owe for the year and make an estimated fee payment by the 15th day of the 6th month of the current taxable year. **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.** LLCs will use form FTB 3536, Estimated Fee for LLCs, to remit the estimated fee. LLCs will also use form FTB 3536 to pay by the due date of the LLC's return, any amount of LLC fee owed that was not paid as a timely estimated fee payment. A penalty will apply if the LLC's estimated fee payment is less than the fee owed for the year. A penalty will not be imposed if the estimated fee paid by the due date is equal to or greater than the total amount of the fee of the LLC for the preceding taxable year. See General Information G, Penalties and Interest, for more details.

Line 3 – 2010 Limited Liability Company Tax

Enter the \$800 annual tax. This tax was due the 15th day of the 4th month (fiscal year) or April 15, 2010 (calendar year), after the beginning of the LLC's 2010 taxable year and paid with the 2010 form FTB 3522. **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.** If the annual LLC tax was not paid within the prescribed time period, penalties and interest are now due. See General Information G, Penalties and Interest, for more details.

Enter zero on line 3 if the LLC is claiming Deployed Military Exemption. See General Information F, Limited Liability Company Tax and Fee, for more details.

Line 4 – Nonconsenting Nonresident Members' Tax Liability

Enter the total tax computed on Schedule T. The LLC is responsible for paying the tax of nonconsenting nonresident members and nonconsenting owners of disregarded entities. Treat a nonconsenting owner of a disregarded entity in the same manner as a nonconsenting nonresident member. See the Specific Line Instructions for Schedule T.

The nonconsenting nonresident members' tax paid by an LLC on behalf of a nonresident is allocated to the nonresident member on Schedule K-1 (568).

Line 8 – Withholding (Form 592-B and/or 593)

If the LLC was withheld upon by another entity, the LLC can either allocate the entire withholding credit to all its members or claim a portion on line 8 (not to exceed the total tax and fee due) and allocate the remaining portion to all its members. If the LLC claims any of the amount withheld, be sure to attach the Form 592-B, or Form 593, Real Estate Withholding Tax Statement, showing that the LLC was withheld upon, to the front lower portion of the LLC return. The LLC must file Form 592 or 592-F, and Form 592-B to allocate any remaining withholding credit to its members. For additional information, get FTB Pub. 1017.

Line 13 – Use Tax

California use tax applies to purchases from out of state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person). For questions on whether a purchase is taxable, go to State Board of Equalization's website at boe.ca.gov, or call their Taxpayer Information Section at 800.400.7115 or TTY/TDD 800.735.2929.

Note: The following businesses are required to report purchases subject to use tax directly to the State Board of Equalization and may not report use tax on their LLC Return of Income:

- Businesses that have a California seller's permit.
- Businesses that are not required to hold a California seller's permit, but receive at least \$100,000 in gross receipts.
- Businesses that have a California consumer use tax account.

An LLC that is not required to report purchases subject to use tax directly to the State Board of Equalization may report use tax on its LLC income tax return. To report use tax on the LLC tax return, complete the Use Tax Worksheet below.

If the LLC owes use tax but does not report it on the income tax return, the LLC must report and pay the tax to the State Board of Equalization. For information on reporting use tax directly to the State Board of Equalization, go to their website at boe.ca.gov.

Failure to timely report and pay the use tax due may result in the assessment of penalties.

Use Tax Worksheet

Round all amounts to the nearest whole dollar.

| | | |
|---|----|-----|
| 1. Enter purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions | \$ | .00 |
| 2. Enter the applicable sales and use tax rate. See worksheet instructions | | |
| 3. Multiply line 1 by the tax rate on line 2. Enter result here | \$ | .00 |
| 4. Enter any sales or use tax paid to another state for purchases included on line 1. See worksheet instructions | \$ | .00 |
| 5. Total Use Tax Due. Subtract line 4 from line 3. Enter the amount here and on line 13. If the amount is less than zero, enter -0- | \$ | .00 |

Worksheet, Line 1, Purchases Subject to Use Tax

- Report items that would have been taxable in a California store, such as office equipment and supplies.
- Include handling charges.
- **Do not** include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return the LLC is filing.

Note: Report and pay any use tax the LLC owes on the following purchases to the State Board of Equalization, **not** on the LLC's income tax return:

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.

Worksheet, Line 2, Sales and Use Tax Rate

- Enter the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. If the LLC does not know the applicable rate, go to the State Board of Equalization's website at boe.ca.gov and click on City and County Tax Rates or call their Taxpayer Information Section at 800.400.7115 or TTY/TDD 800.735.2929.

Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states on purchases reported on Line 1. The LLC can claim a credit up to the amount of tax that would have been due if the purchase had been made in California. For example, if the LLC paid \$8.00 sales tax to another state for a purchase, and would have paid \$6.00 in California, the LLC can claim a credit of only \$6.00 for that purchase.

Line 15 – Penalties and Interest

Enter penalties and interest. See General Information G, Penalties and Interest.

Single Member LLC Information and Consent

Complete all requested information. Provide the identification numbers of the entity (FEIN/CA Corp no./SOS File no.) that will report the items of income, deductions, credits, etc., of the disregarded entity and the type of return the owner will file. The owner will be responsible for limiting any credits attributable to the disregarded entity.

The LLC must treat the failure of the sole owner to sign this consent in the same manner as the failure of a nonresident member to sign form FTB 3832. See the Specific Line Instructions for Schedule T.

If the single member of the LLC signs the consent, complete only Form 568, Side 1, Side 2, the LLC Income Worksheet, and pay the amount due.

Schedules B & K are **required** to be filed if any of the following are met:

- The income or loss amount reported on Schedule B, line 1 or line 3 through line 11, is \$3,000,000 or more.
- The "Total distributive income/payment items," Schedule K, line 21a, is greater than or equal to \$3,000,000 OR less than or equal to \$-3,000,000.

Multiple member LLCs will complete the remaining schedules, as appropriate.

Single member LLCs (SM LLCs) do **not** complete form FTB 3832. An SM LLC consents to be taxed under California jurisdiction by signing the Single Member LLC Information and Consent on Form 568. Multiple member LLCs must complete and sign form FTB 3832.

Question J

Enter the maximum number of members in the LLC at any time during the taxable year. The number of Schedules K-1 (568) attached to the Form 568 must equal the number of members entered on Question J. **Do not** use abbreviations or terms such as **“various.”**

Question K through Question FF

Check the “Yes” or “No” box. SMLLCs are excluded from providing a Schedule K-1 (568).

Question K

An “investment partnership” is a partnership that meets both of the following criteria:

1. No less than 90% of the cost of the partnership’s total assets consist of the following:
 - Qualifying investment securities.
 - Deposits at banks or other financial institutions.
 - Office equipment and office space reasonably necessary to carry on the activities of an investment partnership.
2. No less than 90% of the partnership’s gross income is from interest, dividends, and gains from the sale or exchange of “qualifying investment securities.”

“Qualifying investment securities” include all of the following:

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

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

Question M

If Question M is answered “Yes,” see the federal partnership instructions concerning an election to adjust the basis of the LLC’s assets under IRC Section 754.

Question O

All LLCs must answer all three questions. If you do not own or lease (as specified below) real property in California, answer “No” to the questions. (Real property includes land, buildings, structures, fixtures – see R&TC Section 104). The questions provide information regarding changes in ownership with regard to real property held by legal entities (R&TC Section 64). 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 45 days of the event date occurring on or after January 1, 2010, will result in substantial penalties. Get forms and information from the BOE website at boe.ca.gov and search for **leop**.

There may be a change in ownership or control if, during this year, one of the following occurred with respect to this LLC (or any legal entity in which it holds a controlling or majority interest):

- The percentage of ownership interests transferred to, or owned or controlled by one person or one legal entity cumulatively exceeded 50%.
- The total ownership interests transferred to or held by one irrevocable trust or trust beneficiary cumulatively exceeded 50%.
- This LLC, or any legal entity in which it holds a controlling or majority interest, cumulatively acquired ownership or control of more than 50% of the LLC or other ownership interests in any legal entity.
- As of the end of this year, cumulatively more than 50% of the total ownership interests have been transferred, or the LLC experienced a change in ownership or control, in one or more transactions since March 1, 1975.

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 P

California requires taxes to be withheld from certain payments or allocations of income and sent to the FTB (R&TC Sections 18662 and 18666). If the LLC does not withhold and, upon examination, the FTB determines that withholding was required, the LLC may be liable for the tax and penalties. The reference to Forms 592, 592-A, 592-B, and 592-F relates to LLC withholding. If you need additional information concerning LLC withholding, see General Information K, Required Information Returns, and Withholding Requirements, in this booklet.

Question U

See General Information S, Check-the-Box Regulations, for the filing requirements for disregarded entities.

Question V

Federal Form 8886, Reportable Transaction Disclosure Statement, must be attached to any return on which the LLC has claimed or reported income from, or a deduction, loss, credit, or other tax benefit attributable to, participation in a reportable transaction. If the LLC is required to file this form with the federal return, attach a copy to the LLC’s Form 568. **Do not** attach copies of federal Schedule K-1 (1065).

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. 1.6011-4 and includes, but is not limited to:

- 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 is any transaction resulting in the taxpayer claiming a loss under Section 165 of at least \$10 million in any single taxable year or \$20 million in any combination of taxable years for partnerships that have only corporations as partners (looking through any partners that are themselves partnerships), whether or not any losses flow through to one or more partners. \$2 million in any single taxable year or \$4 million in any combination of taxable years for all other partnerships.
- 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 federal Form 8886. See IRS Notice 2006-06.
- 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 has been identified by the Internal Revenue Service as a transaction of interest (entered into on or after November 2, 2006).
- A Listed Transaction is a specific reportable transaction, or one that is substantially similar, which has been identified by the Internal Revenue Service or the Franchise Tax Board to be a tax avoidance transaction.

Question CC

Check the “Yes” or “No” box to indicate if the LLC is deferring any income from the disposition of assets. If “Yes,” enter the four-digit year in which the assets were disposed (ex. 2010) on line CC (2). If there are multiple years, write “see attached” on the line and attach a schedule listing the years. This question is applicable if the LLC is deferring any income from a disposition of assets in the current taxable year or prior taxable years.

Question DD

Check the box for the type(s) of previously deferred income the LLC is reporting. If there are multiple sources of income, check the box for the appropriate items and attach a schedule listing the income type and year of disposition. If the LLC is reporting “Other” types of previously deferred income, check the box for “Other” and attach a schedule listing the income type and year of disposition. This question is applicable if the LLC is reporting previously deferred income in the current taxable year or prior taxable years.

Question EE

The new jobs credit allows \$3,000 for a qualified employer for each increase in qualified full-time employee hired in the current taxable year. The new jobs credit is not subject to the 50% business tax credit limitation. Use form FTB 3527 to compute the new jobs credit. Enter the amount generated on line EE (2). Attach a copy of form FTB 3527 to Form 568. Get form FTB 3527 for more information.

Question FF

California has not conformed to the federal election to defer the discharge of indebtedness income as described in IRC Section 108(j). If the LLC elected to defer the discharge of indebtedness income for federal purposes, check the "Yes" box and enter the entire amount of the federal deferred income on line FF (2). Include this amount on Schedule K (568), line 11b, column (c), California adjustments.

Schedule A — Cost of Goods Sold

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

Schedule B — Income and Deductions

Line 1 through Line 12

California's reporting requirements for LLCs classified as partnerships are generally the same as the federal reporting requirements for partnerships. Follow the instructions for federal Form 1065 and include only trade or business activity income on line 1 through line 12. However, for California tax purposes, business income of the LLC is defined using the rules set forth in R&TC Section 25120. Therefore, certain income that may be portfolio income for federal purposes may be included as business income for California sourcing purposes. **Do not** include rental activity income or portfolio income on these lines. Rental activity income and portfolio income are separately reported on Schedule K (568) and Schedule K-1 (568). Rental real estate activities are also reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation. Attach a copy of federal Form 8825 to Form 568. **Use California amounts** and attach a statement reconciling any differences between federal and California amounts.

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

Form 568, Schedule B, lines 4 through line 11 have been separated to report total gains and total losses. Net amounts are no longer reported. **List total gains and total losses separately, even if listed together on federal forms.** For example, the LLC is required to report a \$100 Other Income item and a <\$20> Other Loss item. The \$100 Other Income item must be reported on Line 10 and the <\$20> Other Loss item loss must be reported as a negative number on Line 11.

Line 6 — Total Farm Profit

Line 7 — Total Farm Loss

Enter on line 6 the LLC's total farm profit from federal Schedule F (Form 1040), Profit or Loss From Farming, Line 36, Net farm profit or (loss). Enter on line 7 the LLC's total farm loss from federal Schedule F (Form 1040), Line 36. Attach federal Schedule F to Form 568. If the amount includable for California purposes is different from the amount on federal Schedule F, enter the California amount and attach an explanation of the difference.

Line 8 — Total Gain from Schedule D-1

Line 9 — Total Loss from Schedule D-1

Include only ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Ordinary gains or losses from the sale, exchange, or involuntary conversion of rental activity assets must be reported separately on Schedule K (568) and Schedule K-1 (568), generally as part of the net income (loss) from the rental activity.

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

Line 13 through Line 22

California's reporting requirements for LLCs are generally the same as the federal reporting requirements for partnerships.

Follow the instructions for federal Form 1065 and include only trade or business activity deductions on line 13 through line 21. Line 21 (Other Deductions) includes repairs, rents and taxes. **Do not** include any rental activity expenses or deductions that are allocable to portfolio income on these lines. Rental activity deductions and deductions allocable to portfolio income are separately reported on Schedule K (568) and Schedule K-1 (568).

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

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

Claim of Right. To claim the deduction, enter the amount on line 21. If you elect to take the credit instead of the deduction, remember to use the California tax rate, add the credit amount to the total on line 9, Total payments (Form 568, Side 1). To the left of this total, write IRC 1341 and the amount of the credit.

Line 17a — Depreciation and Amortization

Enter on line 17a, only the total depreciation and amortization claimed on assets used in a trade or business activity. Complete and attach form FTB 3885L, Depreciation and Amortization (included in this booklet), to figure depreciation and amortization. Transfer the total from form FTB 3885L, line 6, to Form 568, Side 3, line 17a, or federal Form 8825, as appropriate (use California amounts).

Do not include any expense deduction for depreciable property (IRC Section 179; Enterprise Zones, R&TC Section 17267.2; Targeted Tax Area, R&TC Section 17267.6; or Local Agency Military Base Recovery Area, R&TC Section 17268) on this line. This expense is not deducted by the LLC. Instead, the expense is passed through separately to the members and is reported on line 12 of Schedule K (568) and Schedule K-1 (568).

Schedule L — Balance Sheets

If Question 6a through Question 6c on federal Form 1065, Schedule B, are all answered "Yes" and the LLC has 10 or fewer members, the LLC is not required to complete Schedules L, M-1, M-2, or Item G on Side 1 of Form 568 or Item I on Schedule K-1 (568).

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

Schedule M-1 — Reconciliation of Income (Loss) per Books With Income (Loss) per Return, and Schedule M-2 — Analysis of Members' Capital Accounts

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

Use worldwide amounts determined under California law when completing Schedule M-1. Also, the amounts on Schedule M-2 should equal the total of the amounts reported in Item I, column (c), of all the members' Schedules K-1 (568).

Net Income (Loss) Reconciliation for Certain LLCs. For taxable years beginning on or after January 1, 2006, the IRS requires certain LLCs to complete federal Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships, instead of Schedule M-1. For California purposes, the LLC must complete the California Schedule M-1, and attach either of the following:

- A copy of the federal Schedule M-3 (Form 1065) and related attachments to the California Franchise or Income Tax Return.
- A complete copy of the federal return.

FTB will accept the federal Schedule M-3 (Form 1065) in a spreadsheet format if more convenient.

Schedule O — Amounts from Liquidation Used to Capitalize a Limited Liability Company

Complete Schedule O if "initial return" is checked in Question H of Form 568.

Schedule O is a summary of the entities liquidated to capitalize the LLC and the amount of gains recognized in such liquidations.

Include the complete names and identification numbers of all entities liquidated. Check the appropriate box for the type of entity liquidated. Include the amount of liquidation gains recognized in order to capitalize the LLC.

Schedule T — Nonconsenting Nonresident Members' Tax Liability

Use Schedule T to compute the nonconsenting nonresident members' tax liability to be paid by the LLC. List the names and identification numbers of all nonresident members who have not signed a form FTB 3832 and have not consented to be subject to California tax. Also, list the nonresident members' distributive share of income.

To compute the amount of tax that must be paid by the LLC on behalf of a nonconsenting nonresident member, multiply such member's distributive share of income by the following rates:

- 8.84% if the member is a C corporation.
- 9.55% if the member is an individual, partnership, LLC, estate, or trust.
- 1.5% if the member is an S corporation.

Each member's Nonconsenting Nonresident Members' Tax may be reduced by the amount of tax previously withheld under R&TC Section 18662 and paid by the limited liability company on behalf of such member.

Multiply column c by column d and put the result in column e for each nonconsenting nonresident member. Reduce column e by the amount in column f and put the net amount in column g for each nonconsenting nonresident member. Column g cannot be less than zero.

The tax being paid by the LLC on behalf of nonconsenting nonresident members is due on the 15th day of the 4th month following the close of the LLC's taxable year.

Reminder: All members must file a California tax return. The completion of Schedule T or form FTB 3832 does not satisfy the member's California filing requirement. Corporate members are also considered doing business in California and may have additional filing requirements. For additional information get FTB Pub. 1060, Guide for Corporations Starting Business in California. Nonresident individuals may qualify to file a group Form 540NR and should get FTB Pub. 1067, Guidelines for Filing a Group Form 540NR.

Schedule K (568) and Schedule K-1 (568) — Member's Share of Income, Deductions, Credits, etc.

Purpose of Schedules

Schedule K (568) is a summary schedule for the LLC's income, deductions, credits, etc. and Schedule K-1 (568) shows each member's distributive share. The line items for both of these schedules are the same unless otherwise noted.

One copy of each Schedule K-1 (568) must be attached to the Form 568 when it is filed unless the LLC wishes to file paperless Schedules K-1 (568), see General Information T, Substitute Schedules, for additional information.

Be sure to give each member a copy of their respective Schedule K-1 (568). The LLC should also include a copy of the Member's Instructions for Schedule K-1 (568) or specific instructions for each item reported. These items should be provided to the member on or before the due date of the Form 568.

Schedule K (568) Only

Disregarded entities – Schedule K is only required to be filed if any of the following is met:

- The income or loss amount reported on Schedule B, line 1 or line 3 through line 11, is \$3,000,000 or more.
- The "Total distributive income/payment items," Schedule K, line 21a, is greater than or equal to \$3,000,000 OR less than or equal to \$-3,000,000.

If Schedule K(568) is required to be filed, prepare Schedule K by entering the amount of the corresponding Member's share of Income, Deductions, Credits, etc. attributable to the activities of the disregarded entity from the Member's federal Form 1040 including Schedule B, Interest and Ordinary Dividends, Schedule C, Profit or Loss from Business (Sole Proprietorship), Schedule D, Capital Gains and Losses, Schedule E, Supplemental Income and Loss, and Schedule F, federal Schedule K, or federal Form 1120 or 1120s, of the owner.

In column (b) on Schedule K (568), Members' Shares of Income, Deductions, Credits, etc., enter the amounts from federal Schedule K (1065), Partners' Shares of Income, Credits, Deductions, etc.

In column (c), enter the adjustments resulting from differences between California and federal law (not adjustments related to California source income). In column (d), enter the worldwide income computed under California law.

For members to comply with the requirements of IRC Section 469, trade or business activity income (loss), rental activity income (loss), and portfolio income (loss) must be considered separately by the member. Rental activity income (loss) and portfolio income (loss) are not reported on Form 568, Side 3 so that these amounts are not combined with trade or business activity income (loss). Use Schedule K, lines 2, 3, 5, 6, 7, 8, 9, and 11a to report these amounts.

Compliance with LLC Filing Requirements

To help ensure the accurate and timely processing of the LLC's Form 568, verify the following:

- A Schedule K-1 (568) has been attached to Form 568 for each member included on Form 568, Side 2, Question J. LLCs eligible for the reduced filing program, see General Information D, Who Must File.
- The attached Schedule K-1 (568) contains the member's correct name, address, and identifying number.
- Items A through I are completed on Schedule K-1 (568), Side 1.
- The appropriate entity type box on Schedule K-1 (568), Side 1, Question A, is checked for each member.
- All attached Schedules K-1 (568) reconcile to Schedule K.
- The member's percentage, on Schedule K-1 (568), Question C, is expressed in decimal format and carried to four decimal places (i.e., 33.5432). Do not print fractions, percentage symbols (%), or use terms such as "Various."
- Substitute computer-generated Schedule K-1 (568) forms **must** be approved by the FTB.

For the highest rate of accuracy and rapid processing, file Schedules K-1 (568) on CD or diskette. See General Information T, Substitute Schedules, for more details.

Schedule K-1 (568) Only

The Schedule K-1 (568) details each member's distributive share of the LLC's income, deductions, credits, etc. The LLC completes the entire Schedule K-1 (568) by filling out the member's and LLC's information (name, address, identifying numbers), Questions A through I and the member's distributive share of items.

For members with PMB addresses, include the designation number in the member's address area. Precede the number (or letter) with "PMB."

For each individual member, enter the member's social security number (SSN) or Individual Taxpayer Identification Number (ITIN). For all other members enter their FEIN. However, if a member is an individual retirement arrangement (IRA), enter the identifying number of the custodian of the IRA. **Do not** enter the SSN or ITIN of the person for whom the IRA is maintained.

The LLC files one California Schedule K-1 (568) for each member with the LLC return and gives one copy to the appropriate member. **Do not** attach federal Schedules K-1 (1065). The LLC should also provide each member with a copy of either the Member's Instructions for Schedule K-1 (568) or specific instructions for each item reported.

Determining the Source of the LLC's Income for a Resident Member

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

Determining the Source of the LLC's Income for a Nonresident Member

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

If the LLC conducts:

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

The LLC should apportion business income using the Uniform Division of Income for Tax Purposes Act (R&TC Sections 25120 through 25139). Special rules apply if the LLC has income that is not attributable to the trade or business of the LLC (nonbusiness income).

Nonbusiness Income: Nonbusiness income attributable to real or tangible personal property (such as rents, royalties, or gains or losses) located in California is California source income (Cal. Code Regs., tit. 18 section 17951-3 and R&TC Sections 25124 and 25125). Enter this information on the appropriate line of Schedule K-1 (568). If the LLC believes it may have a unitary member, the information for that member should also be entered in Schedule K-1, Table 2, Part B, for that member.

The source of nonbusiness income attributable to intangible property depends upon the member's state of residence or commercial domicile. Individuals generally source this income to their state of residence and corporations to their commercial domicile, R&TC Sections 17951 through 17955.

Because the determination of the source of intangible nonbusiness income must be made at the member level, this income is not entered on Schedule K-1 (568), column (e). It is only entered in Table 1.

Completing Schedule K-1 (568)

Questions A through I

See the instructions for federal Form 1065, Specific Instructions, Schedule K-1 Only, Part II, Information About the Partner, for more information on completing Question A through Question I.

Question A, Schedule K-1 (568)

Check the appropriate box to indicate the member's entity type. Exempt organizations should check the exempt organization box regardless of legal form.

Question B, Schedule K-1 (568)

Check the appropriate box to indicate whether this member is foreign or not.

Question C, Schedule K-1 (568)

Percentages must be 4 to 7 characters in length and have a decimal point before the final 4 characters. For example, 50% is represented as 50.0000, 5% as 5.0000, 100% as 100.0000. **Do not** enter a fraction, the percentage symbol (%), or the term "Various."

Question D, Schedule K-1 (568)

For more information on completing Question D, refer to the instructions for federal Form 1065, Specific Instructions, Schedule K-1 Only, Part II, Information About the Partner.

Question E, Schedule K-1 (568)

Enter the reportable transaction number, and/or the tax shelter registration number if applicable. See instructions for Form 568 Question V, for more information.

Completing Column (b) through Column (e)

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

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

1. Income from separate businesses, trades, or professions conducted wholly within California, see Cal. Code Regs., tit. 18 section 17951-4(a).
2. Income from a trade or business conducted within and outside California, when the part of business conducted within California can be separately accounted for, see Cal. Code Regs., tit. 18 section 17951-4(b).
3. Income from a trade or business conducted within and outside California that is apportioned to California. This includes intangible income attributable to the business, trade or profession, see Cal. Code Regs., tit. 18 section 17951-4(c) and R&TC Sections 25128 through 25137. Generally, the LLC should apportion business income using a 4-factor formula consisting of property, payroll, and a double weighted sales factor. Use a 3-factor formula consisting of payroll, property, and a single weighted sales factor if more than 50% of the business receipts of the LLC are from agricultural, extractive, savings and loans, or bank and financial activities. Apportioning LLCs should get and complete Schedule R and attach it to Form 568.
4. Nonbusiness income from real and tangible property located in California. Enter the member's share of nonbusiness income from real and tangible property located in California in column (e). If the LLC believes it may have a unitary member, enter this income in Table 2, Part B.
5. California credits.

Nonbusiness income from intangible property should not be entered in column (e). Enter this income in Table 1. For more information, see Member's Instructions for Schedule K-1 (568).

Column (d) and Column (e): Schedule K-1 (568), column (d), includes the member's distributive share of total LLC income, deductions, gains, or losses under California law. Column (e) includes only income, deductions, gains or losses that are apportioned or sourced to California. The computation of these amounts is a matter of law and regulation. The residency of the member is not a factor in the computation of amounts to be included in column (d) and column (e).

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

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

If the LLC knows the member is a resident individual, then the LLC answers "No" to Question H on Schedule K-1 (568), and completes column (d), only. Otherwise, the LLC should complete column (e) for all other members.

Completing Table 1

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

Completing Table 2

The LLC does not need to complete Table 2 if the LLC knows that the member is not unitary with its trade or business or any other trade or business.

Special Rules for Members and LLCs in a Single Unitary Business

Special rules apply if the LLC and a member are engaged in a single unitary business. In that case, a unitary member will not use the income information shown in column (e). Instead, the member's distributive share of business income is combined with the member's own business income. The combined business income is apportioned using an apportionment formula that consists of an aggregate of the member's share of the apportionment factors from the LLC and the member's own apportionment factors, Cal. Code Regs., tit. 18 section 25137-1(f). The determination of whether a 3-factor or 4-factor apportionment formula applies to the combined income will be made at the member level. The member's distributive share of business income and property, payroll, and sales factors are entered in Table 2.

If the LLC knows that all of the members are unitary with the LLC, the LLC need not complete column (e) or attach Schedule R. For further information, see Member's Instructions for Schedule K-1 (568).

Special Reporting Requirements for Passive Activities

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (568), the LLC must attach a statement to Schedule K-1 (568) for each activity that is a passive activity to the member. Rental activities are passive activities to all members; trade or business activities may be passive activities to some members. The attachment must include all the information explained in the instructions for federal Schedule K-1 (1065).

Specific Line Instructions

The California Schedule K (568) generally follows the federal Schedule K (1065). Where California and federal laws are the same, the instructions for California Schedule K (568) refer to the instructions for federal Schedule K (1065).

When completing the California Schedule K (568) and Schedule K-1 (568), refer to the Federal/State Line References chart (included in this booklet) that shows the specific line references between the federal Schedule K (1065) and Schedule K-1 (1065) and the California Schedule K and Schedule K-1.

Income

Line 1 through Line 11

See the instructions for federal Form 1065, Specific Instructions Schedules K and K-1, and Schedule K-1 (568) Income (Loss), line 1 through line 11. Form 568, Schedule K and Schedule K-1 lines 10a and 10b have been separated to report total gains and total losses, and lines 11b and 11c have been separated to report total other income and losses. Net amounts are no longer reported. For example, the partnership is required to report a \$100 IRC Section 1231 gain item and a <\$60> IRC Section 1231 loss item. The \$100 IRC Section 1231 gain item must be reported on Line 10a and the <\$60> IRC Section 1231 loss item must be reported as a negative number on Line 10b.

Energy conservation rebates, vouchers, or other financial incentives are excluded from income.

Line 1, column (c)

An adjustment to increase the business income of a service LLC to reflect the guaranteed payment deduction adjustment required by Cal. Code Regs., tit. 18 section 17951-4(g) should be made here.

Schedule K (568) must include all income and losses from the LLC activities as determined under California laws and regulations. Any differences reported between the federal and California amounts should be related to differences in the tax laws. **Do not** apply the apportionment formula to the income or losses on Schedule K (568).

Line 10a and Line 10b

Enter on line 10a and 10b the amounts shown on Schedule D-1, line 7. **Do not** include specially allocated ordinary gains and losses, or net gains (losses) from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 11b or 11c, along with a schedule and explanation.

If the LLC has more than one activity and the amount on line 10a or line 10b is a passive activity amount to the member, attach a statement to Schedule K-1 (568), that identifies the activity to which IRC Section 1231 gain (loss) relates.

Deductions

Line 12 through Line 13

See the instructions for federal Form 1065, Specific Instructions Schedules K and K-1, and Schedule K-1 (568), Deductions, line 12 and line 13a through line 13e.

IRC Section 179 expense deductions are subject to different rules for California. See instructions for form FTB 3885L.

Line 13a – Charitable Contributions

Enter the total amount of charitable contributions made by the LLC during its taxable year on Schedule K (568) and each member's distributive share on Schedule K-1 (568). Attach an itemized list to both schedules that show the amount subject to the 50%, 30%, and 20% limitations.

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

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

Line 13b – Investment Interest Expense

This line must be completed whether or not a member is subject to the investment interest rules. Enter the interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on line 13b of Schedule K (568) and Schedule K-1 (568) rather than line 13d of Schedule K (568) and Schedule K-1 (568).

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

Line 14

The information reported on line 14 of the federal Schedule K (1065), and box 14 of the federal Schedule K-1(1065), does not apply to California and therefore there is no line 14.

Credits

Line 15a – Total Withholding

Add the total amounts on all member's Schedule K-1 (568). If taxes were withheld by the LLC or if there is a pass-through withholding credit from another entity or backup withholding, the LLC must provide each affected member (including California residents) a completed Form 592-B. Members must attach Form 592-B to the front of their California tax return to claim the withheld amounts. Schedule K-1 (568) may **not** be used to claim this withholding credit.

Line 15b through Line 15d

These lines relate to rental activities. Use line 15f to report credits related to trade or business activities.

California line numbers are different from federal line numbers in this section.

Line 15b – Low-Income Housing Credit

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

Line 15c – Credits Other Than Line 15b Related to Rental Real Estate Activities

Report any information that the members need to figure credits related to a rental real estate activity, other than the low-income housing credit. Attach to each member's Schedule K-1 (568) a statement showing the amount to be reported and the applicable form on which the amount should be reported.

Line 15d – Credits Related to Other Rental Activities

Use this line to report information that the members need to figure credits related to a rental activity. Attach to each member's Schedule K-1 (568) a

statement showing the amount to be reported and the applicable form on which the amount should be reported.

Line 15e – Nonconsenting Nonresident Member's Tax Paid by LLC, Schedule K-1 (568) only

If income tax was paid by the LLC on behalf of a nonresident member who did not sign form FTB 3832, the amount paid is entered on the member's Schedule K-1 (568), line 15e. This is not a distributive share item; it is only reported on the specific nonresident member's Schedule K-1. Members must attach a copy of Schedule K-1 (568) to their California income tax return to claim the tax paid by the LLC on their behalf.

If income tax was paid by an LLC on behalf of a member that is an LLC and form FTB 3832 is not signed on behalf of the member LLC, the amount paid by an LLC is entered on the member LLC's Schedule K-1 (568) line 15e. This withholding credit is allocated to all members according to their LLC interest. Individual members must attach a copy of the following to their California tax return to claim their share of the tax paid by the LLC on behalf of the member LLC:

- The Schedule K-1 (568) previously issued to the member LLC by its LLC
- The Schedule K-1 (568) issued by the member LLC, that paid the LLC tax, to its members.

Line 15f – Other Credits

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

Credits that may be reported on line 15f (depending on the type of activity they relate to) include:

- Community Development Financial Institution Deposits Credit. Use credit code 209.
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548.
- Donated Agricultural Products Transportation Credit. Get form FTB 3547.
- Employer Child Care Program/Contribution Credit. Get form FTB 3501.
- Enhanced Oil Recovery Credit. Get form FTB 3546.
- Enterprise Zone (EZ) Hiring and Sales or Use Tax Credit. Get form FTB 3805Z.
- Environmental Tax Credit. Get form FTB 3511.
- Local Agency Military Base Recovery Area (LAMBRA) Hiring and Sales or Use Tax Credit. Get form FTB 3807.
- Manufacturing Enhancement Area (MEA) Hiring Credit. Get form FTB 3808.
- Natural Heritage Preservation Credit. Get form FTB 3503.
- Prison Inmate Labor Credit. Get form FTB 3507.
- Research Credit. Get form FTB 3523.
- Targeted Tax Area (TTA) Hiring and Sales or Use Tax Credit. Get form FTB 3809.

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

All credit forms are available at ftb.ca.gov.

Line 15g – New Jobs Credit

Use form FTB 3527 to calculate the new jobs credit. Enter the credit amount generated on line 15g.

Line 16

The information reported on line 16 of the federal Schedule K (1065) and box 16 of the federal Schedule K-1(1065), Foreign Transactions, do not apply to California and therefore there is no line 16.

Alternative Minimum Tax (AMT) Items

Line 17a through Line 17f

Enter each member's distributive share of income and deductions that are adjustments and tax preference items. Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, to determine amounts and for other information.

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

For additional information, see instructions for federal Schedule K (1065), Alternative Minimum Tax (AMT) Items, line 17a through line 17f. For differences between federal and California law for alternative minimum tax (AMT), see R&TC Section 17062.

Tax-Exempt Income and Nondeductible expenses

Line 18a through Line 18c – Tax-exempt Income and Nondeductible Expenses

Enter on Schedule K (568), the amounts of tax-exempt interest income, other tax-exempt income, and nondeductible expenses from federal Schedule K (1065), lines 18a, 18b, and 18c. Enter on Schedule K-1 (568), the amounts of tax-exempt income, other tax-exempt income, and nondeductible expenses, from federal Schedule K-1 (1065), box 18. The LLC should give each member a description and the amount of the member's share for each item applicable to California in this category.

Distributions

Line 19a and Line 19b – Distributions

Enter on Schedule K (568), the amounts of cash and marketable securities, and other property from federal Schedule K (1065), line 19a and line 19b. Enter on Schedule K-1 (568), the amounts of cash and marketable securities, and other property from federal Schedule K-1 (1065), box 19.

Other Information

Line 20a and line 20b – Investment Income and Investment Expenses

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

Enter on line 20a only the investment income included on line 5, line 6, line 7, and line 11a of Schedule K (568) and Schedule K-1 (568). Enter on line 20b only investment expenses included on line 13d of Schedule K (568) and Schedule K-1 (568).

If items of investment income or expenses are included in the amounts that are required to be passed through separately to the member on Schedule K-1 (568), items other than the amounts included on line 5 through line 9, line 11a, and line 13d of Schedule K-1 (568), give each member a statement identifying these amounts.

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

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

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

Line 20c – Other information

See the instructions for the federal Schedule K (1065), line 20c, Other Items and Amounts. For credit recaptures attach a schedule including credit recapture names and amounts.

The gain on property subject to the IRC Section 179 Recapture should be reported on the Schedule K as supplemental information as instructed on the federal Form 4797, Sales of Business Property.

The LLC must provide all of the following information with respect to a disposition of business property if an IRC Section 179 expense deduction was claimed in prior years:

- Description of the property.
- Date the property was acquired.
- Date the property was sold.
- Gross sales price.
- Cost or other basis plus expense of sale (not including the LLC's basis reduction in the property due to IRC Section 179 expense deduction).
- Depreciation allowed or allowable (not including the IRC Section 179 expense deduction).
- Amount of IRC Section 179 expense deduction (if any) passed through to each member for the property and the LLC's taxable year(s) in which the amount was passed through.
- An indication if the disposition is from a casualty or theft.
- If this is an installment sale, any information needed to complete form FTB 3805E.

Supplemental Information

The LLC may need to report supplemental information that is not specifically requested on the Schedule K-1 (568) separately to each member. If the LLC has supplemental information not included in lines 1 through 20b, write "See attached" on line 20c, column (b) and column (d) and provide a schedule with the details.

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

The gain or loss on property subject to the IRC Section 179 Recapture should be reported on Schedule K-1 as supplemental information as instructed on the federal Form 4797.

The LLC must provide all of the following information with respect to a disposition of business property if an IRC section 179 expense deduction was claimed in prior years:

- Description of the property.
- Date the property was acquired.
- Date the property was sold.
- The members pro-rata share of the gross sales price.
- The members pro-rata share of the cost or other basis plus expense of sale (**not** including the entity's basis reduction in the property due to IRC Section 179 expense deduction).
- The members pro-rata share of the depreciation allowed or allowable (**not** including the IRC Section 179 expense deduction).
- The members pro-rata share of the amount of IRC 179 expense deduction (if any) passed through to the member for the property and the LLC's taxable year(s) in which the amount was passed through.
- An indication if the disposition is from a casualty or theft.
- If this is an installment sale, any information needed to complete form FTB 3805E. The LLC also must separately report the member's pro-rata share of all payments in future taxable years. (Installment payments received for installment sales made in prior taxable years should be reported in the same manner used in prior taxable years).

Alternative minimum taxable income does not include income, positive and negative adjustments, and preference items attributed to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than \$1,000,000 from all trades or businesses in which the taxpayer is an owner or has an ownership interest. The LLC should provide the member's proportionate interest of aggregate gross receipts on Schedule K-1 (568), line 20c. For purposes of R&TC Section 17062(b)(4), "aggregate gross receipts, less returns and allowances" means the sum of all of the following:

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

"Aggregate gross receipts" means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of R&TC Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of R&TC Section 25120. For purposes of this section, "pass-through entity" means a partnership (as defined by R&TC Section 17008), an S corporation, a regulated investment company (RIC), a real estate investment trust (REIT) and a REMIC. See R&TC Section 17062 for more information.

Also show on line 20c a statement noting each of the following:

- Each member's distributive share of business income apportioned to an EZ, LAMBRA, MEA, or TTA.
- Each member's distributive share of business capital gain or loss included in 1 above.

Analysis (Schedule K (568) only)

Line 21a and Line 21b

See the federal instructions for Schedule K (1065), Analysis of Net Income (Loss).

Other Member Information (Schedule K-1 (568) only)

Table 1

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

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

Do not include expenses offset against nonbusiness income from intangibles in column (e).

Table 2

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

Part A. Enter the member's distributive share of the LLC's business income. The member will then add that income to its own business income and apportion the combined business income.

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

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

Nonbusiness income is all income other than business income.

Part C. Enter the member's distributive share of the LLC's payroll, property, and sales factors.

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Schedule K Federal/State Line References

The following chart cross-references the line items on the federal Schedule K (1065) to the appropriate line items on the California Schedule K (568). For more information, see the Specific Line Instructions for Schedule K (568) and Schedule K-1 (568), Partner's Share of Income, Deductions, Credits, etc, included in this booklet.

| Federal Schedule K (1065) | | CA Schedule K (568) | |
|---------------------------|--|---------------------|---|
| Line | Items | Line | Items |
| 1 | Ordinary business income (loss) | 1 | Ordinary income (loss) from trade or business activities |
| 2 | Net rental real estate income (loss) | 2 | Net income (loss) from rental real estate activities |
| 3a | Other gross rental income (loss) | 3a | Gross income (loss) from other rental activities |
| 3b | Expenses from other rental activities | 3b | Less expenses |
| 3c | Other net rental income (loss) | 3c | Net income (loss) from other rental activities |
| 4 | Guaranteed payments | 4 | Guaranteed payments to members |
| 5 | Interest income | 5 | Interest income |
| 6a | Ordinary dividends | 6 | Dividends |
| 6b | Qualified dividends | - | Included in line 6 above |
| 7 | Royalties | 7 | Royalties |
| 8 | Net short-term capital gain (loss) | 8 | Net short-term capital gain (loss). Attach Schedule D (568) |
| 9a | Net long-term capital gain (loss) | 9 | Net long-term capital gain (loss). Attach Schedule D (568) |
| 9b | Collectibles 28% gain (loss) | - | Included in line 8 and line 9 above, as applicable |
| 9c | Unrecaptured section 1250 gain | - | Included in line 8 and line 9 above, as applicable |
| 10 | Net section 1231 gain (loss) | 10a | Total Gain under IRC Section 1231 (other than due to casualty or theft) |
| - | Included in line 10 above | 10b | Total Loss under IRC Section 1231 (other than due to casualty or theft) |
| 11 | <i>Not applicable</i> | 11a | Other Portfolio Income (loss) |
| - | Other income loss | 11b | Total other income |
| - | Included in line 11 above | 11c | Total other loss |
| 12 | Section 179 deduction (attach Form 4562) | 12 | Expense deduction for recovery property (IRC Section 179 and R&TC Sections 17267.2, 17267.6, and 17268) |
| 13a | Contributions | 13a | Charitable contributions |
| 13b | Investment interest expense | 13b | Investment interest expense |
| 13c | Section 59(e)(2) expenditures: (1) Type | 13c | 1. Total expenditures to which IRC Section 59(e) election may apply 2. Type of expenditures |
| | <i>Not applicable</i> | 13d | Deductions related to portfolio income |
| 13d | Other deductions (see instructions) (1) Type | 13e | Other deductions |
| 14a-c | Self-employment | 14a-c | <i>Not applicable</i> |
| 15a | Low-income housing credit (section 42(j)(5)) | 15a | Withholding on LLC allocated to all members |
| 15b | Low-income housing credit (other) | 15b | Low-income housing credit |
| 15c | Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 15c | Credits other than the credit shown on line 15b related to rental real estate activities |
| 15d | Other rental real estate credits | 15d | Credit(s) related to other rental activities |
| 15e | Other rental credits | 15e | Nonconsenting nonresident members' tax paid by LLC |
| 15f | Other credits | 15f | Other credits |
| - | | 15g | New Jobs Credit |
| 16a-n | Foreign Transactions | 16a-n | <i>Not applicable</i> |
| 17a | Post-1986 depreciation adjustment | 17a | Depreciation adjustment on property placed in service after 1986 |
| 17b | Adjusted gain or loss | 17b | Adjusted gain or loss |
| 17c | Depletion (other than oil and gas) | 17c | Depletion (other than oil and gas) |
| 17d | Oil, gas, and geothermal properties – gross income | 17d | Gross income from oil, gas, and geothermal properties |
| 17e | Oil, gas, and geothermal properties – deductions | 17e | Deductions allocable to oil, gas, and geothermal properties |
| 17f | Other AMT items | 17f | Other alternative minimum tax items |
| 18a | Tax-exempt interest income | 18a | Tax-exempt interest income |
| 18b | Other tax-exempt income | 18b | Other tax-exempt income |
| 18c | Nondeductible expenses | 18c | Nondeductible expenses |
| 19a | Distributions of cash and marketable securities | 19a | Distributions of cash and marketable securities |
| 19b | Distributions of other property | 19b | Distributions of property other than money |
| 20a | Investment income | 20a | Investment income |
| 20b | Investment expenses | 20b | Investment expenses |
| 20c | Other items and amounts | 20c | Other information |

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Form 568

Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the limited liability company (LLC) derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales plus all other income. If the LLC purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the LLC is considered a manufacturer and must use one of the manufacturing codes (31110-339900).

Once the principal business activity is determined, entries must be made on Form 568, Question C. Enter a description of the principal product or service of the LLC on the next line. Finally, for the business entity code number, enter the six digit code selected from the list below.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

Forestry and Logging

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

Mining

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory
- 212390 Minerals Mining & Quarrying
- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

Utilities

- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems
- 221500 Combination Gas & Electric

Construction

Code

Construction of Buildings

- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction

- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors

- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

Apparel Manufacturing

- 315100 Apparel Knitting Mills

Code

- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

Printing and Related Support Activities

- 323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code

- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing

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

Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing

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

Wholesale Trade

Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Electrical & Electronic Goods
- 423700 Hardware, & Plumbing & Heating Equipment & Supplies
- 423800 Machinery, Equipment, & Supplies
- 423910 Sporting & Recreational Goods & Supplies
- 423920 Toy & Hobby Goods & Supplies
- 423930 Recyclable Materials
- 423940 Jewelry, Watch, Precious Stone, & Precious Metals
- 423990 Other Miscellaneous Durable Goods

Code

Merchant Wholesalers, Nondurable Goods

424100 Paper & Paper Products

424210 Drugs & Druggists' Sundries

424300 Apparel, Piece Goods, & Notions

424400 Grocery & Related Products

424500 Farm Product Raw Materials

424600 Chemical & Allied Products

424700 Petroleum & Petroleum Products

424800 Beer, Wine, & Distilled Alcoholic Beverages

424910 Farm Supplies

424920 Book, Periodical, & Newspapers

424930 Flower, Nursery Stock, & Florists' Supplies

424940 Tobacco & Tobacco Products

424950 Paint, Varnish, & Supplies

424990 Other Miscellaneous Nondurable Goods

Wholesale Electronic Markets and Agents and Brokers

425110 Business to Business Electronic Markets

425120 Wholesale Trade Agents & Brokers

Retail Trade

Motor Vehicle and Parts Dealers

441110 New Car Dealers

441120 Used Car Dealers

441210 Recreational Vehicle Dealers

441221 Motorcycle Dealers

441222 Boat Dealers

441229 All Other Motor Vehicle Dealers

441300 Automotive Parts, Accessories, & Tire Stores

Furniture and Home Furnishings Stores

442110 Furniture Stores

442210 Floor Covering Stores

442291 Window Treatment Stores

442299 All Other Home Furnishings Stores

Electronics and Appliance Stores

443111 Household Appliance Stores

443112 Radio, Television, & Other Electronics Stores

443120 Computer & Software Stores

443130 Camera & Photographic Supplies Stores

Building Material and Garden Equipment and Supplies Dealers

444110 Home Centers

444120 Paint & Wallpaper Stores

444130 Hardware Stores

444190 Other Building Material Dealers

444200 Lawn & Garden Equipment & Supplies Stores

Food and Beverage Stores

445110 Supermarkets and Other Grocery (except Convenience) Stores

445120 Convenience Stores

445210 Meat Markets

445220 Fish & Seafood Markets

445230 Fruit & Vegetable Markets

445291 Baked Goods Stores

445292 Confectionery & Nut Stores

445299 All Other Specialty Food Stores

445310 Beer, Wine, & Liquor Stores

Health and Personal Care Stores

446110 Pharmacies & Drug Stores

446120 Cosmetics, Beauty Supplies, & Perfume Stores

446130 Optical Goods Stores

446190 Other Health & Personal Care Stores

Gasoline Stations

447100 Gasoline Stations (including convenience stores with gas)

Code

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores

448120 Women's Clothing Stores

448130 Children's & Infants' Clothing Stores

448140 Family Clothing Stores

448150 Clothing Accessories Stores

448190 Other Clothing Stores

448210 Shoe Stores

448310 Jewelry Stores

448320 Luggage & Leather Goods Stores

Sporting Goods, Hobby, Book, and Music Stores

451110 Sporting Goods Stores

451120 Hobby, Toy, & Game Stores

451130 Sewing, Needlework, & Piece Goods Stores

451140 Musical Instrument & Supplies Stores

451211 Book Stores

451212 News Dealers & Newsstands

451220 Prerecorded Tape, Compact Disc, & Record Stores

General Merchandise Stores

452110 Department Stores

452900 Other General Merchandise Stores

Miscellaneous Store Retailers

453110 Florists

453210 Office Supplies & Stationery Stores

453220 Gift, Novelty, & Souvenir Stores

453310 Used Merchandise Stores

453910 Pet & Pet Supplies Stores

453920 Art Dealers

453930 Manufactured (Mobile) Home Dealers

453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers

454110 Electronic Shopping & Mail-Order Houses

454210 Vending Machine Operators

454311 Heating Oil Dealers

454312 Liquefied Petroleum Gas (Bottled Gas) Dealers

454319 Other Fuel Dealers

454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation and Warehousing

Air, Rail, and Water Transportation

481000 Air Transportation

482110 Rail Transportation

483000 Water Transportation

Truck Transportation

484110 General Freight Trucking, Local

484120 General Freight Trucking, Long-distance

484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation

485110 Urban Transit Systems

485210 Interurban & Rural Bus Transportation

485310 Taxi Service

485320 Limousine Service

485410 School & Employee Bus Transportation

485510 Charter Bus Industry

485990 Other Transit & Ground Passenger Transportation

Pipeline Transportation

486000 Pipeline Transportation

Scenic & Sightseeing Transportation

487000 Scenic & Sightseeing Transportation

Code

Support Activities for Transportation

488100 Support Activities for Air Transportation

488210 Support Activities for Rail Transportation

488300 Support Activities for Water Transportation

488410 Motor Vehicle Towing

488490 Other Support Activities for Road Transportation

488510 Freight Transportation Arrangement

488990 Other Support Activities for Transportation

Couriers and Messengers

492110 Couriers

492210 Local Messengers & Local Delivery

Warehousing and Storage

493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

Information

Publishing Industries (except Internet)

511110 Newspaper Publishers

511120 Periodical Publishers

511130 Book Publishers

511140 Directory Mailing List Publishers

511190 Other Publishers

511210 Software Publishers

Motion Picture and Sound Recording Industries

512100 Motion Picture & Video Industries (except video rental)

512200 Sound Recording Industries

Broadcasting (except Internet)

515100 Radio & Television Broadcasting

515210 Cable & Other Subscription Programming

Telecommunications

517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)

Data Processing Services

518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates & libraries, internet publishing & broadcasting)

Finance and Insurance

Depository Credit Intermediation

522110 Commercial Banking

522120 Savings Institutions

522130 Credit Unions

522190 Other Depository Credit Intermediation

Nondepository Credit Intermediation

522210 Credit Card Issuing

522220 Sales Financing

522291 Consumer Lending

522292 Real Estate Credit (including mortgage bankers & originators)

522293 International Trade Financing

522294 Secondary Market Financing

522298 All Other Nondepository Credit Intermediation

Activities Related to Credit Intermediation

522300 Activities Related to Credit Intermediation (including loan brokers, check clearing & money transmitting)

Code

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

523110 Investment Banking & Securities Dealing

523120 Securities Brokerage

523130 Commodity Contracts Dealing

523140 Commodity Contracts Brokerage

523210 Securities & Commodity Exchanges

523900 Other Financial Investment Activities (including portfolio management & investment advice)

Insurance Carriers and Related Activities

524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers

524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers

524210 Insurance Agencies & Brokerages

524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

Funds, Trusts, and Other Financial Vehicles

525100 Insurance & Employee Benefit Funds

525910 Open-End Investment Funds (Form 1120-RIC)

525920 Trusts, Estates, & Agency Accounts

525990 Other Financial Vehicles (including mortgage REITS & closed-end investments funds)

"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under **Management of Companies (Holding Companies)** on next page.

Real Estate and Rental and Leasing

Real Estate

531110 Lessors of Residential Buildings & Dwellings (including equity REITs)

531114 Cooperative Housing (including equity REITs)

531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)

531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)

531190 Lessors of Other Real Estate Property (including equity REITs)

531210 Offices of Real Estate Agents & Brokers

531310 Real Estate Property Managers

531320 Offices of Real Estate Appraisers

531390 Other Activities Related to Real Estate

Rental and Leasing Services

532100 Automotive Equipment Rental & Leasing

532210 Consumer Electronics & Appliances Rental

532220 Formal Wear & Costume Rental

532230 Video Tape & Disc Rental

532290 Other Consumer Goods Rental

532310 General Rental Centers

532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)

533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

| Code | |
|---|---|
| Professional, Scientific, and Technical Services | |
| Legal Services | |
| 541110 | Offices of Lawyers |
| 541190 | Other Legal Services |
| Accounting, Tax Preparation, Bookkeeping, and Payroll Services | |
| 541211 | Offices of Certified Public Accountants |
| 541213 | Tax Preparation Services |
| 541214 | Payroll Services |
| 541219 | Other Accounting Services |
| Architectural, Engineering, and Related Services | |
| 541310 | Architectural Services |
| 541320 | Landscape Architecture Services |
| 541330 | Engineering Services |
| 541340 | Drafting Services |
| 541350 | Building Inspection Services |
| 541360 | Geophysical Surveying & Mapping Services |
| 541370 | Surveying & Mapping (except Geophysical) Services |
| 541380 | Testing Laboratories |
| Specialized Design Services | |
| 541400 | Specialized Design Services (including interior, industrial, graphic, & fashion design) |
| Computer Systems Design and Related Services | |
| 541511 | Custom Computer Programming Services |
| 541512 | Computer Systems Design Services |
| 541513 | Computer Facilities Management Services |
| 541519 | Other Computer Related Services |
| Other Professional, Scientific, and Technical Services | |
| 541600 | Management, Scientific, & Technical Consulting Services |
| 541700 | Scientific Research & Development Services |
| 541800 | Advertising & Related Services |
| 541910 | Marketing Research & Public Opinion Polling |
| 541920 | Photographic Services |
| 541930 | Translation & Interpretation Services |
| 541940 | Veterinary Services |
| 541990 | All Other Professional, Scientific, & Technical Services |
| Management of Companies (Holding Companies) | |
| 551111 | Offices of Bank Holding Companies |
| 551112 | Offices of Other Holding Companies |
| Administrative and Support and Waste Management and Remediation Services | |
| Administrative and Support Services | |
| 561110 | Office Administrative Services |
| 561210 | Facilities Support Services |
| 561300 | Employment Services |
| 561410 | Document Preparation Services |

| Code | |
|--|--|
| 561420 | Telephone Call Centers |
| 561430 | Business Service Centers (including private mail centers & copy shops) |
| 561440 | Collection Agencies |
| 561450 | Credit Bureaus |
| 561490 | Other Business Support Services (including repossession services, court reporting, & stenotype services) |
| 561500 | Travel Arrangement & Reservation Services |
| 561600 | Investigation & Security Services |
| 561710 | Exterminating & Pest Control Services |
| 561720 | Janitorial Services |
| 561730 | Landscaping Services |
| 561740 | Carpet & Upholstery Cleaning Services |
| 561790 | Other Services to Buildings & Dwellings |
| 561900 | Other Support Services (including packaging & labeling services, & convention & trade show organizers) |
| Waste Management and Remediation Services | |
| 562000 | Waste Management & Remediation Services |
| Educational Services | |
| 611000 | Educational Services (including schools, colleges, & universities) |
| Health Care and Social Assistance | |
| Offices of Physicians and Dentists | |
| 621111 | Offices of Physicians (except mental health specialists) |
| 621112 | Offices of Physicians, Mental Health Specialists |
| 621210 | Offices of Dentists |
| Offices of Other Health Practitioners | |
| 621310 | Offices of Chiropractors |
| 621320 | Offices of Optometrists |
| 621330 | Offices of Mental Health Practitioners (except Physicians) |
| 621340 | Offices of Physical, Occupational & Speech Therapists, & Audiologists |
| 621391 | Offices of Podiatrists |
| 621399 | Offices of All Other Miscellaneous Health Practitioners |
| Outpatient Care Centers | |
| 621410 | Family Planning Centers |
| 621420 | Outpatient Mental Health & Substance Abuse Centers |
| 621491 | HMO Medical Centers |
| 621492 | Kidney Dialysis Centers |
| 621493 | Freestanding Ambulatory Surgical & Emergency Centers |
| 621498 | All Other Outpatient Care Centers |
| Medical and Diagnostic Laboratories | |
| 621510 | Medical & Diagnostic Laboratories |

| Code | |
|--|--|
| Home Health Care Services | |
| 621610 | Home Health Care Services |
| Other Ambulatory Health Care Services | |
| 621900 | Other Ambulatory Health Care Services (including ambulance services & blood & organ banks) |
| Hospitals | |
| 622000 | Hospitals |
| Nursing and Residential Care Facilities | |
| 623000 | Nursing & Residential Care Facilities |
| Social Assistance | |
| 624100 | Individual & Family Services |
| 624200 | Community Food & Housing, & Emergency & Other Relief Services |
| 624310 | Vocational Rehabilitation Services |
| 624410 | Child Day Care Services |
| Arts, Entertainment, and Recreation | |
| Performing Arts, Spectator Sports, and Related Industries | |
| 711100 | Performing Arts Companies |
| 711210 | Spectator Sports (including sports clubs & racetracks) |
| 711300 | Promoters of Performing Arts, Sports, & Similar Events |
| 711410 | Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures |
| 711510 | Independent Artists, Writers, & Performers |
| Museums, Historical Sites, and Similar Institutions | |
| 712100 | Museums, Historical Sites, & Similar Institutions |
| Amusement, Gambling, and Recreation Industries | |
| 713100 | Amusement Parks & Arcades |
| 713200 | Gambling Industries |
| 713900 | Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers) |
| Accommodation and Food Services | |
| Accommodation | |
| 721110 | Hotels (except Casino Hotels) & Motels |
| 721120 | Casino Hotels |
| 721191 | Bed & Breakfast Inns |
| 721199 | All Other Traveler Accommodation |
| 721210 | RV (Recreational Vehicle) Parks & Recreational Camps |
| 721310 | Rooming & Boarding Houses |

| Code | |
|---|--|
| Food Services and Drinking Places | |
| 722110 | Full-Service Restaurants |
| 722210 | Limited-Service Eating Places |
| 722300 | Special Food Services (including food service contractors & caterers) |
| 722410 | Drinking Places (Alcoholic Beverages) |
| Other Services | |
| Repair and Maintenance | |
| 811110 | Automotive Mechanical & Electrical Repair & Maintenance |
| 811120 | Automotive Body, Paint, Interior, & Glass Repair |
| 811190 | Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes) |
| 811210 | Electronic & Precision Equipment Repair & Maintenance |
| 811310 | Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance |
| 811410 | Home & Garden Equipment & Appliance Repair & Maintenance |
| 811420 | Reupholstery & Furniture Repair |
| 811430 | Footwear & Leather Goods Repair |
| 811490 | Other Personal & Household Goods Repair & Maintenance |
| Personal and Laundry Services | |
| 812111 | Barber Shops |
| 812112 | Beauty Salons |
| 812113 | Nail Salons |
| 812190 | Other Personal Care Services (including diet & weight reducing centers) |
| 812210 | Funeral Homes & Funeral Services |
| 812220 | Cemeteries & Crematories |
| 812310 | Coin-Operated Laundries & Drycleaners |
| 812320 | Drycleaning & Laundry Services (except Coin-Operated) |
| 812330 | Linen & Uniform Supply |
| 812910 | Pet Care (except Veterinary) Services |
| 812920 | Photofinishing |
| 812930 | Parking Lots & Garages |
| 812990 | All Other Personal Services |
| Religious, Grantmaking, Civic, Professional, and Similar Organizations | |
| 813000 | Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations) |

How to Get California Tax Information

Automated Phone Service

Use our automated phone service to get recorded answers to many of your questions about California taxes and to order California business entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Telephone: 800.338.0505 from within the United States
916.845.6600 from outside the United States

If you need an answer to any of the following questions, call 800.338.0505, select "Business Entity Information," then "Frequently Asked Questions." Follow the recorded instructions, and enter the three digit code when you are instructed to do so.

750 How do I organize or register a limited liability company (LLC)?
752 What tax forms do I use to file as an LLC?
753 When is the annual tax payment due?

General Phone Service

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

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States
TTY/TDD: 800.822.6268 for persons with hearing or speech impairment
IRS: 800.829.4933 call the IRS for federal tax questions

Asistencia bilingüe en español:

Asistencia telefónica está disponible todo el año durante las 7 a.m. y las 5 p.m. lunes a viernes, except días festivos. Las horas están sujetas a cambios.

Teléfono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos
TTY/TDD: 800.822.6268 personas con discapacidades auditivas y del habla
IRS: 800.829.4933 llame al IRS para preguntas sobre impuestos federales

Letters

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

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0040

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

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications at ftb.ca.gov.

Our California Tax Service Center website offers California business tax information and forms for the BOE, EDD, FTB, and IRS at taxes.ca.gov.

You can also download, view, and print federal forms and publications at irs.gov.

By phone – Call our automated phone service at the number listed on this page and follow the recorded instructions.

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

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

In person – Free California tax booklets are provided at many libraries and post offices during the filing season.

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

Your Rights As A Taxpayer

The FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable. See "Where To Get Income Tax Forms and Publications," on this page. To request FTB Pub. 4058 by phone, enter code 943.

