



**1995**

Limited Liability Company  
Tax Booklet

**This booklet contains:**

[Form 568](#), Limited Liability Return of Income

[Schedule D \(568\)](#), Capital Gain or Loss

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

[FTB 3522](#), Limited Liability Company Tax Voucher

[FTB 3537](#), Payment Voucher for Automatic Extension  
for Limited Liability Companies

[FTB 3832](#), Limited Liability Company's List of  
Members and Consents

[FTB 3885L](#), Depreciation and Amortization

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State of California  
Franchise Tax Board

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# 1995 Instructions for Form 568

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

## General Information

### A Changes You Should Note

**California Tax forms on Internet!** Do you need a California income tax form or publication? Do you have Internet access? If so, you may download, view and print 1994 and 1995 California tax forms and publications. Go to the California Home Page at <http://www.ca.gov> and access the California Franchise Tax Board under state servers.

**Limited Liability Company Fees.** For taxable years beginning on or after January 1, 1994, Limited Liability Company fees are collected and refunded in the same manner as taxes and are subject to the same interest and penalties.

**Payment of \$800 Tax.** For taxable years beginning on or after January 1, 1995, payment of the \$800 Limited Liability Company Tax will not be made with the Form 568. Instead, payment will be submitted with form FTB 3522, Limited Liability Company Tax Voucher.

**Schedule K-1 NR (568), Nonresident Member's Share of Income, Deductions, Credits, etc.** Schedule K-1 NR (568) is eliminated beginning in 1995. LLCs can now report each member's share of income, deductions, credits, etc. using Schedule K-1 (568), which has been redesigned to show California source income for members. The revised Schedule K-1 (568) replaces the need for the Schedule K-1 NR (568).

**Substitute Schedule K-1 (568).** If the LLC does not use an official FTB Schedule K-1 (568) or a software program with an FTB approved Schedule K-1 (568), they must get approval from the FTB to use a substitute form. Beginning with LLC returns filed in 1996, please do not file Schedule K-1s (568) on microfiche. Instead, use an official or an FTB approved substitute Schedule K-1 (568).

**FTB 3885L, Depreciation and Amortization.** The depreciation and amortization schedule is revised to include Section 179 expense election information.

**Limited Liability Partnerships (LLP).** Beginning in 1995, California law authorizes the formation of LLPs involved in either the practice of public accountancy or law and related services and recognizes out-of-state LLPs doing business in California. LLPs are subject to an annual tax. LLPs are required to file California Form 565, Partnership Return of Income.

**Local Agency Military Base Recovery Areas (LAMBRA).** LAMBRA's are economic development areas that have experienced military base closures. These areas are designated by the California Trade and Commerce Agency and have special tax incentives such as: a hiring credit, a sales and use tax credit, a business expense deduction and special net operating loss treatment. Get form FTB 3807, Local Agency Military Base Recovery Area Booklet, for more information.

**Salmon and Steelhead Trout Habitat Restoration Credit.** The credit is 10 percent of the costs paid or incurred for salmon and steelhead trout habitat restoration and improvement projects. The credit can only be taken if the project has been certified by the Department of Fish and Game. You can get further information by writing:

**DEPARTMENT OF FISH AND GAME  
TIMBER TAX CREDITS PROGRAM  
PO BOX 944209  
SACRAMENTO CA 95244-2090**

**Manufacturers' Investment Credit.** A Limited Liability Company which is a "qualified taxpayer" is allowed a credit equal to 6 percent of the qualified costs paid or incurred after January 1, 1994, for the purchase of qualified manufacturing equipment. The first year that the 1994 and 1995 credit can be claimed is 1995. Get form FTB 3535, Manufacturers' Investment Credit, for more information.

### B Important Information

**Federal Conformity.** In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

**Corporation for tax purposes?** Limited liability companies (LLCs) classified as corporations for tax purposes are required to file Form 100, Corporation Income or Franchise Tax Return. Get the 1995 Corporation Tax Booklet for more information.

### C Introduction

The Beverly-Killea Limited Liability Company Act of 1994 (Stats.1994, Ch.1200) authorized the formation of LLCs in California and recognized out-of-state LLCs doing business in California. LLCs combine traditional corporate and partnership characteristics. LLC members are afforded:

- limited liability with the extent of a member's liability limited to their equity investment;
- flexible management alternatives; and
- liberal membership qualification requirements.

The taxation of an LLC in California depends upon its classification either as a partnership or a corporation for federal tax purposes. If an LLC is classified as a corporation for federal tax purposes, it must file Form 100. LLCs classified as corporations will be subject to any applicable provisions of California's Bank and Corporation Tax Law, including the requirement that corporations prepay the \$800 minimum franchise tax to the California Office of the Secretary of State at the time they organize or qualify to do business.

If an LLC is classified as a partnership for tax purposes, it must file Form 568, Limited Liability Company Return of Income, included in this booklet. Hereinafter, the term LLC means only an LLC which is classified as a partnership for California tax purposes. LLCs classified as partnerships generally will determine their California income, deductions and credits under the Personal Income Tax Law and will be subject to an annual \$800 LLC tax (due on the 15th day of the fourth month of the LLC's taxable year) as well as an annual fee based on total income. See page 4 of these instructions for more information.

In applying existing entity classification standards to LLCs, through Revenue Rulings and Private Letter Rulings, the Internal Revenue Service (IRS) generally has classified LLCs as partnerships for federal income tax purposes, although IRS rulings have recognized corporate classification in some cases. The IRS has ruled

that an LLC may have no more than two of the following four corporate characteristics to qualify for partnership treatment.

1. **Continuity of Life:** An organization possesses the corporate characteristic of continuity of life if the death, resignation, retirement, dissolution or bankruptcy of any member will not cause the dissolution of the organization.
2. **Centralization of Management:** An organization possesses the corporate characteristic of centralized management if any person or group which does not include all of the organization's members has continuing and exclusive authority to make management decisions necessary for the conduct of the business purpose for which the organization was formed.
3. **Limited Liability:** An organization possesses the corporate characteristic of limited liability if under state law no member is personally liable for claims against the organization.
4. **Free Transferability of Interests:** An organization possesses the corporate characteristic of free transferability of interests if the members owning substantially all of the interests in the organization have the power to transfer all of the rights and attributes of ownership to a nonmember without the approval of the other members.

The California LLC Act is flexible regarding the structure of an LLC and therefore LLCs are classified as corporations or partnerships in California on an organization-by-organization basis.

LLCs organized in California are vested with all the rights and powers enjoyed by a natural person in carrying out business affairs. California law, however, 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.

California law requires that LLCs not organized in the state of California register with the California Office of the Secretary of State before commencing intrastate business in California. The laws of the state in which the LLC is organized generally govern the internal affairs of the LLC. The Office of the Secretary of State may not deny recognition to an LLC because the laws of the organization's home state 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 in California, contact:

**CALIFORNIA SECRETARY OF STATE  
LIMITED LIABILITY COMPANY UNIT  
PO BOX 944228  
SACRAMENTO CA 94244-2280**

## D Purpose of Form

Use Form 568, Limited Liability Company Return of Income, to report income, deductions, gains, losses, etc., from the operation of an LLC and to determine the amount of the LLC's annual fee based on total income. Form 568, included in this booklet, is a return for calendar year 1995 or any fiscal year beginning in 1995.

## E Who Must File

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

- doing business in California;
- organized in California; or

- organized in another state but registered with the California Office of the Secretary of State

must file Form 568.

Regardless of where the trade or business of the LLC is primarily conducted, an LLC taxable as a partnership is considered doing business if any of its members, managers or other agents are conducting business in California on behalf of the LLC. In such a case, the LLC is required to file Form 568.

LLCs organized under the laws of another state which are classified as partnerships for federal tax purposes are classified as partnerships for California tax purposes. LLCs organized under the laws of another state, regardless of how they are classified for tax purposes, are required to register with the California Office of the Secretary of State to transact intrastate business in California.

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

## F When and Where to File

An LLC must file Form 568 by the 15th day of the 4th month following the close of its taxable year.

Mail Form 568:

**FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0001**

Make the check or money order payable to the "Franchise Tax Board." Write the LLC's Secretary of State file number, federal employer identification number (FEIN) and "1995 Form 568" on the check or money order.

If the LLC cannot file Form 568 by the due date, it is granted an automatic six month extension without filing a request for extension.

**Note:** The automatic extension does not extend the time to pay the LLC fee. See form FTB 3537, Payment Voucher for Automatic Extension for Limited Liability Companies included in this booklet on page 37, to submit the required payment if the LLC is filing the return on extension.

If the 1995 LLC tax of \$800 was not paid on or before the 15th day of the fourth month after the beginning of the taxable year, the tax should be remitted using the 1995 form FTB 3522, Limited Liability Company Tax Voucher. **Do not** include the tax payment with Form 568 to assure its proper application to your account.

## G Limited Liability Company Tax and Fee

### Limited Liability Company Tax

LLCs doing business in California or that have articles of organization accepted, or a certificate of registration issued by the Office of the Secretary of State, are subject to tax of \$800. Other LLCs which are members of an LLC doing business in California are also subject to tax of \$800. The LLC tax must be paid for each taxable year until a certificate of dissolution or a certificate of cancellation of registration or of articles of organization is filed with the Office of the Secretary of State. The tax is prepaid for the privilege of doing business in California. The tax is due and payable on or before the 15th day of the fourth month after the beginning of the taxable year.

Use form FTB 3522, to submit payment of the \$800 tax. Make the check or money order payable to the "Fran-

chise Tax Board." Write the LLC's Secretary of State file number, the FEIN and "1996 Form 3522" on the check or money order.

For taxable years beginning in 1995, if the fourth month of the LLC's taxable year has passed before the LLC commences business in California or registers with the California Office of the Secretary of State, the LLC annual tax should be paid as soon as possible after commencing business or registering with the California Office of the Secretary of State.

**Limited Liability Company Fee**

In addition to the LLC tax, every LLC must pay an annual fee based on total income. For taxable years beginning on or before December 31, 1995, the fee is equal to:

- \$500, if the total income from all sources reportable to California (Form 568, Schedule Q, line 11) for the taxable year is \$250,000 or more, but less than \$500,000;
- \$1,000, if the total income from all sources reportable to California (Form 568, Schedule Q, line 11) for the taxable year is \$500,000 or more, but less than \$1,000,000;
- \$2,000, if the total income from all sources reportable to California (Form 568, Schedule Q, line 11) for the taxable year is \$1,000,000 or more, but less than \$5,000,000; or
- \$4,000, if the total income from all sources reportable to California (Form 568, Schedule Q, line 11) for the taxable year is \$5,000,000 or more.

To determine an LLC's annual fee, "total income" means gross income (as defined in R&TC Section 24271) plus the cost of goods sold that are connected with the LLC's trade or business.

To determine the LLC's total income from all sources that are reportable to California, take into account the aggregate total income of all entities commonly controlled by the LLC. "Commonly controlled" means control of 50% or more of an entity's voting stock.

The fee is due on or before the 15th day of the fourth month after the close of the LLC's taxable year.

**H Penalties and Interest**

**LLC Fee**

If the LLC fails to pay its total fee by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1996 (calendar year filers), a late payment penalty of 5 percent per month of the unpaid fee, plus 0.5 percent for each month or part of a month (not to exceed 40 months) the fee remains unpaid.

If the LLC does not file its return by the extended due date, the automatic extension will not apply and a late filing penalty plus interest will be assessed on the unpaid fee.

**LLC Tax**

If the LLC fails to pay its total tax by the 15th day of the fourth month after the beginning of the taxable year (fiscal year filers) or April 15, 1996 (calendar year filers), a late payment penalty of 5 percent per month of the unpaid tax, plus 0.5 percent for each month or part of a month (not to exceed 40 months) the tax remains unpaid. The penalty and interest will be computed from the due date of the tax payment to the date paid.

**Note:** A penalty may also be charged for a check drawn on insufficient funds. In addition, fees may be charged for the cost of collection if an LLC fails to file a return or fails to pay the tax or fee.

The federal exception to the imposition of penalties for failure to file partnership returns that is provided to "small partnerships" (defined in IRC Section 6231) applies to LLCs classified as partnerships for federal tax purposes, but is not applicable for California purposes. Get FTB Notice CR-88-692 for more information.

Interest will be charged on any LLC tax or fee not paid by the due date.

**I Accounting Methods**

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

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.

**Rounding to Whole-Dollar Amounts**

We encourage you to show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next whole dollar.

**J Accounting Periods**

LLC returns normally must be filed for an accounting period that includes 12 full months. A short period return may be filed if the LLC originates or terminates within the taxable year.

See the instructions for federal Form 1065 for information on the required taxable year of a partnership, which applies to LLCs.

**K Amended Return**

If, after the LLC files its return, it becomes aware of changes it must make to income, deductions, credits, etc., the LLC should file an amended Form 568 and an amended Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc., for each member. Check the amended return box in Item I on Side 1 of Form 568. Give a corrected Schedule K-1 (568) to each member labeled "Amended."

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

**L Required Information Returns**

Every LLC must file information returns if, in the course of its trade or business, it makes payments of rents, salaries, wages, annuities or other fixed or determinable income totaling \$600 or more; interest and dividends totaling \$10 or more; and cash payments over \$10,000 received in a trade or business. Payments of any amount by a broker, dealer or barter exchange agent must also be reported.

LLCs must report payments made to California residents by providing FTB with copies of federal Form 1099 (series). Reports are made for the calendar year and generally are due on February 28th of the year following payment. For nonresidents, see the reporting and withholding requirements on Form 592,

Nonresident Withholding Annual Tax Return, Form 592-A, Nonresident Withholding Remittance Statement, and Form 592-B, Nonresident Withholding Tax Statement. LLCs must also submit to FTB the federal Form 8300, Report of Cash Payment Over \$10,000 Received in a Trade or Business, within 15 days after the date of the transaction.

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.

## M Special Items

California LLC law generally follows federal partnership law in the areas of:

- IRC Section 702(a) items;
- elections;
- distributions of unrealized receivables and inventory items;
- members' dealings with the LLC;
- contributions to the LLC;
- income of foreign nonresident members subject to withholding at source, Forms 592, 592-A and 592-B;
- at-risk rules;
- passive activity limitations;
- net operating loss deduction (an LLC is not allowed the deduction for net operating losses for California or federal purposes);
- publicly traded partnerships;
- long-term contracts;
- installment sales;
- vacation pay;
- amortization of past service costs;
- distributions of contributed property by an LLC; and
- recognition of precontribution gain in certain LLC distributions to members.

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

## N Signatures

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

### **Paid Preparer's Information**

If someone prepares the return and does not charge the LLC, that person should not sign the LLC return.

Generally, 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.

The paid preparer must:

- complete the required preparer information;
- sign in the space provided for the preparer's signature (signature stamps or labels are not acceptable); and
- give the LLC a copy of the return in addition to the copy filed with the Franchise Tax Board (FTB).

## O Group Returns

Individual nonresident members of an LLC doing business or deriving income from sources in California may elect under R&TC Section 18535 to file a group return in lieu of each member filing an individual Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. For more information, get FTB Pub. 1073, Guidelines for Filing a Group Nonresident Return for Partners/Members of a Partnership/Limited Liability Company. See page 40 for information on how to order this form.

## P Investment Partnerships

Income of nonresident members, including a bank or corporation, derived from "qualified investment securities" of an LLC which qualifies as an "investment partnership" is considered to be income from sources other than California, except as noted below. Therefore, nonresident members generally will not be taxable on this income. The LLC should inform its nonresident members if all or a portion of their distributive share of income is from "qualified investment securities" of an "investment partnership" and whether it is sourced to California.

Nonresident members will be taxed on their distributive share of income from the "investment partnership" if the "qualified investment securities" are interrelated with any other business activity of the nonresident member that is separate and distinct from the investment activity and is conducted in California, or if the "qualified investment securities" are acquired with the working capital of a California trade or business. A bank or corporation would be taxed on its distributive share of income if it participates in the management of the investment activities or it engages in a unitary business with another taxpayer that participates in managing the investment activities or has income from California sources.

An "investment partnership," defined in R&TC Section 17955, is a partnership that meets both of the following criteria:

1. No less than 90 percent of the partnership's assets consist of:
  - qualifying investment securities;
  - deposits at banks or other financial institutions; and/or
  - office equipment and office space reasonably necessary to carry on the activities of an investment partnership.
2. No less than 90 percent of the partnership's income is from interest, dividends and gains from the sale or exchange of qualifying investment securities.

"Qualifying investment securities," defined in R&TC Section 23040.1, include:

- common and preferred corporate stock, as well as debt securities convertible into common stock;
- bonds, debentures and other debt instruments;
- foreign and domestic currency deposits and securities convertible into foreign securities;
- mortgage or asset-backed securities secured by governmental agencies;
- repurchase agreements and loan participations;
- foreign currency exchange contracts and forward and futures contracts on foreign currencies;
- stock and bond index securities and futures contracts, and other similar securities;
- regulated futures contracts; and
- options to purchase and 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."

## Q Nonresident Members

An LLC is required to file form FTB 3832, Limited Liability Company's List of Members and Consents, with Form 568. Form FTB 3832 is an agreement signed by the nonresident members requiring them to:

- file a California income tax return;
- pay all taxes imposed on their share of income from the LLC on time; and

- be subject to personal jurisdiction in California for purposes of the collection of income taxes, interest and penalties.

If the LLC fails to file form FTB 3832 on behalf of any nonresident member on time, then the LLC is responsible for payment of tax on the nonresident members' distributive share of income determined at the highest marginal rate. Any amount paid by the LLC on behalf of a nonresident member will be considered a payment made by the member.

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

## R Dissolving an LLC

The LLC tax must be paid for each taxable year until a certificate of cancellation of registration or of articles of organization is filed with the California Office of the Secretary of State. Along with the LLC's certificate of cancellation, a person must file a statement assuming responsibility for any taxes or fees which may become due after the LLC's dissolution. For more information concerning the dissolution of an LLC, obtain form FTB 3555, Assumption of Tax Liability/Tax Clearance Certificate – Supplemental Information, or contact:

**LIMITED LIABILITY COMPANY DIVISION  
OFFICE OF THE SECRETARY OF STATE  
1500 ELEVENTH STREET THIRD FLOOR  
SACRAMENTO CA 95814**

## Specific Instructions

### Form 568

#### Fill In All of the Applicable Lines and Schedules

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

#### Name, Address, Secretary of State File Number and Federal Employer Identification Number (FEIN)

The LLC may use its legal or trade name on all tax returns and other documents filed.

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

See the instructions for Question S before completing this item.

If you are required to complete this item, enter the total assets at the end of the LLC's taxable year, as determined by the accounting method regularly used in maintaining 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.

#### Question K through

**Question P** – Check the appropriate box.

**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** – Ownership control changes each time one person or one entity obtains ownership or control of **cumulatively** more than 50 percent of the outstanding LLC interest.

**Question P** – R&TC Sections 18662 and 18666 require taxes to be withheld from certain payments or allocations of income

and remitted to the FTB. For purposes of these requirements, an LLC will be treated as a partnership.

#### 1. Foreign Nonresident Members

As described in IRC Section 1446 and modified by R&TC Section 18666, if an LLC has any income, gain or loss from a trade or business within California, and if any portion of that income, gain or loss is allocable under IRC Section 704 to a foreign nonresident member, the LLC is required to withhold tax on that amount allocable to a member who is not a United States person.

**State and federal differences** — California generally conforms to IRC Section 1446 and corresponding federal rulings and procedures. The main differences between California and federal laws are:

- The California withholding rate is 9.3 percent for corporations and 11 percent for individuals, partnerships, LLCs and fiduciaries.
- Amounts that are attributable to income from the disposition of California real estate, as defined in R&TC Section 18662, may not be excluded from the amount to be withheld upon under IRC Section 1446 for state purposes.

#### 2. Domestic Nonresident Members

R&TC Section 18662 requires the withholding of funds for income or franchise taxes by an LLC when it makes a distribution of income to a domestic nonresident member. 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. Domestic 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 and trusts, partnerships and LLCs who 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 within and outside of 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. LLCs are required to withhold tax at a rate of seven percent on distributions (including property) of income from California sources made to domestic nonresident members. For more information, get California Schedule R, Apportionment and Allocation of Income, and refer to General Instruction C, Partnerships and Limited Liability Companies.

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 audit the FTB determines that tax withholding should have

been made on a distribution, the LLC may be liable for the amount that should have been withheld and penalties.

Send waiver requests and inquiries to:

**WITHHOLD AT SOURCE UNIT  
FRANCHISE TAX BOARD  
PO BOX 651  
SACRAMENTO CA 95812-0651  
Telephone: (916) 845-4900**

The tax withholding should be reported on and remitted with Forms 592, 592-A and 592-B.

The taxable income of nonresident members is the distributive share not the distributed amount. For more information, get FTB Pub. 1017, Nonresident Withholding — Partnership Guidelines.

**Question Q** – Explain on a separate schedule any differences between federal ordinary income (loss) and the amount shown on line 22.

**Question S** – If Question 5a through Question 5c on federal Form 1065, Schedule B, are all answered “yes,” answer “yes” to Question S on Form 568.

If Question S is answered “yes,” the LLC is not required to complete Schedules L, M-1 and M-2 or Item F, on Side 1 of Form 568 or Item H on Schedule K-1 (568).

**Specific Line Instructions**

**Income**

**Line 1a through Line 8**

California's reporting requirements for LLCs are generally the same as the federal reporting requirements for partnerships. Follow the instructions for federal Form 1065, line 1a through line 8.

As with the federal reporting requirement, include only trade or business activity income on line 1a through line 8. 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 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.

**Line 5 – Net Farm Profit (Loss)**

Enter the LLC's net profit (loss) from federal Schedule F (Form 1040), Farm Income and Expenses. Attach federal Schedule F (Form 1040) to Form 568. If the amount includable for California purposes is different from the amount on federal Schedule F (Form 1040), enter the California amount and attach an explanation of the difference.

**Line 6 – Net Gain (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.

**Deductions**

**Line 9 through Line 21**

California's reporting requirements for LLCs are generally the same as the federal reporting requirements for partnerships. Follow the instructions for federal Form 1065, line 9 through line 21.

As with the federal reporting requirement, include only trade or business activity deductions on line 9 through line 20. Do not include any rental activity expenses or deductions 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).

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

**Line 9 – Salaries and Wages**

California does not require an LLC to reduce salaries and wages by the amount of the jobs credit.

**Line 16a – Depreciation and Amortization**

Enter on line 16a 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 on page 25 and page 29), to figure depreciation and amortization. Transfer the total from form FTB 3885L, line 6 to Form 568, Side 1, line 16a, or federal Form 8825, as appropriate (use California amounts). See the instructions for form FTB 3885L for more information.

Do not include any expense deduction for depreciable property (IRC Section 179/R&TC Sections 17252.5, 17265 and 17266) on this line. The amount of this expense is not deducted by the LLC. Instead, it is passed through separately to the members and is reported on line 9 of Schedule K (568) and Schedule K-1 (568).

**Specific Instructions**

**Schedule A –**

**Cost of Goods Sold**

Use Schedule A on Side 2 of Form 568 to report the cost of goods sold for the taxable year.

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 L –**

**Balance Sheets**

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

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

**Schedule M-1, Reconciliation of Income (Loss) per Books With Income (Loss) per Return, Schedule M-2, Analysis of Members' Capital Accounts and Schedule K-1 (568), Item H — 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.

**Note:** Be sure to use California amounts when filling out these schedules.

Also, the amounts on Schedule M-2 should equal the total of the amounts reported in Item H of the members' Schedule K-1 (568).

**Schedule O — Recognized Gains From Liquidations Used to Capitalize a Limited Liability Company**

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

Include the 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 Q — Total Income**

Use Schedule Q to compute the LLC's total income from all sources reportable to California. The total income will be used to determine the amount of the fee due for the taxable year. For farming operations, increase income or loss shown on line 1 to reflect gross farm income or loss (federal Schedule F (Form 1040), Part I, line 11) before transferring that amount to Schedule Q, line 1. Also, include on line 9 the amount shown on federal Schedule F (Form 1040), Part I, line 2.

**Schedule T — Nonconsenting Nonresident Members' Tax Liability**

Use Schedule T to compute the nonresident member's tax liability to be paid by the LLC. Include the names and identification numbers of all nonresident members who failed to sign form FTB 3832 and consent to be subject to California tax. Also include the distributive share of income multiplied by the highest marginal tax rate.

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

- 9.3 percent if the member is a corporation; or
- 11 percent if the member is an individual, partnership or an estate or trust.

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

**Schedule K (568) and Schedule K-1 (568) — Members' Share of Income, Deductions, Credits, etc.****Purpose of Schedules**

Schedule K (568) is a summary schedule of all the members' shares of the LLC's income, deductions, credits, etc. Schedule K-1 (568) shows each member's separate share. One copy of each Schedule K-1 (568) must be attached to Form 568 when it is filed with the FTB. One copy must be kept with a copy of the LLC return as a part of the LLC's records. One copy must be given to each member.

**Note:** Be sure to give each member a copy of either the Member's Instructions for Schedule K-1 (568) or specific instructions for each item reported on the member's Schedule K-1 (568).

**Substitute Forms**

If the LLC does not use an official FTB Schedule K-1 (568) or a software program with an FTB approved Schedule K-1 (568), they must get approval from the FTB to use a substitute Schedule K-1 (568). Get FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable and Reproduced Tax Forms.

**Note:** For returns filed in 1996, please do not file Schedule K-1s (568) on microfiche.

**Compliance with LLC Filing Requirements**

To help ensure the accurate and timely processing of your Form 568, LLC Return of Income, please verify the following:

- A Schedule K-1 (568) has been attached for each member identified on Form 568, Side 1, Question J.
- The attached Schedule K-1 (568) contains the member's correct name, address and identifying number.
- Questions and Items A through H are completed on Side 1 of Schedule K-1 (568).
- The appropriate entity type box (Schedule K-1 (568), Question C) is checked for each member.
- All attached Schedule K-1s reconcile to the Form 568, Schedule K.
- The member's percentage (Schedule K-1 (568), Question E) includes decimals (i.e., 33.5). Do not print fractions.
- Substitute computer generated Schedule K-1s must be approved by the FTB.

**Note:** If you use a computer software product, please read the company's user manual to make sure you have the necessary hardware and printer fonts to produce FTB-approved forms. To ease processing, all printing must be courier, standard OCR-A font or standard print font with a minimum 10 pitch (pica spacing).

**Schedule K (568) Only**

In column (b) on Schedule K (568), 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 must be considered separately by the member. Rental activity income (loss) and portfolio income are not reported on Side 1 of Form 568 so that these amounts are not combined with trade or business activity income (loss). Schedule K (568) is used to report the totals of these (and other) amounts.

**Schedule K-1 (568)**

In column (b) on Schedule K-1 (568), 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 California amount, which is the result of combining column (b) and column (c). In column (e), enter income from California sources.

Regardless of the classification of income for federal purposes, the LLC's income from California sources is determined in accordance with California law. Nonapportioning LLCs with nonresident members should apply the rules for nonresidents found under R&TC Sections 17951 to 17955 and 18 Cal. Code Reg. Section 17951-4(a) without regard to those rules which determine the source of income based on the member's residence or commercial domicile. If an LLC has business activities that are conducted wholly within the state, generally all of its income will be from California sources. However, if the LLC has intangible nonbusi-

ness income that does not have a business situs in the state, the income is sourced based upon the residence or commercial domicile of the member. Those items should be identified on Table 2 of the Schedule K-1 (568).

Apportioning LLCs determine their income from California sources in accordance with the Uniform Division of Income for Tax Purposes Act, Section 25120 to 25129 inclusive of the R&TC. Therefore, the LLC must provide information to each member to identify the items and amounts of California source income on Schedule K-1 (568). See 18 Cal. Code Reg. Section 17951-4 and 25137-1 for more information regarding the apportionment and allocation of business and nonbusiness income. Also, see Member's Instructions for Schedule K-1 (568), Section F, Corporate Interests in LLCs. Column (e) is used to report California source income and credits. Include the following items in column (e):

1. Gross income less allowable deductions from separate businesses, trades or professions conducted wholly within the state (see 18 Cal. Code Reg. Section 17951-4(a)).
2. Business income from unitary businesses, trades or professions apportioned to California determined by application of R&TC Sections 25128 to 25137 inclusive (see 18 Cal. Code Reg. Section 17951-4(c)). Income will be apportioned using either a 3 or 4 factor formula depending upon whether or not business receipts of apportioning activities are primarily from agricultural, extractive, savings and loans or banks and financial activities. In most cases, determination of whether a 3 or 4 factor apportionment applies can be made by reference to gross receipts of the LLC itself. Apportioning LLCs should get and complete Schedule R and attach it to their Form 568. However, if the member and LLC are unitary, the determination of whether a 3 or 4 factor apportionment percentage applies must be determined at the member level. Use 1) the combined apportionment factors of the member and the LLC (see Member's Instructions for Schedule K-1 (568), Section F, Corporate Interests in LLCs) and 2) the combined gross receipts of the member's share of the LLC's gross receipts plus the member's own gross receipts. See 18 Cal. Code Reg. Section 25137-1(f). (In such case, the apportionment data in Table 1 will be used by the member to adjust its factors.) The amounts in column (e) will be used only if the member is not unitary with the LLC. **Note:** A 4 factor formula is defined as property, payroll and a double-weighted sales factor.
3. Nonbusiness income allocated to this state under the provisions of R&TC Sections 25124 to 25127 (see 18 Cal. Code Reg. Section 17951-4(c)). If applicable, combine such nonbusiness income with California apportioned income on the appropriate lines. Do not enter nonbusiness items whose source is based on the residence or commercial domicile of the member. Enter these amounts on the applicable line of Table 2.
4. California tax credits.  
If a husband and wife each had an interest in the LLC, you must prepare a separate Schedule K-1 (568) for each of them. If a husband and wife held an interest together, prepare on Schedule K-1 (568) if the two of them are considered to be one member.  
On each Schedule K-1 (568), enter the name, address and state or federal identifying number of the member and LLC and the member's distributive share of each item.

For an individual member, you must enter the member's social security number. For all other members, you must enter their federal employer identification number. However, if a member is an individual retirement arrangement (IRA), enter the identifying number of the custodian of the IRA. Do not enter the social security number of the person for whom the IRA is maintained.

**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 can be passive activities to some members. The attachment must include all the information explained in the instructions for federal Schedule K-1 (1065).

**Questions A and B (Schedule K-1 (568))**

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

**Questions G and H (Schedule K-1 (568))**

Check the appropriate boxes at Question G and H relating to the member's California residency status.

**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).

Income

**Line 1 through Line 7**

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

**Line 1, column (c)** – An adjustment to increase the business income of a service LLC to reflect the guaranteed payment deduction adjustment required by 18 Cal. Code Reg. Section 17951-4(f) should be made here.

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

If the LLC has more than one activity and the amount on line 6 is a passive activity amount to the member, attach a statement to Schedule K-1 (568) (or use the space provided on Side 2 of Schedule K-1 (568)) that identifies to which activity the IRC Section 1231 gain (loss) relates.

Deductions

**Line 8a – 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 percent, 30 percent and 20 percent limitations.

Members are allowed a deduction for contributions to qualified organizations as provided in IRC Section 170.

Line 9 through

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

Investment Interest

Line 12a through

Line 12b(2) – These lines must be completed whether or not a member is subject to the investment interest rules.

**Line 12a – Interest Expense on Investment Debts**

Enter on this line interest paid or accrued to purchase or carry property held for investment. Property held for investment includes property that produces portfolio income (interest, dividends, annuities, royalties, etc.). Therefore, interest expense allocable to portfolio income should be reported on line 12a of Schedule K (568) and Schedule K-1 (568) (rather than line 10 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 special 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 12b(1) and Line 12b(2) – Investment Interest and Expenses**

Enter on line 12b(1) only the investment income included on line 4a through line 4e of Schedule K (568) and Schedule K-1 (568). Enter on line 12b(2) only investment expense included on line 10 of Schedule K (568) and Schedule K-1 (568).

If there are items of investment income or expense 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 4 and line 10 of Schedule K-1 (568)), give each member a schedule 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. Generally, investment income and investment expense do not include any income or expense from a passive activity.

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

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

Credits

**Line 13a(1) – Withholding on LLC Allocated to All Members**

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

**Line 13a(2) – LLC Withholding on Nonresident Members (Schedule K-1 (568) only)**

If taxes were withheld at source on domestic or foreign nonresident members, the amount of this withholding is entered on the member's Schedule K-1 (568), line 13a(2). This is not a distributive item.

**Line 13a(3) – Total Withholding (Schedule K-1 (568) only)**

The amounts on a member's Schedule K-1 (568), line 13a(1) and line 13a(2) are added together to get the total amount of withholding credit for that member for the LLC year. If taxes were withheld, the LLC must provide each affected member a completed Form 592-B, Nonresident Withholding Tax Statement. Members must attach Form 592-B to the front of their California income or franchise tax return to claim amounts withheld. Schedule K-1 (568) may **not** be used to claim this withholding credit.

Line 13b through

Line 13d – These lines relate to rental activities. Use line 14 to report credits related to trade or business activities.

**Note:** California line numbers are different from federal line numbers.

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

IRC Section 42 provides a credit that may be claimed by owners of residential rental projects providing low-income housing. The credit is generally effective for buildings placed in service after 1986. Get form FTB 3521, Low Income Housing Credit, for more information.

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

Report any information that the 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 schedule showing the amount to be reported and the applicable form on which the amount should be reported.

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

Use this line to report information that the members need to figure credits related to a rental activity. Attach to each member's Schedule K-1 (568) a schedule showing the amount to be reported and the applicable form on which the amount should be reported.

**Line 13e – Nonconsenting Nonresident Member Tax Paid by LLC (Schedule K-1 (568) only)**

If income tax was paid by the LLC on behalf of nonresident members who did not sign form FTB 3832, Limited Liability Company's List of Members and Consents, consenting to California's jurisdiction to tax their share of LLC income from California sources, the amount paid is entered on the member's Schedule K-1 (568), line 13e. This is not a distributive item. Members must attach a copy of Schedule K-1 (568) to their California income or franchise tax return to claim the tax paid by the LLC on their behalf.

**Line 14 – Other Credits**

Enter on an attached schedule each member's allocable share of any credit or credit information that is related to a trade or business activity.

Examples of credits that can be reported on line 14 are:

- enterprise zone hiring and sales and use tax credit — get form FTB 3805Z;
- jobs credit — get form FTB 3524;
- orphan drug credit carryover — get form FTB 3540;

- employer child care program/contribution credit — get form FTB 3501;
- program area hiring and sales and use tax credit — get form FTB 3805Z;
- Los Angeles revitalization zone hiring and sales and use tax credit — get form FTB 3806;
- research credit — get form FTB 3523;
- residential rental and farm sales credit carryover — get form FTB 3540;
- commercial solar electric system credit carryover — get form FTB 3540;
- prison inmate labor credit — get form FTB 3507;
- low-emission vehicles credit — contact the California Energy Commission for more information. Use credit code 160;
- recycling equipment credit — get form FTB 3527;
- LAMBRA hiring/sales and use tax credit — get form FTB 3807;
- manufacturers' investment credit (separately state each member's manufacturing credit for the 1994 and the 1995 years on an attached schedule or under line 21, Supplemental Information, on Form K-1 (568)) — get form FTB 3535; and
- salmon and steelhead trout habitat restoration credit — contact the California Department of Fish and Game for more information. Use credit code 200.

You may also include on line 14 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. You must support the amount of tax paid with a schedule of the credits and states and evidence of payment of the tax. Get Schedule S, Other State Tax Credit, for more information.

## Adjustments and Tax Preference Items

### **Line 15a through**

**Line 15e** — Enter each member's distributive share of income and deductions that are preference items. Get Schedule P (540), Alternative Minimum Tax and Credit Limitations — Resident, Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents or Part-Year Residents, Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries, or Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, to determine amounts and for other information.

For additional information, see federal instructions for Schedule K, Adjustments and Tax Preference Items, line 16a through line 16e.

## Other

### **Line 16 through**

**Line 21** — See the federal instructions for Schedule K-1 (1065), "Other," line 18 through line 24.

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## Analysis

### **Line 23a through**

**Line 23b(2)** — See the federal instructions for Schedule K (1065), line 25a and line 25b.

1995 Limited Liability Company Return of Income

568

Form header with fields for tax year (1995), business name, principal product, business code, and accounting method.

See instructions

Questions J through P regarding LLC members, audits, and foreign nonresident members.

Questions continued on Side 2

Caution: Include only trade or business income and expenses on line 1a through line 21 below. See the instructions for more information.

Main table with 35 rows for income, deductions, and tax calculations.

**Schedule A Cost of Goods Sold**

1	Inventory at beginning of year . . . . .	1		
2	Purchases less cost of items withdrawn for personal use . . . . .	2		
3	Cost of labor . . . . .	3		
4	Additional IRC Section 263A costs. Attach schedule . . . . .	4		
5	Other costs. Attach schedule . . . . .	5		
6	Total. Add line 1 through line 5 . . . . .	6		
7	Inventory at end of year . . . . .	7		
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Side 1, line 2 . . . . .	8		

9 a Check all methods used for valuing closing inventory:  
 (i)  Cost    (ii)  Lower of cost or market as described in Treas. Reg. Section 1.471-4    (iii)  Writedown of "subnormal" goods as described in Treas. Reg. Section 1.471-2(c)    (iv)  Other. Specify method used and attach explanation \_\_\_\_\_  
 b Check this box if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970. . . . .   
 c Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the LLC? . . . . .  Yes  No  
 d Was there any change (other than for IRC Section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "yes," attach explanation . . . . .  Yes  No

**Schedule L Balance Sheets. See the instructions for Question S before completing Schedules L, M-1 and M-2.**

Assets	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
1 Cash . . . . .				
2 a Trade notes and accounts receivable . . . . .				
b Less allowance for bad debts . . . . .	( )		( )	
3 Inventories . . . . .				
4 U.S. government obligations . . . . .				
5 Tax-exempt securities . . . . .				
6 Other current assets. Attach schedule . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments. Attach schedule . . . . .				
9 a Buildings and other depreciable assets . . . . .				
b Less accumulated depreciation . . . . .	( )		( )	
10 a Depletable assets . . . . .				
b Less accumulated depletion . . . . .	( )		( )	
11 Land (net of any amortization) . . . . .				
12 a Intangible assets (amortizable only) . . . . .				
b Less accumulated amortization . . . . .	( )		( )	
13 Other assets. Attach schedule . . . . .				
14 Total assets . . . . .				
<b>Liabilities and Capital</b>				
15 Accounts payable . . . . .				
16 Mortgages, notes, bonds payable in less than 1 year . . . . .				
17 Other current liabilities. Attach schedule . . . . .				
18 All nonrecourse loans . . . . .				
19 Mortgages, notes, bonds payable in 1 year or more . . . . .				
20 Other liabilities. Attach schedule . . . . .				
21 Members' capital accounts . . . . .				
22 Total liabilities and capital . . . . .				

Questions (continued from Side 1)

(2) Does the LLC have any nonresident members? . . . . .  Y  N

(3) Were Form 592, Form 592-A and Form 592-B filed for these members? . . . . .  Y  N

Q Enter the ordinary income (loss) shown on federal Form 1065 for the same calendar or fiscal year (taxable year) . . . . . ● \$ \_\_\_\_\_

R Are any members in this LLC also LLCs or partnerships? . . . . .  Y  N

S Does the LLC meet all the requirements shown in the instructions for Question S? . . . . .  Y  N

T Is this LLC a member in another LLC or partnership? . . . . .  Y  N

U Is this LLC a publicly traded partnership as defined in IRC Section 469(k)(2)? . . . . .  Y  N

**Please Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of member or manager \_\_\_\_\_ Date \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

**Paid Preparer's Use Only** Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN/FEIN \_\_\_\_\_

Firm's name (or yours, if self-employed) and address \_\_\_\_\_ FEIN \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

Schedule K **Members' Shares of Income, Deductions, Credits, Etc.**

		(a) Distributive share items	(b) Total California amount																	
<b>Income (Loss)</b>	1	Ordinary income (loss) from trade or business activities (Side 1, line 22) . . . . .	1																	
	2	Net income (loss) from rental real estate activities. Attach federal Form 8825 . . . . .	2																	
	3	<b>a</b> Gross income from other rental activities . . . . .	3a																	
		<b>b</b> Less expenses. Attach schedule. . . . .	3b																	
		<b>c</b> Net income (loss) from other rental activities. Subtract line 3b from line 3a. . . . .	3c																	
	4	Portfolio income (loss). See instructions:																		
		<b>a</b> Interest income . . . . . ●	4a																	
		<b>b</b> Dividend income. . . . . ●	4b																	
		<b>c</b> Royalty income . . . . . ●	4c																	
		<b>d</b> Net capital gain (loss) (Schedule D (568)) . . . . .	4d																	
		<b>e</b> Other portfolio income (loss). Attach schedule . . . . . ●	4e																	
		5 Guaranteed payments to members . . . . .	5																	
		6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft). Attach Schedule D-1 . . . . .	6																	
		7 Other income (loss). Attach schedule . . . . .	7																	
<b>Deductions</b>	8	<b>a</b> Charitable contributions. See instructions. Attach schedule . . . . .	8a																	
		<b>b</b> Political contributions . . . . .	8b																	
	9	Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule. . . . .	9																	
	10	Deductions related to portfolio income (do not include investment interest expense). . . . .	10																	
	11	Other deductions. Attach schedule . . . . .	11																	
<b>Investment Interest</b>	12	<b>a</b> Interest expense on investment debts. . . . .	12a																	
		<b>b (1)</b> Investment income included on line 4a through line 4e above . . . . .	12b(1)																	
		<b>(2)</b> Investment expenses included on line 10 above. . . . .	12b(2)																	
<b>Credits</b>	13	<b>a (1)</b> Withholding on LLC allocated to all members . . . . .	13a(1)																	
		<b>b</b> Low-income housing credit. . . . .	13b																	
		<b>c</b> Credit(s) other than credits shown on line 13b related to rental real estate activities. Attach schedule. . . . .	13c																	
		<b>d</b> Credit(s) related to other rental activities. See instructions. Attach schedule. . . . .	13d																	
	14	Other credits. See instructions. Attach schedule . . . . .	14																	
	14 <b>a</b> Total credits received. Add line 13b through line 14. . . . .	14a																		
<b>Adjustments and Tax Preference Items</b>	15	<b>a</b> Depreciation adjustment on property placed in service after 1986 . . . . .	15a																	
		<b>b</b> Adjusted gain or loss . . . . .	15b																	
		<b>c</b> Depletion (other than oil and gas). . . . .	15c																	
		<b>d (1)</b> Gross income from oil, gas and geothermal properties . . . . .	15d(1)																	
		<b>(2)</b> Deductions allocable to oil, gas and geothermal properties . . . . .	15d(2)																	
		<b>e</b> Other adjustments and tax preference items. Attach schedule . . . . .	15e																	
<b>Other</b>	16	<b>a</b> Total expenditures to which IRC Section 59(e) election may apply. Attach schedule. . . . .	16a																	
		<b>b</b> Type of expenditures. . . . .	16b																	
	17	Tax-exempt interest income . . . . .	17																	
	18	Other tax-exempt income. . . . .	18																	
	19	Nondeductible expenses . . . . .	19																	
	20	Other items and amounts reported separately to members. Attach schedule . . . . .	20																	
	21	Distributions of money (cash and marketable securities) . . . . .	21																	
	22	Distribution of property other than money. . . . .	22																	
<b>Analysis</b>	23	<b>a</b> Total distributive income/payment items. Combine line 1 through line 7 above. From the result subtract the sum of line 8 through line 12a and line 16a. . . . .	23																	
		<b>b</b> Analysis of members:																		
		<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 15%;">(a) Corporate</th> <th colspan="2" style="text-align: center;">(b) Individual</th> <th rowspan="2" style="width: 15%;">(c) Partnership</th> <th rowspan="2" style="width: 15%;">(d) Exempt Organization</th> <th rowspan="2" style="width: 15%;">(e) Nominee/ Other</th> <th rowspan="2" style="width: 15%;">(f) LLC</th> </tr> <tr> <th style="width: 10%;">i. Active</th> <th style="width: 10%;">ii. Passive</th> </tr> </thead> <tbody> <tr> <td>Members</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	(a) Corporate	(b) Individual		(c) Partnership	(d) Exempt Organization	(e) Nominee/ Other	(f) LLC	i. Active	ii. Passive	Members								
(a) Corporate	(b) Individual			(c) Partnership	(d) Exempt Organization					(e) Nominee/ Other	(f) LLC									
	i. Active	ii. Passive																		
Members																				

**Schedule M-1 Reconciliation of Income per Books With Income per Return. Use California Amounts.**

1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, line 1 through line 7. Itemize: a Tax-exempt interest \$ _____	
2 Income included on Schedule K, line 1 through line 7, not recorded on books this year. Itemize		7 Deductions included on Schedule K, line 1 through line 12a and line 16a, not charged against book income this year. Itemize: a Depreciation \$ _____	
3 Guaranteed payments (other than health insurance)		8 Total of line 6 and line 7	
4 Expenses recorded on books this year not included on Schedule K, line 1 through line 12a and line 16a. Itemize: a Depreciation \$ _____ b Travel and entertainment \$ _____ c LLC annual tax \$ _____		9 Income (loss) (Schedule K, line 23a). Subtract line 8 from line 5	
5 Total of line 1 through line 4			

**Schedule M-2 Analysis of Members' Capital Accounts. Use California Amounts.**

1 Balance at beginning of year		6 Distributions: a Cash	
2 Capital contributed during year		b Property	
3 Net income (loss) per books		7 Other decreases. Itemize	
4 Other increases. Itemize		8 Total of line 6 and line 7	
5 Total of line 1 through line 4		9 Balance at end of year. Subtract line 8 from line 5	

**Schedule O Recognized Gains from Liquidations Used to Capitalize a Limited Liability Company**

Name(s) of entity(ies) liquidated (if more than one, attach a schedule)

Type of entity(ies):  C corporation  S corporation  Partnership  Limited Partnership  Sole Proprietor  Farmer

Entity(ies) identification number(s)

Amount of liquidation gains used to capitalize the LLC.

**Schedule Q Total Income**

1 Income (loss) from Form 568, line 8	1
2 Total gross rents from federal Form 8825, line 17	2
3 Gross income from other rental activities from Form 568, Schedule K, line 3a.	3
4 Interest income from Form 568, Schedule K, line 4a	4
5 Dividend income from Form 568, Schedule K, line 4b	5
6 Royalty income from Form 568, Schedule K, line 4c	6
7 Net capital gain (loss) from Form 568, Schedule K, line 4d	7
8 Other portfolio income (loss) from Form 568, Schedule K, line 4e.	8
9 Cost of goods sold from Form 568, Schedule A, line 8. See instructions.	9
10 TOTAL income. Combine line 1 through line 9. Enter total here and on Side 1, line 23	10

**Schedule T Nonconsenting Nonresident Members' Tax Liability**

Member's name	Social security number or FEIN	Distributive share of income x Tax Rate	Tax Due
		x	
		x	
		x	
		x	
		x	
		x	

Total the amount of tax due. Enter the total here and on Side 1, line 25

Attach additional sheets if necessary.

1995 Limited Liability Company Return of Income

568

For taxable or income year beginning MONTH DAY YEAR 1995, and ending MONTH DAY YEAR. A Principal business activity name... B Principal product or service... C Principal business code... G Check accounting method: (1) Cash (2) Accrual (3) Other... H Secretary of State file number... I Check applicable box...

See instructions

J Number of Schedules K-1... K Is any member of the LLC related by blood or marriage... L Is any member of the LLC a trust for the benefit of any person... M Was there a distribution of property or a transfer... N Is this LLC under audit by the IRS... O Did ownership control of this LLC... P (1) Does the LLC have any foreign nonresident members?

Questions continued on Side 2

Caution: Include only trade or business income and expenses on line 1a through line 21 below. See the instructions for more information.

Table with 35 rows and 4 columns. Rows include Income (1-8), Deductions (9-21), and Tax (22-35). Columns include description, a radio button, and a numerical column.

**Schedule A Cost of Goods Sold**

1	Inventory at beginning of year . . . . .	1		
2	Purchases less cost of items withdrawn for personal use . . . . .	2		
3	Cost of labor . . . . .	3		
4	Additional IRC Section 263A costs. Attach schedule . . . . .	4		
5	Other costs. Attach schedule . . . . .	5		
6	Total. Add line 1 through line 5 . . . . .	6		
7	Inventory at end of year . . . . .	7		
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Side 1, line 2 . . . . .	8		

9 a Check all methods used for valuing closing inventory:  
 (i)  Cost    (ii)  Lower of cost or market as described in Treas. Reg. Section 1.471-4    (iii)  Writedown of "subnormal" goods as described in Treas. Reg. Section 1.471-2(c)    (iv)  Other. Specify method used and attach explanation \_\_\_\_\_  
 b Check this box if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970. . . . .   
 c Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the LLC? . . . . .  Yes  No  
 d Was there any change (other than for IRC Section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "yes," attach explanation . . . . .  Yes  No

**Schedule L Balance Sheets. See the instructions for Question S before completing Schedules L, M-1 and M-2.**

Assets	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
1 Cash . . . . .				
2 a Trade notes and accounts receivable . . . . .				
b Less allowance for bad debts . . . . .	( )		( )	
3 Inventories . . . . .				
4 U.S. government obligations . . . . .				
5 Tax-exempt securities . . . . .				
6 Other current assets. Attach schedule . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments. Attach schedule . . . . .				
9 a Buildings and other depreciable assets . . . . .				
b Less accumulated depreciation . . . . .	( )		( )	
10 a Depletable assets . . . . .				
b Less accumulated depletion . . . . .	( )		( )	
11 Land (net of any amortization) . . . . .				
12 a Intangible assets (amortizable only) . . . . .				
b Less accumulated amortization . . . . .	( )		( )	
13 Other assets. Attach schedule . . . . .				
14 Total assets . . . . .				
<b>Liabilities and Capital</b>				
15 Accounts payable . . . . .				
16 Mortgages, notes, bonds payable in less than 1 year . . . . .				
17 Other current liabilities. Attach schedule . . . . .				
18 All nonrecourse loans . . . . .				
19 Mortgages, notes, bonds payable in 1 year or more . . . . .				
20 Other liabilities. Attach schedule . . . . .				
21 Members' capital accounts . . . . .				
22 Total liabilities and capital . . . . .				

Questions (continued from Side 1)

(2) Does the LLC have any nonresident members? . . . . .  Y  N

(3) Were Form 592, Form 592-A and Form 592-B filed for these members? . . . . .  Y  N

Q Enter the ordinary income (loss) shown on federal Form 1065 for the same calendar or fiscal year (taxable year) . . . . . ● \$ \_\_\_\_\_

R Are any members in this LLC also LLCs or partnerships? . . . . .  Y  N

S Does the LLC meet all the requirements shown in the instructions for Question S? . . . . .  Y  N

T Is this LLC a member in another LLC or partnership? . . . . .  Y  N

U Is this LLC a publicly traded partnership as defined in IRC Section 469(k)(2)? . . . . .  Y  N

**Please Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of member or manager \_\_\_\_\_ Date \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

**Paid Preparer's Use Only** Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN/FEIN \_\_\_\_\_

Firm's name (or yours, if self-employed) and address \_\_\_\_\_ FEIN \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

Schedule K **Members' Shares of Income, Deductions, Credits, Etc.**

		(a) Distributive share items	(b) Total California amount																	
<b>Income (Loss)</b>	1	Ordinary income (loss) from trade or business activities (Side 1, line 22) . . . . .	1																	
	2	Net income (loss) from rental real estate activities. Attach federal Form 8825 . . . . .	2																	
	3	<b>a</b> Gross income from other rental activities . . . . .	3a																	
		<b>b</b> Less expenses. Attach schedule. . . . .	3b																	
		<b>c</b> Net income (loss) from other rental activities. Subtract line 3b from line 3a . . . . .	3c																	
	4	Portfolio income (loss). See instructions:																		
		<b>a</b> Interest income . . . . . ●	4a																	
		<b>b</b> Dividend income. . . . . ●	4b																	
		<b>c</b> Royalty income . . . . . ●	4c																	
		<b>d</b> Net capital gain (loss) (Schedule D (568)) . . . . .	4d																	
		<b>e</b> Other portfolio income (loss). Attach schedule . . . . . ●	4e																	
		5 Guaranteed payments to members . . . . .	5																	
		6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft). Attach Schedule D-1 . . . . .	6																	
		7 Other income (loss). Attach schedule . . . . .	7																	
<b>Deductions</b>	8	<b>a</b> Charitable contributions. See instructions. Attach schedule . . . . .	8a																	
		<b>b</b> Political contributions . . . . .	8b																	
	9	Expense deduction for recovery property (R&TC Sections 17252.5, 17265 and 17266 and IRC Section 179). Attach schedule. . . . .	9																	
	10	Deductions related to portfolio income (do not include investment interest expense) . . . . .	10																	
	11	Other deductions. Attach schedule . . . . .	11																	
<b>Investment Interest</b>	12	<b>a</b> Interest expense on investment debts. . . . .	12a																	
		<b>b (1)</b> Investment income included on line 4a through line 4e above . . . . .	12b(1)																	
		<b>(2)</b> Investment expenses included on line 10 above. . . . .	12b(2)																	
<b>Credits</b>	13	<b>a (1)</b> Withholding on LLC allocated to all members . . . . .	13a(1)																	
		<b>b</b> Low-income housing credit . . . . .	13b																	
		<b>c</b> Credit(s) other than credits shown on line 13b related to rental real estate activities. Attach schedule . . . . .	13c																	
		<b>d</b> Credit(s) related to other rental activities. See instructions. Attach schedule. . . . .	13d																	
	14	Other credits. See instructions. Attach schedule . . . . .	14																	
	14 <b>a</b> Total credits received. Add line 13b through line 14. . . . .	14a																		
<b>Adjustments and Tax Preference Items</b>	15	<b>a</b> Depreciation adjustment on property placed in service after 1986 . . . . .	15a																	
		<b>b</b> Adjusted gain or loss . . . . .	15b																	
		<b>c</b> Depletion (other than oil and gas). . . . .	15c																	
		<b>d (1)</b> Gross income from oil, gas and geothermal properties . . . . .	15d(1)																	
		<b>(2)</b> Deductions allocable to oil, gas and geothermal properties . . . . .	15d(2)																	
		<b>e</b> Other adjustments and tax preference items. Attach schedule . . . . .	15e																	
<b>Other</b>	16	<b>a</b> Total expenditures to which IRC Section 59(e) election may apply. Attach schedule. . . . .	16a																	
		<b>b</b> Type of expenditures . . . . .	16b																	
	17	Tax-exempt interest income . . . . .	17																	
	18	Other tax-exempt income. . . . .	18																	
	19	Nondeductible expenses . . . . .	19																	
	20	Other items and amounts reported separately to members. Attach schedule . . . . .	20																	
	21	Distributions of money (cash and marketable securities) . . . . .	21																	
	22	Distribution of property other than money. . . . .	22																	
<b>Analysis</b>	23	<b>a</b> Total distributive income/payment items. Combine line 1 through line 7 above. From the result subtract the sum of line 8 through line 12a and line 16a. . . . .	23																	
		<b>b</b> Analysis of members:																		
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(a) Corporate	(b) Individual			(c) Partnership	(d) Exempt Organization					(e) Nominee/ Other	(f) LLC									
	i. Active	ii. Passive																		
Members																				

**Schedule M-1 Reconciliation of Income per Books With Income per Return. Use California Amounts.**

1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, line 1 through line 7. Itemize: a Tax-exempt interest \$ _____	
2 Income included on Schedule K, line 1 through line 7, not recorded on books this year. Itemize		7 Deductions included on Schedule K, line 1 through line 12a and line 16a, not charged against book income this year. Itemize: a Depreciation \$ _____	
3 Guaranteed payments (other than health insurance)		8 Total of line 6 and line 7	
4 Expenses recorded on books this year not included on Schedule K, line 1 through line 12a and line 16a. Itemize: a Depreciation \$ _____ b Travel and entertainment \$ _____ c LLC annual tax \$ _____		9 Income (loss) (Schedule K, line 23a). Subtract line 8 from line 5	
5 Total of line 1 through line 4			

**Schedule M-2 Analysis of Members' Capital Accounts. Use California Amounts.**

1 Balance at beginning of year		6 Distributions: a Cash	
2 Capital contributed during year		b Property	
3 Net income (loss) per books		7 Other decreases. Itemize	
4 Other increases. Itemize		8 Total of line 6 and line 7	
5 Total of line 1 through line 4		9 Balance at end of year. Subtract line 8 from line 5	

**Schedule O Recognized Gains from Liquidations Used to Capitalize a Limited Liability Company**

Name(s) of entity(ies) liquidated (if more than one, attach a schedule)

Type of entity(ies):  C corporation  S corporation  Partnership  Limited Partnership  Sole Proprietor  Farmer

Entity(ies) identification number(s)

Amount of liquidation gains used to capitalize the LLC.

**Schedule Q Total Income**

1 Income (loss) from Form 568, line 8	1
2 Total gross rents from federal Form 8825, line 17	2
3 Gross income from other rental activities from Form 568, Schedule K, line 3a.	3
4 Interest income from Form 568, Schedule K, line 4a	4
5 Dividend income from Form 568, Schedule K, line 4b	5
6 Royalty income from Form 568, Schedule K, line 4c	6
7 Net capital gain (loss) from Form 568, Schedule K, line 4d	7
8 Other portfolio income (loss) from Form 568, Schedule K, line 4e.	8
9 Cost of goods sold from Form 568, Schedule A, line 8. See instructions.	9
10 TOTAL income. Combine line 1 through line 9. Enter total here and on Side 1, line 23	10

**Schedule T Nonconsenting Nonresident Members' Tax Liability**

Member's name	Social security number or FEIN	Distributive share of income x Tax Rate	Tax Due
		x	
		x	
		x	
		x	
		x	
		x	

Total the amount of tax due. Enter the total here and on Side 1, line 25

Attach additional sheets if necessary.

1995 Member's Share of Income, Deductions, Credits, etc.

K-1 (568)

For taxable or income year beginning MONTH DAY YEAR 1995, and ending MONTH DAY YEAR

Member's identifying number, Member's name, address, state and ZIP code, LLC's Secretary of State file number, LLC's FEIN, LLC's name, address, state and ZIP code

A Member's share of liabilities: Nonrecourse, Qualified nonrecourse financing, Other. B What type of entity is this member? (1) Individual, (2) S Corporation, (3) Estate/Trust, (4) Corporation, (5) Partnership, (6) LLC, (7) LLP, (8) IRA/Keogh/SEP. C Check here if this LLC is classified as a publicly traded partnership as defined in IRC Section 469(k)(2).

D Enter member's percentage of: (i) Before decrease or termination, (ii) End of year. Profit sharing, Loss sharing, Ownership of capital. E Tax shelter registration number. F Check here if this is: a final Schedule K-1 (568) or an amended Schedule K-1 (568). G Is this member a foreign member? H Is this member a nonresident of California?

I Analysis of member's capital account:

Table with 5 columns: (a) Capital account at beginning of year, (b) Capital contributed during year, (c) Member's share of line 3, line 4 and line 7 Form 568, Schedule M-2, (d) Withdrawals and distributions, (e) Capital account at end of year (combine column (a) through column (d)).

Caution: Refer to Partner's Instructions for federal Schedule K-1 (1065) before entering information from this schedule on your tax return.

Main table with 5 columns: (a) Distributive share item, (b) Amount from federal Schedule K-1 (1065), (c) Adjustments, (d) Total amounts using California law (Combine column (b) and column (c)), (e) California source amounts and credits. Rows include Income (Loss) and Deductions.

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) Adjustments	(d) Total amounts using California law (Combine column (b) and column (c))	(e) California source amounts and credits
Investment Interest	12 a Interest expense on investment debts . . . . .				
	b (1) Investment income included on line 4a through line 4e . . . . .				
	(2) Investment expenses included on line 10 . . . . .				
Credits	13 a (1) Withholding on LLC allocated to all members . . . . .	[Hatched Area]			
	(2) LLC withholding on nonresident members . . . . .				
	(3) Total withholding (equals amount on Form 592-B if calendar year LLC) . . . . .				
	b Low-income housing credit . . . . .				
	c Credits other than line 13b related to rental real estate activities. Attach schedule . . . . .				
	d Credits related to other rental activities. See instructions. Attach schedule . . . . .				
e Nonconsenting member tax paid by LLC					
14 Other credits. Attach required schedules or statements. . . . .					
Adjustments and Tax Preference Items	15 a Depreciation adjustment on property placed in service after 1986 . . . . .				
	b Adjusted gain or loss . . . . .				
	c Depletion (other than oil and gas) . . . . .				
	d (1) Gross income from oil, gas and geothermal properties . . . . .				
	(2) Deductions allocable to oil, gas and geothermal properties . . . . .				
e Other adjustments and tax preference items. Attach schedule . . . . .					
Other	16 a Total expenditures to which an IRC Section 59(e) election may apply . . . . .				
	b Type of expenditures _____	[Hatched Area]			
	17 Tax-exempt interest income . . . . .				
	18 Other tax-exempt income . . . . .				
	19 Nondeductible expenses . . . . .				
	20 Distributions of money (cash and marketable securities) . . . . .				
	21 Distributions of property other than money				

22 Supplemental information required to be reported separately to each member. Attach additional schedules.

**Table 1** — Unitary member's share of distributive items

A. Apportionment

Factors	Total within and outside California	Total within California
Property		
Payroll		
Sales		

B. Nonbusiness items wholly allocable to California not dependent on residence or commercial domicile of member:

Capital Gains/Losses \$ \_\_\_\_\_  
 1231 Gains/Losses \$ \_\_\_\_\_ Rents/Royalties \$ \_\_\_\_\_ Other \$ \_\_\_\_\_

C. California credits (attach schedule of credits)

**Table 2** — Unitary and nonunitary member's share of nonbusiness income from intangibles (dependent on residence or commercial domicile of member):

Interest \$ \_\_\_\_\_ Royalties \$ \_\_\_\_\_ Other \$ \_\_\_\_\_  
 Dividends \$ \_\_\_\_\_ 1231 Gains/Losses \$ \_\_\_\_\_ Capital Gains/Losses \$ \_\_\_\_\_

1995 Member's Share of Income, Deductions, Credits, etc.

K-1 (568)

For taxable or income year beginning MONTH DAY YEAR 1995, and ending MONTH DAY YEAR

Member's identifying number, Member's name, address, state and ZIP code, LLC's Secretary of State file number, LLC's FEIN, LLC's name, address, state and ZIP code

A Member's share of liabilities: Nonrecourse, Qualified nonrecourse financing, Other. B What type of entity is this member? C Check here if this LLC is classified as a publicly traded partnership as defined in IRC Section 469(k)(2).

D Enter member's percentage of: (i) Before decrease or termination, (ii) End of year. E Tax shelter registration number. F Check here if this is: G Is this member a foreign member? H Is this member a nonresident of California?

I Analysis of member's capital account:

Table with 5 columns: (a) Capital account at beginning of year, (b) Capital contributed during year, (c) Member's share of line 3, line 4 and line 7 Form 568, Schedule M-2, (d) Withdrawals and distributions, (e) Capital account at end of year.

Caution: Refer to Partner's Instructions for federal Schedule K-1 (1065) before entering information from this schedule on your tax return.

Main table with 5 columns: (a) Distributive share item, (b) Amount from federal Schedule K-1 (1065), (c) Adjustments, (d) Total amounts using California law, (e) California source amounts and credits. Rows include Income (Loss) and Deductions.

	(a) Distributive share item	(b) Amount from federal Schedule K-1 (1065)	(c) Adjustments	(d) Total amounts using California law (Combine column (b) and column (c))	(e) California source amounts and credits
Investment Interest	12 a Interest expense on investment debts . . . . .				
	b (1) Investment income included on line 4a through line 4e . . . . .				
	(2) Investment expenses included on line 10 . . . . .				
Credits	13 a (1) Withholding on LLC allocated to all members . . . . .				
	(2) LLC withholding on nonresident members . . . . .				
	(3) Total withholding (equals amount on Form 592-B if calendar year LLC) . . . . .				
	b Low-income housing credit . . . . .				
	c Credits other than line 13b related to rental real estate activities. Attach schedule . . . . .				
	d Credits related to other rental activities. See instructions. Attach schedule . . . . .				
e Nonconsenting member tax paid by LLC . . . . .					
Adjustments and Tax Preference Items	14 Other credits. Attach required schedules or statements. . . . .				
	15 a Depreciation adjustment on property placed in service after 1986 . . . . .				
	b Adjusted gain or loss . . . . .				
	c Depletion (other than oil and gas) . . . . .				
	d (1) Gross income from oil, gas and geothermal properties . . . . .				
	(2) Deductions allocable to oil, gas and geothermal properties . . . . .				
e Other adjustments and tax preference items. Attach schedule . . . . .					
Other	16 a Total expenditures to which an IRC Section 59(e) election may apply . . . . .				
	b Type of expenditures _____				
	17 Tax-exempt interest income . . . . .				
	18 Other tax-exempt income . . . . .				
	19 Nondeductible expenses . . . . .				
	20 Distributions of money (cash and marketable securities) . . . . .				
	21 Distributions of property other than money . . . . .				

22 Supplemental information required to be reported separately to each member. Attach additional schedules.

**Table 1** — Unitary member's share of distributive items

A. Apportionment

Factors	Total within and outside California	Total within California
Property		
Payroll		
Sales		

B. Nonbusiness items wholly allocable to California not dependent on residence or commercial domicile of member:

Capital Gains/Losses \$ \_\_\_\_\_  
 1231 Gains/Losses \$ \_\_\_\_\_ Rents/Royalties \$ \_\_\_\_\_ Other \$ \_\_\_\_\_

C. California credits (attach schedule of credits)

**Table 2** — Unitary and nonunitary member's share of nonbusiness income from intangibles (dependent on residence or commercial domicile of member):

Interest \$ \_\_\_\_\_ Royalties \$ \_\_\_\_\_ Other \$ \_\_\_\_\_  
 Dividends \$ \_\_\_\_\_ 1231 Gains/Losses \$ \_\_\_\_\_ Capital Gains/Losses \$ \_\_\_\_\_

1995 Depreciation and Amortization

3885L

Table with columns: (a) Description of property, (b) Date acquired, (c) Cost or other basis, (d) Method of figuring depreciation, (e) Life or rate, (f) Depreciation for this year, (g) Code section, (h) Period or percentage, (i) Amortization for this year. Includes a shaded area for totals.

Summary table with rows: 2 California depreciation for assets placed in service before January 1, 1995; 3 Total California depreciation; 4 California amortization for assets placed in service before January 1, 1995; 5 Total California amortization; 6 Total depreciation and amortization; 7 Section 179 expense election.

1995 Capital Gain or Loss

D (568)

Table with columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Sale price, (e) Cost or other basis, (f) Gain (loss). Includes summary rows 2-5 at the bottom.

# Instructions for Form FTB 3885L

## Depreciation and Amortization

### General Information

#### A Purpose of this Schedule

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. However, land is not depreciable.

Amortization is similar to the straight-line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed period of time.

In general, California law follows federal law for assets placed in service on or after January 1, 1987 for personal income tax. See R&TC Section 17250.

Use form FTB 3885L to compute depreciation and amortization allowed as a deduction on Form 568. Attach form FTB 3885L to Form 568.

#### B Calculation Methods

California did not allow depreciation under the federal ACRS for years prior to 1987.

### Specific Line Instructions

#### Line 1 – California depreciation for assets placed in service after December 31, 1994 and amortization for assets and property placed in service after December 31, 1994.

Complete columns (a) through (i) for each asset or group of assets or property placed in service after December 31, 1994. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

#### Line 2 – California depreciation for assets placed in service before January 1, 1995

Enter total California depreciation for assets placed in service prior to January 1, 1995, taking into account any differences in asset basis or differences in California and federal tax law.

#### Line 4 – Enter total California amortization for assets placed in service prior to January 1, 1995, taking into account any differences in asset basis or differences in California and federal tax law.

California has conformed to Section 197 relating to the amortization of intangibles as of January 1, 1994. No deduction is allowed under this section for any taxable year beginning prior to January 1, 1994. If a taxpayer made an election for federal purposes under the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the election to have amendments apply to property acquired after July 25, 1991, or relating to an elective binding contract exception, a separate election for state purposes is not allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and which is amortized under Section 197, the amount to be amortized cannot exceed the adjusted basis of that intangible as of the first day of the first taxable year beginning on or after January 1, 1994. This amount must be amortized ratably over the period beginning with the first month of the first taxable year beginning on or after January 1, 1994, and ending 15 years after the month in which the intangible was acquired.

#### Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Non-residents or Part-Year Residents. If the LLC has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

#### Line 6 – Total Depreciation and Amortization

Add line 3 and line 5. Enter the total on line 6 and on Form 568, line 16a.

If depreciation or amortization is from rental real estate activities, it may be necessary to complete another form FTB 3885L for those activities. In this case, enter the amount from this second form FTB 3885L, line 6 on federal Form 8825, line 14. Use California amounts to determine the depreciation or amortization on federal Form 8825.

**Line 7** – Enter the Section 179 expense election amount from the worksheet.

**Election to Expense Certain Tangible Property (Section 179)**

**Note:** Follow the instructions on federal Form 4562 for Listed Property.

- 1. Maximum dollar limitation . . . . . \$10,000
- 2. Total cost of Section 179 property placed in service during the tax year . . . . . \_\_\_\_\_
- 3. Threshold cost of Section 179 property before reduction in limitation . . . . . \$200,000
- 4. Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- . . . . . \_\_\_\_\_
- 5. Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0- . . . . . \_\_\_\_\_

- 8. Total elected cost of Section 179 property. Add amounts in column (c), line 6 and line 7 . . . . . \_\_\_\_\_
- 9. Tentative deduction. Enter the smaller of line 5 or line 8. . . . . \_\_\_\_\_
- 10. Carryover of disallowed deduction from 1994. See instructions for line 9 through line 12 on the federal Form 4562 . . . . . \_\_\_\_\_
- 11. Income limitation. Enter the smaller of line 5 or the aggregate of the LLC's items of income and expense described in Section 702(a) from any business actively conducted by the LLC (other than credits, tax-exempt Section 179 expense deduction and guaranteed payments under Section 707(c)) . . . . . \_\_\_\_\_
- 12. Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11. Enter here and on Schedule K (568), line 9 . . . . . \_\_\_\_\_
- 13. Carryover of disallowed deduction to 1996. Add line 9 and line 10 and subtract line 12. Enter here and on line 7 of form FTB 3885L . . . . . \_\_\_\_\_

	(a) Property	(b) Cost	(c) Elected cost
6			

7. Listed property. Use federal Form 4562, Part V, making any adjustments for California law and basis differences . . . . . \_\_\_\_\_

## Instructions for Schedule D (568)

### Capital Gains and Loss

#### General Information

Use Schedule D (568) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any members.

Enter specially allocated capital gains (losses) received by the LLC as a member in other LLCs, partnerships and from fiduciaries on Schedule D (568), line 3. Enter capital gains (losses) that are specially allocated to members on line 4d of Schedule K (568) and Schedule K-1 (568). Do not include these amounts on Schedule D (568). See the instructions for Schedule K (568) and Schedule K-1 (568) for more information. Also refer to the instructions for federal Schedule D (1065).

# Limited Liability Company's List of Members and Consents

1995

3832

For use by limited liability companies (LLCs) with one or more nonresident members. Attach to Form 568 and give a copy to each nonresident member. Use additional sheet(s) if necessary.

Limited liability company name	Secretary of State file number
	Federal employer identification number (FEIN)

**Note:** Completion of this form does not satisfy the requirements for filing an individual income tax return for California.

List below the names and identification numbers of members of record at the end of the LLC's taxable year.

Number	Member's name	Only nonresident members must sign: I consent to the jurisdiction of the State of California to tax my pro rata share of the LLC income attributable to California sources.		Social security no./Federal employer identification no.
		Signature	Date	
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

List below the names and identification numbers of members who sold or transferred their ownership interest before the end of the LLC's taxable year.

Number	Member's name	Only nonresident members must sign: I consent to the jurisdiction of the State of California to tax my pro rata share of the LLC income attributable to California sources.		Social security no./Federal employer identification no.
		Signature	Date	
1				
2				
3				
4				
5				

## General Information

### A Purpose of Form

When an LLC has one or more members who are nonresidents of California, use form FTB 3832 to:

- list the names and social security numbers or federal identification numbers of all members; and
- obtain the signature of each nonresident member evidencing consent to the jurisdiction of California to tax their pro rata share of income attributable to California sources.

**Note:** If a member fails to sign form FTB 3832, the LLC is required to pay tax on the members' distributive share of income at the highest marginal rate. Any amount paid by the LLC will be considered a payment made by the member.

### B Nonresidents Who Must File a California Return

If you are a nonresident member, in addition to form FTB 3832, you may also need to file Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. Form 540NR must be filed if you had income from California sources and:

- you were single or unmarried in 1995 and your gross income from all sources was more than \$10,000; or adjusted gross income from all sources was more than \$8,000; or
- you were married in 1995, and you and your spouse had a combined gross income from all sources of more than \$20,000; or adjusted gross income from all sources of more than \$16,000, or
- you owe \$1 or more of tax.

### C Group Nonresident Member Return

Nonresident members of an LLC doing business in California may elect to file a group nonresident return using Form 540NR. For more information, get FTB Pub. 1073, Guidelines for Filing a Group Nonresident Return for Nonresident Partners/Members of a Partnership/Limited Liability Company.

1995 Depreciation and Amortization

3885L

Table with columns: (a) Description of property, (b) Date acquired, (c) Cost or other basis, (d) Method of figuring depreciation, (e) Life or rate, (f) Depreciation for this year, (g) Code section, (h) Period or percentage, (i) Amortization for this year. Includes a shaded area for totals.

Summary table with rows: 2 California depreciation for assets placed in service before January 1, 1995; 3 Total California depreciation; 4 California amortization for assets placed in service before January 1, 1995; 5 Total California amortization; 6 Total depreciation and amortization; 7 Section 179 expense election.

1995 Capital Gain or Loss

D (568)

Table with columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Sale price, (e) Cost or other basis, (f) Gain (loss). Includes summary rows 2-5 at the bottom.

# Instructions for Form FTB 3885L

## Depreciation and Amortization

### General Information

#### A Purpose of this Schedule

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. However, land is not depreciable.

Amortization is similar to the straight-line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed period of time.

In general, California law follows federal law for assets placed in service on or after January 1, 1987 for personal income tax. See R&TC Section 17250.

Use form FTB 3885L to compute depreciation and amortization allowed as a deduction on Form 568. Attach form FTB 3885L to Form 568.

#### B Calculation Methods

California did not allow depreciation under the federal ACRS for years prior to 1987.

### Specific Line Instructions

#### Line 1 – California depreciation for assets placed in service after December 31, 1994 and amortization for assets and property placed in service after December 31, 1994.

Complete columns (a) through (i) for each asset or group of assets or property placed in service after December 31, 1994. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

#### Line 2 – California depreciation for assets placed in service before January 1, 1995

Enter total California depreciation for assets placed in service prior to January 1, 1995, taking into account any differences in asset basis or differences in California and federal tax law.

#### Line 4 – Enter total California amortization for assets placed in service prior to January 1, 1995, taking into account any differences in asset basis or differences in California and federal tax law.

California has conformed to Section 197 relating to the amortization of intangibles as of January 1, 1994. No deduction is allowed under this section for any taxable year beginning prior to January 1, 1994. If a taxpayer made an election for federal purposes under the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the election to have amendments apply to property acquired after July 25, 1991, or relating to an elective binding contract exception, a separate election for state purposes is not allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and which is amortized under Section 197, the amount to be amortized cannot exceed the adjusted basis of that intangible as of the first day of the first taxable year beginning on or after January 1, 1994. This amount must be amortized ratably over the period beginning with the first month of the first taxable year beginning on or after January 1, 1994, and ending 15 years after the month in which the intangible was acquired.

#### Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Non-residents or Part-Year Residents. If the LLC has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

#### Line 6 – Total Depreciation and Amortization

Add line 3 and line 5. Enter the total on line 6 and on Form 568, line 16a.

If depreciation or amortization is from rental real estate activities, it may be necessary to complete another form FTB 3885L for those activities. In this case, enter the amount from this second form FTB 3885L, line 6 on federal Form 8825, line 14. Use California amounts to determine the depreciation or amortization on federal Form 8825.

**Line 7** – Enter the Section 179 expense election amount from the worksheet.

**Election to Expense Certain Tangible Property (Section 179)**

**Note:** Follow the instructions on federal Form 4562 for Listed Property.

- 1. Maximum dollar limitation . . . . . \$10,000
- 2. Total cost of Section 179 property placed in service during the tax year . . . . . \_\_\_\_\_
- 3. Threshold cost of Section 179 property before reduction in limitation . . . . . \$200,000
- 4. Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- . . . . . \_\_\_\_\_
- 5. Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0- . . . . . \_\_\_\_\_

- 8. Total elected cost of Section 179 property. Add amounts in column (c), line 6 and line 7 . . . . . \_\_\_\_\_
- 9. Tentative deduction. Enter the smaller of line 5 or line 8. . . . . \_\_\_\_\_
- 10. Carryover of disallowed deduction from 1994. See instructions for line 9 through line 12 on the federal Form 4562 . . . . . \_\_\_\_\_
- 11. Income limitation. Enter the smaller of line 5 or the aggregate of the LLC's items of income and expense described in Section 702(a) from any business actively conducted by the LLC (other than credits, tax-exempt Section 179 expense deduction and guaranteed payments under Section 707(c)) . . . . . \_\_\_\_\_
- 12. Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11. Enter here and on Schedule K (568), line 9 . . . . . \_\_\_\_\_
- 13. Carryover of disallowed deduction to 1996. Add line 9 and line 10 and subtract line 12. Enter here and on line 7 of form FTB 3885L . . . . . \_\_\_\_\_

	(a) Property	(b) Cost	(c) Elected cost
6			

7. Listed property. Use federal Form 4562, Part V, making any adjustments for California law and basis differences . . . . . \_\_\_\_\_

## Instructions for Schedule D (568)

### Capital Gains and Loss

#### General Information

Use Schedule D (568) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any members.

Enter specially allocated capital gains (losses) received by the LLC as a member in other LLCs, partnerships and from fiduciaries on Schedule D (568), line 3. Enter capital gains (losses) that are specially allocated to members on line 4d of Schedule K (568) and Schedule K-1 (568). Do not include these amounts on Schedule D (568). See the instructions for Schedule K (568) and Schedule K-1 (568) for more information. Also refer to the instructions for federal Schedule D (1065).

# Member's Instructions for Schedule K-1 (568)

## General Information

### A Changes You Should Note

**Schedule K-1 NR (568), Nonresident Member's Share of Income, Deductions, Credits, etc.** Schedule K-1 NR (568) is eliminated beginning in 1995. LLCs can now report each member's share of income, deductions, credits, etc. using the Schedule K-1 (568) which has been designed to show California source income for all members. The revised Schedule K-1 (568) replaces the need for the Schedule K-1 NR (568).

### B Purpose of Schedule K-1 (568)

LLCs which are treated as partnerships, use Schedule K-1 (568) to report to you your share of the LLC's income, deductions, credits, etc. Please keep it for your records. Do not file it with your tax return. A copy has been filed with the Franchise Tax Board by the LLC.

**You are subject to tax on your share of the LLC income, whether or not distributed.**

The amount of loss and deduction that you may claim on your tax return may be less than the amount reported on Schedule K-1 (568). Generally, the amount of loss and deduction you may claim is limited to your basis in the LLC and the amount for which you are considered at-risk. If you have losses, deductions or credits from a passive activity, you must also apply the passive activity limitation rules. It is the member's responsibility to consider and apply any applicable limitations. See General Line Instruction A, Limitations on Losses, Deductions and Credits.

You should read the federal Schedule K-1 (1065) instructions before completing your tax return with this Schedule K-1 (568) information.

### C Definitions

#### Member

A member is one whose potential personal liability for LLC debts is limited to the amount of money or other property that the member contributed or is required to contribute to the LLC.

#### Nonrecourse Loans

Nonrecourse loans are those liabilities of the LLC for which none of the members has any personal liability.

#### Corporate Members

Corporate members of LLCs doing business in California are considered to be doing business in California and are therefore subject to the corporate franchise tax.

#### Elections

Generally, the LLC decides how to figure taxable income from its operations. For example, it chooses the accounting method and depreciation methods it will use.

However, certain elections are made by you separately on your individual income tax return and not by the LLC. These elections are made under the following federal Internal Revenue Code (IRC) sections, to which California conforms:

- IRC Section 108(b)(5) (income from discharge of indebtedness); and
- IRC Section 617 (deduction and recapture of certain mining exploration expenditures, paid or incurred).

### D Specific Instructions

#### Questions and Items A through H

The questions and items at the top of Schedule K-1 (568) are completed by the LLC for all members. For more information, see the federal instructions for Schedule K-1 (1065).

#### Schedule K-1 (568)

**Important Note to LLC Members:** If your Schedule K-1 (568) reports losses and/or deductions, you must first apply the basis limitations described under IRC Section 704(d), the at-risk limitations found under IRC Section 465, and the passive activity loss limitations under IRC Section 469 before such losses/deductions can be deducted on your return. See General Line Instruction A, Limitations, Deductions and Credits, for additional information. IRC Section 705(a) provides direction on how to compute your basis. Should this LLC ever be examined, you may be required to provide your computations and the supporting documents. You will also need to know your basis if

you ever transfer, sell, or exchange your interest in the LLC and if the LLC should terminate.

If you are an individual member, the amounts in column (c), California adjustments, that are from nonpassive activities must be reported on the appropriate California schedule; i.e., Schedule D, Schedule D-1, or Schedule CA (540 or 540NR).

Amounts in column (e), California source amount and credits, that are from passive activities must be reported on form FTB 3801, Passive Activity Loss Limitations, and the related worksheets that are used to figure any passive loss limitations.

If you are not an individual member, report the amounts as instructed on your tax return.

### E Reporting Information from Columns (d) and (e)

If the LLC income is from activities within and outside California, the LLC will complete Schedule R, Apportionment and Allocation of Income, to determine the LLC income from California sources. Resident members must report all of their share of the LLC's income or loss, as reported in column (d). Nonresident and corporate members must report their share of income apportioned or allocated to California as indicated on Schedule K-1 (568). Special rules apply if a member and the LLC engage in a unitary business. See 18 Cal. Code Reg. Sections 17951 and 25137-1 for more information. Also see General Information F, Corporate Interests in LLCs. Nonresident, noncorporate members should use the information in columns (c), (d) and (e) to report their distributive share of income/losses or credits. Information in column (e), also enables nonunitary corporate members to properly report their income. Use Table 2 to determine your distributive share of intangible nonbusiness income whose source is based on the member's residence or commercial domicile. Residents, part-year residents and some nonresidents may qualify for a credit for taxes paid to other states on income which is apportioned or allocated to a state other than California.

### F Corporate Interests in LLCs

**Note:** The following rules apply not only to corporations, but to an individual or other entity which conducts a trade or business which is unitary with an LLC.

When a corporate taxpayer has an interest in an LLC, its distributive share of LLC items is determined by applying the partnership rules in R&TC Sections 17851 through 17858. The determination of the portion of the distributive share of business and nonbusiness income which has its source in this state or which is includible in the corporation's business income subject to apportionment are made in accordance with 18 Cal. Code Reg. Section 25137-1 provided that the corporation, or the LLC, or both, have income from sources within and outside this state. The corporation, in computing net income for its income year, must include its distributive share of LLC items referred to above for any LLC taxable year ending within or with the corporation's income year.

18 Cal. Code Reg. Section 25137-1 requires a corporation with an LLC interest to perform the following steps:

1. Determine what portion of the corporation's income and its distributive share of the LLC items constitute "business income" and "nonbusiness income" under R&TC Section 25120 and the regulations thereunder.
2. Determine its business income attributable to California in accordance with the provisions of R&TC Sections 25128 to 25137.
3. Allocate nonbusiness income to specific states according to the provisions of R&TC Sections 25124 to 25127.
4. Add the items of nonbusiness income directly allocated to this state, plus the amount of business income apportioned to this state to arrive at taxable net income for California.

Income arising from transactions and activity in the regular course of the LLC's trade or business constitutes business income. Thus, a corporate member's distributive share of LLC business income constitutes business income to the corporate member, but the determination of whether the LLC's activities and the activities of the corporate member constitute more than one trade or business depends on the facts in each case.

**Distributive Items of Business Income**

**A. Apportionment of Business Income – Unitary Business**

— If the LLC’s activities and the corporation’s activities constitute a unitary business under established standards, disregarding ownership requirements, the combined business income of this single trade or business apportioned to this state is determined by combining the corporation’s share of the LLC factors for any LLC year ending within the corporation’s year with the factors of the corporate member. Combined business income is then apportioned by using a 3 or 4 factor formula consisting of property, payroll and a single or double-weighted sales factor of the corporation. Use of a 3 or 4 factor formula depends upon whether combined gross business receipts (the member’s share of the LLC’s gross business receipts plus the member’s own gross business receipts) are primarily from agricultural, extractive, savings and loans or banks and financial activities.

If you are a corporate member that is unitary with an LLC, use Table 1 after line 22 to compute your factors, applying the rules shown below (see 18 Cal. Code Reg. Section 25127-1 for examples). Corporate members that are unitary with the LLC should perform the following steps:

1. Combine your distributive share of the LLC’s business income with your own business income to determine total business income.
2. Compute property, payroll and sales factors by combining a portion of the LLC’s factors with your own factors as explained below.
3. Apply the apportionment factor determined in Step 2 to the total business income determined in Step 1 to arrive at business income apportioned to this state.

**1. Unitary Corporate Member’s Computation of Property Factor**

Use Schedule R to compute the numerator and the denominator of the property factor. Adjust factors in accordance with 18 Cal. Code Reg. Sections 25130 and 25131. Also apply the following special rules:

- A. Include in the denominator of the corporation’s property factor a portion of the LLC’s real and tangible property (owned or rented) and used during the income year in the regular course of business, to the extent of the corporation’s interest in the LLC; and
- B. Include the value of such property described in 1A above which is located in this state in the numerator of the member’s property factor.
- C. See 18 Cal. Code Reg. Section 25137-1(f)(1)(B) for examples of how to include the value of property which is rented by the corporation to the LLC or the LLC to the corporation.

**2. Unitary Corporate Member’s Computation of Payroll Factor**

Use Schedule R to compute the numerator and the denominator of the payroll factor in accordance with 18 Cal. Code Reg. Sections 25132 and 25133. Apply the following special rules:

- A. Include in the denominator of the corporation’s payroll factor the LLC’s payroll used to produce business income to the extent of the corporation’s interest in the LLC; and
- B. Include in the numerator any such payroll described in 2A that is applicable to California.

**3. Unitary Corporate Member’s Computation of the Sales Factor**

Compute the numerator and denominator of the sales factor in accordance with the 18 Cal. Code Reg. Sections 25134 to 25136. Apply the following special rules:

- A. Include the LLC’s sales which give rise to business income in the denominator of the sales factor to the extent of the corporation’s interest in the LLC;
- B. Include the amount of such sales described in 3A attributable to this state in the numerator of the member’s sales factor; and
- C. Eliminate intercompany sales as follows:
  - Sales by the corporation to the LLC to the extent of the corporation’s interest in the LLC; or
  - Sales by the LLC to the corporation not to exceed the corporation’s interest in all LLC sales (see 18 Cal. Code Reg. Section 25137-1(f)(3)).

**B. Apportionment of Business Income – Nonunitary Corporate Members**

— When the activities of the LLC and the corporation do not constitute a unitary business under established standards, disregarding ownership requirements, the corporation’s share of the LLC’s trade or business shall be treated as a separate trade or business of the corporation. Use Schedule R to determine of the amount of the LLC’s business income and the corporation’s distributive share of that income attributable to sources within this state.

If the LLC derives business income from sources within and outside this state, apportion income using either a 3 or 4 factor formula depending upon whether gross business receipts of apportioning activities are primarily from agricultural, extractive, saving and loans, or banks and financial activities. In most cases, determination of whether a 3 or 4 factor apportionment formula applies can be determined by reference to gross business receipts of the LLC itself. Use column (e) to report your distributive share of income from the LLC. However, use Table 2 to determine your distributive share of intangible nonbusiness income whose source is based on your residence or commercial domicile. Apportioning LLCs should get and complete Schedule R and attach it to their Form 568.

**Distributive Items of Nonbusiness Income for All Corporate Members**

LLC income from interest, dividends, rents, royalties or capital gains is nonbusiness income when it does not constitute business income (see R&TC Section 25120 for a definition of business income and 18 Cal. Code Reg. Section 25137-1(b) for partnership nonbusiness income). The corporation’s share of this nonbusiness income is reported in the same manner as the other nonbusiness income derived from other activities of the corporate member. Corporations should use R&TC Sections 25124 to 25127 to determine the source of the income. R&TC Sections 25125(d) and 25126 provide guidance on allocating intangible income. Use Table 2, after line 22, to determine your distributive share of intangible nonbusiness income.

LLCs should complete Table 1 for unitary members.

All LLCs with nonbusiness income from intangibles should complete Table 2.

**General Line Instructions**

**Lines 1**

**thru 3** – The amounts shown on line 1 through line 3 reflect your share of income or loss from LLC business or rental operations without reference to limitations on losses or adjustments that may be required of you because of:

- the adjusted basis of your LLC interest;
- the amount for which you are at-risk as determined under IRC Section 465; or
- the passive activity limitations of IRC Section 469.

See the federal partnership instructions for line 1 through line 23 for more information. **Note:** Federal line 15a through line 15c and line 17a through line 17g do not apply to California.

**A Limitations on Losses, Deductions and Credits**

There are three separate potential limitations on the amount of LLC losses that you may deduct on your return. These limitations and the order in which they must be applied are: the basis rules, the at-risk rules and the passive loss rules. Each of these limitations is discussed separately below.

**Note:** Other limitations may apply to specific deductions; for example, the investment interest expense deduction. These limitations on specific deductions generally apply before the basis, at-risk and passive loss limitations.

**Basis Rules**

Generally, you may not claim your share of an LLC loss (including a capital loss) that is greater than the adjusted basis of your LLC interest at the end of the LLC’s taxable year.

You can compute the adjusted basis of your LLC interest by adding items which increase your basis and then subtracting items which decrease your basis.

Items that increase your basis are:

- money and your adjusted basis of property contributed to the LLC;
- your share of the LLC’s income; and

- your share of the increase in the liabilities of the LLC (and/or your individual liabilities caused by your assumption of LLC liabilities).

Items that decrease your basis are:

- money and your adjusted basis of property distributed to you;
- your share of the LLC's losses; and
- your share of the decrease in the liabilities of the LLC (and/or your individual liabilities assumed by the LLC).

This is not a complete list of items and factors that determine basis. Get federal Publication 541 for a complete discussion of how to determine the adjusted basis of a membership interest. This information will be applicable for your interest in the LLC. Generally, the California basis is the same as the federal basis.

**At-Risk Rules**

Generally, if you have: (1) a loss or other deduction from an activity carried on as a trade or business or for the production of income by the LLC; and (2) amounts in the activity for which you are not at-risk, you will have to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your return. Complete federal Form 6198 using California amounts.

The at-risk rules generally limit the amount of loss, (including loss on disposition of assets) and other deductions (such as the IRC Section 179, R&TC Sections 17252.5, 17265 and 17266 deduction) that you can claim to the amount you could actually lose in the activity. See the federal instructions for Schedule K-1 (1065), At-Risk Rules, for more information.

**Passive Loss Rules**

IRC Section 469 limits the deduction of certain losses and credits. California law conforms to this federal provision. These rules apply to members who:

- are individuals, estates, trusts, closely held corporations, personal service corporations or S corporations; and
- have a passive activity loss or credit for the taxable year.

A passive activity is generally a trade or business activity in which the member does not materially participate or a rental activity. An LLC may have more than one activity. Each member must apply the passive activity loss limitations on an activity by activity basis.

Individuals, estates and trusts must complete form FTB 3801, Passive Activity Loss Limitations, to figure the allowable passive losses, and form FTB 3801-CR, Passive Activity Credit Limitations, to figure the allowable passive credits. Corporations must complete form FTB 3802, Corporate Passive Activity Loss and Credit Limitations.

The amounts reported on line 1 and line 14 of Schedule K-1 (568) are passive activity income (loss) or credits from the trade or business of the LLC to some members. The amounts reported on line 2, line 3 and line 13b of Schedule K-1 (568) are from rental activities of the LLC and are passive activity income (loss) or credits to all members. There is an exception to this rule for losses incurred by qualified investors in qualified low-income housing projects. The LLC will identify any of these qualified amounts on an attachment for line 2.

See the federal instructions for Schedule K-1 (1065), Passive Activity Limitations, for more information.

Specific Line Instructions

Enter the difference between federal and California amounts from Schedule K-1 (568), column (c) on Schedule CA (540), California Adjustments – Residents, if you are a resident or Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents, if you are a nonresident. Also, if you are a nonresident, enter California source amounts from the Schedule K-1 (568), column (e) on your Schedule CA (540NR), column (E).

**Note to Nonresident Members:** The specific line instructions below that instruct you to enter information from Schedule K-1, column (d) on other forms, apply to resident taxpayers. When the instructions make reference to column (d), nonresident taxpayers should take information from columns (c), (d) and (e) and apply the information to the appropriate line relating to computation of total income and income from California sources.

A Income

**Line 1 – Ordinary Income (Loss) from Trade or Business Activities**

The amount reported on line 1, column (d), is your share of the ordinary income (loss) from the trade or business activities of the LLC. For individual members, generally, where you report this amount on Form 540 or Form 540NR depends on whether or not the amount is from an activity that is a passive activity to you.

If, in addition to this passive activity income, you have a passive activity loss from this LLC or from any other source, report the income on form FTB 3801. If a loss is reported on line 1, column (d), report the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

**Note:** If the LLC income is from activities within and outside California, the amount of income a nonresident member must report on their income tax return is a function of the LLC's apportionment percentage and the allocation of income for the specific member. Reporting instructions are included in the information provided by the LLC. See also 18 Cal. Code Reg. Sections 17951-4 and 25137-1 for more information. Also see General Information, F, Corporate Interests in LLCs.

**Line 2 – Income (Loss) from Rental Real Estate Activities**

Generally, the income (loss) reported on line 2, column (d), is a passive activity amount to all members. There is an exception, however, for losses from a qualified low-income housing project. The loss limitations of IRC Section 469 do not apply to qualified investors in qualified low-income housing projects. If applicable, the LLC will attach a schedule for line 2 to identify such amounts. You will have to report the California adjustment amount from column (c) on Schedule CA (540 or 540NR).

Use the following instructions to determine where to enter a line 2 amount.

- If you have a loss on line 2, column (d) (other than a qualified low-income housing project loss), enter the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable. Your share of the loss may be eligible for the special \$25,000 allowance for rental real estate losses. Get the instructions for form FTB 3801 for more information.

See the federal Specific Line Instructions for line 2, item 1 and item 2 for more information.

**Note:** If you are a qualified investor reporting a qualified low-income housing project loss, report the California adjustment amount from column (c) on Schedule CA (540 or 540NR).

- If you have only income on line 2, column (d), and no other passive losses, enter the California adjustment amount from column (c) on Schedule CA (540 or 540NR). However, if in addition to this passive activity income, you have a passive activity loss from this LLC or from any other source, report the line 2, column (d), income on the applicable line of form FTB 3801.

**Line 3 – Income (Loss) from Other Rental Activities**

The amount on line 3, column (d) is a passive activity amount for all members.

- If line 3, column (d) is a loss, report the loss on the applicable line of form FTB 3801.
- If only income is reported on line 3, column (d), and you have no other passive losses, report the California adjustment amount from column (c) on Schedule CA (540 or 540NR). However, if in addition to this passive activity income, you have a passive activity loss from this LLC or from any other source, report the line 3 income on the applicable line of form FTB 3801.

**Lines 4a**

**thru 4e – Portfolio Income (Loss)**

Portfolio income (loss) referred to as "portfolio" in these instructions is not subject to the passive activity limitations of IRC Section 469. Portfolio income includes interest, dividend and royalty income and gain or loss on the sale of property held for investment. If you have amounts on Schedule K-1 (568), line 4a through line 4e, report these amounts as follows:

- Line 4a, column (c) — Report on Schedule CA (540 or 540NR), line 8, column B or line 8, column C, whichever is applicable;
- Line 4b, column (c) — Report on Schedule CA (540 or 540NR), line 9, column B or line 9, column C, whichever is applicable;

## Schedule K-1 (568) Instructions

- Line 4c, column (c) — Report on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is applicable;
- Line 4d, column (d) — Report on Schedule D; and
- Line 4e, column (d) — Report on applicable schedule.

**Caution:** Generally, amounts reported on line 4d and line 4e are gains or losses attributable to the disposition of property held for investment and are, therefore, classified as portfolio income (loss). If, however, an amount reported on line 4d or line 4e column (d) is a passive activity amount, the LLC will identify the amount.

The LLC uses line 4e, column (d), to report portfolio income other than interest, dividend, royalty and capital gain (loss) income. The LLC will attach a schedule or use the space provided on Side 2 of Schedule K-1 (568) to tell you what kind of portfolio income is reported on line 4e, column (d). An example of portfolio income that could be reported on line 4e, column (d), is from a real estate mortgage investment conduit (REMIC) in which the LLC is a residual interest holder.

If the LLC has a residual interest in a REMIC, it will report on the schedule your share of REMIC taxable income (net loss). Report the adjustment amount from column (c) on Schedule CA (540 or 540NR). The schedule will also report your share of "excess inclusion" and your share of IRC Section 212 expenses. If you itemized your deductions on federal Schedule A (1040), you may deduct these IRC Section 212 expenses as a miscellaneous deduction subject to the 2 percent adjusted gross income limit and the high income taxpayer adjustment.

### Line 5 – Guaranteed Payments to Members

Generally, amounts on this line are not part of a passive activity. If there is an amount on Schedule K-1 (568), line 5 column (c), enter this amount on Schedule CA (540 or 540NR), line 21, column B or line 21, column C, whichever is applicable.

### Line 6 – Net Gain (Loss) Under IRC Section 1231 (Other Than Due to Casualty or Theft)

If the amount on line 6 relates to rental activity, the IRC Section 1231 gain (loss) is a passive activity amount. If the amount relates to a trade or business activity and you are a member, the IRC Section 1231 gain (loss) is a passive activity amount.

- If the amount is not a passive activity amount to you, report it on Schedule D-1, Sales of Business Property, line 2, column (g) or column (h), whichever is applicable. You do not have to complete column (b) through column (f). Write "From Schedule K-1 (568)" across these columns.
- If a gain is reported on line 6, column (d), and it is a passive activity amount to you, report the gain on Schedule D-1, line 2, column (h), and be sure to see "Passive Loss Limitations" on page 1 of the instructions for Schedule D-1.
- If a loss is reported on line 6, column (d), and it is a passive activity amount to you, see "Passive Loss Limitations" on page 1 of the instructions for Schedule D-1. You must use form FTB 3801 to determine how much of the loss is allowed on Schedule D-1.

### Line 7 – Other Income (Loss)

Amounts on this line are other items of income (loss) not included on line 1 through line 6.

The LLC should give you a description of the amount of your share for each of these items.

The instructions below tell you where to report line 7 items if the items are not passive activity amounts.

Report loss items that are passive activity amounts on form FTB 3801.

Report income or gain items that are passive activity amounts as instructed below. However, if in addition to this passive activity income or gain, you have passive activity losses from any other source, report the passive activity income or gain on form FTB 3801.

Line 7 items may include:

- LLC gains from disposition of farm recapture property (get Schedule D-1) and other items to which IRC Section 1252 applies;
- recoveries of bad debts, prior taxes and delinquency amounts (IRC Section 111). Report the amount from line 7, column (c), on Schedule CA (540 or 540NR), line 21f, column B or line 21f, column C, whichever is applicable;
- gains and losses from wagering (IRC21 Section 165(e));
- any income, gain or (loss) to the LLC under IRC Section 751. Report this amount on Schedule D-1, line 10;

- specially allocated ordinary gain or (loss). Report this amount on Schedule D-1, line 10; and
- net gain or (loss) from involuntary conversions due to casualty or theft. The LLC will give you a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, Section B, Part II, line 34, column (b)(i), column (b)(ii) and column (c).

## B Deductions

Line 8a

### & Line 8b – Charitable and Political Contributions

The LLC will give you a schedule that shows which contributions were subject to the 50 percent, 30 percent and 20 percent limitations. For further information, see the instructions for federal Form 1040.

If there is an amount on Schedule K-1 (568), line 8a or line 8b, column (c), enter this amount on Schedule CA (540 or 540NR), line 36.

### Line 9 – Expense Deduction for Recovery Property

The maximum amount of expense deduction for recovery property (IRC Section 179 deduction) that you can claim for all sources is \$10,000. The \$10,000 limit is reduced if the total cost of IRC Section 179 property placed in service during the year exceeds \$200,000. The LLC will give you information on your share of the IRC Section 179 deduction and of the cost of the LLC's IRC Section 179 property so that you can compute this limitation. Your IRC Section 179 deduction is also limited to your taxable income from all of your trades or businesses. See form FTB 3885A, Depreciation and Amortization Adjustments and get federal Publication 534, Depreciation, for more information.

If the IRC Section 179 deduction is a passive activity amount, report it on the applicable line of form FTB 3801. If it is not a passive activity amount, and there is an amount on Schedule K-1 (568), line 9, column (c), enter this amount on Schedule CA (540 or 540NR), line 21f, column B or line 21f, column C, whichever is applicable.

Refer to R&TC Sections 17252.5, 17265 and 17266 on how to figure the expense deduction for recovery property.

### Line 10 – Deduction Related to Portfolio Income

Amounts entered on this line are the deductions that are clearly and directly allocable to portfolio income (other than investment interest expense and expenses from a REMIC). If you have an amount on Schedule K-1 (568), line 10, column (c), enter this amount on Schedule CA (540 or 540NR), line 21f, column B or column C, as applicable. If any of the line 10 amount should not be reported on Schedule CA (540 or 540NR), the LLC will have identified that amount for you.

### Line 11 – Other Deductions

Amounts on this line are deductions not included on line 8a through line 10. If there is an amount on Schedule K-1 (568), line 11, column (c), enter this amount on the applicable line of Schedule CA (540 or 540NR).

## C Investment Interest Expense

If the LLC paid or accrued interest on debts it incurred to buy or hold investment property, the amount of interest you can deduct may be limited.

For more information and the special provisions that apply to investment interest expense, get form FTB 3526, Investment Interest Expense Deduction, and federal Publication 550, Investment Income and Expenses.

### Line 12a – Interest Expense on Investment Debts

Enter the amount from column (d) on form FTB 3526 along with your investment interest expense from any other sources. Form FTB 3526 will help you determine how much of your total investment interest is deductible.

Line 12b(1)

&

### Line 12b(2) – Investment Income and Investment Expenses

Use the column (d) amounts to determine the amount to enter on form FTB 3526, line 3.

**Caution:** The amounts shown on line 12b(1) and line 12b(2) include only investment income and expenses included on line 4 and line 10 of this Schedule K-1 (568). The LLC should attach a schedule that shows the amount of any investment income and expenses included in any other lines of this Sched-

## Schedule K-1 (568) Instructions

ule K-1 (568). Use these amounts, if any, to adjust line 12b(1) and line 12b(2) to determine your total investment income and total investment expenses from this LLC.

Combine these totals with investment income and expenses from all other sources to determine the amount to enter on form FTB 3526, line 3.

### D Credits

If you have credits that are passive activity credits to you, you must complete form FTB 3801-CR (or form FTB 3802 for corporations) in addition to the credit forms referenced. Get the instructions for form FTB 3801-CR (or form FTB 3802) for more information.

#### Line 13a(1) – Withholding on LLC Allocated to All Members

If taxes were withheld from payments to the LLC by another entity, this withholding is allocated to all members according to LLC interest. Your share is entered on line 13a(1).

#### Line 13a(2) – LLC Withholding on Nonresident Members

If taxes were withheld at source on you as a domestic or foreign nonresident member, the amount of the withholding is entered on line 13a(2).

#### Line 13a(3) – Total Withholding

The amounts (if any) on line 13a(1) and line 13a(2) are added together to get the total amount of withholding credit you have for the LLC year. If taxes were withheld, the LLC must provide you a completed Form 592-B, Nonresident Withholding Tax Statement. You must attach Form 592-B to the front of your California income or franchise tax return to claim the amount withheld. The amount shown on the Form 592-B should be claimed on Form 540NR, California Nonresident or Part-Year Resident Income Tax return, line 47 or on Form 100, California Corporation Franchise or Income Tax Return, line 32. Schedule K-1 (568) may **not** be used to claim this withholding credit. If the LLC is not on a calendar year, the amount on line 13a(3) may not match the amount on Form 592-B.

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

Your share of the LLC's low-income housing credit is shown on line 13b, column (d). Any allowable credit is entered on form FTB 3521, Low-Income Housing Credit. The passive activity credit limitations of IRC Section 469, however, may limit the amount of credit you take. Credits from passive activities are generally limited to tax attributable to passive activities.

**Caution:** You cannot claim the low-income housing credit on any qualified low-income housing project for which any person was allowed any benefit under Section 502 of the Tax Reform Act of 1986.

#### Line 13c – Other Credits Related to Rental Real Estate Activities

If applicable, the LLC will use this line, through an attached schedule, to give you the information you need to compute credits related to rental real estate activities other than the low-income housing credit.

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

If applicable, the LLC will use this line, through an attached schedule, to give you the information you need to compute credits related to rental activities other than rental real estate activities.

#### Line 13e – Nonconsenting Member Tax Paid by LLC

This line shows any income tax paid on your behalf by the LLC if, as a nonresident member, you did not sign FTB 3832, Limited Liability Company's List of Members and Consents, consenting to California's jurisdiction to tax your pro rata share of the LLC income attributable to California sources. You must attach a copy of Schedule K-1 (568) to your California income or franchise tax return to claim the tax paid by the LLC on your behalf. Claim this credit for the tax paid on Form 540NR, line 47 or on Form 100, line 32.

#### Line 14 – Other Credits

If applicable, the LLC will use this line, through an attached schedule, to give you the information you need to compute credits related to a trade or business activity.

Examples of credits that may be reported on line 14 (depending on the type of activity they relate to) include:

- enterprise zone hiring and sales and use tax credit — get form FTB 3805Z.
- jobs credit — get form FTB 3524.
- orphan drug credit carryover — get form FTB 3540.

- employer child care program/contribution credit — get form FTB 3501.
- program area hiring and sales and use tax credit — get form FTB 3805Z.
- Los Angeles revitalization zone hiring and sales and use tax credit — get form FTB 3806.
- research credit — get form FTB 3523.
- commercial solar electric system credit carryover — get form FTB 3540.
- prison inmate labor credit — get form FTB 3507.
- low-emission vehicles credit — contact the California Energy Commission for more information. Use credit code 160.
- recycling equipment credit — get form FTB 3527.
- manufacturers' investment credit — get form FTB 3535. Separately state the 1994 and 1995 credit amounts allocated to each member on a separate schedule.
- local agency military base recovery area — get form FTB 3807.
- salmon and steelhead trout habitat restoration credit — contact the California Department of Fish and Game. Use credit code 200.

**Note:** The passive activity limitations of IRC Section 469 may limit the amount of credits you take on line 13b, line 13c, line 13d and line 14. Line 13b, line 13c and line 13d credits are related to the rental activities of the LLC and are passive activity credits to all members. Line 14 credits are related to the trade or business activities of the LLC and some are passive activity credits to all members. In general, credits from passive activities are limited to tax attributable to passive activities. Credits on line 14 that may be limited under the passive activity credit rules are the:

- jobs credit;
- orphan drug credit carryover;
- research credit; and
- low-income housing credit.

You may be able to use line 13d credits against tax on other income. The amount of the useable credits is limited to the deduction equivalent up to \$25,000 (net of losses from rental real estate activities deductible against up to \$25,000 of other income).

The LLC may have included on line 14 your distributive share of net income taxes paid to other states by the LLC. Subject to the limitations of R&TC Section 18006, members may claim a credit against their individual tax for net income taxes paid by the LLC to another state. The amount of tax paid is required to be supported by a copy of the return filed with the other state and evidence of the payment of the tax. Get Schedule S, Other State Tax Credit, for more information.

### E Adjustments and Tax Preference Items

Lines 15a  
thru 15e

- col. (e) – Use the information reported on line 15a through line 15e, column (d) as well as your adjustments and tax preference items from other sources to complete Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents; Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents or Part Year Residents; Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries; or Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations. For additional information, see the federal instructions for Schedule K-1 (1065), Tax Preference Items, line 16a through line 16e.

### F Other

Lines 16

- thru 19 – See the federal instructions for Schedule K-1 (1065), Other, line 18 through line 21. The LLC should give you a description and the amount of your share for each item applicable to California, in this category.

# Instructions for Automatic Extension for Limited Liability Companies

1995

3537

## What's New

A Limited Liability Company (LLC) will no longer use form FTB 3537 to pay its LLC tax of \$800. In all cases, the LLC should use form FTB 3522, Limited Liability Company Tax Voucher, to pay this tax.

## General Information

If an LLC cannot file its California LLC return by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1996 (calendar year filers), it may file its LLC return on or before the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 15, 1996 (calendar year filers), without filing a written request for an extension.

However, to avoid late payment penalties and interest, 100 percent of the LLC fee must be paid by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1996 (calendar year filers). Use the payment voucher below to mail in the payment.

## How to Complete the Form

Please complete all information requested on this form. To help ensure timely and proper application of the payment to the LLC account, please remember to enter the Secretary of State (SOS) file number (assigned upon registration with the SOS) and the federal employer identification number (FEIN).

### Side 1 – Box 1, LLC fee due –

This is the amount you expect to enter on Form 568, Side 1, line 24.

### Box 2, Member's tax due –

Enter the amount from Side 2.

### Box 3, Total Payment –

Enter the total of box 1 and box 2.

### Side 2 –

List the names, social security numbers or FEINs for each nonconsenting nonresident member that failed to sign FTB 3832, Limited Liability Company's List of Members and Consents.

## Where to File

Mail only the voucher portion with the payment to:

**FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0051**

The LLC return when filed on or before the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 15, 1996 (calendar year filers), will verify that the LLC qualified for the extension.

## Penalties and Interest

Remember, an extension of time to file the LLC return is not an extension of time to pay the LLC fee or the tax for nonconsenting nonresident members. If the LLC fails to pay its LLC fee by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1996 (calendar year filers), a late payment penalty plus interest will be added to the tax due.

CUT HERE

TAXABLE YEAR

1995

# Payment Voucher for Automatic Extension for Limited Liability Companies

CALIFORNIA FORM

3537

5 6 8	Secretary of State file number	Federal employer identification number	Fiscal year filers, enter year ending	
	Limited liability company name		Box 1 LLC fee due	00
	Address		Box 2 Member's tax due	00
	City	State	ZIP code	Box 3 Total payment
			\$	00
			\$	00
			\$	00

FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0051

----- CUT HERE -----

Limited liability company name	Secretary of State file number	Federal employer identification number
--------------------------------	--------------------------------	--

List of nonresident members that failed to sign form FTB 3832

Taxable Year 1995

Member's name	Social security number or FEIN	Tax due \$

Total tax due. (This is the amount you expect to enter on Form 568, Side 1, line 25.) Enter this amount in Box 2 on Side 1 \$

Attach additional sheets if necessary.

# Instructions for Form FTB 3522

## Limited Liability Company Tax Voucher

### General Information

#### A Purpose of Form

Form FTB 3522 should be used to pay the annual limited liability company (LLC) tax of \$800 for taxable year 1996 by all LLCs doing business in California, or registered to do business in California with the Office of the California Secretary of State.

#### B Who Must Pay the Annual LLC Tax

Every LLC doing business in California or that has articles of organization accepted, or a certificate of registration issued by the California Office of the Secretary of State is subject to the annual LLC tax of \$800. The tax must be paid for each taxable year until a certificate of cancellation of registration or of articles of organization is filed with the California Office of the Secretary of State.

#### C How to Complete the Form

Please complete all information requested on this form. To assure timely and proper application of the payment to your account, please remember to enter the file number assigned upon registration of the LLC with the Secretary of State and the federal employer identification number.

#### D Where to Mail the Annual LLC Tax

Mail the annual LLC tax to:

**FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0051**

#### E When to Pay the Annual LLC Tax

The annual LLC tax is due and payable on or before the 15th day of the fourth month after the beginning of the LLC's taxable year.

#### F Penalties and Interest

If the LLC fails to pay its total tax by the 15th day of the fourth month after the beginning of the taxable year (fiscal year filers) or April 15, 1996 (calendar year filers), a late payment penalty plus interest will be added to the tax due. The penalty and interest will be computed from the due date of the tax payment to the date paid.

#### G Late Payment of Prior Year Annual LLC Tax

If a prior year LLC tax of \$800 was not paid on or before the 15th day of the fourth month after the beginning of the taxable year, the tax should be remitted as soon as possible, using the appropriate year form FTB 3522, Limited Liability Company Tax Voucher. **Do not** use any other form for payment of the tax. This will assure proper application of the payment to your account.

CUT HERE

TAXABLE YEAR

Limited Liability Company  
1996 Tax Voucher

CALIFORNIA FORM

3522

Type or print the taxable year, Secretary of State file number, FEIN, name and address in the spaces below.

For taxable year beginning	MONTH	DAY	YEAR	, and ending	MONTH	DAY	YEAR
Limited liability company name			1996				
Address					Secretary of State file number		
City					State		
					ZIP code		

**DUE DATE — Due the 15th day of the fourth month of the taxable year.**

**AMOUNT DUE**

Return this form with a check or money order to: **FRANCHISE TAX BOARD,  
PO BOX 942867, SACRAMENTO, CA 94267-0051**

\$	800	00
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# How to Get California Tax Information

## Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1996. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturdays, April 6 and April 13, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

From within the United States . . . . . 1-800-852-5711  
From outside the United States . . . . . 1-916-845-6500  
(not toll-free)

From hearing impaired with TDD . . . . . 1-800-822-6268

For federal tax questions, call the IRS at 1-800-829-1040.

### Bilingual Assistance

Para obtener servicio bilingüe de información sobre impuestos o formularios, al número de teléfono (anotado arriba) que le corresponde.

## How to Get Tax Forms

**By Internet** – If you have Internet access, you may download, view and print California tax forms and publications. Go to the California Home Page at <http://www.ca.gov> and access the California Franchise Tax Board under state servers.

**By phone** – Call our toll-free phone numbers listed under “Regular Toll-Free Phone Service” to get the California tax forms you need.

**By mail** – We will send you two copies of each tax form and one copy of each set of instructions you order. Please allow two weeks to receive your order. Address your envelope to:

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

**In person** – You can get California tax forms at the FTB district offices listed. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

## Letters

We can serve you quickly if you call us or visit a district office for information to complete your California tax return. However, you may want to write to us if you are replying to a notice we sent you, or to get a written reply.

If you write to us be sure to include your federal identification number and your daytime and evening telephone numbers with your letter. Send your letter to:

**FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94240-0040**

We will acknowledge receipt of your letter within six to eight weeks. In some cases, we may need to call you for additional information.

## Your Rights As A Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected, so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the Franchise Tax Board on whether a particular transaction is taxable. You can order FTB Pub. 4058 by writing or calling the Franchise Tax Board using the address or telephone number on this page.

## In Person

Addresses of FTB offices are shown below. You can get information and California tax forms, and you can resolve problems involving your account. Our district offices are open Monday through Friday from 8:00 a.m. to 5:00 p.m.

District Office	Address
Bakersfield . . . . .	1430 Truxtun Avenue
Burbank . . . . .	333 North Glenoaks Blvd.
Fresno . . . . .	2550 Mariposa Street
Long Beach . . . . .	245 West Broadway
Los Angeles . . . . .	300 South Spring Street
Oakland . . . . .	1970 Broadway
Sacramento . . . . .	8745 Folsom Boulevard
San Bernardino . . . . .	215 North D Street
San Diego . . . . .	5353 Mission Center Road
San Francisco . . . . .	50 Fremont Street
San Jose . . . . .	96 North Third Street
Santa Ana . . . . .	600 West Santa Ana Blvd.
Santa Barbara . . . . .	360 South Hope Avenue
Santa Rosa . . . . .	50 D Street
Stockton . . . . .	31 East Channel Street
West Covina . . . . .	100 North Barranca Street

