This booklet contains:

Form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary
Introduction

Economic Development Area (EDA) Tax Incentives

California established four types of EDAs that had related tax incentives. These incentives were established to stimulate growth and development in selected areas that were economically depressed. EDA tax incentives applied only to certain business transactions that were undertaken after an EDA had received final designation from the Housing and Community Development (HCD). Final designation was when the HCD designated an area to be an EDA. Tax incentives were available to individuals and businesses that operated or invested within the geographic boundaries of the following EDAs:

- Enterprise Zones (repealed on January 1, 2014)
- Local Agency Military Base Recovery Areas (repealed on January 1, 2014)
- Manufacturing Enhancement Areas (designation expired on December 31, 2012)
- Targeted Tax Areas (designation expired on December 31, 2012)

Additional information on other EDAs can be found in the following FTB tax booklets:
- FTB 3805Z, Enterprise Zone Business Booklet
- FTB 3808, Manufacturing Enhancement Area Business Booklet
- FTB 3809, Targeted Tax Area Business Booklet
References in this booklet to the "LAMBRA" are interpreted as "the boundaries of the former LAMBRA as it existed on December 31, 2013."

**Reporting Requirement**

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

Complete items A through I on Side 1 of form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, as applicable. This information will be used to meet the FTB’s statutory reporting requirement.

**Purpose**

This booklet provides specific information on the types of available LAMBRA tax incentives. Taxpayers operating or investing in a business located within a designated LAMBRA may be eligible for the following credit and/or claim deduction:

- Hiring Credit
- Sales or Use Tax Credit Carryover
- NOL Carryover Deduction

Use this booklet to determine the correct amount of credits and deductions that a business may claim for operating or investing in a business located within a designated LAMBRA. Complete the worksheets in this booklet for each credit and deduction for which the business is eligible. Then enter the total credits and deductions on form FTB 3807.

**LAMBRA Designation**

LAMBRA was established to stimulate growth and development in areas that experienced military base closures. These are the designated LAMBRA with their designation dates. Note: All LAMBRA are repealed as of January 1, 2014.

- **Southern California Logistics Airport**
  - Designation Date: 2/1/1996
- **Castle Airport**
  - Designation Date: 6/1/1996
- **Mare Island**
  - Designation Date: 1/1/1999
- **San Bernardino International Airport and Trade Center**
  - Designation Date: 4/1/2000
- **Alameda Point**
  - Designation Date: 6/1/2000
- **Mather/McClellan**
  - Designation Date: 7/1/2000
- **San Diego Naval Training Center**
  - Formerly Liberty Station
  - Designation Date: 6/1/2001
- **Tustin Legacy**
  - Formerly Tustin Marine Corps Air Station in Tustin
  - Designation Date: 9/1/2001

For the most updated information regarding the correct LAMBRA designation periods, and for questions regarding business eligibility or zone related information, and geographic boundaries, contact the HCD or the local program manager in which the business is located. Go to [hcd.ca.gov](http://hcd.ca.gov) and search for directory of zone contacts to find Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, you may contact the HCD. See LAMBRA Contact Information on page 22.

**Forms List**

The titles of forms referred to in this booklet are:

- **Form 100**: California Corporation Franchise or Income Tax Return
- **Form 100S**: California S Corporation Franchise or Income Tax Return
- **Form 565**: California Corporation Franchise or Income Tax Return – Water’s-Edge Filers
- **Form 540**: California Resident Income Tax Return
- **Form 540NR**: California Nonresident or Part-Year Resident Income Tax Return
- **Form 541**: California Fiduciary Income Tax Return
- **Form 565**: Partnership Return of Income Limited Liability Company
- **Schedule CA (540)**: California Adjustments – Residents
- **Schedule CA (540NR)**: California Adjustments – Nonresidents or Part-Year Residents
- **Schedule P (540)**: Alternative Minimum Tax and Credit Limitations – Residents
- **Schedule P (540NR)**: Alternative Minimum Tax and Credit Limitations – Nonresidents and Part-Year Residents
- **Schedule R**: Apportionment and Allocation of Income
- **FTB Pub. 1061**: Guidelines for Corporations filing a Combined Report
- **Schedule C (100S)**: Sales of Business Property
- **Schedule D-1**: Shareholder's Share of Income, Deductions, Credits, etc.
- **Schedule K-1 (100S)**: Beneficiary's Share of Income, Deductions, Credits, etc.
- **Schedule K-1 (540)**: Partner's Share of Income, Deductions, Credits, etc.
- **Schedule K-1 (546)**: Member's Share of Income, Deductions, Credits, etc.
- **FTB 3544**: Election to Assign Credit Within Combined Reporting Group
- **FTB 3544A**: List of Assigned Credit Received and/or Claimed by Assignee

**Who Can Claim the LAMBRA Tax Incentives?**

The LAMBRA credits and deductions are available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing in a business located within a designated LAMBRA.

**How to Claim Deductions and Credits**

To claim any LAMBRA deduction or credit, attach a completed form FTB 3807 to your California tax return.

Attach a separate form FTB 3807 for each business you operate or invest in that is located within a LAMBRA. Also complete the following schedule and/or worksheets to report credits and deductions incurred:

- Corporations: Complete Schedule Z and all the worksheets, except for Worksheet III, Income or Loss Apportionment – LAMBRA, Section B.
- Sole proprietor: Complete Schedule Z and all the worksheets.
- Trusts, estates, and partnerships: Complete Schedule Z, Hiring Credit and Recapture - LAMBRA.
- Individuals investing less than 50% of LAMBRA credits: Complete Worksheet III, Section A.
- Individuals investing a pass-through: Complete Worksheet III, Section B and Schedule Z. All other investors complete Worksheet III, Section A and Schedule Z.
- Individuals receiving a pass-through: Complete Worksheet III, Section B and Worksheet IV. Calculation of NOL Carryover and Carryover Limitations - LAMBRA. All other investors complete Worksheet IV.

Schedule Z is on Side 2 of form FTB 3807.

**Note:** There is no Worksheet I for this booklet. Claim LAMBRA business tax incentives on the following tax returns:

- **Form 540 filers**: Form 540, lines 43 through 45, as applicable
- **Form 540NR filers**: Form 540NR, lines 58 through 60, as applicable
- **Form 100 filers**: Form 100, line 20, and lines 24 through 26, as applicable
- **Form 100S filers**: Form 100S, line 18, and lines 22 through 24, as applicable
For corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors, who operate a business in the LAMBRA, complete items A through I. Investors of pass-through entities, complete items A through D.

Principal Business Activity (PBA) Codes
The PBA codes are based on the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget. Use the PBA and NAICS codes in the chart listed on pages 19 through 21 to classify your business. Enter the PBA code of the business on form FTB 3807, Side 1.

Part I – Credits and Recapture
Line 1a – Hiring Credit
Note: All LAMBRA are repealed as of January 1, 2014.

For employers engaged in a trade or business in a repealed LAMBRA, the hiring credit can be taken for qualified employees hired on or before December 31, 2013, for the full 60-month period of the hiring credit. The hiring credit may not be taken for any employees hired on or after January 1, 2014. Hiring credits and carryovers may still be claimed to the extent of business income apportioned to the former repealed LAMBRA. The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first. Any hiring credits generated in the current taxable year for employees hired on or before December 31, 2013, and unusable in the current taxable year, may be carried over to the succeeding 10 taxable years.

Employers hiring qualified employees, were required to obtain VoucherCert 10-07 from the local agency responsible for verifying employee eligibility on or before December 31, 2014. No file VoucherCert 10-07 with your tax return. Keep the voucher for your records. For vouchering questions, go to hcd.ca.gov and search for vouchering.

Employers conducting a trade or business within a LAMBRA may claim the hiring credit for hiring a qualified disadvantaged individual or a qualified displaced employee.

Qualified Displaced Employee
A qualified displaced employee is an individual who meets all of the following:
- Was hired after the LAMBRA received its final designation.
- Performs at least 50% of the work for the qualified employer within the boundaries of the LAMBRA.
- Anyone who immediately before starting work for the employer was any of the following:
  1. A person who has been determined eligible for services under the federal Job Training Partnership Act (JTPA).
  2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN).
  3. An economically disadvantaged individual 16 years of age or older.
  4. A qualified dislocated worker.
  5. A person who is enrolled in or has completed a state rehabilitation plan.
  6. A service-connected disabled veteran.
  8. A person who has been determined disqualified under the LAMBRA.
  10. A person who is a recipient of any of the following:
      - Federal Supplemental Security Income (SSI) benefits.
      - Aid to Families with Dependent Children (AFDC).
      - Supplemental Nutrition Assistance Program (SNAP).
      - State and local general assistance.
  11. A Native American.

Qualified Disadvantaged Individual
A qualified disadvantaged individual is an individual who meets all of the following:
- Performed at least 50% of the work for the employer during the taxable year
- Spends at least 90% of work time for the qualified employer on activities directly related to the conduct of a trade or business located within the LAMBRA.
- Performs at least 50% of the work for the qualified employer within the boundaries of the LAMBRA.
- Anyone who immediately before starting work for the employer was any of the following:
  1. A person who has been determined eligible for services under the federal Job Training Partnership Act (JTPA).
  2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN).
  3. An economically disadvantaged individual 16 years of age or older.
  4. A qualified dislocated worker.
  5. A person who is enrolled in or has completed a state rehabilitation plan.
  6. A service-connected disabled veteran.
  8. A person who has been determined disqualified under the LAMBRA.
  10. A person who is a recipient of any of the following:
      - Federal Supplemental Security Income (SSI) benefits.
      - Aid to Families with Dependent Children (AFDC).
      - Supplemental Nutrition Assistance Program (SNAP).
      - State and local general assistance.
  11. A Native American.

Qualified Wages
Qualified wages means the wages paid or incurred by the employer during the taxable year to a qualified disadvantaged individual or a qualified displaced employee that does not exceed 150% of the minimum wage. The wages must be paid or incurred on or after the designation date.

Wages that qualify for the hiring credit are those wages paid to a qualified employee for the consecutive 60-month period beginning on the first date the employee commenced employment with the employer. For this purpose, commencement of employment or the hire date is the first day of employment for which the individual receives wages/compensation. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test. Qualified wages are the smaller of the following:
- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year.
- 150% of the minimum hourly wage established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the LAMBRA hiring credit. For any employer who employs 25 or fewer employees, the California minimum wage is $10.50 per hour from January 1, 2018 through December 31, 2018. For purposes of computing the EZ hiring credit, 150% of the minimum wage is $15.75 per hour. For more information in regard to the California minimum wage, see General Information.

For the example below, the minimum wage prior to July 1, 2014, was $8.00 per hour. For purposes of computing the LAMBRA hiring credit, 150% of the minimum wage was $12.00 per hour.

Example:
John Anderson was hired on January 1, 2013. John’s hourly rate for the first month was the minimum wage $8.00. At the beginning of the second month, his hourly rate increased to $8.50. In the third month, John’s hourly rate increased to $12.50. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or $12.00 per hour. The amount of qualified wages is computed as follows:

<table>
<thead>
<tr>
<th>Month(s)</th>
<th>Hours per month</th>
<th>Monthly rate allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>175</td>
<td>$ 8.00</td>
</tr>
<tr>
<td>2</td>
<td>170</td>
<td>$ 12.50</td>
</tr>
<tr>
<td>3</td>
<td>170</td>
<td>$ 12.00</td>
</tr>
</tbody>
</table>

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the LAMBRA. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.
Instructions for Worksheet IIA – Hiring Credit and Recapture

Section A – Credit Computation

Line 1, column (a) – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

Line 1, column (b) through column (f) – Enter in the appropriate column, the qualified wages paid or incurred during the taxable year to each qualified employee listed in column (a).

Line 2, column (b) through column (f) – Add the amount of qualified wages in each column.

Line 3, column (b) through column (f) – Multiply the total in each column of line 2 by the percentage in each column.

Line 5 – If you can claim the federal jobs tax credit from the Work Opportunity Tax Credit (WOTC) on your 2018 federal tax return then reduce the LAMBRA hiring credit by that amount. The reduction applies for those employees who are hired on or after January 1, 2010, and before August 31, 2011, (excluding unemployed veterans and disconnected youths as described in IRC Section 51(d)(14)).

No other California jobs tax credit may be claimed for the same wage expense paid to the employees shown in line 1, column (a).

Line 6 – For partnerships, enter the amount from line 6 on Form FTB 3807, Side 1, Part I, line 1a. Also, include the current year hiring credit amount on Forms 565 and 568, Schedule K, line 15f and the distributive share of the credit to partners and members on Schedule K-1, line 15f. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).

For corporations, individuals, estates, and trusts, enter the amount from line 6 on Schedule Z, as follows:

- Part II, line 8b, column (b) for corporations, individuals, estates, and trusts.
- Part III, line 10, column (b) for S corporations.
- Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Important: Affiliated corporations that received credits assigned under R&T Section 23663, do not enter the assigned credits received on this worksheet. Those credits are entered and tracked on Form FTB 3544A.

Credit Limitations

- The cumulative qualified wages used to compute the credit cannot exceed $2,000,000. The limit applies for each taxable year, regardless of the number of qualified disadvantaged individuals employed.
- The amount of hiring credit claimed may not exceed the amount of tax on LAMBRA business income in any year. Use Schedule Z to compute the credit limitation.

Section B – Credit Recapture

Line 1, column (a) – Enter the name of the terminated employee. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of credit recapture for each employee listed in column (a).

Line 2 – Enter the amount from line 2, column (b) on Form FTB 3807, Side 1, Part I, line 1b.

Also include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, Schedule J, line 5.
- Form 109, Schedule K, line 4.
- Form 540, line 63.
- Long Form 540NR, line 73.
- Form 541, line 37 and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first.

Businesses reduce any deduction for wages by the amount of this credit.

In the case where the business is qualified to take the LAMBRA hiring credit as well as another credit (e.g., EZ, MEA, or TTA hiring credit) for the same wage expense, the business may only claim one credit.

S corporations may claim only 1/3 of the LAMBRA hiring credit against the 1.5% entity-level tax (3.5% for financial S corporations.) S corporations can pass through 100% of the credit to their shareholders. S corporations reduce their wage deduction by 1/3 of the amount on Worksheet IIA, Section A, line 6 and on Form 1005S, line 7. In addition, the S corporation must make an adjustment for the entire amount of the credit on Schedule K (100S), line 1, column (c).

Example: In 2018, an S corporation qualified for a $3,000 LAMBRA hiring credit. The S corporation can claim a credit for $1,000 and reduce its wage deduction by $1,000 ($3,000 X 1/3) on Form 1005S, line 7. On Form 1005S, Schedule K, line 1, column (c), the S corporation would add $3,000 to the S corporation's ordinary income or loss to reflect the credit passed through to the shareholder(s).

For additional information about the treatment of credits for S corporations, see instructions for Schedule Z.

Line 1b – Hiring Credit Recapture

Employers recapture (add back to the tax liability) the amount of credit attributable to an employee’s wages if you terminate an employee at any time during the longer of the following:

- The first 270 days of employment (whether or not consecutive).
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees, recapture the amount of hiring credit attributable to the employee’s wages if both of the following apply:

- The employer terminates the employee before the completion of 270 days of employment.
- The 270 days is during the 60-month period beginning the day the employee commences employment with the employer.

A “day of employment” means any day the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

Employers add to the current year’s tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

The credit recapture does not apply if the termination of employment was any of the following:

- Voluntary on the part of the employee.
- In response to misconduct of the employee.
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to re-employ the individual).
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked.
- Due to a substantial reduction in the employer’s trade or business operations.

Record Keeping

Retain a copy of VoucherCert 10-07 and the documentation given to the vouchering agency. In addition, for each qualified employee, keep a schedule for the first 60 months of employment showing (at least) the following:

- Employee’s name.
- Date the employee was hired.
- Number of hours the employee worked for each month of employment.
- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage.
- Total qualified wages per month for each month of employment.
- Records of any other federal or state subsidies you may have received for hiring the qualified employee.
- Location of the employee’s job site and duties performed.
FTB 3807, Part I, Line 1c – Sales or Use Tax Credit Carryover

All LAMBRAs are repealed as of January 1, 2014. For taxable years beginning on or after January 1, 2014, taxpayers cannot generate any sales or use tax credit.

Credit Limitations

- A sales or use tax credit carryover may be claimed to the extent of business income apportioned to the former LAMBRAs. Use Schedule Z to compute the credit limitation.
- The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first.

For information about the treatment of credits for S corporations, see instructions for Schedule Z inside this booklet.

Part II – Portion of Business Attributable to the LAMBRA

LAMBRA business tax credits are limited to the tax on business income attributable to operations within the LAMBRA. LAMBRA deductions are limited to the business income attributable to operations within the LAMBRA. If the business is located within and outside a LAMBRAs in more than one LAMBRAs, the LAMBRAs apportionment factor and credit limitations are computed separately for each LAMBRAs.

Nonbusiness Income vs. Nonbusiness Income

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer’s regular trade or business operations. Nonbusiness income is all income other than business income. See Cal. Code Regs., tit. 18 section 25120 for further references and examples of nonbusiness income.

For corporations and entities doing business in and outside of the LAMBRAs, use Worksheet III, Section A to determine the LAMBRAs apportionment factor to determine the amount of business income attributable to the LAMBRAs.

Pass-through entities report to their shareholders, beneficiaries, partners, and members the following items:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the LAMBRAs.
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the LAMBRAs included in item 1.
3. The distributive (or pro-rata for S corporation) share of the LAMBRAs property and payroll to corporate partners, members, shareholders, beneficiaries.

Report these items as other information on Schedule K-1 (100S, 541, 565 or 568). For an individual, use Worksheet III, Section B to determine business income attributable to the LAMBRAs. Business income includes but is not limited to California business income or loss from federal Form 1040 (Schedule C, Profit or Loss from Business (Sole Proprietorship); Schedule C-EZ, Net

Worksheet IIA Hiring Credit and Recapture – LAMBRAs

Section A Credit Computation. You cannot take the LAMBRAs hiring credit and another credit for the same wage expense.

<table>
<thead>
<tr>
<th>Qualified wages paid or incurred for year of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Employee’s name</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
</tbody>
</table>

Section B Credit Recapture

<table>
<thead>
<tr>
<th>(a) Terminated employee’s name</th>
<th>(b) Recapture amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Total amount of credit recapture. Add the amounts in column (b). See instructions for where to report on your California tax return</td>
</tr>
</tbody>
</table>
Compensation Within the LAMBRA
Compensation is considered to be within the LAMBRA if any of the following conditions are met:
1. The employee services are performed within the geographical boundaries of the LAMBRA.
2. The employee services are performed within and outside the LAMBRA, but the services performed outside the LAMBRA are incidental to the employee services within the LAMBRA.
   Incidental means any temporary or transitory service performed in connection with an isolated transaction.
3. If employee services are performed within and outside the LAMBRA, employee compensation is attributed to the LAMBRA if any of the following items are met:
   A. The employee’s base of operations is within the LAMBRA.
   B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the LAMBRA.
   C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee’s residence is within the LAMBRA.
Base of operations is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or other persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

Corporations Filing a Combined Report
When determining the income attributable to the LAMBRA, the business income of each corporation doing business in the LAMBRA is the business income apportioned to California as determined under combined report mechanics. For more information on combined reports, get FTB Pub. 1061. Each corporation computes the income attributable to the LAMBRA by multiplying California business income by LAMBRA apportionment factor computed in Worksheet III, Section A. LAMBRA property and payroll factors used in the determination of LAMBRA business income includes only the taxpayer’s California amounts in the denominator.
Each corporation doing business in the LAMBRA computes the business income attributable to the LAMBRA according to their own apportioned California business income and interstate apportionment factors.

Example: Computation of LAMBRA business income apportioned to each entity operating within the LAMBRA
Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within the LAMBRA. The combined group operates within and outside California and apportions its income to California using Schedule R. Assume the combined group’s business income apportioned to California was $1,000,000 and Corporation A’s and B’s share of California business income is $228,000 and $250,000, respectively. Corporation A’s and B’s separate LAMBRA and separate California property and payroll factor amounts are shown below.
Business income apportioned to the LAMBRA was determined as follows:

<table>
<thead>
<tr>
<th>Property Factor</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAMBRA property</td>
<td>$1,000,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>California property</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Apportionment %</td>
<td>100%</td>
<td>66.66%</td>
</tr>
<tr>
<td>Payroll Factor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAMBRA payroll</td>
<td>$800,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>California payroll</td>
<td>$1,000,000</td>
<td></td>
</tr>
<tr>
<td>Apportionment %</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Average Apportionment % (Property + Payroll Factors)</td>
<td>73.33%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Apportioned Business Income</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAMBRA business income</td>
<td>$228,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>(Average Apportionment % X California Business Income)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instructions for Worksheet III – Income or Loss Apportionment
If the business operates solely within a single LAMBRA and all its property and payroll are solely within that single LAMBRA, enter 100% (1.00) on Section A, line 4, column (c). Do not complete the rest of Worksheet III.

Section A – Income Apportionment
Use Worksheet III, Section A, to determine the amount of business income apportioned to the LAMBRA. The apportioned LAMBRA business income determines the amount of the tax incentives that can be used. A taxpayer’s LAMBRA business income is its California business income multiplied by the specific LAMBRA apportionment percentage computed in Worksheet III, Section A.

Property Factor
When determining the income apportioned to the LAMBRA, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the LAMBRA during the taxable year to produce LAMBRA business income. See Worksheet III, Section A, column (b). The denominator of the property factor is the total average value of all the taxpayer’s real and tangible personal property.
business tax incentives, see the example below for computing business income in the LAMBRA.

<table>
<thead>
<tr>
<th>Pass-through entity</th>
<th>Trade or business income from Schedule K-1 (1040S, 541, 565, or 568)</th>
<th>Entity's LAMBRA apportionment percentage</th>
<th>LAMBRA apportioned income</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC, Inc.</td>
<td>$40,000</td>
<td>80%</td>
<td>$32,000</td>
</tr>
<tr>
<td>A, B, &amp; C</td>
<td>30,000</td>
<td>10%</td>
<td>3,000</td>
</tr>
<tr>
<td>ABC, LLC</td>
<td>10,000</td>
<td>50%</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$40,000</strong></td>
</tr>
</tbody>
</table>

**Part III – Taxpayer’s Trade or Business**

**Business Income or Loss**

Use business income or loss from federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the LAMBRA, enter the income or loss reported from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the LAMBRA, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

**Located Entirely Within California**

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section B, column (b).

When computing Schedule R, disregard any reference to Forms 100, 100S, 100W, 100X, 565, or 568. Also disregard any reference to Schedules R-3, Net Income (Loss) from the Rental of Nonbusiness Property; R-4, Gain (Loss) from the Sale of Nonbusiness Assets; or R-5, Computation of Interest Offset.

Residents complete a Schedule R in order to determine their California source business income for purposes of the LAMBRA credit computation.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside a LAMBRA and California, get Schedule R and complete Schedule R-1, Apportionment Formula. Multiply the gain or loss reported by the percentage on Schedule R-1, Part A, line 2 or Part B, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section B, column (b).

**Line 14:** If you are computing the LAMBRA business income and the result on Worksheet III, Section B, line 14, column (c) is a positive amount and:

- You have LAMBRA NOL carryovers, enter the amount on Worksheet IV, line 1 and line 6 (skip line 2 through line 5).
- You have LAMBRA credits or credit carryovers, enter the amount on Schedule Z, Part 1, line 1 and line 3 (skip line 2).

If the amount is negative, you do not have any business income attributable to the LAMBRA and you cannot utilize any LAMBRA NOL carryover, credit(s), or credit carryover(s) in the current taxable year.
Part III – Net Operating Loss (NOL) Carryover and Deduction

All LAMBRAs are repealed as of January 1, 2014. Taxpayers can no longer generate a LAMBRA NOL beginning on or after January 1, 2014. However, taxpayers can claim an NOL carryover deduction from prior years.

A business that operates or invests within a LAMBR that generated an NOL in a taxable year beginning before January 1, 2008, can carry the NOL forward 15 years. For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period to 20 taxable years following the year of the loss.

Financial institutions using the bad debt reserve method may carryover the loss for a maximum of five taxable years. In addition, up to 100% of the NOL generated in a LAMBR can be carried forward.

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

If corporations are required to be included in a combined report, the 2010 and 2011 NOL limitation amount of $300,000 or more shall apply to the aggregate amount of pre-apportioned income for all members included in the combined report.

Corporations use Form 100 or Form 100W, line 17, or Form 100S, line 14 less line 16, to determine net income after state adjustments (pre-apportioned income).

Individuals use the amount shown on your federal tax return for the same taxable year without regard to the federal NOL deduction (Form 540/540NR, line 13 plus the federal NOL deduction listed on Schedule CA (540/540NR) column C, line 21c).

For taxable years beginning in 2008 and 2009, California suspended the NOL carryover deduction. Taxpayers continued to compute and carryover NOL during the suspension period. However, corporations with taxable income or individuals with net business income of less than $500,000 or with disaster loss carryovers were not affected by the NOL suspension rules.

The carryover periods for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008 – 2011 suspensions, are extended by:
- One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
- Two years for losses incurred in taxable years beginning before January 1, 2010.
- Three years for losses incurred in taxable years beginning before January 1, 2009.
- Four years for losses incurred in taxable years beginning before January 1, 2008.

For more information, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations (Corporations), or form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations (Individuals).

For taxable years beginning in 2002 and 2003, California suspended the NOL carryover deduction. Taxpayers continued to carryover an NOL during the suspension period. The carryover period for suspended losses was extended by two years for losses incurred.

Worksheet III Income or Loss Apportionment – LAMBRA

<table>
<thead>
<tr>
<th>Section A – Income Apportionment</th>
<th>(a) Total within California</th>
<th>(b) Total within a LAMBRA</th>
<th>(c) Percentage within a LAMBRA column (b) ( \div ) column (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROPERTY FACTOR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delivery equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other tangible assets (attach schedule)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rented property used in the business. See instructions.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total property values</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PAYROLL FACTOR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Employees’ wages, salaries, commissions, and other compensation related to business income included in the return.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total payroll</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Total percentage, sum of the percentages in column (c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3807, Side 1, line 2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The average apportionment percentage shown on line 4 represents the portion of the taxpayer’s total business that is attributable to activities conducted within the LAMBR. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the LAMBR, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.
before January 1, 2002, and by one year for losses incurred on or after January 1, 2002, and before January 1, 2003. The deduction for disaster losses was not affected by the NOL suspension rules.

The business cannot generate NOLs from activities within the LAMBRA area before the first taxable year beginning on or after the date the LAMBRA is officially designated.

Limitation
A LAMBRA NOL carryover deduction can offset only business income attributable to operations within the LAMBRA.

Election
If you elected and designated the carryover category (general or specific, EZ, or LAMBRA NOL) on the original tax return for the year of a LAMBRA NOL deduction is being taken. The election is irrevocable.

If you elected the LAMBRA NOL deduction, you are prohibited by law from carrying over any other type of NOL, relating to LAMBRA activities, from this year.

Alternative Minimum Tax
Taxpayers claiming a LAMBRA NOL carryover deduction, determine your NOL for alternative minimum tax (AMT) purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for AMT purposes.

S Corporations
LAMBRA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a LAMBRA NOL incurred after the S election is made. An S corporation may use the NOL carryover as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

Combined Report
Corporations that are members of a unitary group filing a combined report, separately compute the loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors. Unlike the NOL treatment on a federal consolidated tax return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

Worksheet III  Income or Loss Apportionment – LAMBRA (continued)

Section B  Income or Loss Apportionment

Part I  Individual Income and Expense Items. See instructions.

<table>
<thead>
<tr>
<th></th>
<th>(a) Amount</th>
<th>(b) Percentage of time providing services in the LAMBRA</th>
<th>(c) Apportioned amount column (a) x column (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  Employee business expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  Total. Combine line 1, column (c) and line 2, column (c)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part II  Pass-Through Income or Loss. See instructions

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>(a) Distributive or pro-rata share of business income or loss apportioned to the LAMBRA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td></td>
</tr>
<tr>
<td>5  Total. Add line 4, column (b)</td>
<td></td>
</tr>
</tbody>
</table>

Part III  Taxpayer’s Trade or Business. See instructions.

<table>
<thead>
<tr>
<th></th>
<th>(a) Business income or loss</th>
<th>(b) Apportionment percentage for the LAMBRA</th>
<th>(c) Apportioned income or loss column (a) x column (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6  Schedule C or C-EZ</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7  Schedule E (Rentals)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8  Schedule F</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9  Other business income or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Total. Add line 6 through line 9, column (c)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>(a) Business gain or loss</th>
<th>(b) Apportionment percentage for the LAMBRA</th>
<th>(c) Apportioned gain or loss column (a) x column (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Schedule D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Schedule D-1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Total. Add line 11, column (c) and line 12, column (c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Total. Add line 3, line 10, and line 13, column (c), and line 5, column (b)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Water’s-Edge Taxpayer

R&TC Section 24416(c) imposes a limitation on the NOL deduction if the NOL is generated during a non-water’s-edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is determined by computing the income and factors of the original worldwide combined reporting group, as if the water’s-edge election had been in force for the year of the loss. R&TC Section 24416(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, not increased.

Instructions for Worksheet IV – Computation of NOL Carryover and Carryover Limitations

Individuals, exempt trusts, and corporations with current year income and prior year LAMBRA NOL carryover complete Worksheet IV.

A LAMBRA NOL carryover deduction can offset only business income attributable to operations within the LAMBRA. Use this worksheet to compute the LAMBRA NOL carryover deduction for individuals, exempt trusts, and corporations.

Line 1 – See Part II for a complete discussion of business and nonbusiness income.

Form 540 and Form 540NR filers:

Be sure to include casualty losses, disaster losses, and any business deductions reported on Schedule A as itemized deductions.

Exception: If you elected to claim part or all of your current year disaster loss under IRC Section 165(i)(1) on prior year’s return, do not include the amount of loss that was claimed in your current year business income for the LAMBRA.

Line 2 – In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number any net capital losses included in line 1.

Line 3 – Corporations reduce income by the disaster loss deduction and the deduction for excess net passive income.

Line 6 – This is your modified taxable income (MTI). Reduce this amount by your LAMBRA NOL carryover deduction. The LAMBRA NOL carryover deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, carry over the NOL to future years.

Line 7 – Enter the amount from line 6 in line 7, column (d). If this amount is zero or negative, transfer the amounts from line 8b through 8q, column (b) to column (e). Go to line 9.

Line 8a through 8q: Enter the amounts on line 8a through line 8q as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

Example:

<table>
<thead>
<tr>
<th>(b) Carryover from prior year</th>
<th>(c) Amount deducted this year</th>
<th>(d) Balance available to offset losses</th>
<th>(e) LAMBRA NOL carryover</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000</td>
<td>$500</td>
<td>4,500</td>
<td>$0</td>
</tr>
</tbody>
</table>

Line 9 – Total the amounts in column (b) and column (e). Enter the totals from column (b) and column (e) on form FTB 3807, Side 1, line 3a and line 3c, accordingly.

Your LAMBRA NOL carryover deduction for 2018 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 20
- Form 100S, line 18
- Form 100W, line 20
- Form 109, line 6
- Schedule CA (540), line 21e, column B
- Schedule CA (540NR), line 21e, column B

Schedule Z – Computation of Credit Limitations

Credit Limitations

The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to LAMBRA business income. The amount of tax attributable to the LAMBRA business income is computed in this schedule. For corporations and other entities doing business in the LAMBRA, the LAMBRA business income is computed in this schedule using the LAMBRA apportionment factor formula computed on Worksheet III, Section A. For individuals, the LAMBRA business income is computed on Worksheet III, Sections B. Use Schedule Z on form FTB 3807, Side 2 to compute this limitation.

Assignment of Credit

Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax liabilities. The eligible assignee shall be treated as if it originally generated the assigned credit. Any credit limitations or restrictions that applied to the assignor will also apply to the eligible assignee. The amount of LAMBRA credits you may claim on your California tax return is limited to the tax attributable to a specific LAMBRA. For zone credits assigned, the assignee must have a tax liability as a result of income generated in the same zone that the original credit was generated.

Other Limitations

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer’s regular tax computed with the income of the disregarded entity, and the taxpayer’s regular tax computed without the income of the disregarded entity. Partnerships allocate the credit among the partners according to the partner’s distributive share as determined in a written partnership agreement. See R&TC Section 17039(e)(2).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), the annual tax (partnerships, LLCs classified as partnerships, and QSub), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations). Refer to the credit instructions in your tax booklet for more information.

S Corporations and the Application of LAMBRA Credits

An S corporation may use its LAMBRA credits to reduce LAMBRA business tax both at the corporate and shareholder levels. An S corporation may use 1/3 of the LAMBRA credits to reduce the tax on the S corporation’s LAMBRA business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the LAMBRA credits computed under the Personal Income Tax Law.

Example: In 2018, an S corporation qualified for a $3,000 LAMBRA hiring credit. The S corporation will be able to use 1/3 of the credit ($3,000 X 1/3 = $1,000) to offset the tax on the corporation’s LAMBRA business income. The S corporation will also pass through a $3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on LAMBRA business income.

S corporations should attach form FTB 3807 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. Shareholders should attach Schedule(s) K-1 (100S), to their individual tax return.

Carryover

If the amount of hiring credit available this year exceeds your LAMBRA business tax, you may carry over any excess credit to future years. The portion of any hiring credit or sales or use tax credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first.

Apply the carryover to the earliest taxable year possible. In no event can the credit be carried back and applied against a prior year’s tax. Generally, the credit cannot be transferred to another taxpayer, unless:
### Worksheet IV  Computation of NOL Carryover and Carryover Limitations – LAMBRA. See instructions.

1. Enter the amount from Form 100, line 17 or Form 100W, line 17; Form 100S, combined amounts of line 14 and line 16; or Form 109, line 1 or line 4. Form 540 and Long Form 540NR filers, enter the total from Worksheet III, Section B, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Corporations which file a combined report, enter the taxpayer's business income assigned to California (see instructions Part II) ..................

2. a Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank ............................................

   b Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness losses included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank ............................................

   c Combine line 2a and line 2b ......................................

3. Form 100 and Form 100W filers: Enter the amount from Form 100 or Form 100W, line 21. Form 100S filers: Enter the total of the amounts from Form 100S, line 16 and line 19. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number ..................

4. Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6 ............

5. Enter the average apportionment percentage from Worksheet III, Section A, line 4 ........................

6. Modified taxable income. Multiply line 4 by line 5. See instructions .......................... 6

<table>
<thead>
<tr>
<th>(a) Description</th>
<th>(b) Carryover from prior year</th>
<th>(c) Amount deducted this year</th>
<th>(d) Balance available to offset losses</th>
<th>(e) LAMBRA NOL carryover to future years</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Modified taxable income from line 6 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8a</td>
<td>LAMBRA NOL carryover beginning in 1997 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8b</td>
<td>LAMBRA NOL carryover beginning in 1998 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8c</td>
<td>LAMBRA NOL carryover beginning in 1999 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8d</td>
<td>LAMBRA NOL carryover beginning in 2000 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8e</td>
<td>LAMBRA NOL carryover beginning in 2001 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8f</td>
<td>LAMBRA NOL carryover beginning in 2002 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8g</td>
<td>LAMBRA NOL carryover beginning in 2003 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8h</td>
<td>LAMBRA NOL carryover beginning in 2004 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8i</td>
<td>LAMBRA NOL carryover beginning in 2005 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8j</td>
<td>LAMBRA NOL carryover beginning in 2006 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8k</td>
<td>LAMBRA NOL carryover beginning in 2007 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8l</td>
<td>LAMBRA NOL carryover beginning in 2008 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8m</td>
<td>LAMBRA NOL carryover beginning in 2009 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8n</td>
<td>LAMBRA NOL carryover beginning in 2010 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8o</td>
<td>LAMBRA NOL carryover beginning in 2011 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8p</td>
<td>LAMBRA NOL carryover beginning in 2012 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8q</td>
<td>LAMBRA NOL carryover beginning in 2013 ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Total the amounts in columns (b), (c), and (e). See instructions ..........................</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Page 12  FTB 3807 Booklet 2018
There was a qualifying merger.

The credit qualifies under R & TC Section 23663 for assignment to an affiliated corporation. For additional information, get form FTB 3544, or form FTB 3544A.

For S corporations, the amount of the \( \frac{1}{3} \) of hiring credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the 1.5% entity-level tax (3.5% for financial S corporations). See the instructions for Schedule Z, Part III for more information.

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to \( \frac{1}{3} \) and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. For more information, get Schedule C (100S), S Corporation Tax Credits.

Credit Code
Use credit code 198 to claim the LABRA hiring credit and sales or use tax credit carryover. Using an incorrect code may cause a delay in allowing the credit(s).

Instructions for Schedule Z – Computation of Credit Limitations

Reporting Requirements of S Corporations, Estates, Trusts, and Partnerships

- Partnerships and LLCs treated as partnerships do not complete Schedule Z. However, the partners and members of these types of entities should compute their LABRA income from all sources by completing the Schedule Z to determine the amount of LABRA credits that they may claim on their California tax returns. For individual partners, report the distributive share of all the business income apportioned to the LABRA. For corporate partners, report the distributive share of the LABRA property and payroll. Report these items as other information on Schedule K-1 (565).
- S corporations and their shareholders complete Schedule Z.
- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, loss, and deductions apportioned to the LABRA.
- Separately state the distributive or pro-rata share of any business capital gains and losses apportioned to the LABRA included in the amount above.

S Corporations
Complete Part I and Part III of Schedule Z if the S corporation’s tax before credits is more than the minimum franchise tax.

Corporations and S Corporations subject to the minimum franchise tax only
Complete only Part IV of Schedule Z.

All others: Complete Part I and Part II of Schedule Z.

Part I – Computation of Credit Limitations
For filers with NOL carryovers:
- Complete Worksheet IV first if you have an NOL carryover.
- Then complete Schedule Z if you have any LABRA credits.

If you do not have any NOL carryovers:
- Individuals: Go to Worksheet III, Section B. Follow the worksheet instructions. Enter the amount from Worksheet III, Section B, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 on the next page.

Only business income is apportioned to the LABRA to determine the incentive limitation. Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. See Cal Code Regs., tit 18 section 25120 for further references and examples of nonbusiness income.

For corporations filing a combined report, the business income of each corporation doing business in the LABRA is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub. 1061 for more information on combined reports and entity income apportionment.

Line 1 – Enter all trade or business income. See Part II for the definition of trade or business income.

Line 2 – If your business is located entirely within the LABRA, enter 1.
This percentage is the apportionment percentage computed by the entity using Worksheet III, Section A, and represents the percentage of the entity’s business income attributable to the LABRA.

Line 6a – Compute the tax as if the LABRA taxable income represented all of your taxable income.

Individuals
Use the tax table or tax rate schedule in your tax booklet for your filing status.

Exempt organizations
Use the applicable tax rate in your tax booklet.

Corporations and S Corporations
Use the applicable tax rate. If the amount on line 6a is the minimum franchise tax ($800), you cannot use your LABRA credit carryovers this year. You should complete Part IV of Schedule Z to figure the amount to carryover.

Example: Determination of LABRA Business Income for Shareholders, Partners, or Members of Pass-Through Entities
John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one within the LABRA and one outside the LABRA. Eighty percent (80%) of the corporation’s business is attributable to the LABRA.

This percentage was determined by ABC, Inc. using Worksheet III, Section A, when ABC’s California S corporation tax return (Form 100S) was prepared. John divides his time equally (50/50) between the two offices of ABC, Inc.

Jackie Anderson (John’s spouse/RDP) works for ABC, Inc. at its office located within the LABRA.

John and Jackie Anderson have the following items of California income and expense for the 2018 taxable year:

John's salary from ABC, Inc. ............. $100,000
Jackie's salary from ABC, Inc. .......... 75,000
Interest on savings account ............. 1,000
Dividends .................................. 3,000
Schedule K-1 (100S) from ABC, Inc.:
- Ordinary income ..................... 40,000

John’s unreimbursed employee expenses from federal Schedule A . . (2,000)

The Anderson’s LABRA business income (total amount to be reported on line 3) is computed as follows:

John’s LABRA salary
($100,000 x 50%) ....................... $50,000
Jackie’s LABRA salary
($75,000 x 100%) ....................... 75,000
Pass-through ordinary income from ABC, Inc. ($40,000 x 80%) .... 32,000
John’s unreimbursed employee business expenses
(2,000 x 50%) .......................... (1,000)
Total LABRA business income
(Schedule Z, Part I, line 3) ............. $156,000

The standard deduction and personal or dependency exemptions are not included in the computation of LABRA business income since they are not related to trade or business activities.

John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total LABRA business income of $156,000 (as if it represents all of their income).

Line 6b – Corporations and S corporations
If the amount on line 6b is the minimum franchise tax ($800), the corporation cannot use its LABRA credits this year. The corporation should complete Part IV of Schedule Z to compute the amount of credit carryover.
Part II – Limitation of Credits for Corporations, Individuals, Estates, and Trusts

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust.

Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV of the Schedule Z.

Individuals that received a Schedule K-1, complete Schedule Z, Part II, using the information from the Schedule K-1.

Line 8A, column (f) – Enter the amount from line 7. This is the amount of limitation based on LAMBRA business income.

Line 8A, column (g) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (f) or the amount computed on line 8B, column (e). Enter this amount on form FTB 3807, Side 1, line 1c.

Line 8B, column (b) – Enter the amount of the current year credit that was computed on Worksheet IIA, Section A, line 6. Individuals enter the current year hiring credit from the Schedule K-1.

Line 8B, column (c) – Enter the amount of the total prior year carryover of the credit. This is the amount of credit that was previously computed on Worksheet IIA, Section A in the prior year, minus the amount that was allowed to be taken on the prior year return.

Line 8B, column (d) – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

Line 8B, column (e) – Subtract the amount of the total credit assigned on line 8B, column (d), if any, from the amount of the total prior year carryover on line 9B, column (c).

Line 8B, column (f) – Compare the amounts on line 9A, column (f) and line 8A, column (g). Enter the smaller amount.

Line 9A, column (g) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (f) or the amount computed on line 9B, column (e). Enter this amount on form FTB 3807, Side 1, line 1c.

Line 9B, column (c) – Enter the amount of the total prior year credit carryover from prior year Schedule Z, Part II, line 9B, column (h).

Line 9B, column (d) – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

Line 9B, column (e) – Subtract the amount of the total credit assigned on line 9B, column (d), if any, from the amount of the total prior year carryover on line 9B, column (c).

Line 9B, column (f) – Compare the amounts on line 9A, column (f) and line 9A, column (g). Enter the smaller amount.

Line 9B, column (h) – Subtract the amount on line 9B, column (f) from the amount on line 9B, column (e). Enter the result on line 9B, column (h). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on LAMBRA business income.

Part III – Limitation of Credits for S Corporations Only

Use Part III of Schedule Z only if you are an S corporation. Adjust Schedule C (100S) to reflect the LAMBRA business tax limitation (Part I, line 7) after completing this worksheet.

Line 10, column (b) – Enter the amount of the current year credit that was computed on Worksheet IIA in column (b) for line 10. Also include this amount on Form 100S, Side 6, Schedule K, line 13d.

Line 10, column (c) – Multiply the amount on line 10, column (b) by 1/3. Enter the result in column (c). The amount in column (c) is the maximum amount of the current year credit that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations). Also include this amount on Schedule C, Form 100S.

Line 10, column (d) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on the prior year Worksheet IIA, minus the amount that was allowed to be taken on the prior year return.

Line 12 and Line 13, column (d) – Enter the amounts in column (d), if any, for line 12 and line 13, then subtract the amounts in column (d), if any, for line 12 and line 13. These are the amounts of credits that can be carried over to future years.
Example: Part II

Assume the ABC Business has $8,000 of tax. The business computed a credit limitation based on LAMBRA business income of $7,000 on Schedule Z, line 7. The business has the following credits:

- Hiring credit: $500
- Sales or use tax credit carryover: $9,000

Schedule Z, Part II would be computed as follows:

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See Instructions.

<table>
<thead>
<tr>
<th>(a) Credit name</th>
<th>(b) Credit amount</th>
<th>(c) Total prior year carryover</th>
<th>(d) Total credit assigned from form FTB 3544, col. (g)</th>
<th>(e) Total credit sum of col. (b) plus col. (c), minus col. (d)</th>
<th>(f) Limitation based on LAMBRA business income</th>
<th>(g) Credit used on Sch. P Can never be greater than col. (e) or col. (f)</th>
<th>(h) Total credit carryover col. (e) minus col. (f)</th>
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<td><strong>9 Sales or use tax credit</strong></td>
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This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. These principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget.
Code
Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants
541213 Tax Preparation Services
541214 Payroll Services
541219 Other Accounting Services
Architectural, Engineering, and Related Services 541310 Architectural Services
541320 Landscape Architecture Services
541330 Engineering Services
541340 Drafting Services
541350 Building Inspection Services
541360 Geophysical Surveying & Mapping Services
541370 Surveying & Mapping (except Geophysical) Services
541380 Testing Laboratories
Specialized Design Services 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)
Computer Systems Design and Related Services 541511 Custom Computer Programming Services
541512 Computer Systems Design Services
541513 Computer Facilities Management Services
541519 Other Computer Related Services
Other Professional, Scientific, and Technical Services 541600 Management, Scientific, & Technical Consulting Services
541700 Scientific Research & Development Services
541800 Advertising & Related Services
541910 Marketing Research & Public Opinion Polling
541920 Photographic Services
541930 Translation & Interpretation Services
541940 Veterinary Services
541990 All Other Professional, Scientific, & Technical Services
Management of Companies (Holding Companies) 551111 Offices of Bank Holding Companies
551112 Offices of Other Holding Companies
Administrative and Support and Waste Management and Remediation Services Administrative and Support Services 561110 Office Administrative Services
561210 Facilities Support Services
561300 Employment Services
561410 Document Preparation Services
561420 Telephone Call Centers
561430 Business Service Centers (including private mail centers & copy shops)
561440 Collection Agencies
561450 Credit Bureaus
561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)
Code
561500 Travel Arrangement & Reservation Services
561600 Investigation & Security Services
561710 Exterminating & Pest Control Services
561720 Janitorial Services
561730 Landscaping Services
561740 Carpet & Upholstery Cleaning Services
561790 Other Services to Buildings & Dwellings
561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)
Waste Management and Remediation Services 562000 Waste Management & Remediation Services
Educational Services 611000 Educational Services (including schools, colleges, & universities)
Health Care and Social Assistance
Offices of Physicians and Dentists 621111 Offices of Physicians (except mental health specialists)
621112 Offices of Physicians, Mental Health Specialists
621210 Offices of Dentists
Offices of Other Health Practitioners 621310 Offices of Chiropractors
621320 Offices of Optometrists
621330 Offices of Mental Health Practitioners (except Physicians)
621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists
621391 Offices of Podiatrists
621399 Offices of All Other Miscellaneous Health Practitioners
Outpatient Care Centers 621410 Family Planning Centers
621420 Outpatient Mental Health & Substance Abuse Centers
621491 HMO Medical Centers
621492 Kidney Dialysis Centers
621493 Freestanding Ambulatory Surgical & Emergency Centers
621498 All Other Outpatient Care Centers
Medical and Diagnostic Laboratories 621510 Medical & Diagnostic Laboratories
Home Health Care Services 621610 Home Health Care Services
Other Ambulatory Health Care Services 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)
Hospitals 622000 Hospitals
Nursing and Residential Care Facilities 623000 Nursing & Residential Care Facilities
Social Assistance 624100 Individual & Family Services
624200 Community Food & Housing, & Emergency & Other Relief Services
624310 Vocational Rehabilitation Services
624410 Child Day Care Services
Arts, Entertainment, and Recreation Performing Arts, Spectator Sports, and Related Industries 711100 Performing Arts Companies
711210 Spectator Sports (including sports clubs & racetracks)
711300 Promoters of Performing Arts, Sports, & Similar Events
711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures
711510 Independent Artists, Writers, & Performers
Museums, Historical Sites, and Similar Institutions 712100 Museums, Historical Sites, & Similar Institutions
Amusement, Gambling, and Recreation Industries 713100 Amusement Parks & Arcades
713200 Gambling Industries
713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)
Accommodation and Food Services Accommodation 721100 Hotels (except Casino Hotels) & Motels
721120 Casino Hotels
721191 Bed & Breakfast Inns
721199 All Other Traveler Accommodation
721210 RV (Recreational Vehicle) Parks & Recreational Camps
721310 Rooming & Boarding Houses, Dormitories, & Workers' Camps
Food Services and Drinking Places 722300 Special Food Services (including food service contractors & caterers)
722410 Drinking Places (Alcoholic Beverages)
722511 Full-Service Restaurants
722513 Limited-Service Restaurants
722514 Cafeterias and Buffets
722515 Snack and Non-alcoholic Beverage Bars
Other Services Repair and Maintenance 811110 Automotive Mechanical & Electrical Repair & Maintenance
811120 Automotive Body, Paint, Interior, & Glass Repair
811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)
811210 Electronic & Precision Equipment Repair & Maintenance
811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance
811410 Home & Garden Equipment & Appliance Repair & Maintenance
811420 Reupholstery & Furniture Repair
811430 Footwear & Leather Goods Repair
811490 Other Personal & Household Goods Repair & Maintenance
Personal and Laundry Services 812111 Barber Shops
812112 Beauty Salons
812113 Nail Salons
812190 Other Personal Care Services (including diet & weight reducing centers)
812210 Funeral Homes & Funeral Services
812220 Cemeteries & Crematories
812310 Coin-Operated Laundries & Drycleaners
812320 Drycleaning & Laundry Services (except Coin-Operated)
812330 Linen & Uniform Supply
812910 Pet Care (except Veterinary) Services
812920 Photofinishing
812930 Parking Lots & Garages
812950 All Other Personal Services
Religious, Grantmaking, Civic, Professional, and Similar Organizations 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)
How to Get California Tax Information

Your Rights as a Taxpayer
Our goal at the FTB 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 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 FTB on whether a particular transaction is taxable. See “Where to Get Tax Forms and Publications” below.

Where to Get Tax Forms and Publications

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

Access other state agencies’ websites at ca.gov.

By phone – To order current year California tax forms and publications, call our automated phone service. Refer to the list in your tax booklet and find the code for the form you want to order. Call 800.338.0505 and follow the recorded instructions. Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

In person – Many post offices and libraries provide free California personal income tax booklets during the filing season.

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

By mail – Write to:
TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Letters
If you write to us, be sure your letter includes your federal employer identification number (FEIN), California Secretary of State (SOS) file number, California corporation number, social security number (SSN) or individual taxpayer identification number (ITIN), your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:
CORRESPONDENCE, ANALYSIS, SUPPORT AND EDUCATION SECTION
MS F-283
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information. Do not attach correspondence to your tax return unless the correspondence relates to an item on your tax return.

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

Website: ftb.ca.gov
Telephone: 800.852.5711
from within the United States
916.845.6500
from outside the United States
TTY/TDD: 800.822.6268
for persons with hearing or speech disability
711 or 800.735.2929
California relay service

Asistencia Por Internet y Teléfono
Asistencia telefónica está disponible durante todo el año desde las 7 a.m. hasta las 5 p.m. de lunes a viernes, excepto días feriados. Las horas están sujetas a cambios.

Sitio web: ftb.ca.gov
Teléfono: 800.852.5711
dentro de los Estados Unidos
916.845.6500
fuera de los Estados Unidos
TTY/TDD: 800.822.6268
para personas con discapacidades auditivas o del habla
711 ó 800.735.2929
servicio de relevo de California

LAMBRA Contact Information
For business eligibility or zone related information, including questions regarding LAMBRA geographic boundaries and vouchering, contact the HCD or the local zone program manager in which the business is located. Go to hcd.ca.gov and search for directory of zone contacts to find Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, contact the HCD at:

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
ENTERPRISE ZONE PROGRAMS
2020 WEST EL CAMINO AVENUE SUITE 650
SACRAMENTO, CA 95833

Mailing address
PO BOX 952054
SACRAMENTO CA 94252-2054

Website: hcd.ca.gov
Telephone: 916.274-0575
Fax: 916.263.2764

or for tax-specific information contact:
FRANCHISE TAX BOARD
Website: ftb.ca.gov
Telephone: 916.845.3464

(Keep This Page For Future Use)