

# 2018 S Corporation Capital Gains and Losses and Built-In Gains

## D (100S)

Attach to Form 100S.

Corporation name	California corporation number
------------------	-------------------------------

**SECTION A – 8.84% Tax on Built-In Gains**

**Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less.** Use additional sheets if necessary.

(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) col. (d) less col. (e)	
<b>1</b>						
2 Short-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions					<b>2</b>	00
3 a Net short-term capital gain (loss). Combine line 1, column (f) and line 2					<b>3a</b>	00
b Tax on short-term capital gain(s) included on line 12 below					<b>3b</b>	00
c Subtract line 3b from line 3a. Enter here and on Form 100S, Schedule K, column (d), line 7 or line 10b					<b>3c</b>	00

**Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year.** Use additional sheets if necessary.

<b>4</b>						
5 Long-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions					<b>5</b>	00
6 a Net long-term capital gain (loss). Combine line 4, column (f) and line 5					<b>6a</b>	00
b Tax on long-term capital gain(s) included on line 12 below					<b>6b</b>	00
c Subtract line 6b from line 6a. Enter here and on Form 100S, Schedule K, column (d), line 8 or line 10b					<b>6c</b>	00

**Part III Tax on Built-In Gains.** See instructions before completing this part.

7 Excess of recognized built-in gains over recognized built-in losses attributable to California. Attach computation schedule	<b>7</b>	00
8 Taxable income. Get the instructions for federal Schedule D (Form 1120S). Use California amounts	<b>8</b>	00
9 Enter the smaller of line 7, line 8, or computed amount. See instructions	<b>9</b>	00
10 Net operating loss (NOL) carryover deduction from years the corporation was a C corporation. See instructions	<b>10</b>	00
11 Subtract line 10 from line 9. If zero or less, enter -0- here and on line 12	<b>11</b>	00
12 Tax on built-in gains. Multiply line 11 by 8.84% (financial S corps. must use 10.84%). Enter here and on Form 100S, Side 2, line 27	<b>12</b>	00

**Part IV Net Capital Gains (Losses)**

13 Combine amounts on Part I, line 3a and Part II, line 6a. Enter here and on Form 100S, Side 1, line 4	<b>13</b>	00
---	-----------	----

**SECTION B – 1.5% Tax on Capital Gains**

**Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less.** Use additional sheets if necessary.

(a) Description of property (Example: 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) col. (d) less col. (e)	
<b>1</b>						
2 a Short-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions					<b>2a</b>	00
b Combine line 1, column (f) and line 2a. Enter here and on Form 100S, Schedule K, column (d), line 7 or line 10b					<b>2b</b>	00
c Unused capital loss carryover from 2017 attributable to the S corporation					<b>2c</b>	00
3 Net short-term capital gain (loss). Combine line 2b and line 2c					<b>3</b>	00

**Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year.** Use additional sheets if necessary.

<b>4</b>						
5 Enter gain from Schedule D-1, line 9 and/or any capital gain distributions					<b>5</b>	00
6 Long-term capital gain from form FTB 3805E, line 26 or line 37 and federal Form 8824. See instructions					<b>6</b>	00
7 Net long-term capital gain (loss). Combine line 4, column (f) through line 6. Enter here and on Form 100S, Schedule K, column (d), line 8 or line 10b					<b>7</b>	00
8 Enter excess of net short-term capital gain Section B, Part I, line 3 over net long-term capital loss Section B, Part II, line 7					<b>8</b>	00
9 Net capital gain. Enter excess of net long-term capital gain (line 7) over net short-term capital loss (line 3)					<b>9</b>	00
10 Total line 8 and line 9. If line 10 is a gain, enter here and on Form 100S, Side 1, line 4. If line 10 is a loss, carry forward losses to taxable year 2019					<b>10</b>	00

# 2018 Instructions for Schedule D (100S)

## S Corporation Capital Gains and Losses and Built-In Gains

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

### What's New

The Tax Cuts and Jobs Act (TCJA), signed into law on December 22, 2017, made changes to the Internal Revenue Code (IRC). California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. In general, the California Revenue and Taxation Code **does not** conform to the following changes:

**Capital Assets** – The IRC 1221 exclusion of a patent, invention, model or design (whether or not patented), and secret formula or process that is held by the taxpayer who created the property (and other certain taxpayers) from the definition of a capital asset.

**Like Kind Exchanges** – The amendment to IRC Section 1031, which limits like-kind exchanges to real property that is not primarily held for sale, and excludes exchanges of personal property and intangible property as qualifying for nonrecognition of gain or loss.

**Qualified Opportunity Zone Funds** – The establishment of qualified opportunity zones and the temporary deferral of inclusion in gross income for capital gains reinvested in a qualified opportunity fund and the permanent exclusion of capital gains from the sale or exchange of an investment in the qualified opportunity fund, as defined in IRC Sections 1400Z-1 and 1400Z-2. California has no similar provisions.

### Important Information

The alternative withholding rates for the sale of California real property is 13.8% for S corporations or 15.8% for financial S corporations.

Buyers are required to withhold on each installment sale payment if the sale of California real property is structured as an installment sale.

### General Information

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

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

### Purpose

Schedule D (100S), S Corporation Capital Gains and Losses and Built-In Gains, is divided into Section A and Section B. Use Section A to report all built-in gains subject to the 8.84% tax rate (10.84% for financial S corporations). Use Section B to report all

other capital gains subject to the 1.5% tax rate (3.5% for financial S corporations).

### Specific Line Instructions

#### Section A – 8.84% Tax on Built-In Gains

Use Section A, Part I and Part II to report and summarize gains and losses attributable to: (1) sale or exchange of capital assets; and (2) gains on distributions to shareholders of appreciated assets that are capital assets. Be sure to use the California basis for all assets when computing the gain or loss. Get the instructions for federal Schedule D (Form 1120S), Capital Gains and Losses and Built-In Gains, for more information.

#### Part I – Short-Term Capital Gains and Losses - Assets Held One Year or Less and Part II – Long-Term Capital Gains and Losses - Assets Held More Than One Year

##### Line 1 and Line 4

Report short-term or long-term capital gains or losses from form FTB 3725, Assets Transferred from Corporation to Insurance Company, on Schedule D (100S). Make sure to enter on Schedule D (100S), line 1 and/or line 4, under column (a) Description of property: **"FTB 3725."** Enter the amount of short-term or long-term capital gains (losses) from form FTB 3725, on Schedule D (100S), line 1, column (f), and/or line 4, column (f).

##### Line 2 and Line 5

Use California amounts when figuring the amount to enter for short or long-term capital gains or losses from like-kind exchanges from federal Form 8824, Like Kind Exchanges. Attach form FTB 3805E, Installment Sale Income, and/or federal Form 8824 to Schedule D (100S).

#### Part III – Tax on Built-In Gains

When determining the built-in gains tax, C corporations that were required to convert to S corporations for California purposes are deemed to have elected S corporation status on the effective date of their federal election regardless of the effective date for state purposes.

The recognition period for built-in gains under California law is 10 years.

##### Line 7

To determine if the S corporation is subject to tax on built-in gains, see General Information J, Built-In Gains, in the Form 100S Booklet, and get the instructions for federal Schedule D (Form 1120S).

##### Apportioning Corporations Only:

All recognized built-in gains and all recognized built-in losses must be apportioned and allocated to California according to the current year's Schedule R and included on line 7.

##### Line 9

Compute the California net unrealized built-in gain reduced by the California net recognized built-in gain from prior years if the S corporation:

- Filed its election to be an S corporation after 1986.
- Was a C corporation before it elected to be an S corporation, or acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation.

- Had a California net unrealized built-in gain as defined in IRC Section 1374(d)(1), that was in excess of the California net recognized built-in gain from prior years.

On line 9, enter the smaller of line 7, line 8, or the amount computed above.

##### Line 10

See form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, in the Form 100S Booklet, for more information.

#### Section B – 1.5% Tax on Capital Gains

Use Section B, Part I and Part II to report the sale or disposition of all capital assets acquired as an S corporation or which are not reported in Section A. For more information, get the instructions for federal Schedule D (Form 1120S).

##### Property Subject to IRC Section 179 Recapture:

Gain on property subject to the IRC Section 179 expense deduction recapture must be included in the taxable income of the S corporation. To accomplish this, the S corporation should complete **two sets** of Schedule D-1, Sales of Business Property, and Schedule D (100S). One set of Schedule D-1 and Schedule D (100S) will include the gain or loss from the sale or disposition of IRC Section 179 assets as well as gain or loss from non-IRC Section 179 business assets, and will be reported on the Form 100S. Indicate at the top of this Schedule D-1 and Schedule D (100S) "IRC Section 179 and Business Assets." When completing Schedule D-1 and Schedule D (100S) for the Form 100S, skip any instructions to report the gain or loss on Form 100S, Schedule K, S Corporation Shareholder's Shares of Income, Deductions, Credits, etc. or Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc. Transfer the gain amount to Form 100S, Side 1, line 4.

The second set of Schedule D-1 and Schedule D (100S) is to report the gain or loss on non-IRC Section 179 business assets for use on the Schedule K and Schedule K-1. To accomplish this, the S corporation should complete a Schedule D-1 and Schedule D (100S) with the gain or loss for the non-IRC Section 179 business assets only. The amounts from this Schedule D-1 and Schedule D (100S) will be reported on the Schedule K and Schedule K-1 (100S). Indicate at the top of this Schedule D-1 and Schedule D (100S) set "Non-IRC Section 179 Business Assets Only."

#### Part I – Short-Term Capital Gains and Losses – Assets Held One Year or Less

##### Line 1

Enter short-term capital gains or losses from form FTB 3725 on Schedule D (100S), line 1, column (f). Make sure to enter on Schedule D (100S), line 1, under column (a) Description of property: **"FTB 3725."**

#### Part II – Long-Term Capital Gains and Losses – Assets Held More Than One Year

##### Line 4

Enter long-term capital gains or losses from form FTB 3725 on Schedule D (100S), line 4, column (f). Make sure to enter on Schedule D (100S), line 4, under column (a) Description of property: **"FTB 3725."**