must assume that State income taxes are deductible from Federal income taxes. For example, if the Federal tax rate was 35 percent and the State tax rate was 5 percent, the combined tax rate would be \(35\% \times (1-0.05)\% + 5\% = 38.25\%\).

(4) For purposes of this paragraph (b), the “State income tax” is that of the State where your principal place of business is located, and does not include any local income taxes.

(c) SBA's share of the tax Distribution.
(1) SBA's percentage share of the tax Distribution is equal to the Profit Participation Rate computed under §107.1530.
(2) SBA may direct you to pay its share of the tax Distribution to its designated agent or Trustee.
(3) SBA will apply its share of the tax Distribution in the order set forth in §107.1560(g).

(d) Paying a tax Distribution. You may make an annual tax Distribution on the first or second Payment Date following the end of your fiscal year. You may make a quarterly tax Distribution on the first Payment Date following the end of the calendar quarter for which the Distribution is being made. See also §107.1575(a).

(e) Excess tax Distributions. (1) As of the end of your fiscal year, you must determine whether you made any excess tax Distributions for the year in accordance with paragraph (e)(2) of this section. Any tax Distributions that you make for a subsequent period must be reduced by the excess amount distributed.
(2) Determine your excess tax Distributions by adding together all your quarterly tax Distributions for the year (ignoring any required reductions for excess tax Distributions made in prior years), and subtracting the maximum tax Distribution that you would have been permitted to make based upon a single computation performed for the entire fiscal year. The result, if greater than zero, is your excess tax Distribution for the year.

§ 107.1560 Distributions by Licensee—required Distributions to private investors and SBA.

You must make Distributions under this §107.1560 if you have outstanding Participating Securities or Earmarked Assets and you satisfy the conditions in paragraph (a) of this section. Distributions under this section are determined as of the end of each fiscal year. You must notify SBA of any planned distribution under this section 10 business days before the distribution date, unless SBA permits otherwise.

(a) Conditions for making Distributions. Distributions under this section are subject to the following conditions:
(1) You must have paid all Prioritized Payments, Adjustments and Charges, so that the balance in both your Distribution Account and your Accumulation Account is zero (see §§107.1530 and 107.1540).
(2) You must have made any permitted tax Distribution that you choose to make under §107.1550.
(3) You must satisfy the liquidity requirement in §107.1505.
(4) The amount you distribute under this section must not exceed your remaining Retained Earnings Available for Distribution.

(b) Total amount you must distribute. Unless SBA permits otherwise, the total amount you must distribute equals the result (if greater than zero) of the following computation:
(1) Your Retained Earnings Available for Distribution as of the end of your fiscal year, after giving effect to any Distribution under §§107.1540 and 107.1550; minus
(2) All previous Distributions under this section and §107.1570(a) that were applied as redemptions or repayments of Leverage; plus
(3) All previous Distributions under §107.1570(b) that reduced your Retained Earnings Available for Distribution.

(c) When you must make Distributions. You must make the required Distributions on either the first or second Payment Date following the end of your fiscal year.

(d) Effect of Distributions on Retained Earnings Available for Distribution. Distributions under this §107.1560 have the following effect on your Retained Earnings Available for Distribution:
§ 107.1570 Distributions by Licensee—optional Distribution to private investors and SBA.

If you have outstanding Participating Securities or Earmarked Assets, you may make two types of optional Distributions under this §107.1570: quarterly Distributions determined the same way as the required annual Distributions in §107.1560, and Distributions allocated between SBA and your private investors in proportion to the capital contributions of each. You must notify SBA of any planned distribution under this section 10 business days before the distribution date, unless SBA permits otherwise.

(a) Quarterly Distributions subject to conditions in §107.1560. (1) You may make Distributions under this paragraph (a) as of the end of any fiscal quarter, giving SBA (or its designated agent or Trustee) a percentage share determined under §107.1560(e).

(2) Such Distributions are subject to all the provisions in §107.1560 (a)(1), (a)(3), (a)(4), (d), (f)(2), and (g).

(3) You may make such Distributions only on the next Payment Date following the end of your fiscal quarter.

(4) The total amount of such Distributions may not exceed the result of the following computation:

(i) Your Retained Earnings Available for Distribution as of the end of your fiscal quarter; minus