

2023 Instructions for Schedule J (541)

Trust Allocation of an Accumulation Distribution

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).

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 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), California Adjustments – Residents, or Schedule CA (540NR), California Adjustments – Nonresidents or Part – Year Residents, 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.

California has conformed to federal provisions of the Taxpayer Relief Act of 1997 repealing the throwback rules for certain domestic trusts. However, if the trust did not pay tax on the beneficiary's interest because the beneficiary was contingent, the income that would have been taxed is included by the beneficiary in the year it is distributable or distributed; see R&TC Section 17745(b).

Purpose

File Schedule J (541), Trust Allocation of an Accumulation Distribution, with Form 541, California Fiduciary Income Tax Return, to report an accumulation distribution by domestic complex trusts and certain foreign trusts.

Specific Line Instructions

Part I – Accumulation Distribution

R&TC Section 17779 specifically excludes from conformity IRC Section 665. Therefore, California law does not conform to federal law to exempt from taxation those accumulations occurring prior to a beneficiary turning age 21. For multiple trusts exceptions, see IRC Sections 665 and 667(c). The trustee reports the total amount of the accumulation distribution.

Part II – Ordinary Income Accumulation Distribution

You must complete Part III before completing this part.

Line 6 – Distributable net income

Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969-1978	Form 541, Schedule H, line 5
1979	Form 541, Part D, line 5
1980	Form 541, line 55
1981-1984	Form 541, line 57
1985-1986	Form 541, Schedule 3, line 11
1987	Form 541, Schedule 3, line 9
1988-1998	Form 541, Schedule B, line 8
1999-2022	Form 541, Schedule B, line 7

Line 7 – Distributions

Enter the applicable amounts for distributions made during earlier years as follows:

Throwback Year(s):	Amount From:
1969-1978	Form 541, Schedule I, line 3
1979	Form 541, Part D, line 8
1980	Form 541, line 58
1981-1984	Form 541, line 60
1985-1986	Form 541, Schedule 3, line 14
1987	Form 541, Schedule 3, line 13
1988-1998	Form 541, Schedule B, line 12
1999-2022	Form 541, Schedule B, line 11

Line 16 – Tax-exempt interest included on line 13

For each throwback year, divide line 15 by line 6 and multiply the result by one of the following:

Throwback Year(s):	Amount From:
1969-1978	Form 541, Schedule H, line 2(a)
1979	Form 541, Part D, line 2(a)
1980	Form 541, line 52(a)
1981-1984	Form 541, line 54(a)
1985-1986	Form 541, Schedule 3, line 3
1987	Form 541, Schedule 3, line 2
1988-2022	Form 541, Schedule B, line 2

Part III – Taxes Imposed on Undistributed Net Income

For the regular tax computation, if there is a capital gain, complete line 18 through line 25 for each throwback year. If there is no capital gain for any year (or there is a capital loss for every year), enter on line 9 the amount of the tax for each year entered for line 18; do not complete Part III.

If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665-668.

Line 18 – Tax

Enter the applicable tax amounts as follows:

Throwback Year(s):	Amount From:
1969	Form 541, line 20
1970-1971	Form 541, line 21
1972-1979	Form 541, line 19
1980-1981	Form 541, line 23
1982-1984	Form 541, line 23(c)
1985-1986	Form 541, line 24(c)
1987-1989	Form 541, line 22(c)
1990-1996	Form 541, line 20(a)
1997-2022	Form 541, line 21(a)

Line 19 – Total net capital gain

Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969-1979	Form 541, line 6
1980-1986	Form 541, line 7
1987-1990	Form 541, line 6
1991-2022	Form 541, line 4

Line 20 – Net capital gain distributed to beneficiaries

Enter the applicable net capital gain distributed as follows:

Throwback Year(s):	Amount From:
1969	Form 541, Side 1, line 17 plus amounts from Schedule F-1 (541), lines 1 and 2
1970-1971	Form 541, Side 1, line 18 plus amounts from Schedule F-1 (541), lines 1 and 2
1972-1979	Schedule F-1 (541), lines 1(a)-1(c)
1980	Schedule K-1 (541), lines 2-4
1981	Schedule K-1 (541), lines 1-3
1982	Schedule D (541), line 25
1983	Schedule D (541), line 30
1984	Schedule D (541), line 33

1985-1986	Schedule D (541), line 28
1987	Schedule D (541), line 24
1988-2022	Schedule D (541), line 9(a)

Line 22 – Total taxable income

Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969	Form 541, line 19
1970-1971	Form 541, line 20
1972-1979	Form 541, line 18
1980-1984	Form 541, line 22
1985-1986	Form 541, line 23
1987-1989	Form 541, line 21
1990-1996	Form 541, line 19
1997-2010	Form 541, line 20
2011-2022	Form 541, line 20a

Part IV – Allocation to Beneficiary

Complete Part IV for each beneficiary. If the accumulation distribution is allocated to more than one beneficiary, attach an additional copy of Schedule J (541) with Part IV completed for each additional beneficiary. If more than four throwback years are involved, attach additional schedules.

Nonresident Beneficiaries

In the case of a nonresident beneficiary, enter on line 26 through line 29, column (a), only that ratio of income from California sources as the amount on Part II, line 13 bears to the amount on Part II, line 10. Enter on line 26 through line 29, column (b), only that ratio of the amount on Part II, line 14 as the amount in column (a) bears to the amount on Part II, line 13.

Attach separate schedules supporting allocation of income to sources within and outside California.

Under R&TC Section 17953, income from trusts deemed distributed to nonresident beneficiaries is income from sources within California only if the income is derived from sources within California. Generally, for purposes of R&TC Section 17953, the nonresident beneficiary shall be deemed to be the owner of any intangible personal property from which the income of the trust is derived.

If the beneficiary is a nonresident individual or a foreign corporation, see IRC Section 667(e) about retaining the character of the amounts distributed to determine the amount of withholding tax.

The beneficiary may use form FTB 5870A, Tax on Accumulation Distribution of Trusts, to compute the tax on the distribution.

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