

2025 Instructions for California Schedule D (540NR)

California Capital Gain or Loss Adjustment

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2025**, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2025, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2025. 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.

Registered Domestic Partners (RDPs)

For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP, they refer to both a California registered domestic “partner” and a California registered domestic “partnership,” as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Purpose

Full-year nonresidents or part-year residents report gains and losses as if they were full-year residents for the entire year using California amounts. Therefore, all gains and losses must be reported. Full-year nonresidents or part-year residents complete Schedule D (540NR), California Capital Gain or Loss Adjustment, and the Schedule D (540NR) Worksheet for Nonresidents and Part-Year Residents, in order to complete column E on Schedule CA (540NR).

For nonresidents, the computation of California taxable income, capital loss carryovers, and capital loss limitations are determined based upon California source income and loss items only. For purposes of calculating California taxable income, the character of gains and losses on the sale or exchange of property used in the trade or business or certain involuntary conversions (IRC Section 1231) are determined by netting California source IRC Section 1231 gains and losses only.

If you moved in or out of California during the year, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Get FTB Pub. 1001 for more information about the following:

- Disposition of property inherited before 1987.
- Gain on the sale or disposition of a qualified assisted housing development to low-income residents or to specific entities maintaining housing for low-income residents.
- Capital loss carryback.

Important Information

Installment Sales

If you sold property at a gain (other than publicly traded stocks or securities) and you will receive a payment in a tax year after the year of sale, report the sale on the installment method unless you elect not to do so. Get form FTB 3805E, Installment Sale Income. Also, use that form if you received a payment in 2025 for an installment sale made in an earlier year.

You may elect to not use the installment sale method for California by reporting the entire gain on Schedule D (540NR) (or Schedule D-1, Sales of Business Property, for business assets) in the year of the sale and filing your return on or before the due date.

At-Risk Rules and Passive Activity Limitations

If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get and complete federal Form 6198, At-Risk Limitations, using California amounts to figure your California deductible loss under the at-risk rules. Once a loss becomes allowable under the at-risk rules, it becomes subject to the passive activity rules. Get form FTB 3801, Passive Activity Loss Limitations.

Capital Assets

The federal Tax Cuts and Jobs Act (TCJA) amended IRC Section 1221 excluding a patent, invention, model or design (whether or not patented), and a secret formula or process held by the taxpayer who created the property (and certain other taxpayers) from the definition of a capital asset. California does not conform. Report your capital assets on Schedule D (540NR).

Specific Line Instructions

Line 1

List each capital asset transaction.

Column (a) – Description of property. Describe the asset you sold or exchanged.

Column (b) – Sales price. Enter in this column either the gross sales price or the net sales price. If you received federal Form 1099-B, Proceeds From Broker and Barter Exchange Transactions; federal Form 1099-S, Proceeds From Real Estate Transactions; or similar statement showing the gross sales price, enter that amount in column (b). However, if box 6 of federal Form 1099-B indicates that net proceeds were reported to the Internal Revenue Service, enter that net amount in column (b). If you entered the net amount in column (b), **do not** include the commissions and option premiums in column (c).

Column (c) – Cost or other basis. In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. Enter the cost or adjusted basis of the asset for California purposes. Use your records and California tax returns for years before 1987 to determine the California amount to enter in column (c). If you used an amount other than cost as the original basis, your federal basis may be different from your California basis. Other reasons for differences include:

- **Depreciation Methods and Property Expensing** – Before 1987, California law disallowed the use of accelerated cost recovery system (ACRS) and disallowed the use of an asset depreciation range 20% above or below the standard rate. California has different limits on the expensing of property under IRC Section 179. California law permitted rapid write-off of certain property such as solar energy systems, pollution control devices, and property used in an Enterprise Zone, Local Agency Military Base Recovery Area, Targeted Tax Area, or Los Angeles Revitalization Zone.
- **Inherited Property** – The California basis of property inherited from a decedent is generally the fair market value at the time of death.
- **S Corporation Stock** – Prior to 1987, California law did not recognize S corporations; therefore, your California basis in S corporation stock may differ from your federal basis. In general, your California basis will be cost-adjusted for income, loss, and distributions received after 1986, while your stock was California S corporation stock. Your federal basis will be cost-adjusted for income, loss, and distributions received during the time your stock qualified for federal S corporation treatment. Effective for taxable years beginning on or after

January 1, 2002, any corporation with a valid federal S corporation election is considered an S corporation for California purposes. Existing law already requires federal C corporations to be treated as C corporations for California purposes.

- **Special Credits** – California law authorizes special tax credits not allowed under federal law or computed differently under federal law. If you claimed special credits related to capital assets, reduce your basis in the assets by the amount of credit.

Other adjustments may apply differently to the federal and California basis of your capital assets. Figure the original basis of your asset using the California law in effect when the asset was acquired, and adjust it according to provisions of California law in effect during the period of your ownership.

Column (e) – Gain

- **Qualified Small Business Stock** – California does not conform to the qualified small business stock deferral and gain exclusion under IRC Sections 1045 and 1202. Enter the entire gain realized in column (e).
- **Qualified Opportunity Zone Funds** – California does not conform to the deferral and exclusion of capital gains reinvested or invested in qualified opportunity zone funds under IRC Sections 1400Z-1 and 1400Z-2. Enter the entire gain amount in column (e). If, for California purposes, gains from investment in qualified opportunity zone property had been included in income during previous taxable years, do not include the gain in the current year income.

Line 2 – Net gain or (loss) shown on California Schedule(s) K-1 (100S, 541, 565, and 568)

Combine gain(s) and loss(es) from all California Schedule(s) K-1 (100S, 541, 565, and 568), Share of Income, Deductions, Credits, etc. Get California Schedule K-1 (100S, 541, 565, and 568) instructions for more information on capital gains and losses. Enter the net loss on line 2, column (d) or the net gain on line 2, column (e).

Line 3 – Capital gain distributions

If you receive federal Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, from a mutual fund, do not include the **undistributed** capital gain dividends on Schedule D (540NR). If you receive federal Form 1099-DIV, Dividends and Distributions, enter the amount of **distributed** capital gain dividends.

Line 6 – California capital loss carryover from 2024

If you had California capital loss carryover from 2024, recalculate those losses as if you had been a resident for all prior years. Enter this amount on line 6. Get FTB Pub. 1100 for more information.

Line 8 – Net gain or (loss)

If the amount on line 4 is more than the amount on line 7, subtract line 7 from line 4. Enter the difference as a gain on line 8.

If the amount on line 7 is more than the amount on line 4, subtract line 4 from line 7 and enter the difference as a negative number on line 8.

Use the worksheet on the next page to figure your capital loss carryover to 2026.

Line 9

If line 8 is a net capital loss, enter the smaller of the loss on line 8 or \$3,000 (\$1,500 if married or an RDP filing separately).

Line 12a

Compare the amounts entered on line 10 and line 11 to figure the adjustment to enter on Schedule CA (540NR), Part II, Section A, line 7a, column B.

For example:

Loss on line 10 is less than loss on line 11.

Federal loss on line 10 is	(\$1,000)
California loss on line 11 is	(\$2,000)
Difference between line 10 and line 11	\$1,000

Gain on line 10 and loss on line 11.

Federal gain on line 10 is	\$3,000
California loss on line 11 is	(\$3,000)
Difference between line 10 and line 11	\$6,000

Line 12b

Compare the amounts entered on line 10 and line 11 to figure the adjustment to enter on Schedule CA (540NR), Part II, Section A, line 7a, column C.

For example:

Loss on line 10 is more than loss on line 11.

Federal loss on line 10 is	(\$2,000)
California loss on line 11 is	(\$1,000)
Difference between line 11 and line 10	\$1,000

Loss on line 10 and gain on line 11.

Federal loss on line 10 is	(\$2,000)
California gain on line 11 is	\$5,000
Difference between line 10 and line 11	\$7,000

Franchise Tax Board Privacy Notice on Collection

Our privacy notice can be found in annual tax booklets or online. Go to ftb.ca.gov/privacy to learn about our privacy policy statement, or go to ftb.ca.gov/forms and search for **1131** to locate FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection – Aviso de Privacidad del Franchise Tax Board sobre la Recaudación. To request this notice by mail, call 800.338.0505 and enter form code **948** when instructed.

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California Capital Loss Carryover Worksheet For Full-Year Residents

1. Enter loss from Schedule D (540NR), line 11, as a positive number 1 _____
2. Enter amount from Form 540NR, line 17. 2 _____
3. Enter amount from Form 540NR, line 18. 3 _____
4. Subtract line 3 from line 2. If less than zero, enter as a negative number 4 _____
5. Combine line 1 and line 4. If less than zero, enter -0- 5 _____
6. Enter loss from Schedule D (540NR), line 8, as a positive number 6 _____
7. Enter the smaller of line 1 or line 5 7 _____
8. Subtract line 7 from line 6. This is your capital loss carryover to 2026. 8 _____

Schedule D (540NR) Worksheet for Nonresidents and Part-Year Residents

Complete Schedule D (540NR) first.

Full-year Nonresidents: Complete column A and column B only. Enter the amount shown in column B, line 4 (if there is an overall gain) or line 5 (if there is a loss), on Schedule CA (540NR), Part II, Section A, line 7a, column E.

Part-year Residents:

Enter the number of days during the year you were a California resident: _____

Enter the number of days during the year you were a nonresident: _____

Column A, line 1 through line 5 should be the same as the amounts shown on Schedule D (540NR), lines 4, 5, 6, 8, and 9 respectively.

Columns A and B, line 3, should show a carryover amount that has been computed as if you had been a resident in all prior years for column A and as if you had been a nonresident for all prior years for column B.

Columns C and D should be completed taking into account the dates of the transactions. For column C, multiply the amount in column A by the number of days you were a resident divided by 365 days. For column D, multiply the amount in column B by the number of days you were a nonresident divided by 365 days. However, if it's a leap year, use 366 days instead of 365 days.

Line 4 If the amount shown in column E is a gain, enter that amount on Schedule CA (540NR) Part-Year Resident Worksheet, Section A, line 7a, column C. If a loss, go to line 5.

Line 5 Enter the amount shown in column E on Schedule CA (540NR) Part-Year Resident Worksheet, Section A, line 7a, column C.

	A	B	C	D	E
	Enter total as if you were a California resident for the entire year.	Enter amounts earned or received from California sources as if you were a nonresident for the entire year.	Enter amounts earned or received during the portion of the year you were a California resident.	Enter amounts earned or received from California sources during the portion of the year you were a nonresident.	Total Combine column C and column D.
1	Gains				
2	Losses				
3	Prior year loss carryover				
4	Combine line 1 through line 3.				
5	Enter the smaller of the loss on line 4 or \$3,000 (\$1,500 if married/RDP filing separately).				

Capital Loss Carryover Worksheet

Complete this worksheet only if at the end of the year you were a resident and line 4, column A above shows a loss **or** at the end of the year you were a nonresident and line 4, column B above shows a loss. In completing this worksheet, if you were a resident at the end of the year, use the column A amounts shown above; if you were a nonresident, use the column B amounts.

1. Enter the total loss from the Schedule D (540NR) Worksheet, line 5, as a positive number 1 _____
2. Enter amount from Form 540NR, line 17. 2 _____
3. Enter amount from Form 540NR, line 18. 3 _____
4. Subtract line 3 from line 2. If less than zero, enter as a negative number 4 _____
5. Combine line 1 and line 4. If less than zero, enter -0- 5 _____
6. Enter the total loss from Schedule D (540NR) Worksheet, line 4, as a positive number 6 _____
7. Enter the smaller of line 1 or line 5 7 _____
8. Subtract line 7 from line 6. This is your capital loss carryover to 2026. 8 _____