TAXABLE YEAR

SCHEDULE

2019 California Adjustments — Residents CA (540)

Important: Attach this schedule behind Form 540, Side 5 as a supporting California schedule.

Name(s) as shown on tax return | SSN or ITIN

Part I Income Adjustment Schedule

Section A – Income from federal Form 1040 or 1040-SR		A Federal Amounts (taxable amounts from your federal tax return)	B Subtractions See instructions	C Additions See instructions
1 Wages, salaries, tips, etc. See instructions before making an entry in column B or C	1			
2 Taxable interest. a ______	2b			
3 Ordinary dividends. See instructions. a ______	3b			
4 IRA distributions. See instructions. a ______	4b			
c Pensions and annuities. See instructions. c ______	4d			
5 Social security benefits. a ______	5b			
6 Capital gain or (loss). See instructions	6			
Section B – Additional Income from federal Schedule 1 (Form 1040 or 1040-SR)				
1 Taxable refunds, credits, or offsets of state and local income taxes	1			
2a Alimony received	2a			
3 Business income or (loss)	3			
4 Other gains or (losses)	4			
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc	5			
6 Farm income or (loss)	6			
7 Unemployment compensation	7			
8 Other income. a California lottery winnings; b Disaster loss deduction from FTB 3805V; c Federal NOL (federal Schedule 1 (Form 1040 or 1040-SR), line 8); d NOL deduction from FTB 3805V; e NOL from FTB 3805Z, 3806, 3807, or 3809; f Other (describe): ______ ______; g Student loan discharged due to closure of a for-profit school	8		a ___ b ___ c d ___ e ___ f ___ g ___	a b c ___ d e f ___ g
9 **Total.** Combine Section A, line 1 through line 6, and Section B, line 1 through line 8 in column A. Add Section A, line 1 through line 6, and Section B, line 1 through line 8g in column B and column C. Go to Section C	9			
Section C – Adjustments to Income from federal Schedule 1 (Form 1040 or 1040-SR)				
10 Educator expenses	10			
11 Certain business expenses of reservists, performing artists, and fee-basis government officials	11			
12 Health savings account deduction	12			
13 Moving expenses. Attach federal Form 3903. See instructions	13			
14 Deductible part of self-employment tax	14			
15 Self-employed SEP, SIMPLE, and qualified plans	15			
16 Self-employed health insurance deduction	16			
17 Penalty on early withdrawal of savings	17			
18a Alimony paid. b Recipient's: SSN ___ ___ ___ – ___ ___ – ___ ___ ___ ___ Last name ______	18a			
19 IRA deduction	19			
20 Student loan interest deduction	20			
21 Tuition and fees	21			
22 Add line 10 through line 18a and line 19 through line 21 in columns A, B, and C. See instructions	22			
23 **Total.** Subtract line 22 from line 9 in columns A, B, and C. See instructions	23			

Part II Adjustments to Federal Itemized Deductions Check the box if you did NOT itemize for federal but will itemize for California . . . . ☐		**A** Federal Amounts (from federal Schedule A (Form 1040 or 1040-SR))	**B** Subtractions See instructions	**C** Additions See instructions
Medical and Dental Expenses See instructions.				
1 Medical and dental expenses . . . . ______	1			
2 Enter amount from federal Form 1040 or 1040-SR, line 8b ______	2			
3 Multiply line 2 by 7.5% (0.075) . . . . ______	3			
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter 0	4			
Taxes You Paid				
5a State and local income tax or general sales taxes.	5a			
5b State and local real estate taxes	5b			
5c State and local personal property taxes	5c			
5d Add lines 5a through 5c	5d			
5e Enter the smaller of line 5d or $10,000 ($5,000 if married filing separately) in column A . . Enter the amount from line 5a, column B in line 5e, column B . . . . Enter the difference from line 5d and line 5e, column A in line 5e, column C	5e			
6 Other taxes. List type ______	6			
7 Add lines 5e and 6	7			
Interest You Paid				
8a Home mortgage interest and points reported to you on Form 1098.	8a			
8b Home mortgage interest not reported to you on Form 1098	8b			
8c Points not reported to you on Form 1098.	8c			
8d Mortgage insurance premiums	8d			
8e Add lines 8a through 8d	8e			
9 Investment interest.	9			
10 Add lines 8e and 9	10			
Gifts to Charity				
11 Gifts by cash or check	11			
12 Other than by cash or check.	12			
13 Carryover from prior year.	13			
14 Add lines 11 through 13.	14			
Casualty and Theft Losses				
15 Casualty or theft loss(es) (other than net qualified disaster losses). Attach federal Form 4684. See instructions.	15			
Other Itemized Deductions				
16 Other—from list in federal instructions	16			
17 Add lines 4, 7, 10, 14, 15, and 16 in columns A, B, and C	17			

18 **Total.** Combine line 17 column A less column B plus column C . . . . 18 ______

Job Expenses and Certain Miscellaneous Deductions

19	Unreimbursed employee expenses - job travel, union dues, job education, etc. Attach federal Form 2106 if required. See instructions	19	
20	Tax preparation fees	20	
21	Other expenses - investment, safe deposit box, etc. List type ______	21	
22	Add lines 19 through 21	22	
23	Enter amount from federal Form 1040 or 1040-SR, line 8b ______		
24	Multiply line 23 by 2% (0.02). If less than zero, enter 0	24	
25	Subtract line 24 from line 22. If line 24 is more than line 22, enter 0	25	
26	**Total Itemized Deductions.** Add line 18 and line 25	26	
27	Other adjustments. See instructions. Specify. ______	27	
28	Combine line 26 and line 27	28	

29 Is your federal AGI (Form 540, line 13) more than the amount shown below for your filing status?

Single or married/RDP filing separately **$200,534**

Head of household **$300,805**

Married/RDP filing jointly or qualifying widow(er) **$401,072**

No. Transfer the amount on line 28 to line 29.

Yes. Complete the Itemized Deductions Worksheet in the instructions for Schedule CA (540), line 29 . . . . . . 29 ______

30 Enter the larger of the amount on line 29 or your standard deduction listed below

Single or married/RDP filing separately. See instructions. **$4,537**

Married/RDP filing jointly, head of household, or qualifying widow(er) **$9,074**

Transfer the amount on line 30 to Form 540, line 18 . . . . . . 30 ______

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2019 Instructions for Schedule CA (540)

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

What's New

Loophole Closure and Small Business and Working Families Tax Relief Act of 2019 – The Tax Cuts and Jobs Act (TCJA) signed into law on December 22, 2017, made changes to the Internal Revenue Code (IRC). California Revenue and Taxation Code (R&TC) does not conform to all of the changes. In general, for taxable years beginning on or after January 1, 2019, California conforms to the following TCJA provisions:

- California Achieving a Better Life Experience (ABLE) Program
- Student loan discharged on account of death or disability
- Federal Deposit Insurance Corporation (FDIC) Premiums
- Excess employee compensation
- Excess business loss

Alimony – California law **does not** conform to changes made by the TCJA to federal law regarding alimony and separate maintenance payments that are not deductible by the payor spouse, and are not includable in the income of the receiving spouse, if made under any divorce or separation agreement executed after December 31, 2018, or executed on or before December 31, 2018, and modified after that date (if the modification expressly provides that the amendments apply). For more information, see specific line instructions in Part I, Section B, line 2a and Section C, line 18a.

Student Loan Discharged Due to Closure of a For-Profit School – California law allows an income exclusion for an eligible individual who is granted a discharge of any student loan under specified conditions. This income exclusion has now been expanded to include a discharge of student loans occurring on or after January 1, 2019, and before January 1, 2024, for individuals who attended a Brightwood College school or a location of The Art Institute of California. For more information, see specific line instructions in Part I, Section B, line 8g.

Charitable Contribution and Business Expense Deduction Disallowance – For taxable years beginning on or after January 1, 2014, California law disallows a charitable contribution deduction to an educational organization that is a postsecondary institution or to the Key Worldwide Foundation, and a deduction for a business expense related to a payment to the Edge College and Career Network, LLC, to a taxpayer who meets specific conditions, including that they are named in any of several specified criminal complaints. For more information, see specific line instructions in Part II, lines 11 or 12 and Part I, Section B, line 3, respectively.

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the 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, 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 R&TC in the instructions. Taxpayers should not consider the instructions as authoritative law.

Conformity

For updates regarding federal acts, go to **ftb.ca.gov** and search for **conformity**.

Federal Tax Reform – In general, California R&TC does not conform to all of the changes under the TCJA. For adjustments due to the TCJA, see the specific line instructions for the following items:

- Combat zone extended to Egypt's Sinai Peninsula
- Moving expenses and reimbursements
- Limitation on deduction of business interest
- Limitation on employer's deduction for fringe benefit expenses
- Limitation on wagering losses
- Sexual harrasment settlements
- IRC Section 965 deferred foreign income
- Global intangible low-taxed income (GILTI) under IRC Section 951A
- Qualified equity grants
- Expanded use of 529 account funds
- Living expenses for members of Congress
- Limitation on state and local tax deduction
- Mortgage & home equity indebtedness interest deduction
- Limitation on charitable contribution deduction
- College athletic seating rights
- Casualty or theft loss(es)
- Miscellaneous itemized deductions

Registered Domestic Partners (RDP) – RDPs will compute their limitations based on the combined federal adjusted gross income (AGI) of each partner's individual tax return filed with the Internal Revenue Service (IRS).

For column A, Part I and Part II, combine each line item of your federal amounts from each partner's individual federal tax return. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

The combined federal AGI used to compute limitations is different from the recalculated federal AGI used on Form 540, California Resident Income Tax Return, line 13. In situations where RDPs have no RDP adjustments, these amounts may be the same.

Military Personnel – Servicemembers domiciled outside of California, and their spouses/RDPs, may exclude the servicemember's military compensation from gross income when computing the tax rate on nonmilitary income. Requirements for military servicemembers domiciled in California remain unchanged. Military servicemembers domiciled in California must include their military pay in total income. In addition, they must include their military pay as California source income when stationed in California.

However, military pay is not California source income when a servicemember is permanently stationed outside of California. Beginning 2009, the federal Military Spouses Residency Relief Act may affect the California income tax filing requirements for spouses of military personnel. For more information, get Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, and FTB Pub. 1032, Tax Information for Military Personnel.

Single Member Limited Liability Company (SMLLC) – If you are a single member limited liability company, that is organized or doing business in California, or registered with the California Secretary of State (SOS), you are required to file Form 568, Limited Liability Company Return of Income, pay the annual tax and LLC Fee (if applicable), in addition to filing your tax return. Get Form 568 Limited Liability Company Tax Booklet for more information.

Purpose

Use Schedule CA (540), California Adjustments – Residents, to make adjustments to your federal adjusted gross income and to your federal itemized deductions using California law.

Specific Line Instructions

Part I Income Adjustment Schedule

Column A — Federal Amounts

Section A, Line 1 through Line 6, and Section B, Line 1 through Line 8

Enter in Section A, line 1 through line 6, and Section B, line 1 through line 8 the same amounts you entered on your federal Form 1040, U.S. Individual Income Tax Return or Form 1040-SR, U.S. Tax Return for Seniors, line 1 through 6; and federal Schedule 1 (Form 1040 or 1040-SR), Additional Income and Adjustments to Income, line 1 through line 8.

Line 9 – Total
Combine the amounts in Section A, line 1 through line 6, and Section B, line 1 through line 8.

Line 10 through Line 17 and Line 19 through Line 21
Enter the same amounts entered on your federal Schedule 1 (Form 1040 or 1040-SR), line 10 through line 17 and line 19 through line 21.

Line 18a and Line 18b
Enter on line 18a the same amount entered on your federal Schedule 1 (Form 1040 or 1040-SR), line 18a. Enter on line 18b the social security number (SSN) or individual taxpayer identification number (ITIN) and last name of the person to whom you paid alimony.

Line 22
Add line 10 through line 18a and line 19 through line 21. However, if you made any of the adjustments described in the instructions for federal Schedule 1 (Form 1040 or 1040-SR), line 22 or if you claimed the foreign housing deduction from federal Form 2555, Foreign Earned Income, enter the amount from Schedule 1 (Form 1040 or 1040-SR), line 22 on this line.

Line 23 – Total
Subtract line 22 from line 9. This amount should match the amount entered on federal Form 1040 or 1040-SR, line 8b.

Column B and Column C — Subtractions and Additions
Use these columns to enter subtractions and additions to the federal amounts in column A that are necessary because of differences between California and federal law. Enter all amounts as positive numbers unless instructed otherwise.

You may need one or more of the following FTB publications to complete column B and column C:

- 1001, Supplemental Guidelines to California Adjustments
- 1005, Pension and Annuity Guidelines
- 1031, Guidelines for Determining Resident Status
- 1032, Tax Information for Military Personnel
- 1100, Taxation of Nonresidents and Individuals Who Change Residency

To get forms and publications, go to **ftb.ca.gov/forms.**

Section A – Income

Line 1 – Wages, Salaries, Tips, etc.
Generally, you will not make any adjustments on this line. If you did not receive any of the following types of income, make no entry on this line in either column B or column C.

Active duty military pay. Special rules apply to active duty military taxpayers. Get FTB Pub. 1032 for more information.

Combat zone foreign earned income exclusion. For taxable years beginning on and after January 1, 2018, California does not conform to the federal foreign earned income exclusion for amounts received by certain U.S. citizens or resident aliens with an abode in the U.S., specifically contractors or employees of contractors supporting the U.S. Armed Forces in designated combat zones. Enter the amount excluded from federal income on line 8f, column C.

Combat zone extended to Egypt's Sinai Peninsula. Federal law extended combat zone tax benefits to the Sinai Peninsula of Egypt. California does not conform. Enter the amount of combat pay excluded from federal income on line 1, column C. Get FTB Pub. 1032 for more information.

Sick pay received under the Federal Insurance Contributions Act and Railroad Retirement Act. California excludes this item from income. Enter in column B the amount of these benefits included in the amount in column A.

Ridesharing fringe benefit differences. Under federal law, certain qualified transportation benefits are excluded from gross income. Under the R&TC, there are no monthly limits for the exclusion of these benefits and California's definitions are more expansive. Enter the amount of ridesharing benefits received and included in federal income on line 1, column B.

Exclusion for compensation from exercising a California Qualified Stock Option (CQSO). To claim this exclusion:

- Your earned income is $40,000 or less from the corporation granting the CQSO.
- The market value of the options granted to you must be less than $100,000.
- The total number of shares must be 1,000 or less.
- The corporation issuing the stock must designate that the stock issued is a CQSO at the time the option is granted.

If you included an amount qualifying for this exclusion in federal income, enter that amount on line 1, column B.

Employer health savings account (HSA) contribution. Enter the amount of any employer HSA contribution from federal Form W-2, Wage and Tax Statement, box 12, code W on line 1, column C.

Income exclusion for In-Home Supportive Services (IHSS) supplementary payments. If you are an IHSS provider who received IHSS supplementary payments that were included in federal wages, enter the IHSS supplementary payments on line 1, column B. IHSS providers only receive a supplementary payment if they paid a sales tax on the IHSS services they provide. The supplementary payment is equal to the sales tax paid plus any increase in the federal payroll withholding paid due to the supplementary payment.

Native American earned income exemption. California does not tax federally recognized tribal members living in California Indian country who earn income from any federally recognized California Indian country. Military compensation is considered income from reservation sources. Enrolled members who receive reservation sourced per capita income must reside in their affiliated tribe's Indian country to qualify for tax exempt status. Enter on line 1, column B the earnings included in federal income that are exempt for California. Attach form FTB 3504, Enrolled Tribal Member Certification, to Form 540. For more information, get form FTB 3504.

Line 2 – Taxable Interest
If you did not receive any of the kinds of income listed below, make no entry on this line in either column B or column C.

Enter in column B the interest you received from:

- U.S. savings bonds (except for interest from series EE U.S. savings bonds issued after 1989 that qualified for the Education Savings Bond Program exclusion).
- U.S. Treasury bills, notes, and bonds.
- Any other bonds or obligations of the United States and its territories.
- Interest from Ottoman Turkish Empire Settlement Payments.
- Interest income from children under age 19 or students under age 24 included on the child's federal tax return and reported on the California tax return by the parent. For more information, get form FTB 3803, Parents' Election to Report Child's Interest and Dividends.

Certain mutual funds pay "exempt-interest dividends." If the mutual fund has at least 50% of its assets invested in tax-exempt U.S. obligations and/or in California or its municipal obligations, that amount of dividend is exempt from California tax. The proportion of dividends that are tax-exempt will be shown on your annual statement or statement issued with Form 1099-DIV, Dividends and Distributions.

Enter in column C the interest you identified as tax-exempt interest on your federal Form 1040 or 1040-SR, line 2a, **and** which you received from:

- The federally exempt interest dividends from other states, or their municipal obligations and/or from mutual funds that do not meet the 50% rule above.
- Non-California state bonds.
- Non-California municipal bonds issued by a county, city, town, or other local government unit.
- Obligations of the District of Columbia issued after December 27, 1973.
- Non-California bonds if the interest was passed through to you from S corporations, trusts, partnerships, or Limited Liability Companies (LLCs).
- Interest or other earnings earned from a Health Savings Account (HSA) are not treated as taxed deferred. Interest or earnings in a HSA are taxable in the year earned.

- Interest on any bond or other obligation issued by the Government of American Samoa.
- Interest income from children under age 19 or students under age 24 included on the parent's federal tax return and reported on the California tax return by the child.

Make no entries in either column B or column C for interest you earned on Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds, and Federal Home Loan Mortgage Corporations (FHLMC) securities, or grants paid to low income individuals.

Get FTB Pub. 1001 if you received interest income from the items listed above passed through to you from S corporations, trusts, estates, partnerships, or LLCs.

Line 3 – Ordinary Dividends
Generally, no difference exists between the amount of dividends reported in column A and the amount reported using California law. However, California taxes dividends derived from other states and their municipal obligations.

Add dividends received from the following and enter in column B:

- Dividend income from children under age 19 or students under age 24 included on the parent's or child's federal tax return and reported on the California tax return by the opposite taxpayer. For more information, get form FTB 3803.

Add dividends received from the following and enter in column C:

- Controlled foreign corporation (CFC) dividends in the year distributed.
- Regulated investment company (RIC) capital gains in the year distributed.
- Distributions of pre-1987 earnings from an S corporation.
- Dividend income from children under age 19 or students under age 24 excluded on the parent's or child's federal tax return and reported on the California tax return by the opposite taxpayer. For more information, get form FTB 3803.

Get FTB Pub. 1001 if you received dividends from:

- Non-cash patronage dividends from farmers' cooperatives or mutual associations.
- A CFC.
- Distributions of pre-1987 earnings from S corporations.
- Undistributed capital gains for RIC shareholders.

Line 4a and b – IRA Distributions
Generally, no adjustments are made on this line. However, there may be significant differences in the taxable amount of a distribution (including a distribution from conversion of a traditional IRA to a Roth IRA), depending on when you made your contributions to the IRA. Differences also occur if your California IRA deductions were different from your federal deductions because of differences between California and federal self-employment income.

If the taxable amount using California law is:

- Less than the amount taxable under federal law, enter the difference in column B.
- More than the amount taxable under federal law, enter the difference in column C.

Get FTB Pub. 1005 for more information and worksheets for figuring the adjustment to enter on line 4, if any.

If you have an IRA basis and were a nonresident in prior years, you may need to restate your California IRA basis. Get FTB Pub. 1100 for more information.

Coverdell Education Savings Account (ESA) formerly known as Education (ED) IRA – If column A includes a taxable distribution from an ED IRA, you may owe additional tax on that amount. Get form FTB 3805P, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts.

Line 4c and d – Pensions and Annuities
Generally, no adjustments are made on this line. However, if you received Tier 2 railroad retirement benefits or partially taxable distributions from a pension plan, you may need to make the following adjustments.

If you received a federal Form RRB-1099-R, Annuities or Pensions by the Railroad Retirement Board, for railroad retirement benefits and included all or part of these benefits in taxable income in column A, enter the taxable benefit amount in column B.

If you began receiving a retirement annuity between July 1, 1986, and January 1, 1987, and elected to use the three-year rule for California purposes and the annuity rules for federal purposes, enter in column C the amount of the annuity payments you excluded for federal purposes.

You may have to pay an additional tax if you received a taxable distribution from a qualified retirement plan before reaching age 59½ and the distribution was not rolled over into another qualified plan. Get form FTB 3805P for more information.

Line 5 – Social Security Benefits
California excludes U.S. social security benefits or equivalent Tier 1 railroad retirement benefits from taxable income. Enter in column B the amount of taxable U.S. social security benefits or equivalent Tier 1 railroad retirement benefits shown in column A, line 5(b).

Line 6 – Capital Gain or (Loss)
Generally, no adjustments are made on this line. California taxes long and short term capital gains as regular income. No special rate for long term capital gains exists. However, the California basis of the assets listed below may be different from the federal basis due to differences between California and federal laws. If there are differences, use Schedule D (540), California Capital Gain or Loss Adjustment, to calculate the amount to enter on line 6.

- Gain on sale of qualified small business stock under IRC Section 1045 and IRC Section 1202.
- Basis amounts resulting from differences between California and federal law in prior years.
- Gain or loss on stock and bond transactions.
- Installment sale gain reported on form FTB 3805E, Installment Sale Income.
- Gain on the sale of personal residence where depreciation was allowable.
- Pass-through gain or loss from partnerships, fiduciaries, S corporations, or LLCs.
- Capital loss carryover from your 2018 California Schedule D (540).
- Capital gain from children under age 19 or students under age 24 included on the parent's or child's federal tax return and reported on the California tax return by the opposite taxpayer. For more information, get form FTB 3803.

Get FTB Pub. 1001 for more information about:

- Disposition of S corporation stock acquired before 1987.
- Capital gain exclusion for sale of principal residence by a surviving spouse.
- Gain on sale or disposition of qualified assisted housing development to low-income residents or to specified entities maintaining housing for low-income residents.
- Undistributed capital gain for RIC shareholders.
- Gain or loss on the sale of property inherited before January 1, 1987.
- Capital loss carrybacks.

Section B – Additional Income

Line 1 – Taxable Refunds, Credits, or Offsets of State and Local Income Taxes
California does not tax the state income tax refund. Enter in column B the amount of state tax refund entered in column A.

Line 2a – Alimony Received
Under federal law (TCJA), alimony and separate maintenance payments are not includable in the income of the receiving spouse, if made under any divorce or separation agreement executed after December 31, 2018, or executed on or before December 31, 2018 and modified after that date (if the modification expressly provides that the amendments apply). California does not conform. If you received alimony not included in your federal income, enter the alimony received in column C.

If you are a nonresident alien and received alimony not included in your federal income, enter the alimony on this line in column C.

Line 3 – Business Income or (Loss)
Adjustments to federal business income or loss you reported in column A generally are necessary because of the difference between California and federal law relating to depreciation methods, special credits, and accelerated write-offs. As a result, the recovery period or basis used to figure California depreciation may be different from the amount used for federal purposes.

Adjustments are figured on form FTB 3885A, Depreciation and Amortization Adjustments, and are most commonly necessary because of the following:

- **Before January 1, 1987,** California did not allow depreciation under the federal accelerated cost recovery system. Continue to figure California depreciation for those assets in the same manner as prior years**.**
- **On or after January 1, 1987,** California provides special credits and accelerated write-offs that affect the California basis of qualifying assets. Refer to the bulleted list below.

Use form FTB 3801, Passive Activity Loss Limitations, to figure the total adjustment for line 3 if you have:

- One or more passive activities that produce a loss.
- One or more passive activities that produce a loss **and** any nonpassive activity reported on federal Schedule C (Form 1040 or 1040-SR), Profit or Loss From Business.

Use form FTB 3885A to figure the total adjustment for line 3 if you have:

- Only nonpassive activities which produce either gains or losses (or combination of gains and losses).
- Passive activities that produce gains.

Limitation on deduction of business interest. Under federal law, every business, regardless of its form, is generally subject to a disallowance of a deduction for net interest expense in excess of 30% of the business's adjustable taxable income. California does not conform. Figure the difference between the amounts allowed using federal law and California law. Enter the difference on line 3, column B.

Limitation on employer's deduction for fringe benefit expenses. Under federal law, deductions for entertainment expenses are disallowed; the current 50% limit on the deductibility of business meals is expanded to meals provided through an in-house cafeteria or otherwise on the premises of the employer; deductions for employee transportation fringe benefits (e.g., parking and mass transit) are denied; and no deduction is allowed for transportation expenses that are the equivalent of commuting for employees (e.g., between the employee's home and the workplace), except as provided for the safety of the employee. California does not conform. Figure the difference between the amounts allowed using federal law and California law. Enter the difference on line 3, column B or column C.

Limitation on wagering losses. Under federal law, all deductions for expenses incurred in carrying out wagering transactions, and not just gambling losses, are limited to the extent of gambling winnings. California does not conform. Figure the difference between the amounts allowed using federal law and California law. Enter the difference on line 3, column B.

Sexual harassment settlements. Under federal law, no deduction is allowed for any settlement, payout, or attorney fees related to sexual harassment or sexual abuse if such payments are subject to a nondisclosure agreement. California does not conform. Enter the amount received and included in federal income on line 3, column B.

Penalty Assessed by Professional Sports League. California does not allow a business expense deduction for any fine or penalty paid or incurred by an owner of a professional sports franchise assessed or imposed by the professional sports league that includes that franchise. If the fine or penalty was deducted for federal purposes, enter this amount on line 3, column C.

Business Expense Deduction Disallowance – California disallows a deduction for a business expense related to a payment to the Edge College and Career Network, LLC, to a taxpayer who meets all of the following:

- They are charged as a defendant in any of several specified criminal complaints as listed in R&TC Section 17275.4.
- There is a final determination of their guilt with regard to a violation of any offense arising out of that criminal complaint.
- There is a finding that they took the deduction unlawfully.

For more information, see R&TC 17275.4. Enter the amount of this deduction on line 3, column C.

Get FTB Pub. 1001 for more information about:

Income related to:

- Business, trade, or profession carried on within California that is an integral part of a unitary business carried on both within and outside California.
- Pro-rata share of income received from a CFC by a U.S. shareholder.

Basis adjustments related to:

- Property acquired prior to becoming a California resident.
- Sales or use tax credit for property used in a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), or Targeted Tax Area (TTA).
- Reduced recovery periods for fruit-bearing grapevines replaced in a California vineyard on or after January 1, 1992, as a result of phylloxera infestation; or on or after January 1, 1997, as a result of Pierce's disease.
- Expenditures for tertiary injectants.
- Property placed in service on an Indian reservation after December 31, 2017, and before January 1, 2021.
- Amortization of pollution control facilities.
- Discharge of real property business indebtedness.
- Vehicles used in an employer-sponsored ridesharing program.
- An enhanced oil recovery system.
- Joint Strike Fighter property costs.
- The cost of making a business accessible to disabled individuals.
- Property for which you received an energy conservation subsidy from a public utility on or after January 1, 1995, and before January 1, 1997.
- Research and experimental expenditures.
- Reduction of capitalized costs attributable to the Work Opportunity Credit.

Business deductions related to:

- Wages paid in a former EZ, LAMBRA, Manufacturing Enhancement Area (MEA), or TTA.
- Certain employer costs for employees who are also enrolled members of Indian tribes.
- Abandonment or tax recoupment fees for open-space easements and timberland preserves.
- Research expense.
- Employer wage expense for the Work Opportunity Credit.
- Pro-rata share of deductions received from a CFC by a U.S. shareholder.
- Interest paid on indebtedness in connection with company-owned life insurance policies.
- Premiums paid on life insurance policies, annuities, or endowment contracts issued after June 8, 1997, where the owner of the business is directly or indirectly a policy beneficiary.
- Commercial Revitalization Deductions for Renewal Communities.
- Small Employer Health Insurance Credit

Line 4 – Other Gains or (Losses)
Generally, no adjustments are made on this line. However, the California basis of your other assets may differ from your federal basis due to differences between California and federal law. Therefore, you may have to adjust the amount of other gains or losses. Get Schedule D-1, Sales of Business Property.

Line 5 – Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.
Adjustments to federal income or loss you reported in column A generally are necessary because of the difference between California and federal law relating to depreciation methods, special credits, and

accelerated write-offs. As a result, the recovery period or basis used to figure California depreciation may be different from the recovery period or amount used for federal. For more information, see the instructions for column B and column C, line 3.

California law does not conform to federal law for material participation in rental real estate activities. Beginning in 1994, and for federal purposes only, rental real estate activities conducted by persons in real property business are not automatically treated as passive activities. Get form FTB 3801 for more information.

Use form FTB 3801 to figure the total adjustment for line 5 if you have:

- One or more passive activities that produce a loss.
- One or more passive activities that produce a loss **and** any nonpassive activity reported on federal Schedule E (Form 1040 or 1040-SR), Supplemental Income and Loss.

Use form FTB 3885A to figure the total adjustment for line 5 if you have:

- Only nonpassive activities which produce either gains or losses (or combination of gains and losses).
- Passive activities that produce gains.

LLCs that are classified as partnerships for California purposes and limited liability partnerships (LLPs) are subject to the same rules as other partnerships. LLCs report distributive items to members on Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc. LLPs report to partners on Schedule K-1 (565), Partner's Share of Income, Deductions, Credits, etc.

Get FTB Pub. 1001 for more information about accumulation distributions to beneficiaries for which the trust was not required to pay California tax because the beneficiary's interest was contingent.

Line 6 – Farm Income or (Loss)

Adjustments to federal income or loss you report in column A generally are necessary because of the difference between California and federal law relating to depreciation methods, special credits, NOLs, and accelerated write-offs. As a result, the recovery period or basis you use to figure California depreciation may be different from the amount used for federal purposes, and you may need to make an adjustment to your farm income or loss. For more information, see the instructions for column B and column C, line 3.

Use form FTB 3801 to figure the total adjustment for line 6 if you have:

- One or more passive activities that produce a loss.
- One or more passive activities that produce a loss **and** any nonpassive activity reported on federal Schedule F (Form 1040 or 1040-SR), Profit or Loss From Farming.

Use form FTB 3885A to figure the total adjustment for line 6 if you have:

- Only nonpassive activities which produce either gains or losses (or combination of gains and losses).
- Passive activities that produce gains.

Line 7 – Unemployment Compensation

California excludes unemployment compensation from taxable income. Enter on line 7, column B the amount of unemployment compensation shown in column A.

Paid Family Leave Insurance (PFL) benefits, also known as Family Temporary Disability Insurance. Payments received from the PFL Program are reported on federal Form 1099-G, Certain Government Payments. Enter on line 7, column B the amount of PFL payments shown in column A. For more information, get FTB Pub. 1001.

Line 8 – Other Income

a. California Lottery Winnings. California excludes California lottery winnings from taxable income. Enter in column B the amount of California lottery winnings included in the federal amount on line 8, column A.

Make no adjustment for lottery winnings from other states. They are taxable by California. If you reduced gambling income for California lottery income, you may need to reduce the losses included in the federal itemized deductions on Part II, line 16, column A. Enter these losses on Part II, line 16, column B.

b. Disaster Loss Deduction. If you have a California disaster loss carryover deduction and there is income in the current taxable year, enter the total amount from your 2018 form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts, Part III, line 6, as a positive number in column B.

NOL Attributable to a Qualified Disaster – If you deduct a 2019 disaster loss in the 2019 taxable year and have remaining disaster loss that results in an NOL, the NOL can be carried forward. Get FTB 3805V for more information.

c. Federal NOL from federal Schedule 1 (Form 1040 or 1040-SR), line 8. If the amount on line 8 in column A includes a federal NOL, enter the amount of the federal NOL as a positive number in column C. Get form FTB 3805V, to figure the allowable California NOL.

d. NOL Carryover from Form FTB 3805V, Part III, line 5. The allowable NOL carryover under California law is different from the allowable NOL carryover under federal law. If you have a California NOL carryover from your 2018 form FTB 3805V, enter it as a positive number in column B.

e. NOL from Forms FTB 3805Z, FTB 3806, FTB 3807, or FTB 3809.
Enter in column B the total NOL figured on the following forms.

- FTB 3805Z, Enterprise Zone Deduction and Credit Summary, line 3b
- FTB 3806, Los Angeles Revitalization Zone Net Operating Loss (NOL) Carryover Deduction, line 2b
- FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, line 3b
- FTB 3809, Targeted Tax Area Deduction and Credit Summary, line 3b

f. Other (describe).
Identify the type of income reported in the space provided. If there is more than one item to report on line 8f, attach a statement that lists each item and enter the total of all individual items in column B or column C as instructed below.

IRC Section 965 deferred foreign income. If you included IRC 965 deferred foreign income on your federal Schedule 1 (Form 1040 or 1040-SR), enter the amount on line 8f, column B and write "IRC 965" on line 8f and at the top of Form 540.

Global intangible low-taxed income (GILTI) under IRC Section 951A. If you included GILTI on your federal Schedule 1 (Form 1040 or 1040-SR), enter the amount on line 8f, column B and write "IRC 951A" on line 8f.

Excess business loss. For taxable years beginning after December 31, 2018, California law generally conforms to the changes under the Tax Cuts and Jobs Act (TCJA) in regard to the disallowance of excess business loss deductions of non-corporate taxpayers. For California purposes, any disallowed loss will be treated as a carryover excess business loss for the subsequent taxable year. If you completed federal Form 461, Limitation on Business Losses, prepare a second set of forms reflecting your excess business loss using California amounts (i.e., following California law). Compare federal Form 461, line 16 and the form completed using California amounts. Enter the difference between the federal and California amount on line 8f, column B or column C. Attach federal Form 461, using California amounts, to the tax return.

Qualified equity grants. California does not conform to federal law regarding the election to defer the recognition of income attributable to qualified stock. If you elected to defer income for federal purposes, make an adjustment on line 8f, column C.

Expanded use of 529 account funds. California does not conform to federal law regarding the IRC Section 529 account funding for elementary and secondary education or to the maximum distribution amount. If the amount was excluded for federal purposes, make an adjustment on line 8f, column C.

Olympic Medals and Prize Money. If you excluded the value of any award, medal, or prize money on your federal Schedule 1 (Form 1040 or 1040-SR), enter the excluded amount on line 8f, column C. For more information, get FTB Pub. 1001.

Native American Earned Income Exemption. California does not tax federally recognized tribal members living in California Indian country who earn income from any federally recognized California Indian country.

Military compensation is considered income from reservation sources. Enrolled members who receive reservation sourced per capita income must reside in their affiliated tribe's Indian country to qualify for tax exempt status. For more information, see form FTB 3504. Enter in column B the income included in federal income that is exempt for California and write "FTB 3504" on line 8f. Attach form FTB 3504 to Form 540.

Parents' Election to Report Child's Interest and Dividends. California conforms to federal law for elections made by parents reporting their child's interest and dividends. Parents may elect to report their child's income on their California income tax return by completing form FTB 3803. If you make this election, the child will not have to file a tax return. You may report your child's income on your California income tax return even if you do not do so on your federal income tax return.

If the amount of your child's income you are reporting on your California income tax return is different than the amount you reported on your federal income tax return, enter the difference on line 8f, column B or column C and write "FTB 3803" on line 8f. Get form FTB 3803 for more information.

Reward from a crime hotline. Enter in column B the amount of a reward authorized by a government agency received from a crime hotline established by a government agency or nonprofit organization that is included in the amount on line 8, column A.

You may not make this adjustment if you are an employee of the hotline or someone who sponsors rewards for the hotline.

Federal foreign earned income or housing exclusion. Enter in column C the amount deducted from federal income on federal Schedule 1 (Form 1040 or 1040-SR), line 8.

Combat zone foreign earned income exclusion. Enter the amount excluded from federal income on line 8f, column C.

Beverage container recycling income. Enter in column B the amount of recycling income included in the amount on line 8, column A.

Rebates or vouchers from a local water agency, energy agency, or energy supplier. California law allows an income exclusion for rebates or vouchers from a local water agency, energy agency, or energy supplier for the purchase and installation of water conservation appliances and devices. Enter in column B the amount of this type of income included in the amount on line 8, column A.

Financial Incentive for Seismic Improvement. California law allows an income exclusion for loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligation incurred for earthquake loss mitigation. Enter in column B the amount of this type of income included in the amount on line 8, column A.

Original issue discount (OID) for debt instruments issued in 1985 and 1986. In the year of sale or other disposition, you must recognize the difference between the amount reported on your federal tax return and the amount reported for California purposes. **Issuers:** Enter the difference between the federal deductible amount and the California deductible amount on line 8f in column B. **Holders:** Enter the difference between the amount included in federal gross income and the amount included for California purposes on line 8f, column C.

Foreign income of nonresident aliens. Adjust federal income to reflect worldwide income computed under California law. Enter losses from foreign sources in column B. Enter foreign source income in column C.

Cost-share payments received by forest landowners. Enter in column B the cost-share payments received from the Department of Forestry and Fire Protection under the California Forest Improvement Act of 1978 or from the United States Department of Agriculture, Forest Service, under the Forest Stewardship Program and the Stewardship Incentives Program, pursuant to the Cooperative Forestry Assistance Act.

Foreign income. If you excluded income exempted by U.S. tax treaties on your federal Schedule 1 (Form 1040 or 1040-SR) (unless specifically exempt for state purposes), enter the excluded amount in column C. If you claimed foreign earned income or housing cost exclusion on your federal Schedule 1 (Form 1040 or 1040-SR) (under IRC Section 911), see the instructions for line 8.

Coverdell ESA distributions. If you received a distribution from a Coverdell ESA, report the difference between the federal taxable amount and the California taxable amount in column B or column C.

Grants paid to low-income individuals. California excludes grants paid to low-income individuals to construct or retrofit buildings to make them more energy efficient. Federal has no similar exclusion. Enter on line 8f, column B the amount of this type of income.

Health savings account (HSA) distributions for unqualified medical expense. Distributions from an HSA not used for qualified medical expenses, and included in federal income, are not taxable for California purposes. Enter the distribution not used for qualified medical expenses on line 8f, column B.

California National Guard Surviving Spouse & Children Relief Act of 2004. Death benefits received from the State of California by a surviving spouse/RDP or member-designated beneficiary of certain military personnel killed in the performance of duty is excluded from gross income. Military personnel include the California National Guard, State Military Reserve, or the Naval Militia. If you reported a death benefit on line 8, column A, enter the death benefit amount in column B.

Ottoman Turkish Empire settlement payments. If you received settlement payments as a person persecuted by the regime that was in control of the Ottoman Turkish Empire from 1915 until 1923 your gross income does not include those excludable settlement payments, or interest, received by you, your heirs, or your estate for payments received on or after January 1, 2005. If you reported settlement payments on line 8, column A, enter the amount of settlement payments in column B.

Mortgage forgiveness debt relief.

California law does not conform to federal law regarding the exclusion of income from discharge of indebtedness from the disposition of your principal residence occurring after December 31, 2017. Enter the amount of discharge on line 8f, column C.

g. Student Loan Discharged Due to Closure of a For-Profit School. California law allows an income exclusion for income that would result from the discharge of any student loan of an eligible individual. An individual is eligible for the exclusion if **any** of the following apply during the taxable year.

1. The individual is granted a discharge of any student loan because:
   a. The individual successfully asserts that the school did something wrong or failed to do something that it should have done.
   b. The individual could not complete a program of study due to the school closing.
2. The individual attended a Brightwood College school on or before December 5, 2018, and is granted a discharge of any student loan made in connection with attending that school, and that discharge is not covered under item 1 above.
3. The individual attended a location of The Art Institute of California and is granted a discharge of any student loan made in connection with attending that school, and that discharge is not covered under item 1 above.
4. The individual is granted a discharge of any student loan pursuant to the discharge agreement. For definition of "discharge agreement", refer to R&TC Section 17144.7 for more information.
5. The individual attended a Corinthian Colleges, Inc. school on or before May 1, 2015, is granted a discharge of any student loan made in connection with attending that school, and that discharge is not covered under item 1 or 4 above.

Enter in column B the amount of this type of income included in the amount on line 8g, column A.

Line 9 – Total

Add Section A, line 1 through line 6, and Section B, line 1 through line 8g in column B and column C. Enter the totals on line 9.

Section C – Adjustments to Income

Line 10 through Line 18a and Line 19 through Line 21 – California law is the same as federal law with the exception of the following:

- Line 10 (Educator Expenses) – California does not conform to federal law regarding educator expenses. Enter the amount from column A, line 10 to column B, line 10.
- Line 11 (Certain Business Expense of Reservists, Performing Artists, and Fee Basis Government Officials) – If claiming a depreciation deduction as an unreimbursed employee business expense on federal Form 2106, Employee Business Expenses, you may have an adjustment in column B or column C. For more information, get FTB Pub. 1001.

  Federal law eliminated the $3,000 deduction for living expenses for members of Congress while away from home. California does not conform. Enter the amount of living expenses on line 11, column C.
- Line 12 (Health Savings Account (HSA) Deduction) – Federal law allows a deduction for contributions to an HSA account. California does not conform. Transfer the amount from column A, line 12, to column B, line 12.
- Line 13 (Moving Expenses) – California does not conform to federal law regarding the suspension of the deduction for moving expenses, except for members of the Armed Forces on active duty. Non-military taxpayers prepare federal Form 3903, Moving Expenses, using California amounts. If you have excess moving expense reimbursements, enter the amount of moving expenses from line 3 of federal Form 3903 on Schedule CA (540), line 13, column C. If your reimbursements are less than your moving expenses, enter the amount of moving expenses from line 5 of federal Form 3903 on Schedule CA (540), line 13, column C.
- Line 18a (Alimony Paid) – Under federal law (TCJA), alimony and separate maintenance payments are not deductible by the payor spouse, if made under any divorce or separation agreement executed after December 31, 2018, or executed on or before December 31, 2018, and modified after that date (if the modification expressly provides that the amendments apply). California does not conform. If you paid alimony and did not deduct it on your federal tax return, enter the alimony in column C.

  If you are a nonresident alien and did not deduct alimony on your federal tax return, enter the amount you paid in column C.

  Line 18b (Recipient's SSN/Last Name) - Enter the SSN or ITIN and last name of the person to whom you paid alimony.
- Line 20 (Student Loan Interest Deduction) – California conforms to federal law regarding student loan interest deduction except for a spouse/RDP of a non-California domiciled military taxpayer residing in a community property state. Use the Student Loan Interest Deduction Worksheet in the next column to compute the amount to enter on line 20. For more information, get FTB Pub. 1032.
- Line 21 (Tuition and Fees) – California does not conform to federal law regarding the tuition and fees deduction. Enter the amount from column A, line 21 on column B, line 21.

Line 22 – Add line 10 through line 18a and line 19 through line 21 in column B and column C.

If you claimed the foreign housing deduction, include that amount in the total you enter in column B, line 22. Enter the amount and "Form 2555" on the dotted line next to line 22.

Line 23 – Total
Subtract line 22 from line 9 in column B and column C.

Also, transfer the amount from:

- Line 23, column B to Form 540, line 14

If column B is a negative number, transfer the amount as a positive number to Form 540, line 16.

- Line 23, column C to Form 540, line 16

If column C is a negative number, transfer the amount as a positive number to Form 540, line 14.

Student Loan Interest Deduction Worksheet

1	Enter the total amount from Schedule CA (540), line 20, column A. If the amount on line 1 is zero, STOP. You are not allowed a deduction for California		1 ________
2	Enter the total interest you paid in 2019 on qualified student loans but not more than $2,500 here		2 ________
3	Add federal Schedule 1 (Form 1040 or 1040-SR), line 20 (student loan interest deduction) to federal Form 1040 or 1040-SR, line 8b (AGI). Enter the result here	3 ________	
4	Enter the amount shown below for your filing status. • Single, head of household, or qualifying widow(er) – $60,000 • Married/RDP filing jointly – $120,000	4 ________	
5	Is the amount on line 3 more than the amount on line 4? ☐ **No.** Skip lines 5 and 6, enter -0- on line 7, and go to line 8. ☐ **Yes.** Subtract line 4 from line 3	5 ________	
6	Divide line 5 by $15,000 ($30,000 if married/RDP filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000		6 _ . _ _ _ _
7	Multiply line 2 by line 6		7 ________
8	**Student loan interest deduction.** Subtract line 7 from line 2		8 ________
9	**Student loan interest adjustment.** If line 1 is less than line 8, enter the difference here and on Schedule CA (540), line 20, column C		9 ________

Part II Adjustments to Federal Itemized Deductions

Important: If you did not itemize deductions on your federal tax return but will itemize deductions on your California tax return, first complete federal Schedule A (Form 1040 or 1040-SR), Itemized Deductions. Then check the box at the top of Schedule CA (540), Part II and complete lines 1 through 30. Attach a copy of federal Schedule A (Form 1040 or 1040-SR) to your Form 540.

Column A – Federal Amounts

Line 1 through Line 16
Enter on line 1 through line 16 the same amounts you entered on your federal Schedule A (Form 1040 or 1040-SR).

Column B and Column C — Subtractions and Additions
Use these columns to enter subtractions and additions to the federal amounts in column A that are necessary because of differences between California and federal law. Enter all amounts as positive numbers unless instructed otherwise.

Line 4 – Health Savings Account (HSA) Distributions

If you received a tax-free HSA distribution for qualified medical expenses, enter the qualified expenses paid that exceed 7.5% of federal AGI on line 4, column C.

Line 5a – State and Local Taxes
California does not allow a deduction for state and local income tax (including limited partnership tax and income or franchise tax paid by corporations) and State Disability Insurance (SDI) or state and local general sales tax. Enter that amount on line 5a, column B.

Line 5e – The federal deduction for state and local tax is limited to $10,000 ($5,000 for married filing separate) for the aggregate of state and local income taxes and property taxes. California does not conform. If your deduction was limited under federal law, enter an adjustment on line 5e, column C for the amount over the federal limit.

Line 6 – Other Taxes
California does not allow a deduction for foreign income taxes. Enter that amount on line 6, column B.

Federal law suspended the deduction for foreign property taxes. California does not conform. Enter the amount on line 6, column C.

Generation Skipping Transfer Tax – Tax paid on generation skipping transfers is not deductible under California law. Enter the amount of generation skipping tax included in line 6, column A on line 6, column B.

Line 8 – Home Mortgage Interest

Federal law limited the mortgage interest deduction acquisition debt maximum from $1,000,000 ($500,000 for married filing separately) to $750,000 ($375,000 for married filing separately). California does not conform. If your deduction was limited under federal law, enter an adjustment on line 8, column C for the amount over the federal limit.

Federal law suspended the deduction on up to $100,000 ($50,000 for married filing separately) for interest on home equity indebtedness, unless the loan is used to buy, build, or substantially improve the taxpayer's home that secures the loan. California does not conform. If your deduction was limited under the federal law, enter an adjustment on line 8, column C for the amount over the federal limit.

Mortgage Interest Credit – If you reduced your federal mortgage interest deduction by the amount of your mortgage interest credit (from federal Form 8396, Mortgage Interest Credit), increase your California itemized deductions by the same amount. Enter the amount of your federal mortgage interest credit on line 8, column C.

Line 8d – Mortgage Insurance Premiums

California does not allow a deduction for mortgage insurance premiums. Enter the amount from column A, line 8d on column B, line 8d.

Line 9 – Investment Interest Expense

Your California deduction for investment interest expense may be different from your federal deduction. Use form FTB 3526, Investment Interest Expense Deduction, to figure the amount to enter on line 9, column B or column C.

Line 11 – Gifts By Cash Or Check

Qualified Charitable Contributions – Your California deduction may be different from your federal deduction. California limits the amount of your deduction to 50% of your federal adjusted gross income. Figure the difference between the amount allowed using federal law and the amount allowed using California law. Enter the difference on line 11, column B.

College Athletic Seating Rights – Federal law no longer allows a charitable deduction for amounts paid to an institution of higher education in exchange for college athletic seating rights. California does not conform. Enter the amount on line 11, column C.

College Access Tax Credit – If you deducted a charitable contribution amount for the College Access Tax Credit Fund on your federal Schedule A (Form 1040 or 1040-SR) and are claiming the College Access Tax Credit on your Form 540, enter the amount used to calculate the College Access Tax Credit on line 11, column B.

Charitable Contribution Deduction Disallowance – California disallows a charitable contribution deduction to an educational organization that is a postsecondary institution or to the Key Worldwide Foundation to a taxpayer who meets all of the following:

- They are charged as a defendant in any of several specified criminal complaints as listed in R&TC Section 17275.4.
- There is a final determination of their guilt with regard to a violation of any offense arising out of that criminal complaint.
- There is a finding that they took the deduction unlawfully.

For more information, see R&TC 17275.4. Enter the amount of this deduction on line 11, column B.

Line 12 - Other Than By Cash or Check

Qualified Charitable Contributions – Your California deduction may be different from your federal deduction. California limits the amount of your deduction to 50% of your federal adjusted gross income. Figure the difference between the amount allowed using federal law and the amount allowed using California law. Enter the difference on line 12, column B.

Charitable Contribution Deduction Disallowance – California disallows a charitable contribution deduction to an educational organization that is a postsecondary institution or to the Key Worldwide Foundation to a taxpayer who meets all of the following:

- They are charged as a defendant in any of several specified criminal complaints as listed in R&TC Section 17275.4.
- There is a final determination of their guilt with regard to a violation of any offense arising out of that criminal complaint.
- There is a finding that they took the deduction unlawfully.

For more information, see R&TC 17275.4. Enter the amount of this deduction on line 12, column B.

Line 13 – Carryover From Prior Year

Charitable Contribution Carryover Deduction - If deducting a prior year charitable contribution carryover, and the California carryover is larger than the federal carryover, enter the additional amount on line 13, column C.

Carryover Deduction of Appreciated Stock Contributed to a Private Foundation prior to January 1, 2002 – If deducting a charitable contribution carryover of appreciated stock donated to a private operating foundation prior to January 1, 2002, and the fair market value allowed for federal purposes is larger than the basis allowed for California purposes, enter the difference on line 13, column B.

Line 15 – Casualty or Theft Loss(es)

Under federal law, the personal casualty and theft loss deduction is suspended, with exception for personal casualty gains. Federal allows a deduction for personal casualty and theft loss incurred in a federally declared disaster. California does not conform.

California allows personal casualty and theft loss and disaster loss deductions. If you have personal casualty and theft loss and/or disaster loss, complete another federal Form 4684, Casualties and Thefts, using California amounts. Enter the difference between the federal and California amount in column B or column C.

Line 16 - Other Itemized Deductions

Unreimbursed Impairment-Related Work Expenses - If you completed federal Form 2106, prepare a second set of forms reflecting your employee business expense using California amounts (i.e., following California law). Include your entertainment expenses, if any, on line 5 of federal Form 2106 for California purposes.

Generally, California law conforms with federal law and no adjustment is needed. However, differences occur when:

- Assets (requiring depreciation) were placed in service before January 1, 1987. Figure the depreciation based on California law.
- Federal employees who were on temporary duty status. California does not conform to the federal provision that expanded temporary duties to include prosecution duties, in addition to investigative duties. Therefore, travel expenses paid or incurred in connection with temporary duty status (exceeding one year), involving the prosecution (or support of the prosecution) of a federal crime, should not be included in the California amount.

Compare federal Form 2106, line 10 and the form completed using California amounts. Enter the difference between the federal and California amount in column B or column C.

Gambling Losses – California lottery losses are not deductible for California. Enter the amount of California lottery losses included in line 16, column A on line 16, column B.

Federal Estate Tax – Federal estate tax paid on income in respect of a decedent is not deductible for California. Enter the amount of federal estate tax included in line 16, column A on line 16, column B.

Claim of Right – If you had to repay an amount that you included in your income in an earlier year, because at the time you thought you had an unrestricted right to it, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than $3,000, you may take a credit against your tax for the year in which you repaid it, whichever results in the least tax.

If the amount repaid was not taxed by California, no deduction or credit is allowed.

Social security benefits are not taxable by California and the repayment would not qualify for claim of right deduction or credit. If you deducted the repayment of Social Security benefits on your federal tax return, enter the amount of the federal deduction on line 16, column B.

If you claimed a credit for the repayment on your federal tax return and are deducting the repayment for California, enter the allowable deduction on line 16, column C.

If you deducted the repayment on your federal tax return and are taking a credit for California, enter the amount of the federal deduction on line 16, column B. To help you determine whether to take a credit or deduction, see the Repayment section of federal Publication 525, Taxable and Nontaxable Income. Remember to use the California tax rate in your computations. If you choose to take the credit instead of the deduction for California, add the credit amount on line 77, the total payment line, of the Form 540. To the left of the total, write "IRC 1341" and the amount of the credit.

Line 19 through Line 22 - Job Expenses and Certain Miscellaneous Deductions

Under federal law, the deduction for miscellaneous itemized deductions subject to the 2% floor is suspended. California does not conform.

Line 19 - Unreimbursed Employee Expenses

Prepare federal Form 2106 reflecting your employee business expense using California amounts (i.e., following California law). Include your entertainment expenses, if any, on line 5 of federal Form 2106 for California purposes.

Enter the amount from line 10 of federal Form 2106 on line 19.

Line 20 - Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit or debit card, include the convenience fee you were charged on line 21 instead of this line.

Line 21 - Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income.

List the type of each expense next to line 21 and enter the total of these expenses on line 21. If you are filing a paper return and you can't fit all your expenses on the dotted lines next to line 21, attach a statement showing the type and amount of each expense.

Examples of expenses to include on line 21 are:

- Certain legal and accounting fees.
- Custodial fees (for example, trust account).
- Casualty and theft losses of property used in performing services as an employee from Form 4684, line 32 and 38b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if $3,000 or less.

Claim of Right - If you had to repay an amount that you included in your income in an earlier year, because at the time you thought you had an unrestricted right to it, you may be able to deduct the amount repaid from your income for the year in which you repaid it. If the amount you repaid is less than $3,000, the deduction is subject to the 2% AGI limit for California purposes. If you are deducting the repayment for California, enter the allowable deduction on line 21.

If the amount repaid was not taxed by California, no deduction is allowed.

Line 27 – Other Adjustments

Adoption-Related Expenses – If you deducted adoption-related expenses on your federal Schedule A (Form 1040 or 1040-SR) and are claiming the adoption cost credit for the same amounts on your Form 540, enter the amount of the adoption cost credit claimed as a negative number on line 27.

Nontaxable Income Expenses – If, on federal Schedule A (Form 1040 or 1040-SR), you claim expenses related to producing income taxed under federal law but not taxed by California, enter the amount as a negative number on line 27.

You may claim expenses related to producing income taxed by California law but not taxed under federal law by entering the amount as a positive number on line 27.

State Legislator's Travel Expenses – Under California law, deductible travel expenses for state legislators include only those incurred while away from their place of residence overnight. Figure the difference between the amount allowed using federal law and the amount allowed using California law. Enter the difference as a negative number on line 27.

Interest on Loans from Utility Companies – Taxpayers are allowed a tax deduction for interest paid or incurred on a public utility company financed loan that is used to purchase and install energy efficient equipment or products, including zone-heating products for a qualified residence located in California. Federal law has no equivalent deduction. Enter the amount as a positive number on line 27.

Line 29 – California Itemized Deductions

Is the amount on Form 540, line 13 more than the amount shown below for your filing status?

Single or married/RDP filing separately	$200,534
Head of household	$300,805
Married/RDP filing jointly or qualifying widow(er)	$401,072

NO Transfer the amount from line 28 to line 29. Do not complete the Itemized Deductions Worksheet.

YES Complete the Itemized Deductions Worksheet below.

Note:

- If married or an RDP and filing a separate tax return, you and your spouse/RDP must either both itemize your deductions (even if the itemized deductions of one spouse/RDP are less than the standard deduction) or both take the standard deduction.
- Also, if someone else can claim you as a dependent, claim the greater of the standard deduction or your itemized deductions. See the instructions for "California Standard Deduction Worksheet for Dependents" within the Form 540 Personal Income Tax Booklet to figure your standard deduction.

Itemized Deductions Worksheet

1.	Amount from Schedule CA (540), Part II, line 28	1 _______
2.	Add the amounts on federal Schedule A (Form 1040 or 1040-SR), line 4, line 9, and line 15 plus any gambling losses included on line 16	2 _______
3.	Subtract line 2 from line 1 . . . . If zero, STOP. Enter the amount from line 1 on Schedule CA (540), Part II, line 29.	3 _______
4.	Multiply line 3 by 80% (.80)	4 _______
5.	Amount from Form 540, line 13	5 _______
6.	Enter the amount shown above for your filing status . .	6 _______
7.	Subtract line 6 from line 5 . . . . Note: If zero or less, STOP. Enter the amount from line 1 on Schedule CA (540), Part II, line 29.	7 _______
8.	Multiply line 7 by 6% (.06)	8 _______
9.	Compare line 4 and line 8. Enter the smaller amount here	9 _______
10.	Total itemized deductions. Subtract line 9 from line 1. Enter here and on Schedule CA (540), Part II, line 29 .	10 _______

Line 30 – Amount from Line 29 or Standard Deduction

If your filing status is Married/RDP filing separately and your spouse itemizes, enter the amount from line 29 (even if the standard deduction is larger).