

1994

Tax Computation for Children with Investment Income

3800

Attach only to the child's Form 540 or Form 540NR.

Child's name as shown on return, Child's social security number, Parent's name (first, initial and last), Parent's social security number

Parent's filing status (check one):

- Single, Married filing joint, Married filing separate, Head of household, Qualifying widow(er)

Enter number of exemptions claimed on parent's return

Part 1 FIGURE CHILD'S NET INVESTMENT INCOME

1 Enter the child's investment income, such as taxable interest and dividend income. See instructions. If this amount is \$1,200 or less, stop here; do not file this form. 2 If the child DID NOT itemize deductions on California Schedule CA (540 or 540NR), line 38, enter \$1,200. If the child ITEMIZED deductions, see instructions. 3 Subtract line 2 from line 1. If zero or less, stop here; do not complete the rest of this form but ATTACH it to the child's return. 4 Enter the child's taxable income from Form 540, line 19 or Form 540NR, line 19. 5 Net Investment Income. Compare the amounts on line 3 and line 4. Enter the smaller of the two amounts here.

Part 2 FIGURE TENTATIVE TAX BASED ON PARENT'S TAX RATE

6 Enter the parent's taxable income from Form 540, line 19; Form 540A, line 16; Form 540EZ, line 16; or Form 540NR, line 19. 7 Enter the total, if any, of the net investment income shown on form(s) FTB 3800, line 5, of ALL OTHER children of the parent. Do not include the amount from line 5 above. 8 Add line 5 through line 7. 9 Tax on the amount on line 8 based on the parent's filing status. Use the tax table or tax rate schedules found in the 1994 instructions for Form 540, 540A, 540EZ or 540NR. Form 540NR filers, see instructions. 10 Enter the parent's tax from Form 540, line 20; Form 540A, line 17; or Form 540EZ, line 17. Form 540NR filers, see instructions. 11 Subtract line 10 from line 9. If you did not enter an amount on line 7, enter the amount from line 11 on line 13 and skip line 12a and line 12b. 12 a Add line 5 and line 7. b Divide line 5 by line 12a. Enter the result as a decimal (rounded to two places). 13 Multiply line 11 by the decimal amount on line 12b.

Part 3 FIGURE CHILD'S TAX

Note: If the amounts on line 4 and line 5 above are the same, go to line 16. 14 Subtract line 5 from line 4. 15 Tax on the amount on line 14 based on the child's filing status. Use the tax table or tax rate schedules found in the 1994 instructions for Form 540 or 540NR. Form 540NR filers, see instructions. 16 Add line 13 and line 15. 17 Tax on the amount on line 4 based on the child's filing status. Use the tax table or tax rate schedules found in the 1994 instructions for Form 540 or 540NR. Form 540NR filers, see instructions. 18 Compare the amounts on line 16 and line 17. Enter the larger of the two amounts here and on the child's Form 540, line 20. Be sure to check the box for "FTB 3800" of the child's tax return. Form 540NR filers, see instructions.

General Instructions

Purpose of Form

Use form FTB 3800 to figure the tax on the investment income (such as taxable interest and dividends) for a child who was under age 14 on January 1, 1995, and who received more than \$1,200 of investment income in 1994. California and federal laws are the same. However, you should include only income taxed by California on this form. Also, you should include investment income that was not taxed on the child's federal tax return but is taxable under California law.

If you use form FTB 3800, you must file Form 540, California Resident Income Tax Return or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, for your child.

Do not use form FTB 3800 if:

- neither of the child's parents were living on December 31, 1994; OR
the child's investment income was less than \$1,200.

If you do not file form FTB 3800, figure the tax in the normal manner on the child's Form 540, Form 540A, Form 540EZ or Form 540NR.

Note: Parents of children under age 14 may elect to include the child's investment income on the parent's tax return. To make

this election, the child must have had income only from interest and dividends. The election is not available if estimated tax payments were made in the child's name. Refer to form FTB 3803, Parent's Election to Report Child's Interest and Dividends, for more information. If parents make this election, the child will not have to file a California tax return or form FTB 3800.

**Caution:** If you elect to report your child's income on your federal income tax return, but not on your California income tax return, be sure to make an adjustment on your Schedule CA (540 or 540NR), line 21.

## Specific Instructions

### Parent's Name and Social Security Number

If federal Form 8615, Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,200, was filed with the child's federal tax return, enter the name and social security number of the same parent who was identified at the top of federal Form 8615.

If the child's parents were married to each other and filed a joint 1994 California tax return, enter the name and social security number of the parent who is listed first on the joint return.

If the child's parents were married but filed separate California tax returns, enter the name and social security number of the parent with the higher taxable income.

If the child's parents were unmarried, treated as unmarried for tax purposes or separated either by a divorce or separate maintenance decree, enter the name and social security number of the parent who had custody of the child for most of 1994.

**Exception.** If the custodial parent remarried and filed a joint return with his or her new spouse, enter the name and social security number of the person listed first on the joint return, even if that person is not the child's parent. If the custodial parent and his or her spouse filed separate returns, enter the name and social security number of the person with the **higher** taxable income, even if that person is not the child's parent.

**Note:** If the child's parents were unmarried but lived together during the year with the child, enter the name and social security number of the parent who had the **higher** taxable income.

## Part 1

### Figure Child's Net Investment Income

**Line 1** – Enter the child's investment income. Include income such as taxable interest, dividends, capital gains, rents, annuities and income received as a beneficiary. In most cases, this will be the same as the amount entered on federal Form 8615, except that you should include only income taxable by California. Also, you should include investment income that was not taxed on the child's federal tax return but is taxable under California law. For more information get the instructions for Schedule CA (540 or 540NR), line 8 and line 9.

If the child had earned income (defined below), use the following worksheet to figure the amount to enter on line 1.

1. Enter the amount of the child's adjusted gross income from Form 540, line 17 or Form 540NR, line 17, whichever applies \_\_\_\_\_
2. Enter the child's earned income . . . . . \_\_\_\_\_
3. Subtract worksheet line 2 from worksheet line 1. Enter the result here and on form FTB 3800, line 1. . . . . \_\_\_\_\_

**Earned income** includes wages, tips and other payments received for personal services performed.

**Line 2** – If the child itemized deductions on Form 540, line 18 or Form 540NR, line 18, enter on line 2 the **larger** of:

- \$600 plus the portion of the amount on Form 540, line 18 or Form 540NR, line 18, that is directly connected with the production of the investment income shown on form FTB 3800, line 1; OR
- \$1,200.

## Part 2

### Figure Tentative Tax Based on Parent's Tax Rate

**Line 6** – Enter the taxable income from Form 540, line 19; Form 540A, line 16; Form 540EZ, line 16; or Form 540NR, line 19 of the parent whose name is shown at the top of form FTB 3800. If the parent's taxable income is less than zero, enter -0- on line 6. If the parent filed a joint California tax return, enter the taxable income shown on that return even if the parent's spouse is not the child's parent.

**Line 7** – If the individual identified as the parent on this form FTB 3800 is also identified as the parent on any other form FTB 3800, add the amounts, if any, from line 5 on each of the other forms FTB 3800 and enter the total on line 7.

**Line 9** – Use the California tax table or tax rate schedule found in the 1994 instructions for Form 540, 540A, 540EZ or 540NR to find the tax for the amount on line 8, based on the parent's filing status. Enter this amount of tax on line 9.

**Form 540NR Filers:** To compute a revised California adjusted gross income and a tentative tax based on the parent's tax rate complete the following steps. **Step 1** – Add the child's net investment income (FTB 3800, line 5) to the parent's adjusted gross income from all sources shown on Form 540NR, line 17. **Step 2** – Add the portion of the child's net investment income that must be included in the child's California adjusted gross income to the parent's California adjusted gross income shown on the parent's Form 540NR, line 20. **Step 3** – Divide the revised California adjusted gross income computed in Step 2 by the revised adjusted gross income from all sources computed in Step 1. **Step 4** – Find the tax on the amount on line 8 using the parent's filing status. Multiply the amount of tax by the ratio figured in Step 3. Enter the result on line 9.

**Line 10** – Enter the tax shown on the tax return of the parent identified at the top of form FTB 3800 from Form 540, line 20; Form 540A, line 17; or Form 540EZ, line 17. If the parent filed a joint return, enter on line 10 the tax shown on that return even if the parent's spouse is not the child's parent.

**Form 540NR Filers:** Multiply the tax on Form 540NR, line 22, by the ratio on Form 540NR, line 25a. Enter this amount of tax on line 10.

## Part 3

### Figure Child's Tax

**Line 15** – Use the California tax table or tax rate schedule found in the 1994 instructions for Form 540 or 540NR to find the tax for the amount on line 14 based on the child's filing status.

**Form 540NR Filers:** To compute a revised California adjusted gross income for the child and the child's tax, complete the following steps. **Step 1** – Subtract the child's net investment income entered on FTB 3800, line 5 of this form from the child's adjusted gross income from all sources entered on Form 540NR, line 17. **Step 2** – Subtract the portion of the child's net investment income that must be included in the child's California adjusted gross income on Form 540NR, line 20. **Step 3** – Divide the revised California gross income computed in Step 2 by the revised adjusted gross income from all sources computed in Step 1. **Step 4** – Find the tax on the amount on line 14 using the child's filing status. Multiply the amount of tax by the ratio figured in Step 3. Enter the result on line 15.

**Line 17** – Use the California tax table or tax rate schedule found in the 1994 instructions for Form 540 or 540NR to find the tax for the amount on line 4, based on the child's filing status.

**Form 540NR Filers:** After finding the tax in the tax table or tax rate schedule, multiply the tax by the ratio on Form 540NR, line 25a. Enter this amount on line 17.

**Line 18** – Compare the amounts on line 16 and line 17 and enter the **larger** of the two amounts on line 18. Be sure to check the box for "FTB 3800" on Form 540, line 20 of the child's tax return.

**Form 540NR Filers:** Compare the amounts on line 16 and line 17. Divide the **larger** of the two amounts by the ratio on the child's Form 540NR, line 25a. Enter the amount on line 18 and on the child's Form 540NR, line 22. Be sure to check the box for "FTB 3800" on the child's Form 540NR, line 22.