

1996

Parent's Election to Report Child's Interest and Dividends

3803

Attach to Parent's Form 540 or Form 540NR

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

Caution: If more than one form FTB 3803 is attached, check here. []

Part I - Figure amount of child's interest and dividend income to report on your return

Table with 3 columns for interest and dividend income reporting. Rows include: 1a taxable interest income, 1b tax-exempt interest income, 2a gross dividends, 2b nontaxable distributions, 2c subtraction, 3 total income, 4 base amount, 5 adjusted amount.

Part 2 - Figure your tax on the first \$1,000 of child's interest and dividend income

Table for tax calculation. Rows include: 6 amount not taxed, 7 subtraction, 8 tax calculation. Includes a note about checking for 'FTB 3803' on Form 540 or 540NR.

Instructions for Form FTB 3803

Parent's Election to Report Child's Interest and Dividends

General Instructions

A Purpose of Form

Use form FTB 3803 if you are a parent and choose to report the income of your child on your California income tax return. If you do, the child will not have to file a 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. You may file this form if your child meets all of the following conditions:

- Was under age 14 on January 1, 1997;
- Had income only from interest and dividends;
- Had gross income for 1996 that was more than \$500 but less than \$5,000;
- Made no estimated tax payments for 1996;
- Did not have any overpayment of tax shown on his or her 1995 return applied to the 1996 return; AND
- Had no state income tax withheld from his or her income (backup withholding).

As a parent, you must also qualify as explained below in General Instruction B.

Use **Part 1** to figure the amount of the child's income to report on your return. Use **Part 2** to figure any additional tax that must be added to your tax.

B Parents Who Qualify to Make the Election

You qualify to make this election if you file Form 540, California Resident Income Tax Return, or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, and if any of the following applies to you:

- You and the child's other parent were married to each other and you file a joint return for 1996.
- You and the child's other parent were married to each other but you file separate returns for 1996 AND you had the **higher** taxable income. If you do not know if you had the higher taxable income, get federal Pub. 929, Tax Rules for Children and Dependents.
- You were unmarried, treated as unmarried for state income tax purposes or separated from the child's other parent by a divorce or separate maintenance decree. You must have had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse (your child's stepparent) do not file a joint return, you qualify to make the election only if you had **higher** taxable income than your new spouse.

Note: If you and the child's other parent were not married but you lived together during the year with the child, you qualify to make the election only if you are the parent with the **higher** taxable income.

If you elect to report your child's income on your return, you may not reduce that income by any deductions that your child would be entitled to on his or her own return, such as the penalty on early withdrawal of child's savings or any itemized deductions. For more information, see the instructions for federal Form 8814, Parent's Election to Report Child's Interest and Dividends.

C How to Make the Election

To make the election, complete and attach form FTB 3803 to your Form 540 or 540NR and file your return by the due date (including extensions).

You must file a separate form FTB 3803 for each child whose income you choose to report.

Specific Line Instructions

Parent's Name and Social Security Number. Enter the name(s) as shown on your return. If you file a joint return, enter the social security number of the person whose name is shown on the first line of the return.

Line 1a – Enter **all** interest income taxable by California and received by your child in 1996. If, as a nominee, your child received interest that actually belongs to another person, write the amount and "ND" (for "nominee distribution") on the dotted line to the left of line 1a. **Do not** include amounts received by your child as a nominee in the total entered on line 1a. If your child received Form 1099-INT showing California tax-exempt interest or Form 1099-OID, see the instructions for federal Form 8814.

Line 1b – If your child received any tax-exempt interest income, such as interest on United States savings bonds, enter the total tax-exempt interest on line 1b. Also include any exempt interest dividends your child received as a shareholder in a mutual fund or other regulated investment company. **Do not** include this interest on line 1a or line 3. Refer to the instructions for Schedule CA (540), California Adjustments — Residents, or Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents, line 8, for information on tax-exempt interest for California purposes.

Line 2a – Enter gross dividends received by your child in 1996, including capital gain distributions and nontaxable distributions. Federal Form 1099-DIV shows gross dividends in box 1a. Also include dividends your child received through a partnership, an S corporation, a limited liability company, or an estate or trust.

If, as a nominee, your child received dividends that actually belong to another person, write the amount and "ND" (for "nominee distribution") on the dotted line to the left of line 2a. **Do not** include amounts your child received as a nominee in the total for line 2a.

If line 2a includes any capital gain distributions (from federal Form 1099-DIV, box 1c), and if you have other gains or losses to report on your Schedule D, California Capital Gain or Loss Adjustment, you must report part or all of your child's capital gain distributions on your Schedule D instead of on form FTB 3803, line 5. Refer to federal Pub. 929 for details on how to figure the amount to report on your Schedule D.

Line 5 – If the total amount on line 5 of all form(s) FTB 3803 is **less** than the total amount on line 5 of all your federal Forms 8814, enter the difference on Schedule CA (540 or 540NR), line 21f, column B. Also write "FTB 3803" on Schedule CA (540 or 540NR), line 21f.

If the total amount on line 5 of all form(s) FTB 3803 is **more** than the total amount on line 5 of all your federal Forms 8814, enter the difference on Schedule CA (540 or 540NR), line 21f, column C. Also write "FTB 3803" on Schedule CA (540 or 540NR), line 21f.

If you did not file federal Form 8814, enter the amount from form FTB 3803, line 5, on Schedule CA (540 or 540NR), line 21f, column C. Also write "FTB 3803" on Schedule CA (540 or 540NR), line 21f.

Line 8 – Add the amount of tax from each form FTB 3803, line 8 to any tax you enter on Form 540, line 20 or Form 540NR, line 22. Also check the box labeled "FTB 3803" on Form 540, line 20 or Form 540NR, line 22.