California

Forms & Instructions

541

1996

Fiduciary Income Tax Booklet

This booklet contains:

State of California
Franchise Tax Board

1996 Instructions for Form 541

California Fiduciary Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

General Instructions

Changes You Should Note

Federal Conformity. In general, California **did not** conform its law to the changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 and 1996 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

Alternative Minimum Tax (AMT) Exclusion. As the result of legislation enacted in 1996, AMT income shall not include income, adjustments and items of tax preference related to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than $1,000,000 from **all** trades or businesses.

California Tax Forms on Internet! Do you need a California income tax form or publication? Do you have Internet access? If so, you may download, view and print 1994, 1995 and 1996 California tax forms and publications. Go to the California Home Page at **http://www.ftb.ca.gov** and access the California Franchise Tax Board under state servers.

Substitute Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc. If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB approved Schedule K-1 (541), it must get approval from the FTB to use a substitute form.

A Purpose

Fiduciaries must use Form 541 to:

- Report income received by an estate or trust;
- Report income that is either accumulated or distributed currently to the beneficiaries;
- Report any applicable tax liability of the fiduciary; or
- File an amended return for the estate or trust.

A fiduciary includes a trustee of a trust including a qualified settlement fund, or an executor, administrator, or person in possession of property of a decedent's estate.

For taxation purposes, a trust will generally be regarded as a separate entity. However, if there is an unlawful shifting of income from the individual who has earned that income to a trust, the trust will no longer be treated as a separate entity and the income will be taxed to the individual who earned the income. If the individual who established the trust has a substantial ability to control the assets, all of the income will be taxed to that individual. Unless specifically allowed by the California Revenue and Taxation Code (R&TC) and the Internal Revenue Code, deducting of personal living expenses by an individual or trust is not allowed.

B Who Must File

Decedent's Estate. The fiduciary (or one of the joint fiduciaries) must file Form 541 for the estate of a decedent that has:

- Gross income for the taxable year of more than $8,000 (regardless of the amount of net income);
- Net income for the taxable year of more than $1,000; or
- An alternative minimum tax liability.

Trust. The fiduciary (or one of the joint fiduciaries) must file Form 541 for a trust that has:

- Gross income for the taxable year of more than $8,000 (regardless of the amount of net income);
- Net income for the taxable year of more than $100; or
- An alternative minimum tax liability.

Note: Simple trusts that have received a letter from the FTB granting exemption from tax under R&TC Section 23701d are considered to be corporations for tax purposes and may be required to file Form 199, Exempt Organization Annual Information Statement or Return. See the instructions for that form.

Nonexempt charitable trusts, described in IRC Section 4947(a)(1), must file Form 199.

Trusts described in Section 401 (a) of the IRC may be required to file an exempt organization return. Get form 109, Exempt Organization Business Income Tax Return for more information.

REMIC Trust. A Real Estate Mortgage Investment Conduit (REMIC) is a special vehicle for entities that issue multiple classes of investor interests by a fixed pool of mortgages. Get the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit Income Tax Return, for more information. The fiduciary (or one of the joint fiduciaries) must file Form 541 and pay an annual tax of $800 for a REMIC trust that has done business at any time during the year.

A REMIC trust is not subject to any other taxes assessed on this form. Attach a copy of federal Form 1066 to the back of Form 541.

Bankruptcy Estate. The fiduciary must file Form 541 for the estate of an individual involved in bankruptcy proceedings under Chapter 7, 11 or 12 of Title 11 of the United States Code (USC) if the estate has:

- Gross income for the taxable year of more than $8,000 (regardless of the amount of net income);
- Net income for the taxable year of more than $1,000; or
- An alternative minimum tax liability.

Note: IRC Section 1398 does not apply. For California taxation, the bankruptcy is taxed as an estate in accordance with 11 USC Section 346(a) and (b).

Qualified Settlement Fund (including Designated Settlement Fund). The fiduciary must file Form 541 for a qualified settlement fund as defined under IRC Section 468B if:

- The court or government agency supervising the administration of the fund is in California; or
- The fund receives or expects to receive income from California sources, (i.e. income from real or tangible personal property located in California and income from intangible personal property with a business or taxable situs in California.)

Note: Print ''QSF'' in red at the top of Side 1 of Form 541.

If you filed a Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies, or a Form 1120-REIT, U.S. Income Tax Return For Real Estate Investment Trusts, then file Form 100, California Corporation Franchise or Income Tax Return, not Form 541.

C Definitions

Get federal Form 1041, U.S. Income Tax Return for Estates and Trusts, for definitions of:

- Fiduciary;
- Decedent's estate;
- Simple trust;
- Income required to be distributed currently;
- Complex trust;
- Bankruptcy estate;
- Grantor-type trust;
- Family estate trust; and
- Pooled income fund.

D Additional Forms You May Have to File

In additon to Form 541, you must file a separate Schedule K-1 (541) or acceptable substitute for each beneficiary.

You may also be required to file:

- Form 540, California Resident Income Tax Return;
- Form 540NR, California Nonresident or Part-Year Resident Income Tax Return;
- Form 541-A, Trust Accumulation of Charitable Amounts;
- Form 541-ES, Estimated Tax for Fiduciaries;
- Form 541-T, California Allocation of Estimated Tax Payments to Beneficiaries;
- Form 592, Nonresident Withholding Annual Return;
- Form 592-B, Nonresident Withholding Tax Statement;
- Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries; or
- Federal Forms 1099-A, B, INT, MISC, OID, R and S.

E Period Covered by the Return

File Form 541 for calendar year 1996 or a fiscal year beginning in 1996. Only trusts exempt from taxation under IRC Section 501(a) or a charitable trust described under IRC Section 4947(a)(1) and estates may have a fiscal year. If you do not file a calendar year return, you must complete the taxable year space at the top of Form 541.

For estates, the moment of death determines the end of the decedent's taxable year and the beginning of the estate's taxable year. The first taxable year for the estate may be any period of 12 months or less that ends on the last day of a month.

F When to File

File Form 541 by the 15th day of the 4th month following the close of the taxable year of the estate or trust. For calendar year estates and trusts, file Form 541 and Schedules K-1 (541) by April 15, 1997. If Form 541 cannot be filed by the 15th day of the fourth month (fiscal year filers) or April 15, 1997 (calendar year filers), the estate or trust has an additional 6 months to file without filing a written request for extension. However, to avoid late payment penalties, 100% of the tax liability must be paid by the original due date of the return. This also applies to REMICs that are subject to an annual $800 tax.

If an extension of time to file is needed but an unpaid tax liability is owed, use form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries, included in this booklet.

If the return is not filed by the extended due date, delinquent filing penalties and interest will be imposed on any tax due from the original due date of the return.

A qualified settlement fund is treated as a corporation for filing and reporting purposes. Therefore the qualified settlement fund should file its California income tax return by the 15th day of the 3rd month following the close of the taxable year, normally March 15th. A copy of the federal Form 1120-SF, U.S. Income Tax Return for Settlement Funds (Under Section 468B), and any statements or elections required by Treasury regulations must be attached to Form 541.

G Where to File

Mail Form 541 to the appropriate address listed below.

If an **amount is due** with the return, mail the return and payment to:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001

Be sure to include your federal employer identification number on all payments. Do not mail cash.

If a **refund or no amount is due**, mail the return to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0000

H Estimated Tax Payments

Estates and trusts are required to make quarterly estimated tax payments. Estates and trusts, which receive the residue of the decedent's estate, are required to make estimated income tax payments for any year ending 2 or more years after the date of the decedent's death.

I Decedent's Will and Trust Instrument

You do not have to file a copy of the decedent's will or the trust instrument unless you are requested to do so by the FTB.

J Limitations

At-Risk Loss Limitations. Generally, the amount the estate or trust has ''at-risk'' limits the loss you may deduct for any taxable year. Get federal Form 6198, At-Risk Limitations, to figure the deductible loss for the year. Be sure to use California amounts.

Passive Activity Loss and Credit Limitations. IRC Section 469 (which California incorporates by reference) generally limits deductions from passive activities to the amount of income derived from all passive activities. Similarly, credits from passive activities are limited to tax attributable to such activities. These limitations are first applied at the estate or trust level. See the instructions for federal Form 1041 for more information on the passive activities loss and credit limitation rules. Get form FTB 3801, Passive Activity Loss Limitations, to figure the amount of allowable passive activity loss. Get form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of credit allowed for the current year.

K Special Rule for Blind Trust

If you are reporting income from a qualified blind trust (under the Ethics in Government Act of 1978), do not identify the payer of any income to the trust, but complete the rest of the return as provided in the instructions. Also, write ''BLIND TRUST'' at the top of Side 1.

L Multiple Trust Rules

Two or more trusts are treated as one trust if the trusts have substantially the same grantor(s) and substantially the same primary beneficiary(ies), and a principal purpose of the use of multiple trusts is avoidance of tax. This provision applies only to that portion of the trust that is attributable to contributions to corpus made after March 1, 1984.

M Interest and Penalties

Interest. Interest will be charged on taxes not paid by their due date, even if the return is filed by the extended due date.

Late filing of return. A penalty is charged if the return is filed after the due date (including extensions), unless there was reasonable cause for filing late. The penalty is 25% if the return is filed after the extended due date. If the return is late, the minimum penalty is $100 or 100% of tax due on the return, whichever is less.

Late payment of tax. A penalty is charged for not paying tax by the due date unless there was reasonable cause for not paying on time. The penalty is 5% of the unpaid tax plus one-half of 1% for each month, or part of a month, that the tax is late, up to a maximum of 25%.

Note: If an estate or trust is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total will not exceed 25% of the unpaid tax.

Penalty for failure to provide Schedule K-1. The fiduciary is required to provide Schedule K-1 (541) to each beneficiary who receives a distribution of property or an allocation of an item of the estate. A penalty of $50 per beneficiary (not to exceed $100,000 for any calendar year) will be imposed on the fiduciary if this requirement is not satisfied.

Note: If the estate or trust includes interest or any of these penalties with the payment, identify and enter these amounts in the bottom margin of Form 541, Side 1. Do not include the interest or penalty in the tax due on line 31 or reduce the overpaid tax on line 32.

Other penalties. Other penalties may be imposed for: a check returned by your bank for insufficient funds; accuracy related; and fraud.

N Attachments

If the estate or trust needs more space on the forms or schedules, attach separate sheets showing the same information in the same order as on the printed forms.

Enter the estate's or trust's federal employer identification number on each sheet. Also, use sheets that are the same size as the forms and schedules and indicate clearly the line of the printed form to which the information relates. Show the totals on the printed forms.

O Rounding to Whole-Dollar Amounts

The estate or trust should show the money items on the return and accompanying schedules as whole-dollar amounts.

P Miscellaneous Items

California law follows federal law in the areas of:

- Accounting methods;
- Separate shares in a single trust;
- Blind trusts;
- Multiple trusts;
- Simple and complex trusts;
- Common trust funds; and
- Excess distributions.

Liability for tax. The fiduciary is liable for payment of the tax. Failure to pay the tax may result in the fiduciary being held personally liable. See R&TC Sections 19071 and 19516 (former Sections 18621 and 19265).

Estate income to be reported. If a decedent at the date of death was a resident of California, the entire income of the estate must be reported. If a decedent at the date of death was a nonresident, only the income derived from sources within California should be reported.

Trust Income to be Reported –

Sources within California. All of the income derived from sources within California and not distributable is taxable to the trust irrespective of the residence of the trustees or the beneficiaries.

Sources outside California. If either the trustee (or all trustees) or the noncontingent beneficiary (or all noncontingent beneficiaries) are residents, the trust is taxable on all income from all sources that is not currently distributable.

If there is more than one trustee, and if one or more are residents and one or more are nonresidents, and all noncontingent beneficiaries are nonresidents, and if the trust has income from sources outside California that is not currently distributable, the trust is taxable on that proportion of such income as the number of resident trustees bears to the total number of trustees. See 18 Cal. Code Reg. Section 17743.

If there is more than one noncontingent beneficiary, and if one or more are residents and one or more are nonresidents, and all trustees are nonresidents, and if the trust has income from sources outside California that is not currently distributable, the trust is taxable on that proportion of such income as the number of resident noncontingent beneficiaries bears to the total number of beneficiaries. See 18 Cal. Code Reg. Section 17744.

If the trust has resident and nonresident trustees and resident and nonresident contingent beneficiaries, the provisions of both of the preceding two paragraphs apply. See FTB Legal Ruling 238.

The apportionment described above does not apply when the interest of a beneficiary is contingent. See R&TC Section 17745 regarding taxability in such cases.

Deductions upon termination. A deduction shall be allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has (1) a capital loss carryover, or (2) for its last taxable year, deductions (other than the charitable deduction) in excess of gross income, or (3) a net operating loss.

Tax-exempt income. California does not tax:

- **Interest on governmental obligations.** Interest derived from bonds issued by California or its political subdivisions, the federal government, the District of Columbia (issued before December 24, 1973) or territories of the United States is not taxable by California.
- **Proceeds of insurance policies.** In general, a lump sum payable at the death of the insured under a life insurance policy is excludable from gross income of the recipient.
- **Miscellaneous items wholly exempt from tax.** (1) Gifts (not received as a consideration for services rendered) and money or property

acquired by bequest, devise or inheritance (but the income derived therefrom is taxable); (2) income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee; and (3) certain death benefits received from a decedent's employer (see IRC Section 101(b)).

Withholding at source. Fiduciaries must withhold tax on payments of income that are not subject to payroll withholding from California sources made to nonresident beneficiaries. See R&TC Sections 18662 through 18677. Get Form 592, Nonresident Withholding Annual Return, and Form 592-B, Nonresident Withholding Tax Statement, to report the withholding.

See 18 Cal. Code Reg. Sections 17951-1(c), 17951-2 and 17953 regarding taxability of distributions to nonresident beneficiaries.

Tax certificate. If assets that exceed $100,000 in fair market value are distributable to one or more nonresident beneficiaries and the fair market value of the estate's assets exceeded $400,000 at the date of death, then pursuant to R&TC Section 19513, the fiduciary must obtain a tax clearance certificate prior to court approval of the fiduciary's final account. To request the certificate, file form FTB 3571, Request for Estate Income Tax Certificate.

The request should be filed at least 30 days prior to the court date for the hearing on the petition for final distribution of the estate assets.

Specific Line Instructions

Identification Area

Follow the instructions for federal Form 1041 when completing the identification area on Side 1 of Form 541. California law is generally the same as federal law in the areas of:

- Simplified filing requirements;
- Method of reporting;
- Pooled income fund;
- Amended returns;
- Final returns; and
- Nonexempt charitable and split-interest trusts.

Note: If the estate or trust is filing an amended Form 541, check the amended return box. Complete the entire return, correct the appropriate line(s) with the new information and recompute the tax liability. On an attached sheet, explain the reason for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. Include the fiduciary name and federal employer identification number (FEIN) on each attachment.

If the amended return results in a change to income, or a change in distribution of any income or other information provided to a beneficiary, an amended Schedule K-1 (541) must also be filed with the amended Form 541 and given to each beneficiary. Write ''AMENDED'' across the top of the corrected Schedule K-1 (541).

Income

Line 1 – Interest income
Enter the total of all taxable interest including any original issue discount bonds and income received as a holder of a regular interest in a REMIC. If you filed a Form 1120-RIC or a Form 1120-REIT, then file Form 100, not Form 541.

Line 2 – Dividends
Enter the total of all taxable dividends.

Line 3 – Business income or (loss)
If the estate or trust was engaged in a trade or business during the taxable year, form FTB 3885F, Depreciation and Amortization, must be completed and attached to Form 541. Attach a copy of federal Schedule C or C-EZ (Form 1040) using California amounts. Follow federal instructions for dividing the deductions for depreciation, depletion and amortization between the fiduciary and the beneficiaries.

Line 4 – Capital gain or (loss)
Enter from Schedule D (541), Capital Gain and Loss, the gain or (loss) from the sale or exchange of capital assets. See the instructions for Schedule D (541).

Line 5 – Rents, royalties, partnerships, other estates and trusts, etc.
Enter the total of net rent and royalty income or (loss) and the total income or (loss) from partnerships and other estates or trusts. Do not include amounts for:

- Interest (enter on line 1);
- Dividends (enter on line 2);
- Capital gain or (loss) (enter on Schedule D (541)); and
- Ordinary gain or (loss) (enter on Schedule D-1, Sales of Business Property).

Attach federal Schedule E (Form 1040), Supplemental Income and Loss. Use California amounts to show the fiduciary's share of income and expenses, including depreciation and depletion.

See the instructions for federal Form 1041, line 5, for information on how to divide the deductions for amortization, depreciation and depletion between the fiduciary and the beneficiary(ies).

Attach form FTB 3885F to report any depreciation and amortization deduction.

Note: IRC Section 179 and R&TC Sections 17252.5 and 17265 elections to expense certain depreciable business assets do not apply to estates and trusts.

Any losses and credits from passive activities may be limited. See General Instruction J for information about passive activity loss limitations.

Line 6 – Farm income or (loss)
Enter the net income or (loss) from farming during the taxable year. Attach federal Schedule F, Profit or Loss From Farming, (Form 1040) using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction. Follow federal instructions for dividing the deductions for depreciation, depletion and amortization between the fiduciary and the beneficiary(ies).

Line 7 – Ordinary gain or (loss)
Enter from Schedule D-1, Sales of Business Property, the gain or (loss) from the sale or exchange of property other than a capital asset and also from involuntary conversions (other than casualty or theft). For more information, get the instructions for Schedule D-1.

Line 8 – Other income
Enter the total taxable income not reported elsewhere on Side 1. State the nature of the income. Attach a separate sheet if necessary.

Examples of income to be reported on line 8 are:

- Unpaid compensation received by the decedent's estate that is income in respect of a decedent;
- The estate's or trust's share of aggregate income or loss that is ordinary income, if the estate or trust is a shareholder of an S corporation. State the name and FEIN of the corporation. Report capital gain income, dividend income, etc., on other appropriate lines;
- The estate's or trust's share of taxable income or (loss) if the estate or trust is a holder of a residual interest in a REMIC. You should receive Schedule K-1 (100S, 541, or 565) and instructions from the REMIC. Get federal Schedule E, Supplemental Income and Loss, (Form 1040), Part IV, instructions for reporting requirements and attach federal Schedule E (Form 1040); and
- Any part of a total distribution shown on federal Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. that is treated as ordinary income. For more information, get the instructions for California Schedule G-1, Tax on Lump-Sum Distributions.

Deductions

All deductions entered on line 10 through line 15c must include only the fiduciary's share of deductions related to taxable income. If the estate or trust has tax-exempt income, the amounts included on line 10 through line 15c must be reduced by the allocable portion attributed to tax-exempt income. See the ''Line-by-Line Instructions'' for federal Form 1041 for information on how to determine the allocable amount to enter on line 10 through line 15c.

California law follows federal law for:

- Fiduciary, attorney, accountant and return preparer fees;
- Limited deductions for losses arising from certain activities; and
- Limited deductions for farming syndicates that had a change in membership or were established in 1977 (see IRC Section 464). Bankruptcy estates: see 11 USC 346(e) for California deductions allowed for expenses incurred during administration.

Line 10 – Interest
Enter any deductible interest paid or accrued that is not deductible elsewhere on Form 541. Attach a separate schedule showing all interest paid or accrued. Do not include interest on a debt that was incurred or continued in order to buy or carry obligations, the interest on which is tax-exempt. If unpaid interest is due related persons, get federal Publication 936, Home Mortgage Interest Deduction, for more information.

The amount of investment interest deduction is limited. Get form FTB 3526, Investment Interest Expense Deduction, to compute the allowable investment deduction.

Any disallowed investment interest expense is allowed as a carryforward to the next taxable year. See IRC Section 163(d) and get federal Publication 550, Investment Income and Expenses, for more information.

If the allowable part of the excess investment interest expense is deductible and form FTB 3526 is required to be completed, write ''FTB 3526 attached'' on line 10. Then add the deductible interest to the other types of deductible interest and enter the total on line 10.

Line 11 – Taxes
Enter any deductible property taxes paid or accrued during the taxable year that are not deductible elsewhere on Form 541.

Attach a separate schedule showing all taxes paid or accrued during the taxable year.

Taxes not deductible include:

- Taxes assessed against local benefits that increase the value of the property assessed;
- Income or profits taxes imposed by the federal government, any state or foreign country;
- Taxes computed as an addition to, or percentage of, any taxes not deductible under the law;
- Legacy, succession, gift or inheritance taxes; and

- Sales and local general sales and use taxes.

Line 12 – Fiduciary fees
Enter the deductible fees paid to the fiduciary for administering the estate or trust and other allowable administration costs incurred during the taxable year.

Allowable administration costs are those costs that were incurred in connection with the administration of the estate or trust that would not have been incurred if the property were not held in such estate or trust. These administration costs are not subject to the 2% floor. See instructions for Line 15b.

Line 13 – Charitable deductions
Figure the charitable deduction on Schedule A (541) and enter the total from Schedule A (541), line 7.

Line 14 – Attorney, accountant and return preparer fees
Enter the deductible attorney, accountant and return preparer fees paid for the estate or the trust.

Line 15a – Other deductions NOT subject to the 2% floor
Explain on a separate schedule all other authorized deductions that are not deductible elsewhere on Form 541. Enter the total on line 15c.

Include any net interest deduction on interest earned on enterprise zone, program area or Los Angeles Revitalization Zone investment that is more than the expense of earning that interest. Attach form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary or form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary.

Casualty losses. California law generally follows federal law. See federal Form 4684, Casualties and Thefts.

Net operating loss deductions. California law generally follows federal law except that generally only one half of the loss can be carried forward and there are no carrybacks. See R&TC Sections 17276 through 17276.2 and get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts; form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary; form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; and form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary, for more information.

Line 15b – Allowable miscellaneous itemized deductions subject to the 2% floor
Miscellaneous itemized deductions are deductible only to the extent that the aggregate amount of such deductions exceeds 2% of adjusted gross income (AGI).

The term ''miscellaneous itemized deductions'' does not include deductions relating to:

- Interest under IRC Section 163;
- Taxes under IRC Section 164; and
- Amortization of bond premium under IRC Section 171.

For more exceptions see IRC Section 67(b).

For estates and trusts, the AGI is computed by subtracting the following from total income (line 9):

- Fiduciary fees of the estate or trust (line 12);
- Income distribution deduction under IRC Section 651 or 661 (line 18); and
- Other deductions claimed on line 10 through line 15a that were incurred in the conduct of a trade or business or the production of income.

See the federal instructions for Form 1041 for more information regarding the income distribution deduction and AGI computation.

Unallowable deductions. No deductions are allowed on Form 541 for:

- Expenses that are allocable to one or more classes of income (other than interest income) exempt from tax;
- Any amount relating to expenses for production of income that is allocable to interest income exempt from tax. For the treatment of interest expense attributable to tax-exempt income, see the instructions for line 10. For the determination of the amount of expense attributable to tax-exempt income, see the instructions for federal Schedule B (Form 1041);
- Medical and dental expenses incurred by the estate; or
- Funeral expenses.

Tax Computation

Line 20a – Regular tax
Determine the tax on the taxable income (line 19) from the Tax Rate Schedule found on page 8 and enter it on line 20a.

Line 20b – Other taxes

- Tax from Schedule G-1, Tax on Lump-Sum Distributions, may be applied to lump-sum distributions from a qualified retirement plan. You must complete Schedule G-1 to figure the amount of tax to enter on line 20b.
- Partial throwback tax on accumulation distribution from trust.

  If an estate or a trust is the beneficiary of a trust and in the current year received a distribution from the trust of income accumulated in prior taxable years (an accumulation distribution), the estate or trust may be liable for a partial throwback tax on the accumulation distribution. Under the throwback rules, the beneficiary of an accumulation distribution is taxed as if the distribution was made in the prior years when the income was accumulated. Compute the throwback tax on form FTB 5870A, Tax on Accumulation Distribution of Trusts. Include the tax on line 20b and attach form FTB 5870A to Form 541.
- IRC Section 644 tax.

  Include on line 20b any tax attributable to gain realized by a trust on the sale or exchange of property within two years after receiving it from a transferor.

  Follow the instructions for ''IRC Section 644 tax on trusts'' (Schedule G, line 1b) in the federal Form 1041 instructions.
- Interest on tax deferred under the installment method for certain nondealer property installment obligations.

  If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the estate or trust must include the interest due under IRC Section 453A in the amount to be entered on line 20b. Attach a schedule showing the computation. List the amount of tax and ''IRC Section 453A'' on line 20b.
- Enter the $800 REMIC annual tax on line 20b and line 26, tax liability. REMIC annual tax is not eligible for exemption credits.

Line 20c – QSF Tax
QSF is a qualified Settlement Fund (including designated settlement funds). Determine the tax under R&TC Section 24693. For more information see General Instructions B, Who Must File.

Tax Credits

Line 21 – Exemption credit
An estate is allowed an exemption credit of $10. A trust is allowed an exemption credit of $1.

Note: If a final distribution of assets was made during the year, all taxable income of the estate or trust must be entered on line 18, as distributed to beneficiaries, and no exemption credit is allowable.

Line 22 – Credits
Various California tax credits are available to reduce the tax. For most credits, a separate schedule or statement must be attached to Form 541. See the table on page 6 for a list of the credits, their codes and brief description.

How to claim California tax credits:

1. Figure the amount of each credit using the appropriate form.
2. Use the Schedule P (541) worksheet to determine if the credits are limited. Complete the credit limitation worksheet below unless the following exceptions apply.
   a) If federal Schedules C, D, E or F (Form 1041) were not completed and the amount entered on Form 541, line 17, is less than $20,000, **do not** complete the credit limitation worksheet. The credits are not limited.
   b) Did the estate or trust complete federal Schedule C, D, E or F and claim or receive any of the following:
      - Accelerated depreciation in excess of straight line;
      - Intangible drilling costs;
      - Depletion;
      - Circulation expenditures;
      - Research and experimental expenditures;
      - Mining exploration/development costs;
      - Amortization of pollution control facilities;
      - Income/loss from tax shelter farm activities;
      - Income/loss from passive activities; or
      - Income from long-term contracts using the percentage of completion method?

      Yes Get and complete Schedule P (541) through Part IV, line 4 to figure the amount of your exemption credits.
      No Go to item (c)
   c) Did the estate or trust claim or receive any of the following:
      - AMT adjustment from another estate or trust;
      - Investment interest expense;
      - Income from incentive stock options in excess of the amount reported on the Form 540;
      - Charitable contribution deduction for appreciated property;
      - Income from installment sales of certain property; or
      - Net operating loss deduction or disaster loss carryover reported on form(s) FTB 3805V, 3805Z, 3806 or 3807?

      Yes Get and complete Schedule P (541) through Part IV, line 4 to figure the amount of your exemption credits.
      No Go to the worksheet that follows.

Credit Limitation Worksheet

A Enter the amount from Form 541, line 20 (tax) . . . . **A** ______

B Enter personal property taxes and real property taxes paid. This includes any state and local personal property and state, local or foreign real property taxes on Form 541, line 11 . . . . **B** ______

C Enter miscellaneous itemized deductions from Form 541, line 15b . . . . **C** ______

D Add line B and line C . . . . . **D** ______

E Enter any refund of personal property tax or real property tax. Do not enter the amount of your state income tax refund . . . . **E** ______

F Subtract line E from line D. . . **F** ______

G Enter the amount from Form 541, line 19 (taxable income) . . . . **G** ______

H Add line F and line G . . . . . **H** ______

I Enter $20,000 . . . . **I** ______

J Subtract line I from line H. If zero or less, enter -0- . . . . **J** ______

K Multiply line J by .07 . . . . . . **K** ______

L Subtract line K from line A. If less than zero, enter the amount in brackets . . . . **L** ______

M If an estate, enter $10. If a trust, enter $1 . . . . **M** ______

N Enter the smaller of line L or line M. This is the allowable exemption credit. Also enter on Form 541, line 21 . . . . **N** ______

Complete Schedule P (541) if:

- The amount on line L is less than total credits, including exemption credits; or
- The amount on line K is greater than the amount on line A.

If the conditions above do not apply, do not complete Schedule P (541).

Generally, you will have to complete Schedule P (541) if the estate or trust takes an income distribution deduction under IRC Section 651 or Section 661.

Each credit is identified by a code number. If you claim only one credit, enter the credit code number and amount of the credit on line 22.

If you claim more than one credit, you must use Schedule P (541), Part V, to figure the total credit amount. Enter on Form 541, line 22, the total of line 8b through line 20b of Schedule P (541), Part V. Attach Schedule P (541) and any required supporting schedules or statements to Form 541.

If the estate or trust claims a credit with carryover provisions and the amount of the credit available this year exceeds the estate's or trust's tax, the estate or trust may carry over any excess credit to next year until the credit is used.

If you claim a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure this credit, unless you are required to complete Schedule P (541). In that case, enter the amount of the credit on Schedule P (541), Section B and do not attach form FTB 3540.

CREDIT NAME	CODE	DESCRIPTION
Disabled Access – FTB 3548	205	Similar to the federal credit but limited to $125 based on 50% of qualified expenditures that do not exceed $250.
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations.
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employers: Cost of establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California.
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax – FTB 3806	159	Business incentives for LARZ
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturers' Investment – FTB 3535	199	6% of the cost of qualified property
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 1996
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Program Area Hiring & Sales or Use Tax – FTB 3805Z	177	Business incentives for program areas
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Salmon & Steelhead Trout Habitat Restoration – Obtain certification from: DEPARTMENT OF FISH AND GAME C/O TIMBER TAX CREDITS PROGRAM PO BOX 944209 SACRAMENTO CA 95244-2090	200	10% of qualified costs
Agricultural Products	175	The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (540), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.
Commercial Solar Electric System	196	
Commercial Solar Energy	181	
Employee Ridesharing	194	
Employer Ridesharing	191 192 193	
Energy Conservation	182	
Orphan Drug	185	
Low-Emission Vehicles	160	
Political Contributions	184	
Recycling Equipment	174	
Residential Rental & Farm Sales	186	
Solar Energy	180	
Solar Pump	179	
Water Conservation	178	

Other Taxes

Line 25 – Alternative minimum tax (AMT)
If certain types of deductions, exclusions and credits are claimed, the estate or trust may be subject to California's AMT. Get Schedule P (541) to figure the amount of tax to enter on line 25. Schedule P (541) must be completed regardless of whether the estate or trust is subject to AMT if an income distribution deduction is reported on line 18.

Tax and Payments

Line 27 – California income tax withheld
Attach federal Form(s) W-2 if the fiduciary claims credit for California income tax withheld on a decedent's wages and salaries received by the fiduciary.

Line 28 – California income tax previously paid (minus tax allocated to beneficiaries)
Enter all taxes previously paid for the current taxable year. If filing an amended return, this includes payments made with the original return. Enter the serial numbers that the FTB stamped on the face of the cancelled check(s) (for each previous payment) if available, in the space provided at line 28. If you did not receive a cancelled check or if you made any payment(s) with a credit card, attach a statement showing the check number, the amount of the check or charge, the date posted to your account and the name of the payee (FTB).

Be sure to reduce the amount of tax previously paid by the amount of estimated tax that was treated as a payment by the beneficiary.

Line 29 – Estimated tax payments and amount applied from 1995 return
Enter the amount of any estimated tax payment the estate or trust made on Form 541-ES, Estimated Tax for Fiduciaries, for 1996. Also, enter the amount of any overpayment from the 1995 return that was applied to the 1996 estimated tax. Include payments made with form FTB 3563, Payment Voucher for Automatic Extension For Fiduciaries.

The trustee (or executor under certain circumstances) may elect to allocate to the beneficiary a portion of estimated payments. Use Form 541-T, California Allocation of Estimated Tax Payments to Beneficiaries.

Be sure to reduce the amount of estimated tax payments you are claiming by the amount allocated to the beneficiary on Form 541-T.

Note: Estimated tax paid by an individual before death must be claimed on the income tax return filed for the decedent and not on the Form 541 filed for the decedent's estate.

Line 30 – Total payments
Enter the total amount of all tax payments.

Line 31 and Line 32 – Tax Due/Overpaid Tax
If the amount on line 26 is larger than the amount on line 30 then your tax is larger than your payments and credits. Subtract line 30 from line 26. This is the amount of tax you owe before any voluntary contributions.

If the amount on line 26 is less than the amount on line 30, then your payments and credits are larger than your tax. Subtract line 26 from line 30. This is the amount of your refund before any voluntary contributions.

If the estate or trust must compute interest under the look-back method for completed long-term contracts, get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the estate or trust owes on line 31 or the amount of interest to be credited or refunded to the organization on line 32. Write "FTB 3834" to the left of line 31 or line 32, whichever applies.

If the estate or trust completed the credit recapture portion of:

- Form FTB 3501, Employer Child Care Program/Contribution Credit;
- Form FTB 3535, Manufacturers' Investment Credit;
- Form FTB 3805Z, Enterprise Zone/Program Area Deduction and Credit Summary;
- Form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; or
- Form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA)

include the recapture amount on line 31. Write the applicable form number and the recaptured amount to the left of line 31.

Line 33 – Credit to your 1997 estimated tax
Enter the amount from line 33 that you want applied to your 1997 estimated tax.

Line 34 – Amount of overpaid tax available this year
If an amount is entered on line 33, subtract it from line 32. Enter the result on line 34. The entire amount may be refunded or voluntary contributions may be made.

Line 35 – Total voluntary contributions
Add voluntary contributions to the amount on line 31 or subtract voluntary contributions from the amount on line 34. The amount of tax due, including the contributions, must be paid when the return is filed. See the instructions for Schedule C, Voluntary Contributions, for more information.

Line 36 – Refund or no amount due
If no amount is entered on line 35, enter the amount from line 34 on line 36. This is the amount that will be refunded. If this amount is less than $1, attach a written request to the return to request the refund.

If an amount is entered on line 35, subtract that amount from the amount on line 34. If the result is more than zero, enter the result on line 36. If the result is less than zero, this means that the voluntary contributions are more than the amount of overpaid tax available this year on line 34. In this case, subtract line 34 from line 35. Enter the result on line 37 and enclose payment for this amount.

Line 37 – Amount due
If no amount is entered on line 35, enter the amount from line 31 on line 37. This is the amount due with the return.

If an amount is entered on line 35, add that amount to the amount on line 31. Enter the result on line 37. This is the amount due with the return.

Line 38 – Underpayment of estimated tax penalty
If line 37 is $100 or more and more than 20% of the sum of the tax on line 24, or if the estate or trust underpaid its 1996 estimated tax liability for any payment period, it may owe a penalty. The FTB will figure the penalty for the estate or trust and send a bill. Or, if the estate or trust wants, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, to see if it owes a penalty and to figure the amount of the penalty. If the estate or trust completes form FTB 5805, be sure to attach the form to the front of Form 541. Enter the amount of the penalty on line 38 and check the box on line 38. Complete and attach form FTB 5805 if claiming a waiver or using the annualized income installment method.

Schedule A Charitable Deduction

California law generally follows federal law.

A trust claiming a charitable deduction, etc., under IRC Section 642(c) for the taxable year must file the information return required by R&TC Section 18635 on Form 541-A.

California law follows federal law for contributions:

- Attributable to current income; and
- Not attributable to current income.

See the instructions for completing line 1 through line 7 of federal Schedule A (Form 1041).

Schedule B Income Distribution Deduction

California law generally follows federal law.

Note: Schedule P (541) must be completed if the estate or trust had an income distribution deduction.

Line 1 – Adjusted total income
If the amount on Side 1, line 17, is less than zero and the negative number is attributable wholly or in part to the capital loss limitation rules under IRC Section 1211(b), then enter as a negative number on Schedule B, line 1, the lesser of the loss from Side 1, line 17, or the loss from Side 1, line 4. If the negative number is not attributable to the capital loss on line 4, enter -0-.

Line 2 – Figure the adjusted tax-exempt interest as follows: From the amount of tax-exempt interest received, subtract the total of 1 and 2 below.

1. The amount of tax-exempt interest, including exempt interest dividends from qualified mutual funds, on Schedule A (541), line 4.
2. Any disbursements, expenses, losses, etc., directly or indirectly allocable to the interest (even though described as not deductible under R&TC Section 17280).

Figure the amount of the indirect disbursements, etc., allocable to tax-exempt interest as follows: Divide the total tax-exempt interest received by the total of all the items of gross income (including tax-exempt interest) included in distributable net income. Multiply the result by the total disbursements, etc., of the trust that are not directly attributable to any items of income.

Include any nontaxable gain from installment sales of small business stock sold prior to October 1, 1987, and includable in distributable net income.

Line 10 through Line 15
These lines provide for the computation of the deduction allowable to the fiduciary for amounts paid, credited or required to be distributed to the beneficiaries of the estate or trust. The deduction is equal to the amounts paid, credited or required to be distributed or the distributable net income, whichever is smaller, adjusted in either case to exclude items of tax-exempt income entering into distributable net income. See the instructions for completing line 11 through line 14 of federal Schedule B, Income Distribution Deduction, (Form 1041) and attach Schedule J (541), Trust Allocation of an Accumulation Distribution, if required.

Complete and attach to Form 541 a properly completed Schedule K-1 (541) for each beneficiary. A substitute form or the information notice sent to beneficiaries may be used if it contains the information required by Schedule K-1 (541).

Schedule C
Voluntary Contributions

Line 1 through Line 9

The estate or trust may make voluntary contributions of $1 or more in whole dollar amounts to the funds listed below. If one or more voluntary contributions are made, complete Schedule C.

On Form 541, Side 1, line 35, enter the amount of the total voluntary contributions from Schedule C, line 10. If Schedule C was not completed, do not enter an amount on line 35.

If there is an overpaid tax on Form 541, line 34, the amount contributed must be subtracted from the overpaid tax. If there is a tax due on Form 541, line 31, the total contributions must be added to the tax due.

Alzheimer's Disease/Related Disorders Fund. Contributions entered on line 1 will be used to conduct a systematic program for researching the cause and cure of Alzheimer's disease and related disorders and research into the care and treatment of persons suffering from dementing illnesses.

California Fund for Senior Citizens. Contributions entered on line 2 will be used for the California Fund for Senior Citizens which supports direct services to seniors and the work of the California Senior Legislature. The California Senior Legislature is a non-partisan, volunteer, grass roots body of seniors 60 years of age or older, elected by their peers. The California Senior Legislature has been instrumental in creating and steering senior legislation through the regular legislature; legislation such as: Alzheimer Studies and Research; Adult Day Health Care Centers; nutrition centers; respite care; long term care; the funding and broadening of In Home Support Services; programs to abolish abuse of seniors; skilled nursing facility reforms; and many more. All donations over those needed to carry out the California Senior Legislature's work will be distributed for direct services to needy seniors.

Rare and Endangered Species Preservation Program. Contributions entered on line 3 will be used to help protect and conserve California's many threatened and endangered species and the wildlands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.

State Children's Trust Fund for the Prevention of Child Abuse. Contributions entered on line 4 will be used to fund programs for the prevention, intervention and treatment of child abuse and neglect.

California Breast Cancer Research Fund. Contributions entered on line 5 will be used to conduct research relating to the prevention, screening, cure and treatment of breast cancer.

Veterans Memorial Account. Contributions entered on line 6 will be used to pay for the construction, improvement, maintenance or repair of a veterans memorial and for an information program about the memorial.

California Firefighters' Memorial Fund. Contributions entered on line 7 will be used for the construction of a memorial on the grounds of the State Capitol honoring the hundreds of firefighters who have died protecting our neighborhoods, our homes, our families and our dreams. These brave men and women answered the call when fire alarms sounded or when hazardous, cancer-causing elements needed to be removed, and their sacrifices and the sacrifices of their families deserve to be remembered.

California Public School Library Protection Fund. Contributions entered on line 8 will be expended for the purchase of books and other library resources through grants awarded for implementing a school library improvement plan.

D.A.R.E. California (Drug Abuse Resistance Education) Fund. Contributions entered on line 9 will be used to support local D.A.R.E. programs and provide proven effective, in classroom anti-drug, anti-gang and anti-violence education for California school children.

Line 10 – Total Contributions

Add the amounts entered on line 1 through line 9. Enter the total here and on Form 541, Side 1, line 35. If no amounts are entered on line 1 through line 9 of Schedule C, do not enter an amount on Form 541, line 35.

Tax Rate Schedule

Use this schedule to figure the tax on the fiduciary's taxable income (Form 541, line 19). Enter the tax on Form 541, line 20a.

IF THE TAXABLE INCOME IS . . . over—	not over—	COMPUTED TAX IS . . .			of the amount over—
$ 0	$ 4,908	$ 0	+	1.0%	$ 0
4,908	11,632	49.08	+	2.0%	4,908
11,632	18,357	183.56	+	4.0%	11,632
18,357	25,484	452.56	+	6.0%	18,357
25,484	32,207	880.18	+	8.0%	25,484
32,207	and over	1,418.02	+	9.3%	32,207

TAXABLE YEAR   FORM

1996 California Fiduciary Income Tax Return 541

For calendar year 1996 or fiscal year beginning MONTH ___ DAY ___ YEAR 1996, and ending MONTH ___ DAY ___ YEAR ___.

Check applicable boxes:			
☐ Decedent's estate ☐ Simple trust	Name of estate or trust	Federal employer identification no.	Do Not Write In These Spaces
☐ Complex trust	Name and title of fiduciary		P
☐ Grantor type trust ☐ Bankruptcy estate – Chpt. 7	Address of fiduciary (number and street or PO box)	Apartment number	AC A
☐ Bankruptcy estate – Chpt. 11 ☐ Pooled income fund	City, state and ZIP code		R RP

Check applicable boxes: ☐ First return ☐ Final return ☐ REMIC
☐ Amended return. Attach explanation and schedules. ☐ Change in fiduciary's name or address

INCOME

Line	Description			
1	Interest income		1	
2	Dividends		2	
3	Business income or (loss). Attach federal Schedule C or C-EZ (Form 1040)		3	
4	Capital gain or (loss). Attach Schedule D (541)		4	
5	Rents, royalties, partnerships, other estates and trusts, etc. Attach federal Schedule E (Form 1040)		5	
6	Farm income or (loss). Attach federal Schedule F (Form 1040)		6	
7	Ordinary gain or (loss). Attach Schedule D-1		7	
8	Other income. See instructions. State nature of income ______		8	
9	Total income. Combine line 1 through line 8		9	

DEDUCTIONS

Line	Description			
10	Interest	10		
11	Taxes	11		
12	Fiduciary fees	12		
13	Charitable deduction from Side 2, Schedule A, line 7	13		
14	Attorney, accountant and return preparer fees	14		
15	**a** Other deductions not subject to 2% floor. Attach sch.	15a		
	b Allowable misc. itemized deductions subject to 2% floor	15b		
	c Total. Add line 15a and line 15b	15c		
16	Total. Add line 10 through line 15c		16	
17	Adjusted total income (or loss). Subtract line 16 from line 9	●	17	
18	Income distribution deduction from Side 2, Schedule B, line 16. Attach Schedule K-1 (541)	●	18	
19	Taxable income of fiduciary. Subtract line 18 from line 17		19	

TAX AND PAYMENTS

Line	Description			
20	**a** Regular tax ______; **b** Other taxes ______; **c** QSF tax ______; **d** Total		20	
21	Exemption credit ($10.00 for an estate, $1.00 for a trust). See instructions	21		
22	Credits. Attach worksheet. If one credit, enter code ☐ **Note:** If more than one credit see instructions.	22		
23	Total. Add line 21 and line 22		23	
24	Subtract line 23 from line 20		24	
25	Alternative minimum tax. Attach Schedule P (541)	●	25	
26	Tax liability. Add line 24 and line 25	●	26	
27	California income tax withheld	■	27	
28	California income tax previously paid. See instructions	■	28	
29	1996 California estimated tax and amount applied from 1995 return. Include amount paid with form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries. See instructions	■	29	
30	Total payments. Add line 27, line 28 and line 29		30	
31	Tax due. Subtract line 30 from line 26	■	31	
32	Overpaid tax. Subtract line 26 from line 30	■	32	
33	Amount of line 32 to be credited to 1997 estimated tax	■	33	
34	Amount of overpaid tax available this year. Subtract line 33 from line 32	■	34	
35	Total voluntary contributions from Side 2, Schedule C, line 10		35	
36	**Refund or No Amount Due.** Subtract line 35 from line 34		36	
37	**Amount Due.** Add line 31 and line 35		37	
38	Underpayment of estimated tax. If form FTB 5805 is attached, check box at right ☐	■	38	

Schedule A Charitable Deduction

Do not complete for a simple trust or a pooled income fund. Attach statement listing the name and address of each charitable organization to whom your contributions totaled $3000 or more.

1	Amounts paid for charitable purposes from current year's gross income	1	
2	Amounts permanently set aside for charitable purposes from gross income	2	
3	Add line 1 and line 2	3	
4	Tax-exempt income allocable to charitable contributions	4	
5	Subtract line 4 from line 3	5	
6	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	6	
7	Total. Add line 5 and line 6. Enter here and on Side 1, line 13	7	

Schedule B Income Distribution Deduction

1	Adjusted total income. Enter amount from Side 1, line 17	1	
2	Adjusted tax-exempt interest and nontaxable gain from installment sale of small business stock. See instructions	2	
3	Net gain shown on Schedule D (541), line 9, column a. If net loss, enter -0-	3	
4	Enter amount from Schedule A, line 6	4	
5	Enter capital gain included on Schedule A, line 3	5	
6	If amount on Side 1, line 4 is a capital loss, enter the amount here as a positive figure	6	
7	If amount on Side 1, line 4 is a capital gain, enter the amount here as a negative figure	7	
8	Distributable net income. Combine line 1 through line 7	8	
9	Amount of income for the taxable year determined under the governing instrument (accounting income) 9		
10	Amount of income required to be distributed currently	10	
11	Other amounts paid, credited or otherwise required to be distributed	11	
12	Total distributions. Add line 10 and line 11. **Note:** For complex trusts with previously accumulated income: If the total on line 12 is greater than line 9, complete Schedule J (541) and file it with Form 541	12	
13	Enter the total amount of tax-exempt income included on line 12	13	
14	Tentative income distribution deduction. Subtract line 13 from line 12	14	
15	Tentative income distribution deduction. Subtract line 2 from line 8	15	
16	Income distribution deduction. Enter the smaller of line 14 or line 15 here and on Side 1, line 18	16	

Schedule C Voluntary Contributions. See instructions.

1	Alzheimer's Disease/Related Disorders Fund	● 48	00
2	California Fund for Senior Citizens	● 49	00
3	Rare/Endangered Species Preservation Program	● 50	00
4	State Children's Trust Fund for the Prevention of Child Abuse	● 51	00
5	California Breast Cancer Research Fund	● 52	00
6	Veterans Memorial Account	● 53	00
7	California Firefighters' Memorial Fund	● 54	00
8	California Public School Library Protection Fund	● 55	00
9	D.A.R.E. California (Drug Abuse Resistance Education) Fund	● 56	00
10	Total voluntary contributions. Add line 1 through line 9. Enter here and on Side 1, line 35	● 60 10	00

Other Information

Note: Income of final year is taxable to beneficiaries

1 Date trust was created or, if an estate, date of decedent's death ______

2 a If an estate, was decedent a California resident? ______

b Was decedent married at date of death? ______

c If yes, enter surviving spouse's social security number and name ______

3 If an estate:

a Fair market value (FMV) of decedent's assets at date of death ______

b FMV of assets located in California ______

c FMV of assets located outside California ______

4 If this is the final return, enter date of court order authorizing final distribution of the estate ______

5 Did the estate or trust receive tax-exempt income? ______
If yes, attach computation of the allocation of expenses

6 Is this return for a short taxable year? ______

7 If a trust:

a Number of California resident trustees ______

b Number of nonresident trustees ______

c Total number of trustees ______

d Number of California resident beneficiaries ______

e Number of nonresident beneficiaries ______

Total number of beneficiaries ______

8 **Enclose a copy of the FIRST TWO PAGES of your 1996 Form 1041, U.S. Income Tax Return for Estates and Trusts.**

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of fiduciary or officer representing fiduciary ▶ Date

Paid Preparer's Use Only

Preparer's signature ▶ Date | Check if self-employed ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | FEIN | Telephone (   )

TAXABLE YEAR | FORM

1996 California Fiduciary Income Tax Return 541

For calendar year 1996 or fiscal year beginning MONTH ____ DAY ____ YEAR 1996, and ending MONTH ____ DAY ____ YEAR ____.

Check applicable boxes:			
☐ Decedent's estate ☐ Simple trust	Name of estate or trust	Federal employer identification no.	**Do Not Write In These Spaces**
☐ Complex trust	Name and title of fiduciary		P
☐ Grantor type trust ☐ Bankruptcy estate – Chpt. 7	Address of fiduciary (number and street or PO box)	Apartment number	AC A
☐ Bankruptcy estate – Chpt. 11 ☐ Pooled income fund	City, state and ZIP code		R RP

Check applicable boxes: ☐ First return ☐ Final return ☐ REMIC
☐ Amended return. Attach explanation and schedules. ☐ Change in fiduciary's name or address

INCOME

Line	Description			Line	Amount
1	Interest income			1	
2	Dividends			2	
3	Business income or (loss). Attach federal Schedule C or C-EZ (Form 1040)			3	
4	Capital gain or (loss). Attach Schedule D (541)			4	
5	Rents, royalties, partnerships, other estates and trusts, etc. Attach federal Schedule E (Form 1040)			5	
6	Farm income or (loss). Attach federal Schedule F (Form 1040)			6	
7	Ordinary gain or (loss). Attach Schedule D-1			7	
8	Other income. See instructions. State nature of income ____			8	
9	Total income. Combine line 1 through line 8			9	

DEDUCTIONS

Line	Description			Line	Amount
10	Interest	10			
11	Taxes	11			
12	Fiduciary fees	12			
13	Charitable deduction from Side 2, Schedule A, line 7	13			
14	Attorney, accountant and return preparer fees	14			
15	**a** Other deductions not subject to 2% floor. Attach sch. **15a**				
	b Allowable misc. itemized deductions subject to 2% floor **15b**				
	c Total. Add line 15a and line 15b	15c			
16	Total. Add line 10 through line 15c			16	
17	Adjusted total income (or loss). Subtract line 16 from line 9. ●			17	
18	Income distribution deduction from Side 2, Schedule B, line 16. Attach Schedule K-1 (541) ●			18	
19	Taxable income of fiduciary. Subtract line 18 from line 17			19	

TAX AND PAYMENTS

Line	Description			Line	Amount
20	**a** Regular tax____; **b** Other taxes____; **c** QSF tax____; **d** Total			20	
21	Exemption credit ($10.00 for an estate, $1.00 for a trust). See instructions	21			
22	Credits. Attach worksheet. If one credit, enter code ☐	22			
	Note: If more than one credit see instructions.				
23	Total. Add line 21 and line 22			23	
24	Subtract line 23 from line 20			24	
25	Alternative minimum tax. Attach Schedule P (541) ●			25	
26	Tax liability. Add line 24 and line 25 ●			26	
27	California income tax withheld ■			27	
28	California income tax previously paid. See instructions ■			28	
29	1996 California estimated tax and amount applied from 1995 return. Include amount paid with form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries. See instructions ■			29	
30	Total payments. Add line 27, line 28 and line 29			30	
31	Tax due. Subtract line 30 from line 26 ■			31	
32	Overpaid tax. Subtract line 26 from line 30 ■			32	
33	Amount of line 32 to be credited to 1997 estimated tax ■			33	
34	Amount of overpaid tax available this year. Subtract line 33 from line 32 ■			34	
35	Total voluntary contributions from Side 2, Schedule C, line 10			35	
36	**Refund or No Amount Due.** Subtract line 35 from line 34			36	
37	**Amount Due.** Add line 31 and line 35			37	
38	Underpayment of estimated tax. If form FTB 5805 is attached, check box at right ☐ ■			38	

Schedule A **Charitable Deduction** Do not complete for a simple trust or a pooled income fund. Attach statement listing the name and address of each charitable organization to whom your contributions totaled $3000 or more.

1	Amounts paid for charitable purposes from current year's gross income	1	
2	Amounts permanently set aside for charitable purposes from gross income	2	
3	Add line 1 and line 2	3	
4	Tax-exempt income allocable to charitable contributions	4	
5	Subtract line 4 from line 3	5	
6	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	6	
7	Total. Add line 5 and line 6. Enter here and on Side 1, line 13	7	

Schedule B **Income Distribution Deduction**

1	Adjusted total income. Enter amount from Side 1, line 17	1	
2	Adjusted tax-exempt interest and nontaxable gain from installment sale of small business stock. See instructions	2	
3	Net gain shown on Schedule D (541), line 9, column a. If net loss, enter -0-	3	
4	Enter amount from Schedule A, line 6	4	
5	Enter capital gain included on Schedule A, line 3	5	
6	If amount on Side 1, line 4 is a capital loss, enter the amount here as a positive figure	6	
7	If amount on Side 1, line 4 is a capital gain, enter the amount here as a negative figure	7	
8	Distributable net income. Combine line 1 through line 7	8	
9	Amount of income for the taxable year determined under the governing instrument (accounting income) 9		
10	Amount of income required to be distributed currently	10	
11	Other amounts paid, credited or otherwise required to be distributed	11	
12	Total distributions. Add line 10 and line 11. **Note:** For complex trusts with previously accumulated income: If the total on line 12 is greater than line 9, complete Schedule J (541) and file it with Form 541	12	
13	Enter the total amount of tax-exempt income included on line 12	13	
14	Tentative income distribution deduction. Subtract line 13 from line 12	14	
15	Tentative income distribution deduction. Subtract line 2 from line 8	15	
16	Income distribution deduction. Enter the smaller of line 14 or line 15 here and on Side 1, line 18	16	

Schedule C **Voluntary Contributions.** See instructions.

1	Alzheimer's Disease/Related Disorders Fund	● 48	00
2	California Fund for Senior Citizens	● 49	00
3	Rare/Endangered Species Preservation Program	● 50	00
4	State Children's Trust Fund for the Prevention of Child Abuse	● 51	00
5	California Breast Cancer Research Fund	● 52	00
6	Veterans Memorial Account	● 53	00
7	California Firefighters' Memorial Fund	● 54	00
8	California Public School Library Protection Fund	● 55	00
9	D.A.R.E. California (Drug Abuse Resistance Education) Fund	● 56	00
10	Total voluntary contributions. Add line 1 through line 9. Enter here and on Side 1, line 35	● 60 10	00

Other Information **Note:** Income of final year is taxable to beneficiaries

1 Date trust was created or, if an estate, date of decedent's death ______

2 a If an estate, was decedent a California resident? ______
b Was decedent married at date of death? ______
c If yes, enter surviving spouse's social security number and name ______

3 If an estate:
a Fair market value (FMV) of decedent's assets at date of death ______
b FMV of assets located in California ______
c FMV of assets located outside California ______

4 If this is the final return, enter date of court order authorizing final distribution of the estate ______

5 Did the estate or trust receive tax-exempt income? ______
If yes, attach computation of the allocation of expenses

6 Is this return for a short taxable year? ______

7 If a trust:
a Number of California resident trustees ______
b Number of nonresident trustees ______
c Total number of trustees ______
d Number of California resident beneficiaries ______
e Number of nonresident beneficiaries ______
Total number of beneficiaries ______

8 **Enclose a copy of the FIRST TWO PAGES of your 1996 Form 1041, U.S. Income Tax Return for Estates and Trusts.**

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of fiduciary or officer representing fiduciary ▶ Date

Paid Preparer's Use Only

Preparer's signature ▶ Date | Check if self-employed ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | FEIN | Telephone ( )

TAXABLE YEAR

CALIFORNIA FORM

1996 Depreciation and Amortization 3885F

Attach to Form 541.

Name of estate or trust	Federal employer identification number

Amortization of costs that began after 12/31/95:
Assets placed in service after 12/31/95 (depreciation)

			Depreciation of Assets			Amortization		
(a) Description of property	**(b)** Date acquired	**(c)** Cost or other basis	**(d)** Method of figuring depreciation	**(e)** Life or rate	**(f)** Depreciation for this year	**(g)** Code section	**(h)** Period or percentage	**(i)** Amortization for this year
1								
Add column (f) and column (i) amounts of line 1. See instructions								

Depreciation		
2 California depreciation for assets placed in service before January 1, 1996	2	
Note: Be sure to make adjustments for any basis differences.		
3 Total California depreciation. Add line 1(f) and line 2	3	
Amortization		
4 California amortization for assets placed in service before January 1, 1996	4	
Note: Be sure to make adjustments for any basis differences.		
5 Total California amortization. Add line 1(i) and line 4	5	
6 Total depreciation and amortization. Add line 3 and line 5. Enter amount on the appropriate line of federal Schedule C or C-EZ, E and F (Form 1040) or Form 541, line 15a	6	

TAXABLE YEAR

CALIFORNIA SCHEDULE

1996 Capital Gain and Loss D (541)

Attach to Form 541.

Name of estate or trust	Federal employer identification number

Part I **Capital Gain and Loss**

(a) Description of property: (Example, 100 shares of "Z" Co.)	**(b)** How was property held (comm. prop., sep. prop., joint tenancy, etc.)?	**(c)** Date acquired (mo., day, yr)	**(d)** Date sold (mo., day, yr)	**(e)** Gross sales price	**(f)** Cost or other basis, as adjusted, plus expense of sale	**(g)** Gain (or loss) (col. (e) less col. (f))
1						

2 Capital gain from installment sales from form FTB 3805E, line 26 or line 37	2	
3 Enter your share of net gain or (loss) from partnerships, S corporations and other fiduciaries	3	
4 Capital gain distributions	4	
5 Net gain or (loss). Combine line 1, column (g), and line 2, line 3 and line 4	5	
6 Enter gain, if applicable, from Schedule D-1	6	
7 Capital loss carryover from prior years. **Note:** There is no capital loss carryover from a decedent to an estate	7	
8 Net gain or (loss). Combine line 5, line 6 and line 7	8	

Part II **Summary of Part I**

		(a) Beneficiaries	**(b)** Fiduciary	**(c)** Total
9 Total net gain or (loss) from line 8, column (g), above. If line 9, column (c), is a net gain, enter the gain on Form 541, line 4. If line 9, column (c), is a net loss, complete Part III. See instructions	9			

Part III **Computation of Capital Loss Limitation**

10 Enter here and enter as a loss on Form 541, line 4, the smaller of: (a) the net loss on line 9, column (c), or (b) $3000	10	

Part IV **Computation of Capital Loss Carryover from 1996 to 1997**

Use federal Schedule D (Form 1041), Capital Gains and Losses, Part V, Section A and Section B, if the net loss on line 8 is more than $3000, to determine the capital loss carryover. Attach a copy of Schedule D (Form 1041) to Form 541.

Instructions for Form FTB 3885F — Depreciation and Amortization

General Instructions

In general, California did not confrom its law to changes made to the Internal Revenue Code (IRC) by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 and 1996 did adopt a few specific provisions of the 1993 federal changes. All other references in these instructions are to the IRC as it existed on January 1, 1993.

A Purpose

Depreciation is a deduction the estate or trust can claim for reasonable exhaustion, wear and tear, and normal obsolesence of property used in business or held to produce income. Amortization is an amount the estate or trust can deduct for certain capital expenses over a fixed period.

In 1987, the California tax law rates for depreciation were changed to conform to the federal modified accelerated cost recovery system (MACRS). The California MACRS applies to assets placed in service on or after January 1, 1987.

Use form FTB 3885F to compute depreciation and amortization allowed as a deduction on Form 541. Attach form FTB 3885F to Form 541.

B Calculation Methods

California did not allow depreciation under the federal Accelerated Cost Recovery System, (ACRS) for years prior to 1987.

The estate or trust must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987, in the same manner as in prior years. Refer to the estate's or trust's tax return for 1986 and earlier to determine how the estate or trust must continue depreciating these assets. The most common methods used to calculate depreciation for years prior to 1987 were:

- Straight-line;
- Declining balance; and
- Sum-of-the-years-digits.

Note: The IRC Section 179 expense election does not apply to estates and trusts.

Line 1 – Complete columns (a) through (i) for each asset or group of assets placed in service after December 31, 1995. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – Enter total California depreciation for assets placed in service before January 1, 1996, taking into account differences in asset basis or differences in California and federal tax law.

Line 4 – Enter total California amortization for assets taking into account any differences in asset basis or differences in California and federal tax law.

California has conformed to IRC Section 197 relating to the amortization of intangibles as of January 1, 1994. No deduction is allowed under this section for any taxable year beginning prior to January 1, 1994. If a taxpayer made an election for federal purposes under the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the election to have amendments apply to property acquired after July 25, 1991, or relating to an elective binding contract exception, a separate election for state purposes is not allowed under paragraph (3) of subdivision (e) of R&TC Section 17024.5, and the federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and which is amortized under IRC Section 197, the amount to be amortized cannot exceed the adjusted basis of that intangible as of the first day of the first taxable year beginning on or after January 1, 1994. This amount must be amortized ratably over the period beginning on or after January 1, 1994 and ending 15 years after the month in which the intangible was acquired.

California did not conform to the Revenue Reconciliation Act of 1993 (P.L. 103-66) relating to the recovery period for nonresidential real property placed in service on or after May 13, 1993 (IRC Section 168). The California recovery period is 31.5 years; the federal recovery period is 39 years.

Assets with a Federal Basis Different from California Basis — Some assets placed in service on or after January 1, 1987, will have a different basis for California purposes due to the credits claimed for accelerated write-offs of the assets. For more information about adjustments, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.

Line 6 – Add line 3 and line 5. Enter the total on line 6. See page 4, line 3 instructions for information on depreciation and amortization reported on federal Schedule C. **Note:** Attach a schedule if you need additional space.

Instructions Schedule D (541) — Capital Gain and Loss

A Purpose

File Schedule D (541) with Form 541 to report gains and losses from the sale or exchange of capital assets by an estate or trust. Generally, California law follows federal law.

To report sales or exchanges of property other than capital assets, including the sale or exchange of property used in a trade or business and involuntary conversions (other than casualties and thefts), get Schedule D-1, Sales of Business Property.

If property is involuntarily converted because of casualty or theft, get federal Form 4684, Casualties and Thefts. Complete this form using California amounts.

B Miscellaneous Information

See the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, for the definition of capital assets.

In computing gross income, no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

Do not include the IRC Section 644 gains on Schedule D (541). If a trust sells or exchanges property within two years after receiving it from a transferor, a special tax may be due. Instead, see instructions for Form 541, line 20b. California law follows federal law in the areas of:

- Capital gain distributions (distributed amounts only);
- Election for distribution under IRC Section 643(e)(3);
- Losses in transactions between certain related persons; and
- Tax on trusts (IRC Section 644).

C Basis

California law generally follows federal law. However, in determining the basis of property acquired after December 31, 1920, by:

- Gift, use the:
  1. Lower of either the donor's basis or the fair market value on the date of gift, in the event of loss; or
  2. Cost as adjusted or other basis to the donor in the event of gain; and
- Bequest, devise or inheritance, use the fair market value at the time of acquisition (date of death), unless an alternate valuation date election is made under IRC Section 2032.

In determining the basis of property acquired before March 1, 1913, use:

- The cost as adjusted or the fair market value as of March 1, 1913, whichever is greater, in determining the gain; and
- The cost as adjusted in determining the loss.

For special cases involving property acquired from a decedent before 1987, see former R&TC Sections 18031 through 18033.

The basis of the decedent's one-half of community property is fair market value at date of death. The basis of the surviving spouse's one-half of community property is original cost or adjusted basis except:

- If death occurred after April 7, 1953, and prior to January 1, 1976, and one-half of the whole of the community property was included in the determination of the State Inheritance Tax, the basis is fair market value at date of death; or
- If death occurred after December 31, 1975, and prior to June 8, 1982, and the surviving spouse does not receive any portion of the decedent's one-half of the community property, the basis is fair market value at date of death; or
- If death occurred after December 31, 1986, the basis of the surviving spouse's one-half of community property becomes the fair market value on the date of the decedent's death.

For further information get FTB Pub. 1039, Basis of Property, Decedent and Surviving Spouse.

Specific Line Instructions

Part I

Line 2 – If the estate or trust sold property at a gain this tax year and is to receive any payment in a later tax year, use the installment method and file form FTB 3805E, Installment Sale Income, unless an election is made not to. Also use form FTB 3805E if a payment was received in 1996 from a sale made in an earlier year on the installment basis.

If the estate or trust elects not to use the installment method and is reporting a note or other obligation at less than face amount, state that fact in the margin and give the percentage of valuation. Get federal Publication 537, Installment Sales, and Publication 559, Survivors, Executors, and Administrators, for additional information.

Line 7 – Enter the amount of unused capital loss carryover from prior years.

Note: There is no capital loss carryover from a decedent to an estate.

Part II

Line 9 – Use line 9 to summarize the gain or loss computed in Part I.

Column (a) — Beneficiaries
Enter the amounts of capital gain or loss allocable to the beneficiaries. Do not allocate capital losses to beneficiaries unless the capital losses are required to offset capital gains. Refer to IRC Section 643(a). Any capital loss carryover for the final year is allowed to the beneficiaries, to the extent of their distributive shares.

Column (b) — Fiduciary
Enter the amounts of the gain or loss allocable to the fiduciary.

Note: Any capital gain paid or permanently set aside for charitable purposes (IRC Section 642(a)) should be entered in column (b).

Column (c) — The amount entered on line 9, column (c), should be the total of the amounts shown on line 9, columns (a) and (b).

Part III

Line 10 – If line 9, column (c), shows a loss, the loss is limited at line 10 to the smaller of the amount of the loss or $3,000.

Part IV

Use federal Schedule D (Form 1041) Part V, Section A and Section B, using California amounts to determine the capital loss carryover.

TAXABLE YEAR | CALIFORNIA FORM

1996 Depreciation and Amortization 3885F

Attach to Form 541.

Name of estate or trust	Federal employer identification number

Amortization of costs that began after 12/31/95:
Assets placed in service after 12/31/95 (depreciation)

			Depreciation of Assets			Amortization		
(a) Description of property	**(b)** Date acquired	**(c)** Cost or other basis	**(d)** Method of figuring depreciation	**(e)** Life or rate	**(f)** Depreciation for this year	**(g)** Code section	**(h)** Period or percentage	**(i)** Amortization for this year
1								
Add column (f) and column (i) amounts of line 1. See instructions								

	Depreciation		
2	California depreciation for assets placed in service before January 1, 1996	2	
	Note: Be sure to make adjustments for any basis differences.		
3	Total California depreciation. Add line 1(f) and line 2	3	
	Amortization		
4	California amortization for assets placed in service before January 1, 1996	4	
	Note: Be sure to make adjustments for any basis differences.		
5	Total California amortization. Add line 1(i) and line 4	5	
6	Total depreciation and amortization. Add line 3 and line 5. Enter amount on the appropriate line of federal Schedule C or C-EZ, E and F (Form 1040) or Form 541, line 15a	6	

TAXABLE YEAR | CALIFORNIA SCHEDULE

1996 Capital Gain and Loss D (541)

Attach to Form 541.

Name of estate or trust	Federal employer identification number

Part I **Capital Gain and Loss**

(a) Description of property: (Example, 100 shares of “Z” Co.)	**(b)** How was property held (comm. prop., sep. prop., joint tenancy, etc.)?	**(c)** Date acquired (mo., day, yr)	**(d)** Date sold (mo., day, yr)	**(e)** Gross sales price	**(f)** Cost or other basis, as adjusted, plus expense of sale	**(g)** Gain (or loss) (col. (e) less col. (f))
1						

2	Capital gain from installment sales from form FTB 3805E, line 26 or line 37	2	
3	Enter your share of net gain or (loss) from partnerships, S corporations and other fiduciaries	3	
4	Capital gain distributions	4	
5	Net gain or (loss). Combine line 1, column (g), and line 2, line 3 and line 4	5	
6	Enter gain, if applicable, from Schedule D-1	6	
7	Capital loss carryover from prior years. **Note:** There is no capital loss carryover from a decedent to an estate	7	
8	Net gain or (loss). Combine line 5, line 6 and line 7	8	

Part II **Summary of Part I**

			(a) Beneficiaries	**(b)** Fiduciary	**(c)** Total
9	Total net gain or (loss) from line 8, column (g), above. If line 9, column (c), is a net gain, enter the gain on Form 541, line 4. If line 9, column (c), is a net loss, complete Part III. See instructions	9			

Part III **Computation of Capital Loss Limitation**

10	Enter here and enter as a loss on Form 541, line 4, the smaller of: (a) the net loss on line 9, column (c), or (b) $3000	10	

Part IV **Computation of Capital Loss Carryover from 1996 to 1997**

Use federal Schedule D (Form 1041), Capital Gains and Losses, Part V, Section A and Section B, if the net loss on line 8 is more than $3000, to determine the capital loss carryover. Attach a copy of Schedule D (Form 1041) to Form 541.

Instructions for Form FTB 3885F — Depreciation and Amortization

General Instructions

In general, California did not confrom its law to changes made to the Internal Revenue Code (IRC) by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 and 1996 did adopt a few specific provisions of the 1993 federal changes. All other references in these instructions are to the IRC as it existed on January 1, 1993.

A Purpose

Depreciation is a deduction the estate or trust can claim for reasonable exhaustion, wear and tear, and normal obsolesence of property used in business or held to produce income. Amortization is an amount the estate or trust can deduct for certain capital expenses over a fixed period.

In 1987, the California tax law rates for depreciation were changed to conform to the federal modified accelerated cost recovery system (MACRS). The California MACRS applies to assets placed in service on or after January 1, 1987.

Use form FTB 3885F to compute depreciation and amortization allowed as a deduction on Form 541. Attach form FTB 3885F to Form 541.

B Calculation Methods

California did not allow depreciation under the federal Accelerated Cost Recovery System, (ACRS) for years prior to 1987.

The estate or trust must continue calculating the California depreciation deduction for assets placed in service before January 1, 1987, in the same manner as in prior years. Refer to the estate's or trust's tax return for 1986 and earlier to determine how the estate or trust must continue depreciating these assets. The most common methods used to calculate depreciation for years prior to 1987 were:

- Straight-line;
- Declining balance; and
- Sum-of-the-years-digits.

Note: The IRC Section 179 expense election does not apply to estates and trusts.

Line 1 – Complete columns (a) through (i) for each asset or group of assets placed in service after December 31, 1995. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – Enter total California depreciation for assets placed in service before January 1, 1996, taking into account differences in asset basis or differences in California and federal tax law.

Line 4 – Enter total California amortization for assets taking into account any differences in asset basis or differences in California and federal tax law.

California has conformed to IRC Section 197 relating to the amortization of intangibles as of January 1, 1994. No deduction is allowed under this section for any taxable year beginning prior to January 1, 1994. If a taxpayer made an election for federal purposes under the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the election to have amendments apply to property acquired after July 25, 1991, or relating to an elective binding contract exception, a separate election for state purposes is not allowed under paragraph (3) of subdivision (e) of R&TC Section 17024.5, and the federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and which is amortized under IRC Section 197, the amount to be amortized cannot exceed the adjusted basis of that intangible as of the first day of the first taxable year beginning on or after January 1, 1994. This amount must be amortized ratably over the period beginning on or after January 1, 1994 and ending 15 years after the month in which the intangible was acquired.

California did not conform to the Revenue Reconciliation Act of 1993 (P.L. 103-66) relating to the recovery period for nonresidential real property placed in service on or after May 13, 1993 (IRC Section 168). The California recovery period is 31.5 years; the federal recovery period is 39 years.

Assets with a Federal Basis Different from California Basis — Some assets placed in service on or after January 1, 1987, will have a different basis for California purposes due to the credits claimed for accelerated write-offs of the assets. For more information about adjustments, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.

Line 6 – Add line 3 and line 5. Enter the total on line 6. See page 4, line 3 instructions for information on depreciation and amortization reported on federal Schedule C. **Note:** Attach a schedule if you need additional space.

Instructions Schedule D (541) — Capital Gain and Loss

A Purpose

File Schedule D (541) with Form 541 to report gains and losses from the sale or exchange of capital assets by an estate or trust. Generally, California law follows federal law.

To report sales or exchanges of property other than capital assets, including the sale or exchange of property used in a trade or business and involuntary conversions (other than casualties and thefts), get Schedule D-1, Sales of Business Property.

If property is involuntarily converted because of casualty or theft, get federal Form 4684, Casualties and Thefts. Complete this form using California amounts.

B Miscellaneous Information

See the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, for the definition of capital assets.

In computing gross income, no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

Do not include the IRC Section 644 gains on Schedule D (541). If a trust sells or exchanges property within two years after receiving it from a transferor, a special tax may be due. Instead, see instructions for Form 541, line 20b. California law follows federal law in the areas of:

- Capital gain distributions (distributed amounts only);
- Election for distribution under IRC Section 643(e)(3);
- Losses in transactions between certain related persons; and
- Tax on trusts (IRC Section 644).

C Basis

California law generally follows federal law. However, in determining the basis of property acquired after December 31, 1920, by:

- Gift, use the:
  1. Lower of either the donor's basis or the fair market value on the date of gift, in the event of loss; or
  2. Cost as adjusted or other basis to the donor in the event of gain; and
- Bequest, devise or inheritance, use the fair market value at the time of acquisition (date of death), unless an alternate valuation date election is made under IRC Section 2032.

In determining the basis of property acquired before March 1, 1913, use:

- The cost as adjusted or the fair market value as of March 1, 1913, whichever is greater, in determining the gain; and
- The cost as adjusted in determining the loss.

For special cases involving property acquired from a decedent before 1987, see former R&TC Sections 18031 through 18033.

The basis of the decedent's one-half of community property is fair market value at date of death. The basis of the surviving spouse's one-half of community property is original cost or adjusted basis except:

- If death occurred after April 7, 1953, and prior to January 1, 1976, and one-half of the whole of the community property was included in the determination of the State Inheritance Tax, the basis is fair market value at date of death; or
- If death occurred after December 31, 1975, and prior to June 8, 1982, and the surviving spouse does not receive any portion of the decedent's one-half of the community property, the basis is fair market value at date of death; or
- If death occurred after December 31, 1986, the basis of the surviving spouse's one-half of community property becomes the fair market value on the date of the decedent's death.

For further information get FTB Pub. 1039, Basis of Property, Decedent and Surviving Spouse.

Specific Line Instructions

Part I

Line 2 – If the estate or trust sold property at a gain this tax year and is to receive any payment in a later tax year, use the installment method and file form FTB 3805E, Installment Sale Income, unless an election is made not to. Also use form FTB 3805E if a payment was received in 1996 from a sale made in an earlier year on the installment basis.

If the estate or trust elects not to use the installment method and is reporting a note or other obligation at less than face amount, state that fact in the margin and give the percentage of valuation. Get federal Publication 537, Installment Sales, and Publication 559, Survivors, Executors, and Administrators, for additional information.

Line 7 – Enter the amount of unused capital loss carryover from prior years.

Note: There is no capital loss carryover from a decedent to an estate.

Part II

Line 9 – Use line 9 to summarize the gain or loss computed in Part I.

Column (a) — Beneficiaries
Enter the amounts of capital gain or loss allocable to the beneficiaries. Do not allocate capital losses to beneficiaries unless the capital losses are required to offset capital gains. Refer to IRC Section 643(a). Any capital loss carryover for the final year is allowed to the beneficiaries, to the extent of their distributive shares.

Column (b) — Fiduciary
Enter the amounts of the gain or loss allocable to the fiduciary.

Note: Any capital gain paid or permanently set aside for charitable purposes (IRC Section 642(a)) should be entered in column (b).

Column (c) — The amount entered on line 9, column (c), should be the total of the amounts shown on line 9, columns (a) and (b).

Part III

Line 10 – If line 9, column (c), shows a loss, the loss is limited at line 10 to the smaller of the amount of the loss or $3,000.

Part IV

Use federal Schedule D (Form 1041) Part V, Section A and Section B, using California amounts to determine the capital loss carryover.

TAXABLE YEAR | CALIFORNIA SCHEDULE

1996 Trust Allocation of an Accumulation Distribution J (541)

Attach to Form 541.

References are to the Internal Revenue Code (IRC), as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC). California law generally follows federal law. See federal instructions for Schedule J (Form 1041) and IRC Section 665.

Name of trust	Federal employer identification number

Part I Accumulation Distribution in 1996

For definitions and special rules, see the federal Treasury Regulations under IRC Sections 665 – 668.
See the instructions for federal Form 4970, Tax on Accumulation Distribution of Trusts, for certain income minors may exclude and for special rules for multiple trusts.

1 Enter amount from Schedule B (541), line 11, for 1996			1	
2 Enter amount from Schedule B (541), line 8, for 1996	2			
3 Enter amount from Schedule B (541), line 10, for 1996	3			
4 Distributable net income for 1996. Subtract line 3 from line 2. If line 3 is more than line 2, enter -0-			4	
5 Accumulation distribution for 1996. Subtract line 4 from line 1			5	

Part II Ordinary Income Accumulation Distribution (Enter the applicable throwback years below.)

If the distribution is thrown back to more than four years (starting with the earliest applicable taxable year beginning after December 31, 1968), attach additional schedules. (If the trust was a simple trust, see federal Treasury Regulation Section 1.665(e) – 1A(b).)		Throwback year ending 19_____	Throwback year ending 19_____	Throwback year ending 19_____	Throwback year ending 19_____
6 Distributable net income. See instructions	6				
7 Distributions. See instructions	7				
8 Undistributed net income. Subtract line 7 from line 6	8				
9 Enter amount from Part III, line 25	9				
10 Subtract line 9 from line 8	10				
11 Enter amount of prior accumulation distributions thrown back to any of these years	11				
12 Subtract line 11 from line 10	12				
13 Allocate the amount on line 5 to the earliest applicable year first. Do not allocate an amount greater than the amount on line 12 for the same year	13				
14 Divide line 13 by line 10 and multiply the result by line 9	14				
15 Add line 13 and line 14	15				
16 Tax-exempt interest included on line 13. See instructions	16				
17 Subtract line 16 from line 15	17				

Part III Taxes Imposed on Undistributed Net Income (Enter the applicable throwback years below.)

If more than four throwback years are involved, attach additional schedules. See General Instructions. If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665-668.		Throwback year ending 19_____	Throwback year ending 19_____	Throwback year ending 19_____	Throwback year ending 19_____
18 Tax. See instructions	18				
19 Total net capital gain. Enter amount from Form 541, Side 1, line 6, for 1969-1979; Form 541, Side 1, line 7, for 1980-1986; Form 541, Side 1, line 6 for 1987-1990; Form 541, Side 1, line 4, for 1991-1995	19				
20 Net capital gain distributed to beneficiaries. See instructions	20				
21 Net capital gain undistributed. Subtract line 20 from line 19	21				
22 Total taxable income. See instructions	22				
23 Enter percent (divide line 21 by line 22) but not more than 100%	23				
24 Multiply amount on line 18 by percent on line 23	24				
25 Tax on undistributed net income. Subtract line 24 from line 18. Enter here and on Part II, line 9	25				

Part IV **Allocation to Beneficiary** See Part IV Instructions below. Complete Part IV for each beneficiary.

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

Beneficiary's name				Identifying number
Beneficiary's address (number and street including apartment number or rural route)		**(a)** Enter amount from Part II, line 13 allocated to this beneficiary	**(b)** Enter amount from Part II, line 14 allocated to this beneficiary	**(c)** Enter amount from Part II, line 16 allocated to this beneficiary
City, town or post office, state and ZIP code				
26 Throwback year ending 19______	**26**			
27 Throwback year ending 19______	**27**			
28 Throwback year ending 19______	**28**			
29 Throwback year ending 19______	**29**			
30 Total. Add amounts on line 26 through line 29	**30**			

General Instructions

Purpose of Form

File Schedule J (541) with Form 541 to report an accumulation distribution by a domestic complex trust. Generally, California law follows federal law.

Part I

Accumulation Distribution in 1996

Generally, amounts accumulated before a beneficiary becomes age 21 may be excluded by the beneficiary. See IRC Sections 665 and 667(c) for exceptions relating to multiple trusts. The trustee reports the total amount of the accumulation distribution before any reduction for income accumulated before the beneficiary becomes age 21. The beneficiary claims the exclusion when filing form FTB 5870A, Tax on Accumulation Distribution of Trusts, if the multiple trust rules do not apply. This is because one trustee may be unaware that the beneficiary may be a beneficiary of other trusts with other trustees.

Part II

Note: You must complete Part III before completing this part.

Ordinary Income Accumulation Distribution

Line 6 – Distributable net income for earlier years. Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969-1978 .	Schedule H, (Form 541), line 5
1979	Part D, (Form 541), line 5
1980	Form 541, line 55
1981-1984	Form 541, line 57
1985-1986	Schedule 3, (Form 541), line 11
1987	Schedule 3, (Form 541), line 9
1988-1995 .	Schedule B, (Form 541), line 8

Line 7 – Distributions made during earlier years. Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969-1978 .	Schedule I, (Form 541), line 3
1979	Part D, (Form 541), line 8
1980	Form 541, line 58
1981-1984	Form 541, line 60
1985-1986	Schedule 3, (Form 541), line 14
1987 . . .	Schedule 3, (Form 541), line 13
1988-1995	Schedule B, (Form 541), line 12

Line 16 – Tax-exempt interest included on line 13. For each throwback year, divide line 15 by line 6 and multiply the result by one of the following:

Throwback Year(s):	Amount From:
1969-1978	Schedule H, (Form 541), line 2(a)
1979	Part D, (Form 541), line 2(a)
1980	Form 541, line 52(a)
1981-1984	Form 541, line 54(a)
1985-1986 .	Schedule 3, (Form 541), line 3
1987	Schedule 3, (Form 541), line 2
1988-1995 .	Schedule B, (Form 541), line 2

Part III

Taxes Imposed on Undistributed Net Income

For the regular tax computation, if there is a capital gain, complete line 18 through line 25 for each throwback year. If there is no capital gain for any year (or there is a capital loss for every year), enter on line 9 the amount of the tax for each year entered for line 18; do not complete Part III. If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665 through 668.

Line 18 – Tax

Enter the applicable tax amounts as follows:

Throwback Year(s):	Amount From:
1969	Form 541, line 20
1970-1971	Form 541, line 21
1972-1979	Form 541, line 19
1980-1981	Form 541, line 23
1982-1984	Form 541, line 23(c)
1985-1986	Form 541, line 24(c)
1987-1989	Form 541, line 22(c)
1990-1995	Form 541, line 20(a)

Line 20 – Enter the applicable net capital gain distributed as follows:

Throwback Year(s):	Amount From:
1969	Form 541, Side 1, line 17 plus amounts from Schedule F-1 (541), lines 1 and 2
1970-1971	Form 541, Side 1, line 18 plus amounts from Schedule F-1 (541), lines 1 and 2
1972-1979	Schedule F-1 (541), lines 1(a)-1(c)
1980	Schedule K-1 (541), lines 2-4
1981	Schedule K-1 (541), lines 1-3
1982	Schedule D (541), line 25
1983	Schedule D (541), line 30
1984	Schedule D (541), line 33
1985-1986	Schedule D (541), line 28
1987	Schedule D (541), line 24
1988-1995 . . .	Schedule D (541), line 9(a)

Line 22 – Total taxable income

Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969	Form 541, line 19
1970-1971	Form 541, line 20
1972-1979	Form 541, line 18
1980-1984	Form 541, line 22
1985-1986	Form 541, line 23
1987-1989	Form 541, line 21
1990-1995	Form 541, line 19

Part IV

Allocation to Beneficiary

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

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

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

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

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

The beneficiary may use Form 5870A to compute the tax on the distribution.

TAXABLE YEAR 1996

Beneficiary's Share of Income, Deductions, Credits, etc.

CALIFORNIA SCHEDULE

K-1 (541)

For calendar year 1996 or fiscal year beginning ____________, 1996, and ending ____________, 19 ________.

Complete a separate Schedule K-1 (541) for each beneficiary.

Name of estate or trust:

Beneficiary's social security number, California corporation number or FEIN	Estate's or trust's federal employer identification number (FEIN)
Beneficiary's name, address and ZIP code	Fiduciary's name, address and ZIP code

Caution: Refer to the instructions for Schedule K-1 (541) before entering information from this schedule on your return.

(a) Allocable share item	**(b)** Amount from federal Schedule K-1 (1041)	**(c)** Adjustments	**(d)** Total amounts using California law (Combine column (b) and column (c))	**(e)** California source amounts and credits
1 Interest				
2 Dividends				
3 Net capital gain or (loss)				
4 Business income and other non-passive income before directly allocable deductions (itemize):				
a Depreciation				
b Depletion				
c Amortization				
5 Rental, rental real estate and other passive income (itemize):				
a Depreciation				
b Depletion				
c Amortization				
6 Income for alternative minimum tax purposes				
7 Income for regular tax purposes. Add line 1 through line 5				
8 Adjustment for alternative minimum tax purposes. Subtract line 7 from line 6				
9 Tax preference items:				
a Accelerated depreciation				
b Depletion				
c Amortization				
d Exclusion items				
10 Distributions in the final year of estate or trust:				
a Excess deductions on termination. Attach computation				
b Capital loss carryover				
c ______________________				
11 Other (itemize):				
a Trust payments of estimated tax paid by the trust credited to you				
b Tax-exempt interest				
c Taxes paid to other states. Attach Schedule S, Other State Tax Credit				
d Other credits				
e ______________________				

1996 Instructions for Schedule K-1 (541)

Beneficiary's Share of Income, Deductions, Credits, etc.

A Purpose

File Schedule K-1 (541) with Form 541, California Fiduciary Income Tax Return, to report the beneficiary's income from the estate or trust. California law generally follows federal law.

B Who Must File

The fiduciary (or one of the joint fiduciaries) must file Schedule K-1 (541). A copy of each beneficiary's Schedule K-1 (541) must be attached to Form 541 filed with the Franchise Tax Board (FTB) and must give each beneficiary a copy of his or her respective Schedule K-1 (541). One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

As a payer of income, the estate or trust is required under R&TC Section 18624 (former Section 18934) to request and provide a proper identifying number for each recipient of income. Enter this number on all Schedules K-1 (541) when the estate or trust files its return. Individuals and business recipients are responsible for giving the estate or trust their social security number, California corporation number, Secretary of State file number or federal employer identification number (FEIN) upon request. The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certification, to request the beneficiary's identifying number.

C Penalty

Under R&TC Section 19183 (former Section 18681.1(c)), the estate or trust is charged a $50 penalty for each failure to provide a required taxpayer identification number, unless reasonable cause is established for not providing it. If reasonable cause exists, please explain in a signed affidavit and attach it to Form 541.

D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB approved Schedule K-1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). The estate's or trust's substitute schedule must include the Beneficiary's Instructions for Schedule K-1 (541) or other prepared specific instructions. Get FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable and Reproduced Tax Forms, for more information. See page 32 of this tax booklet for information on ordering forms and publications.

E Taxable Year

Beneficiary's taxable year. The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year during which the taxable year of the estate or trust ends.

Prior Year. Do not include the beneficiary's income amounts that were deducted on Form 541 for an earlier year and that were credited or required to be distributed in that earlier year.

F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income;
- Character of income;
- Allocation of deductions;
- Allocation of credits; and
- Gifts and bequests.

In Schedule K-1 (541), column (b), enter the amounts from federal Schedule K-1 (1041). In column (c), enter the difference between the California and federal totals. In column (d), enter the California total amount, which is the result of combining column (b) and column (c). In column (e), enter the California source amount. Prepare and give a Schedule K-1 (541) to each beneficiary of the estate or trust.

Income of nonresidents from bank accounts, stocks, bonds, notes and other intangible personal property is not income from sources in California unless (1) the property has acquired a business situs in California or (2) orders with brokers have been placed so regularly as to constitute ''doing business'' (R&TC Section 17952). Only include in column (e) income from intangible property that is income from sources within California. Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income (i.e., interest, dividends, capital gains from the sale of stocks, bonds, etc.) whose source is dependent upon the residence or commercial domicile of the beneficiary.

G Passive Activities

The limitations on passive activity losses and credits under Internal Revenue Code (IRC) Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion and amortization deductions to beneficiaries. These deductions are called ''directly allocable deductions.''

If items of income (loss), deduction or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

H Nonresident Beneficiaries

It is necessary to compute the beneficiaries' share of income and deductions, disregarding the nonresident status of any particular beneficiary. If the beneficiary of an estate or trust is a resident of California on the last day of the estate's or trust's taxable year, the beneficiary's share of income or losses of the estate or trust for that taxable year is attributable to California. Nonresident beneficiaries are taxed only on income that is derived from sources within California. Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within California are to be properly allocated and reported on the Schedule K-1 (541). The fiduciary must clearly show how the allocation was made. Enter the beneficiary's share of income and deductions from sources within California on Schedule K-1 (541).

Payments to nonresidents of income having a business or taxable situs in California are subject to withholding of taxes. For more information, get the instructions for Form 592, Form 592-A and Form 592-B.

See Title 18, Cal Code Reg. Sections 17951-1(c), 17951-2 and 17953 regarding taxability of distributions to nonresident beneficiaries.

See instructions regarding withholding at source on page 4 of this booklet if California source income is being distributed to a nonresident beneficiary.

Specific Line Instructions

Please round cents to the nearest whole dollar.

Line 1 and Line 2
See the federal instructions for Schedule K-1 (1041).

Line 3 – Enter the combined amount from federal Schedule K-1 (1041), line 3a and line 3b, less amounts allocable to IRC Section 1231 property.

Note: Gains or losses from the complete or partial disposition of a rental, rental real estate or trade or business activity that is a passive activity must be shown as an attachment to Schedule K-1 (541).

Line 4 – Enter the beneficiary's share of annuities, royalties or any other income that is **NOT** subject to any passive activity loss limitation rules at the beneficiary's level. Enter the beneficiary's share of these deductions attributable to each activity reported on line 4 and line 5.

Line 6 – Enter the beneficiary's share of distributable net alternative minimum taxable income from Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries.

Line 9a through Line 9d
Enter the amounts from Schedule P (541). Get the federal instructions for Schedule K-1 (1041) for more information.

Line 10a through Line 10c
If this is the final return, enter on line 10 the beneficiary's share of any:

- Excess deductions on termination;
- Capital loss carryover; or
- Unused net operating loss carryover if this is the last year eligible.

Line 11a through Line 11e
Enter the beneficiary's share of each item for which there is no designated line on Schedule K-1 (541). Attach a separate sheet for each item reported on line 11 showing the computation. Items that must be reported on this line include the allocable share, if any, of items listed on line 11a through line 11d.

Line 11b – Enter tax-exempt interest received by the estate or trust (including exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company).

Line 11c – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Note: Attach a copy of the return filed with the other state, evidence of payment and a copy of Schedule S to support the amount of tax paid.

Line 11d – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

Line 11e – Enter any other item that is not included above such as:

- Gross farming and fishing income;
- Investment income (IRC Section 163(d)); or
- Unused net operating loss carryover available for future years. Get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts, to figure the NOL carryover.

The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

Beneficiaries may need to obtain the amount of their proportionate interest of aggregate gross receipts, less returns and allowances, from the estate or trust to determine if they are a qualified taxpayer who can exclude certain items from alternative minimum taxable income. The estate or trust can provide the beneficiary's proportionate interest of aggregate gross receipts on Schedule K-1 (541), line 11e, column (d) and column (e). Proportionate interest includes an interest in a pass-through entity. See R&TC Section 17062 for more information.

TAXABLE YEAR

1996

Beneficiary's Share of Income, Deductions, Credits, etc.

CALIFORNIA SCHEDULE

K-1 (541)

For calendar year 1996 or fiscal year beginning ______, 1996, and ending ______, 19 ______.

Complete a separate Schedule K-1 (541) for each beneficiary.

Name of estate or trust:

Beneficiary's social security number, California corporation number or FEIN	Estate's or trust's federal employer identification number (FEIN)
Beneficiary's name, address and ZIP code	Fiduciary's name, address and ZIP code

Caution: Refer to the instructions for Schedule K-1 (541) before entering information from this schedule on your return.

(a) Allocable share item	**(b)** Amount from federal Schedule K-1 (1041)	**(c)** Adjustments	**(d)** Total amounts using California law (Combine column (b) and column (c))	**(e)** California source amounts and credits
1 Interest				
2 Dividends				
3 Net capital gain or (loss)				
4 Business income and other non-passive income before directly allocable deductions (itemize):				
a Depreciation				
b Depletion				
c Amortization				
5 Rental, rental real estate and other passive income (itemize):				
a Depreciation				
b Depletion				
c Amortization				
6 Income for alternative minimum tax purposes				
7 Income for regular tax purposes. Add line 1 through line 5				
8 Adjustment for alternative minimum tax purposes. Subtract line 7 from line 6				
9 Tax preference items:				
a Accelerated depreciation				
b Depletion				
c Amortization				
d Exclusion items				
10 Distributions in the final year of estate or trust:				
a Excess deductions on termination. Attach computation				
b Capital loss carryover				
c ______				
11 Other (itemize):				
a Trust payments of estimated tax paid by the trust credited to you				
b Tax-exempt interest				
c Taxes paid to other states. Attach Schedule S, Other State Tax Credit				
d Other credits				
e ______				

1996 Instructions for Schedule K-1 (541)

Beneficiary's Share of Income, Deductions, Credits, etc.

A Purpose

File Schedule K-1 (541) with Form 541, California Fiduciary Income Tax Return, to report the beneficiary's income from the estate or trust. California law generally follows federal law.

B Who Must File

The fiduciary (or one of the joint fiduciaries) must file Schedule K-1 (541). A copy of each beneficiary's Schedule K-1 (541) must be attached to Form 541 filed with the Franchise Tax Board (FTB) and must give each beneficiary a copy of his or her respective Schedule K-1 (541). One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

As a payer of income, the estate or trust is required under R&TC Section 18624 (former Section 18934) to request and provide a proper identifying number for each recipient of income. Enter this number on all Schedules K-1 (541) when the estate or trust files its return. Individuals and business recipients are responsible for giving the estate or trust their social security number, California corporation number, Secretary of State file number or federal employer identification number (FEIN) upon request. The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certification, to request the beneficiary's identifying number.

C Penalty

Under R&TC Section 19183 (former Section 18681.1(c)), the estate or trust is charged a $50 penalty for each failure to provide a required taxpayer identification number, unless reasonable cause is established for not providing it. If reasonable cause exists, please explain in a signed affidavit and attach it to Form 541.

D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB approved Schedule K-1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). The estate's or trust's substitute schedule must include the Beneficiary's Instructions for Schedule K-1 (541) or other prepared specific instructions. Get FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable and Reproduced Tax Forms, for more information. See page 32 of this tax booklet for information on ordering forms and publications.

E Taxable Year

Beneficiary's taxable year. The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year during which the taxable year of the estate or trust ends.

Prior Year. Do not include the beneficiary's income amounts that were deducted on Form 541 for an earlier year and that were credited or required to be distributed in that earlier year.

F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income;
- Character of income;
- Allocation of deductions;
- Allocation of credits; and
- Gifts and bequests.

In Schedule K-1 (541), column (b), enter the amounts from federal Schedule K-1 (1041). In column (c), enter the difference between the California and federal totals. In column (d), enter the California total amount, which is the result of combining column (b) and column (c). In column (e), enter the California source amount. Prepare and give a Schedule K-1 (541) to each beneficiary of the estate or trust.

Income of nonresidents from bank accounts, stocks, bonds, notes and other intangible personal property is not income from sources in California unless (1) the property has acquired a business situs in California or (2) orders with brokers have been placed so regularly as to constitute "doing business" (R&TC Section 17952). Only include in column (e) income from intangible property that is income from sources within California. Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income (i.e., interest, dividends, capital gains from the sale of stocks, bonds, etc.) whose source is dependent upon the residence or commercial domicile of the beneficiary.

G Passive Activities

The limitations on passive activity losses and credits under Internal Revenue Code (IRC) Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion and amortization deductions to beneficiaries. These deductions are called "directly allocable deductions."

If items of income (loss), deduction or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

H Nonresident Beneficiaries

It is necessary to compute the beneficiaries' share of income and deductions, disregarding the nonresident status of any particular beneficiary. If the beneficiary of an estate or trust is a resident of California on the last day of the estate's or trust's taxable year, the beneficiary's share of income or losses of the estate or trust for that taxable year is attributable to California. Nonresident beneficiaries are taxed only on income that is derived from sources within California. Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within California are to be properly allocated and reported on the Schedule K-1 (541). The fiduciary must clearly show how the allocation was made. Enter the beneficiary's share of income and deductions from sources within California on Schedule K-1 (541).

Payments to nonresidents of income having a business or taxable situs in California are subject to withholding of taxes. For more information, get the instructions for Form 592, Form 592-A and Form 592-B.

See Title 18, Cal Code Reg. Sections 17951-1(c), 17951-2 and 17953 regarding taxability of distributions to nonresident beneficiaries.

See instructions regarding withholding at source on page 4 of this booklet if California source income is being distributed to a nonresident beneficiary.

Specific Line Instructions

Please round cents to the nearest whole dollar.

Line 1 and Line 2
See the federal instructions for Schedule K-1 (1041).

Line 3 – Enter the combined amount from federal Schedule K-1 (1041), line 3a and line 3b, less amounts allocable to IRC Section 1231 property.

Note: Gains or losses from the complete or partial disposition of a rental, rental real estate or trade or business activity that is a passive activity must be shown as an attachment to Schedule K-1 (541).

Line 4 – Enter the beneficiary's share of annuities, royalties or any other income that is **NOT** subject to any passive activity loss limitation rules at the beneficiary's level. Enter the beneficiary's share of these deductions attributable to each activity reported on line 4 and line 5.

Line 6 – Enter the beneficiary's share of distributable net alternative minimum taxable income from Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries.

Line 9a through Line 9d
Enter the amounts from Schedule P (541). Get the federal instructions for Schedule K-1 (1041) for more information.

Line 10a through Line 10c
If this is the final return, enter on line 10 the beneficiary's share of any:

- Excess deductions on termination;
- Capital loss carryover; or
- Unused net operating loss carryover if this is the last year eligible.

Line 11a through Line 11e
Enter the beneficiary's share of each item for which there is no designated line on Schedule K-1 (541). Attach a separate sheet for each item reported on line 11 showing the computation. Items that must be reported on this line include the allocable share, if any, of items listed on line 11a through line 11d.

Line 11b – Enter tax-exempt interest received by the estate or trust (including exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company).

Line 11c – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Note: Attach a copy of the return filed with the other state, evidence of payment and a copy of Schedule S to support the amount of tax paid.

Line 11d – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

Line 11e – Enter any other item that is not included above such as:

- Gross farming and fishing income;
- Investment income (IRC Section 163(d)); or
- Unused net operating loss carryover available for future years. Get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts, to figure the NOL carryover.

The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

Beneficiaries may need to obtain the amount of their proportionate interest of aggregate gross receipts, less returns and allowances, from the estate or trust to determine if they are a qualified taxpayer who can exclude certain items from alternative minimum taxable income. The estate or trust can provide the beneficiary's proportionate interest of aggregate gross receipts on Schedule K-1 (541), line 11e, column (d) and column (e). Proportionate interest includes an interest in a pass-through entity. See R&TC Section 17062 for more information.

Beneficiary's Instructions for Schedule K-1 (541)

General Instructions

Purpose

The estate or trust uses Schedule K-1 (541) to report your share of the estate's or trust's income, deductions, credits, etc. Your name, address and identifying number, as well as the estate's or trust's name, address and identifying number, should be entered on the Schedule K-1 (541). Please keep Schedule K-1 (541) for your records. **Do not** file it with your tax return. The estate or trust has filed a copy with the FTB.

You are subject to tax on your share of the estate's or trust's income, and you must include your share on your individual tax return.

Schedule K-1 (541), column (b), provides your federal Schedule K-1 (1041) amounts; column (c) provides your adjustment amounts to be entered on Schedule CA (540), California Adjustments – Residents, or Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents; column (d) provides your total amounts using California law by combining column (b) and column (c); and column (e) provides your California source income and loss amounts.

Generally, the amount of loss and deduction you may claim is limited to your share of the estate or trust and the amount for which you are considered at-risk. If you have losses, deductions or credits from a passive activity, you must also apply the passive activity rules. It is the beneficiary's responsibility to consider and apply any applicable limitations.

California law is generally the same as federal law with regard to income, the character of income, allocation of deductions, gifts and bequests, and past years. Follow the federal instructions for Schedule K-1 (1041) for these items.

Beneficiaries of estates and trusts include in their gross income their distributive share of the fiduciary's income distribution deduction for the taxable year. Amounts that are distributed by an estate or trust and that are not deductible in computing the entity's taxable income are usually not taxable to the beneficiary (i.e., distributions of corpus or tax exempt income). Resident beneficiaries are taxed on income distributed or distributable from all sources. Nonresident beneficiaries are taxed only on income distributed or distributable from sources derived within California (R&TC Section 17953).

Beneficiaries that are California residents should include in their gross income the amounts in column (d) on their Form 540, California Resident Income Tax Return, since the beneficiary is taxed on income from all sources. Beneficiaries that are nonresidents should include amounts in column (d) and column (e) on their Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, to arrive at California source income. For purposes of this section, the nonresident beneficiary is deemed the owner of intangible personal property from which the income of the estate or trust is derived, and so such income is taxed at the beneficiary's domicile.

Note: The estate or trust will attach a schedule of intangible income (i.e., income from stocks, bonds, bank accounts and notes) whose source is dependent upon the residence or commercial domicile of the taxpayer. The income on this schedule is not income from California sources for nonresidents but is income sourced at your state of residence or commercial domicile.

Specific Line Instructions

Enter the difference between federal and California amounts on Schedule CA (540 or 540NR). Also, if you are a nonresident, enter California source amounts in the Schedule K-1 (541) on your Schedule CA (540NR), column (e).

Line 3 through Line 10
You must report the amounts in column (c), adjustments, that are from **nonpassive** activities on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d), total amounts using California law, that are from **passive** activities on the appropriate California form or schedule. Get form FTB 3801, Passive Activity Loss Limitations, to transfer those amounts and to figure the amount of your passive activity loss limitation. Nonresident or part-year resident beneficiaries must complete another form FTB 3801 to report the amounts shown in column (e), California source amounts. Carry the passive activity amounts to the California form or schedule to figure your California adjustment amount. Enter this adjustment amount on the corresponding line on Schedule CA (540) or Schedule CA (540NR) only if there is a federal/California difference.

If there is no California form or schedule to compute your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Adjustment Worksheet in the instructions for form FTB 3801. Enter the total of your adjustments from line 1e of this worksheet from all passive activities on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is appropriate.

Line 1 – Interest
Report on Schedule CA (540 or 540NR), line 8, column B or line 8, column C, whichever is appropriate, any amount shown on line 1, column (c).

Line 2 – Dividends
Report on Schedule CA (540 or 540NR), line 9, column B or line 9, column C, whichever is appropriate, any amount shown on line 2, column (c).

Line 3 – Net capital gain or (loss)
Report on Schedule D (540), California Capital Gain or Loss Adjustment, any amount shown on line 3, column (d). Nonresident or part-year resident beneficiaries must complete another Schedule D (540) to report any amount shown on line 3, column (e).

If there is an attachment to Schedule K-1 (541) that reports a disposition of a rental, rental real estate or passive activity, get form FTB 3801 for more information.

Line 4 – Business income and other non-passive income before directly allocable deductions
Use line 4, column (d) or column (e), to report your share of business income and other non-passive income before directly allocable deductions that is NOT subject to any passive activity loss limitation rules at the beneficiary level.

Amounts on this line are other items of income, gain or (loss) not included on line 1 through line 3. The estate or trust should give you a description of the amount of your share for each of these items.

Line 5 – Rental, rental real estate and other passive income
Use line 5 to report your share of rental, rental real estate and other passive income that is subject to any passive activity loss limitation rules at the beneficiary's level.

Report loss items that are passive activity amounts to you on form FTB 3801.

Report income or gain items that are passive activity amounts to you as instructed below. If, in addition to this passive activity income or gain, you have passive activity losses from any other source, also report the passive activity income or gain on form FTB 3801.

Line 5 items may include:

- Gains from disposition of farm recapture property (get Schedule D-1, Sales of Business Property) and other items to which IRC Section 1252 applies;
- Recoveries of bad debts, prior taxes and delinquency amounts (IRC Section 111). Report the amount from line 5, column (c), on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is appropriate;
- Gains and losses from wagers (IRC Section 165(d));
- Specially allocated ordinary gain or (loss). Report this amount on Schedule D-1, line 10; and
- Net gain or (loss) from involuntary conversions due to casualty or theft. The estate or trust will give you a schedule that shows the California amounts to be entered on federal Form 4684, Casualties and Thefts, Section B, Part II, line 34, column (b)(i), column (b)(ii) and column (c).

See the federal "Specific Instructions" for Schedule K-1 (1041) to determine the proper allocation of income or loss.

Ordinary income or (loss) from trade or business activities. The amounts reported on line 5, column (d) or column (e), are your share of the ordinary income or (loss) from the trade or business activities of the estate or trust. Generally, where you report this amount on Form 540 or Form 540NR depends on whether or not the amount is from an activity that is a passive activity to you.

If, in addition to this passive activity income, you have a passive activity loss from this estate or trust or from any other source, also report the income on form FTB 3801.

If a loss is reported on line 5, column (d) or column (e), report the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable.

Income or (loss) from rental real estate activities. Generally, any income or (loss) reported in column (d) or column (e) is a passive activity amount. There is an exception, however, for losses from a qualified low-income housing project. The loss limitations of IRC Section 469 do not apply to qualified investors in qualified low-income housing projects. The estate or trust will attach a schedule to identify such amounts, if applicable. You must report the California adjustment amount from column (c) and California source amounts from column (e) on Schedule CA (540 or 540NR).

Use the following instructions to determine where to enter a line 5 amount.

If you have a loss in column (d) or column (e) (other than a qualified low-income housing project loss), enter the loss on the applicable line of form FTB 3801 to determine how much of the loss is allowable. Your share of the loss may be eligible for the special $25,000 allowance for rental real estate losses. Get the instructions for form FTB 3801 for more information.

Note: If you are a qualified investor reporting a qualified low-income housing project loss, report the California adjustment amount from column (c) and California source amounts from column (e) on Schedule CA (540 or 540NR). If you have income in column (d) or column (e), enter the California adjustment amount from column (c) and California source amounts from column (e) on Schedule CA (540 or 540NR). If, in addition to this passive activity income, you have a passive activity loss from this estate or trust or from any other source, also report the column (d) or column (e) income on form FTB 3801.

Income or (loss) from other rental activities. The amount in column (d) or column (e) is a passive activity amount for all beneficiaries.

If the estate or trust has a residual interest in a real estate mortgage investment conduit (REMIC), it will report on the statement your share of REMIC taxable income (net loss). Report the adjustment amount from column (c) and California source amounts from column (e) on Schedule CA (540 or 540NR). The statement will also report your share of ''excess inclusion'' and your share of IRC Section 212 expenses.

If you itemize your deductions on federal Schedule A (1040), you may deduct these IRC Section 212 expenses as a miscellaneous deduction subject to the 2% adjusted gross income limit.

Line 5a through line 5c – Tax preference items
Enter your share of these deductions attributable to each activity reported on line 4 and line 5.

Report any tax preference attributable to depreciation, depletion or amortization separately on line 9a through line 9c.

Line 8 – Enter your share of adjustment for alternative minimum tax purposes on Schedule P (540), Alternative Minimum Tax and Credit Limitations – Residents, or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations – Nonresidents and Part-Year Residents.

Line 9a through line 9c
Schedule P (540) filers: Report any column (d) amount on Schedule P (540).

Schedule P (540NR) filers: Report column (d) amounts on Schedule P (540NR), Part I and report column (e) amounts in Part IV.

Line 9d – Exclusion items
Report any column (d) or column (e) amount on line 2 of the 1996 Form 3510, Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries.

Line 10a – Excess deductions on termination
Report any amount in column (c) on Schedule CA (540 or 540NR), line 36 as an addition or subtraction, whichever is appropriate.

Line 10b – Capital loss carryover
Report any capital loss carryovers from the final year of the estate or trust on line 4, column (e), of your Schedule D (Form 540).

Line 11a – Trust payments of estimated tax credited to you
Report on Form 540, line 39, or Form 540NR, line 48, any estimated tax payments paid by the trust on your behalf.

Line 11b – Tax-exempt interest
Report any column (c) amount on Schedule CA (540 or 540NR), line 8, column B or line 8, column C, whichever is appropriate.

Line 11c – Taxes paid to other states
You may claim a credit against your individual tax on your share of the net income tax paid to other states by the estate or trust. Get California Schedule S, Other State Tax Credit.

Line 11d – Other credits
If applicable, the estate or trust will use this line, through an attached statement, to give you the information you need to compute credits related to a trade or business activity.

Examples of credits that may be reported (depending on the type of activity they relate to) include:

- Enterprise zone hiring and sales or use tax credit — get form FTB 3805Z;
- Orphan drug credit carryover — get form FTB 3540;
- Program area hiring and sales or use tax credit — get form FTB 3805Z;
- Research credit — get form FTB 3523;
- Residential rental and farm sales credit carryover — get form FTB 3540;
- Commercial solar electric system carryover — get form FTB 3540;
- Employer child care program/ contribution credit — get form FTB 3501;
- Los Angeles revitalization zone hiring and sales or use tax credit — get form FTB 3806;
- Enhanced oil recovery credit — get form FTB 3546;
- Donated agricultural products transportation credit — get form FTB 3547; and
- Disabled access credit — get form FTB 3548.

Note: The passive activity limitations of IRC Section 469 may limit the amount of credits you may take. Credits that are related to rental activities of the estate or trust and are passive activity credits to the beneficiary are:

- Low-income housing credit;
- Credits related to rental real estate activities; and
- Credits related to other rental activities.

Credits that may be limited under the passive activity credit rules are:

- Orphan drug credit carryover;
- Research credit; and
- Low-income housing credit.

If you have an amount from any of the three credits listed above, transfer the amount in column (d) or column (e) to the appropriate credit form, following its instructions for determining the passive activity loss limitation.

Line 11e – Other
Report any column (c) amount on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is appropriate.

Legislation enacted in 1996 allows a qualified taxpayer to exclude income, positive and negative adjustments and preference items attributable to any trade or business from alternative minimum taxable income. A qualified taxpayer is an individual, estate or trust that:

- Is the owner of, or has an ownership interest in a trade or business; and
- Has gross receipts, less returns and allowances, of less than $1,000,000 during the taxable year from all trades or businesses that the taxpayer is an owner or has an ownership interest ("aggregate gross receipts"). In the case of an ownership interest, the taxpayer should include only the proportional share of gross receipts of any trade or business from a partnership, S corporation, regulated investment company (RIC), real estate investment trust (REIT) or real estate mortgage investment conduit (REMIC).

You need to add your share of the gross receipts from this estate or trust to your gross receipts from all other trades or businesses in which you hold an interest to determine if you are a qualified taxpayer. See R&TC Section 17062 for more information.

TAXABLE YEAR 1996

California Allocation of Estimated Tax Payments to Beneficiaries

FORM 541-T

	MONTH	DAY	YEAR		MONTH	DAY	YEAR
For calendar year 1996 or fiscal year beginning			1996	, and ending			.

Name of estate or trust

Federal employer identification no.

Name and title of fiduciary

Address of fiduciary (number and street or PO box)

Apartment number

City, state and ZIP code

If you are filing this form for the final year of the estate or trust, check this box ☐

1 Total amount of estimated taxes to be allocated to beneficiaries $ ____________

2 Allocation to beneficiaries:

(a) No.	(b) Beneficiary's Name and Address	(c) Beneficiary's FEIN or SSN	(d) Amount of estimated tax payment allocated to beneficiary	(e) Proration Percentage
1				%
2				%
3				%
4				%
5				%
6				%
7				%
8				%
9				%
10				%

3 Total from additional sheet(s)	**3**		
4 Total amounts allocated. (Must equal line 1, above)	**4**		

Sign Here

Under penalties of perjury, I declare that I have examined this allocation, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ ____________________ Signature of fiduciary or officer representing fiduciary

▶ ____________________ Date

Note: Do not file with Form 541. Instead mail to: FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94250-0000

Instructions for Form 541-T

California Allocation of Estimated Tax Payments to Beneficiaries

General Instructions

A Purpose

A trust or, for its final year, a decedent's estate may elect under R&TC Section 17731 to have any part of its estimated tax payments treated as made by a beneficiary or beneficiaries. The fiduciary files Form 541-T to make the election. Once made, the election is irrevocable.

Note: Withholding cannot be distributed on Form 541-T.

B How to File

File Form 541-T separately from Form 541, California Fiduciary Income Tax Return. Do not attach Form 541-T to Form 541.

C Where to File

Mail Form 541-T to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0000

D When to File

For the election to be valid, a trust or decedent's estate must file Form 541-T by the 65th day after the close of the tax year as shown at the top of the form. For a calendar year trust, that date is March 6, 1997. If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day.

E Period Covered

File the 1996 form for calendar year 1996 and fiscal years beginning in 1996 and ending in 1997. If the form is for a fiscal year or a short year, fill in the tax year space at the top of the form.

Specific Line Instructions

Fiduciary's Street Address

Include suite, room, unit number, etc. after the street address. If the post office does not deliver mail to the street address and the fiduciary has a PO box, show the PO box number instead of the street address.

Line 1 – Enter the amount of the estimated tax payments made by the trust or decedent's estate that the fiduciary elects to treat as a payment made by the beneficiaries. This amount is treated as if paid or credited to the beneficiaries on the last day of the tax year of the trust or decedent's estate. Be sure to include it on Form 541, Schedule B, Income Distribution Deduction, line 11.

Line 2

Column (b) – Beneficiary's name and address
Group the beneficiaries to whom you are allocating estimated tax payments into two categories. In the first category, list all the individual beneficiaries who have a social security number (SSN). In the second category, list all the other beneficiaries.

Column (c) – Beneficiary's identifying number
For each beneficiary who is an individual, enter the SSN. For all other entities, enter the federal employer identification number (FEIN). Failure to enter a valid SSN or FEIN may cause a delay in processing and could result in the imposition of penalties on the beneficiary. For those beneficiaries who file a joint return, you can assist the Franchise Tax Board in crediting the proper account by providing the SSN, if known, of the beneficiary's spouse. However, this is an optional entry.

Column (d) – Amount of estimated tax payment allocated to beneficiary
For each beneficiary, also enter this amount on Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line 11a.

Column (e) – Proration percentage
For each listed beneficiary, divide the amount shown in column (d) by the amount shown on line 1 and enter the result as a percentage.

Line 3

If you are allocating a payment of estimated taxes to more than 10 beneficiaries, list the additional beneficiaries on an attached sheet that follows the format of line 2. Enter on line 3 the total from the attached sheet(s). Include the fiduciary name and FEIN on the attached sheet.

1997 Instructions for Form 541-ES

Estimated Tax For Fiduciaries

General Information

Limit on the Use of Prior Year's Tax
The provision that limited the use of prior year's tax for some estates and trusts has expired. For tax years beginning on or after January 1, 1997, use 100% of the prior year's tax as the basis for figuring the estimated tax requirement.

Fiduciaries that are required to make estimated tax payments for more than 200 taxable trusts may submit the estimated tax payment information on magnetic tape or composite listing. For additional information about submitting Form 541 estimate payment information on magnetic tape or composite listing, call 1-800-852-5711.

A Purpose

Use Form 541-ES to figure and pay estimated tax for an estate or trust. Estimated tax is the amount of tax the fiduciary of an estate or trust expects to owe for the year after subtracting the amount of any tax withheld and the amount of any credits.

B Who Must Make Estimated Tax Payments

Generally, a fiduciary of an estate or trust must make 1997 estimated tax payments if:

- Less than 80% of the estate's or trust's 1996 tax was paid by withholding; or
- Less than 80% of the estate's or trust's 1997 California adjusted gross income (AGI) will be wages subject to withholding; or
- Less than 80% of the estate's or trust's 1997 tax will be paid by withholding.

An estate or trust is not required to make 1997 estimated tax payments if:

- The tax for 1996 (after subtracting withholding and credits) was less than $100; or
- The tax for 1997 (after subtracting withholding and credits) will be less than $100.

If the estate or trust must make estimated tax payments, use the Estimated Tax Worksheet on page 29 to figure the amount owed.

Estates, and any trust which was treated as owned by the decedent, that receive the residue of a decedent's estate under the will, or if no will is admitted to probate, a trust primarily responsible for paying debts, taxes and other expenses of administration, are required to make estimated tax payments only for any tax year ending 2 or more years after the decedent's death.

REMIC trusts are not required to make estimate payments.

C When to Make Your Estimated Tax Payments

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If an estate or trust does not pay enough tax by the due date of each of the payment periods, it may be charged a penalty even if it is due a refund when it files its income tax return. The following chart gives the payment periods and due dates.

For the period	The payment due date is
Jan. 1 through March 31, 1997	April 15, 1997
April 1 through May 31, 1997	June 16, 1997
June 1 through August 31, 1997	Sept. 15, 1997
Sept. 1 through Dec. 31, 1997	Jan. 15, 1998

Filing an Early Return in Place of the 4th Installment. If an estate or trust files its 1997 tax return by February 2, 1998, and pays the entire balance due, then it does not have to make its last estimated tax payment.

Annualized Option. If the estate or trust does not receive its taxable income evenly during the year, it may be to its advantage to annualize the income. This method allows for the matching of estimated tax payments to the actual period when income is earned.

Farmers and Fishermen. If at least two thirds of gross income for 1996 or 1997 is from farming or fishing, the estate or trust may:

- Pay the total estimated tax by January 15, 1998; or
- File Form 541 for 1997 on or before March 2, 1998 and pay the total tax due. In this case estimated tax payments are not due for 1997. Attach form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to the front of Form 541.

Fiscal Year. If the estate or trust files its return on a fiscal year basis, the due dates will be the 15th day of the 4th, 6th and 9th months of the fiscal year and the first month of the following fiscal year.

If the due date is a Saturday, Sunday or legal holiday, substitute the next regular work day for the due date.

D How to Figure Estimated Tax

Use the Estimated Tax Worksheet and the 1996 Form 541 return as a guide for figuring the 1997 estimated tax payment.

Line instructions for the Estimated Tax Worksheet

Line 5 – Additional taxes
Enter any additional tax from:

- FTB 5870A, Tax on Accumulation Distribution of Trusts;
- IRC Section 644 tax on trusts; or
- IRC Section 453A tax.

Line 7 – Credits
For more information on credits you may claim, see the instructions for Form 541, line 22 on page 5.

E How to Use Form 541-ES Payment Voucher

On line 1 of the Form 541-ES payment voucher, enter the amount from line 12 of the worksheet less any overpaid tax on the 1996 tax return that was applied toward 1997 as an estimated tax payment.

If part of the estimated tax from Form 541-ES is to be allocated to the beneficiaries per IRC Section 643 (g), attach a copy of Form 541-T to Form 541-ES.

Enter the estate's or trust's complete name, address, federal employer identification number and name and title of the fiduciary in the spaces provided. If the estate or trust files its return on a fiscal year basis, enter the month and year ending in the space provided.

Make the check or money order payable to ''Franchise Tax Board.'' Enter the estate's or trust's FEIN and ''Form 541-ES 1997'' on the check or money order. Mail the estimated tax payment voucher together with the check or money order to:

541-ES UNIT
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0031

F Failure to Make Estimated Tax Payments

If an estate or trust is required to make estimated tax payments and does not, or if it underpays any installment, a penalty will be assessed (with certain exceptions) for that portion of estimated tax that was underpaid from the due date of the installment to the date of payment or the due date of the tax return, whichever is earlier. For more information, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

TAXABLE YEAR

CALIFORNIA FORM

1997 Estimated Tax for Fiduciaries 541-ES

File only if you are making a payment of estimated tax.

Make the check or money order payable to **"Franchise Tax Board."** Mail this voucher with check or money order to **541-ES Unit, Franchise Tax Board, PO Box 942867, Sacramento CA 94267-0031.** Do not combine this payment with payment of the tax due for 1996. Please write the FEIN and "Form 541-ES 1997" on the check or money order.

Payment Voucher 1

(Calendar year — Due April 15, 1997)

Federal employer identification number

Name of estate or trust

Name and title of fiduciary

Address (number and street or PO Box)

City, state and ZIP code

1 Amount of payment

$ 00

2 Fiscal year filers only, enter year ending

(month and year)

541

— — — — — CUT HERE — — — — —

TAXABLE YEAR

CALIFORNIA FORM

1997 Estimated Tax for Fiduciaries 541-ES

File only if you are making a payment of estimated tax.

Make the check or money order payable to **"Franchise Tax Board."** Mail this voucher with check or money order to **541-ES Unit, Franchise Tax Board, PO Box 942867, Sacramento CA 94267-0031.** Do not combine this payment with payment of the tax due for 1996. Please write the FEIN and "Form 541-ES 1997" on the check or money order.

Payment Voucher 2

(Calendar year — Due June 16, 1997)

Federal employer identification number

Name of estate or trust

Name and title of fiduciary

Address (number and street or PO Box)

City, state and ZIP code

1 Amount of payment

$ 00

2 Fiscal year filers only, enter year ending

(month and year)

541

— — — — — CUT HERE — — — — —

TAXABLE YEAR

CALIFORNIA FORM

1997 Estimated Tax for Fiduciaries 541-ES

File only if you are making a payment of estimated tax.

Make the check or money order payable to **"Franchise Tax Board."** Mail this voucher with check or money order to **541-ES Unit, Franchise Tax Board, PO Box 942867, Sacramento CA 94267-0031.** Do not combine this payment with payment of the tax due for 1996. Please write the FEIN and "Form 541-ES 1997" on the check or money order.

Payment Voucher 3

(Calendar year — Due September 15, 1997)

Federal employer identification number

Name of estate or trust

Name and title of fiduciary

Address (number and street or PO Box)

City, state and ZIP code

1 Amount of payment

$ 00

2 Fiscal year filers only, enter year ending

(month and year)

541

1997 Estimated Tax Worksheet. Do not file – keep for your records.

1	Enter amount of adjusted total income you expect in 1997	1	
2	Enter income distribution deduction	2	
3	Taxable income of fiduciary. Subtract line 2 from line 1	3	
4	Tax. Figure the amount by using the 1996 tax rate schedule	4	
5	Additional taxes. See instructions	5	
6	Total. Add line 4 and line 5	6	
7	Credits	7	
8	Total. Subtract line 7 from line 6	8	
9	a Enter 80% (.80) (66 2/3% (.6667) for farmers and fishermen) of line 8 ..... 9a		
	b Enter 100% of the tax shown on your 1996 Form 541 ..... 9b		
	c Enter the smaller of line 9a or line 9b	9c	
10	California income tax withheld and estimated to be withheld during 1997	10	
11	Estimated tax. Subtract line 10 from line 9c. If less than $100, no payment is required	11	
12	Divide line 11 by 4. This is the amount of your required installment. See the instructions if you will earn the income at an uneven rate during the year	12	

CUT HERE

TAXABLE YEAR

CALIFORNIA FORM

1997 Estimated Tax for Fiduciaries 541-ES

File only if you are making a payment of estimated tax.

Make the check or money order payable to **"Franchise Tax Board."** Mail this voucher with check or money order to **541-ES Unit, Franchise Tax Board, PO Box 942867, Sacramento CA 94267-0031.** Do not combine this payment with payment of the tax due for 1996. Please write the FEIN and "Form 541-ES 1997" on the check or money order.

Payment Voucher 4

(Calendar year — Due January 15, 1998)

Federal employer identification number

Name of estate or trust

Name and title of fiduciary

Address (number and street or PO Box)

City, state and ZIP code

1 Amount of payment

$ 00

2 Fiscal year filers only, enter year ending

(month and year)

5 4 1

This Page Left Blank For Notes

TAXABLE YEAR 1996

Instructions for Automatic Extension for Fiduciaries

CALIFORNIA FORM 3563

General Information

If the estate or trust cannot file its California fiduciary return by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1997 (calendar year filers), it may file its fiduciary return on or before the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 15, 1997 (calendar year filers), without filing a written request for extension.

However, to avoid late payment penalties and interest, 100% of the estate's or trust's tax liability (including a REMIC's $800 annual tax) must be paid by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1997 (calendar year filers).

Note: Simple trusts that have received a letter from the Franchise Tax Board granting exemption from tax under Section 23701d are considered to be corporations for tax purposes and should, therefore, use form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations. See the instructions for that form.

Nonexempt charitable trusts described in Section 4947(a)(1) of the IRC and exempt pension trusts, should also use form FTB 3539.

Complete the tax payment worksheet below to see if any additional taxes are due. **Send in the voucher only if a payment is due.**

Save the completed worksheet as a permanent part of the estate's or trust's tax records along with the copy of the return.

How To Complete The Tax Payment Worksheet

Line 1 – Enter the total tax the estate or trust expects to owe. This is the amount the estate or trust expects to enter on Form 541, line 26.

Line 2 – Enter the estate's or trust's total payments and credits on the following lines:

2a – California income tax withheld
2b – California estimated tax payments and amount applied from 1995 Form 541
2c – Other payments and credits, including any tax payments made with any previous 1996 form FTB 3563 voucher.

Line 3 – Add line 2a through line 2c. Enter the result on line 3.

Line 4 – Tax due. If the amount on line 3 is more than the amount on line 1, then the estate's or trust's payments and credits are more than their tax.

If the estate or trust has no tax due. **DO NOT SEND THE PAYMENT VOUCHER.**

The fiduciary return when filed by the 15th day of the tenth month following the close of the taxable year (fiscal year filers) or October 15, 1997 (calendar year filers), will verify that the estate or trust qualified for the extension.

If the amount on line 1 is more than the amount on line 3, then the estate's or trust's tax is more than their payments and credits. The estate or trust has tax due. Subtract the amount on line 3 from the amount on line 1.

Enter the tax due on line 4 and on the form FTB 3563 voucher below and **mail only the voucher portion** with payment to:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0051

Penalties And Interest

Remember, an extension of time to file the estate's or trust's fiduciary return is not an extension of time to pay the tax. If the estate or trust fails to pay its total tax liability (including a REMIC's $800 annual tax) by the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1997 (calendar year filers), a late payment penalty plus interest will be added to the tax due. If after the 15th day of the fourth month following the close of the taxable year (fiscal year filers) or April 15, 1997 (calendar year filers), the estate or trust finds that its estimate of tax due was too low, the estate or trust should pay the additional tax as soon as possible to avoid further accumulation of penalties and interest. Pay the estimated additional tax with another form FTB 3563 voucher.

If the estate's or trust's fiduciary return is not filed by the 15th day of the 10th month following the close of the taxable year (fiscal year filers) or October 15, 1997 (calendar year filers), the automatic extension will not apply and a late filing penalty and interest will be assessed from the original due date of the return.

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tax the estate or trust expects to owe			1
2	Payments and credits:			
a	California income tax withheld	2a		
b	California estimated tax payments and amount applied from 1995 Form 541	2b		
c	Other payments and credits	2c		
3	Total tax payments and credits — Add line 2a through line 2c			3
4	Tax due. If line 3 is more than line 1, see instructions. If line 1 is more than line 3, subtract line 3 from line 1. Enter the result here and on the voucher below			4

CUT HERE

TAXABLE YEAR 1996

Payment Voucher for Automatic Extension for Fiduciaries

CALIFORNIA FORM 3563

Name of estate or trust	Federal employer identification number
Name and title of fiduciary	Fiscal year filers, enter year ending
Present address (number and street including apartment number, PO Box or rural route)	
City, town or post office, state and ZIP code	

Amount of payment
$ 00

IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM

MAIL TO: FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0051

(Calendar year — Due April 15, 1997)

Payment Voucher 5

541

How to Get California Tax Information

F.A.S.T. Toll-Free Phone Service

Call **F**ast **A**nswers about **S**tate **T**axes,the F.A.S.T. toll-free phone service you can use to:

- Get recorded answers to many of your questions about California taxes;
- Order California or federal income tax forms; and
- Find out about your personal income tax refund.

F.A.S.T. is available in English and Spanish to callers with touch-tone or rotary dial telephones.

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms, or to find out about your tax personal income refund, F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

How To Use F.A.S.T.

Have paper and pencil handy to take notes.

Call from within the United States 1-800-338-0505

Call from outside the United States . . . . 1-916-845-6600 (not toll-free)

Follow the recorded instructions and enter the three-digit code when you are instructed to do so.

Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. to 8:00 p.m. Monday through Friday from January 2 through April 15, 1997. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturday, April 5 and April 12, from 8:00 a.m. until 5:00 p.m. After April 15 service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

From within the United States 1-800-852-5711
From outside the United States . . . . 1-916-845-6500 (not toll-free)
For hearing impaired with TDD 1-800-822-6268
For federal tax questions, call the IRS at 1-800-829-1040

Bilingual Assistance

Para obtener servicio bilingüe de información sobre impuestos o formularios, llame al número de teléfono (anotado arriba) que le corresponde.

Letters

We can serve you quickly if you call us for information to complete your California tax return, or to find out about your tax refund. However, you may want to write to us if you are replying to a notice we sent you, or to get a written reply. If you write to us, be sure to include the California corporation number or federal employer identification number (FEIN), your daytime and evening telephone numbers and a copy of the notice with your letter. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

We will acknowledge receipt of your letter within six to eight weeks. In some cases we may need to call you for additional information.

Where to Get Income Tax Forms

By Internet – If you have Internet access, you may download, view and print California tax forms and publications. Our Internet address is:
http://www.ftb.ca.gov

By phone — Use F.A.S.T. to order 1994, 1995 and 1996 California tax forms.

We will send you two copies of each tax form and one copy of each set of instructions. Please allow two weeks to receive your order.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

In person — Most libraries, post offices and banks provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by calling or writing the FTB using the address listed under ''Letters'' or the telephone numbers listed on this page.