

Underpayment of Estimated Tax by Individuals and Fiduciaries

1996

5805

Attach this form to the front of your Form 540, Form 540A, Form 540NR, or Form 541. Also, check the underpayment of estimated tax box located on Form 540, line 63; Form 540A, line 37; Form 540NR, line 72 or Form 541, line 38, whichever applies.

Name(s) as shown on return

Social security number or FEIN

IMPORTANT

IN MOST CASES, THE FRANCHISE TAX BOARD CAN FIGURE THE PENALTY FOR YOU AND YOU DO NOT HAVE TO COMPLETE THIS FORM. SEE GENERAL INFORMATION A.

IF YOU MEET ANY OF THE FOLLOWING CONDITIONS, YOU DO NOT OWE A PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX AND SHOULD NOT COMPLETE OR FILE THIS FORM.

Conditions:

- 1. 80% of your 1996 California adjusted gross income (AGI) was wages subject to California withholding; or
2. 80% of your 1995 or 1996 tax liability (after reducing it for the amount of all credits, except the withholding credit) was paid by the amount of tax withheld from your wages for that year; or
3. The amount of your tax liability (allowing for credits and withholding, but not including other taxes or estimated tax payments) for either 1995 or 1996 was less than \$100 (\$50 if married filing a separate return); or
4. Your 1995 return was for a full 12 months (or would have been if you were required to file) and you did not have any tax liability on that return; or
5. The amount of your withholding plus your estimated tax payments, if paid in the required installments, is at least 80% of the tax shown on your 1996 return or 100% of the tax shown on your 1995 return except when:
- You made estimated tax payments for 1993, 1994, or 1995 (or were charged an estimated tax penalty for any of those years), AND
- Your AGI is more than \$75,000 (more than \$37,500 if married filing separate), AND
- Your 1996 modified AGI exceeds your 1995 AGI by more than \$40,000 (more than \$20,000 if married filing separate), AND
- Your 2nd, 3rd, or 4th required installment is based on either your 1995 tax or 80% of your 1996 modified tax.

In this case, the use of your prior year's tax may be limited. See instructions for Schedule A for the definition of modified AGI and further information about this limitation.

Part I Questions. All filers must complete this part

- 1 Are you requesting a waiver of the penalty? If yes, see General Information B. Yes No
2 Did you use the annualized income installment method? If yes, see instructions for Part III. Yes No
3 Are you treating your California withholding as not withheld in equal installments, and you are able to show the actual amounts withheld per period and the actual dates withheld? If yes, you must enter the uneven amounts withheld below on the spaces provided. Yes No
Enter the actual uneven amounts withheld next to the corresponding quarterly payment due date here: 4/15/96 \$; 6/17/96 \$; 9/16/96 \$; 1/15/97 \$
4 Are you subject to the limitation on the use of prior year's tax? Yes No
See the list under condition 5 above and the instructions for Schedule A.
5 For estates and trusts: Was the date of death less than two years from the end of the tax year? Yes No
See General Information D

Part II Compute Your Estimate Requirement. All filers must complete this part.

Table with 2 columns: Description and Amount. Rows include: 1 Current year tax, 2 Multiply line 1 by 80% (.80), 3 Withholding taxes, 4 Subtract line 3 from line 1, 5 Prior year (1995) tax, 6 Enter the smaller of line 2 or line 5.

Short Method Caution: See the instructions to see if you can use the short method. If you annualize or are limited on the use of prior year's tax, skip this part and go to Part III or Schedule A.

Table with 2 columns: Description and Amount. Rows include: 7 Enter the amount, if any, from Part II, line 3 above; 8 Enter the total amount, if any, of estimated tax payments you made; 9 Add line 7 and line 8; 10 Total underpayment for year; 11 Multiply line 10 by .059761; 12 Penalty computation; 13 PENALTY. Subtract line 12 from line 11.

Part III Annualized Income Installment Method Schedule

Use this schedule ONLY IF you earned taxable income at an UNEVEN RATE during 1996 (Example A). If you earned your income at approximately the same rate each month, then you should not complete this schedule (Example B). If you choose to compute the penalty, see Schedule B in the instructions for form FTB 5805.

Example A: If you were a commissioned salesperson who earned no income during the first three months of the year, but earned most of your income during the following six months, and then earned very little during the last three months, you should complete this schedule. You may be able to benefit by using the annualized income installment method. The required annualized income installment of estimated tax may be less than your required installment figured under the equal installment method.

Example B: If you worked all year and earned a monthly salary that did not change much during the year, you should not complete this schedule.

Note: To complete this schedule correctly, you must first complete Side 1, Part II, line 1 through line 6.

Estates and trusts, do not use the period ending dates shown to the right. Instead, use the following: 2/29/96, 4/30/96, 7/31/96 and 11/30/96. Fiscal year filers must adjust dates accordingly.		1/1/96 to 3/31/96	1/1/96 to 5/31/96	1/1/96 to 8/31/96	1/1/96 to 12/31/96
1 Enter your adjusted gross income for each period. Form 540NR filers, see instructions. Estates or trusts, enter the amount from Form 541, line 19 attributable to each period. See instructions	1				
2 Annualization amounts. Estates or trusts, see instructions	2	4	2.4	1.5	1
3 Annualized income. Multiply line 1 by line 2	3				
4 Enter your itemized deductions for the period shown in each column. If you do not itemize deductions, enter -0- here and on line 6. Estates or trusts, enter -0- here, skip to line 9, and enter the amount from line 3 on line 9. See instructions	4				
5 Annualization amounts	5	4	2.4	1.5	1
6 Annualized itemized deductions. Multiply line 4 by line 5	6				
7 Enter your standard deduction from your 1996 Form 540 or Form 540NR, line 18; or Form 540A, line 15. Enter the total standard deduction amount in each column	7				
8 Enter line 6 or line 7, whichever is larger	8				
9 Subtract line 8 from line 3	9				
10 Figure the tax on the amount in each column of line 9 using the tax table or the tax from form FTB 3800. Also, include any tax from form FTB 3803. Estates or trusts, see instructions	10				
11 Enter the total amount of exemption credits from your 1996 Form 540, line 21; Form 540A, line 18; Form 540NR, line 23; or Form 541, line 21. Enter the total exemption credit amount in each column. See instructions	11				
12 Subtract line 11 from line 10. Form 540NR filers, complete the worksheet in the instructions	12				
13 Enter the total credit amount from your 1996 Form 540, line 33 or Form 541, line 22. Form 540NR filers, see instructions. Enter the total amount of credits in each column	13				
14 Subtract line 13 from line 12. If zero or less, enter -0-	14				
15 Applicable percentage	15	20%	40%	60%	80%
16 Multiply line 14 by line 15	16				
COMPLETE LINE 17 THROUGH LINE 23 OF EACH COLUMN BEFORE YOU GO TO THE NEXT COLUMN.					
17 Enter the combined amounts shown on line 23 from all preceding columns	17				
18 Subtract line 17 from line 16. If zero or less, enter -0-	18				
19 Enter the required installment in each column. See instructions	19				
20 Enter the amount from line 22 from the preceding column	20				
21 Add line 19 and line 20	21				
22 If line 21 is more than line 18, subtract line 18 from line 21. Otherwise, enter -0-	22				
23 Enter line 18 or line 21, whichever is less. Transfer these amounts to Schedule B, line 1 ■	23				

Note: If you use the annualized income installment method for one payment due date, you must use it for all due dates. This schedule automatically selects the smaller of your annualized income installment or your regular installment.

Instructions for Form FTB 5805

Underpayment of Estimated Tax by Individuals and Fiduciaries

General Information

A Who Must File

Generally, you do not have to complete this form because the Franchise Tax Board (FTB) can figure the amount of any penalty for you after you file your return and then send you a bill. If FTB figures your penalty and sends you a bill, you must pay the penalty within 10 days of the billing to avoid additional interest charges. However, you must complete this form and attach it to the front of your return if you answered "yes" to any of the questions in Part I.

If you are subject to a penalty for underpayment or late payment of your 1996 estimated taxes and if you choose to figure your penalty, use form FTB 5805 and the applicable schedules.

B Waiver of the Penalty

You may request a waiver of the penalty if:

- You underpaid an estimated tax installment due to a casualty, disaster or other unusual circumstance and it would be inequitable to impose the penalty; or
- You retired after age 62 or became disabled in 1995 or 1996 and your underpayment was due to reasonable cause.

To request a waiver, check the "yes" box on form FTB 5805, Part I, question 1. Attach form FTB 5805 to the front of your return and include a statement explaining the reasons you are requesting a waiver of the estimate penalty.

C Annualized Income Installment Method

If you use the annualized income installment method to determine your estimate payment requirements, you must complete form FTB 5805, including Side 2. Attach it to the front of your return and check the underpayment of estimated tax box on your return.

D Estates and Trusts

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

E Nonresidents and New Residents

If you are a nonresident or new resident and had no California tax liability for the previous year, no estimated tax is due for the first taxable year of residence.

F Farmers and Fishermen

You are considered a farmer or fisherman if at least two-thirds (2/3) of your annual gross income for 1995 or 1996 is from farming or fishing. Farmers and fishermen are required to make one estimate payment; for calendar year taxpayers the due date is January 15, 1997. If you file Form 540 or Form 541 and pay the entire tax due by March 3, 1997, you do not owe a penalty for underpaying estimated tax. However, if you do not file your return and pay the tax by March 3, 1997, use form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to figure your penalty.

G Estimated Tax Installment Due Dates

If you are a calendar year taxpayer, the following estimated tax installment due dates applied for 1996:

- First quarter — April 15, 1996
- Second quarter — June 17, 1996
- Third quarter — September 16, 1996
- Fourth quarter — January 15, 1997

Fiscal year filers must pay estimated tax installments on the 15th day of the 4th, 6th, and 9th months of their fiscal year and the 1st month of the following fiscal year.

Due dates falling on Saturday, Sunday or a legal holiday are extended to the next working day.

The penalty is figured separately for each due date. Therefore, you may owe a penalty for an earlier installment due date, even if you pay enough tax later to make up the underpayment.

H Filing an Early Return in Place of the 4th Installment

If you file your 1996 tax return and pay your tax in full on or before January 31, 1997, you do not have to make your last estimated tax payment. Fiscal year filers must file their return and pay their tax before the first day of the 2nd month after the end of their taxable year.

I Amended Return

If you file an amended return on or before the due date of your original return, use the tax, credit and other amounts shown on your amended return to figure your penalty for underpayment of estimated tax. If you file an amended return after the due date of the original return, you must use the amounts shown on the original return to figure the penalty.

J Penalty Rates

The rates used to determine the amount of your penalty are established at various dates throughout the year. If an installment of estimated tax for any quarter remained unpaid or underpaid for more than one rate period, the penalty for that underpayment will be computed using more than one rate when applicable.

The following rate applies to the 1996 computation period:

- 9% 4-15-96 through 6-30-97

Fiscal year filers: the rates for the periods 7/1/97 through 12/31/97 and 1/1/98 through 3/15/98 will be determined by FTB in March 1997 and September 1997, respectively.

Call FTB's F.A.S.T. (Fast Answers about State Taxes), toll-free phone service to get updated penalty rates.

How to Use F.A.S.T.

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

F.A.S.T. is available 24 hours a day, seven days a week.

From within the United States, call 1-800-338-0505

From outside the United States, call (not toll-free) 1-916-845-6600

After you reach the F.A.S.T. number, select general tax information, follow the recorded instructions and enter code number **403**, when you are instructed to do so, to get the updated penalty rate.

Part II Instructions for Computing the Estimate Requirement

Use this part to compute the amount of estimated tax that you were required to pay.

Line 1 – Enter your tax liability (excluding any tax on lump-sum distributions) from your 1996 form 540, line 34; or Form 540A, line 23; or Form 540NR, line 43; or Form 541, line 24.

Line 3 – Enter your withholding from your 1996 Form 540, line 38 and line 41; or Form 540A, line 24; or Form 540NR, line 47 and line 50; or Form 541, line 27.

Line 5 – Enter your tax liability (excluding any tax on lump-sum distributions) from your 1995 Form 540, line 34; or Form 540A, line 23; or Form 540NR, line 43; or Form 541, line 24.

Caution – You may not be able to base the estimate requirement on your 1995 tax if:

1. Your 1996 income was more than \$75,000 (more than \$37,500 if you are married filing separate); and
2. Your 1996 income exceeded your 1995 income by more than \$40,000 (more than \$20,000 if you are married filing separate).

For more information see the instructions on page 3, for Schedule A, Required Installments for Taxpayers Affected by Limitation on Prior Year's Tax.

Part II – Short Method

You may use the short method only if you are a calendar year taxpayer and:

1. You made no estimated tax payments (or your only payments were from withholding); or
2. You made estimated tax payments in four equal amounts on the due dates.

You may **not** use the short method if any of the following apply:

1. You made any estimated tax payment late; or
2. You are subject to the limitation on the use of prior year's tax. See instructions for Schedule A, on page 3.
3. You answered "Yes" to Part I, Question 3.

If you can use the short method, use Part II, line 1 through line 10 to figure your total underpayment for the year, and Part II, line 11 through line 13 to figure the penalty.

Part III – Annualized Income Installment Method

If your income varied during the year, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use Part III to figure the amount to enter on Schedule B, line 1.

If you use the annualized income installment method for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, Part III automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring earlier installments).

Part III Instructions for Annualized Income Installments

Note: If you are filing Form 540NR, use the Form 540NR Instructions for Part III following this section.

Line 1 – Figure your total income for the period, minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

Election to use modified AGI. Each period, you can choose to use your modified AGI (as

defined on page 3 under the instructions for Schedule A, Part I, line 2) for the period on line 1. You can make this choice only if you made an estimated tax payment for 1993, 1994, or 1995, or you were charged a penalty for not paying estimated tax for any of those years, and you satisfy three other conditions.

You satisfy the first condition if your AGI for the period is more than:

- \$18,750 for the first period (\$9,375 if married filing separate),
- \$31,250 for the second period (\$15,625 if married filing separate),
- \$50,000 for the third period (\$25,000 if married filing separate), or
- \$75,000 for the fourth period (\$37,500 if married filing separate).

To see whether you satisfy the second condition, complete the following worksheet for each period.

1. Enter your modified AGI for the period _____
2. Enter your 1995 AGI as shown on your return . . _____
3. Annualization amounts. Enter: 4 for the first period, 2.4 for the second period, 1.5 for the third period, and 1 for the fourth period. (Estates and trusts use 6, 3, 1.71429, and 1.09091.) . . _____
4. Divide line 2 by line 3 . . . _____
5. Subtract line 4 from line 1 . _____

You satisfy the second condition if the amount on line 5 above is more than:

- \$10,000 for the first period (\$5,000 if married filing separate),
- \$16,667 for the second period (\$8,333 if married filing separate),
- \$26,667 for the third period (\$13,333 if married filing separate), or
- \$40,000 for the fourth period (\$20,000 if married filing separate).

To see whether you satisfy the third condition, complete line 1 and line 2 of Schedule A. You satisfy the third condition only if the amount on line 2 of Schedule A is more than the amount on line 1.

Line 2 – Estates and trusts, do not use amounts shown in column (a) through column (d). Instead, use 6, 3, 1.71429, and 1.09091, respectively, as the annualization amounts.

Line 4 – If you elected to use your modified AGI on line 1, use the amount of your 1995 itemized deductions, rather than the 1996 amounts, from partnerships in which you were not a general partner and owned less than a 10% capital or profits interest and from S corporations in which you owned less than 10% of the stock (by vote or value).

Line 6 – Multiply line 4 by line 5 and enter the result on line 6. If, in any quarter, your AGI is greater than:

- \$223,390 (married filing joint); or
- \$111,695 (single or married filing separate); or
- \$167,542 (head of household)

your itemized deductions are limited. Complete the itemized deduction worksheet in the Schedule CA (540) instructions in your tax booklet for each period your AGI reaches the above amounts.

Line 10 – Form 541 filers. Figure the tax on the amount in each column of line 9 using the tax tables in your tax booklet. Also, include any tax from:

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

Line 11 – If your exemption credits were limited because of the AGI limitation or the limitation based on tentative minimum tax, it may be to your advantage to make a separate computation for each period. If you choose, you may complete the exemption credit worksheet in your tax booklet for each period. Individuals, estates and trusts complete Schedule P (540 or 541), Alternative Minimum Tax and Credit Limitations, for each period.

Line 13 – Enter the credits you are entitled to because of events that occurred during the months shown in the column headings.

If you elected to use your modified AGI on line 1, use the amount of your 1995 credits (rather than your 1996 credits) from partnerships in which you were not a general partner and owned less than a 10% capital or profits interest and from S corporations in which you owned less than 10% of the stock (by vote or by value).

Credit Limitation – If your credits were limited by tentative minimum tax, it may be to your advantage to make a separate computation for each period. If you choose, you may complete a separate Schedule P (540 or 541), Alternative Minimum Tax and Credit Limitations, for each period.

Line 19 – If you are required to use form FTB 5805, Schedule A, enter the amounts from Schedule A, line 5, line 8 or line 19, whichever applies. Otherwise, enter 1/4 of the amount on form FTB 5805, Part II, line 6 in each column.

Form 540NR Instructions For Part III

Use these instructions only if you are filing Form 540NR.

Line 1 – Enter your total AGI for each period. Your total AGI is your AGI for the period from all sources.

Line 12 – As a nonresident or part-year resident, you must figure your tax based on your

total income. You then must determine your California tax liability by multiplying the tax by the ratio of California AGI to total AGI. To do this, complete the worksheet below.

California AGI is all of the income you earned while you were a California resident plus any

income received from sources within California while you were a nonresident, less applicable income adjustments. For more information, see Schedule CA (540NR), California Adjustments – Nonresident or Part-Year Residents.

Line 13 – Refigure Form 540NR, line 31 through line 42 prorating the credits on line 31 through line 36 using the proration percentage from Line D of the worksheet below.

Form 540NR Filers: Use this worksheet to figure your prorated tax.

	1/1/96 to 3/31/96	1/1/96 to 5/31/96	1/1/96 to 8/31/96	1/1/96 to 12/31/96
A California AGI				
B Annualization amounts	4	2.4	1.5	1
C Multiply line A by line B				
D Proration percentage. Divide line C by Part III, line 3.				
E Subtract Part III, line 11 from line 10.				
F Multiply line D by line E. Enter the result here and on Part III, line 12.				

Schedule A — Required Installments for Taxpayers Affected by Limitation on Prior Year's Tax

Generally, the amount of your prior year's tax is used to determine the amount of your required annual payment if that amount is smaller than 80% of your current year's tax. However, your use of the prior year's tax required annual payment is limited if all of the following conditions apply to you:

1. You are not considered a farmer or a fisherman. See General Information F.
2. You made an estimated tax payment for 1993, 1994 or 1995, or you were charged a penalty for not paying estimated tax for any of those years. Do not include withholding or a credit from your prior year's tax as a payment of estimated tax.
3. Your 1996 AGI as shown on your return is more than \$75,000 (more than \$37,500 if you are married filing a separate return).
4. Your 1996 modified AGI (see Schedule A, Part I, line 2 instructions) exceeds the AGI shown on your 1995 return by more than \$40,000 (more than \$20,000 if you are married filing a separate return).

If the amount you enter on form FTB 5805, Part II, line 6, is your prior year tax (from line 5) AND all four of the above conditions apply, you must use Schedule A to figure your required installment.

To figure your estimate penalty:

1. Complete Schedule A and enter the amount from line 5, line 8 or line 19, whichever applies, on Schedule B, line 1.
2. Enter the amount from Schedule B, line 14 on form FTB 5805, Part II, line 13.
3. Attach form FTB 5805 to the front of your return and check the "yes" box for question 4 in Part I.

Instructions for Schedule A

Part I — Installments Based on Limitation on Prior Year's Tax

Line 2 – Modified Tax. – To figure your modified tax, first figure your 1996 modified AGI by making the following adjustments to your 1996 AGI.

1. Do not include any taxable gain from the sale or exchange of your main home.
2. Do not include any taxable gain from a casualty, theft, condemnation or other involuntary conversion.
3. Do not include any 1996 income, gain, loss or deduction from a partnership in which you were not a general partner and owned less than a 10% capital or profits interest or from an S corporation in which you owned less than 10% of the stock (by vote or value). Instead, include the amounts (if any) from these partnerships and S corporations shown on your 1995 return. This adjustment does not apply to any gain or loss from the disposition of your interest in the partnership or S corporation.
4. If you want, you may use any or all of the adjustments in 1 through 3 above to figure any necessary changes to other income and adjustments to income that are affected by the amount of your AGI. Treat all adjustments from the same partnership or S corporation in the same manner.

Note: If your 1996 AGI exceeds your 1995 AGI by more than \$40,000 (more than \$20,000 if you are married filing a separate return), but your 1996 modified AGI does not exceed your 1995 AGI by that amount, do not complete Schedule A. Instead, figure your underpayment in the normal manner. Attach form FTB 5805 to the front of your return, and check "no" in Part I, question 4.

Figure your 1996 modified tax in the same manner as you figured your current year tax on form FTB 5805, Part II, line 1 except:

1. Start with your modified AGI as explained previously.

2. Do not include any 1996 itemized deductions, credits or items affecting other taxes, such as the alternative minimum tax, from a partnership in which you were not a general partner and owned less than a 10% capital or profits interest or from an S corporation in which you owned less than 10% of the stock (by vote or value). Instead, include the amount of these items, if any, shown on your 1995 tax return.
3. If you want, you may use any or all of the adjustments used to arrive at your modified AGI to refigure all other items affected by the amount of your AGI, such as the deduction for medical and dental expenses and the rehabilitation credit. Treat all adjustments from the same partnership or S corporation in the same manner.

Multiply the result by 20% (.20) to find the amount to enter on line 2 in each column.

Part II — Installments Based on Annualization Exception

Complete Part II only if you completed Schedule A, Part I, line 6 through line 8, have a modified AGI, and received your income at an uneven rate throughout the year. Part II may let you base one or more installments on the amount of your 1995 tax rather than on 80% of your 1996 tax or modified tax.

Line 9 – Figure the amount to enter on this line after you figure your AGI amount on line 14. Modify the amount from line 14 as explained earlier in the definition of modified AGI. Partnership and S corporation items from 1995 that must be included in your modified AGI are treated as accruing evenly during 1996.

Line 14 – To figure your AGI for the period, use the instructions for line 1 of the 1996 annualized income installment method in Part III on Side 2 of FTB 5805 (but do not use modified AGI on this line).

You can use your 1995 tax to figure installments 2 through 4 if, based on your annualized AGI or your annualized modified AGI amounts through the end of the installment period, you would not be subject to the

limit on the use of your prior year's tax. However, the first installment due that does not qualify for the annualization exception is increased by the amount saved by using this exception in figuring earlier installments.

Schedule B — Regular Method to Figure Your Underpayment and Penalty

Use the regular method if you are not eligible to use the short method.

Schedule B Instructions for Figuring the Underpayment and Penalty

Part I — Figure Your Underpayment

Line 1 — Enter in column (a) through column (d) the amount of your required installment. For most taxpayers this is the amount shown on form FTB 5805, Side 1, Part II, line 6 divided by 4. If you use the annualized income installment method, enter the amount from form FTB 5805, Side 2, Part III, line 23.

Line 2 — Enter the estimate payments made by the date at the top of each column.

Include any overpayment of tax from your 1995 return that you elected to apply to the 1996 estimated tax. Enter this amount in column (a).

Withholding is divided by 4 and entered in each column, unless you can show that it was withheld otherwise.

Note: If you are treating your California withholding as not withheld in equal installments, and you are able to show the actual amounts withheld per period and the dates withheld, you must answer "yes" to Part I, Question 3 and indicate the uneven amounts withheld on the lines provided on Part I, Question 3.

If you file your return and pay the tax due by February 3, 1997, enter the amount of tax paid with your return in column (d). In this case, you will not owe a penalty for the estimate payment due by January 15, 1997.

Line 8 — If line 8 is zero for all payment periods, you do not owe a penalty. But if you checked "yes" for any question on form FTB 5805, Side 1, Part I, you must file FTB 5805 with your return.

Part II — Figure the Penalty

Figure the penalty by applying the appropriate rate against each underpayment shown on line 8. The penalty is figured for the number of days that the underpayment remained unpaid.

The rates are established at various times throughout the year. For the period covered by the 1996 form FTB 5805, one rate was in effect over two rate periods. If an underpayment remained unpaid for more than one rate period, the penalty on that underpayment will be figured using more than one rate period.

Use line 10 and line 12 to figure the number of days the underpayment remained unpaid. Use line 11 and line 13 to figure the actual penalty amount by applying the rate against the underpayment for the number of days it remained unpaid.

Maximum days in a rate period per quarter:

Installment	Days in Rate Period 1	Days in Rate Period 2
1	260	105
2	199	105
3	107	105
4		90

Payment Application. Your payments are applied to any underpayment balance on an earlier installment. It does not matter if you designate a payment for a later period. For example, you had an underpayment for the April 15th installment of \$500. The June 17th installment required a payment of \$1,200. On June 10th, you sent in a payment of \$1,200 to cover the June 17th installment. However, \$500 of this payment is considered to be for the April 15th installment. The penalty for the April 15th installment is figured to June 10th. The amount of the payment to be applied to the June 17th installment is \$700.

Subsequent Payments. For purposes of computing the penalty, it may be helpful to make a list of any payments that you made after the timely payments entered in Part I, line 2. If you made no other payments, follow the line-by-line instructions in Part II.

If you made subsequent payments, you may need to make additional computations for the applicable column on the worksheet. However, if the payment reduced the underpayment to zero, there are no further computations to make for that column. In that case, you count the number of days from the installment due date to the date paid.

If a subsequent payment does not reduce the underpayment to zero, you will need to make an additional computation in the column. First, you count the number of days from the due date to the date paid and use the underpayment amount from Schedule B, line 8. Second, count the number of days from the payment date to the end of the rate period, and subtract the amount of the subsequent payment from the underpayment amount from Schedule B, line 8. Then apply the rate for the applicable period.

Part I Installments Based on Limitation on Prior Year's Tax	(a) 4/15/96	(b) 6/17/96	(c) 9/16/96	(d) 1/15/97
1 Divide the amount from form FTB 5805, Part II, line 5 by four (4) and enter the result in each column.	1			
2 In each column, enter 20% of your 1996 modified tax. See instructions.	2			
3 Enter the larger of line 1 or line 2.	3			
4 Divide the amount from form FTB 5805, Part II, line 2 by four (4) and enter the result in each column.	4			
5 Enter the smaller of line 3 or line 4. If both line 2 and line 4 are larger than line 1, go to line 6. Otherwise, skip line 6 through line 19 and enter these amounts on Schedule B, line 1 (or form FTB 5805, Part III, line 19, if applicable)	5			
Complete line 7 in column (a) before going to line 6 in column (b).				
6 Enter the amount from column (a), line 7.	6			
7 Subtract line 1 from line 5.	7			
8 In column (a), enter the amount from line 1. In column (b), add line 5 and line 6. In column (c) and column (d), enter the amount from line 5. If you are using Part II below, go to line 9. Otherwise, skip Part II and enter these amounts on Schedule B, line 1 (or form FTB 5805, Part III, line 19, if applicable)	8			

Part II Installments Based on Annualization Exception. See instructions

Estates and trusts, do not use the period ending dates shown to the right. Instead, use the following: 2/29/96, 4/30/96, 7/31/96, and 11/30/96.	(a) 1/1/96 to 3/31/96	(b) 1/1/96 to 5/31/96	(c) 1/1/96 to 8/31/96	(d) 1/1/96 to 12/31/96
9 Enter your modified AGI for each period. See instructions	9			
10 Annualization amounts. Estates and trusts, do not use the amounts shown to the right. Instead, use 3, 1.71429 and 1.09091.	10		2.4	1.5
11 Annualized modified AGI. Multiply line 9 by line 10	11			
12 Enter your 1995 AGI as shown on your return in each column.	12			
13 Subtract line 12 from line 11. If less than zero, enter -0-.	13			
14 Enter your AGI for each period. See instructions	14			
15 Annualized AGI. Multiply line 14 by line 10	15			
16 In column (a), enter the amount from line 1. In column (b) through column (d), enter the amount from line 5 if: • Line 13 is more than \$40,000 (more than \$20,000 if married filing separate); and • Line 15 is more than \$75,000 (more than \$37,500 if married filing separate). Otherwise, enter the amount from line 1	16			
17 Subtract line 16 from line 5	17			
Complete line 18 and line 19 in one column before going to the next column.				
18 If you entered -0- on line 17, add the amounts on line 17 of all preceding columns. From the result, subtract the total of the amounts on line 18 of all preceding columns and enter the result. Otherwise, enter -0-.	18			
19 Add line 16 and line 18. Enter here and on Schedule B, line 1 (or form FTB 5805, Part III, line 19, if applicable)	19			

Schedule B Regular Method to Figure Your Underpayment and Penalty

Part I Figure Your Underpayment		Payment Due Dates			
		(a) 4/15/96	(b) 6/17/96	(c) 9/16/96	(d) 1/15/97
1	Required installments. See instructions	1			
2	Estimated tax paid and tax withheld. See instructions. For column (a) only, also enter the amount from line 2 on line 6. (If line 2 is equal to or more than line 1 for all payment periods, stop here; you do not owe the penalty.) Do not file form FTB 5805 unless you answered yes to a question in Part I	2			
3	Enter amount, if any, from line 9 of previous column	3			
COMPLETE LINE 3 THROUGH LINE 9 OF ONE COLUMN BEFORE GOING TO THE NEXT COLUMN.					
4	Add line 2 and line 3	4			
5	Add amounts on line 7 and line 8 of the previous column	5			
6	Subtract line 5 from line 4. If zero or less, enter -0-. For column (a) only, enter the amount from line 2	6			
7	If the amount on line 6 is zero, subtract line 4 from line 5. Otherwise, enter -0-	7			
8	Underpayment. If line 1 is equal to or more than line 6, subtract line 6 from line 1. Then go to line 3 of next column. Otherwise, go to line 9 ▶	8			
9	Overpayment. If line 6 is more than line 1, subtract line 1 from line 6. Then go to line 3 of next column	9			

Part II Figure the Penalty. Complete line 10 through line 13 of one column before going to the next column.

Rate Period 1	April 15, 1996 — December 31, 1996		4/15/96	6/17/96	9/16/96		
			Days:	Days:	Days:		
10	Number of days FROM the date shown above line 10 TO the date the amount on line 8 was paid or 12/31/96 whichever is earlier		10				
11	Underpayment on line 8	X	Number of days on line 10	X	.09		
	(see instructions)		366				
11			11	\$	\$	\$	
Rate Period 2	January 1, 1997 — April 15, 1997		1/1/97	1/1/97	1/1/97	1/15/97	
			Days:	Days:	Days:	Days:	
12	Number of days FROM the date shown above line 12 TO the date the amount on line 8 was paid or 4/15/97 whichever is earlier		12				
13	Underpayment on line 8	X	Number of days on line 12	X	.09		
	(see instructions)		365				
13			13	\$	\$	\$	
14	PENALTY. Add all amounts on line 11 and line 13 in all columns. Enter the total here, on Form FTB 5805, Part II, line 13, and on Form 540, line 63; Form 540A, line 37; Form 540NR, line 72; or Form 541, line 38. ▶					14	\$