



**541**

**1998**

Fiduciary Income Tax Booklet

**This booklet contains:**

**Form 541**, California Fiduciary Income Tax Return, Page 11 and Page 13

**Form 541-ES**, Estimated Tax for Fiduciaries, Page 28 and Page 29

**Form 541-T**, California Allocation of Estimated Tax Payments to Beneficiaries, Page 25

**Schedule D (541)**, Capital Gain and Loss, Page 15

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Members of the Franchise Tax Board

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**State of California  
Franchise Tax Board**

# 1998 Instructions for Form 541

## California Fiduciary Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

### General Information

#### What's New

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) and the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California conforms to the following provisions for taxable or income years beginning on or after January 1, 1998:

- IRC Section 646 that provides that the executor of an estate, and the trustee of a qualified revocable trust can elect to treat the trust as part of the estate instead of filing a separate Form 541 for the trust (California Code Section R&TC Section 17751). An election made pursuant to IRC Section 646 is considered to be an election for California purposes, and a separate state election is not allowed. Attach a copy of the statement of the federal election to the Form 541 when it is filed. The election is effective from the date of the decedent's death and cannot be revoked. See Rev. Proc. 98-13 for information on making the election.
- IRC Section 663(b) that allows a decedent's estate to treat any amount paid or credited to a beneficiary within 65 days following the close of a taxable year as being paid or credited on the last day of that year. An election made pursuant to IRC Section 663(b) is considered to be an election for California purposes, and a separate state election is not allowed.
- The rule that treats substantially separate and independent shares of different beneficiaries as separate trusts when figuring distributable net income.
- The rules that consider an executor of an estate and a beneficiary of that estate generally as related persons for purposes of IRC Sections 267 and 1239, and the disallowance of losses on sales to related persons thereunder.
- The repeal of the IRC Section 644 tax.
- The rule that requires consistent treatment of items between a beneficiary and a trust.
- The repeal of the throw-back rules for certain domestic trusts, however, the repeal does not apply to the distribution of trust income under R&TC Section 17745 (a), (b) and (d).

California R&TC Section 18152.5 provides an exclusion of gain on qualified small business stock (similar to the federal exclusion under IRC Section 1202).

Special rules apply to the taxation of qualified funeral trusts for trustees that elect these rules. For details, see new Form 541-QFT, California Income Tax Return for Qualified Funeral Trusts.

### A Purpose

Fiduciaries must use Form 541 to:

- Report income received by an estate or trust;
- Report income that is currently accumulated or distributed 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 R&TC and the IRC, 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 Franchise Tax Board (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 Return. Get the instructions for that form.

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

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

**Optional Filing Methods for Certain Grantor Trusts.** The FTB will accept the optional reporting requirements stated in federal Treasury Regulation Section 1.671-4(b)(2).

**Real Estate Mortgage Investment Conduit (REMIC) Trust.** A REMIC is a special vehicle for entities that issue multiple classes of investor

interests backed 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. Under California tax law, 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 Form 541, Side 1.

**Electing Small Business Trust (ESBT).** An election by the trustee pursuant to IRC Section 1361 to be an electing small business trust for federal purposes is treated as an election by the trustee for California purposes. No separate election for California purposes is allowed. Any election made applies to the taxable year of the trust in which the election is made and all subsequent years of the trust unless revoked with the consent of the FTB.

**Regulated Investment Companies (RIC) and Real Estate Investment Trusts (REIT).** 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, instead of Form 541.

| Federal and State Fiduciary Forms |                                                 |
|-----------------------------------|-------------------------------------------------|
| If the fiduciary filed IRS Form:  | Then the fiduciary should file California Form: |
| T06                               | ET-1                                            |
| 990T                              | 109                                             |
| 990PF                             | 199                                             |
| 1040NR                            | 541                                             |
| 5227                              | 541-B                                           |
| 1041-A                            | 541-A                                           |
| 1041                              | 541                                             |

**Form 1041 = U.S. Fiduciary Income Tax Return**

**Form 1040NR = U.S. Nonresident Alien Income Tax Return.** Used for filing nonresident alien fiduciary (estate and trust) federal returns.

**Form 5227 = Split-Interest Trust Information Return.** Used to report financial activities of charitable remainder trusts, pooled income funds and charitable lead trusts.

**Form 1041-A = U.S. Information Return Trust Accumulation of Charitable Amounts.** Used to report information on charitable contributions as required by IRC 6034 and related regulations.

**Form 990PF = Return Of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated As A Private Foundation**

**Form 990T = U.S. Exempt Organization Business Income Tax Return**

**Form 541 = California Fiduciary Income Tax Return**

**Form 541-A = Trust Accumulation Of Charitable Amounts.** Used to report a charitable or other deduction under IRC Section 642(c), or for charitable or split-interest trust.

**Form 541-B = Charitable Remainder Trust**

**Form 109 = California Exempt Organization Business Income Tax Return**

**Form 199 = California Exempt Organization Annual Information Return**

## C Definitions

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

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

## D Additional Forms You May Have to File

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

**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. 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.

Entities paying interest to California taxpayers on municipal bonds that are issued by a state other than California, or a municipality other than a California municipality and that are held by California taxpayers are required to report interest payments aggregating \$10 or more paid after January 1, 1998. Information returns are due on or before June 1, 1999. For more information get Form 4800, Federally Tax Exempt Non-California Bond Interest-Dividend Payment Information.

## E Period Covered by the Return

File Form 541 for calendar year 1998 or a fiscal year beginning in 1998. 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 enter the taxable year in the 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, 1999. If Form 541 cannot be filed by the 15th day of the 4th month (fiscal year filers) or April 15, 1999, (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.

File the 1998 return for calendar year 1998 and fiscal years beginning and ending in 1998. If the return is for a fiscal year or a short tax year, fill in the tax year space at the top of the form.

The 1998 Form 541 may also be used for a tax year beginning in 1999 if:

- The estate or trust has a tax year of less than 12 months that begins and ends in 1999; and
- The 1999 Form 541 is not available by the time the estate or trust is required to file its tax return. However, the estate or trust must show its 1999 tax year on the 1998 Form 541 and incorporate any tax law changes that are effective for tax years beginning after December 31, 1998.

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.

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 (FEIN) on all payments. Do not mail cash.

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

FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94240-0000

**Private Delivery Service.** California conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See federal Form 1041, for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD  
SACRAMENTO CA 95827

**Caution:** Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO box.

## 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 two 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 the FTB requests one.

## 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 if 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 filed more than 60 days after the extended due date, 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 a 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 32 or reduce the overpaid tax on line 33.

**Other penalties.** Other penalties may be imposed for: a check returned by your bank for insufficient funds; accuracy related matters; 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 FEIN 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;
- Separate shares in a single estate;
- 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.

**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.

Income retained by a trust is taxable to the trust. Income from California sources is taxable regardless of the residence of the fiduciaries and beneficiaries. R&TC Sections 17742 through 17745 provide that the taxability of non-California source income retained by a trust and allocated to prin-

cipal depends on the residence of the fiduciaries and **noncontingent** beneficiaries, not the person who established the trust. Contingent beneficiaries are not relevant in determining the taxability of a trust.

There are five different situations that can occur when determining the taxability of a trust. The situations and treatment follow:

1. If the trustee (or all the trustees, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
2. If the noncontingent beneficiary (or all the noncontingent beneficiaries, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
3. If at least one trustee is a California resident and at least one trustee is a nonresident and all beneficiaries are nonresidents, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident trustees bears to the total number of trustees (R&TC Section 17743).
4. If all of the trustees are nonresidents and at least one noncontingent beneficiary is a California resident and at least one noncontingent beneficiary is a nonresident, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident noncontingent beneficiaries bear to the total number of noncontingent beneficiaries (R&TC Section 17744).
5. If the trust has resident and nonresident trustees and resident and nonresident noncontingent beneficiaries, both situations 3 and 4 apply.

The R&TC and accompanying regulations do not discuss the situation where some fiduciaries and some beneficiaries are nonresidents (situation 5). FTB Legal Ruling No. 238, October 27, 1959, provides the following method for allocating non-California source income where there is a mixture of California resident and nonresident fiduciaries, and California resident and nonresident noncontingent beneficiaries.

### Example:

Assume that the total taxable income of the trust is \$90,000 and is not sourced in California. There are three trustees, one of whom is a resident of California (1/3). There are two noncontingent income beneficiaries, one of whom is a resident of California (1/2). A noncontingent beneficiary or vested beneficiary is one whose interest is not subject to a condition precedent. A condition precedent is one which must happen before some right dependent thereon accrues, or some act dependent thereon accrues, or some act dependent thereon is performed. (Survivorship is a condition of contingency). The amount of income taxable by California is calculated in the following steps:

1. Taxable income is first allocated to California by the ratio of the number of California fiduciaries to the total number of trustees. The trustee calculation is 1/3 of \$90,000 = \$30,000;
2. The amount allocated to California in that ratio (from Step 1) is subtracted from total

taxable income. The amount for the next allocation is \$60,000 (\$90,000 – \$30,000);

- The remainder of total income is then allocated to California by the ratio of the number of California noncontingent beneficiaries to the total number of noncontingent beneficiaries. The beneficiary calculation is 1/2 of \$60,000 = \$30,000; and
- The sum of the fiduciary calculation and the noncontingent beneficiary calculation is the amount of non-California source income taxable by California. The fiduciary income calculation of \$30,000 plus the beneficiary income calculation of \$30,000 equals the income taxable by California of \$60,000.

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); and, (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.

**Withholding at source on nonresident Beneficiaries.** 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 Title 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 certifi-

cate, file form FTB 3571, Request for Estate Income Tax Certificate.

File the request 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 Form 541, Side 1. 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 box labeled "Amended return." 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 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 Form 1120-RIC or Form 1120-REIT, then file Form 100, instead of 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, complete form FTB 3885F, Depreciation and Amortization, and attach it 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.

Get the instructions for federal Form 1041 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 17266, 17267.2, 17267.6 and 17268 elections to expense certain depreciable business assets do not apply to estates and trusts.

Any losses or credits from passive activities may be limited. See General Information 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). Get the instructions for Schedule D-1 for more information.

#### 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. Enter 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 (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.

Get the instructions for California Schedule G-1, Tax on Lump-Sum Distributions, for more information.

## 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;
- Limited deductions for farming syndicates that had a change in membership or were established in 1977 (see IRC Section 464); and
- 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, on which the interest 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 interest expense 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 a completed form FTB 3526 is required, 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 deduction

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 15a.

Include any net interest deduction on interest earned on enterprise zone (EZ) or Los Angeles Revitalization Zone (LARZ) investments that is more than the expense of earning that interest. Attach form FTB 3805Z, Enterprise Zone 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 17276.6 and get form FTB 3805V, Net Operating Loss (NOL) Computation and Disaster Loss Limitations — Individuals, Estates and Trusts; form FTB 3805Z, form FTB 3806, 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 instructions for federal 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 21a – Regular tax

Determine the tax on the taxable income (line 20) from the Tax Rate Schedule on page 10 and enter the tax on line 21a.

### Line 21b – Other taxes

- Tax from Schedule G-1, 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 21b.
- 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 21b and attach form FTB 5870A to Form 541.
- 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 21b. Attach a schedule showing the computation. List the amount of tax and "IRC Section 453A" on line 21b.

- Tax on an Electing Small Business Trust (ESBT)  
The portion of an ESBT that consists of stock in one or more S corporations must be treated as a separate trust, and the tax must be figured separately on that separate trust.

Figure the tax on the S corporation items making the following modifications:

- Take into account only the income, loss, deductions and credits that could be taken into account as pass-through items to S corporation shareholders and gain or loss from the disposition of S corporation stock.
- You may not claim an income distribution deduction or an exemption amount.
- The tax is 9.3% of the separate trust's taxable income.
- You may not claim an exemption amount in figuring the alternative minimum tax.
- You may not claim a net capital loss.

Do not apportion to the beneficiaries any of the S corporation items of income, loss, deduction or credit. Attach the tax computation to the return.

#### REMIC Annual Tax

- Enter the \$800 REMIC annual tax on line 21b and line 27, tax liability. REMIC annual tax is not eligible for exemption credits.

#### Line 21c – QSF Tax

QSF is a Qualified Settlement Fund (including designated settlement funds). Determine the tax using corporate tax rates under R&TC Section 24693. For more information see General Information B, Who Must File.

### Tax Credits

#### Line 22 – 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 23 – 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 chart on the next page for a list of the credits, their codes and a brief description of each.

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 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 \$28,630, **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;
- Income from long-term contracts using the percentage of completion method; or
- California qualified stock options (CQSOs).

**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;
- Net operating loss deduction or disaster loss carryover reported on form(s) FTB 3805V, 3805Z, 3806 or 3807; or
- R&TC Section 18152.5 exclusion (IRC Section 1202).

**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 21 (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 20 (taxable income) . . . . . **G** \_\_\_\_\_
- H** Add line F and line G . . . . . **H** \_\_\_\_\_
- I** Enter \$28,630 . . . . . **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 parentheses. . . . . **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 22 . . . . . **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 one credit, enter the credit code number and amount of the credit on line 23.

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 23, 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 a repealed 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 CHART**

| Credit Name                                                                                                                                                                                                  | Code | Description                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------------------------------------------------------------------------------------------------------------------------------|
| Community Development Financial Institution Deposits — obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capitol Mall, Suite 1460, Sacramento CA 95814 | 209  | 20% of each qualified deposit made to a community development financial institution                                             |
| Disabled Access for Eligible Small Businesses – 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  | Employer: 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                                                                              |
| Farmworker Housing – Constructions<br>Obtain certification from:<br>Farmworker Housing Assistance Program, California Tax Credit Allocation Committee, 915 Capitol Mall, Room 485, Sacramento CA 95814       | 207  | 50% of new construction or rehabilitation costs for farmworker housing                                                          |
| Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807                                                                                                                       | 198  | Business incentives for LAMBRA                                                                                                  |
| 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                                                                                            |
| Manufacturing Enhancement Area (MEA) Hiring – FTB 3808                                                                                                                                                       | 211  | Percentage of qualified wages paid to qualified disadvantaged individuals                                                       |
| Other State Tax – Schedule S                                                                                                                                                                                 | 187  | Net income tax paid to another state or a U.S. possession on income also taxed by California (trusts only)                      |
| 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 1998                    |
| Prison Inmate Labor – FTB 3507                                                                                                                                                                               | 162  | 10% of wages paid to prison inmates                                                                                             |
| Research – FTB 3523                                                                                                                                                                                          | 183  | Similar to the federal credit but limited to costs for research activities in California                                        |
| Rice Straw – obtain certification from: Rice Straw Tax Credit Program, Department of Food and Agriculture, 1220 N Street Room 409, Sacramento, CA 95814                                                      | 206  | \$15 per ton of purchased rice straw grown in California                                                                        |
| Salmon & Steelhead Trout Habitat Restoration – obtain certification from: Department of Fish and Game, c/o FISH-Timber Tax Credits Program, PO Box 944209, Sacramento CA 95244-2090                          | 200  | The lesser of 10% of qualified costs or other amount determined by the Department of Fish and Game                              |
| Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809                                                                                                                                                 | 210  | Business incentives for TTA businesses                                                                                          |

**Repealed Credits:** 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 or 541), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

|                                      |     |                                        |     |                                               |     |
|--------------------------------------|-----|----------------------------------------|-----|-----------------------------------------------|-----|
| Agricultural Products                | 175 | Energy Conservation                    | 182 | Residential Rental & Farm Sales (trusts only) | 186 |
| Commercial Solar Electric System     | 196 | Orphan Drug                            | 185 | Ridesharing                                   | 171 |
| Commercial Solar Energy              | 181 | Los Angeles Revitalization Zone (LARZ) |     | Solar Energy                                  | 180 |
| Employee Ridesharing                 | 194 | Hiring & Sales or Use Tax              | 159 | Solar Pump                                    | 179 |
| Employer Ridesharing: Large employer | 191 | Low-Emission Vehicles                  | 160 | Water Conservation                            | 178 |
| Small employer                       | 192 | Political Contributions (trusts only)  | 184 | Young Infant                                  | 161 |
| Transit passes                       | 193 | Recycling Equipment                    | 174 |                                               |     |

## Other Taxes

### Line 26 – 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 26. 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 28 – 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 29 – California income tax previously paid (minus tax allocated to beneficiaries)

Use this line only if you are filing an amended return. Enter payments made with the original return plus additional tax paid after the original return was filed. Enter the serial numbers that the FTB stamped on the face of the cancelled check(s) (for each previous payment) if available, on the dotted line to the left of the amount on line 29. 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 the beneficiary treated as a payment.

### Line 30 – 1998 California estimated tax payments and amount applied from 1997 return

Enter the amount of any estimated tax payment the estate or trust made on Form 541-ES, Estimated Tax for Fiduciaries, for 1998. Also, enter the amount of any overpayment from the 1997 return that was applied to the 1998 estimated tax. Include payments made with form FTB 3563.

The trustee (or executor under certain circumstances) may elect to allocate to the beneficiary a portion of estimated payments. Use Form 541-T.

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 31 – Total payments

Enter the total amount of all tax payments.

### Line 32 and Line 33 – Tax Due/Overpaid Tax

If the amount on line 27 is larger than the amount on line 31 then the tax is larger than the payments and credits. Subtract line 31 from line 27. This is the amount of tax the estate or trust owes before any voluntary contributions.

If the amount on line 27 is less than the amount on line 31, then the payments and credits are larger than the tax. Subtract line 27 from line 31. This is the refund amount 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 32 or the amount of interest to be credited or refunded to the organization on line 33. Write "FTB 3834" on the dotted line to the left of line 32 or line 33, 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 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), Deduction and Credit Summary

include the recapture amount on line 32. Write the applicable form number and the recaptured amount on the dotted line to the left of line 32.

### Line 34 – Credit to your 1999 estimated tax

Enter the amount from line 34 that you want applied to the estate's or trust's 1999 estimated tax.

### Line 35 – Amount of overpaid tax available this year

If an amount is entered on line 34, subtract it from line 33. Enter the result on line 35. The entire amount may be refunded or voluntary contributions may be made.

### Line 36 – Total voluntary contributions

Add voluntary contributions to the amount on line 32 or subtract voluntary contributions from the amount on line 35. 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 37 – Refund or no amount due

If no amount is entered on line 36, enter the amount from line 35 on line 37. 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 36, subtract that amount from the amount on line 35. If the result is more than zero, enter the result on line 37. 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 35. In this case, subtract line 35 from line 36. Enter the result on line 38 and enclose payment for this amount.

### Line 38 – Amount due

If no amount is entered on line 36, enter the amount from line 32 on line 38. This is the amount due with the return.

If an amount is entered on line 36, add that amount to the amount on line 32. Enter the result on line 38. This is the amount due with the return.

### Line 39 – Underpayment of estimated tax penalty

If line 38 is \$200 or more and more than 20% of the sum of the tax on line 25, or if the estate or trust underpaid its 1998 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, the estate or trust may 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 39 and check the box on line 39. 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** – 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:

1. 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.
2. 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 3** – Include all capital gains, whether or not distributed, that are attributable to income under the governing instrument or local law. If the amount on Schedule D (541), line 9, column (a) is a net loss, enter -0-.

If the exclusion of gain from the sale or exchange of qualified small business stock was claimed, be sure to add back the amount excluded under IRC Section 1202 as modified by R&TC Section 18152.5.

**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).

For more information, see General Information D, Additional Forms You May Have to File.

## Schedule C Voluntary Contributions

**Line 1 through Line 11** – 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 36, enter the amount of the total voluntary contributions from Schedule C, line 12. If Schedule C is not completed, do not enter an amount on line 36.

If there is an overpaid tax on Form 541, line 35, the amount contributed must be subtracted from

the overpaid tax. If there is a tax due on Form 541, line 32, 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.

**California Firefighters' Memorial Fund.** Contributions entered on line 6 will be used for the construction of a memorial on the grounds of the State Capitol honoring the hundreds of firefight-

ers 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 7 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 8 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.

**California Military Museum Fund.** Contributions entered on line 9 will be used to support the museum's effort to: 1) collect, exhibit, and preserve California's military history from 1775 to date; 2) assist in educating the general public, especially school children, about our American military heritage and thus instill pride therein; 3) recognize all branches of the U.S. Armed Forces and the contributions of ethnicities and their members throughout our proud military history; and 4) maintain and operate the facilities required.

**California Mexican American Veterans' Memorial.** Contributions entered on line 10 will be used to pay for the construction, beautification, enhancement, maintenance or repair of the California Mexican American Veterans' Memorial.

**Emergency Food Assistance Program Fund.** Contributions entered on line 11 will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.

**Line 12 – Total Contributions**  
Add the amounts entered on line 1 through line 11. Enter the total here and on Form 541, Side 1, line 36. If no amounts are entered on line 1 through line 11 of Schedule C, do not enter an amount on Form 541, line 36.

## Tax Rate Schedule

Use this schedule to figure the tax on the fiduciary's taxable income (Form 541, line 20). Enter the tax on Form 541, line 21a.

| IF THE TAXABLE INCOME IS . . . |               | COMPUTED TAX IS . . . |        | of the amount over— |  |
|--------------------------------|---------------|-----------------------|--------|---------------------|--|
| over—                          | but not over— |                       |        |                     |  |
| \$ 0                           | \$ 5,131      | \$ 0                  | + 1.0% | \$ 0                |  |
| 5,131                          | 12,161        | 51.31                 | + 2.0% | 5,131               |  |
| 12,161                         | 19,193        | 191.91                | + 4.0% | 12,161              |  |
| 19,193                         | 26,644        | 473.19                | + 6.0% | 19,193              |  |
| 26,644                         | 33,673        | 920.25                | + 8.0% | 26,644              |  |
| 33,673                         | and over      | 1,482.57              | + 9.3% | 33,673              |  |

# 1998 California Fiduciary Income Tax Return

## 541

For calendar year 1998 or fiscal year beginning month \_\_\_\_\_ day \_\_\_\_\_ year 1998, and ending month \_\_\_\_\_ day \_\_\_\_\_ year \_\_\_\_\_

|                                                                                                                                                                                                                                                                                                                                                                         |                                                    |                                     |              |                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------|--------------|-------------------------------------------------------------|
| Check applicable boxes:<br><input type="checkbox"/> Decedent's estate<br><input type="checkbox"/> Simple trust<br><input type="checkbox"/> Complex trust<br><input type="checkbox"/> Grantor type trust<br><input type="checkbox"/> Bankruptcy estate - Chpt. 7<br><input type="checkbox"/> Bankruptcy estate - Chpt. 11<br><input type="checkbox"/> Pooled income fund | Name of estate or trust                            | Federal employer identification no. |              | Do Not Write In These Spaces<br><br>P<br>AC<br>A<br>R<br>RP |
|                                                                                                                                                                                                                                                                                                                                                                         | Name and title of fiduciary                        |                                     |              |                                                             |
|                                                                                                                                                                                                                                                                                                                                                                         | Address of fiduciary (number and street or PO box) |                                     | Suite number |                                                             |
|                                                                                                                                                                                                                                                                                                                                                                         | City                                               | State                               | ZIP Code     |                                                             |

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

|                                                                            |                                                                                                                                                           |                                                                                                                |    |  |  |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----|--|--|
| I<br>N<br>C<br>O<br>M<br>E                                                 | 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  |  |  |
| D<br>E<br>D<br>U<br>C<br>T<br>I<br>O<br>N<br>S                             | 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. <b>15a</b> . . . . .                                   |    |  |  |
|                                                                            |                                                                                                                                                           | b Allowable misc. itemized deductions subject to 2% floor <b>15b</b> . . . . .                                 |    |  |  |
|                                                                            | c Total. Add line 15a and line 15b. . . . . <b>15c</b>                                                                                                    |                                                                                                                |    |  |  |
| 16                                                                         | Total. Add line 10 through line 14 and line 15c . . . . .                                                                                                 | 16                                                                                                             |    |  |  |
| 17                                                                         | Adjusted total income (or loss). Subtract line 16 from line 9. Enter here and on Side 2, Schedule B, line 1 . . . . . ●                                   | 17                                                                                                             |    |  |  |
| 18                                                                         | Income distribution deduction from Side 2, Schedule B, line 16. Attach Schedule K-1 (541) . . . . . ●                                                     | 18                                                                                                             |    |  |  |
| 20                                                                         | Taxable income of fiduciary. Subtract line 18 from line 17 . . . . .                                                                                      | 20                                                                                                             |    |  |  |
| T<br>A<br>X<br><br>A<br>N<br>D<br><br>P<br>A<br>Y<br>M<br>E<br>N<br>T<br>S | 21                                                                                                                                                        | a Regular tax _____; b Other taxes _____; c QSF tax _____; d Total . . . . .                                   | 21 |  |  |
|                                                                            | 22                                                                                                                                                        | Exemption credit (\$10.00 for an estate, \$1.00 for a trust). See instructions . . . . .                       | 22 |  |  |
|                                                                            | 23                                                                                                                                                        | Credits. Attach worksheet. If one credit, enter code _____ . . . . .                                           | 23 |  |  |
|                                                                            | 24                                                                                                                                                        | Total. Add line 22 and line 23 . . . . .                                                                       | 24 |  |  |
|                                                                            | 25                                                                                                                                                        | Subtract line 24 from line 21 . . . . .                                                                        | 25 |  |  |
|                                                                            | 26                                                                                                                                                        | Alternative minimum tax. Attach Schedule P (541) . . . . . ●                                                   | 26 |  |  |
|                                                                            | 27                                                                                                                                                        | Tax liability. Add line 25 and line 26 . . . . . ●                                                             | 27 |  |  |
|                                                                            | 28                                                                                                                                                        | California income tax withheld. . . . . ■                                                                      | 28 |  |  |
|                                                                            | 29                                                                                                                                                        | California income tax previously paid. See instructions . . . . . ■                                            | 29 |  |  |
|                                                                            | 30                                                                                                                                                        | 1998 CA estimated tax, amount applied from 1997 return and payment with form FTB 3563 . . . . . ■              | 30 |  |  |
| 31                                                                         | Total payments. Add line 28, line 29 and line 30 . . . . .                                                                                                | 31                                                                                                             |    |  |  |
| 32                                                                         | Tax due. Subtract line 31 from line 27. . . . . ■                                                                                                         | 32                                                                                                             |    |  |  |
| 33                                                                         | Overpaid tax. Subtract line 27 from line 31 . . . . . ■                                                                                                   | 33                                                                                                             |    |  |  |
| 34                                                                         | Amount of line 33 to be credited to 1999 estimated tax . . . . . ■                                                                                        | 34                                                                                                             |    |  |  |
| 35                                                                         | Amount of overpaid tax available this year. Subtract line 34 from line 33 . . . . . ■                                                                     | 35                                                                                                             |    |  |  |
| 36                                                                         | Total voluntary contributions from Side 2, Schedule C, line 12 . . . . .                                                                                  | 36                                                                                                             |    |  |  |
| 37                                                                         | Refund or No Amount Due. Subtract line 36 from line 35 . . . . . 37                                                                                       |                                                                                                                |    |  |  |
| 38                                                                         | Amount Due. Add line 32 and line 36. . . . . 38                                                                                                           |                                                                                                                |    |  |  |
| 39                                                                         | Underpayment of estimated tax. If form FTB 5805 is attached, check box at right . . . . . <input type="checkbox"/> <input checked="" type="checkbox"/> 39 |                                                                                                                |    |  |  |

**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 or permanently set aside for charitable purposes from gross income. See instructions . . . . .               | 1 |  |  |
| 2 | Tax-exempt income allocable to charitable contributions. See instructions . . . . .                                       | 2 |  |  |
| 3 | Subtract line 2 from line 1 . . . . .                                                                                     | 3 |  |  |
| 4 | Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes . . . . .    | 4 |  |  |
| 5 | Add line 3 and line 4 . . . . .                                                                                           | 5 |  |  |
| 6 | R&TC Section 18152.5 exclusion allocable to capital gains paid or permanently set aside for charitable purposes . . . . . | 6 |  |  |
| 7 | <b>Charitable deduction.</b> Subtract line 6 from line 5. 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-. See instructions . . . . .                                                                                                                        | 3  |  |  |
| 4  | Enter amount from Schedule A, line 4 (reduced by any allocable IRC Section 1202 exclusion) . . . . .                                                                                                                            | 4  |  |  |
| 5  | Enter capital gain included on Schedule A, line 1 . . . . .                                                                                                                                                                     | 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. <b>Note:</b> 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 | <b>Income distribution deduction.</b> 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 | 6  | California Firefighters' Memorial Fund . . . . . ● 53                     | 00 |
| 2 | California Fund for Senior Citizens . . . . . ● 49                           | 00 | 7  | California Public School Library Protection Fund . . . . . ● 54           | 00 |
| 3 | Rare and Endangered Species Preservation Program . . . . . ● 50              | 00 | 8  | D.A.R.E. California (Drug Abuse Resistance Education) Fund . . . . . ● 55 | 00 |
| 4 | State Children's Trust Fund for the Prevention of Child Abuse . . . . . ● 51 | 00 | 9  | California Military Museum Fund . . . . . ● 56                            | 00 |
| 5 | California Breast Cancer Research Fund . . . . . ● 52                        | 00 | 10 | California Mexican American Veterans' Memorial . . . . . ● 57             | 00 |
|   |                                                                              |    | 11 | Emergency Food Assistance Program Fund . . . . . ● 58                     | 00 |

**12 Total voluntary contributions.** Add line 1 through line 11. Enter here and on Side 1, line 36. . . . . ● 60 **12** 00

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

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Date trust was created or, if an estate, date of decedent's death _____</p> <p>2 a If an estate, was decedent a California resident? _____<br/> b Was decedent married at date of death? _____<br/> c If yes, enter surviving spouse's social security number and name _____</p> <p>3 If an estate:<br/> a Fair market value (FMV) of decedent's assets at date of death . . . . . _____<br/> b FMV of assets located in California. . . . . _____<br/> c FMV of assets located outside California. . . . . _____</p> <p>4 If this is the final return, enter date of court order authorizing final distribution of the estate. . . . . _____</p> | <p>5 Did the estate or trust receive tax-exempt income? . . . _____<br/> If yes, attach computation of the allocation of expenses</p> <p>6 Is this return for a short taxable year? . . . . . _____</p> <p>7 If a trust:<br/> a Number of California resident trustees . . . . . _____<br/> b Number of nonresident trustees . . . . . _____<br/> c Total number of trustees . . . . . _____<br/> d Number of California resident beneficiaries . . . . . _____<br/> e Number of nonresident beneficiaries . . . . . _____<br/> Total number of beneficiaries . . . . . _____</p> <p>8 Is the trust required to complete federal Form 8271? . . . _____<br/> If federal Form 8271 is required, please attach a copy to this form.</p> <p>9 <b>Enclose a copy of the FIRST TWO PAGES of your 1998 Form 1041, U.S. Income Tax Return for Estates and Trusts.</b></p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                 |                                                                                                                                                                                                                                                                                                                       |      |                                                 |                                |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------------------------------------|--------------------------------|
| <b>Please Sign Here</b>         | 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. |      | Date                                            | Preparer's social security no. |
|                                 | Signature of fiduciary or officer representing fiduciary                                                                                                                                                                                                                                                              |      |                                                 |                                |
| <b>Paid Preparer's Use Only</b> | Preparer's signature                                                                                                                                                                                                                                                                                                  | Date | Check if self-employed <input type="checkbox"/> | FEIN                           |
|                                 | Firm's name (or yours, if self-employed) and address                                                                                                                                                                                                                                                                  |      |                                                 | Telephone ( )                  |

# 1998 California Fiduciary Income Tax Return

## 541

For calendar year 1998 or fiscal year beginning month \_\_\_\_\_ day \_\_\_\_\_ year 1998, and ending month \_\_\_\_\_ day \_\_\_\_\_ year \_\_\_\_\_

|                                                                                                                                                                                                                                                                                                                                                                         |                                                    |                                     |                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------|-------------------------------------------------------------|
| Check applicable boxes:<br><input type="checkbox"/> Decedent's estate<br><input type="checkbox"/> Simple trust<br><input type="checkbox"/> Complex trust<br><input type="checkbox"/> Grantor type trust<br><input type="checkbox"/> Bankruptcy estate - Chpt. 7<br><input type="checkbox"/> Bankruptcy estate - Chpt. 11<br><input type="checkbox"/> Pooled income fund | Name of estate or trust                            | Federal employer identification no. | Do Not Write In These Spaces<br><br>P<br>AC<br>A<br>R<br>RP |
|                                                                                                                                                                                                                                                                                                                                                                         | Name and title of fiduciary                        |                                     |                                                             |
|                                                                                                                                                                                                                                                                                                                                                                         | Address of fiduciary (number and street or PO box) | Suite number                        |                                                             |
|                                                                                                                                                                                                                                                                                                                                                                         | City                                               | State ZIP Code                      |                                                             |

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

|                                                                            |                                                                                                                       |                                                                                                                                |                          |  |  |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------|--|--|
| I<br>N<br>C<br>O<br>M<br>E                                                 | 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                        |  |  |
| D<br>E<br>D<br>U<br>C<br>T<br>I<br>O<br>N<br>S                             | 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                                                                    | 15a                      |  |  |
|                                                                            |                                                                                                                       | b Allowable misc. itemized deductions subject to 2% floor 15b                                                                  | 15b                      |  |  |
|                                                                            | c Total. Add line 15a and line 15b. . . . .                                                                           | 15c                                                                                                                            |                          |  |  |
| 16                                                                         | Total. Add line 10 through line 14 and line 15c . . . . .                                                             | 16                                                                                                                             |                          |  |  |
| 17                                                                         | Adjusted total income (or loss). Subtract line 16 from line 9. Enter here and on Side 2, Schedule B, line 1 . . . . . | 17                                                                                                                             |                          |  |  |
| 18                                                                         | Income distribution deduction from Side 2, Schedule B, line 16. Attach Schedule K-1 (541) . . . . .                   | 18                                                                                                                             |                          |  |  |
| 20                                                                         | Taxable income of fiduciary. Subtract line 18 from line 17 . . . . .                                                  | 20                                                                                                                             |                          |  |  |
| T<br>A<br>X<br><br>A<br>N<br>D<br><br>P<br>A<br>Y<br>M<br>E<br>N<br>T<br>S | 21                                                                                                                    | a Regular tax _____; b Other taxes _____; c QSF tax _____; d Total . . . . .                                                   | 21                       |  |  |
|                                                                            | 22                                                                                                                    | Exemption credit (\$10.00 for an estate, \$1.00 for a trust). See instructions . . . . .                                       | 22                       |  |  |
|                                                                            | 23                                                                                                                    | Credits. Attach worksheet. If one credit, enter code _____ . . . . .<br><b>Note:</b> If more than one credit see instructions. | 23                       |  |  |
|                                                                            | 24                                                                                                                    | Total. Add line 22 and line 23 . . . . .                                                                                       | 24                       |  |  |
|                                                                            | 25                                                                                                                    | Subtract line 24 from line 21 . . . . .                                                                                        | 25                       |  |  |
|                                                                            | 26                                                                                                                    | Alternative minimum tax. Attach Schedule P (541) . . . . .                                                                     | 26                       |  |  |
|                                                                            | 27                                                                                                                    | Tax liability. Add line 25 and line 26 . . . . .                                                                               | 27                       |  |  |
|                                                                            | 28                                                                                                                    | California income tax withheld. . . . .                                                                                        | 28                       |  |  |
|                                                                            | 29                                                                                                                    | California income tax previously paid. See instructions . . . . .                                                              | 29                       |  |  |
|                                                                            | 30                                                                                                                    | 1998 CA estimated tax, amount applied from 1997 return and payment with form FTB 3563 . . . . .                                | 30                       |  |  |
| 31                                                                         | Total payments. Add line 28, line 29 and line 30 . . . . .                                                            | 31                                                                                                                             |                          |  |  |
| 32                                                                         | Tax due. Subtract line 31 from line 27. . . . .                                                                       | 32                                                                                                                             |                          |  |  |
| 33                                                                         | Overpaid tax. Subtract line 27 from line 31 . . . . .                                                                 | 33                                                                                                                             |                          |  |  |
| 34                                                                         | Amount of line 33 to be credited to 1999 estimated tax . . . . .                                                      | 34                                                                                                                             |                          |  |  |
| 35                                                                         | Amount of overpaid tax available this year. Subtract line 34 from line 33 . . . . .                                   | 35                                                                                                                             |                          |  |  |
| 36                                                                         | Total voluntary contributions from Side 2, Schedule C, line 12 . . . . .                                              | 36                                                                                                                             |                          |  |  |
| 37                                                                         | Refund or No Amount Due. Subtract line 36 from line 35 . . . . .                                                      | 37                                                                                                                             |                          |  |  |
| 38                                                                         | Amount Due. Add line 32 and line 36. . . . .                                                                          | 38                                                                                                                             |                          |  |  |
| 39                                                                         | Underpayment of estimated tax. If form FTB 5805 is attached, check box at right . . . . .                             | 39                                                                                                                             | <input type="checkbox"/> |  |  |

**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 or permanently set aside for charitable purposes from gross income. See instructions . . . . .               | 1 |  |  |
| 2 | Tax-exempt income allocable to charitable contributions. See instructions . . . . .                                       | 2 |  |  |
| 3 | Subtract line 2 from line 1 . . . . .                                                                                     | 3 |  |  |
| 4 | Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes . . . . .    | 4 |  |  |
| 5 | Add line 3 and line 4 . . . . .                                                                                           | 5 |  |  |
| 6 | R&TC Section 18152.5 exclusion allocable to capital gains paid or permanently set aside for charitable purposes . . . . . | 6 |  |  |
| 7 | <b>Charitable deduction.</b> Subtract line 6 from line 5. 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-. See instructions . . . . .                                                                                                                        | 3  |  |  |
| 4  | Enter amount from Schedule A, line 4 (reduced by any allocable IRC Section 1202 exclusion) . . . . .                                                                                                                            | 4  |  |  |
| 5  | Enter capital gain included on Schedule A, line 1 . . . . .                                                                                                                                                                     | 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. <b>Note:</b> 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 | <b>Income distribution deduction.</b> 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 | 6  | California Firefighters' Memorial Fund . . . . . ● 53                     | 00 |
| 2 | California Fund for Senior Citizens . . . . . ● 49                           | 00 | 7  | California Public School Library Protection Fund . . . . . ● 54           | 00 |
| 3 | Rare and Endangered Species Preservation Program . . . . . ● 50              | 00 | 8  | D.A.R.E. California (Drug Abuse Resistance Education) Fund . . . . . ● 55 | 00 |
| 4 | State Children's Trust Fund for the Prevention of Child Abuse . . . . . ● 51 | 00 | 9  | California Military Museum Fund . . . . . ● 56                            | 00 |
| 5 | California Breast Cancer Research Fund . . . . . ● 52                        | 00 | 10 | California Mexican American Veterans' Memorial . . . . . ● 57             | 00 |
|   |                                                                              |    | 11 | Emergency Food Assistance Program Fund . . . . . ● 58                     | 00 |

**12 Total voluntary contributions.** Add line 1 through line 11. Enter here and on Side 1, line 36. . . . . ● 60 12 00

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

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Date trust was created or, if an estate, date of decedent's death _____</p> <p>2 a If an estate, was decedent a California resident? _____<br/> b Was decedent married at date of death? _____<br/> c If yes, enter surviving spouse's social security number and name _____</p> <p>3 If an estate:<br/> a Fair market value (FMV) of decedent's assets at date of death . . . . . _____<br/> b FMV of assets located in California. . . . . _____<br/> c FMV of assets located outside California. . . . . _____</p> <p>4 If this is the final return, enter date of court order authorizing final distribution of the estate. . . . . _____</p> | <p>5 Did the estate or trust receive tax-exempt income? . . . _____<br/> If yes, attach computation of the allocation of expenses</p> <p>6 Is this return for a short taxable year? . . . . . _____</p> <p>7 If a trust:<br/> a Number of California resident trustees . . . . . _____<br/> b Number of nonresident trustees . . . . . _____<br/> c Total number of trustees . . . . . _____<br/> d Number of California resident beneficiaries . . . . . _____<br/> e Number of nonresident beneficiaries . . . . . _____<br/> Total number of beneficiaries . . . . . _____</p> <p>8 Is the trust required to complete federal Form 8271? . . . _____<br/> If federal Form 8271 is required, please attach a copy to this form.</p> <p>9 <b>Enclose a copy of the FIRST TWO PAGES of your 1998 Form 1041, U.S. Income Tax Return for Estates and Trusts.</b></p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                 |                                                                                                                                                                                                                                                                                                                       |      |                                                 |                                |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------------------------------------|--------------------------------|
| <b>Please Sign Here</b>         | 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. |      | Date                                            | Preparer's social security no. |
|                                 | Signature of fiduciary or officer representing fiduciary                                                                                                                                                                                                                                                              |      |                                                 |                                |
| <b>Paid Preparer's Use Only</b> | Preparer's signature                                                                                                                                                                                                                                                                                                  | Date | Check if self-employed <input type="checkbox"/> | FEIN                           |
|                                 | Firm's name (or yours, if self-employed) and address                                                                                                                                                                                                                                                                  |      |                                                 | Telephone ( )                  |

# 1998 Depreciation and Amortization

## 3885F

Attach to Form 541 or Form 109.

|                         |                                               |
|-------------------------|-----------------------------------------------|
| Name of estate or trust | Federal employer identification number (FEIN) |
|-------------------------|-----------------------------------------------|

| Assets placed in service after 12/31/97 (depreciation)      | Depreciation                |                   |                         | Amortization                        |                  |                                |                  |                          |                                |
|-------------------------------------------------------------|-----------------------------|-------------------|-------------------------|-------------------------------------|------------------|--------------------------------|------------------|--------------------------|--------------------------------|
| Intangibles placed in service after 12/31/97 (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 . . . . .

|                                                                     |                                                                                                                                                                                                                        |   |  |
|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|
| <b>Depreciation</b>                                                 |                                                                                                                                                                                                                        |   |  |
| 2                                                                   | California depreciation for assets placed in service before January 1, 1998 . . . . .                                                                                                                                  | 2 |  |
| <b>Note: Be sure to make adjustments for any basis differences.</b> |                                                                                                                                                                                                                        |   |  |
| 3                                                                   | Total California depreciation. Add line 1(f) and line 2 . . . . .                                                                                                                                                      | 3 |  |
| <b>Amortization</b>                                                 |                                                                                                                                                                                                                        |   |  |
| 4                                                                   | California amortization for intangibles placed in service before January 1, 1998 . . . . .                                                                                                                             | 4 |  |
| <b>Note: Be sure to make adjustments for any basis differences.</b> |                                                                                                                                                                                                                        |   |  |
| 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. Form 109 Filers, see instructions . . . . . | 6 |  |

# 1998 Capital Gain and Loss

## D (541)

Attach to Form 541 or Form 109.

|                         |                                               |
|-------------------------|-----------------------------------------------|
| Name of estate or trust | Federal employer identification number (FEIN) |
|-------------------------|-----------------------------------------------|

### Part I Capital Gain and Loss

| (a) Description of property:<br>(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, Limited Liability Companies (LLCs) and other fiduciaries . . . . . | 3 |  |
| 4 | Capital gain distributions. See instructions . . . . .                                                                                       | 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. <b>Note:</b> 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

|   |                                                                                                                                                                                                                        |                   |               |           |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------|-----------|
| 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 . . . . . | (a) Beneficiaries | (b) Fiduciary | (c) Total |
| 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 1998 to 1999

Use the Capital Loss Carryover Worksheet in the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, 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 Information

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) and the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California conforms to provisions relating to:

- The limitations on the use of the income forecast method;
- The changes to depreciation for “qualified rent to own” property; and
- Exemption of the incremental cost of a clean fuel vehicle from the limits on depreciation for vehicles.

### A Purpose

Depreciation is a deduction the estate or trust can claim for reasonable exhaustion, wear and tear, and normal obsolescence 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 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 or Form 109, California Exempt Organization Business Income Tax Return.

### B Calculation Methods

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

As a result of California legislation enacted in 1997 any grapevine replaced in a vineyard in California as a direct result of Pierce's Disease in any taxable year beginning on or after January 1, 1997, will be considered five-year property for accelerated cost recovery provisions.

**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, 1997. 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, 1998, taking into account differences in asset basis or differences in California and federal tax law.

**Line 4** – Enter total California amortization for intangibles placed in service before January 1, 1998, 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 (Public Law 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 R&TC Section 17024.5(e)(3). The federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and that 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.

**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 the instructions to Form 541, line 3, for information on depreciation and amortization reported on federal Schedule C.

**Note:** Attach a schedule if you need additional space.

# Instructions for Schedule D (541)

## Capital Gain and Loss

### General Information

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) and the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California conforms to provisions relating to:

- Constructive sales treatment for certain appreciated positions;
- Transfer of assets to a foreign trust;
- Repeal of IRC Section 644 tax on trusts;
- The disallowance of losses on the sale of an asset to a related person under IRC Section 267; and
- The disallowance of capital gain treatment on the sale of depreciable property to a related person under IRC Section 1239.

California Revenue and Taxation Code (R&TC) Section 18152.5 provides an exclusion (similar to the federal exclusion under IRC Section 1202) of 50% of the gain on the sale of qualifying small business stock originally issued after August 8, 1993, and before January 1, 1999, that was held for more than 5 years. However, for California purposes, 80% of the issuing corporation's payroll must be attributable to employment located within California, and at least 80% of the value of the corporation's assets must be used by the corporation to actively conduct one or more qualified trades or businesses in California.

**Note:** Estates and trusts (except common trust funds) may not pass through the exclusion to the beneficiary. See R&TC Section 18152.5(g)(4). However, the estate or trust is eligible for the exclusion.

### 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 Form 4684 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.

### C Basis

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

- Gift:
  1. Generally, use the donor's basis if the transaction results in a gain; or
  2. Use the lower of the donor's basis or the fair market value on the date of the gift if the transaction results in a loss.
- 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

**Note:** If you file Form 109, California Exempt Organization Business Income Tax Return, attach a copy of your completed Schedule D (541) to Form 109.

#### Part I

**Line 1** – If the estate or trust qualifies for the IRC Section 1202 exclusion of gain on qualified small business stock, it should report 100% of its gain on line 1. Directly below the line on which you reported the gain, enter in column (a) "IRC Section 1202 exclusion" and enter as a (loss) in column (g) 50% of the gain. Also report 50% of the exclusion as a positive number on Schedule P (541), line 4v. **Note:** IRC Section 1202 is modified by R&TC Section 18152.5 to require that 80% of the issuing corporation's payroll, as measured by total dollar value, be attributable to employment located within California. For more information, see R&TC Section 18152.5.

**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. If the estate or trust elects out of the

installment method, report the gain or loss on line 1. Also use form FTB 3805E if a payment was received in 1998 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 on line 1, 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 4** – Report the amount from Form 1099-DIV, box 2a, on line 4. If you received a Form 1099-DIV with a gain in box 2d, part of that gain (which is also included in box 2a) may be eligible for the R&TC Section 18152.5 exclusion. In column (a) of line 1, enter the name of the corporation whose stock was sold. In column (g) of line 1, enter the amount of your allowable exclusion as a loss. (**Note:** This exclusion is only available at the estate or trust level, and may not be passed through to the beneficiary.)

**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:** Enter any capital gain paid or permanently set aside for charitable purposes (IRC Section 642(a)) in column (b).

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

Form 109 filers, see instructions for that form.

#### 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.

Form 109 filers, see instructions for that form.

#### Part IV

Use the Capital Loss Carryover Worksheet in the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, using California amounts to determine the capital loss carryover.

# 1998 Trust Allocation of an Accumulation Distribution

# J (541)

**Attach to Form 541.**

References are to the Internal Revenue Code (IRC), as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

|               |                                               |
|---------------|-----------------------------------------------|
| Name of trust | Federal employer identification number (FEIN) |
|               |                                               |

**Part I Accumulation Distribution in 1998**

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 1998 . . . . .                                                   | 1 |  |
| 2 Enter amount from Schedule B (541), line 8, for 1998. . . . .                                                     | 2 |  |
| 3 Enter amount from Schedule B (541), line 10, for 1998 . . . . .                                                   | 3 |  |
| 4 Distributable net income for 1998. Subtract line 3 from line 2. If line 3 is more than line 2, enter -0-. . . . . | 4 |  |
| 5 Accumulation distribution for 1998. 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<br>19____ | Throwback year ending<br>19____ | Throwback year ending<br>19____ | Throwback year ending<br>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<br>19____ | Throwback year ending<br>19____ | Throwback year ending<br>19____ | Throwback year ending<br>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 1991-1997 . . . . . | 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**

File Schedule J (541) with Form 541 to report an accumulation distribution by a domestic complex trusts and certain foreign trusts.

California has conformed to federal provisions of the Taxpayer Relief Act of 1997 repealing the throwback rules for certain domestic trusts. However, if the trust did not pay tax on the beneficiary's interest because the beneficiary was contingent, the income that would have been taxed is included by the beneficiary in the year it is distributable or distributed (R&TC Section 17745(b)).

**Part I**

**Accumulation Distribution in 1998**

Generally, the beneficiary may exclude amounts accumulated before the beneficiary becomes age 21. 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:

|                                     |                                 |
|-------------------------------------|---------------------------------|
| <b>Throwback Year(s):</b> . . . . . | <b>Amount From:</b>             |
| 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  |
| 1988-1997 . . . . .                 | Schedule B, (Form 541), line 8  |

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

|                                     |                                 |
|-------------------------------------|---------------------------------|
| <b>Throwback Year(s):</b> . . . . . | <b>Amount From:</b>             |
| 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 |
| 1988-1997 . . . . . | 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:

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| <b>Throwback Year(s):</b> . . . . . | <b>Amount From:</b>               |
| 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    |
| 1988-1997 . . . . .                 | 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:

|                                     |                      |
|-------------------------------------|----------------------|
| <b>Throwback Year(s):</b> . . . . . | <b>Amount From:</b>  |
| 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) |
| 1990-1996 . . . . .                 | Form 541, line 20(a) |
| 1997 . . . . .                      | Form 541, line 21(a) |

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

|                                     |                                                                               |
|-------------------------------------|-------------------------------------------------------------------------------|
| <b>Throwback Year(s):</b> . . . . . | <b>Amount From:</b>                                                           |
| 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                                                     |
| 1988-1997 . . . . .                 | Schedule D (541), line 9(a)                                                   |

**Line 22 – Total taxable income**

Enter the applicable amounts as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| <b>Throwback Year(s):</b> . . . . . | <b>Amount From:</b> |
| 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   |
| 1990-1996 . . . . .                 | Form 541, line 19   |
| 1997 . . . . .                      | Form 541, line 20   |

**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 FTB 5870A to compute the tax on the distribution.

1998

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

K-1 (541)

For calendar year 1998 or fiscal year beginning month \_\_\_ day \_\_\_ year 1998, and ending month \_\_\_ day \_\_\_ year \_\_\_

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.

Table with 5 columns: (a) Allocable share item, (b) Amount from federal Schedule K-1 (1041), (c) Adjustments, (d) Total amounts using California law, (e) California source amounts and credits. Rows include Interest, Dividends, Net capital gain, Annuities, Trade or business income, Alternative minimum tax purposes, Adjustments and tax preference items, Distributions in the final year, and Other (itemize).

# 1998 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) for each beneficiary. A copy of each beneficiary's Schedule K-1 (541) must be attached to Form 541 filed with the Franchise Tax Board (FTB). The fiduciary also 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 Revenue and Tax Code (R&TC) Section 18624 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 each 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.

### 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). Include in column (e) only 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.

For nonresidents, income from a trade or business conducted within and outside California is apportioned or allocated to California in accordance with Title 18, Cal. Code Reg. Section 17951-4(c).

### 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 taxable 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.

#### General Summary of Treatment for Sourcing Specific Nonbusiness Income Items

For California tax purposes:

- Compensation for personal services has a source where the services are performed.
- Interest and dividends generally have a source at the taxpayer's state of residence.
- Gains and losses from the sale or exchange of real and tangible personal property have a source where the property is located.
- Income from intangible personal property generally has a source at the taxpayer's state of residence. Rents and royalties have a source where the property is located.
- Pensions have a source where the services were performed. However, the gross income of a nonresident does not include qualified retirement income (including pensions) received on or after January 1, 1996 for any part of the taxable year during which the taxpayer was a nonresident.

Generally, income from a business, trade or profession is sourced as follows:

- If the operations are conducted wholly within this state, the income has a California source.
- If the operations within California are so separate and distinct from the operations outside of California that taxable income can be separately accounted for, only the

income from within California must be included in California source income.

- If the trade or business carried on within California is an integral part of a unitary business carried on outside of California, the entire net income must be reported and apportioned or allocated in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act as contained in Sections 25120 through 25139.

Partnership, LLC and S corporation income/loss, is apportioned or allocated the same as any other business. If the estate or trust is a partner, member or shareholder of a partnership, LLC or S corporation, income sourced to California is generally included in column (e) of the Schedule K-1 (565), K-1 (568) or K-1 (100). For more detailed information, review Title 18 California Code Regulations Section 17951.4 and related tax codes.

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 in General Information P of the Form 541 Booklet, if California source income is being distributed to a nonresident beneficiary.

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## Specific Line Instructions

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Please round cents to the nearest whole dollar.

### Line 1 and Line 2

Get the federal instructions for Schedule K-1 (1041).

**Line 3** – Enter the combined amount from federal Schedule K-1 (1041), line 3 and line 4c.

**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** – An estate or trust cannot pass through the alternative minimum taxable income (AMTI) exclusion to the beneficiary. The Schedule P (541) for this estate or trust must be recalculated leaving line 7b blank. This will eliminate the effect of the AMTI exclusion but allow other items of adjustment or tax preference to be passed through to the beneficiary. The recalculated number on Schedule P (541), line 10, must be entered on Schedule K-1 (541), line 6.

The estate or trust (except a common trust fund) may not pass through the exclusion for qualified small business stock (R&TC Section 18152.5) to a beneficiary. Therefore, it would also not pass through the adjustment related to this exclusion to the beneficiary. Any adjustment made to the estate or trust's income (except for a common trust fund) for alternative minimum tax purposes for the qualified small business stock exclusion should be eliminated when completing the beneficiary's Schedule K-1.

### 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 10d

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 for both regular and alternative minimum tax, 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; or
- Investment income (IRC Section 163(d)).

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.

If the estate or trust is claiming tax benefits from an enterprise zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it should give the beneficiaries their distributive share of the business income and business capital gain or

loss apportioned to the EZ, LARZ, LAMBRA, MEA or TTA on this line.

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

## General Information

### 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 Franchise Tax Board (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 on your return 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.

Generally, you must report items shown on your Schedule K-1 (and any attached schedules) the same way that the estate or trust treated the items on its return. If the treatment on your original or amended return is inconsistent with the estate's or trust's treatment, or if the estate or trust was required to but has not filed a return, you must attach a statement identifying the inconsistency. Beneficiaries may be liable for negligence penalties and penalties relating to mathematical errors if they cannot demonstrate that their treatment is consistent with the estate or trust.

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 (i.e., distributions of corpus or tax exempt income) are usually not taxable to the beneficiary.

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 who 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 who 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. Therefore, 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 – Annuities, royalties and other non-passive income before directly allocable deductions

Use line 4, column (d) or column (e), to report your share of annuities, royalties 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 – Trade or business, rental real estate and other passive income

Use line 5 to report your share of trade or business, 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 (AGI) limit. See Treasury Regulation 1.641(b)-1 for deductions allowed for estates and trusts.

**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 (AMT) 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 1998 Form 3510, Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries.

**Line 10a – Excess deductions on termination**

Report any adjustment on line 10a, column (c). Then enter the adjustment on Schedule CA (540 or 540NR), line 38 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 (d), of your Schedule D (Form 540).

**Line 10c and Line 10d – Net Operating Loss (NOL) Carryover**

Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused NOL (and any AMT NOL) carryover for regular and AMT purposes if the carryover would be allowable to the estate or trust in a later tax year but for the termination.

**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.

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

- Enterprise zone (EZ), hiring and sales or use tax credit — get form FTB 3805Z;
- Orphan drug credit carryover — get form FTB 3540;
- 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;
- Local agency military base recovery areas (LAMBRA) hiring and sales on use tax credit — get form FTB 3807;
- Enhanced oil recovery credit — get form FTB 3546;
- Donated agricultural products transportation credit — get form FTB 3547; and
- Disabled access credit for eligible small businesses — get form FTB 3548.

**Note:** The passive activity limitations of IRC Section 469 may limit the amount of credits you may take.

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

- Research credit; and
- Low-income housing credit.

If you have an amount from any of the two 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.

If the estate or trust is claiming tax benefits from an EZ, LARZ, or LAMBRA, it will give you your distributive share of the business income, and business capital gains and losses included in business income, apportioned to the EZ, LARZ, or LAMBRA on this line. Get form FTB 3805Z, 3806, or 3807 to claim the NOL, credit, or business deduction from any of these economic development areas.

1998

California Allocation of Estimated Tax Payments to Beneficiaries

541-T

For calendar year 1998 or fiscal year beginning month day year 1998, and ending month day year

Name of estate or trust Federal employer identification number (FEIN)

Name and title of fiduciary

Address of fiduciary (number and street or PO box) Suite number

City State 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:

Table with 5 columns: (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. Rows 1-10.

Summary rows 3 and 4. Row 3: Total from additional sheet(s). Row 4: Total amounts allocated. (Must equal line 1, above).

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.

Sign Here Signature of fiduciary or officer representing fiduciary Date

For Privacy Act Notice, see Form FTB 1131.

Note: Do not file with Form 541. Instead mail to: FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0000

# 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 (conforms to IRC Section 643(g)(1)(B)) 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. If the due date falls on a Saturday, Sunday or legal holiday, file on the next business day. For a calendar year trust, the 1999 due date is Saturday, March 6, so the return should be filed on or before Monday, March 8, 1999.

#### E Period Covered

File the 1998 form for calendar year 1998 and fiscal years beginning in 1998. 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.

# 1999 Instructions for Form 541-ES

## Estimated Tax For Fiduciaries

### General Information

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 (800) 852-5711.

For taxable years beginning on or after January 1, 1997, an electing small business trust (ESBT) may be a shareholder in an S corporation. An election made by the trustee under Internal Revenue Section (IRC) 1361 is considered to be an election for California purposes, and no separate election is allowed (California Revenue and Taxation Code (R&TC) Section 23800.5). Tax is computed at the highest rate under R&TC Section 17041. For taxable years beginning on or after January 1, 1998, the highest rate is 9.3% (R&TC Section 17731.5).

### 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 1999 estimated tax payments if:

- Less than 80% of the estate's or trust's 1998 tax was paid by withholding; or
- Less than 80% of the estate's or trust's 1999 California adjusted gross income (AGI) will be wages subject to withholding; or
- Less than 80% of the estate's or trust's 1999 tax will be paid by withholding.

An estate or trust is not required to make 1999 estimated tax payments if:

- The tax for 1998 (after subtracting withholding and credits) was less than \$200; or
- The tax for 1999 (after subtracting withholding and credits) will be less than \$200.
- It is a decedent's estate for any tax year ending before the date that is two years after the decedent's death; or
- It is a trust that was treated as owned by the decedent and if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust primarily responsible for paying debts, taxes and expenses of administration) for any tax year ending before the date that is two years after the decedent's death.

For taxable years beginning on or after January 1, 1999, estates and trusts with adjusted gross income greater than \$150,000 must base their estimated tax on the lesser of 80% of their current year's tax or 105% of the prior year's tax.

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

Real Estate Mortgage Investment Conduit (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, 1999  | April 15, 1999          |
| April 1 through May 31, 1999   | June 15, 1999           |
| June 1 through August 31, 1999 | Sept. 15, 1999          |
| Sept. 1 through Dec. 31, 1999  | Jan. 18, 2000           |

**Filing an Early Return in Place of the 4th Installment.** If an estate or trust files its 1999 tax return by February 1, 2000, 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. Use the annualization schedule included with form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

**Farmers and Fishermen.** If at least 2/3 of gross income for 1998 or 1999 is from farming or fishing, the estate or trust may:

- Pay the total estimated tax by January 18, 2000; or
- File Form 541 for 1999 on or before March 1, 2000 and pay the total tax due. In this case estimated tax payments are not due for 1999. 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 1998 Form 541 return as a guide for figuring the 1999 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;
- IRC Section 453A tax, relating to certain dispositions under the installment method; or
- IRC Section 641(d) on income attributable to S corporation stock held by an ESBT.

### Line 7 – Credits

For more information on credits you may claim, see the instructions for Form 541.

### E How to Use Form 541-ES Payment Voucher

There is a separate payment voucher for each due date. Please be sure you use the voucher with the correct due date shown on the right side of the voucher.

Fill in Form 541-ES:

1. Print the estate's or trust's name, the fiduciary's name and title, mailing address, and the estate's or trust's federal employer identification number (FEIN) in the space provided on Form 541-ES. Use black or blue ink. The scanning machines may not be able to read other colors of ink or pencil. Print all names and words in CAPITAL LETTERS. Print letters and numbers inside boxes. If your name or address is too long to fit in the boxes provided do not shorten your name or address. Instead, ignore the boxes and fit the information in the space provided.
2. Enter in the payment box of the voucher only the amount you are sending in. When making payments of estimated tax, be sure to take into account any 1998 overpayment that you chose to credit against your 1999 tax, but do not include the overpayment amount in the amount of your payment.
3. 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, California Allocation of Estimated Tax Payments to Beneficiaries, to Form 541-ES.
4. Make your check or money order payable to "Franchise Tax Board." Write the FEIN and "Form 541-ES 1999" on the check or money order. Mail your Form 541-ES and your check or money order to:  

FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0031
5. Keep a record of the payment.
6. **Fiscal year filers:** If you file your return on a fiscal year basis, be sure to fill in the month and year-end information.

### 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.

TAXABLE YEAR

CALIFORNIA FORM

# 1999 Estimated Tax for Fiduciaries

## 541-ES

Fiscal year filers, enter year ending: month \_\_\_\_\_ year \_\_\_\_\_

|                         |      |
|-------------------------|------|
| Name of estate or trust | FEIN |
|-------------------------|------|

Name and title of fiduciary

|                                                             |           |
|-------------------------------------------------------------|-----------|
| Address — number and street including PO Box or rural route | Suite no. |
|-------------------------------------------------------------|-----------|

|                           |       |          |
|---------------------------|-------|----------|
| City, town or post office | State | ZIP Code |
|---------------------------|-------|----------|

**Payment Voucher 1**  
Due April 15, 1999

Make your check or money order payable to "Franchise Tax Board." Write the FEIN number and "Form 541-ES 1999" on it. **Do not combine this payment with payment of your tax due for 1998.** Mail this voucher and your check or money order to: 541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031

Amount of payment

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

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

541ES99109

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TAXABLE YEAR

CALIFORNIA FORM

# 1999 Estimated Tax for Fiduciaries

## 541-ES

Fiscal year filers, enter year ending: month \_\_\_\_\_ year \_\_\_\_\_

|                         |      |
|-------------------------|------|
| Name of estate or trust | FEIN |
|-------------------------|------|

Name and title of fiduciary

|                                                             |           |
|-------------------------------------------------------------|-----------|
| Address — number and street including PO Box or rural route | Suite no. |
|-------------------------------------------------------------|-----------|

|                           |       |          |
|---------------------------|-------|----------|
| City, town or post office | State | ZIP Code |
|---------------------------|-------|----------|

**Payment Voucher 2**  
Due June 15, 1999

Make your check or money order payable to "Franchise Tax Board." Write the FEIN number and "Form 541-ES 1999" on it. **Do not combine this payment with payment of your tax due for 1998.** Mail this voucher and your check or money order to: 541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031

Amount of payment

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

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

541ES99109

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TAXABLE YEAR

CALIFORNIA FORM

# 1999 Estimated Tax for Fiduciaries

## 541-ES

Fiscal year filers, enter year ending: month \_\_\_\_\_ year \_\_\_\_\_

|                         |      |
|-------------------------|------|
| Name of estate or trust | FEIN |
|-------------------------|------|

Name and title of fiduciary

|                                                             |           |
|-------------------------------------------------------------|-----------|
| Address — number and street including PO Box or rural route | Suite no. |
|-------------------------------------------------------------|-----------|

|                           |       |          |
|---------------------------|-------|----------|
| City, town or post office | State | ZIP Code |
|---------------------------|-------|----------|

**Payment Voucher 3**  
Due Sept. 15, 1999

Make your check or money order payable to "Franchise Tax Board." Write the FEIN number and "Form 541-ES 1999" on it. **Do not combine this payment with payment of your tax due for 1998.** Mail this voucher and your check or money order to: 541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031

Amount of payment

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

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

541ES99109

1999 Estimated Tax Worksheet. Do not file – keep for your records.

|    |                                                                                                                                                                                                                  |    |  |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--|
| 1  | Enter amount of adjusted total income you expect in 1999                                                                                                                                                         | 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 1998 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 1998 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 1999                                                                                                                                          | 10 |  |
| 11 | Estimated tax. Subtract line 10 from line 9c. If less than \$200, no payment is required                                                                                                                         | 11 |  |
| 12 | Divide line 11 by 4. This is the amount of your required installment. Enter the result here and on each Form 541-ES voucher. See the instructions if you will earn the income at an uneven rate during the year. | 12 |  |

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TAXABLE YEAR

# 1999 Estimated Tax for Fiduciaries

CALIFORNIA FORM

## 541-ES

Fiscal year filers, enter year ending: month \_\_\_\_\_ year \_\_\_\_\_

Name of estate or trust \_\_\_\_\_ FEIN \_\_\_\_\_

Name and title of fiduciary \_\_\_\_\_

Address — number and street including PO Box or rural route \_\_\_\_\_ Suite no. \_\_\_\_\_

City, town or post office \_\_\_\_\_ State \_\_\_\_\_ ZIP Code \_\_\_\_\_

**Payment Voucher 4**  
Due Jan. 18, 2000

Make your check or money order payable to "Franchise Tax Board." Write the FEIN number and "Form 541-ES 1999" on it. Do not combine this payment with payment of your tax due for 1998. Mail this voucher and your check or money order to: 541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031

Amount of payment  

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
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|--|--|--|--|--|--|--|--|--|--|

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

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# Instructions for form FTB 3563

## Automatic Extension for Fiduciaries

### 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, 1999 (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, 1999 (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 Real Estate Mortgage Investment Conduit's [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, 1999 (calendar year filers).

Nonexempt charitable trusts, described in the Internal Revenue Code (IRC) Section 4947(a)(1) and exempt pension trusts, should 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.**

**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. Get the instructions for that form.

### 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, 1999 (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, 1999 (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, 1999 (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. This is the amount you expect to enter on Form 541, line 27 or Form 541-QFT, line 27

2 Payments and credits:

- a California income tax withheld
- b California estimated tax payments and amount applied from your 1997 Form 541 or Form 541-QFT
- c Other payments and credits, including any tax payments made with any previous form FTB 3563 voucher

|    |  |  |  |
|----|--|--|--|
| 2a |  |  |  |
| 2b |  |  |  |
| 2c |  |  |  |

3 Total tax payments and credits. Add line 2a, line 2b, and line 2c

4 Tax due

|    |  |  |
|----|--|--|
| 1  |  |  |
| 2a |  |  |
| 2b |  |  |
| 2c |  |  |
| 3  |  |  |
| 4  |  |  |

- If the amount on line 3 is more than the amount on line 1, the estate or trust has no tax due. **DO NOT SEND THE PAYMENT VOUCHER.**
- If the return is filed by the 15th day of the tenth month following the close of the taxable year (fiscal year filers), or by October 15, 1999 (calendar year filers), the return will qualify for an extension.
- If the amount on line 1 is more than the amount on line 3, subtract line 3 from line 1. This is the estate's or trust's tax due.

Enter the result on line 4 and in the "Amount of Payment" box on the form FTB 3563 voucher below. Fill in the estate or trust's name, address, and federal employer identification number (FEIN) and separate the voucher from this page where it says "DETACH HERE." Make a check or money order payable to "Franchise Tax Board," and write the FEIN and "1998 Form 3563" on it. Mail your check or money order and the voucher to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0051**

----- DETACH HERE -----

TAXABLE YEAR

## Payment Voucher for 1998 Automatic Extension for Fiduciaries

CALIFORNIA FORM

**3563**

For calendar year 1998 or fiscal year beginning month \_\_\_\_\_ day \_\_\_\_\_ year 1998, and ending month \_\_\_\_\_ day \_\_\_\_\_ year \_\_\_\_\_

|                                                                                   |  |       |          |
|-----------------------------------------------------------------------------------|--|-------|----------|
| Name of estate or trust                                                           |  | FEIN  |          |
| Name and title of fiduciary                                                       |  |       |          |
| Present address (number and street including suite number, PO Box or rural route) |  |       |          |
| City, town or post office                                                         |  | State | ZIP Code |

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, 1999)

|                   |  |  |  |
|-------------------|--|--|--|
| Amount of payment |  |  |  |
|                   |  |  |  |

**Payment Voucher 5**

**5  
4  
1**

# How to Get California Tax Information

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

Call Fast Answers about State Taxes, the F.A.S.T. toll-free phone service you can use to:

- Find out about your current year tax refund;
- Order California and federal income tax forms;
- Obtain balance due and payment information; and
- Hear recorded answers to many of your questions about California taxes.

F.A.S.T. is available in English and Spanish to callers with touch-tone 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 personal income tax refund or to obtain personal income tax balance due and payment information, F.A.S.T. is available from 6 a.m. to midnight, Monday through Friday, and from 6 a.m. to 10 p.m., Saturday and Sunday, except state holidays.

### How To Use F.A.S.T.

Have paper and pencil handy to take notes.

From within the United States . . . . . (800) 338-0505

From outside the United States . . . . . (916) 845-6600 (not toll-free)

Follow the recorded instructions.

## General Toll-Free Phone Service

Between January 4 – April 15, 1999, our general toll-free phone service is available:

- Monday – Friday, 6 a.m. until midnight; and
- Saturday, 8 a.m. until 5 p.m.

After April 15, 1999, our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.

The best times to call are before 10 a.m. and after 6 p.m.

From within the United States . . . . . (800) 852-5711

From outside the United States . . . . . (916) 845-6500 (not toll-free)

For hearing impaired with TDD. . . . . (800) 822-6268

For federal tax questions, call the IRS at . . . . . (800) 829-1040

### Asistencia Bilingüe en Español

Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

## Letters

We can serve you by phone 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 your letter includes your federal employer identification number (FEIN), your daytime and evening telephone numbers and a copy of the notice. Send your letter to:

FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94257-0040

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

## District Offices

You can get information, California tax forms and resolve problems on your account if you visit one of our district offices.

| District Office | Address                        |
|-----------------|--------------------------------|
| Bakersfield     | 1800 30th St, Ste 370          |
| Burbank         | 333 N. Glenoaks Blvd, Rm 200   |
| Fresno          | 2550 Mariposa St, Rm 3002      |
| Long Beach      | 4300 Long Beach Blvd, Ste 700B |
| Los Angeles     | 300 S. Spring St, Ste 5704     |
| Oakland         | 1515 Clay St, Ste 3N-305       |
| Sacramento      | 3321 Power Inn Road            |
| San Bernardino  | 464 W. 4th St, Ste 454         |
| San Diego       | 5353 Mission Ctr Rd, Ste 314   |
| San Francisco   | 50 Fremont St, Ste 900         |
| San Jose        | 96 N. Third St, 4th Fl         |
| Santa Ana       | 600 W. Santa Ana Blvd, Ste 300 |
| Santa Rosa      | 50 D St, Rm 130                |
| Stockton        | 31 East Channel St, Rm 219     |
| Ventura         | 4820 McGrath St, 2nd Fl        |
| West Covina     | 100 N. Barranca St, Rm 600     |

## Where to Get Income Tax Forms

**By Internet** – If you have access, you may download, view and print California tax forms and publications from the FTB website <http://www.ftb.ca.gov> on the Internet.

**By phone** — Use F.A.S.T. to order 1996, 1997 and 1998 California tax forms and 1998 federal forms.

**By mail** – Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order. 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 personal income 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. See "Where to get Income Tax Forms," on this page for how to get the publication.

