TAXABLE YEAR

CALIFORNIA FORM

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) Intangibles placed in service after 12/31/97 (amortization)			Depreciation			Amortization		
(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Method of figuring depreciation	(e) Life or rate	(f) Depreciation for this year	(g) Code section	(h) Period or percentage	(i) Amortization for this year
1								
Add column (f) and column (i) amounts of line 1. See instructions								

	Depreciation		
2	California depreciation for assets placed in service before January 1, 1998	2	
	Note: Be sure to make adjustments for any basis differences.		
3	Total California depreciation. Add line 1(f) and line 2	3	
	Amortization		
4	California amortization for intangibles placed in service before January 1, 1998	4	
	Note: Be sure to make adjustments for any basis differences.		
5	Total California amortization. Add line 1(i) and line 4	5	
6	Total depreciation and amortization. Add line 3 and line 5. Enter amount on the appropriate line of federal Schedule C or C-EZ, E and F (Form 1040) or Form 541, line 15a. Form 109 Filers, see instructions	6	

TAXABLE YEAR

CALIFORNIA SCHEDULE

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: (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. **Note:** There is no capital loss carryover from a decedent to an estate	7	
8	Net gain or (loss). Combine line 5, line 6 and line 7	8	

Part II Summary of Part I

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

Part III Computation of Capital Loss Limitation

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

Part IV Computation of Capital Loss Carryover from 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 obsolesence of property used in business or held to produce income. Amortization is an amount the estate or trust can deduct for certain capital expenses over a fixed period.

In 1987, the California 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 corporations payroll must be attributable to employment located within California, and at least 80% of the value of the corporations 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.