TAXABLE YEAR

2002 California Capital Gain or Loss Adjustment

SCHEDULE
D (540NR)

Name(s) as shown on return | Social security number

	(a) Description of property (identify S corporation stock) Example 100 shares of "Z" (S stock)	(b) Sales price	(c) Cost or other basis	(d) Loss. If (c) is more than (b), subtract (b) from (c)	(e) Gain. If (b) is more than (c), subtract (c) from (b)
1a					
1b					

2 Net gain or (loss) shown on California Schedule(s) K-1 (541, 565, 568, and 100S) 2
3 Capital gain distributions (federal Form 1099-DIV, box 2a minus box 2d) 3
4 Total 2002 gains from all sources. Add column (e) amounts of line 1a, line 1b, line 2, and line 3 4
5 2002 loss. Add column (d) amounts of line 1 and line 2. Enter as a negative amount 5
6 California capital loss carryover from 2001, if any. See instructions. Enter as a negative amount . 6
7 Total 2002 loss. Add line 5 and line 6. Enter as a negative amount 7
8 Combine line 4 and line 7. If a loss, go to line 9. If a gain, go to line 10 8
9 If line 8 is a loss, enter the smaller of: (a) the loss on line 8; **or**
(b) $3,000 ($1,500 if married filing a separate return). See instructions . . . 9
10 Enter the amount from federal Form 1040, line 13 10
11 Enter the California gain from line 8 or loss from line 9 11
12 a If line 10 is more than line 11, enter the difference here and on Schedule CA (540 or 540NR) line 13, col. B 12a
b If line 10 is less than line 11, enter the difference here and on Schedule CA (540 or 540NR), line 13, col. C 12b

TAXABLE YEAR

2002 Depreciation and Amortization Adjustments

Do not complete this form if your California depreciation amounts are the same as federal amounts.

CALIFORNIA FORM
3885A

Part I Identify the activity as passive or nonpassive. (See instructions.)

Business or activity to which form FTB 3885A relates

1 ☐ This form is being completed for a passive activity.
☐ This form is being completed for a nonpassive activity.

Part II Election to Expense Certain Tangible Property (IRC Section 179).

2 Enter the amount from line 12 of the Tangible Property Expense Worksheet in the instructions 2

Part III Depreciation

	(a) Description of property placed in service	(b) Date placed in service	(c) California basis for depreciation	(d) Method	(e) Life or rate	(f) California depreciation deduction
3						

4 Add the amounts on line 3, column (f) 4
5 California depreciation for assets placed in service prior to 2002 5
6 Total California depreciation from this activity. Add the amounts on line 2, line 4, and line 5 6
7 Total federal depreciation from this activity. Enter depreciation from your federal Form 4562, line 22 7
8 a If line 6 is more than line 7, enter the difference here and see instructions 8a
b If line 6 is less than line 7, enter the difference here and see instructions 8b

Part IV Amortization

	(a) Description of cost amortizable	(b) Date placed in service	(c) California basis for amortization	(d) Code section	(e) Period or percentage	(f) California amortization deduction
9						

10 Total California amortization from this activity. Add the amounts on line 9, column (f) 10
11 California amortization of costs that began before 2002 11
12 Total California amortization from this activity. Add the amounts on line 10 and line 11 12
13 Total federal amortization from this activity. Enter amortization from your federal Form 4562, line 44 13
14 a If line 12 is more than line 13, enter the difference here and see instructions 14a
b If line 12 is less than line 13, enter the difference here and see instructions 14b

Instructions for California Schedule D (540NR)

California Capital Gain or Loss Adjustment

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2001. Therefore, California has conformed to the income tax changes made to the IRC by the federal Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206), the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277), the Surface Transportation Revenue Act of 1998 (Public Law 105-178), the Ricky Ray Hemophilia Relief Fund Act of 1998 (Public Law 105-369), the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170), the Miscellaneous Trade and Technical Corrections Act of 1999 (Public Law 106-36), the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (Public Law 106-519), the Consolidated Appropriations Act of 2001 (Public Law 106-554), and to technical corrections made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16). However, there are continuing differences between California and Federal law. California has not conformed to some of the law changes made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) or the federal Job Creation and Worker Assistance Act of 2002 (Public Law 107-147). For example, California does not conform to the federal reduced capital gains tax rates. California taxes capital gains at the same tax rate as other types of income.

Note: California law conforms to federal law for the Section 179 expense deduction. For 2002, the maximum amount is $24,000.

Purpose

Full-year nonresidents or part-year residents must report gains and losses as if they were a full-year resident for the entire year using California amounts. Therefore, all gains and losses must be reported. Full-year nonresidents or part-year residents should complete Schedule D and the Schedule D (540NR) Worksheet for Nonresident and Part-Year Residents in order to complete column E on Schedule CA (540NR).

For the computation of California taxable income, capital loss carryovers and capital loss limitations for nonresidents are determined based upon California source income and loss items only. For purposes of calculating California taxable income, the character of gains and losses on the sale or exchange of property used in the trade or business or certain involuntary conversions (Internal Revenue Code Section 1231) are determined by netting California sourced Section 1231 gains and losses only.

If you moved in or out of California during the year, get FTB Pub.1100, Taxation of Nonresidents and Individuals Who Change Residency.

For more information about the following, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments:

- Disposition of property inherited before 1987;
- Disposition of S corporation stock acquired before 1987;
- Gain on the sale or disposition of a qualified assisted housing development to low-income residents or to specific entities maintaining housing for low-income residents; or
- Capital loss carryback.

Exclusion of Gain on Qualified Small Business Stock. California law (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 8/10/93 that was held for more than 5 years. However, for California purposes, at least 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. See the Specific Line Instruction for Line 1b.

Installment Sales. If you sold property at a gain (other than publicly traded stocks or securities) and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to do so. Get form FTB 3805E. Also, use that form if you received a payment in 2002, for an installment sale made in an earlier year. **Note:** You may elect not to use the installment sale method for California by reporting the entire gain on Schedule D (540) or (540NR), (or Schedule D-1 for business assets) in the year of the sale and filing your return on or before the due date.

At-Risk Rules and Passive Activity Limitations. If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get and complete federal Form 6198, At-Risk Limitations, using California amounts to figure your California deductible loss under the at-risk rules. Once a loss becomes allowable under the at-risk rules, it becomes subject to the passive activity rules. Get form FTB 3801, Passive Activity Loss Limitations.

Specific Line Instructions

Note: If you have gain on the sale of qualified small business stock that qualifies for the federal Section 1202 exclusion, go to the instructions for line 1b.

Line 1a – List each capital asset transaction.

Column (a) – Description of Property. Describe the asset you sold or exchanged.

Column (b) – Sales Price. Enter in this column either the gross sales price or the net sales price. If you received a Form 1099-B, 1099-S, or similar statement showing the gross sales price, enter that amount in column (b). However, if box 2 of Form 1099-B indicates that gross proceeds less commissions and option premiums were reported to IRS, enter that net amount in column (b). If you entered the net amount in column (b), do not include the commissions and option premiums in column (c).

Column (c) – Cost or Other Basis. In general, the cost or other basis is the cost of the property plus purchase commissions and improvements minus depreciation, amortization and depletion. Enter the cost or adjusted basis of the asset for California purposes. Use your records and California tax returns for years before 1987 to determine the California amount to enter in column (c). If you used an amount other than cost as the original basis, your federal basis may be different from your California basis. Other reasons for differences are:

Depreciation Methods and Property Expensing. Before 1987, California law did not allow the use of ACRS and did not allow the use of an asset depreciation range 20% above or below the standard rate. Before 1999, California had different limits on the expensing of property under IRC Section 179. California law permits rapid write-off of certain property such as solar energy systems, pollution control devices, and property used in an Enterprise Zone, LAMBRA, Targeted Tax Area, or LARZ.

Inherited Property – The California basis of property inherited from a decedent is generally fair market value (FMV) at the time of death. If you acquired community property as a surviving spouse, get FTB Pub. 1039, Basis of Property – Decedent/ Surviving Spouse, for more information.

S Corporation Stock – Prior to 1987, California law did not recognize S corporations and your California basis in S corporation stock may differ from your federal basis. In general, your California basis will be cost-adjusted for income, loss, and distributions received after 1986, while your stock was California S corporation stock. Your federal basis will be cost-adjusted for income, loss, and distributions received during the time your stock qualified for federal S corporation treatment. Effective for taxable years beginning on or after January 1, 2002, any corporation with a valid federal S corporation election is considered an S corporation for California purposes. Existing law already requires federal C corporations to be treated as C corporations for California purposes.

Special Credits – California law authorizes special tax credits not allowed under federal law or computed differently under federal law. In many instances if you claimed special credits related to capital assets, you must reduce your basis in the assets by the amount of credit.

Other adjustments may apply differently to the federal and California basis of your capital assets. Figure the original basis of your asset using the California law in effect when the asset was acquired, and adjust it according to provisions of California law in effect during the period of your ownership.

Line 1b – Section 18152.5 Exclusion. If the gain qualifying for the IRC Section 1202 exclusion also qualifies for the California exclusion under R&TC Section 18152.5: Enter in column (a) "Section 18152.5 Exclusion." Complete column (b) and column (c) according to the instructions for line 1a. Enter in column (d) the amount of gain that qualifies for the California exclusion. Enter in column (e) the entire gain realized. **If the gain qualifying for the IRC Section 1202 exclusion does not qualify for the California exclusion:** Complete column (a), column (b), and column (c) according to the instructions for line 1a. Enter -0- in column (d) and enter the entire gain realized in column (e).

Line 3 – Capital Gain Distributions. If you receive federal Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, from a mutual fund, do not include the **undistributed** capital gain dividends on Schedule D. If you receive federal Form 1099-DIV, Dividends and Distributions, enter the amount of **distributed** capital gain dividends.

Line 6 – 2001 California Capital Loss Carryover. If you had prior year carryover losses, you must recalculate those losses as if you had been a resident for all prior years. Enter this amount on line 6 as a negative amount. Get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Line 8 – Net Gain or Loss. If the amount on line 4 is more than the amount on line 7, subtract line 7 from line 4. Enter the difference as a gain on line 8.

If the amount on line 7 is more than the amount on line 4, subtract line 4 from line 7 and enter the difference as a negative amount on line 8.

Use the appropriate worksheet to figure your capital loss carryover to 2003.

Line 9 – If line 8 is a net capital loss, enter the smaller of the loss on line 8 or $3,000 ($1,500 if you are married filing a separate return).

Line 12a – Enter the difference on line 12a and on Schedule CA (540 or 540NR), line 13, column B.

For example:

Loss on line 10 is less than loss on line 11.

Federal loss on line 10 is . . . $1,000
California loss on line 11 is . . . $2,000
Subtract line 10 from line 11 . . . $1,000

Gain on line 10 and loss on line 11.

Federal gain on line 10 is . . . $3,000
California loss on line 11 is . . . $3,000
Add line 10 and line 11 . . . $6,000

Line 12b – Enter the difference on line 12b and on Schedule CA (540 or 540NR), line 13, column C.

For example:

Loss on line 10 is more than loss on line 11.

Federal loss on line 10 is . . . $2,000
California loss on line 11 is . . . $1,000
Subtract line 11 from line 10 . . . $1,000

Loss on line 10 and gain on line 11.

Federal loss on line 10 is . . . $2,000
California gain on line 11 is . . . $5,000
Add line 10 and line 11 . . . $7,000

California Capital Loss Carryover Worksheet For Full-Year Residents

1.	Loss from Schedule D (540NR), line 11, stated as a positive number	1 ________
2.	Amount from Form 540 or Long Form 540NR, line 17 . . .	2 ________
3.	Amount from Form 540 or Long Form 540NR, line 18 . . .	3 ________
4.	Subtract line 3 from line 2. If less than zero, enter as a negative amount	4 ________
5.	Combine line 1 and line 4. If less than zero, enter -0- . . .	5 ________
6.	Enter loss from Schedule D (540NR), line 8 as a positive number . . .	6 ________
7.	Enter the smaller of line 1 or line 5 . . .	7 ________
8.	Subtract line 7 from line 6. This is your capital loss carryover to 2003	8 ________

Schedule D (540NR) Worksheet for Nonresidents and Part-Year Residents

Note: Complete Schedule D (540NR) first.

__**Full year nonresidents:**__ Complete column A and column B only. Enter the amount shown in column B, line 4 (if there is an overall gain) or line 5 (if there is a loss), on Schedule CA (540NR) line 13, column E.

__**Part-year Residents:**__

Enter the number of days during the year you were a CA resident: _________ .

Enter the number of days during the year you were a nonresident: __________ .

Column A, line 1 through line 5 should be the same as the amounts shown on Schedule D (540NR), lines 4, 5, 6, 8 and 9 respectively.

Columns A and B, line 3, should show a carryover amount that has been computed as if you had been a resident in all prior years for column A and as if you had been a nonresident for all prior years for column B.

Columns C and D should be completed using the dates of transactions. If the dates are unknown because they were not specifically reported to you, then you will need to pro-rate the amounts. For Column C, multiply the amount in Column A by the number of days you were a resident divided by 365 days. For Column D, multiply the amount in Column B by the number of days you were a nonresident divided by 365 days.

Column E

Line 4 If the amount shown in column E is a gain, enter that amount on Schedule CA (540NR) line 13, column E. If a loss, go to line 5.

Line 5 Enter the amount shown in column E on Schedule CA (540NR) line 13.

		A	B	C	D	E
		Enter total as if you were a **CA resident for the entire year.**	Enter amounts earned or received from CA sources as If you were a **nonresident for the entire year.**	Enter amounts earned or received during the portion of the year you were a **CA resident.**	Enter amounts earned or received from CA sources during the portion Of the year you were a **nonresident.**	**Total** Combine column C and column D.
1	Gains					
2	Losses					
3	Prior year loss carryover.					
4	Combine line 1 through line 3.					
5	Enter the smaller of the loss on line 4 or $3,000 ($1,500 if married filing separately).					

Capital Loss Carryover Worksheet

Note: Complete this worksheet only if at the end of the year you were a resident and line 4 of column A shows a loss or at the end of the year you were a nonresident and line 4 of column B shows a loss. In completing this worksheet, if you were a resident at the end of the year, use the column A amounts shown above; if you were a nonresident, use column B amounts.

1	Enter the loss from the Schedule D Worksheet, line 5, as a positive number	
2	Amount from Long Form 540NR, line 17	
3	Amount from Long Form 540NR, line 18	
4	Subtract line 3 from line 2. If less than zero, enter as a negative amount	
5	Combine line 1 and line 4. If less than zero, enter -0-	
6	Loss from Schedule D worksheet, line 4	
7	Enter the smaller of line 1 or line 5	
8	Subtract line 7 from line 6. This is your capital loss carryover to 2003	

Instructions for Form FTB 3885A

Depreciation and Amortization Adjustments

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2001. Therefore, California has conformed to the income tax changes made to the IRC by the federal Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206), the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277), Surface Transportation Revenue Act of 1998 (Public Law 105-178), the Ricky Ray Hemophilia Relief Fund Act of 1998 (Public Law 105-369), the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170), the Miscellaneous Trade and Technical Corrections Act of 1999 (Public Law 106-36), the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (Public Law 106-519), the Consolidated Appropriations Act of 2001 (Public Law 106-554), and to technical corrections made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16). However, there are continuing differences between California and Federal law. California has not conformed to some of the law changes made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) or the federal Job Creation and Worker Assistance Act of 2002 (Public Law 107-147). Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information on differences between California and federal law for the following items:

- **Amortization of certain intangibles (IRC Section 197);**
- **Qualified Indian reservation property; and**
- **Grapevines subject to Phylloxera or Pierce's disease.**

Purpose

Use form FTB 3885A **only** if there is a difference between the amount of depreciation and amortization allowed as a deduction using California law and the amount allowed using federal law. California law and federal law have not always allowed the same depreciation methods, special credits, or accelerated write-offs. As a result, the recovery periods or the basis on which the depreciation is figured for California may be different from the amounts used for federal purposes. You will probably have reportable differences if all or part of your assets were placed in service:

- **Before 1/1/87.** California did not allow depreciation under the federal accelerated cost recovery system (ACRS), and you must continue to figure California depreciation for those assets in the same manner as in prior years.
- If you claimed the 30% additional depreciation for federal purpose, California has not conformed to the Federal Job Creation and Worker Assistance Act of 2002 which allows taxpayers to take an additional first year depreciation deduction and Alternative Minimum Tax depreciation adjustment for property placed in service after September 10, 2001.
- **On or after 1/1/87.** California provides special credits and accelerated write-offs that affect the California basis of qualifying assets. California did not conform to all changes to federal law enacted in 1993, and this causes the California basis or recovery periods to be different for some assets.

Differences may also occur for other less common reasons, and the instructions for Schedule CA (540 or 540NR) list them on the line for the type of income likely to be affected. You may also get FTB Pub. 1001 for more information about figuring and reporting these adjustments.

If you are reporting differences for assets related to a passive activity, get form FTB 3801, Passive Activity Loss Limitations, for more information about passive activities.

Do not use form FTB 3885A to report depreciation expense from federal Form 2106, Employee Business Expenses. Instead, see the instructions for Schedule CA (540 or 540NR), line 39.

Specific Line Instructions

Note: Prepare and file a separate form FTB 3885A for each business or activity on your return that has a difference between California and federal depreciation or amortization. Enter the name of the business or activity in the space provided at the top of the form. If you need more space, attach additional sheets. However, complete Part II, Election to Expense Certain Tangible Property (IRC Section 179), only once.

Part I Identify the Activity as Passive or Nonpassive

Line 1 – Check the box to identify the activity as passive or nonpassive. A passive activity is any activity involving the conduct of any trade or business in which you did not materially participate. Get form FTB 3801 for more information.

If the activity is passive, use this form as a worksheet to figure the depreciation adjustment to carry to form FTB 3801. **Caution:** Beginning in 1994, and for federal purposes only, rental real estate activities of persons in real property business are not automatically treated as passive activities. California did not conform to this provision.

Part II Election To Expense Certain Tangible Property

You may elect to expense part of the cost of depreciable personal property used in your trade or business and certain other property described in federal Pub. 946, How to Depreciate Property. To do so, you must have purchased property, as defined in the IRC Section 179(d)(2), and placed it in service during 2002, or have a carryover of unused cost from 2001. If you elect this deduction, you must reduce your California depreciable basis by the IRC Section 179 expense. The maximum Section 179 expense allowed for 2002 is $24,000.

Complete the worksheet below to figure IRC Section 179 expense for California. Include all assets qualifying for the deduction because the limit applies to all qualifying assets as a group rather than to each asset individually. **Refer to federal Form 4562 for information.**

Tangible Property Expense Worksheet

1 Maximum dollar limitation for California		**1**	$ 24,000
2 Total cost of Section 179 property placed in service		**2**	
3 Threshold cost of Section 179 property before reduction in limitation		**3**	$200,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-		**4**	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-		**5**	

	(a) Description of property	(b) Cost	(c) Elected cost
6			

7 Listed property (elected Section 179 cost)	**7**		
8 Total elected cost of Section 179 property. Add column (c), line 6 and line 7		**8**	
9 Tentative deduction. Enter the smaller of line 5 or line 8		**9**	
10 Carryover of disallowed deduction from 2001		**10**	
11 Enter the smaller of business income (not less than -0-) or line 5		**11**	
12 Section 179 expense deduction for California. Add line 9 and line 10, but do not enter more than line 11. Also enter the result on FTB 3885A, line 2		**12**	
13 Carryover of disallowed deduction to 2003. Add line 9 and line 10. Subtract line 12 from the result	**13**		

Part III Depreciation

Line 3 – Complete column (a) through column (f) for each tangible asset or group of assets placed in service during the tax year. Be sure to use the California basis for assets on which you elected to take the Section 179 deduction. It will be the difference between line 6, column (b) and line 6, column (c) of the Tangible Property Expense Worksheet in Part II.

Line 8a and Line 8b – Are you using this form as a worksheet in connection with form FTB 3801?

Yes Enter the amount from line 8a or line 8b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

No Include the amount from line 8a on Schedule CA (540 or 540NR) in column B on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Include the amount from line 8b on Schedule CA (540 or 540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Part IV Amortization

Line 9 – Complete column (a) through column (f) for intangible assets placed in service during the tax year. Be sure to use the California basis and the California recovery period.

Line 14a and Line 14b – Are you using this form as a worksheet in connection with form FTB 3801?

Yes Enter the amount from line 14a or line 14b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

No Include the amount from line 14a on Schedule CA (540 or 540NR) in column B on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Include the amount from line 14b on Schedule CA (540 or 540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.