

Instructions for Short Form 540NR California Nonresident or Part-Year Resident Income Tax Return

These instructions are based on the Internal Revenue Code (IRC) as of **January 1, 2001**, and the California Revenue and Taxation Code (R&TC).

What's Changed?

The California legislature enacted SB 615 (Stats. 2004 CH. 388), which makes California law compatible with the Servicemembers Civil Relief Act (Public Law 108-189). This means that servicemembers domiciled outside of California, and their spouses, may exclude the member's military compensation from gross income when computing the tax rate on nonmilitary income.

Requirements for military servicemembers domiciled in California remain unchanged. Military servicemembers domiciled in California must include their military pay in total income. In addition, they must include their military pay in California source income when stationed in California. However, military pay is not California source income when a servicemember is permanently stationed outside of California.

Amended Returns – If you are an active duty military member domiciled outside California and you included your military compensation in income from all sources, you may file an amended return for tax years with an open statute of limitations. Get FTB Publication 1032, Tax Information for Military Personnel and Form 540X, Amended Individual Income Tax Return, for additional information.

Before You Begin

You must complete your federal income tax return (Form 1040, Form 1040A, Form 1040EZ, federal TeleFile Tax Record, Form 1040NR, or Form 1040NR-EZ) before you begin your Short Form 540NR. You will use information from your federal income tax return to complete your Short Form 540NR. Be sure to complete and mail Short Form 540NR by April 15, 2004. If you cannot mail your return by the due date, see page 49 for information.

To get forms and publications referred to in these instructions, go to our Website at www.ftb.ca.gov or see "Where To Get Income Tax Forms and Publications" on page 58.

 **Tip** e-file! No math, fast refund, accurate return, and more! See page 7 for details. You may qualify for the federal earned income credit. See page 2 for more information. There is no comparable state credit.

Step 1 – Name and Address

If there is a label on the front of your booklet, attach the label to your completed return. Make sure that the information on your label is correct. Cross out any errors, and print the correct information. **If there is no label** on the front of your booklet, print your first name, middle initial, last name, and address in the spaces provided at the top of Short Form 540NR. See page 5, Helpful Hints, "Filling in your return."

If you lease a private mailbox (PMB) from a private business rather than a PO box from the United States Postal Service, include the box number in the field labeled "PMB no." in the address area.

Foreign Address

Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. **Do not** abbreviate the country name.

Step 1a – Social Security Number(s)

Enter your social security number(s) in the spaces provided. To protect your privacy, your social security number(s) are not printed on your label. If you file a joint return, enter the social security numbers in the same order as the names.

Note: If you do not have a social security number because you are a nonresident or a resident alien for federal tax purposes, and the IRS issued you an Individual Taxpayer Identification Number (ITIN), enter the ITIN in the space provided for the social security number.

Step 2 – Filing Status

Line 1 through line 5 - Filing Status

See page 17, Step 2, Long Form 540NR instructions for the requirements for each of the filing statuses. Then fill in the circle on the Short Form

540NR that applies to you. **Note: If your filing status is married filing separately, you cannot file this form; use the Long Form 540NR.**

Step 2a – Residency

Please complete the residency portion by filling in all circles that apply to you by providing the applicable information.

Domicile is the place where you voluntarily establish yourself and your family, not merely for a special or limited purpose, but with a present intention of making it your true, fixed, permanent home and principal establishment. It is the place where, whenever you are absent or away, you intend to return. Get FTB Pub. 1031 for more information. See "Where To Get Income Tax Forms and Publications" on page 58.

Step 3 – Exemptions

Caution: If you or your spouse are 65 or older, use the Long Form 540NR.

Line 6 – Can you be claimed as a dependent?

Completely fill in the circle on line 6 if your parent (or someone else) can claim you as a dependent on his or her tax return, even if he or she chooses not to.

Line 7 – Personal Exemptions

Did you fill in the circle on line 6?

No Follow the instructions on Short Form 540NR, line 7.

Yes Ignore the instructions on Short Form 540NR, line 7. Instead, enter the number shown below for your filing status:

- Single, enter -0-;
- Head of household, enter -0-;
- Married filing jointly and both you and your spouse can be claimed as dependents, enter -0-; or
- Married filing jointly and only one spouse can be claimed as a dependent, enter 1.

Line 8 – Blind Exemptions

The first year you claim this exemption credit, you must attach a doctor's statement to the back of Short Form 540NR indicating that you or your spouse is visually impaired. You are visually impaired if you cannot see better than 20/200 while wearing glasses or contact lenses, or if your field of vision is not more than 20 degrees.

Caution: An individual who is someone else's dependent may not claim this credit.

Line 10 – Dependent Exemptions

To claim an exemption credit for each of your dependents, write each dependent's name and relationship to you in the space provided. The persons you list as dependents must be the same persons you listed as dependents on your federal income tax return. Count the number of dependents listed and enter the total in the box on line 10. Multiply the number you entered by the pre-printed dollar amount and enter the result. **Note:** If you are claiming more than five dependents, use Long Form 540NR.

Line 11 – Total Exemptions

Add lines 7-10 and enter the total amount of all exemptions—personal, blind, and dependent.

Step 4 – Taxable Income

Refer to your completed federal income tax return to complete "Step 4."

Line 12 – Total California Wages

Enter the total amount of your California wages from your Form(s) W-2. This amount is reported in box 16 of Form W-2.

Line 14 – California Adjustments To Income

California does not tax unemployment compensation. Enter the amount of any unemployment compensation shown on your federal TeleFile Tax Record, line D; Form 1040EZ, line 3; Form 1040A, line 13; Form 1040, line 19; or Form 1040NR, line 20. If you have interest income from U.S. Obligations, U.S. Treasury Bills, Notes, Bonds, or other sources that is taxable for federal purposes and exempt for state purposes, you cannot file this form. File the Long Form 540NR.

Military Pay Adjustment. Compensation for military service of a servicemember domiciled outside of California is exempt from California tax. It is excluded from adjusted gross income from all sources.

If you are an active duty military member domiciled outside of California, you may claim an adjustment for your active duty military pay.

To claim your adjustment, write "MPA" on the dotted line to the left of line 14. Add this amount to any unemployment compensation and enter on line 14. You will also exclude this amount from adjusted gross income on line 21. Please attach a copy of your W-2, reflecting your military compensation to your return.

Line 18 – California Standard Deduction

Find the standard deduction for your filing status in the left margin on Short Form 540NR. Did you fill in the circle on line 6? If yes, use the standard deduction worksheet on page 18. If no, use the standard deduction amount for your filing status in the left margin.

Step 5 – California Taxable Income

Line 20 – Tax on total Taxable Income

Figure the tax on the amount on line 19 (see California tax table on page 51). Be sure to use the correct filing status and taxable income amount.

Note: To automatically figure or to verify your tax, visit our Website at www.ftb.ca.gov.

Line 21 – California Adjusted Gross Income (If married filing jointly, each spouse reports income based on his or her residency status)

Full-year nonresident – Enter your California wages from Form W-2, box 16.

Part-year resident – Enter your:

- California wages from Form W-2, box 16;
- Non-California wages received while you were a California resident from Form W-2, box 16; and
- Interest income received while you were a California resident

Full-year resident – Enter your:

- California and non-California wages from all your Forms W-2, box 16, and
- All of your interest income

Line 22a – CA Standard Deduction Percentage

Divide the California Adjusted Gross Income (line 21) by the total Adjusted Gross Income (line 17). **If more than 1, enter 1.0000.**

Line 22b – CA Prorated Standard Deduction

Multiply the standard deduction (line 18) by the CA Standard Deduction Percentage (line 22a).

Line 22c – CA Taxable Income

Subtract CA Prorated Standard Deduction (line 22b) from CA Adjusted Gross Income (line 21).

Line 23 – CA Tax Rate

Divide the tax on total taxable income (line 20) by taxable income (line 19).

Line 24 – CA Tax Before Exemption Credits

Multiply CA Taxable Income (line 22c) by the CA Tax Rate (line 23).

Line 25 – CA Exemption Credit Percentage

Divide the California Taxable Income (line 22c) by Total Taxable Income (line 19). This percentage does not apply to the Nonrefundable Renter's Credit, Other State Tax Credit, or credits that are conditional upon a transaction occurring wholly within California. **If more than 1, enter 1.0000.**

Line 26 – CA Prorated Exemption Credits

Multiply line 11 by line 25.

Line 27 – CA Regular Tax Before Credits

Subtract CA Prorated Exemption Credits (line 26) from CA Tax Before Exemption Credits (line 24).

Step 6 – Credits

Line 40 – Nonrefundable Renter's Credit

If you paid rent on your principal California residence in 2003, you may be eligible for a credit to reduce your tax. See page 8 to find out if you qualify.

You may be eligible for the California refundable child and dependent care expenses credit. If you qualify for the credit, you must file Long Form 540NR. See page 23, line 51 through line 54 for more information.

Step 8 – Payments

Line 47 – Income Tax Withheld

Enter your total California income tax withheld from your Form(s) W-2, box 17.

Step 9 – Overpaid Tax Or Tax Due

Line 58 – Overpaid Tax

If line 47 is larger than line 46, subtract line 46 from line 47.

Line 59 – Tax Due

If line 47 is less than line 46, subtract line 47 from line 46.

Step 10 – Contributions

You may make contributions to the funds listed on Short Form 540NR, Side 2, Step 10. See page 23 for a description of the funds.

Line 73 – Total Contributions

Add line 61 through line 70. Enter the result on line 73. If you did not make any contributions, do not enter an amount on line 73. If you show an amount on line 58, you must subtract the amount you contribute from the amount of overpaid tax. If you show an amount on line 59, you must add the amount you contribute to your tax due.

Note: If you have tax due and choose to make a voluntary contribution, it will increase the amount that you owe.

Step 11 – Refund or Amount You Owe

Line 74 – Refund or No Amount Due

If you did not enter an amount on line 73, enter the amount from line 58. If the amount is less than \$1, attach a written request to your Short Form 540NR to receive the refund.

If you entered an amount on line 73, subtract that amount from the amount on line 58. If the result is zero or more, enter the amount on line 74. If the result is less than zero, your contributions are more than your overpaid tax available on line 58. In this case, do not enter an amount on line 74. Enter the result on line 75 and see the instructions for line 75.

Line 75 – Amount You Owe

If you entered an amount on line 73, add line 59 and line 73. Otherwise, enter the amount from line 59. This is the amount you owe with your Short Form 540NR. Make your check or money order for this amount, or see "Paying Your Taxes" on page 59.

To avoid a late filing penalty, file your Short Form 540NR by the due date even if you cannot pay the amount you owe.

Step 13 – Direct Deposit (Refund Only)

Direct Deposit of Refund

Direct Deposit is fast, safe, and convenient. To have your refund directly deposited into your bank account, fill in the account information on Short Form 540NR, Side 2, Step 13. Please be sure to fill in all the appropriate boxes. **Do not** attach a voided check or deposit slip. See the illustration on page 26.

Sign Your Return

You must sign your return in the space provided on Side 2. If you file a joint return, your spouse must sign it also.

Note: If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. If one spouse does not pay the tax, the other spouse may have to. See Innocent Spouse Relief on page 57.

If you pay a person to prepare your return, that person must sign on Side 2 and include their social security number, (or PTIN) or FEIN. A paid preparer must give you two copies of your return: one to file with the Franchise Tax Board and one to keep for your records. For information about **Power of Attorney**, visit our Website at www.ftb.ca.gov.

Nonrefundable Renter's Credit Qualification Record

e-file and skip this page! The software you use to e-file will help you find out if you qualify for this credit and will figure the correct amount of the credit automatically. Go to **www.ftb.ca.gov**. If you were a resident of California for at least six months in 2003 and paid rent on property in California which was your principal residence, you may qualify for a credit that you can use to reduce your tax. Answer the questions below to see if you qualify.

1. Were you a resident¹ of California for at least six full months in 2003?

- YES** Go to the next question.
- NO** Stop here. You do not qualify for this credit.

2. Is your adjusted gross income from all sources on your Long or Short Form 540NR, line 17:

- \$29,054 or less if single or married filing separately; or
- \$58,108 or less if married filing jointly, head of household, or qualifying widow(er)?

- YES** Go to question 3.
- NO** Stop here. You do not qualify for this credit.

3. Did you pay rent, for at least half of 2003, on property (including a mobile home that you owned on rented land) in California which was your principal residence?

- YES** Go to question 4.
- NO** Stop here. You do not qualify for this credit.

4. Can you be claimed as a dependent by a parent, foster parent, or legal guardian in 2003?

- NO** Go to question 6.
- YES** Go to question 5.

5. For more than half the year in 2003, did you live in the home of the person who can claim you as a dependent?

- NO** Go to question 6.
- YES** Stop here. You do not qualify for this credit.

6. Was the property you rented exempt² from property tax in 2003?

- NO** Go to question 7.
- YES** Stop here. You do not qualify for this credit.

7. Did you claim the homeowner's property tax exemption³ anytime during 2003?

- NO** Go to question 8.
- YES** Stop here. You do not qualify for this credit.

8. Were you single in 2003?

- YES.** Go to question 11.
- NO.** Go to question 9.

9. Did your spouse claim the homeowner's property tax exemption³ anytime during 2003?

- NO.** Go to question 11.
- YES.** Go to question 10.

10. Did you and your spouse maintain separate residences for the entire year in 2003?

- YES.** Go to question 11.
- NO.** Stop here. You do not qualify for the credit.

11. Use the following chart to find the amount of your credit based on the number of full months you were a resident of and rented property in California in 2003. Enter the amount on the line below and follow the instructions below the chart.

Note: If you answered "Yes" to question 8, use the amounts for single or married filing separately.

| Number of months | | | | | | | |
|--|------|------|------|------|-------|-------|---------------|
| | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Single or married filing separately ⁴ | \$30 | \$35 | \$40 | \$45 | \$50 | \$55 | \$60 |
| Married filing jointly, head of household, or qualifying widow(er) | \$60 | \$70 | \$80 | \$90 | \$100 | \$110 | File Form 540 |

\$ _____

If this credit is the only special credit you are claiming, enter the amount on your Long or Short Form 540NR, line 40. **If you are a Long Form 540NR filer and are claiming other special credits in addition to this credit,** go to "Step 6" of the instructions for Long Form 540NR.

Do Not Mail This Record



Fill in the street address(es) and landlord information below for the residence(s) you rented in California during 2003 which qualified you for this credit.

| | | |
|-----------------------|----------------------------------|---|
| Street Address | City, State, and ZIP Code | Dates Rented in 2003 (From _____ to _____) |
|-----------------------|----------------------------------|---|

a _____

b _____

Enter the name, address, and telephone number of your landlord(s) or the person(s) to whom you paid rent for the residence(s) listed above.

| | | |
|-------------|-----------------------|--|
| Name | Street Address | City, State, ZIP Code, and Telephone Number |
|-------------|-----------------------|--|

a _____

b _____

¹ Military personnel. If you are not a legal resident of California, you do not qualify for this credit. Your spouse may claim up to a maximum of \$60 if he or she was a resident, did not live in military housing during 2003, and is otherwise qualified.

² Property exempt from property taxes. You do not qualify for this credit if, for more than half of the year, you rented property that was exempt from property taxes. Exempt property includes most government-owned buildings, church-owned parsonages, college dormitories, and military barracks. However, if you or your landlord paid possessory interest taxes for the property you rented, then you may claim this credit.

³ Homeowner's property tax exemption. You do not qualify for this credit if you or your spouse received a homeowner's property tax exemption at any time during the year. However, if you lived apart from your spouse for the entire year and your spouse received a homeowner's property tax exemption for a separate residence, then you may claim this credit if you are otherwise qualified.

⁴ Married filing separate returns. If you and your spouse file separate returns, lived in the same rental property, and both qualify for this credit, one spouse may claim the full amount of this credit (\$120), or each spouse may claim half of the amount (\$60 each).