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## What's New and Other Important Information for 2004

**Amnesty** – Recent legislation authorizes the Franchise Tax Board and the Board of Equalization to administer a Tax Amnesty Program. Tax amnesty is a limited time chance for individuals and businesses to pay past-due income, franchise, sales, or use taxes and the related interest penalty-free without the fear of criminal prosecution. Amnesty runs from February 1, 2005, through March 31, 2005. Taxpayers eligible to participate in amnesty but choose not to do so will be subject to additional penalties.

Amnesty is open to both individuals and businesses for taxable years 2002 and prior, if they did any of the following:

- Did not file required California tax returns.
- Underreported income on a previously filed tax return.
- Claimed excessive deductions.
- Did not pay income, franchise, sales or use taxes on time.

The following taxpayers or transactions are not eligible for amnesty:

- Taxpayers currently under criminal investigation or prosecution on tax-related matters.
- Abusive tax shelter transactions that were eligible for relief under California's Voluntary Compliance Initiative or the 2003 IRS Offshore Voluntary Compliance Initiative. These initiatives applied to taxpayers with nonreported or underreported tax liability amounts attributable to an investment in an abusive tax shelter. Note: These taxpayers are eligible for amnesty for non-abusive tax shelters items.

For more details, visit our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) or call (800) 852-5711.

**Tax Shelters** – If you were involved in a potentially abusive tax shelter, you may have a disclosure, registration, and list maintenance requirement. The Franchise Tax Board may impose several new and enhanced penalties if you fail to file federal Forms 8886, 8264, 8271, or any required information. For more information, see Registration and Reporting Requirements under Abusive Tax Shelters on our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**New Form 540 2EZ income limitations** – For taxable years beginning on or after January 1, 2004, you may be able to file Form 540 2EZ if you are single or head of household and your total income for the taxable year is \$100,000 or less, or if you are married filing jointly or qualifying

widow(er) and your total income for the taxable year is \$200,000 or less. Total income is defined as wages, interest, dividends, and pension income. However, if income adjustments are required due to differences between California and Federal law, you may not use this form. Get Form 540, CalFile, or e-file instead.

**Paid Family Leave Benefits** – If you received paid family leave benefits in 2004, they are not taxable by California. For additional information, get Schedule CA (540) and instructions - California Adjustments, and FTB Pub. 1001 - Supplemental Guidelines to California Adjustments.

**Mandatory e-file** – California law requires individual income tax returns prepared by certain tax practitioners to be e-filed. This law saves money and resources for the state. If you have a tax practitioner prepare your return, they may be required to e-file it. You have the right to choose not to e-file, however, we encourage you take advantage of everything e-file has to offer.

**New Voluntary Contribution Funds** – You may make voluntary contributions to the California Military Family Relief Fund and/or the California Prostate Cancer Research Fund.

**TeleFile Discontinued** – TeleFile is no longer available to file California tax returns. We discontinued TeleFile due to decreasing usage and to help save California resources. If you qualified for TeleFile, you also qualify to use our free e-file option: CalFile. Like TeleFile, CalFile is fast, direct, and easy to use. Go to [www.ftb.ca.gov](http://www.ftb.ca.gov) to use CalFile or other free options available online including California e-file options and the Federal Free File Alliance.

**Estimated Tax Payment Penalty** – You may not be subject to estimate tax payments if your California withholding is enough during each payment period to total either 90% of your current tax year liability or 100% of your prior year tax liability, **OR** you paid enough through withholding to keep the amount you owe with your return under \$200 (\$100 if married filing separately). However, if you did not pay enough through withholding, you may have an underpayment penalty. Get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, for more information.

**Note: If you owe an underpayment penalty, you cannot use Form 540 2EZ. You must use CalFile, e-file, Form 540A, or Form 540.**