TAXABLE YEAR | SCHEDULE

2009 California Capital Gain or Loss Adjustment D (540NR)

Name(s) as shown on return | SSN or ITIN

	(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 (100S, 541, 565, and 568)	2	
3	Capital gain distributions (federal Form 1099-DIV, box 2a minus box 2c)	3	
4	Total 2009 gain from all sources. Add column (e) amounts of line 1a, line 1b, line 2, and line 3	4	
5	2009 loss. Add column (d) amounts of line 1a, line 1b and line 2.	5	( )
6	California capital loss carryover from 2008, if any. See instructions.	6	( )
7	Total 2009 loss. Add line 5 and line 6.	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. (b) $3,000 ($1,500 if married or an RDP filing a separate return). See instructions	9	( )
10	Enter the gain or (loss) 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 (540NR) line 13, column B	12a	
b	If line 10 is **less** than line 11, enter the difference here and on Schedule CA (540NR), line 13, column C	12b	

Instructions for California Schedule D (540NR)

California Capital Gain or Loss Adjustment

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and to the California Revenue and Taxation Code (R&TC)

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to **ftb.ca.gov** and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

For purposes of California income tax, references to a spouse, husband, or wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Purpose

Full-year nonresidents or part-year residents 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 complete Schedule D (540NR), California Capital Gain or Loss Adjustment, and the Schedule D (540NR) Worksheet for Nonresident and Part-Year Residents, in order to complete column E on Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents.

For nonresidents, the computation of California taxable income, capital loss carryovers, and capital loss limitations 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 (IRC 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.

Get FTB Pub. 1001, for more information about the following:

- Disposition of property inherited 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.
- Capital loss carryback.
- Capital gain on Cash for Clunkers rebates under the federal Car Allowance Rebate System (CARS) program.

California law does not conform to federal law changes in regards to the increase in the percentage of the gain exclusion for the sales of qualified small business stock acquired after February 17, 2009. California law allows an exclusion of 50% of any gain from the sale or exchange of qualified small business stock held for more than 5 years. For California purposes, 80% of the issuing corporation's payroll must be attributable to employment located within California (at time of issuance) Also, 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.

R&TC Section 18038.5 also provides for the deferral of gain from the

sale of small business stock that has been held for six months or more, if qualified replacement stock is purchased within 60 days after the sale giving rise to the gain. Report gain deferred from the sale of qualified small business stock in accordance with the instructions contained in Revenue Procedure 98-48.

For more information, go to **ftb.ca.gov** and search for **qsbs**.

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, report the sale on the installment method unless you elect not to do so. Get form FTB 3805E, Installment Sale Income. Also, use that form if you received a payment in 2009, for an installment sale made in an earlier year.

You may elect to not use the installment sale method for California by reporting the entire gain on Schedule D (540NR) (or Schedule D-1, Sale of Business Property, 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

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, Proceeds From Broker and Barter Exchange Transactions; Form 1099-S, Proceeds From Real Estate Transactions; 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 the 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 include:

- **Depreciation Methods and Property Expensing –** Before 1987, California law disallowed the use of ACRS (Accelerated Cost Recovery System) and disallowed 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.
- **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. If you claimed special credits related to capital assets, 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 – R&TC 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 2 – Net Gain or (Loss) Shown on California Schedule(s) K-1 (100S, 541, 565, and 568). Combine gain(s) and loss(es) from all California Schedule(s) K-1 (100S, 541, 565, and 568), Share of Income, Deductions, Credits, Etc. See California Schedule K-1 (100S, 541, 565, and 568) instructions for more information on capital gains and losses. Enter the net loss on line 2, column (d) or the net gain on line 2, 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 (540NR). If you receive federal Form 1099-DIV, Dividends and Distributions, enter the amount of **distributed** capital gain dividends.

Line 6 – 2008 California Capital Loss Carryover. If you had California capital loss carryover from 2008, recalculate those losses as if you had been a resident for all prior years. Enter this amount on line 6. Get FTB Pub. 1100, for more information.

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 worksheet on the next page to figure your capital loss carryover to 2010.

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 married or an RDP filing a separate return).

Line 12a – Compare the amounts entered on line 10 and line 11 to figure the adjustment to enter on Schedule CA (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)
Difference between line 10 and 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)
Difference between line 10 and line 11	$6,000

Line 12b – Compare the amounts entered on line 10 and line 11 to figure the adjustment to enter on Schedule CA (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)
Difference between line 11 and 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
Difference between 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 Long Form 540NR, line 17. . . . . 2 _____
3. Amount from 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 2010 . . . . . 8 _____

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

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 taking into account the dates of the transactions. 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.

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 or an RDP filing separately).					

Capital Loss Carryover Worksheet

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

1	Enter the total loss from the Schedule D (540NR) 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	Enter the total loss from Schedule D (540NR) Worksheet, line 4, as a positive number	
7	Enter the smaller of line 1 or line 5	
8	Subtract line 7 from line 6. This is your capital loss carryover to 2010	