



State of California

**Franchise Tax Board**

# **California Nonresident or Part-Year Resident (FTB Form 540NR)**

**Connie Hughes and Kevin Coughlin**  
**Filing Services Bureau**

# Quick Notes



# Continuing Education Credit

Due to limited resources, this webinar does not qualify for Continuing Education Credits.



# Using Your Control Panel

## My Details

Shows the attendee name and Satisfaction Rating. Attendees can change their Satisfaction Rating by clicking on the drop-down arrow

## Webinar Info

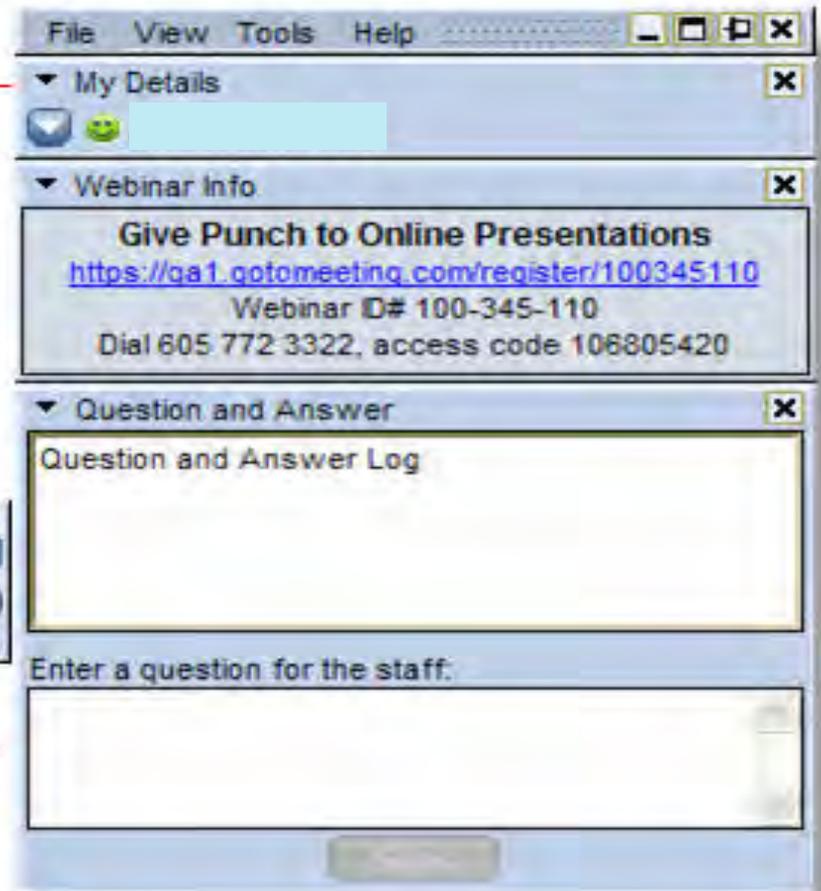
Provided for quick reference

## Grab Tab

Enables attendees to minimize the Control Panel to the side of their desktops and still access Viewer tools

## Question and Answer

If turned on by an organizer, attendees can submit questions and review answers. Broadcast messages from an organizer will also show here



# Let's Get Started!



# Objectives

- Filing Requirements and Status
- Community and Separate Property Rules
- Income Sourcing
- Preparing Nonresident Returns
- Things to Remember for Part-Year Residents
- Military
- Self-Help Tools



# Filing Requirements and Status

# Filing Requirements

Generally, a 540NR needs to be filed if:

- Nonresidents receive CA sourced income, and
- Their gross or adjusted gross income from all sources exceeds the threshold listed in the 540NR Booklet

On 12/31/13, my filing status was:	and on 12/31/13, my age was: (If your 65th birthday is on January 1, 2014, you are considered to be age 65 on December 31, 2013)	California Gross Income			California Adjusted Gross Income		
		Dependents			Dependents		
		0	1	2 or more	0	1	2 or more
Single or Head of household	Under 65	15,702	26,569	34,719	12,562	23,429	31,579
	65 or older	21,002	29,152	35,672	17,862	26,012	32,532
Married/RDP filing jointly Married/RDP filing separately (The income of both spouses/RDPs must be combined; both spouses/RDPs may be required to file a tax return even if only one spouse/RDP had income over the amounts listed.)	Under 65 (both spouses/RDPs)	31,406	42,273	50,423	25,125	35,992	44,142
	65 or older (one spouse/RDP)	36,706	44,856	51,376	30,425	38,575	45,095
	65 or older (both spouses/RDPs)	42,006	50,156	56,676	35,725	43,875	50,395
Qualifying widow(er)	Under 65		26,569	34,719		23,429	31,579
	65 or older		29,152	35,672		26,012	32,532
<b>Dependent of another person</b> Any filing status	Any age	More than your standard deduction (Use the California Standard Deduction Worksheet for Dependents on page 19 to figure your standard deduction.)					

# Filing Requirements

There may be situations individuals are required to file a return; even if, they did not meet the income thresholds.

A list of situations are in FTB 540NR Booklet, under:

- *Requirements for Children with Investment Income*
- *Other Situations When You Must File*



# Filing Status

Individuals must use the same filing status as federal, except if:

- An active member of the United States armed forces or any auxiliary military branch
- Registered domestic partnership (RDP), or
- A nonresident for the entire year and had no income from CA sources

# Filing Status

John is domiciled and a resident of New York. His wife, Marcia, is domiciled and a resident of California. She works in California earning W-2 wages.

Because California is a community property state, 50 percent of her wages are allocated to John. Therefore, John has California source income even though he was never in California.

They would have to use the same filing status as federal because one of the three exceptions was not met.

# Filing Status

John and Marcia are domiciled and residents of New York, which is a separate property state. Marcia worked in CA earning W-2 wages. Because Marcia is domiciled in a separate property state, she would not allocate any of her income to John. Marcia would report all of her income if she filed separately from her husband for federal purposes.

Marcia is a nonresident with sourced income so she would have a California filing requirement. However, John is a nonresident with no sourced income so he would not have to file in California.

Therefore, the requirements of the last bullet are met and Marcia could use a different filing status for California.



# Community and Separate Property Rules

# Community and Separate Property Rules

*Domicile* is the one place where you maintain a true, fixed, and permanent home to which you intend to return whenever you are absent.



# Community and Separate Property Rules

**Community property** – Individuals must split income earned or received with their spouse.



**Separate property** – Individual reports all income earned or received.



# Community and Separate Property Rules

States in the U.S. that follow community property rules are:

Arizona

New Mexico

California

Texas

Idaho

Washington

Louisiana

Wisconsin

Nevada

# Community and Separate Property Rules

The following US Territories are also community property:

- Puerto Rico
- Guam
- Commonwealth of Northern Mariana Islands

# Community and Separate Property Rules

Income considered community property:

- Compensation for services
- Retirement pay
- Interest and dividends
- Capital gain
- Any income from property held jointly



# Income Sourcing

# Income Sourcing

- *Compensation for services rendered* – Where the work was performed
- *Tangible property* – Where the property is located
- *Gambling winnings* – Where the activity took place
- *Intangible property* – Generally, the state of residence
- *Trade or business income* – Where the business activity is conducted or apportioned



# Preparing a Nonresident Return

# Preparing a Nonresident Return

- CA residents are taxed on all income from all sources
- CA nonresidents are taxed on income from CA sources
- CA part-year residents are taxed:
  - While a resident, all income from all sources
  - While a nonresident, income sourced to CA

# Preparing a Nonresident Return

- ***CA resident*** – is any individual who meets any of the following:
  - Present in CA for other than a temporary or transitory purpose.
  - Domiciled in CA but outside CA for a temporary or transitory purpose.
- ***CA nonresident*** – is any individual who is not a resident.
- ***CA part-year resident*** – is any individual who meet both resident and nonresident criteria.

# Preparing a Nonresident Return

What California return to use?

- Residents of California would use Form 540
- Part-Year or nonresidents would use Form 540NR



# Preparing a Nonresident Return

For Privacy Notice, get FTB 1131 ENG/SP.

## California Nonresident or Part-Year Resident Income Tax Return 2013

Long Form

FORM

540NR C1 Side 1

12	Total California wages from your Form(s) W-2, box 16	12	00
13	Enter federal AGI from Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 36; or 1040NR-EZ, line 10	13	00
14	California adjustments – subtractions. Enter the amount from Schedule CA (540NR), line 37, column B	14	00

Line 13 of the 540NR **MUST** match Line 37 of the 1040

Form <b>1040</b>	Department of the Treasury—Internal Revenue Service (99)	<b>2013</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
35	Domestic production activities deduction. Attach Form 8903	35		
36	Add lines 23 through 35	36		
37	Subtract line 36 from line 22. This is your adjusted gross income	37		

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2013)

# Preparing a Nonresident Return

The purpose of the Schedule CA (540NR) is to:

- Identify the domiciles and also, current and past residency information
- Enter the amounts of income and deduction reported on your federal return
- Adjust the income and deductions reported on your federal return for differences in CA and federal law

# Preparing a Nonresident Return

Also, the purpose of the Schedule CA (540NR) is to:

- Determine the portion of income reported on your federal return that was earned or received from CA sources while you were a nonresident
- Determine your allowable standard deduction or itemized deductions

# Preparing a Nonresident Return

Mr. and Mrs. Grasp were California nonresidents for the entire year. They are domiciled in a community property state. Mrs. Grasp works for a local retail outlet in her home state.

During the housing crisis, she bought rental property in her neighborhood and placed it in service. The rental is in her name only and she is receiving rental income every month.

Mr. Grasp is an engineer working for a local construction firm. His company sent him to CA for two months to consult on a project. He returned home after the job was done. All other income they received is held jointly.

# Preparing a Nonresident Return

Mr. Grasp's Wages	\$75,000
Mrs. Grasp's Wages	\$35,000
Joint Bank Interest	\$100
State Tax Refund	\$450
Capital Gains from Stock Sales	\$10,000
Mrs. Grasp's Rental Income	\$12,000
Federal AGI	\$132,550
Itemized Deductions	\$25,450
State Taxes Paid	\$1,563

# Preparing a Nonresident Return

## Part I Residency Information. Complete all lines that apply to you and your spouse/RDP.

### During 2013:

- 1 a I was domiciled in (enter state or country) .....
- b I was in the military and stationed in (enter state or country) .....
- 2 I became a California resident (enter the state or country of prior residence and date of move) ..
- 3 I became a nonresident (enter new state or country of residence and date of move).....
- 4 I was a nonresident of California the entire year (enter state or country of residence).....
- 5 The number of days I spent in California (for any purpose) is: .....
- 6 I owned a home/property in California (enter "Yes" or "No").....

	Yourself	Spouse/RDP
<input type="radio"/>	WI	WI
<input type="radio"/>		
<input type="radio"/>		
<input type="radio"/>		
<input type="radio"/>	WI	WI
<input type="radio"/>	60	0
<input type="radio"/>	NO	NO

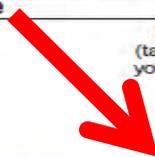
### Before 2013:

- 7 I was a California resident for the period of (enter dates as mm/dd/yyyy) .....
- 8 I entered California on (enter date as mm/dd/yyyy) .....
- 9 I left California on (enter date as mm/dd/yyyy) .....

<input type="radio"/>		
<input type="radio"/>		
<input type="radio"/>		

# Preparing a Nonresident Return

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Section A — Income</b>		Federal Amounts (taxable amounts from your federal tax return)	Subtractions See instructions (difference between CA & federal law)	Additions See instructions (difference between CA & federal law)	Total Amounts Using CA Law As If You Were a CA Resident (subtract col. B from col. A; add col. C to the result)	CA Amounts (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
7	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . 7	<input checked="" type="radio"/> 110,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	Taxable interest. (b) . . . . . 8(a)	<input checked="" type="radio"/> 100	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	Ordinary dividends. See instructions. (b) <input type="radio"/> . . . . . 9(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	Taxable refunds, credits, or offsets of state and local income taxes. . . . . 10	<input checked="" type="radio"/> 450	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	Alimony received. See instructions. . . . . 11	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	Business income or (loss) . . . . . 12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	Capital gain or (loss). See instructions. . . . 13	<input checked="" type="radio"/> 10,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	Other gains or (losses) . . . . . 14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	IRA distributions. See instructions. (a) <input type="radio"/> . . . . . 15(b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	Pensions and annuities. See instructions. (a) <input type="radio"/> . . . . . 16(b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. . . . . 17	<input checked="" type="radio"/> 12,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18	Farm income or (loss) . . . . . 18	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19	Unemployment compensation . . . . . 19	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20	Social security benefits. (a) <input type="radio"/> . . . . . 20(b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
21	Other income.					
	a California lottery winnings		<input type="radio"/>	<input type="radio"/>		
	b Disaster loss carryover from FTB 3805V		<input type="radio"/>	<input type="radio"/>		
	c Federal NOL (Form 1040, line 21)		<input type="radio"/>	<input checked="" type="radio"/>		
21	d NOL carryover from FTB 3805V	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	e NOL from FTB 3805D, FTB 3805Z, FTB 3806, FTB 3807, or FTB 3809		<input type="radio"/>	<input type="radio"/>		
	f Other (describe):		<input type="radio"/>	<input type="radio"/>		
22	a <b>Total:</b> Combine line 7 through line 21 in each column. Continue to Side 2. . . . . 22a	<input checked="" type="radio"/> 132,550	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

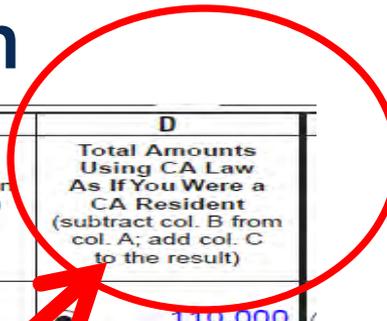


# Preparing a Nonresident Return

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Section A — Income</b>		<b>Federal Amounts</b> (taxable amounts from your federal tax return)	<b>Subtractions</b> See instructions (difference between CA & federal law)	<b>Additions</b> See instructions (difference between CA & federal law)	<b>Total Amounts Using CA Law</b> As If You Were a CA Resident (subtract col. B from col. A; add col. C to the result)	<b>CA Amounts</b> (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
<b>7</b>	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . <b>7</b>	<input type="checkbox"/> 110,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>8</b>	Taxable interest. <b>(b)</b> . . . . . <b>8(a)</b>	<input type="checkbox"/> 100	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>9</b>	Ordinary dividends. See instructions. <b>(b)</b> <input type="checkbox"/> . . . . . <b>9(a)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10</b>	Taxable refunds, credits, or offsets of state and local income taxes. . . . . <b>10</b>	<input type="checkbox"/> 450	<input type="checkbox"/> 450	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b>	Allimony received. See instructions. . . . . <b>11</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b>	Business income or (loss) . . . . . <b>12</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>13</b>	Capital gain or (loss). See instructions. . . . . <b>13</b>	<input type="checkbox"/> 10,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>14</b>	Other gains or (losses) . . . . . <b>14</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>15</b>	IRA distributions. See instructions. <b>(a)</b> <input type="checkbox"/> . . . . . <b>15(b)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16</b>	Pensions and annuities. See instructions. <b>(a)</b> <input type="checkbox"/> . . . . . <b>16(b)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>17</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. . . . . <b>17</b>	<input type="checkbox"/> 12,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18</b>	Farm income or (loss) . . . . . <b>18</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>19</b>	Unemployment compensation . . . . . <b>19</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>20</b>	Social security benefits. <b>(a)</b> <input type="checkbox"/> . . . . . <b>20(b)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>21</b>	Other Income. a California lottery winnings b Disaster loss carryover from FTB 3805V c Federal NOL (Form 1040, line 21) d NOL carryover from FTB 3805V e NOL from FTB 3805D, FTB 3805Z, FTB 3806, FTB 3807, or FTB 3809 f Other (describe): _____	<input type="checkbox"/>	<input type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f	<input type="checkbox"/> a <input type="checkbox"/> b <input type="checkbox"/> c <input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f	<input type="checkbox"/> <b>21</b>	<input type="checkbox"/> <b>21</b>
<b>22</b>	<b>a Total:</b> Combine line 7 through line 21 in each column. Continue to Side 2 . . . . . <b>22a</b>	<input type="checkbox"/> 132,550	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

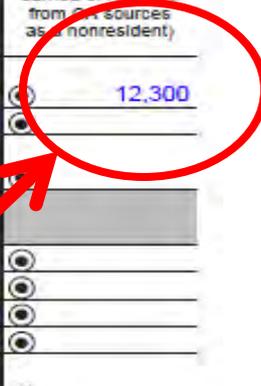
# Preparing a Nonresident Return

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Section A — Income</b>		<b>Federal Amounts</b> (taxable amounts from your federal tax return)	<b>Subtractions</b> See instructions (difference between CA & federal law)	<b>Additions</b> See instructions (difference between CA & federal law)	<b>Total Amounts Using CA Law As If You Were a CA Resident</b> (subtract col. B from col. A; add col. C to the result)
7	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . 7	<input type="radio"/> 110,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/> 110,000
8	Taxable interest. (b) . . . . . 8(a)	<input type="radio"/> 100	<input type="radio"/>	<input type="radio"/>	<input type="radio"/> 100
9	Ordinary dividends. See instructions. (b) <input type="radio"/> . . . . . 9(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	Taxable refunds, credits, or offsets of state and local income taxes. . . . . 10	<input type="radio"/> 450	<input type="radio"/> 450		
11	Alimony received. See instructions. . . . . 11	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>
12	Business income or (loss) . . . . . 12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	Capital gain or (loss). See instructions. . . . . 13	<input type="radio"/> 10,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/> 10,000
14	Other gains or (losses) . . . . . 14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	IRA distributions. See instructions. (a) <input type="radio"/> . . . . . 15(b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	Pensions and annuities. See instructions. (a) <input type="radio"/> . . . . . 16(b)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. . . . . 17	<input type="radio"/> 12,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/> 12,000
18	Farm income or (loss) . . . . . 18	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19	Unemployment compensation . . . . . 19	<input type="radio"/>	<input type="radio"/>		
20	Social security benefits. (a) <input type="radio"/> . . . . . 20(b)	<input type="radio"/>	<input type="radio"/>		
21	Other income. a California lottery winnings b Disaster loss carryover from FTB 3805V c Federal NOL (Form 1040, line 21) d NOL carryover from FTB 3805V e NOL from FTB 3805D, FTB 3805Z, FTB 3806, FTB 3807, or FTB 3809 f Other (describe): _____	<input type="radio"/>	<input type="radio"/> a <input type="radio"/> b <input type="radio"/> c <input type="radio"/> d <input type="radio"/> e <input type="radio"/> f	<input type="radio"/> a <input type="radio"/> b <input type="radio"/> c <input type="radio"/> d <input type="radio"/> e <input type="radio"/> f	<input type="radio"/> 21
22	a <b>Total:</b> Combine line 7 through line 21 in each column. Continue to Side 2. . . . . 22a	<input type="radio"/> 132,550	<input type="radio"/> 450	<input type="radio"/>	<input type="radio"/> 132,100



# Preparing a Nonresident Return

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Section A — Income</b>		Federal Amounts (taxable amounts from your federal tax return)	Subtractions See instructions (difference between CA & federal law)	Additions See instructions (difference between CA & federal law)	Total Amounts Using CA Law As if You Were a CA Resident (subtract col. B from col. A; add col. C to the result)	CA Amounts (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
7	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . 7	<input checked="" type="radio"/> 110,000	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/> 110,000	<input checked="" type="radio"/> 12,300
8	Taxable interest. (b) . . . . . 8(a)	<input checked="" type="radio"/> 100	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/> 100	<input checked="" type="radio"/>
9	Ordinary dividends. See instructions. (b) <input checked="" type="radio"/> . . . . . 9(a)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
10	Taxable refunds, credits, or offsets of state and local income taxes. . . . . 10	<input checked="" type="radio"/> 450	<input checked="" type="radio"/> 450	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
11	Alimony received. See instructions. . . . . 11	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
12	Business income or (loss) . . . . . 12	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
13	Capital gain or (loss). See instructions. . . . . 13	<input checked="" type="radio"/> 10,000	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/> 10,000	<input checked="" type="radio"/>
14	Other gains or (losses) . . . . . 14	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
15	IRA distributions. See instructions. (a) <input checked="" type="radio"/> . . . . . 15(b)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
16	Pensions and annuities. See instructions. (a) <input checked="" type="radio"/> . . . . . 16(b)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. . . . . 17	<input checked="" type="radio"/> 12,000	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/> 12,000	<input checked="" type="radio"/>
18	Farm income or (loss) . . . . . 18	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
19	Unemployment compensation . . . . . 19	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
20	Social security benefits. (a) <input checked="" type="radio"/> . . . . . 20(b)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
21	Other income. <ul style="list-style-type: none"> <li>a California lottery winnings</li> <li>b Disaster loss carryover from FTB 3805V</li> <li>c Federal NOL (Form 1040, line 21)</li> <li>d NOL carryover from FTB 3805V</li> <li>e NOL from FTB 3805D, FTB 3805Z, FTB 3806, FTB 3807, or FTB 3809</li> <li>f Other (describe): _____</li> </ul>	<input checked="" type="radio"/>	<input checked="" type="radio"/> a <input checked="" type="radio"/> b <input checked="" type="radio"/> c <input checked="" type="radio"/> d <input checked="" type="radio"/> e <input checked="" type="radio"/> f	<input checked="" type="radio"/> a <input checked="" type="radio"/> b <input checked="" type="radio"/> c <input checked="" type="radio"/> d <input checked="" type="radio"/> e <input checked="" type="radio"/> f	<input checked="" type="radio"/> 21	<input checked="" type="radio"/> 21
22	a Total: Combine line 7 through line 21 in each column. Continue to Side 2. . . . . 22a	<input checked="" type="radio"/> 132,550	<input checked="" type="radio"/> 450	<input checked="" type="radio"/>	<input checked="" type="radio"/> 132,100	<input checked="" type="radio"/> 12,300



# Preparing a Nonresident Return

## Part III Adjustments to Federal Itemized Deductions

<b>38 Federal Itemized Deductions.</b> Enter the amount from federal Schedule A (Form 1040), lines 4, 9, 15, 19, 20, 27, and 28 (or Schedule A (Form 1040NR), lines 1, 5, 6, 13, and 14) . . . . .	<input checked="" type="radio"/> 38	<u>25,450</u>
<b>39</b> Enter total of federal Schedule A (Form 1040), line 5 (State Disability Insurance, and state and local income tax, or General Sales Tax), and line 8 (foreign taxes <b>only</b> ) (or Schedule A (Form 1040NR), line 1). See instructions . . . . .	<input checked="" type="radio"/> 39	<u>1,563</u>
<b>40</b> Subtract line 39 from line 38 . . . . .	<input checked="" type="radio"/> 40	<u>23,887</u>
<b>41</b> Other adjustments including California lottery losses. See instructions. Specify _____ . . . . .	<input checked="" type="radio"/> 41	<u>0</u>
<b>42</b> Combine line 40 and line 41 . . . . .	<input checked="" type="radio"/> 42	<u>23,887</u>
<b>43 Is your federal AGI (Long Form 540NR, line 13) more than the amount shown below for your filing status?</b>		
Single or married/RDP filing separately . . . . .		\$172,615
Head of household . . . . .		\$258,927
Married/RDP filing jointly or qualifying widow(er) . . . . .		\$345,235
<b>No.</b> Transfer the amount on line 42 to line 43.		
<b>Yes.</b> Complete the Itemized Deductions Worksheet in the instructions for Schedule CA (540NR), line 43 . . . . .	<input checked="" type="radio"/> 43	<u>23,887</u>
<b>44 Enter the larger of the amount on line 43 or your standard deduction. See instructions . . . . .</b>	<input checked="" type="radio"/> 44	<u>23,887</u>

## Part IV California Taxable Income

<b>45 California AGI.</b> Enter your California AGI from line 37, column E . . . . .	<input checked="" type="radio"/> 45	<u>12,300</u>
<b>46</b> Enter your deductions from line 44 . . . . .	<input checked="" type="radio"/> 46	<u>23,887</u>
<b>47 Deduction Percentage.</b> Divide line 37, column E by line 37, column D. Carry the decimal to four places. If the result is greater than 1.0000, enter 1.0000. If less than zero, enter -0- . . . . .	<input checked="" type="radio"/> 47	<u>0 9 3 1</u>
<b>48 California Itemized/Standard Deductions.</b> Multiply line 46 by the percentage on line 47 . . . . .	<input checked="" type="radio"/> 48	<u>2,224</u>
<b>49 California Taxable Income.</b> Subtract line 48 from line 45. Transfer this amount to Long Form 540NR, line 35. If less than zero, enter -0- . . . . .	<input checked="" type="radio"/> 49	<u>10,076</u>

# Preparing a Nonresident Return

For Privacy Notice, get FTB 1131 ENG/SP.

## California Nonresident or Part-Year Resident Income Tax Return 2013

Long Form

FORM

540NR C1 Side 1

Total Taxable Income	12	Total California wages from your Form(s) W-2, box 16 .....	● 12	12,300	00
	13	Enter federal AGI from Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 36; or 1040NR-EZ, line 10 . . . .	13	132,550	00
	14	California adjustments – subtractions. Enter the amount from Schedule CA (540NR), line 37, column B . . . .	● 14	450	00
	15	Subtract line 14 from line 13. If less than zero, enter the result in parentheses (see page 18) . . . . .	15	132,100	00
	16	California adjustments – additions. Enter the amount from Schedule CA (540NR), line 37, column C . . . . .	● 16	0	00
	17	Adjusted gross income from all sources. Combine line 15 and line 16 . . . . .	● 17	132,100	00
	18	Enter the <b>larger</b> of: Your California <b>itemized deductions</b> from Schedule CA (540NR), line 43; <b>OR</b> Your California <b>standard deduction</b> (see page 18) . . . . .	● 18	23,887	00
	19	Subtract line 18 from line 17. This is your <b>total taxable income</b> . If less than zero, enter -0- . . . . .	⊙ 19	108,213	00



# Preparing a Nonresident Return

For Privacy Notice, get FTB 1131 ENG/SP.

## California Nonresident or Part-Year Resident Income Tax Return 2013

Long Form

FORM

**540NR** C1 Side 1

CA Taxable Income	31	Tax. Check the box if from: <input type="checkbox"/> Tax Table <input type="checkbox"/> Tax Rate Schedule ● <input type="checkbox"/> FTB 3800 ● <input type="checkbox"/> FTB 3803 .....	● 31	5,189	00
	32	CA adjusted gross income from Schedule CA (540NR), Part IV, line 45. ....	● 32	12,300	00
	35	CA Taxable Income from Schedule CA (540NR), Part IV, line 49 .....	● 35	10,076	00
	36	CA Tax Rate. Divide line 31 by line 19 .....	● 36	0	4 7 9
	37	CA Tax Before Exemption Credits. Multiply line 35 by line 36. ....	● 37	483	00
	38	CA Exemption Credit Percentage. Divide line 35 by line 19. If more than 1, enter 1.0000. ●	● 38	0	9 3 1
	39	CA Prorated Exemption Credits. Multiply line 11 by line 38. If the amount on line 13 is more than \$172,615 (see page 19) .....	● 39	20	00
	40	CA Regular Tax Before Credits. Subtract line 39 from line 37. If less than zero, enter -0- .....	● 40	463	00
	41	Tax (see page 20). Check the box if from: ● <input type="checkbox"/> Schedule G-1 ● <input type="checkbox"/> FTB 5870A.....	● 41	0	00
	42	Add line 40 and line 41. ....	● 42	463	00



# Things to Remember for Part-Year Residents

# Things to Remember for Part- Year Residents

Part-year residents use both:

- Resident rules
  - CA residents are taxed on all income from all sources
- Nonresident rules
  - CA nonresidents are taxed on income sourced to CA

# Things to Remember for Part-Year Residents

Sally's employer transferred her to their California branch as the new Vice President of Operations. Sally moved to California and started her new job on July 1. She plans to stay in California indefinitely.



# Things to Remember for Part-Year Residents

The following is her income for the year:

INCOME	AMOUNTS	CA TAXABLE
Wages	\$65,000	
Bank Interest	\$100	

# Things to Remember for Part-Year Residents

The following is her income for the year:

INCOME	AMOUNTS	CA TAXABLE
Wages	\$65,000	\$32,500
Bank Interest	\$100	\$50

# Military



# Military

The difference between Temporary Duty Assignment (TDY) and Permanent Change of Station (PCS):

- TDY – refers to an active duty military service member travel assignment at a location other than a permanent change of station
- PCS – refers to an official relocation of an active duty military service member



# Military

Servicemembers domiciled in CA are:

- Residents while stationed in CA on PCS orders
- Treated as a nonresident while stationed outside CA on PCS orders



# Military

Alex is domiciled in California and is stationed at Livermore Logistic Air Command, CA. She was sent to North Carolina on TDY orders for training. The training will be about 2 months.

Would she be treated as a nonresident while in NC?



# Military

Alex domiciles in California and is stationed at Livermore Logistic Air Command, CA. She was sent to North Carolina on TDY orders for training. The training will be about 17 months.

Would she be treated as a nonresident while in NC?

**No.** In order for Alex to be treated as a nonresident, she would need have to be transferred to NC on PCS orders not TDY.

# Military

Connor, a CA domicile, is stationed at Wright Patterson AFB, OH. He received PCS orders to Andrews AFB, VA to be an interpreter in DC. The air force sent him to the Defense Language Institute in Monterey, CA to learn Arabic before reporting to Andrews AFB. The school will be 179 days long.

Will Connor be treated as a CA resident while in Monterey?



# Military

Connor, a CA domicile, is stationed at Wright Patterson AFB, OH. He received PCS orders to Andrews AFB, VA to be an interpreter in Washington, D.C. The air force sent him to the Defense Language Institute in Monterey, CA to learn Arabic before reporting to Andrews AFB. The school will be 179 days long.

Will Connor be treated as a CA resident while in Monterey?

**No.** Connor is in CA on TDY orders. In order for him to be treated as a resident, he would need to be in CA on PCS orders.

# Military

Servicemember Civil Relief Act prohibits us from:

- Making military members, who are domiciled in another state, a CA resident solely by reason of being stationed in CA on PCS orders.



# Military

Servicemember Civil Relief Act prohibits us from:

- Making military members, who are domiciled in another state, a CA resident solely by reason of being stationed in CA on PCS orders.
- Treating military compensation of active duty military members, who domiciled in another state but stationed in CA as CA source income.



# Military

Servicemember Civil Relief Act prohibits us from:

- Making military members, who are domiciled in another state, a CA resident solely by reason of being stationed in CA on PCS orders.
- Treating military compensation of active duty military members, who domiciled in another state but stationed in CA as CA source income.
- Using military compensation of active duty military members who domicile in another state to increase their CA tax liability imposed on other income earned.



# Military

Military Pay Adjustment (MPA) applies when:

- Active duty military member does not domicile in CA
- Military W-2 wages is excluded from any AGI limitation, *and*
- Military pay is subtracted on the Schedule CA (540NR)



Revenue and Taxation Code §17140.5

# Military

In 2013, Jason joined the army from Wisconsin. He went through basic training at Fort Jackson, South Carolina. After training, he was transferred to California on PCS orders. He got a second job at the Post Exchange.

Would the military pay adjustment apply?



# Military

In 2013, Jason joined the army from Wisconsin. He went through basic training at Fort Jackson, South Carolina. After training, he was transferred to California on PCS orders. He got a second job at the Post Exchange.

Would the military pay adjustment apply?

**Yes.** Jason is domiciled in a state other than CA; therefore, the MPA would apply.

# Military

Jason's military wages of \$30,000 and second job wages of \$25,000 totaled \$55,000. He had no other income.

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Section A — Income</b>		<b>Federal Amounts</b> (taxable amounts from your federal tax return)	<b>Subtractions</b> See instructions (difference between CA & federal law)	<b>Additions</b> See instructions (difference between CA & federal law)	<b>Total Amounts Using CA Law As If You Were a CA Resident</b> (subtract col. B from col. A; add col. C to the result)	<b>CA Amounts</b> (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
<b>7</b>	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . <b>7</b>	<input checked="" type="radio"/> <b>55,000</b>	<input checked="" type="radio"/> <b>30,000</b>	<input checked="" type="radio"/>	<input checked="" type="radio"/> <b>25,000</b>	<input checked="" type="radio"/> <b>25,000</b>
<b>8</b>	Taxable interest. <b>(b)</b> . . . . . <b>8(a)</b>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
<b>9</b>	Ordinary dividends. See instructions. <b>(b)</b> <input checked="" type="radio"/> . . . . . <b>9(a)</b>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
<b>10</b>	Taxable refunds, credits, or offsets of state and local income taxes. . . . . <b>10</b>	<input checked="" type="radio"/>	<input checked="" type="radio"/>			

# Military

Jason's military wages of \$30,000 is entered in column B.

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Section A — Income</b>		<b>Federal Amounts</b> (taxable amounts from your federal tax return)	<b>Subtractions</b> See instructions (difference between CA & federal law)	<b>Additions</b> See instructions (difference between CA & federal law)	<b>Total Amounts Using CA Law As If You Were a CA Resident</b> (subtract col. B from col. A; add col. C to the result)	<b>CA Amounts</b> (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
7	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . 7	<input checked="" type="radio"/> 55,000	<input checked="" type="radio"/> 30,000	<input type="radio"/>	<input checked="" type="radio"/> 25,000	<input checked="" type="radio"/> 25,000
8	Taxable interest. (b) _____ .. 8(a)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
9	Ordinary dividends. See instructions. (b) <input checked="" type="radio"/> _____ .. 9(a)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
10	Taxable refunds, credits, or offsets of state and local income taxes. . . . . 10	<input checked="" type="radio"/>	<input checked="" type="radio"/>			

MPA

# Military

Jason's wages from his second job is the only taxable portion of his overall income for CA.

<b>Part II Income Adjustment Schedule</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Section A — Income</b>		<b>Federal Amounts</b> (taxable amounts from your federal tax return)	<b>Subtractions</b> (See instructions (difference between CA & federal law))	<b>Additions</b> (See instructions (difference between CA & federal law))	<b>Total Amounts Using CA Law As If You Were a CA Resident</b> (subtract col. B from col. A; add col. C to the result)	<b>CA Amounts</b> (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
7	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . . 7	<input checked="" type="radio"/> 55,000	<input checked="" type="radio"/> 30,000	<input type="radio"/>	<input checked="" type="radio"/> 25,000	<input checked="" type="radio"/> 25,000
8	Taxable interest. (b) _____ 8(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	Ordinary dividends. See instructions. (b) <input checked="" type="radio"/> _____ 9(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	Taxable refunds, credits, or offsets of state and local income taxes. . . . . 10	<input type="radio"/>	<input type="radio"/>			

# Military

Military Spouse Residency Relief Act (MSRRA) applies if:

- The civilian spouse is in CA to be with the service member serving in compliance with military orders, *and*
- The service member and spouse have the same domicile other than CA.



# Military

Jordan and his wife, Sara, are stationed at Edwards AFB, CA. They live in base housing. Sara works at the Base Exchange as a sales representative and Jordan has a second job at the bowling alley in Lancaster, CA.

Jordan and Sara are domiciled in Mississippi.

How would their income be reported on the Schedule CA (540NR)?



# Military

Jordan's military pay	\$45,000
His income from the bowling alley	\$10,000
Sara's wages	\$25,000

Part II Income Adjustment Schedule		A	B	C	D	E
Section A — Income		Federal Amounts (taxable amounts from your federal tax return)	Subtractions See instructions (difference between CA & federal law)	Additions See instructions (difference between CA & federal law)	Total Amounts Using CA Law As If You Were a CA Resident (subtract col. B from col. A; add col. C to the result)	CA Amounts (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
		<b>MPA</b>				
7	Wages, salaries, tips, etc. See instructions before making an entry in col. B or C. . . . .	7	80,000	45,000	35,000	10,000
8	Taxable interest. (b) _____	8(a)				
9	Ordinary dividends. See instructions. (b) <input checked="" type="radio"/> _____	9(a)				
10	Taxable refunds, credits, or offsets of state and local income taxes. . . . .	10				

Sara's wages plus Jordan's civilian wages

Jordan's bowling alley wages

# Self-Help Tools Available



# Self-Help Tools Available

- FTB Publication 1031 – *Guidelines for Determining Resident Status*
- FTB Publication 1032 – *Tax Information for Military Personnel*
- FTB Publication 1100 – *Taxation of Nonresidents and Individuals Who Change Residency*
- FTB Publication 1001 – *Supplemental Guidelines to California Adjustments*
- FTB 540 NR Booklet - *Nonresident or Part-Year Resident Booklet*

## Forms and Publications

**Form Locator**

Tax Year  2013

Taxpayer Type Individuals

Form Type Income Tax Forms

**OR**

Form Number and/or Keywords 

[Get Forms](#)  [Get help finding forms](#)

# Self-Help Tools Available

- Search on our website at [ftb.ca.gov](http://ftb.ca.gov) for nonresident and part-year resident

## Nonresidents and Part-Year Residents

[Español](#)

### The basics

- [Determine your residency status: Residents, nonresidents, and part-year residents](#)
- [How California taxes residents, nonresidents, and part-year residents](#)
- [Do I need to file?](#)
- [Which form do I use?](#) - Nonresidents and part-year residents of California will need to file either 540NR (short) or 540NR (long) if they have a filing requirement with California.

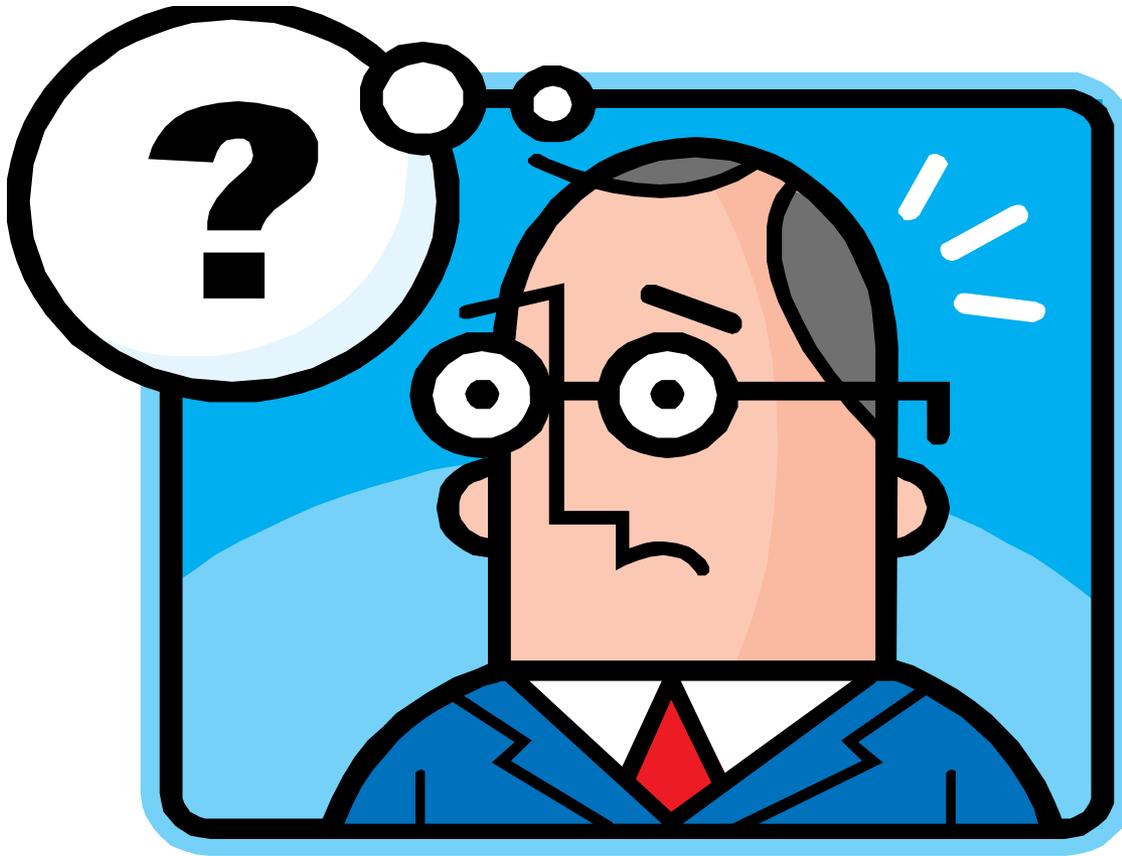
### California source income

- [Compensation](#)
- [Business income](#)
- [Sale of stocks and bonds](#)
- [Sale of real estate](#)
- [Partnerships, S corporations, and certain trusts](#)
- [Installment sales](#)
- [Nonstatutory Stock Options \(NQSOs\)](#)
- [Incentive Stock Options \(ISOs\)](#)

### Miscellaneous issues

- [Community property](#)
- [Other State Tax Credit \(OSTC\)](#)

# Webinar Questions



# Webinars on Demand

The screenshot shows the State of California Franchise Tax Board website. The header includes the CA.GOV logo, the State of California seal, and the text "State of California Franchise Tax Board". Navigation links include "Home", "Individuals", "Businesses", "Tax Professionals", and "News & Events". A search bar is labeled "Search FTB". The "News & Events" section is active, displaying "Announcements" and "Press Releases". A red arrow points to the "Webinars" link in the left sidebar.

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Top 500 delinquent taxpayers

## News & Events

### Announcements

[FTB Follows IRS Payment Extension for Taxpayers Affected by Boston Marathon Explosions](#) (posted 04/19/13)

### Press Releases

There are no press releases posted at this time.

# California Nonresident or Part-Year Resident (FTB Form 540NR)



The End