TAXABLE YEAR

CALIFORNIA SCHEDULE

2009 Tax on Lump-Sum Distributions

G-1

Attach to Form 540, Long Form 540NR, or Form 541. Use this Form only for lump-sum distributions from qualified plans.

Name(s) as shown on return

SSN, ITIN, or FEIN

Part I

Complete this part to see if you can use Schedule G-1.

			Yes	No
1	Was this a distribution of a plan participant's entire balance from all of an employer's qualified plans of one kind (pension, profit-sharing, or stock bonus)? If "No," do not use this form	1	☐	☐
2	Did you roll over any part of the distribution? If "Yes," do not use this form	2	☐	☐
3	Was this distribution paid to you as a beneficiary of a plan participant who was born before January 2, 1936?	3	☐	☐
4	Were you **(a)** a plan participant who received this distribution **(b)** born before January 2, 1936, **and (c)** a participant in the plan for at least 5 years before the year of distribution? If you answered "No" to both questions 3 and 4, do not use this form.	4	☐	☐
5	Did you use Schedule G-1 in a prior year for any distribution received after 1986 for the same plan participant, including yourself, for whom the 2009 distribution was made? If "Yes," **do not** use this form	5	☐	☐

Part II

Complete this part to choose the 5.5% capital gain election. See instructions.

6	Capital gain part from federal Form 1099-R, box 3. If you are taking the death benefit exclusion, see instructions	6	00
7	Multiply line 6 by 5.5% (.055) and enter here. If you elect to use Part III, go to line 8. Otherwise, enter the amount from line 7 on Form 540, line 34; Long Form 540NR, line 41; or Form 541, line 21b	7	00

Part III

Complete this part to choose the 10-year averaging method. See instructions.

8	Ordinary income from federal Form 1099-R, box 2a minus box 3. If you did not complete Part II, enter the amount from federal Form 1099-R, box 2a. See instructions	8	00
9	Death benefit exclusion for a beneficiary of a plan participant who died before August 21, 1996. See instructions	9	00
10	Total taxable amount. Subtract line 9 from line 8	10	00
11	Current actuarial value of annuity, if applicable, from federal Form 1099-R, box 8	11	00
12	Adjusted total taxable amount. Add line 10 and line 11. If this amount is $70,000 or more, skip line 13 through line 16, and enter this amount on line 17	12	00
13	Multiply line 12 by 50% (.50), but do not enter more than $10,000	13	00
14	Subtract $20,000 from line 12 and enter the difference. If the result is zero or less, enter -0-	14	00
15	Multiply line 14 by 20% (.20)	15	00
16	Minimum distribution allowance. Subtract line 15 from line 13	16	00
17	Subtract line 16 from line 12	17	00
18	Multiply line 17 by 10% (.10)	18	00
19	Tax on amount on line 18. Use the Tax Rate Schedule on page 2 of the instructions	19	00
20	Multiply line 19 by ten (10). If line 11 is blank, skip line 21 through line 26 and enter this amount on line 27. Otherwise, continue to line 21	20	00
21	Divide line 11 by line 12 (rounded to at least three places). See instructions	21	.
22	Multiply line 16 by the decimal amount on line 21	22	00
23	Subtract line 22 from line 11	23	00
24	Multiply line 23 by 10% (.10)	24	00
25	Tax on amount on line 24. Use the Tax Rate Schedule on page 2 of the instructions	25	00
26	Multiply line 25 by ten (10)	26	00
27	Subtract line 26 from line 20	27	00
28	Tax on lump-sum distribution. Add Part II, line 7 and Part III, line 27. Enter here and on Form 540, line 34; Long Form 540NR, line 41; or Form 541, line 21b	28	00

Instructions for Schedule G-1

Tax on Lump-Sum Distributions

General Information

California does not impose tax on distributions from qualified retirement plans received by nonresidents after December 31, 1995.

Under California and federal law, the $5,000 employer-provided death benefit exclusion was repealed. Payments received in 2009 on behalf of decedents dying on or after August 21, 1996, do not qualify for the exclusion.

Registered Domestic Partners (RDP) – 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.

Round Cents to Dollars – Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.

A Purpose

If you received a qualified lump-sum distribution in 2009, and were born before January 2, 1936, you can use Schedule G-1, Tax on Lump Sum Distributions, to figure your tax by special methods that may result in less tax. You pay the tax **only once**, for the year you receive the distribution, not over the next 10 years. The separate tax is added to the regular tax figured on your other income.

California law regarding the capital gain election and the 10-year averaging method on lump-sum distributions is generally the same as federal law. However, your California basis in your pension plan may differ from your federal basis. If you received a lump-sum distribution from a Keogh plan, your California basis includes the contributions that were not deductible for California purposes because they exceeded the California deduction limit for years prior to 1987. Get FTB Pub. 1005, Pension and Annuity Guidelines, for more information.

For federal purposes, any capital gain is reduced by the amount of related estate tax. However, California does not have a comparable reduction.

Early Distribution. If you received an early distribution from a qualified retirement plan, you may have to pay an additional 2½% tax, unless the distribution meets one of the exceptions. Get form FTB 3805P, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, for more information.

B Who Can Use the Form

If you received a qualified lump-sum distribution and were born before January 2, 1936, you can use Schedule G-1. If you received a qualifying distribution as a beneficiary after a participant's death, the deceased must have been born before January 2, 1936, for you to use this form for that distribution.

To determine if the distribution qualifies, see the instructions for federal Form 4972, Tax on Lump-Sum Distributions.

C How to Use the Form

Use Schedule G-1 with Form 540, California Resident Income Tax Return; Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return; or Form 541, California Fiduciary Income Tax Return, to:

- Choose the 5.5% capital gain method by completing Part II.
- Choose the 10-year averaging method by completing Part III.
- Figure tax using the 10-year averaging method, which taxes the ordinary income part of the lump-sum distribution in the current year as if you received it in equal parts over 10 years.

10-Year Averaging Method & Capital Gain Election. If the participant was born before January 2, 1936, use Part III to choose the 10-year averaging method to figure your tax on the lump-sum distribution. You may choose this option whether or not you make the 5.5% capital gain election described in General Information F, Capital Gain Election.

Distribution Statement. The payer should have given you federal Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., or other statement that shows the separate parts of your distribution. The amounts you will use from federal Form 1099-R in filling out Schedule G-1 are capital gain (box 3); ordinary income (box 2a minus box 3); total of ordinary income plus capital gain (box 2a); net unrealized appreciation (NUA) in employer's securities (box 6); and, if it applies, the current actuarial value of an annuity (box 8). If you do not have a statement that shows this information, ask the payer for one that does show it.

D How Often You Can Choose

After 1986, use Schedule G-1 only once for each plan participant. If you receive more than one lump-sum distribution for the same plan participant in one tax year, treat all of the distributions in the same way. Combine the distributions on a single Schedule G-1.

If you make an election as a beneficiary of a deceased participant, it does not affect any election you can make for qualified lump-sum distributions from your own plan. You can also make a separate election as the beneficiary of more than one qualifying person.

Example: Your mother and father died and each was born before January 2, 1936. Each participated in a qualified plan of which you are the beneficiary. You also received a qualified lump-sum distribution from your own plan and you were born before January 2, 1936. You may make a separate election for each of the distributions; one for yourself, one as your mother's beneficiary, and one as your father's beneficiary. It does not matter if the distributions all occur in the same year or in different years. File a separate Schedule G-1 for each participant's distribution.

E When You Can Choose

You can file Schedule G-1 with either an original return or an amended return. Generally, you have 4 years from the later of the due date of your tax return or the date you filed your return to choose to use any part of Schedule G-1.

F Capital Gain Election

The plan participant must have been born **before** January 2, 1936, to be eligible for the capital gain election. Only the taxable amount of distributions resulting from pre-1974 participation qualifies for capital gain treatment. The amount that qualifies for capital gain treatment should be shown in Form 1099-R, box 3. If there is an amount in Form 1099-R, box 6 NUA, part of it may also qualify for capital gain treatment. See the NUA Worksheet in the instructions for federal Form 4972, page 3, to figure the capital gain part of NUA. Figure the tax using 5.5% instead of the 20% used for federal purposes.

If your distribution includes capital gain, you can either:

- Make the 5.5% capital gain election in Part II of Schedule G-1.
- Treat the capital gain as ordinary income.

G Tax on Prior Year Lump-Sum Distributions

In some circumstances, the federal rules for multiple lump-sum distributions do not apply for California. Under California law, if you received a lump-sum distribution before 1987 and you received a lump-sum distribution in 2009 that is the only lump-sum distribution you received after 1986, figure your tax on the lump-sum distribution for 2009 separately on Schedule G-1. **Do not** include the lump-sum distribution you received before 1987 on Schedule G-1.

Specific Line Instructions

If you received more than one qualified distribution for the same plan participant, add them and figure the tax on the total amount.

If you and your spouse/RDP file a joint return and each has received a lump-sum distribution, complete and file a separate Schedule G-1 for each spouse's/RDP's election and combine the tax on Form 540, line 34 or Long Form 540NR, line 41.

If you file for a trust that shared the distribution with other trusts, figure the tax on the whole lump sum first. The trusts then share the tax in the same proportion that they shared the distribution.

Part II

Line 6

Enter zero (-0-) and go to Part III if your distribution does not include capital gain, or if you are not making the 5.5% capital gain election.

If you make the 5.5% capital gain election but do not take a death benefit exclusion, enter on line 6 the entire capital gain amount from federal Form 1099-R, box 3.

If you make the 5.5% capital gain election and you are taking the death benefit exclusion, figure the amount to enter using the worksheet below.

Death Benefit Worksheet

A. Enter the capital gain amount from federal Form 1099-R, box 3. If you elected to include NUA in taxable income, enter the amount from line G of the NUA Worksheet in federal Form 4972 instructions. . . . . _____

B. Enter the taxable amount from federal Form 1099-R, box 2a. If you elected to include NUA in taxable income, add the amount from federal Form 1099-R, box 6, to the amount from federal Form 1099-R, box 2a, and enter the total here . . . . _____

C. Divide line A by line B and enter the result as a decimal . . . . . _ _ _ _

D. Enter your share of the death benefit exclusion* . . . . . _____

E. Multiply line D by line C . . . . . _____

F. Subtract line E from line A. Enter the result here and on Schedule G-1, line 6 . . . . . _____

*The $5,000 death benefit exclusion for employer-provided death benefits applies only for decedents who died before August 21, 1996. If there are multiple recipients of the distribution, allocate the $5,000 maximum death benefit exclusion among the recipients in the same proportion that they share the distribution.

Enter the remaining allowable death benefit exclusion in Part III, line 9, and see the instructions for line 9.

Part III

To figure your tax on the lump-sum distribution with the 10-year averaging method, complete line 8 through line 28.

Enter the result of the 10-year averaging from line 28, on Form 540, line 34; Long Form 540NR, line 41; or Form 541, line 21b.

Line 8 (Multiple recipients of a lump-sum distribution see box to the right)

Community property laws do not apply to figuring tax on the amount you report on line 8.

If you made the capital gain election, enter only the ordinary income from federal Form 1099-R on this line. To figure this amount, subtract federal Form 1099-R, box 3, from federal Form 1099-R, box 2a. Enter the result on line 8. If you included NUA in taxable income, then add the amount from line F of the NUA Worksheet in federal Form 4972 instructions to the ordinary income amount computed previously.

If you did not make the capital gain election (Part II) and did not elect to include NUA in taxable income, enter the amount from federal Form 1099-R, box 2a.

If you did not make the capital gain election but did elect to include NUA in your taxable income, add the amount from federal Form 1099-R, box 2a, to the amount from federal Form 1099-R, box 6. Enter the total on line 8. On the dotted line to the left of the entry, write "NUA" and the amount of NUA included, or include it according to your software's instructions.

Line 9 – If you received a distribution in 2009 because of the plan participant's death that occurred before August 21, 1996, you may exclude up to $5,000 of the distribution from your gross income. However, if part of the death benefit exclusion was allowed in Part II, you must reduce the allowable exclusion by the amount on line E of the Death Benefit Worksheet on this page.

If the trust for which you are filing shared the lump-sum distribution with other trusts, it will share the exclusion in the same proportion as it shared the distribution. This exclusion applies to the beneficiaries or estates of common-law employees, self-employed individuals, and shareholder-employees who owned more than 2% of an S corporation.

Line 11 – Divide the amount shown on federal Form 1099-R, box 8, by the percentage shown on federal Form 1099-R, box 8.

Line 19 and Line 25 – Use the Tax Rate Schedule below to complete Part III, line 19 or line 25.

Line 21 – Decimals should be carried to four places and rounded to three places. Drop amounts 4 and under (.4434 becomes .443). Round amounts 5 and over up to the next number (.4445 becomes .445).

Tax Rate Schedule for Part III, 10-Year Averaging

If the amount on Part III, line 18 or line 24 is:		Enter on Part III, line 19 or line 25			
Over –	But Not Over –				of the amount over–
$ 0	$ 3,490	$ 0.00	PLUS	1.0%	$ 0
3,490	6,110	34.90	PLUS	2.0%	3,490
6,110	8,710	87.30	PLUS	3.0%	6,110
8,710	11,360	165.30	PLUS	4.0%	8,710
11,360	13,980	271.30	PLUS	5.0%	11,360
13,980	16,630	402.30	PLUS	6.0%	13,980
16,630	19,220	561.30	PLUS	7.0%	16,630
19,220	21,850	742.60	PLUS	8.0%	19,220
21,850	24,460	953.00	PLUS	9.0%	21,850
24,460	27,090	1,187.90	PLUS	10.0%	24,460
27,090	AND OVER	1,450.90	PLUS	11.0%	27,090

Multiple Recipients of a Lump-Sum Distribution

If you shared a lump-sum distribution from a qualified retirement plan when not all recipients were trusts (a percentage will be shown on federal Form 1099-R, box 8 and/or box 9a), figure the tax on your distribution as follows:

Use the table below to determine the amount to enter on Schedule G-1, line 8.

If in Part II	Is Net Unrealized Appreciation (NUA) included in your taxable income?	– Computation– Use federal Form 1099-R Amounts
You did not make the capital gain election.	NO	Divide box 2a by the percentage in box 9a.
	YES	Add box 2a and box 6. Divide the result by the percentage in box 9a.
You made the capital gain election.	NO	Subtract box 3 from box 2a. Divide the result by the percentage in box 9a.
	YES	Subtract box 3 from box 2a. Add to line F of the NUA Worksheet on page 3 of federal Form 4972 instructions. Then divide the result by the percentage of distribution shown in box 9a.

Line 28 – Complete the following worksheet:

A. Enter your percentage of distribution from federal Form 1099-R, box 9a . . . . . **A** _____

B. Enter the amount from Schedule G-1, line 27 . . . . . **B** _____

C. Multiply line A by the amount on line B . . . . . **C** _____

D. Enter the amount from Part II, line 7 . . . . . **D** _____

E. Add line C and line D. Enter the result here and on line 28. . . . . **E** _____