TAXABLE YEAR **2009**

Beneficiary's Share of Income, Deductions, Credits, etc.

CALIFORNIA SCHEDULE **K-1 (541)**

For calendar year 2009 or fiscal year beginning month ____ day ____ year _____ , and ending month ____ day ____ year _____ .

Fiduciaries: Complete a **separate** Schedule K-1 (541) for each beneficiary.

Beneficiaries: Refer to the instructions for Schedule K-1 (541).

Name of estate or trust

Beneficiary's SSN/ITIN, California corporation no., SOS file no., or FEIN	Estate's or trust's FEIN
Beneficiary's name, address (number and street, suite, Apt., PO Box, or PMB no.), City, and ZIP Code	Fiduciary's name, address (number and street, suite, Apt., PO Box, or PMB no.), City, and ZIP Code (If there is more than one fiduciary or trustee, list all of the fiduciaries or trustees' names, addresses, and indicate if fiduciary is a nonresident. If more space is needed, add an attachment. Include the estate's or trust's FEIN at the top of each separate attachment.)

A Beneficiary's percentage of distribution at year end . . . . . ● ___ ___ ___ . ___ ___ ___ ___ %

B Check here **only** if this is: ● **(1)** ☐ A final Schedule K-1 (541) **(2)** ☐ An amended Schedule K-1 (541)

C What type of entity is this beneficiary? . . . . . ● **(1)** ☐ Individual **(2)** ☐ Estate/Trust **(3)** ☐ Qualified Exempt Organization **(4)** ☐ Other _____

D Is this beneficiary a nonresident of California? . . . . . ▶ ☐ Yes ● ☐ No

E Is the fiduciary a nonresident of California? . . . . . ▶ ☐ Yes ● ☐ No

	(a) Allocable share item	(b) Amount from federal Schedule K-1 (1041)	(c) California Adjustments	(d) Total amounts using California law Combine col. (b) and col. (c)	(e) California source amounts and credits
Income (Loss)	1 Interest			●	●
	2 Dividends			●	●
	3 Net capital gain or (loss)			●	●
	5 Other portfolio and nonbusiness income			●	●
	6 Ordinary business income			●	●
	7 Net rental real estate income				
	8 Other rental income				
Directly apportioned deduction	9 a Depreciation				
	b Depletion				
	c Amortization				
Final year deduction	11 a Excess deduction on termination (Attach computation)				
	b Capital loss carryover				
	c Net operating loss (NOL) carryover for regular tax purposes				
	d NOL carryover for alternative minimum tax purposes				
Alternative minimum tax adjustment	12 a Adjustment for alternative minimum tax purposes				
	b Accelerated depreciation				
	c Depletion				
	d Amortization				
	e Exclusion items				
Credits	13 a Trust payments of estimate tax credited to beneficiary				
	b Total Withholding (equals amount on Form 592-B, if calendar year)				
	c Taxes paid to other states. Attach Schedule S, Other State Tax Credit				
	d Other credits. Attach schedule				
Other Information	14 a Tax-exempt interest				
	b Net investment income				
	c Gross farm and fishing income				
	d Other Information _____				

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2009 Instructions for Schedule K-1 (541)

Beneficiary's Share of Income, Deductions, Credits, etc.

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

Conformity

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 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.

Revised Schedule K-1 (541)

The California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line items are in a similar format to the federal Schedule K-1 (1041), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Schedule K-1 Federal/State Line References chart on page 3.

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

The estate or trust uses Schedule K-1 (541) to report its beneficiary's share of the income, deductions, credits, etc. The estate or trust files copies of the Schedules K-1 (541) with the Form 541, California Fiduciary Income Tax Return.

B Who Must File

A fiduciary of the estate or trust (or one of the joint fiduciaries) must file a Schedule K-1 (541) for each beneficiary. A copy of each beneficiary's Schedule K-1 (541) must be attached to the Form 541 filed with the Franchise Tax Board (FTB). The fiduciary also must give each beneficiary a copy of his or her respective Schedule K-1 (541) and a copy of the Beneficiary's Instructions for Schedule K-1 (541) or other prepared specific instructions. One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

C Penalty

The estate or trust will be charged a $50 penalty for failure to provide a copy of each beneficiary's Schedule K-1 (541), unless reasonable cause is established for not providing it, R&TC Section 19183.

D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). Get FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, for more information.

E Taxable Year

Beneficiary's taxable year. The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year in which the estate's or trust's taxable year ends.

Prior Year. Do not include in the beneficiary's income any amounts deducted on Form 541 for an earlier year that were credited or required to be distributed in that earlier year.

F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income
- Character of income
- Allocation of deductions
- Allocation of credits
- Gifts and bequests

However, income of nonresidents from bank accounts, stocks, bonds, notes, and other intangible personal property is not income from sources in California unless one of the following applies 1) the property has acquired a business situs in California 2) orders with brokers have been placed so regularly as to constitute "doing business" (R&TC Section 17952).

Include on Schedule K-1 (541) column (e) only income from intangible property that is income from sources within California.

Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income, such as interest, dividends, capital gains from the sale of stocks, bonds, etc., whose source is dependent upon the residence or commercial domicile of the beneficiary.

For nonresidents, income from a trade or business conducted within and outside California is apportioned or allocated to California in accordance with Cal. Code Regs., tit. 18, section 17951-4(c).

G Passive Activities

The limitations on passive activity losses and credits under IRC Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion, and amortization deductions to beneficiaries. These deductions are called "directly allocable deductions."

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

H Nonresident Beneficiaries

If the beneficiary of an estate or trust was a nonresident of California for the estate's or trust's entire taxable year, California will only tax the beneficiary on income that is derived from California sources. If the beneficiary of an estate or trust is a resident of California for only part of the estate's or trust's taxable year, California will tax the beneficiary's share of the estate's or trust's income or loss in accordance with FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency, and FTB Legal Ruling 2003-1. Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within and outside California are to be properly allocated and reported on the Schedule K-1 (541).

Payments to nonresidents having a business or taxable situs in California are subject to withholding of taxes. For more information, get the 2009 instructions for Form 592, Quarterly Resident and Nonresident Withholding Statement; Form 592-A, Foreign Partner or Member Quarterly Withholding Remittance Statement; and Form 592-B, Resident and Nonresident Withholding Tax Statement.

General Summary of Treatment for Sourcing Specific Nonbusiness Income Items

For California tax purposes:

- Compensation for personal services has a source where the services are performed.
- Interest and dividends generally have a source at the taxpayer's state of residence.
- Gains and losses from the sale or exchange of real and tangible personal property have a source where the property is located.
- Income from intangible personal property generally has a source at the taxpayer's state of residence.
- Rents and royalties have a source where the property is located.
- Pensions have a source where the services were performed. However, California does not impose a tax on qualified retirement income or pensions received by nonresidents on or after January 1, 1996.

Generally, income from a business, trade, or profession is sourced as follows:

- If the operations are conducted wholly within California, the income has a California source.
- If the operations within California are so separate and distinct from the operations

outside of California that taxable income can be separately accounted for, only the income from within California must be included in California source income.

- If the trade or business carried on within California is an integral part of a unitary business carried on outside of California, the entire net income must be reported and apportioned or allocated in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act as contained in R&TC Sections 25120 through 25139.

Partnership, limited liability company (LLC), and S corporation income (loss), is apportioned or allocated in the same manner as any other business. If the estate or trust is a partner, member, or S corporation shareholder in a business entity, income sourced to California is generally included in column (e) of Schedules K-1 (565, 568, or 100S). For more information, see Cal. Code Regs., tit. 18, section 17951-4 and related tax codes.

See Cal. Code Regs., tit. 18 sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

If California source income is being distributed to a nonresident beneficiary, see instructions regarding withholding in General Information Q, Miscellaneous Items, of the Form 541 instructions.

If the beneficiary of an estate or trust was a resident of California for the estate's or trust's entire taxable year, the beneficiary's share of the estate's or trust's income or loss for the taxable year is taxable to California.

I Internet

You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Specific Line Instructions

When completing the California Schedule K-1 (541) refer to the Federal/State Line References chart on page 3 that shows the specific line instructions between the federal Schedule K-1 (1041) and the California Schedule K-1 (541).

The estate or trust is required to request and provide a proper identification number for each beneficiary. Enter the beneficiary's number on the respective Schedule K-1 (541) when the estate or trust files Form 541.

Individuals and business beneficiaries are responsible for giving the estate or trust their social security number or Individual Taxpayer Identification Number (ITIN), California corporation number, Secretary of State (SOS) file number, or federal employer identification number (FEIN) upon request.

The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certificate, to request the beneficiary's identifying number.

Columns (b), (c), (d), and (e)

In **column (b)**, the amounts entered are from your federal Schedule K-1 (1041).

In **column (c)**, the amounts entered are the adjustments resulting from differences between California and federal law for each specific line item.

In **column (d)**, the amounts entered are the result of combining column (b) and column (c).

In **column (e)**, the amounts entered are used to report California source income and credits.

Line 1 and Line 2 – Enter in column (b), the amounts from federal Schedule K-1 (1041), and in column (c) any adjustments resulting from differences between California and federal law for each specific line item.

Line 3 – Enter the combined amount from federal Schedule K-1 (1041), line 3 and line 4a. Gains or losses from the complete or partial disposition of a rental real estate or trade or business activity that is a passive activity must be shown on an attachment to Schedule K-1 (541).

Line 5 – Enter on line 5 the beneficiary's share of annuities, royalties, or any other income (before directly allocable deductions) that is not subject to any passive activity loss limitation rules at the beneficiary level.

Line 6 through Line 8 – Enter the beneficiary's share of trade or business, rental real estate, and other rental income, minus allocable deductions (other than directly apportionable deductions). To assist the beneficiary in figuring any applicable passive activity loss limitations, also attach a separate schedule showing the beneficiary's share of income derived from each trade or business, rental real estate, and other rental activity.

Line 9a through line 9c – Enter the beneficiary's share of the depreciation and depletion deductions directly apportioned to each activity reported on line 5 through line 8. Itemize the beneficiary's share of the amortization deductions directly apportioned to each activity on line 5 through line 8. For more information, get the federal instructions for Schedule K-1 (1041).

Line 11a through Line 11d – If this is the final return, enter on line 11 the beneficiary's share of any of the following:

- Excess deductions on termination (follow the instructions for federal Form 1041)
- Capital loss carryover
- Unused net operating loss (NOL) carryover for both regular and alternative minimum tax, if the NOL carryover would be allowed to the estate or trust in a later year but for termination

Note: No deduction is allowed for estate taxes.

Net Operating Loss (NOL)
For more information, get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.

Line 12a – Enter the beneficiary's share of the adjustment for minimum tax purposes. To figure the adjustment, subtract the beneficiary's share of the income distribution deduction figured on Form 541, Schedule B, line 15, from the beneficiary's share of the income distribution deduction on an alternative minimum tax basis figured on Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries, Part II, line 15. The difference is the beneficiary's share of the adjustment for minimum tax purposes.

An estate or trust cannot pass through the alternative minimum taxable income (AMTI) exclusion to the beneficiary. The fiduciary for the estate or trust must recalculate Schedule P (541), by leaving Part I, line 7b blank. This will eliminate the effect of the AMTI exclusion but allow other items of adjustment or tax preference to be passed through to the beneficiary. The recalculated amount on Schedule P (541), Part I, line 10, must be entered on Schedule K-1 (541), line 12a, column (d).

Line 12b through Line 12e – Enter the amounts from Schedule P (541), line 4. Get the instructions for federal Schedule K-1 (1041) for more information.

Line 13 and Line 14 – Enter the beneficiary's trust payments, withholding, taxes paid to other states, and/or other credits. Attach a separate sheet for each item reported on line 13a-d and line 14a showing the computation. Items that must be reported on this line include the allocable share, if any, of items listed on line 13a through line 14a.

Line 13a – Enter the beneficiary's share of estimated payment credited.

Form 541-T, Allocation of Estimated Tax Payments to Beneficiaries, **must be** submitted in order for the beneficiary to receive credit for the payments.

Line 13b – If the fiducidary withheld taxes at source for a domestic or foreign nonresident beneficiary, or if there is a pass-through withholding credit from another entity, the fiduciary must provide each affected beneficiary (including California residents), a completed Form 592-B. The fiduciary and beneficiaries must attach Form 592-B to the front of their California tax return to claim the withholding amounts. Schedule K-1 (541) may not be used to claim the withholding credit.

Line 13c – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Attach a copy of the return filed with the other state, evidence of payment, and a copy of Schedule S to verify the amount of tax paid.

Line 13d – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

Line 14a – Enter tax-exempt interest received by the estate or trust. Include exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Line 14d – Enter any other item that is not included:

The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

If the estate or trust is claiming tax benefits from an Enterprise Zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it should give the beneficiaries their distributive share of the business income and business capital gain or loss apportioned to the EZ, LARZ, LAMBRA, MEA, or TTA on this line.

SCHEDULE K-1 FEDERAL/STATE LINE REFERENCES

The following chart cross-references the line items on the federal Schedule K-1 to the appropriate line items on the California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Specific Line Instructions for Schedule K-1 (541) and the Beneficiary's Instructions for Schedule K-1 (541).

Federal Schedule K-1 (1041)			CA Schedule K-1 (541)	
Box	**Code**	**Items**	**Line**	**Items**
1		Interest income	**1**	Interest
2a		Ordinary dividends	**2**	Dividends (ordinary and qualified)
2b		Qualified dividends		*Not applicable*
3		Net short-term capital gain	**3**	Net capital gain or (loss)
4a		Net long-term capital gain		*Not applicable*
4b		28% rate gain		*Not applicable*
4c		Unrecapture Section 1250 gain		*Not applicable*
5		Other portfolio and nonbusiness income	**5**	Other portfolio and nonbusiness income
6		Ordinary business income	**6**	Ordinary business income
7		Net rental real estate income	**7**	Net rental real estate income
8		Other rental income	**8**	Other rental income
9	**A**	Depreciation	**9a**	Depreciation
	B	Depletion	**9b**	Depletion
	C	Amortization	**9c**	Amortization
10		Estate tax deduction	**10**	*Not applicable*
11	**A**	Excess deductions	**11a**	Excess deduction on termination (Attach computation)
	B	Short-term capital loss carryover	**11b**	Capital loss carryover
	C	Long-term capital loss carryover		*Not applicable*
	D	NOL carryover – regular tax	**11c**	NOL carryover – regular tax
	E	NOL carryover – minimum tax	**11d**	NOL carryover for alternative minimum tax purposes
12	**A**	Adjustment for minimum tax purposes	**12a**	Adjustment for alternative minimum tax purposes
12	**G**	Accelerated depreciation	**12b**	Accelerated depreciation
12	**H**	Depletion	**12c**	Depletion
12	**I**	Amortization	**12d**	Amortization
12	**J**	Exclusion items	**12e**	Exclusion items
12	**B-F**	AMT adjustment		*Not applicable*
13	**A**	Credit for estimated taxes	**13a**	Trust payments of estimated tax credited to you
		Not applicable	**13b**	Total withholding (equals amount on Form 592-B if calendar year)
		Not applicable	**13c**	Taxes paid to other states. Attach Schedule S, Other State Tax Credit.
		Not applicable	**13d**	Other California credits. Attach schedule
	B-T	Federal credits		*Not applicable*
14	**A**	Tax-exempt interest	**14a**	Tax-exempt interest
14	**E**	Net investment income	**14b**	Net investment income
14	**F**	Gross farm and fishing income	**14c**	Gross farm and fishing income
14	**H**	Other information	**14d**	Other
14	**B**	Foreign taxes		*Not applicable*
14	**C**	Qualified production activities income		*Not applicable*
14	**D**	Form W-2 wages		*Not applicable*
14	**G**	Foreign trading gross receipts (IRC 942(a))		*Not applicable*