

2017

Depreciation and Amortization Adjustments

3885A

Do not complete this form if your California depreciation amounts are the same as federal amounts.

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

Part I Identify the Activity as Passive or Nonpassive. (See instructions.)

- 1 This form is being completed for a passive activity.
This form is being completed for a nonpassive activity.

Business or activity to which form FTB 3885A relates

Part II Election to Expense Certain Tangible Property (IRC Section 179).

2 Enter the amount from line 12 of the Tangible Property Expense Worksheet in the instructions 2

Table with 7 columns: (a) Description of property placed in service, (b) Date placed in service, (c) California basis for depreciation, (d) Method, (e) Life or rate, (f) California depreciation deduction. Row 3 is the first data row.

- 4 Add the amounts on line 3, column (f)
5 California depreciation for assets placed in service prior to 2017
6 Total California depreciation from this activity. Add the amounts on line 2, line 4, and line 5
7 Total federal depreciation from this activity. Enter depreciation from federal Form 4562, line 22
8 a If line 6 is more than line 7, enter the difference here and see instructions.
b If line 6 is less than line 7, enter the difference here and see instructions.

Table with 7 columns: (a) Description of cost, (b) Date amortization begins, (c) California basis for amortization, (d) Code section, (e) Period or percentage, (f) California amortization deduction. Row 9 is the first data row.

- 10 Total California amortization from this activity. Add the amounts on line 9, column (f)
11 California amortization of costs that began before 2017.
12 Total California amortization from this activity. Add the amounts on line 10 and line 11.
13 Total federal amortization from this activity. Enter amortization from federal Form 4562, line 44.
14 a If line 12 is more than line 13, enter the difference here and see instructions.
b If line 12 is less than line 13, enter the difference here and see instructions.

Instructions for Form FTB 3885A

Depreciation and Amortization Adjustments

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2015, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law.

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.

Purpose

Use form FTB 3885A, Depreciation and Amortization Adjustments, only if there is a difference between the amount of depreciation and amortization allowed as a deduction using California law and the amount allowed using federal law.

- Before January 1, 1987. California disallowed depreciation under the federal accelerated cost recovery system.
• On or after January 1, 1987. California provides special credits and accelerated write-offs that affect the California basis of qualifying assets.

- **On or after September 11, 2001.** If you claimed the 30% additional depreciation for federal purposes, California has not conformed to the federal Job Creation and Worker Assistance Act of 2002 which allows taxpayers to take an additional first year depreciation deduction and Alternative Minimum Tax depreciation adjustment for property placed in service after September 10, 2001.

Get FTB Pub. 1001 for more information on differences between California and federal law for the following items:

- Amortization of certain intangibles (IRC Section 197)
- Grapevines subject to Phylloxera or Pierce's disease
- Additional depreciation (IRC Section 168(k))
- Startup expenses (IRC Section 195)
- Asset expense election (IRC Section 179)

California generally conforms to the federal 2003 increase (IRC Section 280F) for the limitation on luxury automobile depreciation. In addition, SUVs and minivans built on a truck chassis are included in the definition of trucks and vans when applying the 6,000 pound gross weight limit. However, California does not conform to the federal increase to first-year depreciation for qualified vehicles placed in service in 2010.

Differences may also occur for other less common reasons, and the instructions for Schedule CA (540 or 540NR) list them on the line for the type of income likely to be affected. Get FTB Pub. 1001 for more information about figuring and reporting these adjustments.

If reporting a difference for assets related to a passive activity, get form FTB 3801, Passive Activity Loss Limitations, for more information about passive activities.

**Do not** use form FTB 3885A to report depreciation expense from federal Form 2106, Employee Business Expenses. Instead, see the instructions for Schedule CA (540 or 540NR), line 41.

## Specific Line Instructions

Prepare and file a separate form FTB 3885A for each business or activity on your tax return that has a difference between California and federal depreciation or amortization. Enter the name of the business or activity in the space provided at the top of the form. If you need more space, attach additional sheets. However, complete Part II, Election to Expense Certain Tangible Property (IRC Section 179), only once.

### Part I Identify the Activity as Passive or Nonpassive

**Line 1** – Check the box to identify the activity as passive or nonpassive. A passive activity is any activity involving the conduct of any trade or business in which you did not materially participate. Get form FTB 3801 for more information.

If the activity is passive, use this form as a worksheet to figure the depreciation adjustment to carry to form FTB 3801. Beginning in 1994, and for federal purposes only, rental real estate activities of persons in real property business are not automatically treated as passive activities. California did not conform to this provision.

### Part II Election To Expense Certain Tangible Property

If you qualify, you may elect to expense part of the cost of depreciable personal property used in your trade or business and certain other property described in federal Publication 946, How to Depreciate Property. To qualify, you must have purchased property, as defined in the IRC Section 179(d)(2), and placed it in service during 2017, or have a carryover of unused cost from 2016. If you elect this deduction, you must reduce your California depreciable basis by the IRC Section 179 expense.

Federal limitation amounts may be different than California limitation amounts. For California purposes, the maximum IRC Section 179 expense deduction allowed for 2017 is \$25,000.

Complete the worksheet in the next column to figure IRC Section 179 expense for California. Include all assets qualifying for the deduction because the limit applies to all qualifying assets as a group rather than to each asset individually. **Refer to federal Form 4562, Depreciation and Amortization, for more information.**

Tangible Property Expense Worksheet		
<b>1</b>	Maximum dollar limitation for California	<b>1</b> \$25,000
<b>2</b>	Total cost of Section 179 property placed in service	<b>2</b> _____
<b>3</b>	Threshold cost of Section 179 property before reduction in limitation	<b>3</b> \$200,000
<b>4</b>	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	<b>4</b> _____
<b>5</b>	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-	<b>5</b> _____
<b>(a) Description of property</b>	<b>(b) Cost</b>	<b>(c) Elected cost</b>
<b>6</b>		
<b>7</b>	Listed property (elected Section 179 cost)	<b>7</b> _____
<b>8</b>	Total elected cost of Section 179 property. Add line 6 column (c) and line 7	<b>8</b> _____
<b>9</b>	Tentative deduction. Enter the smaller of line 5 or line 8	<b>9</b> _____
<b>10</b>	Carryover of disallowed deduction from 2016	<b>10</b> _____
<b>11</b>	Enter the smaller of business income (not less than zero) or line 5	<b>11</b> _____
<b>12</b>	Section 179 expense deduction for California. Add line 9 and line 10, but do not enter more than line 11. Also, enter the result on form FTB 3885A, line 2	<b>12</b> _____
<b>13</b>	Carryover of disallowed deduction to 2018. Add line 9 and line 10. Subtract line 12 from the result	<b>13</b> _____

## Part III Depreciation

**Line 3** – Complete column (a) through column (f) for each tangible asset or group of assets placed in service during the tax year. Use the California basis for assets on which you elected to take the Section 179 deduction. The California basis will be the difference between line 6, column (b) and line 6, column (c) of the Tangible Property Expense Worksheet in Part II.

**Line 8a and Line 8b** – Are you using this form as a worksheet in connection with form FTB 3801?

**Yes** Enter the amount from line 8a or line 8b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

**No** Include the amount from line 8a on Schedule CA (540 or 540NR) in column B on line 12 for federal Schedule C (Form 1040), Profit or Loss From Business, activities; on line 17 for federal Schedule E (Form 1040), Supplemental Income and Loss, activities; or on line 18 for federal Schedule F (Form 1040), Profit or Loss From Farming, activities.

Include the amount from line 8b on Schedule CA (540 or 540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; or on line 18 for federal Schedule F activities.

## Part IV Amortization

**Line 9** – Complete column (a) through column (f) for intangible assets placed in service during the tax year. Use the California basis and the California recovery period.

**Line 14a and Line 14b** – Are you using this form as a worksheet in connection with form FTB 3801?

**Yes** Enter the amount from line 14a or line 14b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

**No** Include the amount from line 14a on Schedule CA (540 or 540NR) in column B on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; or on line 18 for federal Schedule F activities.

Include the amount from line 14b on Schedule CA (540 or 540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; or on line 18 for federal Schedule F activities.