2022 Instructions for Form 541-A

Trust Accumulation of Charitable Amounts

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. 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), California Adjustments - Residents, or Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents, 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 instructions. Taxpayers should not consider the instructions as authoritative law.

A Purpose

Use Form 541-A, Trust Accumulation of Charitable Amounts, to report a charitable or other deduction under IRC Section 642(c).

Split-interest trusts described in IRC Section 4947(a)(2) do not file Form 541-A. Form 541-B, Charitable Remainder and Pooled Income Trusts, meets R&TC Section 18635 filing requirements for split-interest trusts. For more information on split-interest trusts, get Form 541-B.

B Who Must File

A trustee must file a calendar year Form 541-A for a trust that claims a charitable or other deduction under IRC Section 642(c). **Do not** file Form 541-A if the following exceptions apply:

- The trustee is required by the terms of the governing instrument and applicable local law to currently distribute all of the income.
- The trust is a charitable trust described in IRC Section 4947(a)(1).
- The trust is a split-interest trust described in IRC Section 4947(a)(2).

A charitable trust is a trust which:

- Is not exempt from taxation under R&TC Section 23701d.
- Has all the unexpired interests devoted to charitable purposes described in IRC Section 170(c).
- Had a charitable contribution deduction allowed for all the unexpired interests under the R&TC.

A split-interest trust is a trust which:

- Is not exempt from taxation under R&TC Section 23701d.
- Has some of the unexpired interests devoted to one or more charitable purposes as described in IRC Section 170(c).
- Has amounts in trust for which a charitable contributions deduction was allowed under the R&TC. Pooled income funds, IRC Section 642(c)(5); charitable remainder annuity trusts, IRC Section 664(d)(1); and remainder unitrusts, IRC Section 664(d)(2) are split-interest trusts.

Simple trusts which received a letter from the Franchise Tax Board (FTB) granting exemption from tax under R&TC Section 23701d are considered to be corporations for tax purposes. The trust may be required to file Form 199, California Exempt Organization Annual Information Return.

Nonexempt charitable trusts, described in IRC Section 4947(a)(1), must file Form 199.

C When to File

Form 541-A is due on or before April 15, 2023. If you need additional time to file, California grants an automatic six-month extension. If the tax return is filed by October 16, 2023, the extension will apply.

If the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

Due to the federal Emancipation Day holiday observed on April 17, 2023, tax returns filed and payments mailed or submitted on April 18, 2023, will be considered timely.

D Where to File

Mail Form 541-A to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0001

Do not attach to Form 541, California Fiduciary Income Tax Return.

E Internet

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

F Signatures

The trustee or officer representing the trustee must sign Form 541-A. Any person preparing the trust's tax return for compensation, who is not a regular full-time employee of the trust, must also sign Form 541-A.

Paid Preparer's Information

Anyone who is paid to prepare a tax return must sign the return and complete the "Paid Preparer's Use Only" area of the return.
The paid preparer must do all of the following:

- Complete the required preparer information. Tax preparers must provide their preparer tax identification number (PTIN).
- Sign in the space provided for the preparer's signature.
- Give you a copy of the return in addition to the copy to be filed with the FTB.

If you, as trustee, complete Form 541-A, leave the "Paid Preparer's Use Only" area of the return blank.

If someone prepares this return and doesn't charge you, that person should not sign the return.

Third party designee

If the trust wants to allow the FTB to discuss its 2022 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the tax return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of the tax return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the trust is authorizing the FTB to call the paid preparer to answer any questions that may arise during the processing of its tax return. The trust is also authorizing the paid preparer to:

- Give the FTB any information that is missing from the tax return.
- Call the FTB for information about the processing of the tax return or the status of any related refund or payments.
- Respond to certain FTB notices about math errors, offsets, and tax return preparation.

The trust is not authorizing the paid preparer to receive any refund check, bind the trust to anything (including any additional tax liability), or otherwise represent the trust before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the trust's 2023 tax return. If the trust wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

If the trust wants to expand or change the paid preparer's authorization, go to **ftb.ca.gov/poa**.

Specific Line Instructions

Additional information

Use the Additional Information field for "In-Care-Of" name and other supplemental address information only.

Foreign address

If the estate or trust has a foreign address, follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

Part II Distributions of Income Set Aside in Prior Taxable Years for Charitable Purposes and Part III Distributions of Principal for Charitable Purposes

Attach a statement describing in detail the purpose for which charitable disbursements were made from income set aside in prior taxable years and amounts which were paid out of principal for charitable purposes.

Examples of appropriate descriptions are:

- Payments for nursing service
- Laboratory construction
- Fellowships
- Assistance to indigent families (not simply charitable, educational, religious, or scientific)

Part IV Balance Sheets

Complete the balance sheets using the accounting method the trust uses in keeping its books and records.

All filers must complete columns (a) and (b).

Line 25 – Cash – non-interest bearing

Enter the amount of cash on deposit in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest bearing accounts. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 26 – Savings and temporary cash investments

Enter the total of cash in savings or other interest-bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year.

Line 27 – Accounts receivable

Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. If significant in amount, report them (with any advances to employees or officers) on line 37, Other assets.

Line 28 – Notes and loans receivable

Enter the combined total of notes receivable and net loans receivable (including receivables due from officers, directors, trustees, and other disqualified persons). In an attached schedule, show all of the following information (preferably in columnar format):

- Borrower's name and title
- Original amount
- Balance due
- Date of note
- Maturity date
- Repayment terms
- Interest rate
- Security provided by the borrower
- Purpose of the loan
- Description and fair market value of the consideration furnished by the lender

Line 29 – Inventories for sale or use

Enter the amount of materials, goods, and supplies purchased or manufactured by the trust and held for sale or use in some future period.

Line 30 – Prepaid expenses and deferred charges

Enter the amount of short-term and long-term prepayments of future expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs.

Lines 31, 32, and 33 – Investments – U.S. and state government obligations, corporate stocks, and corporate bonds

Enter the book value (which may be market value) of these investments. Attach a schedule that lists each security held at the end of the year and shows whether the security is listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. Do not include amounts on line 26. Government obligations reported on line 31 are those that mature in 1 year or more. Debt securities of the U.S. government may be reported as a single total rather than itemized. Obligations of state and municipal governments may also be reported as a lump-sum total. Do not combine U.S. government obligations with state and municipal obligations on the attached schedule.

Line 34 – Investments – land, buildings, and equipment

Attach a schedule of all land, buildings, and equipment that are held for investment purposes, such as rental properties. List the cost or other basis of these assets, accumulated depreciation, and end-of-year book value.

Line 35 – Investments – other

Enter the amount of all other investment holdings not reported on lines 31 through 34. Attach a schedule describing each of these investments held at the end of the year. List the cost, or other basis, and the end-of-year book value.

Line 36 – Land, buildings, and equipment

Attach a schedule of all land, buildings, and equipment that are **not** held for investment purposes, such as the trust's offices. List the cost or other basis of these assets, accumulated depreciation, and end-of-year book value.

Line 37 – Other assets

Enter the book value of any trust assets that have not been reported on lines 25 through 36. If more space is needed, attach a separate schedule with a description of the asset, date acquired, and end-of-year book value.

Liabilities

Line 39 – Accounts payable and accrued expenses

Enter the total accounts payable to suppliers and others, and accrued expenses such as salaries payable, accrued payroll taxes, and interest payable.

Line 40 – Mortgages and other notes payable

Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable, and for each nonmortgage note payable, the lender's name and the other information specified in the line 28 instructions.

Line 41 – Other liabilities

Enter the book value of any trust liabilities that have not been reported on lines 39 or 40. If more space is needed, attach a separate schedule with a description of the liability and amount.