



STATE OF CALIFORNIA  
Franchise Tax Board

FTB Publication

**1001**

# 2025 Supplemental Guidelines to California Adjustments



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## ONLINE SERVICES

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- **MyFTB** – view payments, balance due, and withholding information.
- **Web Pay** – pay income taxes. Choose your payment date up to one year in advance.
- **CalFile** – e-file your personal income tax return.
- **Refund Status** – find out when we authorized your refund.
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- Tax forms and publications.
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- Internal procedure manuals to learn how we administer law.

## 2025 Supplemental Guidelines to California Adjustments

### What's New

**Wildfire Disaster Settlement Exclusion** – For taxable years beginning on or after January 1, 2021, and before January 1, 2030, California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received from a settlement entity in connection with a qualified wildfire disaster in California. If a qualified taxpayer included income for a qualified amount received from a settlement entity in a prior taxable year, the taxpayer can file an amended return for that year within the normal statute of limitations. For more information, see instructions in this publication, get Schedule CA (540), California Adjustments – Residents, or Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents, and see California Revenue and Taxation Code (R&TC) Sections 17138.7 and 24309.2.

**Chiquita Canyon Elevated Temperature Landfill Event Exclusion** – For taxable years beginning on or after January 1, 2024, and before January 1, 2029, California law allows an exclusion from gross income for any Chiquita Canyon elevated temperature landfill event payment amount received by a taxpayer. If a taxpayer included income for a Chiquita Canyon elevated temperature landfill event payment amount received in a prior taxable year, the taxpayer can file an amended return for that year within the normal statute of limitations. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17157.5 and 24309.9.

**Military Retirement Exclusion** – For taxable years beginning on or after January 1, 2025, and before January 1, 2030, California law allows an exclusion from gross income for a qualified taxpayer that received retirement pay from the federal government for service in the uniformed services or annuity payments pursuant to a United States Department of Defense Survivor Benefit Plan during the taxable year, not to exceed \$20,000 for each type of payments. The qualified taxpayer's federal adjusted gross income (AGI) must not exceed \$125,000 (or \$250,000 for a surviving spouse or spouses filing a joint return). The exclusion is capped at \$20,000 for a surviving spouse, spouses filing a joint return, and any other individual who did not exceed the federal AGI limits. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), see R&TC Sections 17132.9 and 17132.10, and get FTB Pub. 1032, Tax Information for Military Personnel.

**Federal Tax Changes Under One Big Beautiful Bill Act (OBBBA)** – In general, California R&TC **does not** conform to the OBBBA. For adjustments due to the OBBBA, see the specific line instructions for the following items:

- Increased limitation on individual deductions for certain state and local taxes
- Additional expenses treated as qualified higher education expenses for purposes of

Internal Revenue Code (IRC) Section 529 accounts

- Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of IRC Section 529 accounts
- Expansion of qualified small business stock gain exclusion
- Extension of rules for treatment of certain disaster-related personal casualty losses
- Bonus depreciation made permanent at 100% for certain qualified property (IRC Section 168(k))
- 100% depreciation election for qualified production property (IRC Section 168(n))
- Full expensing of domestic research and experimental expenditures

**Alimony** – California law has until now conformed to federal law related to alimony and separate maintenance payments as it read on January 1, 2015. Specifically, California did not follow the federal repeal of IRC Sections 71 and 215, effective for taxable years after 2018. For taxable years beginning on or after January 1, 2025, California is conforming to the federal repeal of IRC Sections 71 and 215, which means that alimony and separate maintenance payments are not includable in the income of the receiving spouse and are not deductible by the payor spouse if made under any divorce or separation agreement executed after December 31, 2025, or executed on or before December 31, 2025, and modified after that date (if the modification expressly provides that the amendments apply). For this type of alimony and separate maintenance payments, California law is the same as federal law and no adjustment is needed.

For alimony and separate maintenance payments made under any divorce or separation agreement executed after December 31, 2018, and on or before December 31, 2025, or executed on or before December 31, 2018, and modified after that date and on or before December 31, 2025 (if the modification expressly provides that the amendments apply), California law is not the same as federal law and an adjustment is needed. For more information, see instructions in this publication and get Schedule CA (540) or Schedule CA (540NR).

### General Information

In general, for taxable years beginning on or after January 1, 2025, California law conforms to the IRC as of January 1, 2025. 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](https://ftb.ca.gov) and search for **conformity**. Additional information can be found in the instructions for California Schedule CA (540) or Schedule CA (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 R&TC in the instructions. Taxpayers should not consider the instructions as authoritative law.

### Conformity

For updates regarding federal acts, go to [ftb.ca.gov](https://ftb.ca.gov) and search for **conformity**.

**Federal Acts** – In general, the R&TC does not conform to the changes under the following federal acts. For specific adjustments due to the following acts, see instructions in this publication and Schedule CA (540) or Schedule CA (540NR) specific line instructions:

- One Big Beautiful Bill Act (OBBBA) (enacted on July 4, 2025)
- Federal Disaster Tax Relief Act of 2023 (enacted on December 12, 2024)
- American Rescue Plan Act (ARPA) of 2021 (enacted on March 11, 2021)
- Consolidated Appropriations Act (CAA), 2021 (enacted on December 27, 2020)
- Coronavirus Aid, Relief, and Economic Security (CARES) Act (enacted on March 27, 2020)
- Setting Every Community Up for Retirement Enhancement (SECURE) Act (enacted on December 20, 2019)
- Tax Cuts and Jobs Act (TCJA) (enacted on December 22, 2017)

**Wildfire Relief Payment** – For taxable years beginning after December 31, 2019, and before January 1, 2026, the Federal Disaster Tax Relief Act of 2023 allows an exclusion from gross income for any amount received by an individual as a qualified wildfire relief payment. Generally, California law **does not** conform. If any qualified amount was excluded from income for federal purposes and California law provides no similar exclusion, include that amount in income for California purposes. For more information, see instructions in this publication and get Schedule CA (540) or Schedule CA (540NR). For specific wildfire relief payments excluded for California purposes, see What's New and General Information.

**Net Operating Loss Suspension** – For taxable years beginning on or after January 1, 2024, and before January 1, 2027, California has suspended the net operating loss (NOL) carryover deduction. Taxpayers may continue to compute and carryover an NOL during the suspension period. **However**, taxpayers with net business income or modified adjusted gross income (AGI) of less than \$1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules.

For more information, see R&TC Section 17276.24 and get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.

**Intangible Drilling and Development Costs** – California law does not allow the IRC Section 263(c) deduction for intangible drilling and development costs in the case of oil and gas wells paid or incurred on or after January 1, 2024. For more information, see instructions in this publication, get Schedule P (540), Alternative Minimum Tax and Credit Limitations – Residents, or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations – Nonresidents or Part-Year Residents, get form FTB 3885A, Depreciation and Amortization Adjustments, and see R&TC Section 17260.

**Percentage Depletion** – For taxable years beginning on or after January 1, 2024, California law does not allow the calculation of depletion as a percentage of gross income from the property for specified natural resources, including coal, oil shale, oil and gas wells. R&TC Sections 17681.3 and 17681.6 allowing state nonconformity to federal rules for percentage depletion of certain refiner exclusions as well as the temporary suspension of taxable income limit for marginal production have also been repealed. For more information, see instructions in this publication, get Schedule P (540) or Schedule P (540NR), get form FTB 3885A, and see R&TC Section 17681.

**Enhanced Oil Recovery Credit Repeal** – For taxable years beginning on or after January 1, 2024, the Enhanced Oil Recovery Credit has been repealed. Taxpayers may now only claim available carryovers. For more information, see instructions in this publication and get form FTB 3540, Credit Carryover and Recapture Summary.

**Special Rules for Certain Distributions from Qualified IRC Section 529 Tuition Plans** – The federal Consolidated Appropriations Act (CAA), 2023, allows qualified IRC Section 529 tuition plans that have been maintained for 15 years to rollover to a Roth Individual Retirement Arrangement (IRA) without a tax or penalty. Under the federal law, rollover distributions from an IRC Section 529 plan to a Roth IRA after December 31, 2023, will be treated in the same manner as the earnings and contributions of a Roth IRA. California law does not conform to this federal provision. Rollover distribution from an IRC Section 529 plan to a Roth IRA is includible in California taxable income and subject to an additional tax of 2½%. For more information, see instructions in this publication and get Schedule CA (540) or Schedule CA (540NR).

**Wildfire Mitigation Payment** – For taxable years beginning on or after January 1, 2024, and before January 1, 2029, California law allows a qualified taxpayer an exclusion from gross income for any amount received as a California qualified wildfire loss mitigation payment through the California Wildfire Mitigation Financial Assistance Program. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Section 17138.8.

**Federal Veterans Auto and Education Improvement Act (VAEIA) of 2022** – The VAEIA was enacted on January 5, 2023, and made amendments to the federal Servicemembers

Civil Relief Act (SCRA). California conforms to the following VAEIA provisions:

- A spouse of a servicemember shall neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the spouse by reason of being absent or present in any tax jurisdiction of the United States solely to be with the servicemember in compliance with the servicemember's military orders.
- For any taxable year of the marriage, a servicemember and the spouse of such servicemember may elect to use for purposes of taxation, regardless of the date on which the marriage of the servicemember and the spouse occurred, any of the following:
  - The residence or domicile of the servicemember.
  - The residence or domicile of the spouse.
  - The permanent duty station of the servicemember.

For more information, get FTB Pub. 1032.

**California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Program** – The California HOPE for Children Trust Account Act created the California HOPE for Children Trust Account Program for the purpose of providing an eligible child with a HOPE trust account. For taxable years beginning on or after January 1, 2023, California law allows an exclusion from gross income for any funds deposited, any investment returns accrued, and any accrued interest in a HOPE trust account and for any funds from a HOPE trust account that is withdrawn or transferred by an eligible youth. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Section 17141.5.

**Interagency Council on Homelessness Payment Exclusion** – For taxable years beginning on or after January 1, 2023, California law allows an exclusion from gross income for payments received pursuant to the California Welfare and Institutions Code Section 8257 by members of the Interagency Council on Homelessness, its advisory committee, or its working groups who are or have been homeless. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Section 17131.13.

**Kincadee Wildfire Exclusion** – For taxable years beginning on or after January 1, 2020, and before January 1, 2028, California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received in a settlement from Pacific Gas and Electric (PG&E) Company or its subsidiary relating to the 2019 Kincadee Fire. If any qualified amount received from a settlement was included as income for federal purposes, exclude that amount for California purposes. If a qualified taxpayer included income for a qualified amount received from this settlement in a prior taxable year, the taxpayer can file an amended tax return for that year within the normal statute of limitations.

For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17139.2 and 24309.6.

**Zogg Wildfire Exclusion** – For taxable years beginning on or after January 1, 2020, and before January 1, 2028, California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received in a settlement from PG&E Company or its subsidiary relating to the 2020 Zogg Fire. If any qualified amount received from a settlement was included as income for federal purposes, exclude that amount for California purposes. If a qualified taxpayer included income for a qualified amount received from this settlement in a prior taxable year, the taxpayer can file an amended tax return for that year within the normal statute of limitations. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17139.3 and 24309.7.

**Discharge of Student Fees** – For taxable years beginning on or after January 1, 2022, and before January 1, 2027, California law allows an exclusion from gross income for any amount of unpaid fees due or owed by a student to a community college that was discharged pursuant to California Education Code Section 32527. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Section 17131.21.

**Guaranteed Income Pilot Program Payment Exclusion** – Beginning on June 30, 2022, and before July 1, 2026, California law allows an exclusion from gross income for any payments received by an individual from a guaranteed income pilot program or project that receives a grant pursuant to California Welfare and Institutions Code Section 18997. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Section 17131.12.

**Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant** – For taxable years beginning on or after January 1, 2021, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant Program that is established by Section 12100.975 of the Government Code. If any amount was included as income for federal purposes, exclude that amount for California purposes. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17158 and 24312.

**Turf Replacement Water Conservation Program** – For taxable years beginning on or after January 1, 2022, and before January 1, 2027, California law allows an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a public water system, as defined, local government, or state agency for participation in a turf

replacement water conservation program. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17138.2 and 24308.9.

**Fire Victims Trust Exclusion** – For taxable years beginning before January 1, 2028, California law allows a qualified taxpayer an exclusion from gross income for any amount received from the Fire Victims Trust, established pursuant to the order of the United States Bankruptcy Court for the Northern District of California dated June 20, 2020, case number 19-30088, docket number 8053. If any amount was included as income for federal purposes, exclude that amount for California purposes. If a qualified taxpayer included income for an amount received from the Fire Victims Trust in a prior taxable year, the taxpayer can file an amended tax return for that year within the normal statute of limitations. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17138.5 and 24309.3.

**Thomas and Woolsey Wildfires Exclusion** – For taxable years beginning before January 1, 2027, California law allows a qualified taxpayer an exclusion from gross income for any amount received in a settlement from Southern California Edison for claims relating to the 2017 Thomas Fire or the 2018 Woolsey Fire. If any amount was included as income for federal purposes, exclude that amount for California purposes. If a qualified taxpayer included income for an amount received from these settlements in a prior taxable year, the taxpayer can file an amended tax return for that year within the normal statute of limitations. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17138.6 and 24309.1.

**Reporting Requirements** – Taxpayers may need to file form FTB 4197, Information on Tax Expenditure Items, with the tax return to report tax expenditure items as part of the Franchise Tax Board's (FTB) annual reporting requirements under R&TC Section 41. To determine if you have an R&TC Section 41 reporting requirement, see the R&TC Section 41 Reporting Requirements section in 540, Personal Income Tax Booklet, or 540NR, Nonresident or Part-Year Resident Booklet, or get form FTB 4197.

**Shuttered Venue Operator Grant** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for amounts awarded as a shuttered venue operator grant under the CAA, 2021. The CAA, 2021, allows deductions for eligible expenses paid for with grant amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see instructions in this publication and get Schedule CA (540) or Schedule CA (540NR).

**Moving Expense Deduction** – For taxable years beginning on or after January 1, 2021, taxpayers should file California form FTB 3913, Moving Expense Deduction, to claim moving expense deductions. Attach the completed form FTB 3913 to Form 540, California Resident Income Tax Return, or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and get form FTB 3913.

**Paycheck Protection Program (PPP) Loans Forgiveness** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for covered loan amounts forgiven under the federal CARES Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, the CAA, 2021, or the PPP Extension Act of 2021.

Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility.

The CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **AB 80**.

**Small Business COVID-19 Relief Grant Program** – For taxable years beginning on or after January 1, 2020, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No. E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code. For more information, see instructions in this publication and get Schedule CA (540) or Schedule CA (540NR).

**Other Loan Forgiveness** – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for borrowers of forgiveness of indebtedness described in Section 1109(d)(2)(D) of the CARES Act as stated by section 278, Division N of the CAA, 2021. The CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions generally do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of the CAA, 2021. For California purposes, if you

are an ineligible entity and deducted eligible expenses for federal purposes, enter the total amount of those expenses deducted on the applicable line(s) on your tax return. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **AB 80**.

**California Venues Grant** – For taxable years beginning on or after September 1, 2020, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Venues Grant Program that is administered by the CalOSBA. Enter the amount of this type of income on the applicable line(s) on your tax return. For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and see R&TC Sections 17158 and 24312.

**Coronavirus Aid, Relief, and Economic Security Act** – The CARES Act was enacted on March 27, 2020. In general, the R&TC does not conform to the changes. California law does not conform to the following federal provisions under the CARES Act:

- Exclusion for certain employer payment of student loans
- Health-savings account changes

This list is not intended to be all-inclusive of the federal and state conformities and differences. For specific adjustments, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), or refer to the R&TC.

**Worker Status: Employees and Independent Contractors** – Some individuals may be classified as independent contractors for federal purposes and employees for California purposes, which may also cause changes in how their income and deductions are classified. Proposition 22 was operative as of December 16, 2020, and may affect a taxpayer's worker classification. For more information, see instructions in this publication and get Schedule CA (540) or Schedule CA (540NR).

**Rental Real Estate Activities** – For taxable years beginning on or after January 1, 2020, the dollar limitation for the offset for rental real estate activities shall not apply to the low income housing credit program. For more information, get form FTB 3801-CR, Passive Activity Credit Limitations, and see R&TC Section 17561(d)(1).

**Commercial Cannabis Activity** – For taxable years beginning on or after January 1, 2020, and before January 1, 2030, California allows individuals and other taxpayers operating under the personal income tax law to claim credits and deductions of business expenses paid or incurred during the taxable year in conducting commercial cannabis activity. Sole proprietors are those that conduct a commercial cannabis activity that is licensed under California Medicinal and Adult-Use Cannabis Regulation and Safety Act (CA MAUCRSA). For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and get form FTB 4197.

**Excess Business Loss Limitation** – The CARES Act made amendments to IRC Section 461(l) by eliminating the excess business loss

limitation of noncorporate taxpayers for taxable year 2020 and retroactively removing the limitation for taxable years 2018 and 2019. California law **does not** conform to those amendments. Also, California law does not conform to the federal changes in the ARPA and the federal Inflation Reduction Act of 2022 that extend the limitation on excess business losses of noncorporate taxpayers for taxable years beginning after December 31, 2020, and ending before January 1, 2029. Complete form FTB 3461, California Limitation on Business Losses, if you are a noncorporate taxpayer and your net losses from all of your trades or businesses are more than \$313,000 (\$626,000 for married/RDP taxpayers filing a joint return). For more information, see instructions in this publication, get Schedule CA (540) or Schedule CA (540NR), and get form FTB 3461.

**Registered Domestic Partners (RDPs)** – Under California law, RDPs must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same

legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into in a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status.

For purposes of California income tax, references to a spouse, husband, or wife also refer to a California 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.

**Purpose**

Use these guidelines to make adjustments to federal AGI that are necessary because of current year or prior year differences between California and federal

law. Generally, you report these adjustments directly on Schedule CA (540 or 540NR). If required to make multiple adjustments for any one line on Schedule CA (540 or 540NR), attach a statement to your return summarizing these adjustments. In some cases, you need to complete other forms or schedules to figure the adjustment to carry to Schedule CA (540 or 540NR). See “Order Forms and Publications” in your tax booklet for information about ordering forms or go to [ftb.ca.gov/forms](http://ftb.ca.gov/forms).

**Franchise Tax Board Privacy Notice on Collection**

Our privacy notice can be found in annual tax booklets or online. Go to [ftb.ca.gov/privacy](http://ftb.ca.gov/privacy) to learn about our privacy policy statement, or go to [ftb.ca.gov/forms](http://ftb.ca.gov/forms) and search for **1131** to locate FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection – Aviso de Privacidad del Franchise Tax Board sobre la Recaudación. To request this notice by mail, call 800.338.0505 and enter form code **948** when instructed.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<b>Income</b>		
<ul style="list-style-type: none"> <li>Active duty military pay</li> </ul>	<p>Special rules apply to active duty military pay and income from services performed by certain spouses of military personnel. Native Americans with military pay, also see “Native American earned income exemption” in this section.</p>	Get FTB Pub. 1032 for more information.
<ul style="list-style-type: none"> <li>Combat zone foreign earned income exclusion</li> </ul>	<p>For taxable years beginning on and after January 1, 2018, California does not conform to the federal foreign earned income exclusion for amounts received by certain U.S. citizens or resident aliens with an abode in the U.S., specifically contractors or employees of contractors supporting the U.S. Armed Forces in designated combat zones.</p>	Enter the amount excluded from federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 8d, column C.
<ul style="list-style-type: none"> <li>Native American earned income exemption</li> </ul>	<p>Federal law taxes income received by Native Americans from reservation sources.</p> <p>California does not tax federally recognized tribal members living in California Indian country who earn income from any federally recognized California Indian country. Military compensation is considered income from reservation sources.</p> <p>Native Americans who are domiciled on an Indian reservation and receive military compensation must refigure any AGI percentage calculation(s) by first subtracting military compensation from federal AGI.</p> <p>Enrolled members who receive reservation sourced per capita income must reside in their affiliated tribe’s Indian country to qualify for tax exempt status. For more information, get form FTB 3504, Enrolled Tribal Member Certification.</p>	Enter earnings on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, applicable line 1a through line 1h, column B. Enter any other income that is included in federal income that is exempt for California on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 8z, column B.
<ul style="list-style-type: none"> <li>Income exempted by U.S. tax treaties</li> </ul>	<p>Income exempted by U.S. tax treaty under federal law may be excluded for California only if the treaty specifically excludes the income for state purposes. If a treaty does not specifically exempt income from state income tax, California requires the reporting of AGI from all sources.</p>	Enter the amount excluded from federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, applicable line 1a through line 1h, column C.
<ul style="list-style-type: none"> <li>Sick pay received under the Federal Insurance Contributions Act and Railroad Retirement Act</li> </ul>	<p>California excludes from income the sick pay received under these acts.</p>	Enter qualifying sick pay included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1a or line 1h as applicable, column B.
<b>Total Amount from Federal Form(s) W-2, Box 1</b>		
<ul style="list-style-type: none"> <li>Employees and independent contractors</li> </ul>	<p>Some taxpayers may be classified as independent contractors for federal purposes and as employees for California purposes.</p>	If the taxpayer is classified as an employee for California purposes, enter the amount reported as gross income of the business from federal Schedule C (Form 1040), Profit or Loss From Business, line 7, as wages on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1a, column C.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Nonresident employee compensation of merchant seamen, rail carriers, motor carriers, and air carriers</li> </ul>	<p>For California, nonresidents may exclude the following from gross income: compensation for the performance of duties of certain merchant seamen and compensation of an employee of a rail carrier, motor carrier, or air carrier.</p>	<p>Enter the amount included in federal income that qualifies for the California exclusion on Schedule CA (540NR), Part II, Section A, line 1a, column B. Get FTB Pub. 1031, Guidelines for Determining Resident Status, for more information.</p>
<b>Medicaid Waiver Payments Not Reported on Federal Form(s) W-2</b>		
<ul style="list-style-type: none"> <li>Exclusion for In-Home Supportive Services (IHSS) supplementary payments</li> </ul>	<p>California law allows an exclusion from gross income for IHSS supplementary payments received by IHSS providers. IHSS providers only receive a supplementary payment if they paid a sales tax on the IHSS services they provide. The supplementary payment is equal to the sales tax paid plus any increase in the federal payroll withholding paid due to the supplementary payment.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1d, column B the IHSS supplementary payments included in federal wages.</p>
<b>Other Earned Income</b>		
<ul style="list-style-type: none"> <li>Employee income exclusions for ridesharing fringe benefits</li> </ul>	<p>Under federal law and the provisions administered by the Employment Development Department, certain qualified transportation benefits are excluded from gross income. Under the R&amp;TC, there are no monthly limits for the exclusion of these benefits and California's definitions are more expansive.</p> <p>Federal law provides an income exclusion for the value of qualified parking provided to an employee. Federal law also provides an income exclusion for commuter highway transportation and transit passes provided to an employee.</p> <p>California law provides an income exclusion for compensation or the fair market value of other benefits (except for salary or wages) received for participation in a California ridesharing arrangement (subsidized parking, commuting in a third-party vanpool, a private commuter bus, a subscription taxipool, and monthly transit passes provided for employees and their dependents).</p>	<p>Enter the amount of ridesharing fringe benefits received and included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column B.</p>
<ul style="list-style-type: none"> <li>California Qualified Stock Options (CQSOs)</li> </ul>	<p>California law provides an income exclusion for California qualified stock options (issued on or after January 1, 1997, and before January 1, 2002), that are exercised by an individual who has earned income for the taxable year from the corporation granting the CQSO of \$40,000 or less, and has exercised options for no more than 1,000 shares with a combined fair market value of less than \$100,000 (determined at the time the options are granted). Get FTB Pub. 1004, Equity-Based Compensation Guidelines, for more information.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column B the amount included in federal income that qualifies for the California exclusion.</p>
<ul style="list-style-type: none"> <li>Clergy housing exclusion</li> </ul>	<p>Both California and federal law allow members of the clergy an exclusion from income for either the rental value of a home furnished as part of their compensation or for a rental allowance paid as part of their compensation to the extent it is used to provide a home.</p> <p>Effective January 1, 2002, under federal law, the exclusion for the rental allowance is limited to the fair rental value of the home (including furnishings and a garage) and the cost of utilities.</p> <p>California does not limit the exclusion for the rental allowance to the fair rental value of the home.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column B the excess housing allowance exclusion allowed for California over the federal exclusion.</p>
<ul style="list-style-type: none"> <li>Housing exclusion for state-employed clergy</li> </ul>	<p>Effective January 1, 2003, for clergy members employed by the State of California, up to 50% of gross salary may be allocated for either the rental value of a home furnished or the rental allowance paid to them to rent or provide a home.</p>	<p>If the amount of your federal exclusion is less than your California exclusion, enter the adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column B. If the amount of your federal exclusion is greater than your California exclusion, enter the adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column C.</p>
<b>Nontaxable Combat Pay Election</b>		
<ul style="list-style-type: none"> <li>Combat zone extended to Egypt's Sinai Peninsula</li> </ul>	<p>The TCJA extended combat zone tax benefits to the Sinai Peninsula of Egypt. California does not conform.</p>	<p>Enter the amount of combat pay excluded from federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1i, column C. Get FTB Pub. 1032 for more information.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<b>Taxable Interest Income</b>		
• Non-California bonds:		
1) United States	Federal law requires the interest earned on federal bonds (U.S. obligations) to be included in gross income. California does not tax this interest income. The following are not considered U.S. obligations for California purposes: Federal National Mortgage Association (Fannie Mae); Government National Mortgage Association (Ginnie Mae); or Federal Home Loan Mortgage Corporation (Freddie Mac).	Enter the amount of federal bond interest included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, column B.
2) Other states	Federal law does not tax interest from state or local bonds. California taxes the interest from non-California state and local bonds.	Enter the interest from non-California state or local bonds on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, column C.
• Interest income received from settlement payments from individuals persecuted during the Ottoman Turkish Empire from 1915-1923	California law excludes from gross income, interest income received from settlement payments by individuals persecuted by the regime that was in control of the Ottoman Turkish Empire from 1915 until 1923, or the individual's heirs or estate.	Enter the interest on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, column B.
• Exempt interest dividends (mutual funds)	California does not tax dividends paid by a fund attributable to interest received from U.S. obligations or California state or municipal obligations if at least 50% of the fund's assets would be exempt from California tax when held by an individual. California taxes dividends derived from mutual funds that are paid from interest received from obligations (bonds) issued by non-California states or municipalities in other states. The fund will provide a statement regarding the dividends it pays.	If the value of U.S. and California state or municipal obligations is at least 50% of the fund's total assets, enter the amount of exempt interest dividends that are attributed to U.S. obligations included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, column B.  If the taxpayer received any dividends from the fund attributable to obligations issued by non-California states or municipalities within other states that were excluded from the taxpayer's federal income, enter that excluded amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, column C.
<b>Dividend Income</b>		
• Noncash patronage dividend from farmers' cooperatives or mutual associations	Federal law taxes the dividend in the year of receipt. California law permits an election to include the dividend in gross income either when received or when redeemed. Once an election is made, this method must be followed unless a change in the method of reporting is approved by the FTB.	If you elect or elected to include the dividend in the year redeemed, enter the amount received on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column B. Enter the amount redeemed on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column C.
• Controlled Foreign Corporation (CFC)	California taxes CFC dividends in the year distributed rather than in the year earned.	If CFC dividends are earned in one year and distributed in a later year, enter the dividends included in federal income for the year earned on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column B and enter the dividends for the year distributed on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column C.
• Distributions of pre-1987 earnings from S corporations	Prior to 1987, California treated all federal S corporations as C corporations. So when a federal S corporation first becomes a California S corporation, its initial accumulated adjustments account (AAA) has a zero balance regardless of the federal AAA balance. If distributions from the S corporation exceed the California balance in the AAA, you have a distribution from pre-1987 earnings.	Enter distributions from pre-1987 earnings (or earnings in any later year that the corporation was a federal S corporation and a California C corporation) on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column C.
• Regulated Investment Company (RIC)	California taxes the undistributed capital gain from a RIC in the year distributed rather than in the year earned.	If capital gain from a RIC is earned in one year and distributed in a later year, enter the capital gain included in federal income for the year earned on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column B and enter the capital gain for the year distributed on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column C.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<b>IRA Distribution</b>		
<ul style="list-style-type: none"> <li>IRA basis adjustments</li> </ul>	<p>There may be differences in the taxable amount of the distribution depending on when the contributions were made, if you changed residency status after you first began making contributions to your IRA, or made different deductions for California because of differences between your California and federal self-employment income. You will need to calculate your IRA basis as if you were a California resident for all prior years.</p>	<p>Get FTB Pub. 1005, Pension and Annuity Guidelines, for more information.</p>
<ul style="list-style-type: none"> <li>Roth IRAs</li> </ul>	<p>Federal law and California law are the same regarding contributions, conversions, and distributions. However, the taxable amount of a distribution may not be the same because of basis differences.</p>	<p>Get FTB Pub. 1005 for more information.</p>
<b>Pensions and Annuities</b>		
<ul style="list-style-type: none"> <li>Railroad retirement benefits</li> </ul>	<p>California does not tax railroad retirement benefits reported on federal Form RRB-1099-R, Annuities or Pensions by the Railroad Retirement Board, or RRB-1099, Payments by the Railroad Retirement Board.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 5b, column B, the amount of Tier 1 (non-Social Security equivalent) or Tier 2 railroad retirement benefits included in adjusted gross income on your federal return. Get FTB Pub. 1005 for more information.</p>
<ul style="list-style-type: none"> <li>Pension plan – small business tax credit for new retirement plan expenses</li> </ul>	<p>Federal law allows an income tax credit for 50% of the first \$1,000 in administrative and retirement-education expenses for any small business that adopts a new qualified defined benefit or defined contribution plan. The federal deduction is reduced by the amount of the credit. California law has no similar credit.</p>	<p>Enter the amount of the income tax credit on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column B.</p>
<ul style="list-style-type: none"> <li>Employer-sponsored pensions and annuities (for annuity starting dates after July 1, 1986, and before January 1, 1987) if you elected to use the “three-year rule” for California</li> </ul>	<p>Under federal law, no “three-year rule” is allowed for any individual whose annuity starting date is after July 1, 1986. Under California law, an individual whose annuity starting date was after July 1, 1986, and before January 1, 1987, could elect to use the “three-year rule” if: 1) the employer paid part of the cost and 2) during the three years from the date of the first annuity payment, the total amount receivable will equal or exceed the cost (investment) in the contract.</p>	<p>If your annuity starting date was after July 1, 1986, and before January 1, 1987, and you elected to use the three-year recovery rule for California, an adjustment is required. Enter the difference on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 5b, column C. Get FTB Pub. 1005 for more information.</p>
<ul style="list-style-type: none"> <li>Canadian Registered Retirement Savings Plans (RRSP)</li> </ul>	<p>Under both federal and California law, the RRSP does not qualify as an IRA and does not receive IRA treatment. The federal treaty that allows taxpayers to elect to defer taxation on their RRSP earnings until the time of distribution does not apply for California income tax purposes. California residents must include their RRSP earnings in their taxable income in the year earned.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, line 3, or line 7a, column C, the earnings from the RRSP.</p>
<ul style="list-style-type: none"> <li>Military retirement exclusion</li> </ul>	<p>California law allows an exclusion from gross income for a qualified taxpayer that received retirement pay from the federal government for service in the uniformed services or annuity payments pursuant to a United States Department of Defense Survivor Benefit Plan during the taxable year, not to exceed \$20,000 for each type of payments. The qualified taxpayer’s federal AGI must not exceed \$125,000 (or \$250,000 for a surviving spouse or spouses filing a joint return). The exclusion is capped at \$20,000 for a surviving spouse, spouses filing a joint return, and any other individual who did not exceed the federal AGI limits.</p>	<p>If you included all or part of these payments in taxable income in Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 5b, column A, enter the taxable payment amount in column B, not to exceed \$20,000 for each type of payments.</p>
<b>Health Savings Account (HSA)</b>		
<ul style="list-style-type: none"> <li>Interest/dividend income</li> </ul>	<p>Federal law allows taxpayers to exclude from gross income the interest and dividends earned on HSAs. California law does not conform. Therefore, all interest earned and any taxable dividends earned on HSAs are taxable in the year earned. As a result of this tax treatment, the taxpayer has a California basis in the HSA account.</p>	<p>Enter the current year interest earned as an adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 2, column C. Enter the current year taxable dividends as an adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 3, column C.</p>
<ul style="list-style-type: none"> <li>Contributions</li> </ul>	<p>Federal law allows taxpayers a deduction for contributions to an HSA account. Contributions made on behalf of an eligible individual by an employer are excluded from federal Form W-2, Wage and Tax Statement, wages. California law does not conform to this provision.</p>	<p>Enter the amount from Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 13, column A, on line 13, column B. Enter the amount of any employer contribution from federal Form W-2, box 12, code W on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column C.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• Distributions	Distributions that are not used for qualified medical expenses are includible in federal gross income. The amount taxable under federal law, less interest and dividend income previously taxed by California, is not taxable by California.	Enter the required adjustment from Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8f, column A, on line 8f, column B.
• Rollover from an Archer Medical Savings Account (Archer MSA) to an HSA	Generally, federal law and California law are the same. However, since California does not recognize HSAs, a rollover from an Archer MSA to an HSA is treated as distribution not used for qualified medical expenses. For California, the distribution is included in California taxable income and the additional 12.5% tax applies (R&TC Section 17215).	Enter the amount rolled over from an Archer MSA to an HSA, less interest or dividend earnings previously taxed by California, on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8e, column C.
<b>Social Security Benefits</b>		
• Social security benefits and equivalent Tier 1 railroad retirement benefits	California does not tax social security benefits and equivalent Tier 1 railroad retirement benefits.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 6, column B, the amount of social security benefits and equivalent Tier 1 railroad retirement benefits you included in adjusted gross income on your federal return.
<b>Capital Gains or Losses</b>		
• Capital assets	The TCJA amended IRC Section 1221 excluding a patent, invention, model or design (whether or not patented), and a secret formula or process held by the taxpayer who created the property (and certain other taxpayers) from the definition of a capital asset. California does not conform.	Report your capital assets on Schedule D (540 or 540NR), California Capital Gain or Loss Adjustment, and to figure the adjustment to make on Schedule CA (540 or 540NR).
• Deferral and exclusion of capital gains in qualified opportunity zone funds	The TCJA established opportunity zones. IRC Sections 1400Z-1 and 1400Z-2 provide a deferral of inclusion of gross income for capital gains reinvested or invested in a qualified opportunity zone fund, and exclude capital gains from the sale or exchange of an investment of such funds. California does not conform.	Use California Schedule D (540 or 540NR) if you claim the federal IRC Sections 1400Z-1 and 1400Z-2 on your federal return. Enter the entire gain realized on Schedule D (540 or 540NR), line 1, column (e).
	For federal purposes, the capital gains deferred as a result of reinvesting or investing are included in gross income in the year of sale or disposition of the investment. California does not conform.	If, for California purposes, gains from investment in qualified opportunity zone property had been included in income during previous taxable years, do not include the gain in the current year income.
• Gain on sale or disposition of a qualified assisted housing development to low-income residents or to specified entities who maintain housing for low-income residents	Federal law does not allow special treatment on gains related to the sale of certain assisted housing. California law permits the deferral of such gain, under certain conditions, if the proceeds are reinvested in residential real property (other than a personal residence) within two years of the sale.	Enter the transaction on California Schedule D (540 or 540NR), line 1. In column (e) enter “-0- R&TC Section 18041.5.” Reduce the basis of replacement property by the gain deferred. Attach a schedule to your return reflecting computation of basis in the replacement property, or a statement of intent to replace within the replacement period.
• Gain on sale of personal residence	For sale or exchanges after May 6, 1997, federal law allows an exclusion of gain on the sale of a personal residence in the amount of \$250,000 (\$500,000 if married filing jointly). The taxpayer must have owned and occupied the residence as a principal residence for at least 2 of the 5 years before the sale. California law conforms to this provision. However, California taxpayers who served in the Peace Corps during the 5 year period ending on the date of the sale may reduce the 2 year period by the period of service, not to exceed 18 months.	If there is a difference between the amounts excluded (or depreciated, if recapture applies) for federal and California, complete California Schedule D (540 or 540NR). Transfer the amount from California Schedule D (540 or 540NR), line 12a, to Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 7a, column B (if gain is less than federal). Transfer the amount from California Schedule D (540 or 540NR), line 12b, to Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 7a, column C (if gain is more than federal).
• Undistributed capital gains for regulated investment company (RIC) shareholders	Federal law requires certain undistributed capital gains reported on federal Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, to be included in the gross income of the mutual fund shareholder and allows a tax credit for the capital gains tax paid by the RIC. California law has no similar provision.	Do not enter the amount of undistributed capital gains on California Schedule D (540 or 540NR).
• Gain or loss on sale of property inherited before January 1, 1987	Federal gain or loss may differ from the California gain or loss due to differences in the basis of property. For property inherited on or after January 1, 1987, the California basis and the federal basis are the same.	Report the amount of California capital gains and losses on California Schedule D (540 or 540NR).
• Capital loss carrybacks	Federal law allows a deduction for carrybacks of certain capital losses. California law has no similar provision.	Report the amount of California capital gains and losses on California Schedule D (540 or 540NR).

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Exclusion of deferral and gain on the sale of qualified small business stock</li> </ul>	<p>Federal law allows deferral and exclusion under IRC Sections 1045 and 1202 of the gain on sale of qualifying small business stock that was held for at least three years. California law does not conform.</p>	<p>Use California Schedule D (540 or 540NR) if you claim IRC Section 1045 deferral or IRC Section 1202 exclusion on your federal return. Enter the entire gain realized on Schedule D (540 or 540NR), line 1, column (e).</p>
<h2>Additional Income</h2>		
<h3>Taxable Refunds, Credits, or Offsets of State and Local Income Taxes</h3>		
<ul style="list-style-type: none"> <li>State income tax refund</li> </ul>	<p>Federal law includes the state income tax refund in income. California law excludes the state income tax refund from income.</p>	<p>Enter the amount of state income tax refund included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 1, column B.</p>
<h3>Alimony Received</h3>		
<ul style="list-style-type: none"> <li>Alimony and separate maintenance payments received</li> </ul>	<p>California law did not conform to federal law regarding alimony and separate maintenance payments received pursuant to divorce or separation agreement that was executed after December 31, 2018, and on or before December 31, 2025, or executed on or before December 31, 2018, and modified after that date and on or before December 31, 2025 (if the modification expressly provides that the amendments apply).</p>	<p>If you received this type of alimony and that amount was not included in your federal income, enter the alimony received on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 2a, column C.</p>
<ul style="list-style-type: none"> <li>Alimony received by a nonresident alien</li> </ul>	<p>For a nonresident alien, alimony received which was not included on the federal return must be included on the California return if the divorce or separation agreement was executed after December 31, 2018, and on or before December 31, 2025, or executed on or before December 31, 2018, and modified after that date and on or before December 31, 2025 (if the modification expressly provides that the amendments apply).</p>	<p>Enter the amount not included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 2a, column C.</p>
<h3>Business Income or (Loss) — Depreciation, Amortization, and Property Expensing</h3>		
<ul style="list-style-type: none"> <li>Income from a business, trade, or profession conducted partially in California</li> </ul>	<p>If a nonresident owns a business, trade, or profession carried on within California that is an integral part of a unitary business carried on both within and outside California, the amount of such income having its source in California is determined in accordance with the provisions of R&amp;TC Sections 25120 through 25141.</p>	<p>Gross income from the entire business, trade, or profession is included in the nonresident's adjusted gross income from all sources. The nonresident's California source business income is generally determined by an apportionment formula. Refer to Cal. Code Regs., tit. 18, Section 17951.</p>
<ul style="list-style-type: none"> <li>Intangible drilling and development costs</li> </ul>	<p>California law does not allow the IRC Section 263(c) deduction for intangible drilling and development costs in the case of oil and gas wells paid or incurred on or after January 1, 2024.</p>	<p>Use form FTB 3885A, Depreciation and Amortization Adjustments, to figure the adjustment to make on Schedule CA (540 or 540NR).</p>
<ul style="list-style-type: none"> <li>Percentage depletion</li> </ul>	<p>For taxable years beginning on or after January 1, 2024, California law does not allow the calculation of depletion as a percentage of gross income from the property for specified natural resources, including coal, oil shale, oil and gas wells.</p>	<p>Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).</p>
<ul style="list-style-type: none"> <li>Research and experimental expenditures</li> </ul>	<p>For federal purposes, costs paid or incurred after December 31, 2024, for domestic research and experimental expenditures are deducted in the taxable year they are incurred or can be amortized over a 5-year period (IRC Section 174A). Foreign research and experimental expenditures must still be capitalized and amortized over 15 years (IRC Section 174). California taxpayers continue to follow IRC Section 174 as it read on January 1, 2015, for California tax purposes.</p>	<p>Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).</p>
<ul style="list-style-type: none"> <li>100% depreciation election for qualified production property (IRC Section 168(n))</li> </ul>	<p>For property placed in service after July 4, 2025, federal law allows taxpayer to elect a 100% depreciation deduction for qualified production property for the taxable year the property is placed in service. California law does not conform.</p>	<p>Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).</p>
<ul style="list-style-type: none"> <li>Asset expense election (IRC Section 179)</li> </ul>	<p>Federal limitation amounts are different than California limitation amounts. California allows an expense election up to \$25,000 and California phaseout starts at \$200,000. For qualified IRC Section 179 Gulf Opportunity Zone property, the maximum deduction is higher than the deduction for most IRC Section 179 property.</p> <p>Federal law allows an IRC Section 179 expense election for off-the-shelf software and certain qualified real property. California law does not conform.</p>	<p>Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• MACRS recovery period for nonresidential real property	For federal purposes, the recovery period for nonresidential real property is 39 years. California conformed to this provision on January 1, 1997. The California recovery period of 31.5 years should be used for property placed in service on or after May 13, 1993, and before January 1, 1997.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Alternative Depreciation System (ADS) recovery period for certain residential rental property	For federal purposes, the recovery period for taxable years beginning after December 31, 2017, is 30 years for residential rental property held by an electing real property trade or business that was placed in service prior to January 1, 2018, but that was not subject to ADS prior to that date. California does not conform to the federal change in the recovery period.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Depreciation of assets acquired prior to January 1, 1987	Federal law allowed the rapid write-off of tangible personal property and buildings over recovery periods which were shorter than economic useful lives under the Accelerated Cost Recovery System (ACRS). California law in general did not conform to federal law but did allow ACRS for certain residential rental property constructed in California on or after July 1, 1985, and before January 1, 1987.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Additional depreciation (IRC Section 168(k))	<p>Federal law allows an additional 30% first-year depreciation deduction and AMT depreciation adjustment for property placed in service after September 10, 2001. The first-year depreciation deduction is increased to 50% for property placed in service after May 5, 2003. For assets placed in service on or after September 11, 2001, and before January 1, 2005, California law did not conform to these provisions.</p> <p>Federal law allows an additional 50% first-year special depreciation for certain qualified property acquired before September 28, 2017, and placed in service after September 27, 2017. The percentage is phased down from 50% by 10% per calendar year beginning in 2018. California law did not conform to this provision.</p> <p>The TCJA increased the amount of the additional first-year depreciation allowance from 50% to 100% for certain qualified property acquired and placed in service after September 27, 2017, and before January 1, 2023. The 100% allowance is phased down by 20% per calendar year for property placed in service in taxable years beginning after 2022. The additional first-year depreciation deduction is allowed for new and used property. California does not conform to this provision.</p> <p>The OBBBA permanently sets the amount of first-year (bonus) depreciation to 100% for certain qualified property acquired and placed in service after January 19, 2025, and to specified plants planted or grafted after such date. California does not conform to this provision.</p>	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Amortization of goodwill and certain other intangibles	Property classified as IRC Section 197 property under federal law is also IRC Section 197 property for California purposes. However, for IRC Section 197 property acquired before January 1, 1994, the California basis as of January 1, 1994, must be amortized over the remaining federal amortization period.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Business property moves into California	Depreciation methods and useful lives of trade or business property must be acceptable to California.	If an unacceptable method was used before the move into California, use the straight-line method to compute the basis in the property.
• Accelerated depreciation for business property on Indian reservations	Under federal law, qualified Indian reservation property placed in service after January 1, 1994, and before January 1, 2022, will be subject to special MACRS recovery periods. California law did not conform to this provision.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Classification of certain race horses as three-year property.	Under federal law, race horses that are two years old or younger and are placed in service after December 31, 2020, and before January 1, 2022, are subject to a special recovery period of three years. California law does not conform to this provision.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Recovery period for a motorsports entertainment complex.	Under federal law, motorsports entertainment complexes placed in service after December 31, 2020, and before January 1, 2026, are subject to a special recovery period of seven years. California law does not conform to this provision.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• Amortization of pollution control facilities	Both California and federal law provide for accelerated write-off of pollution control facilities. California law only allows the write-off of facilities located in California.	Enter the amortization for the California facilities on form FTB 3885A. Compare the California amortization to the federal amortization and enter the difference on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column C.
• Expenditure for tertiary injectants incurred in the crude oil industry	Federal law allows a deduction for the cost of tertiary injectants which are part of a tertiary recovery system. California law allows a depreciation deduction if the tertiary injectant qualifies as property used in a trade or business or is held for the production of income.	Enter the amount of tertiary injectants deducted on your federal return on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column C. Prepare a schedule reflecting the depreciation computation of tertiary injectants placed in service during the taxable year. Then complete form FTB 3885A and attach it and your depreciation schedule to your return.
• Reduced recovery periods for fruit bearing grapevines replaced in a California vineyard on or after January 1, 1992, as a result of phylloxera infestation and on or after January 1, 1997, as a result of Pierce's disease	Federal law generally requires a 10-year recovery period for fruit bearing vines for purposes of accelerated cost recovery and a 20-year recovery period for those vines under an alternative depreciation system. California law allows 5 and 10-year recovery periods, respectively.	Prepare a schedule reflecting the depreciation computation of grapevines placed in service on or after January 1, 1992, for phylloxera infestation, and placed in service on or after January 1, 1997, for Pierce's disease. Then complete form FTB 3885A and attach it and your depreciation schedule to your return.
• Income forecast method of depreciation	For assets placed in service after August 5, 1997, federal law limits the income forecast method of depreciation to film, video tape, sound recordings, copyrights, books, patents, and other property to be specified by federal regulations. California law conformed to this limitation for assets placed in service after December 31, 1997.	Use form FTB 3885A to figure the adjustment to enter on Schedule CA (540 or 540NR).
• Depreciation limitation	California does not conform to the federal modification to depreciation limitations on luxury automobiles under IRC Section 280F.	Use form FTB 3885A to figure the adjustment to make on Schedule CA (540 or 540NR).
• Start-up expenses	For taxable years beginning on or after January 1, 2011, California conforms to the federal treatment of start-up expenses under IRC Section 195. For taxable year 2010, federal law increased the deduction for start-up expenses under IRC Section 195 from \$5,000 to \$10,000 and the phaseout threshold from \$50,000 to \$60,000. California law did not conform to these federal increases for taxable year 2010. Start-up expenses not deducted for taxable year 2010 can continue to be amortized ratably over the remaining 180-month period.	Use form FTB 3885A to figure the adjustment to enter on Schedule CA (540 or 540NR).
• Expensing rules for certain productions	Under IRC Section 181, qualified film, television, and live theatrical productions that commence before January 1, 2026, can elect to treat costs as expenses and deduct such costs. California does not conform.	Use form FTB 3885A to figure the adjustment to enter on Schedule CA (540 or 540NR).

**Business Income or (Loss) — Adjustments to Basis or Business Deductions**

• Paycheck protection program and Other loan forgiveness	Under federal law, the CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision with modifications. For California purposes, these deductions do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021.  Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility.	If you are an ineligible entity and deducted eligible expenses for federal purposes, enter the total amount of those expenses deducted on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column C.
• Shuttered venue operator grant	Under federal law, the CAA, 2021, allows deductions for eligible expenses paid for with grant amounts. California law conforms to this federal provision with modifications. For California purposes, these deductions do not apply to an ineligible entity.	If you met the PPP eligibility requirements and excluded the amount from gross income for federal purposes, enter the excluded amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column C.
		If you are an ineligible entity and deducted eligible expenses for federal purposes, enter the total amount of those expenses deducted on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column C.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• Employees and independent contractors	Some taxpayers may be classified as independent contractors for federal purposes and as employees for California purposes.	If the taxpayer is classified as an employee for California purposes, enter the amount of federal business income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column B. Enter the amount of federal business loss on line 3, column C.
• Commercial cannabis activity	Under federal law, deductions for business expenses of a trade or business paid or incurred during the taxable year in conducting commercial cannabis activity are disallowed. California law does not conform. California allows cannabis business licensed under CA MAUCRSA to claim these expenses.	Enter the amount of the commercial cannabis activity expenses on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column B.
• Limitation on employer's deduction for fringe benefit expenses	Under federal law, the TCJA, deductions for entertainment expenses are disallowed; the current 50% limit on the deductibility of business meals is expanded to meals provided through an in-house cafeteria or otherwise on the premises of the employer; deductions for employee transportation fringe benefits (e.g., parking and mass transit) are denied; and no deduction is allowed for transportation expenses that are the equivalent of commuting for employees (e.g., between the employee's home and the workplace), except as provided for the safety of the employee. California law does not conform.	Figure the difference between the amounts allowed using federal law and California law. Enter the difference on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column B or column C.
• Limitation on wagering losses	Under the TCJA, all deductions for expenses incurred in carrying out wagering transactions, and not just gambling losses, are limited to the extent of gambling winnings. California does not conform.	Figure the difference between the amounts allowed using federal law and California law. Enter the difference on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column B.
• Penalty assessed by professional sports league	Federal law allows a business expense deduction for any fine or penalty paid or incurred by an owner of a professional sports franchise assessed or imposed by the professional sports league that includes that franchise. California law does not conform.	Enter the amount of business expense deduction reported on your federal return on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column C.
• Business expense deduction disallowance	California disallows a deduction for a business expense related to a payment to the Edge College and Career Network, LLC, to a taxpayer who meets specific conditions, including that they are named in any of several specified criminal complaints. For more information, see R&TC Section 17275.4.	Enter the amount of this deduction on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column C.
• Donated agricultural products transportation credit	Federal law has no comparable credit. Under California law, deductions are not allowed for the portion of expenses equal to the credit.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column C, the portion of the deduction claimed on your federal return that was used to claim the California credit.
• Farmworker housing credit	The Farmworker Housing Credit is expired. The credit was allowed from each taxable year beginning on January 1, 1997 and before January 1, 2009. The credit carryover is allowed until exhausted. Federal law has no comparable credit.	Get form FTB 3540.
• Clean-fuel vehicles first year deduction	California law does not conform to federal law for the first year deduction on clean-fuel vehicles.	Add the amount deducted from federal income to the total on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 26, column B.
• Basis adjustment for sales or use tax credit for property used in a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), or Targeted Tax Area (TTA).	Federal law has no comparable credit, but IRC Section 164(a) requires an increase in basis for the amount of sales or use tax paid. Under California law, depreciation is computed based on cost, without regard to the sales or use tax allowed as a credit. Federal and state basis will differ due to the increase in federal basis by the addition of the sales or use tax. The sales or use tax credit could only be taken on qualified property purchased on or before December 31, 2013, and placed in service on or before December 31, 2014.	Complete form FTB 3885A, Part III if you are depreciating the cost of the property in excess of the allowable credit.
• Credit for employer-paid child care center and services	The Employer Childcare Program Credit has expired. The credit was allowed from each taxable year beginning on January 1, 1994, and before January 1, 2012. The credit carryover is allowed until exhausted.	Get form FTB 3540 for more information.

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• Credit for employer-paid child care plan	The Employer Childcare Contribution Credit has expired. The credit was allowed from each taxable year beginning on January 1, 1994, and before January 1, 2012. The credit carryover is allowed until exhausted.	Get form FTB 3540 for more information.
• Enhanced oil recovery credit	Federal law allows a credit for up to 15% of qualified costs attributable to qualified enhanced oil recovery projects. The basis of the enhanced oil recovery projects must be reduced by the amount of the credit. For taxable years beginning on or after January 1, 1996, and before January 1, 2024, California law conformed to this provision, except that only California projects qualified for the state credit, and the amount of the credit was limited to 1/3 of the federal credit amount. For taxable years on or after January 1, 2024, the Enhanced Oil Recovery Credit has been repealed. Taxpayers may now only claim available carryovers.	Get form FTB 3540 and Schedule CA (540 or 540NR) for more information.
• Disabled access credit for eligible small businesses	Federal law allows a credit of 50% for the cost of making a business accessible to disabled individuals. No deduction is permitted for any amount for which a disabled access credit is allowed. California law conforms to this provision, but the maximum credit is \$125 (50% of eligible expenses up to \$250).	Get form FTB 3548, Disabled Access Credit for Eligible Small Businesses.
• Abandonment or tax recoupment fees for open-space easements and timberland preserves	Federal law allows a deduction for expenses incurred in a trade or business or for the production of income. California law denies a deduction for fees paid by California property owners on termination of open-space easements or timberland preserve status.	Enter the amount of fees incurred and deducted on your federal return on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column C.
• Real estate professionals – material participation in a rental real estate activity	Beginning with the 1994 taxable year and for federal purposes only, rental real estate activities conducted by persons in a real property business are not automatically treated as passive activities. California did not conform to this provision and these activities are still considered passive under California law.	To figure the adjustment to make on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3 or line 5, use form FTB 3801, Passive Activity Loss Limitations, and include these activities when completing the California Passive Activity Worksheet and the California Adjustment Worksheets on Side 2 of form FTB 3801.
• Research credit	Federal law allows a credit for research expenses and requires that the deduction for research expenses be reduced by the amount of the credit allowed. California law conforms to federal law, but requires the amount of research expenses to be reduced by the amount of the California credit. In addition, California law requires the use of the California tax bracket when determining the elective credit amount.	Enter the amount of research expenses deducted on your federal return on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column C. Enter the amount of California research expenses after reduction for California research credit on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column B.
• Property for which a public utility provided an energy conservation subsidy on or after January 1, 1995, and before January 1, 1997	Federal law allows an exclusion from income for any subsidy provided directly or indirectly by a public utility for the purchase or installation of any energy conservation measure with respect to a dwelling unit. The adjusted basis of the property must be reduced by the amount excluded from income. California law did not conform for amounts received after December 31, 1994, and before January 1, 1997.	Use form FTB 3885A to figure the adjustment to enter on Schedule CA (540 or 540NR).
• Employer wage expense for federal Work Opportunity Credit	Federal law allows a Work Opportunity Credit for employers that hired individuals on or before December 31, 2014 from certain target groups and recipients of long-term family assistance. Employers that claim these credits must reduce their wage expense by the amount of the credits. California has no similar credits. If, for federal purposes, you capitalized any costs on which you figured the credit, the federal basis for amortization may be lower than the California basis.	Enter the amount of the federal Work Opportunity Credit that reduced the federal deduction for wages on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column B. Use form FTB 3885A, Part IV, to figure the capitalized costs amortization adjustment to enter on Schedule CA (540 or 540NR).
• Qualified clinical testing expenses	Federal law allows an Orphan Drug Credit for qualified clinical testing expenses incurred in testing drugs for rare diseases or conditions. A business must reduce its deduction for qualified clinical testing expenses by the amount of the credit.	Enter the amount of the federal Orphan Drug Credit that reduced the federal deduction for qualified clinical testing expenses on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column B.
• Business expense	California does not allow a deduction for business expenses incurred at a club that discriminates.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column C, the amount taken as a federal deduction.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Commercial revitalization deduction</li> </ul>	<p>Federal law allows a deduction of one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building for the taxable year in which the building is placed in service or a deduction for all such expenditures ratably over the 120-month period beginning with the month in which the building is placed in service. California law does not allow this deduction.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, line 5, or line 6, column C, the amount taken as a federal deduction.</p>
<ul style="list-style-type: none"> <li>Small Employer Health Insurance Credit</li> </ul>	<p>Federal law allows a credit for small employers who provide health coverage for their employees. For federal purposes, the taxpayer must reduce the insurance deduction for the amount of the credit. For California purposes, the full amount of insurance is deductible.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 3, column B, the amount taken as a federal credit.</p>
<b>Other Gains or Losses</b>		
<ul style="list-style-type: none"> <li>Basis differences of business property</li> </ul>	<p>The California basis of assets may be different than the federal basis due to differences between California and federal law, which may affect the gain or loss on disposition.</p>	<p>Get Schedule D-1 to figure the adjustment to make on Schedule CA (540 or 540NR).</p>
<ul style="list-style-type: none"> <li>Capital gain on Cash for Clunkers rebates under the federal Car Allowance Rebate System (CARS) program</li> </ul>	<p>Under federal law, Cash for Clunkers rebates are not taxable. For California, if the amount of the rebate is greater than the basis of the used vehicle relinquished, there is a California capital gain. A taxpayer that used the rebate through their business in a like-kind exchange of vehicles should reduce the basis on the new vehicle acquired in the like-kind exchange and upon disposal of the new vehicle, recognize the rebate income at that time.</p>	<p>Get Schedule D-1 to figure the gain.</p>
<b>Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.</b>		
<ul style="list-style-type: none"> <li>Pass-through of income and deductions from partnerships, S corporations, estates, and trusts</li> </ul>	<p>Items of income and deduction from pass-through entities may differ due to various differences between federal and state law. Refer to federal Schedule K-1 (1065), Partner's Share of Income, Deductions, Credits, etc., or federal Schedule Q (Form 1066), Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, in the case of REMICs, to determine items of income and deduction for federal purposes. Refer to California Schedules K-1 (100S, 541, 565, or 568) to determine items of income and deduction from pass-through entities for California purposes.</p>	<p>Follow the instructions for Schedules K-1 (100S, 541, 565, or 568). Some items are reported directly on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 5, and some items must be reported on other forms and schedules. <b>Note:</b> Part-year residents must allocate income between the period of residency and the period of nonresidency in a manner that reflects the actual date of realization of partnership, S corporation, and certain trust income. In the absence of information that reflects the actual date of realization, the taxpayer must allocate an annual amount on a proportional basis between the two periods, using a daily pro-rata methodology. Get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency, for more information.</p>
<ul style="list-style-type: none"> <li>Accumulation distribution to beneficiaries on which the required California taxes have not been paid by a trust</li> </ul>	<p>Federal law taxes the accumulated income of a trust under IRC Sections 665-668. If a trust has a California resident trustee or beneficiary, the beneficiary is non-contingent, and the trust has not filed a California return and paid California tax as the income was accumulated, then the full amount of the accumulation distribution is taxable to the beneficiary in the year the accumulation distribution is received.</p>	<p>If you received a federal Schedule J (Form 1041), Accumulation Distribution for Certain Complex Trusts, and did not receive a California Schedule J (541), Trust Allocation of an Accumulation Distribution, an adjustment is required because the trust did not file a California return and pay the tax as the income was accumulated. The accumulation distribution from federal Schedule J (1041) must be adjusted for California purposes. This information must be provided by the trustee.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Accumulation distribution to beneficiaries on which the trust was not required to pay California tax because the beneficiaries' interest was contingent</li> </ul>	<p>Federal law taxes the accumulated income of a trust under IRC Sections 665-668. If a trust has a California resident trustee or beneficiary, the beneficiary is contingent, and the trust has not filed a California return and paid California tax as the income was accumulated, then the beneficiary is entitled to the benefit of income averaging under the provisions of R&amp;TC Sections 17745(b) and (d).</p>	<p>Use California form FTB 5870A, Tax on Accumulation Distribution of Trusts, to compute the part of the accumulation distribution includable in your California adjusted gross income.</p>
<ul style="list-style-type: none"> <li>Amounts included in gross income of United States shareholders from foreign corporations</li> </ul>	<p>Under IRC Section 951, if a foreign corporation is a controlled foreign corporation (CFC) at any time during any taxable year, then U.S. shareholders who own stock in a CFC on the last day of the taxable year in which it was a CFC must include in gross income their pro-rata share of income. The pro-rata shares are included in the income of U.S. shareholders even though there may be intervening entities in a chain between a CFC and such shareholders. California has no similar provision.</p>	<p>Enter the amount of income received from a CFC and included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 5, column B.</p>
<b>Unemployment Compensation</b>		
<ul style="list-style-type: none"> <li>Unemployment compensation</li> </ul>	<p>California does not tax unemployment compensation.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 7, column B, the amount of unemployment compensation you included in adjusted gross income on your federal return.</p>
<ul style="list-style-type: none"> <li>Paid Family Leave (PFL) program is part of the state disability insurance program administered by the Employment Development Department (EDD)</li> </ul>	<p>Compensation paid from the PFL Program is not taxable by California. However, it is taxable for federal purposes.</p>	<p>Enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 7, column B.</p>
<b>Other Income/Loss</b>		
<ul style="list-style-type: none"> <li>Federal net operating loss</li> </ul>	<p>Due to differences between federal and California law, you must refigure your NOL carryover for California purposes.</p>	<p>Enter as a positive number on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8a, column C, the federal NOL. Use form FTB 3805V to figure the California NOL carryover.</p>
<ul style="list-style-type: none"> <li>Gambling (California lottery winnings)</li> </ul>	<p>California does not tax California lottery winnings. California taxes lottery winnings from other states.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8b, column B, the amount of California lottery winnings included in adjusted gross income on your federal return.</p>
<ul style="list-style-type: none"> <li>Cancellation of debt</li> </ul>	<p>1) Mortgage forgiveness debt relief</p> <p>For taxable years 2007 through 2025, federal law allows an exclusion of income from discharge of indebtedness from the disposition of your principal residence. The federal exclusion applies to discharges pursuant to a binding written agreement entered into before January 1, 2026. Federal law limits the amount of qualified principal residence indebtedness to \$750,000 (\$375,000 for married filing separately). See federal Pub. 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments, for more information. California law does not conform to this provision.</p>	
<ul style="list-style-type: none"> <li>2) Certain employer payments of student loans</li> </ul>	<p>California does not conform to the CARES Act regarding the exclusion of student loan payments made on behalf of an employee by an employer.</p>	<p>Enter the amount of loan payment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8c, column C.</p>
<ul style="list-style-type: none"> <li>Federal foreign earned income and housing exclusion</li> </ul>	<p>Under IRC Section 911, a qualified individual may elect to exclude certain foreign earned income and an employer-provided housing allowance. California has no similar provision.</p>	<p>Enter the amount of foreign earned income and housing allowance excluded under IRC Section 911 on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8d, column C.</p>
<ul style="list-style-type: none"> <li>IRC Section 951(a) inclusion</li> </ul>	<p>Under federal law, if you are a U.S. shareholder of a CFC, you must include IRC Section 951(a) amount in your income. California law does not conform.</p>	<p>If you included the amount as income for federal purposes on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8n, column A, enter the amount on line 8n, column B.</p>
<ul style="list-style-type: none"> <li>IRC Section 951A(a) inclusion – Global intangible low-taxed income (GILTI)</li> </ul>	<p>Under federal law, the TCJA, if you are a U.S. shareholder of a CFC, you must include your GILTI in your income. California law does not conform.</p>	<p>Enter the amount included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8o, column B.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>• IRC Section 461(l) excess business loss adjustment</li> </ul>	<p>California law generally conforms to the TCJA regarding the disallowance of excess business loss deductions of noncorporate taxpayers. For California purposes, any disallowed loss will be treated as a carryover excess business loss instead of an NOL carryover for the subsequent taxable year.</p> <p>The CARES Act made amendments to IRC Section 461(l) by eliminating the excess business loss limitation of noncorporate taxpayers for taxable year 2020 and retroactively removing the limitation for taxable years 2018 and 2019. California law does not conform to those amendments. Also, California law does not conform to the federal changes in the ARPA and the Inflation Reduction Act of 2022 that extend the limitation on excess business losses of noncorporate taxpayers for taxable years beginning after December 31, 2020, and ending before January 1, 2029.</p>	<p>Complete form FTB 3461 if you are a noncorporate taxpayer and your net losses from all of your trades or businesses are more than \$313,000 (\$626,000 for married/RDP taxpayers filing a joint return).</p> <p>Enter the amount from form FTB 3461, line 16 or line 17, whichever applies, on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8p, column C. Attach form FTB 3461 to the tax return.</p> <p>Enter the amount of the federal excess business loss adjustment included on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8p, column A, on line 8p, column B.</p> <p>Enter the excess business losses carryover from prior years figured on form FTB 3461, line 14b or line 15, on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B, and write “excess business losses carryover from prior years” on the space provided for line 8z.</p>
<ul style="list-style-type: none"> <li>• Wildfire disaster settlement exclusion</li> </ul>	<p>California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received from a settlement entity in connection with a qualified wildfire disaster in California.</p>	<p>If any qualified amount was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.</p>
<ul style="list-style-type: none"> <li>• Chiquita Canyon elevated temperature landfill event exclusion</li> </ul>	<p>California law allows an exclusion from gross income for any Chiquita Canyon elevated temperature landfill event payment amount received by a taxpayer.</p>	<p>If any qualified amount was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.</p>
<ul style="list-style-type: none"> <li>• Additional qualified higher education expenses of IRC Section 529 accounts</li> </ul>	<p>Federal law expands qualified higher education expenses eligible for tax-exempt distributions from IRC Section 529 accounts by including additional expenses in connection with enrollment or attendance at an elementary or secondary public, private, or religious school. California law does not conform.</p>	<p>If the amount distributed for these purposes was excluded from income for federal purposes, enter that amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 8z, column C.</p>
<ul style="list-style-type: none"> <li>• Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of IRC Section 529 accounts</li> </ul>	<p>Federal law allows tax-exempt distributions from IRC Section 529 accounts to be used for qualified postsecondary credentialing expenses as defined in IRC Section 529(f). California law does not conform.</p>	<p>If the amount distributed for these purposes was excluded from income for federal purposes, enter that amount on Schedule CA (540), Part I, or Schedule CA (540NR), Part II, Section B, line 8z, column C.</p>
<ul style="list-style-type: none"> <li>• Wildfire relief payment</li> </ul>	<p>Under federal law, the Federal Disaster Tax Relief Act of 2023 allows an exclusion from gross income for any amount received by an individual as a qualified wildfire relief payment. California law does not conform.</p>	<p>If any qualified amount was excluded from income for federal purposes and California law provides no similar exclusion, enter that amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 8z, column C.</p>
<ul style="list-style-type: none"> <li>• Special rules for certain distributions from qualified IRC Section 529 tuition plans</li> </ul>	<p>The CAA, 2023, allows qualified IRC Section 529 tuition plans that have been maintained for 15 years to rollover to a Roth IRA without a tax or penalty. Under the federal law, rollover distributions from an IRC Section 529 plan to a Roth IRA after December 31, 2023, will be treated in the same manner as the earnings and contributions of a Roth IRA. California law does not conform to this federal provision. Rollover distribution from an IRC Section 529 plan to a Roth IRA is includible in California taxable income.</p>	<p>Enter the rollover distribution amount from an IRC Section 529 plan to a Roth IRA that was excluded from income for federal purposes on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section B, line 8z, column C.</p>
<ul style="list-style-type: none"> <li>• Wildfire mitigation payment</li> </ul>	<p>California law allows a qualified taxpayer an exclusion from gross income for any amount received as a California qualified wildfire loss mitigation payment through the California Wildfire Mitigation Financial Assistance Program.</p>	<p>If any qualified amount was included as income for federal purposes, enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.</p>
<ul style="list-style-type: none"> <li>• California HOPE for Children Trust Account Program</li> </ul>	<p>California law allows an exclusion from gross income for any funds deposited, any investment returns accrued, and any accrued interest in a HOPE trust account and for any funds from a HOPE trust account that is withdrawn or transferred by an eligible youth.</p>	<p>If you included an amount qualifying for this exclusion as income for federal purposes, enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• Interagency Council on Homelessness payment exclusion	California law allows an exclusion from gross income for payments received pursuant to the California Welfare and Institutions Code Section 8257 by members of the Interagency Council on Homelessness, its advisory committee, or its working groups who are or have been homeless.	If you included the amount as income for federal purposes, enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Kincadee wildfire exclusion	California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received in a settlement from PG&E Company or its subsidiary relating to the 2019 Kincadee Fire.	If any qualified amount received from a settlement was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Zogg wildfire exclusion	California law allows a qualified taxpayer an exclusion from gross income for any qualified amount received in a settlement from PG&E Company or its subsidiary relating to the 2020 Zogg Fire.	If any qualified amount received from a settlement was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Discharge of student fees	California law allows an exclusion from gross income for any amount of unpaid fees due or owed by a student to a community college that was discharged.	If any amount was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Guaranteed income pilot program payment exclusion	California law allows an exclusion from gross income for any payments received by an individual from a guaranteed income pilot program or project that receives a grant pursuant to California Welfare and Institution Code Section 18997.	If you included this amount as income for federal purposes, enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Small business and nonprofit COVID-19 supplemental paid sick leave relief grant	California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant Program that is established by Section 12100.975 of the Government Code. Federal law has no similar exclusion.	If you included an amount qualifying for this exclusion as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Turf replacement water conservation program	California law allows an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a public water system, local government, or state agency for participation in a turf replacement water conservation program.	If any amount was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Fire Victims Trust exclusion	California law allows a qualified taxpayer an exclusion from gross income for any amount received from the Fire Victims Trust. Federal law has no similar exclusion.	If any amount was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Thomas and Woolsey wildfires exclusion	California law allows a qualified taxpayer an exclusion from gross income for any amount received in a settlement from Southern California Edison for claims relating to the 2017 Thomas Fire or the 2018 Woolsey Fire.	If any amount was included as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• California venues grant	California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Venues Grant Program that is administered by the CalOSBA. Federal law has no similar exclusion.	If you included any amount as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Small business COVID-19 relief grant program	California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No. E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code.	If you included any amount as income for federal purposes, enter this amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Expanded use of IRC Section 529 account funds	California does not conform to the TCJA regarding the IRC Section 529 account funding for elementary and secondary education or to the maximum distribution amount.	If the amount was excluded for federal purposes, make an adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C.
• Financial incentive for seismic improvement	California law allows an income exclusion for loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligation incurred for earthquake loss mitigation.	Enter the amount included in federal AGI on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Reward from a crime hotline	California does not tax a reward authorized by a government agency and received from a crime hotline established by a government agency or nonprofit organization. You may not make this adjustment if you are an employee of the hotline or someone who sponsors rewards for the hotline.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B, the amount of such a reward you included in adjusted gross income on your federal return.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• Beverage container recycling income	Federal law taxes beverage container recycling income. California law does not tax income received by a consumer for recycling empty beverage containers.	Enter the amount of beverage container recycling income reported on your federal return on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Rebates or vouchers from a local water agency, energy agency, or energy supplier	California law allows an income exclusion for rebates or vouchers from a local water agency, energy agency, or energy supplier for the purchase and installation of water conservation appliances and devices. Federal law has no similar exclusion.	Enter the amount included in federal AGI on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Original issue discount (OID) for debt instruments issued (and loans made) in 1985 and 1986	In the taxable year in which the debt instrument matures, is sold, exchanged, or otherwise disposed of, you must recognize the difference between the amount reported on your federal return and the amount reported for California purposes.	<p><b>Issuer (debtor)</b> – Enter the difference between the federal deductible amount and the California deductible amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.</p> <p><b>Holder (lender)</b> – Enter the difference between the amount included in federal gross income and the amount included for California purposes on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C.</p>
• Foreign income of nonresident aliens	Federal Form 1040-NR, U.S. Nonresident Alien Income Tax Return, requires that only United States source income be reported. California requires the reporting of adjusted gross income from all sources.	Adjust federal income to reflect worldwide income computed under California statutes. Enter losses from foreign sources on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B. Enter foreign source income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C.
• Income exempted by U.S. tax treaties	California is not affected by U.S. treaties with foreign countries unless they specifically apply to state income taxes. If a treaty does not specifically exempt income from state income tax, California requires the reporting of adjusted gross income from all sources.	<p>Adjust federal income to reflect worldwide income computed under California statutes. Enter losses from foreign sources on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B. Enter foreign source income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C.</p> <p>If a tax treaty exemption is claimed on federal Schedule 1 (Form 1040), Additional Income and Adjustments to Income, line 8z, enter that amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C as a positive number, unless that amount is specifically exempted for California purposes.</p>
• Grants paid to low-income individuals	California law allows an income exclusion for grants paid to low-income individuals to construct or retrofit buildings to be more energy efficient. Federal law has no similar exclusion.	Enter the amount included in federal AGI on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B.
• Death benefits received from the State of California for military members killed in the line of duty	California allows an exclusion from gross income, death benefits received from the State of California National Guard, State Military Reserve, or Naval Militia who dies or is killed after March 1, 2003, while on duty.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B, the amount of death benefits received and reported in federal income.
• Settlement payments received by persons persecuted by the regime that was in control of the Ottoman Turkish Empire from 1915 until 1923	California law provides an income exclusion for settlement payments received on or after January 1, 2005, by an eligible individual, defined as a person persecuted by the regime that was in control of the Ottoman Turkish Empire from 1915 until 1923, or the individual's heirs or estate.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B, the settlement payments amount reported in federal income that qualifies for the California exclusion.
• Survivor benefits received for a public safety officer killed in the line of duty	Federal law provides an exclusion from gross income for survivor benefits attributable to service by a public safety officer who is killed in the line of duty before January 1, 1997. California law does not conform.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C, the amount of survivor benefits that qualifies for the federal exclusion.
• Federal subsidies for prescription drug plans	Federal law provides an exclusion from gross income of certain federal subsidies for prescription drug plans. California law does not conform.	Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column C, the amount that qualifies for the federal exclusion.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Native Americans per capita payments</li> </ul>	<p>Federal law taxes per capita distributions regardless of where the tribal member resides.</p> <p>California does not tax per capita distributions received by tribal members who live in Indian country affiliated with their tribe that are sourced from the same Indian country where they are a member.</p> <p>California does not tax per capita distributions received by a nonresident.</p> <p>California taxes per capita distributions received by California resident tribal members who reside outside their affiliated tribal Indian country. For more information, get form FTB 3504.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 8z, column B the per capita distributions included in federal income that are exempt for California and write "FTB 3504" on line 8z. Attach form FTB 3504 to Form 540 or Form 540NR.</p>
<ul style="list-style-type: none"> <li>Net operating loss</li> </ul>	<p>The allowable disaster loss carryover deduction under California law is different than the allowable disaster loss carryover deduction under federal law.</p>	<p>Enter as a positive number on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 9b1, column B, the amount from your 2025 form FTB 3805V.</p>
<ul style="list-style-type: none"> <li>1) Disaster loss deduction from form FTB 3805V</li> </ul>	<p>The allowable NOL carryover under California law is different than the allowable NOL carryover under federal law. You may be required to elect specific NOL characterization for California which may exclude from consideration other realized losses. Also, see Net Operating Loss Suspension paragraph under General Information for more information.</p>	<p>If you have a California NOL carryover from prior years, enter the total allowable California NOL carryover deduction for the current year from form FTB 3805V, as a positive number on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 9b2, column B.</p>
<ul style="list-style-type: none"> <li>2) California NOL deduction from form FTB 3805V</li> </ul>	<p>Federal law has no comparable deduction.</p>	<p>Use form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary, to figure the NOL and enter the result as a positive number on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 9b3, column B.</p>
<ul style="list-style-type: none"> <li>3) NOL deduction from form FTB 3805Z, FTB 3807, or FTB 3809</li> </ul>		

## Adjustments to Income

<ul style="list-style-type: none"> <li>Educator expenses</li> </ul>	<p>Federal law allows a deduction for teachers, instructors, counselors, principals, or aides for K-12 grades. California law does not conform.</p>	<p>Enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 11, column B.</p>
<ul style="list-style-type: none"> <li>Certain business expenses of reservists, performing artists, and fee-basis governmental officials</li> </ul>	<p>California law conforms to federal law in the tax treatment of expenses for reservists, performing artists, and fee-basis governmental officials. However, there could be continuing differences in the depreciation deduction such as IRC Section 179 or bonus depreciation.</p>	<p>If the federal depreciation deduction is more than the California depreciation deduction, enter the difference on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 12, column B. If the federal depreciation deduction is less than the California depreciation, enter the difference in column C.</p>
<ul style="list-style-type: none"> <li>Moving expenses</li> </ul>	<p>California does not conform to the TCJA regarding the suspension of the deduction for moving expenses, except for members of the Armed Forces on active duty. Non-military and military taxpayers, complete form FTB 3913.</p>	<p>If you are a non-military taxpayer and checked the "No" box on line 5 of form FTB 3913, enter the amount from form FTB 3913, line 5 on Schedule CA (540), Part I or Schedule CA (540NR), Part II, Section A, line 1h, column C.</p> <p>If you are a non-military taxpayer and checked the "Yes" box on line 5 of form FTB 3913, enter the amount from form FTB 3913, line 5 on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 14, column C.</p>
<ul style="list-style-type: none"> <li>Deductible part of self-employment tax</li> </ul>	<p>A taxpayer may be classified as an independent contractor for federal purposes and as an employee for California purposes. The deduction for self-employment tax is not allowed to an employee.</p>	<p>If the taxpayer is classified as an employee for California purposes, enter the amount included for federal on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 15, column B.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Self-employed health insurance deduction</li> </ul>	<p>Federal law allows a deduction for medical coverage of your adult children. For California, adult children who provide more than one-half of their own financial support in the year are not qualified for the deduction.</p> <p>Employees and independent contractors – A taxpayer may be classified as an independent contractor for federal purposes and as an employee for California purposes. The self-employed health insurance deduction is not allowed to an employee.</p>	<p>Enter the adult child’s portion of the medical insurance cost that is not deductible for California on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 17, column B.</p> <p>If for California purposes, the taxpayer is classified as an employee, enter the amount included for federal on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 17, column B. <b>Note:</b> A taxpayer classified as an employee for California purposes who makes an adjustment on Schedule CA (540 or 540NR) may be able to claim this amount as a deduction for medical and dental expenses. For more information, see instructions in Itemized Deductions.</p>
<ul style="list-style-type: none"> <li>Alimony and separate maintenance payments</li> </ul>	<p>California law did not conform to federal law regarding alimony and separate maintenance payments made pursuant to divorce or separation agreement that was executed after December 31, 2018, and on or before December 31, 2025, or executed on or before December 31, 2018, and modified after that date and on or before December 31, 2025 (if the modification expressly provides that the amendments apply).</p>	<p>If you paid this type of alimony and that amount was not deducted on your federal tax return, enter the alimony paid on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 19a, column C.</p>
<ul style="list-style-type: none"> <li>Alimony paid by a nonresident alien</li> </ul>	<p>Alimony expense paid by a nonresident alien that was not deducted on the federal return is a deduction on the California return if the divorce or separation agreement was executed after December 31, 2018, and on or before December 31, 2025, or executed on or before December 31, 2018, and modified after that date and on or before December 31, 2025 (if the modification expressly provides that the amendments apply).</p>	<p>Enter the amount not included on your federal return on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 19a, column C.</p>
<ul style="list-style-type: none"> <li>Student loan interest deduction</li> </ul>	<p>California conforms to federal law regarding student loan interest deduction except for non-California domiciled military taxpayers and a spouse/RDP of a non-California domiciled military taxpayer residing in a community property state.</p>	<p>Enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 21, column C.</p>
<ul style="list-style-type: none"> <li>Deductible expenses related to income reported from the rental of personal property engaged in for profit</li> </ul>	<p>Generally, California law conforms to federal law and no adjustment is needed.</p>	<p>If differences exist, enter the difference between the federal and California amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 24b, column B or column C.</p>
<ul style="list-style-type: none"> <li>Reforestation amortization and expenses</li> </ul>	<p>California law allows a deduction for reforestation amortization and expenses with respect to qualified timber property located in California.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 24d, column B, the amount deducted for non-California qualified timber property.</p>
<ul style="list-style-type: none"> <li>Contributions to IRC Section 501(c)(18)(D) pension plans</li> </ul>	<p>The contribution amount for California may be different than the federal amount. For more information, get FTB Pub. 1005.</p>	<p>If the amounts are different, make an adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 24f, column B or column C.</p>
<ul style="list-style-type: none"> <li>Contributions by certain chaplains to IRC Section 403(b) plans</li> </ul>	<p>The contribution amount for California may be different than the federal amount. For more information, get FTB Pub. 1005.</p>	<p>If the amounts are different, make an adjustment on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 24g, column B or column C.</p>
<ul style="list-style-type: none"> <li>Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations</li> </ul>	<p>California law does not conform to federal law regarding the deduction of these attorney fees and court costs.</p>	<p>Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 24i, column B, the amount of attorney fees deducted.</p>
<ul style="list-style-type: none"> <li>Housing deduction from federal Form 2555, Foreign Earned Income</li> </ul>	<p>Federal law allows a foreign housing deduction. California law has no similar deduction.</p>	<p>If you claimed the foreign housing deduction for federal purposes, enter the amount on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 24j, column B.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<b>Itemized Deductions</b>		
• Medical and dental expenses		
1) Medical expenses paid for with Health Saving Account (HSA) distributions	Federal law does not allow a deduction for qualified medical expenses paid for with HSA funds. California law does not conform.	Enter the amount of qualified medical expenses paid for with HSA funds that exceed 7.5% of federal AGI that were not deducted for federal on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 4, column C.
2) Expenses for employees and independent contractors	Taxpayers classified as independent contractors for federal purposes and classified as employees for California purposes may claim the amount of self-employed health insurance deduction for federal purposes as a medical and dental expense deduction for California purposes.	Combine the amount paid for self-employed health insurance with other medical and dental expenses (as applicable). The total amount of the medical and dental expenses is subject to the 7.5% of federal AGI threshold. Enter the difference between the medical and dental expense deduction allowed for California and federal on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 4, column C.
• Taxes		
1) State and local income taxes or general sales taxes	Federal law allows a deduction for state and local income taxes or state and local general sales taxes. California specifically disallows the deduction for state and local income tax (including limited partnership tax and income or franchise tax paid by corporations) and State Disability Insurance (SDI) or state and local general sales tax.	Enter the amount deducted for federal on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 5a, column B.
2) Limitation on state and local taxes	The TCJA limited the deduction for state and local taxes to \$40,000 (\$20,000 if married filing separately) for the aggregate of state and local income taxes and property taxes. California does not conform.	If your deduction was limited under federal law, enter an adjustment on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 5e, column C for the amount over the federal limit.
3) Other taxes	Federal law allows a deduction for income taxes paid to a foreign country and generation skipping tax (GST) imposed on certain income distributions. California law does not conform.	Enter the amount deducted for federal on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 6, column B.
a. Foreign property taxes	The federal law suspended the deduction for foreign property taxes. California law does not conform.	Enter the amount of foreign property taxes not deducted for federal on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 6, column C.
• Interest		
1) Home mortgage interest	The TCJA limited the mortgage interest deduction acquisition debt maximum from \$1,000,000 (\$500,000 for married filing separately) to \$750,000 (\$375,000 for married filing separately). California does not conform.  Federal law suspended the deduction on up to \$100,000 (\$50,000 for married filing separately) for interest on home equity indebtedness, unless the loan is used to buy, build, or substantially improve the taxpayer's home that secures the loan. California law does not conform.	If your deduction was limited under federal law, enter an adjustment on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 8, column C for the amount over the federal limit.  If your deduction was limited under the federal law, enter an adjustment on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 8, column C for the amount over the federal limit.
2) Mortgage interest credit	If you reduced your federal mortgage interest deduction by the amount of your mortgage interest credit (from federal Form 8396, Mortgage Interest Credit), increase your California itemized deductions by the same amount.	Enter the amount of your federal mortgage interest credit on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 8, column C.
3) Investment interest	Your California deduction for investment interest expense may be different from your federal deduction.	Use form FTB 3526, Investment Interest Expense Deduction, to figure the amount to enter on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 9, column B or column C.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
• Gifts		
1) Qualified charitable contributions	Your California deduction may be different from your federal deduction. California limits the amount of your deduction to 50% of your federal AGI. Figure the difference between the amount allowed using federal law and the amount allowed using California law.	Enter the difference on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 11 or line 12, column B.
2) College Access Tax Credit	You may need to make an adjustment for California purposes.	If you deducted a charitable contribution amount for the College Access Tax Credit Fund on your federal Schedule A (Form 1040), Itemized Deductions, and are claiming the College Access Tax Credit on your Form 540 or Form 540NR, enter the amount used to calculate the College Access Tax Credit on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 11, column B.
3) Charitable contribution deduction disallowance	<p>California disallows a charitable contribution deduction to an educational organization that is a postsecondary institution or to the Key Worldwide Foundation to a taxpayer who meets all of the following:</p> <ul style="list-style-type: none"> <li>• They are charged as a defendant in any of several specified criminal complaints as listed in R&amp;TC Section 17275.4.</li> <li>• There is a final determination of their guilt with regard to a violation of any offense arising out of that criminal complaint.</li> <li>• There is a finding that they took the deduction unlawfully.</li> </ul> <p>For more information, see R&amp;TC Section 17275.4.</p>	Enter the amount of this deduction on Schedule CA (540), Part II, or Schedule CA (540NR), Part III, line 11 or line 12, column B.
4) Charitable conservation easement contributions	Under federal law, the amount of qualified conservation contribution deductions allowed is no more than 50% of federal AGI. California law limits the amount of qualified conservation contribution deductions to no more than 30% of federal AGI.	Figure the difference between the deduction amount allowed using federal law and the amount allowed using California law. Enter the difference on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 12, column B.
5) Charitable contribution carryover deduction	Your California charitable contribution carryover may be different from your federal carryover.	If deducting a prior year charitable contribution carryover, and the California carryover is larger than the federal carryover, enter the additional amount on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 13, column C.
6) Qualified conservation contributions deduction carryover	Under federal law, qualified conservation contribution deductions can be carried forward for 15 years. California law limits the carryover period to 5 years.	If the California carryover period for qualified conservation contribution deduction has expired, and you are deducting a charitable contribution carryover for federal purposes on line 13, column A, enter that carryover deduction amount on line 13, column B.
7) Carryover deduction of appreciated stock contributed to a private foundation prior to January 1, 2002	There may be a difference in the valuation of your California charitable contribution of appreciated stock than allowed for federal.	If deducting a charitable contribution carryover of appreciated stock donated to a private operating foundation prior to January 1, 2002, and the fair market value allowed for federal purposes is larger than the basis allowed for California purposes, enter the difference on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 13, column B.
• Casualty and theft losses		
	<p>The TCJA suspended the personal casualty and theft loss deduction, with exception for personal casualty gains. Federal allows a deduction for personal casualty and theft loss incurred in a federally declared disaster. California does not conform.</p> <p>California allows personal casualty and theft loss and disaster loss deductions. If you have personal casualty and theft loss and/or disaster loss, complete another federal Form 4684, Casualties and Thefts, using California amounts.</p>	Enter the difference between the federal and California amount on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 15, column B or column C.

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>• Other itemized deductions</li> </ul>		
1) Unreimbursed impairment-related work expenses	<p>If you completed federal Form 2106, Employee Business Expenses, prepare a second set of forms reflecting your employee business expense using California amounts (i.e., following California law). Include your entertainment expenses, if any, on line 5 of federal Form 2106 for California purposes. Generally, California law conforms with federal law and no adjustment is needed. However, differences occur when:</p> <ul style="list-style-type: none"> <li>• Assets (requiring depreciation) were placed in service before January 1, 1987. Figure the depreciation based on California law.</li> <li>• Federal employees were placed on temporary duty status. California does not conform to the federal provision that expanded temporary duties to include prosecution duties, in addition to investigative duties. Therefore, travel expenses paid or incurred in connection with temporary duty status (exceeding one year), involving the prosecution (or support of the prosecution) of a federal crime, should not be included in the California amount.</li> </ul>	<p>Compare federal Form 2106, line 10 and the form completed using California amounts. Enter the difference between the federal and California amount on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 16, column B or column C.</p>
2) Gambling losses	<p>California lottery losses are not deductible for California.</p>	<p>Enter the amount of California lottery losses included on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 16, column A on line 16, column B.</p>
3) Federal estate tax	<p>Federal estate tax paid on income in respect of a decedent is not deductible for California.</p>	<p>Enter the amount of federal estate tax included on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 16, column A on line 16, column B.</p>
4) Claim of right	<p>If you had to repay an amount that you included in your income in an earlier year, because at the time you thought you had an unrestricted right to it, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may take a credit against your tax for the year in which you repaid it, whichever results in the least tax.</p> <p>If the amount repaid was not taxed by California, then no deduction or credit is allowed.</p>	<p>If you claimed a credit for the repayment on your federal tax return and are deducting the repayment for California, enter the allowable deduction on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 16, column C.</p> <p>If you deducted the repayment on your federal tax return and are taking a credit for California, enter the amount of the federal deduction on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 16, column B. Social security benefits are not taxable by California and the repayment would not qualify for claim of right deduction or credit. If you deducted the repayment of Social Security benefits on your federal tax return, enter the amount of the federal deduction on line 16, column B.</p> <p>To help you determine whether to take a credit or deduction, see the Repayment section of federal Pub. 525, Taxable and Nontaxable Income. Remember to use the California tax rate in your computations. If you choose to take the credit instead of the deduction for California, add the credit amount on line 78, the total payment line, of Form 540 or on line 88, of Form 540NR. To the left of the total, write "IRC 1341" and the amount of the credit.</p>

ITEM	DIFFERENCES BETWEEN FEDERAL AND CALIFORNIA LAW	WHAT TO DO FOR CALIFORNIA
<ul style="list-style-type: none"> <li>Job expenses and certain miscellaneous deductions</li> </ul>		
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>1) Unreimbursed employee expenses</li> </ul> </li> </ul>	<p>Under federal law, the deduction for miscellaneous itemized deductions subject to the 2% floor is suspended. California law does not conform.</p>	<p>Prepare federal Form 2106 reflecting your employee business expense using California amounts (i.e. following California law). Include your entertainment expenses, if any, on line 5 of federal Form 2106 for California purposes. Enter the amount from line 10 of federal Form 2106 on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 19.</p>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>2) Tax preparation fees</li> </ul> </li> </ul>	<p>Under federal law, the deduction for miscellaneous itemized deductions subject to the 2% floor is suspended. California law does not conform.</p>	<p>Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 20. If you paid your tax by credit or debit card, include the convenience fee you were charged on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 21 instead of line 20.</p>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>3) Other expenses</li> </ul> </li> </ul>	<p>Under federal law, the deduction for miscellaneous itemized deductions subject to the 2% floor is suspended. California law does not conform.</p>	<p>Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 21. List the type of each expense next to line 21 and enter the total of these expenses on line 21. If additional space is needed, attach a statement showing the type and amount of each expense.</p> <p>Examples of expenses to include on Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 21 are:</p> <ul style="list-style-type: none"> <li>Certain legal and accounting fees.</li> <li>Custodial fees (for example, trust account).</li> <li>Casualty and theft losses of property used in performing services as an employee from federal Form 4684, line 32 and line 38b, or federal Form 4797, Sales of Business Property, line 18a.</li> <li>Deduction for repayment of amounts under a claim of right if \$3,000 or less.</li> </ul>
<ul style="list-style-type: none"> <li>Other adjustments</li> </ul>	<p>Adjustments to itemized deductions include: adoption-related expenses, nontaxable income expense, state legislator's travel expenses, and interest on loans from utility companies.</p>	<p>See Schedule CA (540), Part II or Schedule CA (540NR), Part III, line 27, for more information.</p>