

## Registered Domestic Partner (RDP) Filing Status Differences

### Subject:

Changes in substantive rules due to change in filing status for California Return.

There are areas of the federal code that based on filing status, RDPs will be treated differently on their California returns than on their federal returns. The following code provisions are examples of items where this difference occurs.

### Law:

IRC sections 121, 163(d)(6)(C), 163(h)(3), and 179(b)(4)

#### IRC §121

Exclusions of gain from sale of principal residence.

Federal - Single \$250,000 exclusion to each qualified owner and other rules met

CA - MFJ \$500,000 exclusion if either RDP is a qualified owner

CA - MFS \$250,000 exclusion to a qualified owner

#### IRC §163 (d)(6)(C)

Limitation on Investment Interest

Federal – Single each taxpayer has a ceiling amount of \$10,000

CA – MFJ ceiling amount \$10,000

CA – MFS ceiling amount \$5,000 each

#### IRC §163(h)(3)

Interest deduction on a principal or second residence.

Federal – Single \$1,000,000 each home interest, \$100,000 each equity interest

CA – MFJ \$1,000,000 home interest, \$100,000 equity interest

CA – MFS \$500,000 home interest, \$50,000 equity interest

#### IRC §179 (b)(4)

Election to expense certain depreciable business assets. Limitations:

Federal - for purposes of dollar limitation and reduction in limitation, Single taxpayer could get full amount.

CA – for dollar limitation and reduction in limitation purposes. MFS RDP or MFJ RDP treated as one taxpayer, but not below zero. For California, MFS RDPs get 50% of dollar limitation and phase out numbers.