STATE OF CALIFORNIA
Franchise Tax Board

2023 VITA/TCE
California Volunteer Reference Manual

California Volunteers Make the Difference

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Critical Numbers

Site Information: Site Name:________
Site ID Number (SIDN):_____________
Partner Information: Name:_________
Phone Number:___________________
State Coordinator: Name:___________
Phone Number:___________________

Franchise Tax Board Field offices

City	Address	Zip Code
Los Angeles	300 S. Spring St., Suite 5704	90013-1233
Oakland	1515 Clay St., Suite 305	94612-1445
Sacramento	3321 Power Inn Rd, Suite 250	95826-3893
San Diego	7575 Metropolitan Dr., Suite 201	92108-4421
Santa Ana	600 W. Santa Ana Blvd, Suite 300	92701-4532

Volunteer Hotline

(Volunteers only- Not for the taxpayer)

California Franchise Tax Board (FTB)	800-522-5665
Federal Internal Revenue Services (IRS)	800-829-8482
Public Assistance (For the taxpayers)	
FTB from within the United States	800-852-5711
FTB from outside the United States	916-845-6500
FTB automated assistance	800-338-0505
For Federal (IRS) questions	800-829-1040
For TTY/TDD (persons with disabilities)	800-822-6268

Websites

California Franchise Tax Board (FTB) (https://www.ftb.ca.gov)

In the search field, enter the underlined word or number:

- VITA, Volunteer Income Tax Assistance
- Live Chat for online assistance
- 2335, VITA Military Worksheet
- 5135, VITA Military Reference Guide

Internal Revenue Service (IRS) (https://www.irs.gov)

TaxSlayer Training System (https://vita.taxslayerpro.com/irstraining)

Link and Learn Certification (https://www.linklearncertification.com/d/)

Correspondence

If your taxpayer needs assistance when sending written correspondence, make sure you include the taxpayer's social security number (SSN) in the letter and mail to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0040

Self-Help E-Services MyFTB

Provides tax account information and online services to Individuals, Business Representatives and Tax Preparers. Individuals can use MyFTB to access:

- Account information
- View account balance and tax year details
- View estimated payments and credits before filing a return
- View payment history
- View a list and images of a tax return
- View a list and images of notices and correspondence
- View and update contact information
- View proposed assessments
- View California wage and withholding information
- View FTB-issued 1099 information
- View a list of authorized representatives (tax preparer or a tax preparer with a power of attorney) and manage who can access your account
- View a list of activities that occurred on your account, such as the last time your account was accessed
- Online services
- Calculate a balance due for a date in the future
- File a Power of Attorney (POA)
- File a nonresident withholding waiver request
- Protest a proposed assessment
- Options to communicate with us
- Chat with an FTB representative about confidential matters
- Send a secure message with attachments to FTB
- Choose to receive an email when we send you a notice or correspondence

How to access MyFTB

Taxpayers will need to complete a one-time registration process to access MyFTB account. Go to My FTB Account. When they register, they must select a username and password and provide the following information:

- A valid email address
- Their SSN
- Their first and last name from the most recently filed California tax return or the name provided via telephone or FTB 3533, Change of Address
- Information from a CA tax return filed in the last five years:
    - Year of the tax return
    - Filing status used on the tax return
    - CA adjusted gross income (AGI) on the tax return

If your taxpayer has not filed a CA tax return in one of the last five years, they cannot register. If they need additional information, have them call us at 800-852-5711 (voice) or 800-822-6268 (TTY/TDD) during business hours.

For taxpayer's who owe, there is an easy way to pay:

With instant access to taxpayer information and services available 24 hours a day, the online payment options at FTB will save the taxpayer's time and hassle. Plus, paying online is another way to save natural resources like trees. Encourage the taxpayers to pay their taxes online!

- **Web Pay** - Make the personal income tax payments online. They can pay today or schedule the payment up to one year in advance. If using Web Pay, do not mail the paper payment voucher. Web Pay for Individuals | California Franchise Tax Board
- **Credit Card** - Pay with your Discover/NOVUS, Master card, Visa, or American Express. Make payments online at ACI Payments or by phone at 888-872-9829 for federal tax payments and 800-272-9829 for state tax payments. ACI Payments Corporation charges a convenience fee of 2.3% (minimum $1) to use this service.
- **Check or Money Order**- Mail the payment or pay in person at a field office.

Installment Agreement

If your taxpayer cannot pay the full amount they owe and would like to make monthly payments, they may enter into an Installment Agreement.
They may qualify for an installment agreement if they:

- Owe a balance of less than $25,000
- Agree to pay your balance due in 60 months or less
- Have filed all required personal income tax returns for the past five years

Approval will be based on ability to pay and compliance history. A lien may be filed and a financial statement requested as a conditional approval.

How to apply

- **Online**- They must agree to special requirements and have a bank account.
- **Mail**- Complete FTB Form 3567, Installment Agreement Request and mail it to the address shown on page 2. Failure to provide complete information will delay the processing of their request. Do not attach this form to the tax return.
- **Phone**- Call us at 800-689-4776, Monday through Friday between 8 AM and 5 PM, except state holidays.

Contents

Objective

1. Define the scope of the VITA/TCE program
2. Understand your volunteer responsibilities
3. Understand the privacy and disclosure policy
4. Identify and locate the reference materials available

Scope of VITA/TCE

The VITA/TCE program assists individuals with limited income who need help completing simple federal and state income tax returns. Nonresident and part-year resident tax returns can be complex. This manual excludes instructions for the California Form 540NR. This manual limits instructions to California resident tax returns only.

Generally, volunteer sites open as early as January 15 and provide assistance through April 15 each year. In all cases, VITA/TCE sites do not charge for assistance.

Volunteer Responsibilities

Volunteers make the program work by fulfilling these responsibilities:

- Complete the Federal training and certify on Link and Learn
- Attend and complete the State tax training
- Be available during the filing season to provide assistance
- Use the IRS and FTB manuals and the reference guides to help you provide accurate information to the taxpayers
- Call the IRS or FTB volunteer hotlines for answers to Federal and State tax questions

You do not have a legal responsibility for the tax returns you prepare. Let the taxpayers know that the tax returns legal responsibility is theirs. The Volunteer Protection Act of 1997, PL 105-19 exempts a volunteer of a non-profit organization or governmental entity from liability for harm caused by an act of omission by the volunteer on behalf of such organization or entity.

Privacy and Disclosure of Information

The taxpayer’s provide confidential information with their tax returns and financial information. You are not to disclose and/or discuss this information under any circumstance with anyone other than the taxpayer and authorized individuals. You must take actions to erase confidential information on the computer’s hard drive. Volunteers are subject to the criminal penalty provisions of 18 U.S.C Section 1905 for any improper disclosures of customer information.

It is critical to the VITA/TCE Program’s success to ensure volunteers safeguard the taxpayer’s information and understand their responsibility to protect confidential information under a need to know basis. Arrange your assistance area to enhance the privacy of the taxpayer. You must sign IRS Form 13615, *Volunteers Standard of Conduct Agreement*. This agreement and its provisions apply to the state returns you prepare.

As a volunteer, all information you receive from the taxpayer is strictly confidential and should not be disclosed to unauthorized individuals.

Site Number/SIDN

The IRS assigns every volunteer site a site number (SIDN). This number will be added automatically from the default software setup on all tax returns for identification purposes.

No Acceptance of Payments

The VITA/TCE Program provides free assistance. You may not accept payment of any form under any circumstance, either for your services or on behalf of the IRS or FTB.

Taxpayer Documents

It is essential for the site appointment maker to tell, e-mail, and/or printout the needed documents list of all tax related items the taxpayer needs to bring to their appointment. All necessary records are needed to complete an accurate tax return.

To complete an accurate tax return the taxpayer needs to bring:

1. A completed IRS Intake/Interview quality review sheet
    - IRS Form 13614-C, Intake/Interview and Quality Review sheet
    - Answer the questions about the taxpayer and their family
    - Birthdates for the taxpayer, spouse, and dependents
    - Health insurance coverage for all members, IRS Form 1095-A,1095-B, and 1095-C
2. Original or photocopy of the social security cards for everyone listed on the tax return
3. Copy of last year's Federal and State tax returns
    - Gives you some idea of the tax return's complexity
    - Shows the forms used in the prior year return
    - Allows you to crosscheck the taxpayer's information: Social security number(s) and dependent(s) information
4. Wage and earning statements like Forms W-2, W-2G, 1099-R and other 1099s
5. Any other relevant information about income and expenses
6. Bank account information such as routing and account numbers for direct deposit
7. Day care receipt with the total amount paid and the day care provider's:
    - Name, Address, and phone number
    - Tax Identification or SSN
8. The following itemized items for taxpayer's who itemize:
    - Mortgage interest statement (normally in December or January bill or 1098)
    - Real Estate tax documents
    - Vehicle Registration from DMV
    - Charitable contributions with receipts or documentation to substantiate
    - Student loan interest documents
    - For other itemized deductions, go to: IRS Schedule A information
9. Year-end Brokerage statement
10. Rental property income and expenses, for more information go to:
    - IRS Publication 527, *Residential Rental Property*

Generally, you should fully complete the taxpayer's tax return at the time of service. Do not retain the taxpayer's documents for a follow-up visit. If more data is required, give everything back to the taxpayer. The taxpayer should provide the entire package with the missing information when they return.

Replenishing Supplies

To replenish your supplies of state forms and publications, complete Form 2333V-CA and return it to the Volunteer Income Tax Assistance team. You can also call the Volunteer Hotline at 800-522-5665, to order forms or email your order to volunteercoordinator@ftb.ca.gov.

The Volunteer Hotline assists with the following:

- Tracking of orders
- Tax preparation questions
- TaxSlayer software assistance

The Volunteer Hotline hours of operation are 8 AM to 4 PM Monday thru Friday, except state holidays. You can reach the Volunteer Hotline staff at 800-522-5665.

Change in Location and/or Service hours
If you have a change in location or service hours, do one of the following:

1. Call the Volunteer Hotline and inform them:
   - You are a volunteer for the VITA/TCE program
   - The location of your site (Include the county and zip code)
   - The change in location and/or hours
2. Notify the organizations, media, and other persons whom you previously contacted regarding location and hours of operation.
3. Correct or remove the posters distributed throughout the community. This notifies the public of your closure or change in location and/or hours of operation.

Note: We provide links to volunteer site lists. IRS and AARP provide the site listings. Any change in service hours, location or contact numbers should be updated with the IRS as soon as possible.

Questions or Assistance outside the Scope of the Program
For matters beyond your training, refer the taxpayer to the toll-free public assistance telephone numbers:

- IRS 800-829-1040
- FTB 800-852-5711

It may be necessary to suggest the taxpayer hire a tax service or enrolled agent to file their complicated tax returns.

Volunteer References

In order to produce the best possible product, use the following reference materials:

Go to FTB and enter the form number or word into the search field

- 5130, VITA/TCE California Volunteer Reference Manual
- VITA/TCE home page

TaxSlayer Software

- Website: vita.taxslayerpro.com
- You must obtain your username from your site coordinator to sign into the live environment. If you are a new volunteer, your site coordinator will provide you with your username and password for the live environment

TaxSlayer Log in

The site coordinator sets up the volunteer’s account in TaxSlayer using their tax center taxpayer ID. Coordinators can use TaxSlayer’s online instructions or call the Volunteer Hotline for assistance on how to do this.

When you login to your account in TaxSlayer for the first time, the “Account Update” screen will come up.

Keep in mind the “Account Update” screen only needs to be completed once.

- Enter your correct cell phone number
- Use an email address you will be able to access each time you log in

TaxSlayer requires you to get an authentication code every 7 days when you log in using the same computer or every single time you log into TaxSlayer using a different computer. You may choose to either receive the authentication code via the cell number or email address you entered on the “Account Update” screen.

After you complete the “Account Update” screen, you may be asked if you want to Sync your account. Do NOT sync. Otherwise, the system will sync all your accounts to one login ID, and you may not be able to log into different sites with different login name.

Once you have entered the appropriate information, you will be logged into TaxSlayer.

Username: ___________

Password: ____________

Annually TaxSlayer updates the current California state forms in late January. During California State tax training, it will be necessary for you to use the prior year TaxSlayer online program.

The information you type into TaxSlayer is crucial. Key it as you see it. Type each tax form into TaxSlayer exactly how it looks. When you put correct information into TaxSlayer, you get correct information out. Make sure to verify the documents provided from the taxpayer are for the correct tax year. Occasionally, taxpayers will provide you with prior year tax documents.

Check Social Security Numbers

It is important to check the taxpayer’s tax forms to verify their SSNs match.

What's New for 2023 at a Glance

Use this as a quick reference guide for current Federal and State Tax Law

Federal and State Standard Deduction

2023 Filing Status	Single	Married Filing Joint	Head of Household
Federal Under 65	$13,850	$27,700	$20,800
CA	$5,363	$10,726	$10,726
CA Personal Exemption Credits	$144	$288	$144

Federal additional standard deduction for 65 and older:

- Single or Head of Household $1,850
- Married Filing Joint or Qualifying Surviving Spouse $1,500

Federal additional standard deduction for blind:

- Single or Head of Household $1,850
- Married Filing Joint or Qualifying Surviving Spouse $1,500

CA Dependent Exemption Credit $446

California HOPE for Children Trust Account Program

For taxable years beginning on or after January 1, 2023, the California HOPE for Children Trust Account Act created the California HOPE for Children Trust Account program which provides an eligible child with a HOPE trust account.

For the purpose of eligibility for the California Earned Income Tax Credit and Young Child Tax Credit, any funds deposited, any investment returns accrued, and any accrued interest in a HOPE trust account and any funds from a HOPE trust account that are withdrawn or transferred by an eligible youth are not considered earned income and are excluded from California gross income.

California Health Care Mandate

Beginning January 1, 2020, minimum essential health care coverage is required for all California residents and their dependents, unless they qualify for an exemption. If an individual is required to obtain health insurance and fails to do so, a penalty per uninsured person in the household may be imposed. This penalty is referred to as the Individual Shared Responsibility Penalty. At the end of each year, taxpayers are required to verify on their California income tax returns they maintained health care coverage for themselves, their spouse, and dependents or, if they meet an exemption. Those who do not obtain health insurance and are not exempt from the mandate will compute and pay the penalty on the California individual tax return. Individuals may receive federal subsidies from Covered California to help cover the cost of the required insurance. Individuals receive form 1095A from Covered California and they are required to reconcile the advanced subsidy payments based on actual income on their federal tax return.

The following form needs to be completed and included with the individual's California tax return:

- FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty Form

FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty

If the taxpayer is unable to check the "Full-year health care coverage" box on Form 540, 540NR, or 540 2EZ, you may need to report an individual shared responsibility penalty. First, check if the taxpayer qualifies for any coverage exemptions for some or all of the months the taxpayer or their family member did not have minimum essential coverage. If the taxpayer is not required to file a tax return, their household is exempt from the individual shared responsibility penalty and you do not need to file a return to claim the coverage or the coverage exemption. Search for FTB 3853-instructions for additional information.

Coverage Exemptions

Minimum essential coverage is health coverage that satisfies the requirement for individuals to have health coverage. Generally, this includes coverage under a government-sponsored program, coverage from your employer, and coverage under certain plans that the taxpayer purchases in the individual market. There are exemptions that can be applied for or claimed based on the taxpayer's tax return.

The taxpayer could qualify for an exemption to the penalty. Most exemptions may be claimed on your state income tax return while filing. Below you will find the exemptions claimed on the state tax return and the exemptions processed by Covered California. For more details, visit Covered California.

Exemptions claimed on tax return:

- Income below the tax filing threshold
- Health coverage considered unaffordable (exceeded 8.17% of household income for the 2023 taxable year)
- Families self-only coverage combined cost is unaffordable
- Short coverage gap for 3 consecutive months or less
- Certain non-citizens who are not lawfully present
- Certain citizens living abroad/residents of another state or U.S. territory
- Members of health care sharing ministry
- Members of federally-recognized Indian tribes including Alaskan Natives
- Incarceration (other than incarceration pending the disposition of changes)
- Enrolled in limited or restricted-scope Medi-Cal or other coverage from the California Department of Health Care Services

Exemptions processed by Covered California

- Religious conscience exemption
- Affordability hardship
- General hardship

Individual Shared Responsibility Penalty

Taxpayers will have to pay a penalty, the Individual Shared Responsibility Penalty, when they file their state tax return if:

- They did not have health coverage
- They were not eligible for an exemption from coverage for any month of the year

To calculate the penalty, we will need to look at what the penalty is based on and how the penalty is assessed.

The penalty is based on two things:

- Number of people in the household
- California state income

Flat Amount Penalty

Pay $900 per adult, and $450 per child

Percentage of Household Income

Pay 2.5% of the amount of gross income that exceeds the filing threshold requirements based on the tax filing status and number of dependents.

TaxSlayer software tips: If the taxpayer or any of their household members did not have health care coverage any months of the year, form 3853 (Health Care Shared Responsibility Tax) needs to be completed.

In the State section, after selecting Healthcare coverage forms, select Begin or Edit next to Healthcare Shared Responsibility Tax (form 3853). Under the questions, did the taxpayer or their household members have minimum essential health care coverage, the answer should be "no". If answering "Yes", form 3853 does not need to be completed.

(If the taxpayer or any member of the household wants to report a Marketplace-issued exemption or is claiming an exemption on their return, part III and shared responsibility payment must be completed for every member of the household even if they had health care coverage all year).

Select Part III- Coverage Exemptions. Select Begin for the option that applies to your taxpayer or household member. Select Add Part III – California Coverage Exemption for household members. Select an individual from the drop-down menu and select the exemption that applies to that individual either for the full year or any of the listed months. Remember, if the exemption or health coverage was not for the full year, then complete the drop down for each individual month.

Once completed for an individual, select continue. Repeat these steps for every member of the household. When you have completed part III for all members of the household, select back until you see CA Form 3853 HealthCare.

Next, select Begin on the Shared Responsibility Payment. Select Begin for the option that applies to your taxpayer or household member. Select Add Shared Responsibility Payment. Select an individual from the drop-down menu.

If there is any adjustment to Modified Adjusted Gross income refer to FTB 3853 Instructions.

If the taxpayer or household member was granted an exemption from the marketplace, enter their Exemption Certification Number ECN(s). Select yes for each month the taxpayer or household member had an exemption or healthcare coverage. Select no for each month, they had no coverage nor exemptions.

Once completed for an individual, select continue. Repeat these steps for every member of the household.

When you have completed shared responsibility payment for all members of the household, select back until you see Health Care Forms.

Introduction to California Tax Law

1. General Information
2. Filing Date
3. California Residency
4. California Tax Forms
5. Filing Status
6. Filing Requirements
7. California Income
8. Income
9. Itemized Vs Standard Deduction
10. California Credits
11. Amended Returns

General Information

In this manual, we strive to include information volunteers find most useful. It is impossible to include all California Revenue and Taxation Code (R&TC) requirements in this manual. This manual should be used as a guide and reference tool and not as authoritative law.

Filing Date

The due date for filing the 2023 tax returns is April 15, 2024. Therefore, the 2023 tax return and payments received on or before April 15, 2024, are considered timely and are not subject to penalties and interest.

Automatic Extension to File

For taxpayers who miss the filing deadline of April 15, 2024, CA grants paperless extension to file their tax return by October 15, 2024. This extension is to avoid late filing penalties and additional interest; however, it is not an extension to pay amount owed. Any payment for taxes due on the return must be submitted by April 15, 2024, to avoid penalty and interest.

If a taxpayer is living or traveling outside the United States on April 15, 2024, the due dates for filing their return and paying the taxes owed is June 17, 2024. Taxpayer will not be charged penalties for non-payment; however, interest will still accrue from April 15.

If the taxpayer cannot file by June 17, 2024, they can also be granted the automatic six-month extension. This would make the due date for filing the return December 15, 2024; however, it is not an automatic extension for any payments.

California Residency

Residency is significant because it determines what income is taxed by California. An individual becomes a resident of California when they make California their home versus when they come here for a visit. Generally, we presume residency if an individual spends nine months or more of the calendar year in California. Search for and refer to Publication 1031, *Guidelines for Determining Residency Status* for more information.

Full-year resident of California- Any individual who is present in California for other than temporary or transitory purposes or domiciled in California, but outside of California for a temporary or transitory purpose. California residents are taxed on ALL income, including sources outside of California.

Nonresident of California- Any individual who is not a resident of California. Nonresidents of California are taxed ONLY on income from a California source. Nonresidents of California are not taxed on lump sum distributions from a qualified plan or annuity received after December 31, 1995. However, lump-sum distributions, derived from a California source, received from most non-qualified plans after December 31, 1995, continue to be taxable by California. Search for and review FTB Publication 1005, *Pension and Annuity Guidelines*, for more information.

Part-year resident of California- Any individual who is a resident of California for part of the year and a nonresident for part of the year. A Part-year resident is taxed on all income received while a resident of California and only on income from a California source when considered a Nonresident.

Temporary or Transitory

Non-permanent or short period stays in California are considered temporary or transitory visits. Generally, your state of residence is where you have your closest connections. If you leave your state of residence, it is important to determine if your presence in a different location is for a temporary or transitory purpose. You should consider the purpose and length of your stay when determining your residency.

Coming into California

When you are present in California for temporary or transitory purposes, you are a nonresident of California. For instance, if you come to California for a vacation, TDY (Temporary Duty Assignment) and complete a transaction or you are simply passing through, your purpose is temporary or transitory. As a nonresident, you are taxed only on your income from California sources. When you are in California for other than a temporary or transitory purpose, you are a California resident. For instance, if your employer assigns you to an office in California for a long or indefinite period, if you retire and come to California with no specific plans to leave, or if you are ill and are in California for an indefinite recuperation period, your stay is other than temporary or transitory. As a resident, you are taxed on all income from all sources.

Leaving California

Any individual who is a resident of California continues to be a resident when absent from the state for a temporary or transitory purpose. Individuals absent from California under an employment-related contract for a period of at least 546 consecutive days may be considered an absence for other than temporary or transitory purposes, if all the following are met:

- Are under an employment related contract of at least 546 consecutive days
- Do not return to California for more than 45 days in a current year
- Do not receive more than $200,000 of intangible income
- Did not leave to avoid taxes

California Tax Forms

Below is a list of the personal income tax forms for California.

Search for:
- 540 2EZ – Used for Full year residents
- 540 – Used for Full year residents
- 540NR - Form for part-year residents and nonresidents

Filing Status

As a rule, taxpayers must use the same filing status for their California return as on their federal return. However, there are some exceptions.

The filing status are:
- Single
- Head of Household
- Married Filing Joint
- Married Filing Separately
- Qualifying Surviving Spouse/RDP

Same-sex married couples have a legally recognized marital union and must follow the Married Filing Joint requirements. Married couples must file their income tax returns using one of the following filing statuses:
  - Married/Registered Domestic Partner Filing Jointly
  - Married/RDP Filing Separately
  - Head of Household

If the taxpayers file a joint return for federal purposes, they may file separately for California if either spouse was one of the following:
- An active member of the United States Armed Forces or any auxiliary military branch during the taxable year.
- A nonresident for the entire year with no income from California sources during the taxable year.

Keep in mind: If the spouse earning the California source income is domiciled in a community property state, community income will be split equally between the spouses. Both spouses will have California income based on community property rules.

Head of Household

Search for Head of Household Schedule 3532 and complete, this form must be filed with the tax return when filing Head of Household.

Filing Requirements

If a taxpayer is questioning whether he or she should file a tax return, you should always advise them to file to avoid penalties and additional interest, if applicable.

If a taxpayer does not have a filing requirement, he/she may want to file a tax return to claim a refund, if any, of the following are true:

- If there are California withholdings on a Form W-2 or any 1099s that the taxpayer receives
- The taxpayer paid any estimated payments to the State of California
- The taxpayer qualifies for California EITC, the young child tax credit, or the foster youth tax credit

Generally, California resident, Part-year resident and Nonresident taxpayers are required to file a return if they meet the income thresholds in the charts below. The taxpayer has a filing requirement if either their gross or adjusted gross income from all sources exceeds the listed amount for their filing status, age, and number of dependents.

In addition, FTB provides minimum filing requirement thresholds to ensure that most people who will not owe taxes are not required to file a tax return. FTB adjusts these tables each year to include the added senior exemption and the dependent exemption credits, for example, most single people under 65 years old with no dependents would not need to file a state return until they have California adjusted gross income of $17,249 or more.

Single or Head of Household:

Under the age of 65

Gross Income

- No dependents $21,561
- One dependent $36,428
- Two or more dependents $47,578

Adjusted Gross Income

- No dependents $17,249
- One dependent $32,116
- Two or more dependents $43,266

Over the age of 65

Gross Income

- No dependents $28,761
- One dependent $39,911
- Two or more dependents $48,831

Adjusted Gross Income

- No dependents $24,449
- One dependent $35,599
- Two or more dependents $44,519

Married/RDP Filing Jointly:

Under the age of 65 (Both Spouses/RDP)

Gross Income

- No dependents $43,127
- One dependent $57,994
- Two or more dependents $69,144

Adjusted Gross Income

- No dependents $34,503
- One dependent $49,370
- Two or more dependents $60,520

Over the age of 65 (One Spouse/RDP)

Gross Income

- No dependents $50,327
- One dependent $61,477
- Two or more dependents $70,397

Adjusted Gross Income

- No dependents $41,703
- One dependent $52,853
- Two or more dependents $61,773

Over the age of 65 (Both Spouses/RDPs)

Gross Income

- No dependents $57,527
- One dependent $68,677
- Two or more dependents $77,597

Adjusted Gross Income

- No dependents $48,903
- One dependent $60,053
- Two or more dependents $68,973

Qualifying Surviving Spouse/RDP:

Under the age of 65

Gross Income

- One dependent $36,428
- Two or more dependents $47,578

Adjusted Gross Income

- One dependent $32,116
- Two or more dependents $43,266

Over the age of 65

Gross Income

- One dependent $39,911
- Two or more dependents $48,831

Adjusted Gross Income

- One dependent $35,599
- Two or more dependents $44,519

Additional Filing Thresholds

Below are additional situations when a taxpayer must file a return even if their income was below the threshold:

- Tax on a lump-sum distribution
- Tax on a qualified retirement plan including an Individual Retirement Arrangement (IRA) or Archery Medical Savings Account (MSA)
- Tax for children under age 19 or a student under age 24 who have investment income greater than $2,500
- Alternative minimum tax
- Recapture taxes
- Deferred tax on certain installment obligations
- Tax on an accumulation distribution from a trust

Dependent of another person's filing requirements

If the taxpayer is a dependent of another person, regardless of their filing status and age, they must file a tax return if their gross income from all sources is more than their standard deduction. The filing requirement is based on the standard deduction even if the taxpayer is itemizing their deductions. Search for and use the Standard Deduction worksheet for the Dependents, which is located in the 540 Booklet, *Personal Income Tax Booklet* to figure the deduction amount.

Note: TaxSlayer will calculate the allowable deduction for dependents. Make sure, "Can be claimed as a dependent", box is checked.

Exemption Credits

The 2023 personal exemption credit amount for single, married filing separate and head of household filers is $144 and for joint filers or qualifying surviving spouse/RDP is $288. The dependent exemption credit for tax year 2023 is $446.

Note: If the taxpayer's 65th birthday is on January 1, 2024, they are considered to be age 65 on December 31, 2023.

California Income

In general, California law often conforms to the Federal law. However, California may not adopt all the federal tax laws. For more information, go to IRS, FTB and search for FTB Publication 1001, *Supplemental Guidelines to California Adjustments*.

California Taxes:

- Foreign earned income
- Interest income from non-California state and local bonds
- Interest income from District of Columbia bonds issued after December 27, 1973
- Interest income from municipal bonds issued by a county, city, town, or other local government unit in a state other than California
- Most foreign social security income

California Does Not Tax:

- Interest income from U.S. savings bonds, U.S Treasury Bills, or any other bonds of the U.S. or U.S. Territories
- State income tax refunds
- Unemployment compensation and paid family medical leave in lieu of unemployment
- Social security benefits
- Tier 1 and tier 2 railroad retirement benefits
- California lottery winnings

Unemployment

California does not tax unemployment compensation.

TaxSlayer software tip: The software will automatically transfer the unemployment amount entered in the federal section of TaxSlayer to the State 540 Schedule CA.

Tax form tip: Due to changes on the federal Form 1040 and Schedules, the California Schedule CA (540) will be changing. The revised Schedule CA was not available at the time of this publication. For additional information, search for and reference the Schedule CA (540/540NR) Instructions.

Unemployment repayments

Repayments are not deductible as a California itemized deduction because the original payment was not taxed by California.

If the taxpayer must pay back income reported in a prior year, the amount or the repayment may be allowed as a misc. itemized deduction equal to the amount repaid. This is known as a Claim of Right. If the amount repaid is more than $3,000, he/she may take a credit against their tax for the year of repayment. See the instructions for Claim or Right in to 540 or 540NR booklet.

Non-qualified HSA Distributions- Distributions from an HSA not used for qualified medical expenses and included in federal income are not taxable for California purposes. See the “Additions or Subtractions to Income” in the State return preparation section to input this Value. “Non-qualified HSA” can be used as the description for the adjustment.

For additional information, search for and reference the 540 booklet.

Income

Wages and Salaries – W2 income

Wages and salaries have a source where the services are performed. The location of the employer where the payment is issued, or your location when you receive payment does not affect the source of this income. Residents include all wages and salaries earned, regardless of where the services were performed. Nonresidents include the income for services performed in California.

In Home Support Services (IHSS)

IHSS payments referred to as Medicaid Waiver Payments, are excluded from gross income pursuant to IRC section 131(c).

This means wages received by an IHSS provider who lives with the person receiving their services are not considered “gross income” for federal purposes.

California conforms to IRC section 131(c) under Revenue and Taxation Code (R&TC) section 17131, so it follows IRS guidance. Therefore, IHSS payments made to an individual living with the person for whom he or she provides care for will be excludable income for California.

TaxSlayer software tip: IHSS payments will all have the same federal EIN number on the W-2. Once you enter the Federal EIN, the system may auto populate the federal information such as the employer’s name and address. The system populates the employers name based on the last updated IHSS W2 entered. Be sure to update the employer’s name to match the name showing on the W2. The state ID will also auto populate based on the Federal EIN. Each employer has a unique state ID assigned to him or her. If the state ID auto populates, be sure to update the state ID to match the W2 in hand.

Starting in 2018, the care provider may receive a W2 from IHSS reporting zero wages in box 1 of the W2. If there are no dollar amounts reported other than in box 3-6 and no state tax withheld in box 17 of the W2, there is no need to enter the W2, unless the taxpayer would like to file to claim EITC and CalEITC.

TaxSlayer software tip: TaxSlayer will not allow you to enter a W2 with zero dollars reported in box 1 unless code Q is entered in box 12 of the W2. (Code Q is for Combat Pay, which is not relevant here).

If the care provider receives a W2 from IHSS reporting income in box 1 and they state that they lived for the entire year with the person they provide care for, the taxpayer can make the election to include or exclude their IHSS wages from their total gross income.

A taxpayer may elect to include or exclude their IHSS income to qualify for EITC/CalEITC.

If the provider states they lived, only for part of the year with the person they cared for and box 1 shows the same income in box 1, 3 and 5 of the W2, you will need to calculate the excludable portion of their income.

TaxSlayer software tip: When entering the W2 in TaxSlayer, under the W2 entry screen, there is a Medicaid Waiver Payment entry box located under box 13. In this box/field, you will need to enter the same amount from box 1 if the taxpayer chooses to exclude their IHSS wages from gross income.

CalEITC for Medicaid Waiver Payments (IHSS)

Beginning in tax year 2020, CA follows federal. Wages received by an IHSS provider who lives with the recipient of those services can opt to include or exclude all or none of that income as earned income on their tax return. This may allow them to qualify for CalEITC and other credits. This change is retroactive for calendar year 2020 and any open statue year; Please see FTB for more information.

Indian tribal Income

For tax year 2018 and after

Beginning January 1, 2018, income of tribal members of a federally recognized California Indian tribe living in California Indian country earned from any federally recognized California Indian country is exempt from California taxation. The exemption applies to "earned income" which includes wages, salaries, commissions or professional fees and other amounts received as compensation for personal services actually rendered. This does not apply to "received income" (per capita income).

Wages earned are exempt from California tax if all of the following requirements are met:

- The taxpayer is an enrolled member of a federally recognized California Indian tribe
- The taxpayer lives in any tribes of California Indian country, which includes:
- Reservations
- Dependent Indian Communities
- Indian trust allotments
- The taxpayer earned the IRS W-2 wages performing services within the boundaries of any California Indian reservation. This applies even when the payer is a public or private employer, such as a fast-food chain or a federally funded hospital.

Per Capita Income

Enrolled tribal members who receive per capita income must still reside in their affiliated tribe's Indian country for the per capita income to be exempt from taxation.

Per capita income is exempt from California tax if all of the following requirements are met:

- The individual must be an enrolled member of a federally recognized California Indian tribe
- The individual must reside in the affiliated tribe's California Indian country
- The individual must receive reservation sourced income from the same California Indian country in which the individual lives and is an enrolled member

For tax year 2017 and before, please search for and refer to FTB Publication 1001

TaxSlayer software tip: In the State section of TaxSlayer under subtractions from income, select other subtractions. Then select Add Other Subtractions. Three entries need to be made on this page. 1) Enter the description of other income subtraction. 2) Enter other income subtraction amount and 3) select the "Yes" radio button (Is this entry exempt Native American income, which may be reported on FTB 3504). Taxpayers need to file FTB 3504 separate from their tax return.

Interest Income

Non-California bonds

- United States - Federal law requires interest earned on federal bonds (U.S obligations) to be included in gross income. California does not conform. The following are not considered U.S obligations for California purposes: Fannie Mae, Ginnie Mae or Freddie Mac.

TaxSlayer software tip: In the federal section select Income (Income>Interest and Dividends>Interest or Dividend Income> Interest Income, Form 1099-INT). Interest income from U.S obligations that is entered in box 3 of the 1099-INT should also be entered in the box labeled "Amount of interest on U.S savings Bonds and Treasury Obligations that you want subtracted from your state return". Once you have entered the amount in this box, you will need to select California from the box labeled "Please select your state". This box will only appear after you have entered an amount that needs to be subtracted from your state return.

Tax form tip: Due to changes on the federal Form 1040 and Schedules, the California Schedule CA (540) will be changing. The revised Schedule CA was not available at the time of this publication. For additional information, search for and reference the Schedule CA (540/540NR) Instructions.

TaxSlayer software tip: Federal law does not tax interest from state or local bonds. California does tax this income. Go to the Federal section (Income>Interest and Dividends>Interest or Dividend Income> Interest Income, Form 1099-INT). If box 8 shows state and local bonds other than California, you will enter the tax-exempt portion for federal. Under the Taxable State Interest title, click on "Add interest items". Select California from the drop down and enter the amount of interest that should be taxed to California.

Exempt Interest Dividends (Mutual Funds)

California does not tax dividends paid by a mutual fund attributable to interest received from U.S obligations, 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.

Dividend Income

Dividend income is any distribution of a company's earnings to shareholders from stocks or mutual funds you own. Tax treatment of dividend income depends on whether the income meets the definition of a qualified dividend and if it is held in a retirement account, like an IRA.

A qualified dividend is a dividend that receives more favorable tax treatment by being taxed at capital gains rates. The dividend must have been paid by a U.S company or a qualifying foreign company.

Capital Gain or Loss

A capital gain is what the tax law calls the profit you receive when you sell a capital asset, which is property such as stocks, bonds, mutual funds shares and real estate. Capital loss is the reverse of capital gain. It results in a loss when the investment is sold. This does not include your primary residence. Special rules apply to these sales, which we will go over later in this section.

Federal law divides capital gains into two different classes (short-term gain and long-term gain) determined by the calendar. There is a big difference between short-term and long-term capital gains. Short-term gain comes from the sale of property owned one year or less; Long-term gains come from the sale of property held more than one year. Short-term and long-term gains are taxed at different tax rates for Federal. California conforms to the short-term and long-term definition but does not conform to a different tax rate as Federal.

Capital gains and losses are reported on Form 1099-B, which is often part of a brokerage statement. Separate management fees or investment fees charged by the brokerage cannot be claimed on the federal Schedule A as of January 1, 2018. This deductible expense was subject to a 2%-of-AGI reduction that was eliminated. California does not conform; therefore, these expenses are allowable as a California itemized deduction subject to 2%-of-AGI.

TaxSlayer software tip: Go to the Federal section select Income> Capital Gains and Losses-Schedule D> Capital Gains and Loss items. On the Capital Gains Transaction page, complete the needed information. For additional instructions on how to enter capital gains and losses in TaxSlayer, see Publication 4012.

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 for $250,000 ($500,000 if married filing jointly). The taxpayer must have owned and occupied the residence as a principal residence for at least two of the 5 years before the sale. California conforms to this provision. However, California taxpayers who serve in the Peace Corps during the 5-year period ending on the date of the sale may reduce the 2-yearperiod by the period of service, not to exceed 18 months. If the home is sold by a surviving spouse within 2 years of the date of death of their spouse, the surviving spouse may potentially qualify for the $500,000 exclusion as well.

If there are California tax withheld from the sale, the sellers will receive California Form 593.

TaxSlayer software tip: Report the sale or exchange of your main home as a Capital Gain or Loss if you cannot exclude all of your gain from income, or you receive a Form 1099-S for the sale or exchange. Go to the Federal section select Income> Capital Gains and Losses-Schedule D> Sale of Main Home Worksheet. On the Sale of Home page, complete the needed information. For additional instructions on how to enter capital gains and losses of sale of main home in TaxSlayer, see Publication 4012. To enter any withholdings from Form 593 received, go to the State Section>payments>Ca Real Estate Withholdings (Form 593) and enter the information needed on that page and the five associated pages. All the information needed will be found on Form 593.

Capital Loss Carrybacks

Federal law allows a deduction for carrybacks of certain capital losses. California has no similar provision.

Pensions, Annuity Income, and IRA Distributions

Taxpayers are required to take minimum distribution from their account each year at a certain age. Generally you have to start taking withdrawals from your IRA, SEP IRA, Simple IRA, or retirement plan account when you reach age 72. Roth IRA's do not require withdrawals until after the death of the owner.

Due to the SECURE ACT, Beginning December 20, 2019. If a taxpayer reaches age 70 ½ in 2019 the prior rules apply and you must take the minimum required distribution by April 1, 2020. If you reach age 70 ½ in 2020, you must take your first minimum distribution by April 1, of the year after you reach 72. There is no age limit on contributions as long as you are still working when making those contributions. Some adjustments may need to be made on the Schedule CA (540). See instructions for more details.

California conforms to the following federal enhancements under the SECURE Act:

- Increase in age for required minimum distribution from 70 ½ to 72
- Withdrawal of up to $5,000 penalty-free from the retirement plan upon the birth or adoption of a child
- Waives the early withdrawal penalty for qualified disaster distributions up to $100,000 from qualified retirement accounts (IRC Section 72(t))

California law **does not** conform to the following federal enhancements under the SECURE Act:

- Repeal of maximum age of 70 ½ for traditional individual retirement arrangement (IRA) contributions
- Expansion of IRC Section 529 qualified tuition program accounts to cover costs associated with registered apprenticeship and qualified education loan repayments
- Increase credit limitation for small employer pension plan startup costs

Pension and annuity income and IRA distribution income is reported on three different forms.

- Form RRB-1099-R is for Railroad Retirement Benefits
- Form CSA 1099- This form is a close variant of the standard Form 1099-R
- Form 1099-R this is the standard form.

Railroad Retirement Benefits

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.

TaxSlayer software tip: Railroad Retirement Benefits (RRB) are reported on two forms and are entered in two entry screens. Social Security Equivalent Benefits, Form RRB 1099 Tier 1 (this is a blue form) are entered on the Social Security Benefits screen. Treat the benefits reported on this form just as if the information was reported on Form SSA-1099. To enter Form RRB-1099-R Tier 2 (this is a green form), go to Federal section>Income>Ira/Pension Distribution>RRB-1099 and complete the information needed. For additional instructions on how to enter RRB in TaxSlayer see Publication 4012.

Alimony

California does not conform to changes made by the Tax Cut and Jobs Act to federal law regarding alimony and separate maintenance payments.

In California:

- If the taxpayer **received** alimony payments, they must report it as income on the California return
- If the taxpayer **paid** alimony to a former spouse/RDP, they're allowed to deduct it from their income on the California return

California does **not** conform to the federal changes effective January 1, 2019.

How to Report

Divorce or marriage settlement agreement signed on or before 12.31.2018

- **Federal Return:** The taxpayer will report their alimony received or paid when they file the federal return
- **California Return:** This information is included in the federal AGI, which will be reported on the California return

Divorce or marriage settlement agreement signed on or after 01.01.2019

- **Federal Return:** The taxpayer does not report alimony received or paid on the 1040
- **California Return:** The taxpayer will need to make an adjustment on the Schedule CA for alimony received or paid.

Schedule K-1

The United States tax code allows certain types of entities such as estate/trust, partnership, Limited Liability Company (LLC), or S-corporation to use "pass-through" taxation. This means that the income tax liability is passed from the entity to the individual(s) who have beneficial interest in the entity.

Schedule K-1 is the form used to report the amounts that are passed through from the entity generating the income to the individual(s). The Schedule K-1 is slightly different depending on whether the taxpayer receives it from an estate/trust, partnership, LLC, or S corporation.

Only the following types of income reported on Schedule K-1 is within the scope of VITA/TCE program.

- Interest income
- Dividend income
- Qualified Dividends income
- Net short-term capital gains and losses (schedule D)
- Net long-term capital gains and losses (schedule D)
- Tax-exempt interest income
- Royalty income (schedule E)

If the Schedule K-1 includes any deductions, expenses, credits, or other items not listed above, the return is out of scope.

Schedule K-1 (Form 1041):

Trust and estates use Form 1041 to file their tax returns. Some trusts pay the income tax on their return or passes it through to the beneficiaries in which cases, the beneficiaries receive a K-1 that shows the income that they need to report on their own tax returns.

TaxSlayer software tip: Enter the information from K-1 Form 1041 part I and part II in TaxSlayer under the Federal section, under income > other income > K1-Earnings>Schedule K-1 Form 1041.

The foreign tax amount in box 14 B of Form 1041 can be entered in the Federal section, under the deduction > credits Menu> foreign Tax Credit Form 1116.

Schedule K-1 (Form 1120S):

S corporations file their annual tax return on Form 1120S. S corporation provides schedule K-1 to report each shareholder's share of income, losses, deductions, and credits. The shareholders use the information on K-1 to report their share on their separate tax returns.

TaxSlayer software tip: Enter the information from K-1 Form 1120S part I and part II in TaxSlayer under the Federal section, under income > other income > K1-Earnings >Schedule K-1 Form 1120S.

There is no Box 14 on TaxSlayer K-1 screen. Therefore, the foreign tax amount in box 14 L and M of K-1 Form 1120S can be entered in the Federal section, under the Deductions> Credits Menu> Foreign Tax Credit Form 1116. Amounts in Box 14 A, B, C, and D do not need to be entered in TaxSlayer. Also, any amount in Box 16 C (non-deductible expenses) does not need to be entered in TaxSlayer.

Schedule K-1 (Form 1065 or Form 1068):

Business partnerships or LLC treated as a partnership file returns and report each partner or member's share of income, losses, deductions, and credits on tax Form 1065 or Form 1068. Partnerships or LLC treated as a partnership provides each partner or member with the Schedule K-1 reporting tax items so they can report them on their own tax returns. For example, a business of 2 equal partners or members earning $200,000 should issue a K-1 of $100,000 income for each partner or member.

TaxSlayer software tip: Enter the information from K-1 Form 1065 part I and part II in TaxSlayer under the Federal section, under income > other income > K1-Earnings >Schedule K-1 Form 1065.

There is no Box 16 on TaxSlayer K-1 screen. Therefore, enter the foreign tax amount in box 16 L and M of K-1 Form 1065 in TaxSlayer in the Federal section, under the Deductions> Credits Menu > Foreign Tax Credit Form 1116. Amounts in Box 16 A, B, C, and D and box 18 C do not need to be entered in TaxSlayer.

Gambling W2-G

California lottery winnings (Powerball, MEGA Millions, SuperLotto Plus, etc.) are not taxed by California. If there are California lottery winnings reported to federal, an adjustment must be made to the California return. All other lottery winnings are taxed by California including winnings earned from the California Indian casinos.

A taxpayer can take gambling losses up to the amount of gambling winnings. California lottery losses are not deductible for California.

TaxSlayer software tip: To enter Form W-2G, go to Income>Other Income>gambling Winnings Form W2-G and complete the information needed. If the source of the W-2G is California lottery, a manual adjustment will need to be made by going to the State Section>subtractions from income and select California lottery winnings. Enter the amount of California lottery winnings that were won.

Cancellation of Debt

If a debt is canceled, forgiven, or discharged, the taxpayer may need to include the canceled amount in their gross income and pay taxes on that income unless they qualify for an exclusion or exception. Creditors who forgive $600 or more of debt are required to file Form 1099-C with the IRS.

Cancellation of debt for foreclosures, repossessions and abandonment has the potential to be insolvent, therefore consult your site coordinator regarding these types of cancellations. This type of debt is out of scope for VITA.

TaxSlayer software tip: To enter a 1099-C received by the taxpayer for credit card debt, go to Income>Other Income>Cancellation of Debt Form 1099-C and fill out the needed information. No adjustment needed for California.

Kiddie Tax

Dependent children are required to pay taxes for California at their parent's tax rate on investment income that exceeds $2,500. Search for FTB 3800, *Tax Computation for Certain Children with Unearned Income*. Use this form to calculate kiddie tax and should be included with their return.

Kiddie tax applies if all of the following apply:

- The child is age 18 and under or a student under age 24 at the end of the year
- The child had unearned income taxable by California of more than $2,500 in 2023
- At least one of the child's parents was alive at the end of 2023
- The child was 18 years old at the end of 2023 and did not have earned income that was more than half of the child's support

However, parents may elect to include their child's investment income on their California tax return using FTB 3803 if they meet all of the requirements. In this case the child is not required to file a return. For the requirement and additional information, search for FTB 3803 Instructions.

If the child is required to file a return, they can use FTB 3800 to compute the tax on investment income at the parent's tax rate.

Itemized vs Standard Deductions

Generally, California conforms to federal law regarding itemized deductions; however, there are some differences. For more information, search for FTB Publication 1001, *Supplemental Guidelines to California Adjustments*.

The standard deduction ensures that all taxpayers have at least some portion of their income that is not subject to federal and state tax. The standard deduction lowers their taxable income by a fixed amount.

For Federal, the 2023 standard deduction for single or Married Filing Separate taxpayers is $13,850. For Head of Household, it is $20,800 and for Married Filing Joint or Qualifying Surviving Spouse/RDP, it is $27,700.

For California, the 2023 standard deduction for Single or Married Filing Separate taxpayers is $5,363. For Joint, Surviving Spouse/RDP, or Head of Household taxpayer's, the standard deduction is $10,726.

The itemized deduction allows taxpayers who qualify to deduct more from their adjusted gross income than they could by taking the standard deduction. Federal law governs which goods, services, contributions and other expenses qualify as an itemized deduction on the Schedule A. There are some differences between federal and state law regarding which goods, services, contributions and other expenses can be deducted on the Schedule CA (540) for California.

Misc. Itemized Deductions

California does not conform to the suspension of miscellaneous itemized deductions. All miscellaneous expenses subject to the 2 percent AGI limitation such as unreimbursed employee expenses, tax prep fees, safe deposit box fees and/or expenses to produce or collect income such as investment expenses and fees are allowable deductions on the state return.

California Credits

They are:

- Earned Income Tax Credit
- Young Child Credit
- Foster Youth Tax Credit
- Nonrefundable Renter's Credit
- Dependent Exemption Credit: Identifying Information
- Child and Dependent Care Expense Credit
- Joint Custody Head of Household- Code 170
- Credit for Dependent Parent- Code 173
- Other State Tax Credit- Code 187

There are many other special credits, for a list of those credits search for, 540 Booklet, *Personal Income Tax Booklet*.

California Earned Income Tax Credit (CalEITC)

California allowed earned income tax credit (EITC) beginning in the tax year 2015.

Working families making up to $30,950 may qualify for the earned income tax credit, regardless of whether the household has a qualifying child.

For 2023, the maximum investment income to qualify for CalEITC is $4,525.

For tax years 2018 and after, anyone age 18 or older at the end of the year is eligible to receive the CalEITC if all other qualifications are met. Every taxpayer who qualifies for CalEITC will need to fill out Form 3514 and submit with his or her tax return.

Beginning on or after January 1, 2021, if certain requirements are met, a valid ITIN (not expired or revoked) can be used to claim the EITC and Young Child Tax Credit.

You qualify for CalEITC for the 2023 tax year if:

- You have earned income (wages, self-employment income, etc.) and adjusted gross income within certain limits
- You do not use the "married/RDP filing separately" filing status
- You lived in California for more than half the tax year

Number of Qualifying Children	Maximum Income is Less Than	CAL EITC (Up to)
None	$30,950	$285
1	$30,950	$1,900
2	$30,950	$3,137
3 or more	$30,950	$3,529

FTB may need to verify the income and/or losses used to claim CalEITC before FTB can issue any refund. FTB may reach out to a taxpayer **by letter** requesting additional information. The request will come on the **FTB 4502: Additional Documentation Required- Refund Pending**

Beginning January 1, 2024, the refund is not used to offset delinquent accounts except for the nonpayment of child or family support.

Young Child Tax Credit (YCTC)

The maximum credit for the Young Child Tax Credit is $1,117 for a qualifying taxpayer who qualifies for CalEITC or would otherwise have been allowed the CalEITC, but has no earned income, and has a qualifying child under six years old on the last day of the year. The credit amount phases out as AGI exceeds the threshold amount of $25,775. It completely phases out when earned income exceeds $30,932.

For taxable year 2023, the cap for net losses or wages, salaries, tips, and other employee compensation is $33,497.

Beginning January 1, 2024, the refund is not used to offset delinquent accounts except for the nonpayment of child or family support.

Foster Youth Tax Credit (FYTC)

The maximum credit for the Foster Youth Tax Credit is $1,117 for qualifying taxpayers. The credit amount phases out as AGI exceeds the threshold amount of $25,775 and completely phases out when AGI exceeds $30,932.

You qualify for FYTC for the 2023 tax year if:

- You were in foster care placement while 13 years of age or older
- You are between the ages of 18 to 25
- You are eligible to claim CalEITC in the taxable year of the credit

Beginning January 1, 2024, the refund is not used to offset delinquent accounts except for the nonpayment of child or family support.

Renter's Credit

California residents or part-year residents who paid rent for at least six months on their principal residence located in California and who meet certain income requirements may claim a non-refundable renter's credit against their tax.

Renter's credit is available for single filers with adjusted gross income of $50,746 or less and joint filers (including Head of Household and Qualifying Surviving Spouse/RDP) with adjusted gross income of $101,492 or less.

Some requirements for the credit are:

- The taxpayer was a California Resident in the tax year being filed
- Their California AGI does not exceed the cut off limits
- They paid rent for at least 6 months of the tax year for property in California that was their principal residence
- The property cannot be exempt from property taxes

For a full list of requirements go to FTB and search for renter's credit. If taxpayers meet the requirements, the credit is:

- $60 for Single or Married/RDP Filing Separately
- $120 for Married/RDP Filing Jointly, Head of Household or Qualifying Surviving Spouse/RDP
- $60 if only one spouse is a resident of California

Part-Year Residents:

For taxpayers with part-year California residency, the Renters Credit amount differs as indicated in the following chart.

Single or Married/RDP Filing Separately

6 months	**7 months**	**8 months**	**9 months**	**10 months**	**11 months**	**12 months**
$30	$35	$40	$45	$50	$55	$60

Married Filing Jointly, HOH or Qualifying Surviving Spouse/RDP

6 months	**7 months**	**8 months**	**9 months**	**10 months**	**11 months**	**12 months**
$60	$70	$80	$90	$100	$110	$120

Dependent Exemption Credit: Identifying Information

Beginning on and after January 2018, a taxpayer can provide alternative identifying information (ITIN) for a dependent who is included on a tax return if the dependent is ineligible for the federal tax identification number.

To claim the dependent exemption credit, taxpayers will need to search for and complete FTB 3568, *Alternative Identifying Information for the Dependent Exemption Credit* and attach required documentation to their tax return. The taxpayer will need to write “No Id” in the SSN field.

Taxpayers may amend their 2018 and 2019 tax returns to claim the dependent exemption credit; Taxpayers who amend should complete an amended return and write “No Id” in the SSN field on the dependents line.

Child and Dependent Care Expenses Credit

California allows a non-refundable credit for child and dependent care expenses. Taxpayers may be eligible to claim this credit if they paid someone to care for their child or other qualifying person so they (and their spouse/RDP, if married) can work or look for work. If you are a nonresident of California, their earned income must be from California sources. A qualifying person is one of the following:

- A child under the age of 13 who meets the requirements to be your dependent is a qualifying child. A child who turned 13 during the year qualified only for the part of the year when the child was 12 years old
- Any person (including their spouse/RDP) who was physically or mentally incapable of self-care and either:
    - Was their dependent
    - Would have been their dependent except that:
- They received gross income exceeding the limitation
- They filed a joint tax return
- The taxpayer or their spouse/RDP, if filing a joint tax return, could be claimed as a dependent on someone else’s return

Credit for Joint Custody Head of Household (JCHH) – Code 170

Taxpayers claim this credit if they meet the following criteria

- Taxpayer was not married at the end of 2023 (or lived apart from spouse for all of 2023 and used the Married/RDP Filing Separately filing status)
- Taxpayer furnished more than one-half the household expenses for their home, which also served as the home of their child, stepchild, or grandchild for at least 146 days but not more than 219 days
- If the child is married, the child must be taxpayer's dependent. In addition, the custody arrangement for the child must be part of the decree of dissolution or legal separation or if must be part of a written agreement between the parents that covers the period between the filing of the petition and issuance of the decree
- Taxpayer can claim EITHER the Joint Custody Head of Household credit or the Dependent Parent Credit but not both.
- Taxpayer cannot claim this credit if he/she claim Head of Household, Married/RDP Filing Jointly or the Qualifying Surviving Spouse/RDP filing status. Use the JCHH credit worksheet to compute the credit.

The maximum credit for 2023 tax year is $573 or 30 percent of net tax, whichever is less.

Credit for Dependent Parent – Code 173

Taxpayer can claim this credit only if:

- The taxpayer was married at the end of 2023 and is filing married/RDP Filing Separately (cannot use Single, Head of Household, Qualifying Surviving Spouse/RDP, or Married/RDP Filing Joint status).
- The taxpayer furnished over one-half the household expenses for their dependent mother's/father's home (whether or not it was the taxpayer's home).
- The spouse/RDP was not a member of the household during the last six months of the tax year. The taxpayer does not qualify as a Head of Household or Qualifying Surviving Spouse/RDP.

Note: Use the same worksheet you used for the JCHH credit to calculate the Dependent Parent credit.

Other State Tax Credit (Schedule S) – Code 187

In some instances, a taxpayer will be taxed by both California and another state on the same income. To prevent the income from being taxed twice, either California or the other state will generally allow an "Other State Tax Credit" to offset the taxes paid to the other state. To qualify for this credit, they must meet the following requirements:

- Be a resident of California
- Have a tax liability on income sourced in another state
- Paid a net income tax to another state and California on the same income
- Attach a copy of the other state's tax return to the California return.

Note: You will need to complete the other state's tax return before searching and completing FTB Schedule S.

The credit is not allowed for taxes paid to:

- Any city, county or other local government
- The Federal government
- A Foreign government

However, the credit may be allowed for taxes paid to the U.S possessions

- American Samoa
- Guam
- Puerto Rico
- The Virgin Islands

California Residents – Schedule S – Qualifying States and U.S Possessions

Alabama
American Samoa
Arkansas
Colorado
Connecticut
Delaware
District of Columbia
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Pennsylvania
Puerto Rico
Rhode Island
South Carolina
Tennessee
Utah
Vermont
Virginia (dual resident)
Virgin Islands
West Virginia
Wisconsin

California Nonresidents

Nonresident are allowed a credit for taxes paid to Arizona, Guam, Indiana (allowed for taxable years beginning before January 1, 2017), Oregon or Virginia.

Estimated Tax Payments

State income tax is due on income as it is earned. There are two methods of paying tax on income earned: Withholdings and estimated payments. Estimated tax payments are not required if one of the exceptions below are met:

- The amount of the taxpayer's tax liability less credits but not including estimated tax payments is less than $500 ($250 for Married/RDP Filing Separately).
- Taxpayer's prior year return was a full 12 months, and they did not have a tax liability.
- The amount of the taxpayer's withholding plus estimated tax payments, if paid timely, is at least 90 percent of current year's tax or 100 percent of the tax shown on their last year's return.

If the taxpayer is required to make estimated tax payments, listed below is the quarterly installment payment schedule:

First Quarter: Due April 18th	**Second Quarter: Due June 15th**	**Third Quarter: Due Sept. 15th**	**Fourth Quarter: Due Jan. 17th**
30 Percent of tax liability	40 Percent of tax liability	0 Percent of tax liability	30 Percent of tax liability

For the alternative method, see the California Estimated Tax Worksheet located in the 540-ES instructions.

Use Tax

For tax years beginning on or after January 1, 2015, if a taxpayer includes use tax on their personal income tax return, any payments made, and any credits allowed will be applied to the use tax liability first before applying the payments and credits towards the income tax, interest, and penalties.

Amended Return

If there is an error on a previously filed return, taxpayers should file an amended return and pay any additional tax or fee due, including interest. Generally, if they file a federal amended return (1040X) they should file a California amended return along with Schedule X, California Explanation of Amended Return Changes, unless the changes do not affect the California return. They may file an amended return to claim a refund for taxable years not closed by the general statute of limitations.

Generally, the statute of limitations is the later of:

- Four years from the original due date of the return
- Four years from the date a timely return is filed
- One year from the date of overpayment

However, the general statute of limitations may be extended by service in a combat zone, a disaster area or an assignment outside the United States. If the statute is extended because of military service in a combat zone or outside of the United States, they should attach copies of any documents that show when they served in a combat zone or overseas.

For tax years beginning on or after January 1, 2017, the Schedule X has replaced the Form 540X, Amended Individual Income Tax Return. The 540X is still used for tax years 2016 and before.

TaxSlayer software tip: Once you have determined an amended return needs to be filed, verify the return was done at your VITA/TCE site.

If original return was completed in TaxSlayer and the status is accepted

- Open the originally filed return and print a copy for later use
- Make the necessary changes
- Click on “20XX Amended Return” from the left navigation bar. At this point, you should see the figures from the original return automatically filled in by TaxSlayer. If not, enter the figures from the printed copy of the original return
- Click on "Explain Changes” to enter the reason why you are filing the amended return

If original return was completed outside of your site

- Taxpayer to provide a copy of the originally filed return along with all tax documents
- Create the return in TaxSlayer the way it should have been filed originally (i.e. with the corrections)
- Click on “20XX Amended Return” from the left navigation bar
- Click on “Original Federal Return Information”. Enter the figures necessary using the printout of the original return filed
- Click “Continue” when done

Once complete, click on "Explain Changes” to enter the reason you are filing the amended return.

Amend State Return

- Click on “Amend State Return(s)” from the “Amended Tax Return” screen
- Click on “Amend State”. (Be sure not to click on the edit button/pencil, as this does not amend the state return). From the “California Return” screen
- Click begin “Amended Return” at the bottom of the screen
- From the “Amended Return” screen, select “Yes” from the drop down
- Click begin “Review and Complete Amended Return”
- From the “Review and Complete Amended Return”, you will be asked to enter payment information or overpayment information from the original return. You will also need to complete the two additional sections “Reasons for Amending” and “Explanation of Changes”
- Click “Save” until you return to the “California Return” screen
- Click “Exit California Return” to complete the amended state return

Misc. information

State Disability Insurance

State Disability Insurance (SDI) is included in the State and Local Taxes paid itemized deduction on the Federal Schedule A, but California does not allow State and Local or General Sales Tax as an itemized deduction.

Employers report the CASDI amount in box 14 or box 19 on the Form W2.

TaxSlayer software tip: The SDI amount is entered in box 14 of the W2 screen in TaxSlayer by selecting the drop-down menu next to the box 14 and selecting CASDI. The software will automatically transfers the SDI amount on federal Schedule A and State 540 Schedule CA as long as the amount is entered correctly on the W2 screen. Double-check the software for accuracy of SDI deduction on federal Schedule A.

Employer’s State ID Numbers

California requires the state ID box on Forms W2, W2-G and 1099-R to include the employer’s ID number. If any of these forms has a blank state ID, enter six 9’s in this field.

Injured Spouse

Under federal law, a spouse may seek relief in instances where a refund on a joint return is used to pay (offset) a debt of the other spouse. California does not have a similar provision.

For additional non-conformity items, search for FTB Publication 1001, *Supplemental Guidelines to California Adjustments.*

Deceased Taxpayer

If a tax return is required for a deceased taxpayer, file a final tax return for the individual who died during the tax year. If there is a surviving spouse and he or she did not remarry, the spouse could use married filing jointly for the year of death if they qualified to file jointly in the previous year. Write “surviving spouse/RDP” next to their signature on the tax return.

If decedent died in the prior year and they have a qualifying dependent, the surviving spouse qualifies for qualifying surviving spouse/RDP for the next two years.

If there is no surviving spouse/RDP and the decedent is due a refund, complete federal IRS Form 1310, *Statement of Person Claiming Refund Due a Deceased Taxpayer*, and submit with the return.

California Penalty Abatement Program

Passage of AB 194 requires Franchise Tax Board, upon request by an individual taxpayer, to grant a one-time abatement of a failure-to-file or failure-to-pay timeliness penalty provided that the taxpayer was not previously required to file a California personal income tax return or has not previously been granted an abatement. Also, the taxpayer must have filed all required returns as of the date of the request for abatement and paid or is in current arrangement to pay, all taxes currently due.

Remember, FTB VITA Team is here to assist!

Connect With Us

Web:	Free-Tax Help
Phone:	800-522-5665 from 8:00 am to 4:00 pm. weekdays, except state holidays
	916-845-7052 from outside the United States
Email:	volunteercoordinator@ftb.ca.gov
TTY/TDD:	800-822-6268 for persons with hearing or speech impairments
Fax:	916-845-9004