STATE OF CALIFORNIA
Franchise Tax Board

2020
VITA/TCE
California Volunteer Reference Manual

California Volunteers Make the Difference

This page is intentionally blank.

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 you need assistance, make sure you have your or your clients social security number (SSN) available. When sending written correspondence, include this information 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. As an individual, you 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

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

- A valid email address.
- Your SSN.
- Your 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 you have not filed a CA tax return in one of the last five years, you cannot register. If you need additional information, call us at 800.852.5711 (voice) or 800.822.6268 (TTY/TDD) during business hours.

For clients 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.ca.gov will save your clients time and hassle. Plus, paying online is another way to save natural resources like trees. Encourage your clients to pay their taxes online!

- **Web Pay** - Make your personal income tax payments online. You can pay today or schedule your payment up to one year in advance. If you use 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 your payment online at

-

Official Payments or by phone at 1.888.872.9829 for federal tax payments and 1.800.272.9829 for state tax payments. Official Payments Corporation charges a convenience fee of 2.5% (minimum $1) to use this service.

- **Check or money order**- Mail your payment or pay in person at a field office.

Installment Agreement

If you cannot pay the full amount you owe and would like to make monthly payments, you must first request an Installment Agreement.
You may qualify for an installment agreement if you:

- Owe a balance of $25,000 or less.
- Agree to pay your balance due in 60 months or less.
- Have filed all required personal income tax returns.

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**- You 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 1. Failure to provide complete information will delay the processing of your request. Do not attach this form to your tax return.
- **Phone**- Call us at 800.689.4776, Monday through Friday between 8 AM and 5 PM, except state holidays.

Contents

Objective

Volunteers

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. Non-resident and part-year resident tax returns can be complex. This manual excludes instructions for the California long or short 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 January thru April 15 to provide assistance.
- Use the IRS and FTB manuals and the reference guides to help you provide accurate information to your clients.
- 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 your clients know that the tax returns legal responsibility is theirs. The Volunteer Protection Act of 1997, PL 105-19 exempts a volunteer of a nonprofit 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

Your clients 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 client 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 client information and understand their responsibility to protect confidential information under a need to know basis. Arrange your assistance area to enhance the privacy of your clients. Prevent others from overhearing or seeing the information.

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 client 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.

Client 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 client needs to bring to their appointment. All necessary records are needed to complete an accurate tax return.

To complete an accurate tax return the client 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 client and their family.
   - Birthdates for the client, 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 client'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 1099's.
5. Any other relevant information about income and expenses.
6. Checkbook for bank 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 clients who itemize:
   - Mortgage interest statement (normally on 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: http://www.irs.gov/taxtopics/tc500.html.
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 client's tax return at the time of service. Do not retain client documents for a follow-up visit. If more data is required, give everything back to the client. The client 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 client to the toll-free public assistance telephone numbers:

- IRS 800.829.1040.
- FTB 800.852.5711.

It may be necessary to suggest the client 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.ca.gov 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 user name from your site coordinator to sign into the live environment. If you are a new volunteer, your site coordinator will provide you with your user name and password for the live environment

TaxSlayer Log in

The site coordinator sets up the volunteer's account in TaxSlayer using their tax center client 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 your client are for the correct tax year. Occasionally, clients will provide you with prior year tax documents.

Check Social Security Numbers

It is important to check your client's tax forms to verify their SSNs match.

What's New for 2020 at a Glance

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

Federal and State Standard Deduction

2020 Filing Status	Single	Married Filing Joint	Head of Household
Federal Under 65	$12,400	$24,800	$18,650
Federal 65 and over or blind	$14,050	$26,100 (one spouse) $27,400 (both spouses)	$20,300
CA	$4,601	$9,202	$9,202
CA Personal Exemption Credits	$124	$248	$124

CA Dependent Exemption Credit $383

Note: The Maximum standard deduction for individuals claimed as a dependent is $1,100 or the sum of earned income plus $350, whichever is larger not to exceed the maximum deduction amount.

Federal and State Nonconformities

	Federal	State
Loan Forgiveness; Under the Small Business Act	Recipients of paycheck protection loans shall be eligible for loan forgiveness for the following business costs: • Payroll costs • Mortgage interest • Payments on any rents or utilities (Not to exceed the principal loan amount) Forgiveness amount excluded from gross income	California does not conform. Adjustment needs to be made on Schedule CA
Unemployment Compensation	Federal Government subsidizing unemployment payments are taxed by federal.	California does not conform. California does not tax unemployment and an adjustment will need to be made on the Schedule CA.

	Federal	State
Work Classification and AB 5	N/A	Worker Classification and AB 5 goes into effect January 1, 2020. This may affect whether workers are treated as employees or as independent contractors under California law.
Charitable Contribution (CARES ACT effective January 1, 2020 through December 31,2020)	• Beginning in 2020, an above the line deduction allowed for qualified charitable contributions not to exceed $300 (this is for taxpayers that do not itemize their tax deductions) • 60% limit on cash contributions are suspended with some limitations	• California does not conform. An adjustment needs to be made on the California Schedule CA • California does not conform. CA limit remains 50%

Federal and State Conformities

Topics	Information
Stimulus Payments Received	Beginning March 27, 2020, Eligible individuals who received $1,200 ($2,400 if Married Filing Joint) and $500 multiplied by the number of qualifying children, do not include these payments in their taxable income for both federal and state.

Topics	Information
Retirement Funds (CARES ACT effective January 1, 2020 through December 31, 2020)	The 10% additional tax for federal does not apply to any coronavirus distributions up to $100,000. California automatically conforms. The taxpayer can contribute back into the retirement plan anytime during the 3-year period beginning on the day after the distribution date for coronavirus distributions. • IRA- will be treated as having been transferred to an eligible retirement plan • Other than IRA- will be treated as a rollover distribution RMD is temporarily waived for participants who were required to receive such distributions in 2020.
Age Limit for Required Minimum Distribution (SECURE ACT effective Dec. 20, 2019)	If you reached the age of 70 ½ in 2019 the prior rule applies, and you must take your first RMD payment by April 1, 2020. If you reach age 70 ½ in 2020, you must take your first RMD by April 1 of the year after you reach 72. No age limit on contributions as long as you are still working. California does not conform and an adjustment may need to be made.

Other

	Federal	State
Individual Responsibility Payment for Health Coverage/ACA	Eliminated January 1, 2019	CA adopted the Individual Healthcare Mandate beginning January 1, 2020. All CA residents and their dependents are required to obtain and maintain healthcare coverage throughout the year. Failure to do so could result in a penalty of up to $750 per uninsured beginning in filing season 2021
California Earned Income Tax Credit and Young Child Tax Credit	N/A	Individuals who have a federal individual taxpayer identification number (ITIN) may qualify for this credit if all other requirements are met.

Work Classification and AB 5

AB 5 is a bill that was signed into California law in September 2019, and went into effect on January 1, 2020. AB 5 requires the employer to determine workers classification in California as employees or independent contractors.

If at the federal level, you are classified as an independent contractor, and for California, you are classified as an employee; you may have received different types of income reporting forms for federal and California purposes.

If you are a resident of California, refer to California Schedule CA (540) instructions. If you are a part-year or non-resident of California, refer to California Schedule CA (540NR) instructions for additional information.

If an employer incorrectly classifies a worker as an independent contractor rather than an employee, the employer could be liable for back taxes, penalties, and interest.

For more information on workers classification, go to EDD or California Labor and Workforce and search AB 5.

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. Covered California will provide financial assistance (subsidies) to households that meet certain income requirements and certify those who are exempt from the mandate. 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 are exempt. 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. If an individual receives subsidies from Covered California to help cover the cost of the required insurance, they are required to reconcile the advanced subsidy payments based on actual income. The reconciliation may result in a refund or a liability on their California income tax return depending on the difference between the advanced subsidy received and the subsidy they were entitled to receive.

The following are the new tax forms and publications:

- FTB 3849, Premium Assistance Subsidy Form
- FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty Form
- FTB 3895, California Health Insurance Marketplace Statement
- Publication 3895B, California Instructions for Filing Federal Forms 1094-B and 1095-B
- Publication 3895C, California Instructions for Filing Federal Forms 1094-C and 1095-C

FTB 3895, California Health Insurance Marketplace statement is received because you or a family member enrolled in a qualified health plan through Covered California. FTB 3895 provides information needed to complete FTB 3849, Premium Assistance Subsidy (PAS). You must complete FTB 3849 and file with your clients tax return (Form 540, Form 540NR, or Form 540 2EZ), if any amount other than zero is shown in Part II column C, of FTB 3895 (meaning your client received financial help through advance payments of the premium assistance subsidy (also called advance subsidy payments)), or if your client wants to take the premium assistance subsidy. If you receive the PAS, you are required to file a tax return regardless of California's income tax filing thresholds. The marketplace also has reported the information on this form to the Franchise Tax Board (FTB). If your client or their family member enrolled at the marketplace in more than one qualified health plan policy, the client will receive a form FTB 3895 for each policy. Please go to FTB 3859 Instructions for additional information.

FTB 3849, Premium Assistance Subsidy (PAS) is an assistance subsidy for certain people who enroll, or whose family member enrolls, in a qualified health plan. The subsidy provides financial assistance to pay the premium for a qualified health plan through the marketplace.

You will need FTB 3895 to complete FTB 3849. If any of the below circumstances applies to your client, You must file FTB 3849 with the clients tax return (Form 540, Form 540NR, or Form 540 2EZ) to reconcile and Advanced Payment of the Premium Assistance Subsidy (APAS) even if not otherwise required to file. Please go to FTB 3849 Instructions for additional information.

- You are taking the PAS
- APAS was paid for you or another individual in your tax family
- APAS was paid for an individual you told the Marketplace would be in your tax family and neither you nor anyone else included that individual on a tax return.

FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty. If your client 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 your client qualifies for any coverage exemptions for some or all of the months the client or their family member did not have minimum essential coverage. If your client 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. Please go to 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 your client purchases in the individual market. There are exemptions that can be applied for or claimed based on your client's tax return. Please refer to FTB 3849 Instructions for additional information.

Your client 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 8.24% of household income for the 2020 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

You will have to pay a penalty, the Individual Shared Responsibility Penalty, when you file your state tax return if:

- You did not have health coverage
- You 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.

The penalty will be the higher of:

- A flat amount, based on the number of people in the tax household, or
- A Percentage of the household income
- Verify Bronze amount still being used (verified on FTB 3853 but not on website info)

Flat amount penalty

Pay $750 per adult, and $375 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.

Bronze level Premium

The average monthly premium for bronze level health coverage purchased through Covered California for the 2020 tax year is $289 per person regardless if child or adult. This is based on the number of people in the client's household. The monthly premium is dictated by Covered California and can change every year.

Annual Bronze level premium penalty amount

Pay $289 bronze monthly premium, per person in household, per month, for each individual that did not have health coverage or did not qualify for an exemption.

Dependent Exemption Credit: Identifying Information

Beginning on and after January 2018, a taxpayer can provide alternative identifying information 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 complete FTB 3568, Dependent Identification Number Requirement Exception 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.

Introduction to California Tax Law

1. Understand the key terms related to California tax law
2. Determine income taxed by California.
3. Determine the taxpayer's filing requirements.
4. Determine the proper filing status.
5. Determine the correct tax forms to file.
6. Explain the automatic extension rules.
7. Define the key tax terms in the glossary of tax terms.

General Information

In this manual, we strive to include information volunteers find most useful. It's 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 2020 tax returns is April 15, 2021. Therefore, the 2020 tax return and payments received on or before April 15, 2021, 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, 2021, CA grants paperless extension to file their tax return by October 15, 2021. 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, 2021 to avoid penalty and interest.

If a client is living or traveling outside the United States on April 15, 2021, the due dates for filing their return and paying the taxes owed is June 15, 2021. Taxpayer will not be charged penalties for nonpayment; however, interest will still accrue from April 15.

If the taxpayer cannot file by June 15, 2021, they can also be granted the automatic six-month extension. This would make the due date for filing the return December 15, 2021; 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. 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.

Non-resident of California- Any individual who is not a resident of California. Non-residents 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 nonqualified plans after December 31, 1995, continue to be taxable by California. Review FTB Publication 1005, Pensions 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 non-resident 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 Non-resident.

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:

- 2020 540 2EZ – Used for Full year residents
- 2020 540 – Used for Full year residents
- 2020 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
- Qualified Widow(er)

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 or
- Head of Household.

If clients 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.

General 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 1099's that the taxpayer receives
- The taxpayer paid any estimated payments to the State of California
- The taxpayer qualifies for California EITC or the young child tax credit

Filing Requirements

Generally, California resident, Part-year resident and Non-resident taxpayers are required to file a return if they meet the income thresholds in the charts below. Your client 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 $18,496 or more.

Single or Head of household:

Under the age of 65

Gross Income
- No dependents $18,496
- One dependent $31,263
- Two or more dependents $40,838

Adjusted Gross Income
- No dependents $14,797
- One dependent $27,564
- Two or more dependents $38,232

Over the age of 65

Gross Income
- No dependents $24,696
- One dependent $34,271
- Two or more dependents $41,931

Adjusted Gross Income
- No dependents $20,997
- One dependent $30,572
- Two or more dependents $38,232

Married/RDP filing jointly (both spouses/RDP)

Under the age of 65

Gross Income
- No dependents $36,996
- One dependent $49,763
- Two or more dependents $59,338

Adjusted Gross Income
- No dependents $29,599
- One dependent $42,366
- Two or more dependents $51,941

Over the age of 65 (Both spouses/RDPs)

Gross Income
- No dependents $49,396
- One dependent $58,971
- Two or more dependents $66,631

Over the age of 65 (One spouse/RDP)

Gross Income
- No dependents $43,196
- One dependent $52,771
- Two or more dependents $60,431

Adjusted Gross Income
- No dependents $35,799
- One dependent $45,374
- Two or more dependents $53,034

Adjusted Gross Income
- No dependents $41,999
- One dependent $51,574
- Two or more dependents $59,234

Qualifying widow(er)

Under the age of 65

Gross Income
- One dependent $31,263
- Two or more dependents $40,838

Adjusted Gross Income
- One dependent $27,564
- Two or more dependents $37,139

Over the age of 65

Gross Income
- One dependent $34,271
- Two or more dependents $41,931

Adjusted Gross Income
- One dependent $30,572
- Two or more dependents $38,232

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 $2,200
- 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. Use the Standard Deduction worksheet for the Dependents, which is located in the 2020 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 2019 personal exemption credit amount for single, married filing separate and head of household filers is $124 and for joint filers or surviving spouses is $248. The dependent exemption credit for tax year 2019 is $383.

Note: If your client's 65th birthday is on January 1, 2020, they are considered to be age 65 on December 31, 2019.

Head of Household

Head of Household Schedule 3532 must be filed with the tax return when filing Head of Household.

California Income

In general, California law often conforms to the Internal Revenue Code (IRC). However, California may not adopt all of the federal tax laws. For more information, go to irs.gov, ftb.ca.gov and 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
- 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 repayments- Repayments are not deductible as a California itemized deduction because the original payment was not taxed by California.

If the taxpayer has to 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.

Nonqualified 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. "Nonqualified HSA" can be used as the description for the adjustment.

For additional information, 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.

To help you identify IHSS payments, the W2 will show the address of the employer as P.O Box 1717 Roseville CA .

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 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 is 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.

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, an adjustment will need to be made on both the federal and state return to exclude the income from their gross income.

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 lived with the person all year or the calculated excludable portion of income if the taxpayer lived with the person for part of the year.

Tax form tip: Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 1 column B the IHSS supplementary payments included in federal wages.

CALEITC for Medicaid Waiver Payments (IHSS)

An additional adjustment will need to be made on the California return FTB 3514 to remove the Medicaid Payments from the calculation of CALEITC.

TaxSlayer software tip: Under the State section in TaxSlayer under credits, you will need to open FTB 3514, in the second to last entry box enter the amount of Medicaid Waiver Payments excluded from the W2.

IHSS Payments and CAEITC

If you have a taxpayer who has IHSS payments that are excludable from income tax, place the amount in the box 13 titled "Medical Waiver Payments in Box 1" of the W2. If this is the only income source for the taxpayer, the amount in box 1 of the W2 will not flow through to FTB 3514 and the taxpayer will not qualify for CAEITC.

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 payor 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 prior, please refer to FTB Publication 1001

TaxSlayer software tip: In the State section of TaxSlayer under subtractions from income, select other subtractions. Then select Other Subtractions (1). Three entries need to be made on this page. 1) Enter the description of the subtraction. 2) the amount of the tribal income to be subtracted and 3) select "No" from the drop down menu (Is this entry Native American income, which may be reported on FTB 3504). Taxpayers need to file FTB 3504 separate from their tax return.

Tax form tip: Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 1, column B the earnings and/or on line 21f, column B, any other income that is included in federal income that is exempt for California.

Interest income

Non-California bonds

1. 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: Enter the amount of federal bond interest included in federal income on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 2, column B

- Other States- California does tax the interest from non-California state and local bonds.

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.

Tax form tip: Enter the interest from non-California state or local bonds on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 2, column C.

Exempt interest dividends (Mutual Funds)

California does not tax dividends paid by a 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.

Tax form tip: 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, line 2, column B.

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.

Money in any type of IRA account actually avoids taxes. You will not pay taxes on dividends that are reinvested in either a Roth IRA or a traditional IRA and left in the account.

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.

The 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 gains are taxed at your maximum tax rate, as high as 37% in 2018. Most long-term gains are taxed at either 0%, 15% or 20% for 2018.

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, this expense is 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.

Tax form tip: On Schedule D (540) line 1, Column (a), enter the description of the property. Line 1, Column (b), enter gross sales price or net sales price. Line 1, Column (c), enter the cost or other bases. Line 2, enter the net gain or (loss). Line 3, enter the capital gain distribution. Line 6, enter any capital loss carryover from the prior year. Line7, total of lines 5 and 6. Line 8, enter your net gain or loss to carryover to the next year. Line 9, enter the smaller of the loss on line 8 or

$3,000 ($1,500 if you are married/RDP filing separate return). Line 10, enter the gain or loss from federal 1040, line 7. Line 11, enter the California gain from line 8 or (loss) from line 9. Line 12, (a) compare the amounts entered on line 10 and line 11 to figure the adjustment to enter on Schedule CA (540), Part I section A, line 7, column B. Line 12(b) compare the amounts on line 10 and 11 to figure the adjustment to enter on the Schedule CA (540), Part I, section A, line 7, column C.

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 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-year

period by the period of service, not to exceed 18 months. If the home is sold by a widow/widower within 2 years of the date of death of their spouse, the widow/widower 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.

Tax form tip: 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, line 12a, to Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 7, column B (if gain is less than federal). Transfer the amount from California Schedule D, line 12b, to Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 7, column C (if gain is more than federal)

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 certain age. Generally you have to start taking withdrawals from your IRA, SEP IRA, Simple IRA, or retirement plan account when you reach age 70 ½. 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. California does not conform. There may need to be an adjustment made to the California return on Schedule CA (540).

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 capital gains and losses of sale of main home in TaxSlayer see Publication 4012.

Tax form tip: Enter on Schedule CA (540), Part I or Schedule CA (540NR), Part II, line 6, column B, the amount on tier 1 (non-social security equivalent) or tier 2 railroad retirement benefits included in adjusted gross income on your federal return. See FTB Pub. 1005, for more information.

Schedule K

The United States tax code allows certain types of entities such as estate/trust, partnership, 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 amount that are passed through from the entity earning 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, 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 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 pays the income tax on their earnings and some 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 (nondeductible expenses) does not need to be entered in TaxSlayer.

Schedule K-1 (Form 1065):

Business partnerships file partnership's tax return and report each partner's share of income, losses, deductions, and credits on tax Form 1065. Partnerships provides each partner 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 earning $200,000 should issue a K-1 of

$100,000 income for each partner.

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.

Tax form tip: Follow the instructions for Schedule K-1 (100S, 541, 565 or 568). Some items are reported directly on Schedule CA (540), Part I or Schedule CA (540NR), as applicable and some items must be reported on other forms and schedules.

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 has to 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.

Tax form tip: If the W2-G is California lottery winnings you will need to make an adjustment by going to Schedule CA (540), Part I or Schedule CA (540NR), line 8, column B.

Cancellation of Debt

If a debt is canceled, forgiven or discharged, you must include the canceled amount in your gross income and pay taxes on that income unless you qualify for an exclusion or exception. Creditors who forgive $600 or more of debt are required to file Form 1099-C with the IRS. California did not conform to the federal rules for mortgage forgiveness from 2014 through 2017 tax year.

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.

Tax form tip: Cancellation of debt income is included in the total adjusted gross income that comes over to Form 540 or 540(NR) line 13 from federal Form 1040, line 11. No additional adjustment needed for California.

Kiddie Tax

For tax years 2010 and after, dependent children are required to pay taxes for California at their parent's tax rate on investment income that exceeds $2,200. This is Kiddie Tax, and is calculated on FTB 3800, Tax Computation for Certain Children with Unearned Income. The form should be included with their return.

Kiddie tax applies if:

- The child is either:
- Under age 18 at the end of the year
- Age 18 at the end of the year and did not have earned income that was more than half of the child's support
- A full-time student over age 18 and under age 24 at the end of the year, and did not have earned income that was more than half of the child's support
- Either one of the child's parents is living at the end of the year
- The child does not file a joint return for the tax year
- The child's investment income for 2018 is more than threshold amount

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, go to 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, with the Tax Cut and Jobs Act of 2017, there are some differences. For more information, go to 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 your taxable income by a fixed amount.

For Federal, the 2020 standard deduction for single or Married Filing Separate taxpayers is $12,400. For Head of Household it is $18,650 and for Married Filing Joint or Qualifying Widow (er), it is $24,800.

For California, the 2020 standard deduction for Single or Married Filing Separate taxpayers is $4,601. For Joint, Surviving Spouse or Head of Household taxpayer's, the standard deduction is $9,202.

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 in regards to which goods, services, contributions and other expenses can be deducted on the Schedule CA (540) for California.

If a married/RDP couple elects to file separately and itemize, they must itemize their deductions even though one spouse's amount might be less than the standard deduction. You must split itemized deductions based on the community property rules or separate property rules. Normally deductions follow the income funds used to pay the expense. You must attach the IRS Schedule A (Form 1040), Itemized Deductions or statement on a sheet of paper showing the division of the deductions to the California return.

Misc. Itemized Deductions

California does not conform to the suspension of all 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.

Six California credits emphasized within the scope of VITA

They are:

- Earned Income Tax Credit
- Nonrefundable Renter's Credit
- Young Child Credit
- 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 go to, 2019 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 $30,000 may qualify for the earned income tax credit, regardless of whether the household has a qualifying child.

For 2020, the maximum investment income to qualify for CalEITC is $3,882.00.

For 2018, 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, 2020, if certain requirements are met, a valid ITIN (not expired or revoked) can be used to claim the EITC and YCTC.

You qualify for CalEITC for the 2020 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	CA Maximum Income is Less Than	CAL EITC (Up to)
None	$30,000	$243
1	$30,000	$1,626
2	$30,000	$2,691
3 or more	$30,000	$3,027

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**

Young Child Credit

For tax year beginning on or after January 1, 2019, California enacted the new Young Child Tax Credit. The maximum credit is $1,000 for a qualifying taxpayer who qualifies for CalEITC 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 $30,000.

Renters 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 nonrefundable renters credit against their tax.

Renter's credit is available for single filers with adjusted gross income of $43,533 or less and joint filers (including Head of Household and Qualifying Widow(er) with adjusted gross income of $87,066 or less.

Some requirements for the credit are:

- The client 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.ca.gov 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 Widow(er)
- $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 Widow(er)

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

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 dependent of the client who is under 13 years of age and for whom the client is entitled to a dependent exemption credit
- The spouse or any dependent of the client, if he or she is physically or mentally unable to care for him or herself and for whom the client was entitled to a dependent exemption credit without regard to the gross income limitation
- The credit is a nonrefundable and is applied against the California net tax liability.

Credit for Joint Custody Head of Household – Code 170

Taxpayer's claim this credit if they meet the following criteria

- Taxpayer was not married at the end of 2020 (or lived apart from spouse for all of 2020 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 Widow(er) filing status. Use the JCHH credit worksheet to compute the credit.

The maximum credit for 2019 tax year is $491 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 2020 and is filing married/RDP Filing Separately (cannot use Single, Head of Household, Qualifying Widow(er) 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 Widow(er).

Go to Head of Household (HOH), Head of Household Qualification Requirements.

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

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:

- Taxpayer has a tax liability less than $500 ($250 for married/RDP filing separately).
- Taxpayer's prior year return was not 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 15th	Second Quarter: Due June 15th	Third Quarter: Due Sept. 15th	Fourth Quarter: Due Jan. 15th
30 Percent of tax liability	40 Percent of tax liability	0 Percent of tax liability	30 Percent of tax liability

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 you discover an error on a previously filed return, you should file an amended return and pay any additional tax or fee due, including interest. Generally, if you file a federal amended return (1040X) you should file a California amended return (540X or Schedule X) within six months unless the changes do not affect your California return. You 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, you should attach copies of any documents that show when you 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 prior.

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

- Client 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 an itemized deduction on the federal tax return, but you subtract it from the state itemized deduction amount on Schedule CA (540).

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 0's in this field.

Injured Spouse

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

For additional nonconformity items, go to 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, file a joint tax return with the surviving spouse/RDP as long as the spouse/RDP did not remarry during 2020. Write "surviving spouse/RDP" next to their signature on the tax return.

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.

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