

Instructions for Form 540 — California Resident Income Tax Return

These instructions are based on the Internal Revenue Code (IRC) as of **January 1, 2001**, and the California Revenue and Taxation Code (R&TC).

Before You Begin

You must complete your federal income tax return (Form 1040, 1040A, 1040EZ, or federal TeleFile Tax Record) before you begin your California Form 540. You will use information from your federal income tax return to complete your Form 540. Be sure to complete and mail Form 540 by April 15, 2005. If you cannot mail your return by the due date, see page 2.



You may qualify for the federal earned income credit. See page 2 for more information. There is no comparable state credit.

Step 1 — Name(s) and Address

Is there a label with your name and address on the front of your booklet?

Yes. Attach the label to your completed return. Make sure that the information on your label is correct. Cross out any errors and print the correct information on the label.

No. Print your first name, middle initial, last name, and address in the spaces provided at the top of Form 540. See page 8, Helpful Hints, "Filling in your return."

Private Mail Box. If you lease a private mailbox (PMB) from a private business rather than a P.O. box from the United States Postal Service, include the box number in the address area labeled "PMB no."

Foreign Address. Enter the information in the following order: City, Country, Province/Region and Postal Code. Follow the country's practice for entering the postal code. **Do not** abbreviate the country name.

Principal Business Activity Code

Enter the numeric principal business activity code from federal Schedule C, line B.

Step 1a through 3

For instructions on how to fill out Step 1a, Step 2, and Step 3, see Form 540A instructions for these steps on pages 9 and 10.

Step 4 — Taxable Income

Refer to your completed federal income tax return to complete Step 4.

Line 12 — State Wages



Enter the total amount of your state wages from all states from each of your Form(s) W-2. This amount should be on Form W-2, box 16.

If you received wages and do not have a Form W-2, see "Attachments to your return" on page 8.

Line 14 — California Adjustments — Subtractions [from Schedule CA (540), line 36, column B]

If there are no differences between your federal and California income or deductions, do not file a Schedule CA (540).

If there are differences between your federal and California income or deductions, you must complete Schedule CA (540), California Adjustments — Residents. Follow the instructions for Schedule CA (540) beginning on page 45. Enter on this line the amount from Schedule CA (540), line 36, column B. If a negative amount, see Schedule CA (540), line 36 instructions, page 50.

Line 15 — Subtotal

Subtract the amount on line 14 from the amount on line 13. Enter the result on line 15. If the amount on line 13 is less than zero, combine the amounts on line 13 and line 14 and enter the result in parentheses. For example: "(12,325)."

Line 16 — California Adjustments — Additions [from Schedule CA (540), line 36, column C]

If there are differences between your federal and California income or deductions, you must complete Schedule CA (540), California Adjustments — Residents. Follow the instructions for

Schedule CA (540) beginning on page 45. Enter on this line the amount from Schedule CA (540), line 36, column C. If a negative amount, see Schedule CA (540), line 36 instructions, page 50.

Line 18 — California Itemized Deductions or California Standard Deduction

You must decide whether to itemize your charitable contributions, medical expenses, interest paid, taxes, etc., or take the standard deduction. Your California income tax will be less if you take the **larger** of:

- Your California itemized deductions; or
- Your California standard deduction.

If you are married and file a separate return, you and your spouse must either both itemize your deductions or both take the standard deduction.

Also, if someone else can claim you as a dependent, you may claim the greater of the standard deduction or your itemized deductions. To figure your standard deduction, see the California Standard Deduction Worksheet for Dependents on this page.

Itemized deductions. Figure your California itemized deductions by completing Schedule CA (540), Part II, line 37 through line 43. Enter the result on Form 540, line 18.

Note: If you did not itemize deductions on your federal income tax return but will itemize deductions for your California Form 540, first complete a federal Schedule A, Itemized Deductions. Then complete Schedule CA (540), Part II, line 37 through line 43.

Standard deduction. Find your standard deduction on the California Standard Deduction Chart for Most People on this page. If you filled in the circle on Form 540, line 6, use the California Standard Deduction Worksheet for Dependents on this page.

California Standard Deduction Chart for Most People

Do not use this chart if your parent, or someone else, can claim you (or your spouse, if married) as a dependent on his or her tax return.

Your Filing Status	Enter On Line 18
1 — Single	\$3,165
2 — Married filing jointly	\$6,330
3 — Married filing separately	\$3,165
4 — Head of household	\$6,330
5 — Qualifying widow(er)	\$6,330

Note: The California standard deduction amounts are less than the federal standard deduction amounts.

California Standard Deduction Worksheet for Dependents

Use this worksheet only if your parent, or someone else, can claim you (or your spouse, if married) as a dependent on his or her tax return.

1. Enter your earned income from: line 1 of the "Standard Deduction Worksheet for Dependents" in the instructions for federal Form 1040; Form 1040A; or from line A of the worksheet on the back of Form 1040EZ. If you used federal TeleFile, add \$250 to the total of your wages from all Form(s) W-2, box 1 and enter the result here . . . 1 _____
2. Minimum standard deduction 2 **\$800.00**
3. Enter the **larger** of line 1 or line 2 here 3 _____
4. Enter the amount shown for your filing status:
 - Single or married filing separately, enter \$3,165 4 _____
 - Married filing jointly, head of household, or qualifying widow(er), enter \$6,330 4 _____
5. **Standard deduction.** Enter the **smaller** of line 3 or line 4 here and on Form 540, line 18 . . . 5 _____

Step 5 — Tax

When you figure your tax, be sure to use the correct filing status and taxable income amount.

Line 20 – Tax



CalFile or e-file and you won't have to do the math. Go to our Website at www.ftb.ca.gov.

To figure your tax, use one of the following methods and fill in the matching circle on line 20:

- Tax Table.** To prevent possible delays in processing your return or refund, be sure to enter the correct tax amount on this line. To automatically figure your tax or to verify your tax calculation, use our online tax calculator by visiting our Website at www.ftb.ca.gov. To figure your tax yourself, follow these instructions. If your taxable income on line 19 is \$81,750 or less, use the tax table beginning on page 62. Be sure you use the correct filing status column in the tax table.

If your taxable income on line 19 is over \$81,750, figure your 2004 tax by using the following worksheet.

1. Enter your taxable income from Form 540, line 19	1	_____
2.	2	- 81,750
3. Subtract line 2 from line 1. Enter the result here	3	_____
4.	4	x .093
5. Multiply line 3 by line 4. Enter the result here. Note: If the result was not a whole number, round it to the nearest dollar. For information on rounding, see "Filling in your return" on page 8	5	_____
6. Enter the amount for your filing status: • Single or married filing separately . . . \$5,627 • Married filing jointly or qualifying widow(er) \$3,651 • Head of household \$4,502	6	_____
7. 2004 Tax. Add line 5 and line 6. Enter the result here and on Form 540, line 20	7	_____

- FTB 3800.** Generally, you must use form FTB 3800, Tax Computation for Children Under Age 14 with Investment Income, to figure the tax on a separate Form 540 for your child who was under age 14 on January 1, 2005, and who had more than \$1,600 of investment income. Attach form FTB 3800 to the child's Form 540.
- FTB 3803.** If, as a parent, you elect to report your child's interest and dividend income of \$8,000 or less (but not less than \$800) on your return, complete form FTB 3803, Parents' Election to Report Child's Interest and Dividends. You must file a separate form FTB 3803 for each child whose income you elect to include on your Form 540. Add the amount of tax, if any, from each form FTB 3803, line 9, to the amount of your tax from the tax table or tax rate schedules and enter the result on Form 540, line 20. Attach form(s) FTB 3803 to your return.

Note: To prevent possible delays in processing your return or refund, be sure to enter the correct tax amount on this line. To automatically figure your tax or to verify your tax calculation, use our online tax calculator by visiting our Website at www.ftb.ca.gov.



CalFile or e-file and you won't have to do the math. Go to our Website at www.ftb.ca.gov.

Line 21 – Exemption Credits

Use your exemption credits to reduce your tax. If your federal adjusted gross income (AGI) on line 13 is more than the amount shown below for your filing status, your credits will be limited.

If your filing status is:	If Form 540, line 13 more than:
Single or married filing separately	\$139,921
Married filing jointly or qualifying widow(er)	\$279,846
Head of household	\$209,885

Yes Complete the AGI Limitation Worksheet on this page.

No Follow the instructions on Form 540, line 21.

AGI Limitation Worksheet	
a Enter the amount from Form 540, line 13	a _____
b Enter the amount for your filing status on line b: Single or married filing separately \$139,921 Married filing jointly or qualifying widow(er) \$279,846 Head of household \$209,885	b _____
c Subtract line b from line a	c _____
d Divide line c by \$2,500 (\$1,250 if married filing separately). Note: If the result is not a whole number, round it to the next higher whole number	d _____
e Multiply line d by \$6	e _____
f Add the numbers from the boxes on Form 540, line 7, line 8, and line 9 (not the dollar amounts)	f _____
g Multiply line e by line f	g _____
h Enter the total dollar amount for line 7, line 8, and line 9	h _____
i Subtract line g from line h. If zero or less, enter -0-	i _____
j Enter the number from the box on Form 540, line 10 (not the dollar amount)	j _____
k Multiply line e by line j	k _____
l Enter the dollar amount (that you filled in) from Form 540, line 10	l _____
m Subtract line k from line l. If zero or less, enter -0-	m _____
n Add line i and line m. Enter the result here and on Form 540, line 21	n _____

Line 23 – Tax from Schedule G-1 and form FTB 5870A

If you received a qualified lump-sum distribution in 2004 and you were born before January 2, 1936, get Schedule G-1, Tax on Lump-Sum Distributions, to figure your tax by special methods that may result in less tax.

If you received accumulation distributions from foreign trusts or from certain domestic trusts, get form FTB 5870A, Tax on Accumulation Distribution of Trusts, to figure the additional tax.

To get these forms, see "Order Forms and Publications" on the back cover.

Step 6 — Special Credits and Nonrefundable Renter's Credit

A variety of California tax credits are available to reduce your tax if you qualify. To figure and claim most special credits, you must complete a separate form or schedule and attach it to your Form 540. The Credit Chart on the page 26 describes the credits and provides the name, credit code, and number of the required form or schedule. Many credits are limited to a certain percentage or a certain dollar amount. In addition, the total amount you may claim for all credits is limited by tentative minimum tax (TMT). Answer the following questions before you claim credits on your tax return.

- Do you qualify to claim the nonrefundable renter's credit? Complete the qualification record on page 27.
Check **Yes** or **No**, then go to Question 2.
- Are you claiming any other special credit listed on the Credit Chart on page 26?

No If you checked "Yes" for Question 1 and entered an amount on Form 540, line 31, go to line 33. If you checked "No" for Question 1, skip to the instructions for line 34.

Yes Figure your credit using the form, schedule, worksheet, or certificate identified in the Credit Chart. Then go to Box A to see if the total amount you may claim for all credits is limited by TMT. If you checked "Yes" for Question 1, be sure that you entered your nonrefundable renter's credit on line 31.

Box A – Did you complete federal Schedule C, D, E, or F and claim or receive any of the following (**Note:** If your business gross receipts are less than \$1,000,000 from all trades or businesses, you **do not** have to report AMT. For more information, see line 35 instructions, on page 20.):

- Accelerated depreciation in excess of straight-line;
- Intangible drilling costs;
- Depletion;
- Circulation expenditures;
- Research and experimental expenditures;
- Mining exploration/development costs;
- Amortization of pollution control facilities;
- Income/loss from tax shelter farm activities;
- Income/loss from passive activities;
- Income from long-term contracts using the percentage of completion method;
- Pass-through AMT adjustment from an estate or trust reported on Schedule K-1 (541); or
- Excluded gain on the sale of qualified small business stock

Yes You must complete Schedule P (540). See “Order Forms and Publications” on the back cover.

No Go to Box B.

Box B – Did you claim or receive any of the following:

- Investment interest expense;
- Income from incentive stock options in excess of the amount reported on your return; or
- Income from installment sales of certain property.

Yes You must complete Schedule P (540). See “Order Forms and Publications” on the back cover.

No Go to Box C.

Box C – If your filing status is: Is Form 540, line 17 more than:

Single or head of household	\$192,963
Married filing jointly or qualifying widow(er)	\$257,284
Married filing separately	\$128,641

Yes You must complete Schedule P (540). See “Order Forms and Publications” on the back cover.

No Your credits are not limited. Go to the instructions for Form 540, line 28.

Line 28 through Line 30 – Additional Special Credits

Each credit has a code number. To claim only one or two credits, enter the credit name, code number, and amount of the credit on line 28 and line 29. To claim more than two credits, use Schedule P (540). See “Order Forms and Publications” on the back cover. List two of the credits on line 28 and line 29. Enter the total of any remaining credits from Schedule P (540) on line 30.

Important: Attach Schedule P (540) and any supporting schedules or statements to your Form 540.

Carryovers: If you claim a credit with carryover provisions and the amount of the credit available this year exceeds your tax, you may carry over any excess credit to future years until the credit is used (unless the carryover period is a fixed number of years). If you claim a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of the credit. Otherwise, enter the amount of the credit on Schedule P (540), Part III, and do not attach form FTB 3540.

Credit for Joint Custody Head of Household — Code 170

Note: You may not claim this credit if you used either the head of household or qualifying widow(er) filing status.

You may claim a credit if you were unmarried at the end of 2004 (or if married, you lived apart from your spouse for all of 2004 and you used the married filing separately filing status); and if you furnished more than one-half the household expenses for your home that also served as the main home of your child, step-child, or grandchild for at least 146 days but not more than 219 days of the taxable year. If the child is married, you must be entitled to claim a dependent exemption credit for the child.

Also, the custody arrangement for the child must be part of a decree of dissolution or separate maintenance or must be part of a written agreement between the parents where the proceedings have been initiated, but a decree of dissolution or separate maintenance has not yet been issued.

Use the worksheet below to figure the joint custody head of household credit.

1. Enter the amount from Form 540, line 24 1 _____
2. Credit percentage — 30% 2 x .30
3. Credit amount. Multiply line 1 by line 2.
Enter the result or \$337, whichever is less 3 _____

Credit for Dependent Parent — Code 173

Note: You may not claim the credit for dependent parent if you used the single, head of household, qualifying widow(er), or married filing jointly filing status.

You may claim this credit only if:

- You were married at the end of 2004 and you used the married filing separately filing status; and
- Your spouse was not a member of your household during the last six months of the year; and
- You furnished over one-half the household expenses for your dependent mother’s or father’s home, whether or not she or he lived in your home.

To figure the amount of this credit, use the worksheet above for the credit for joint custody head of household.

Credit for Senior Head of Household — Code 163

You may claim this credit if you:

- Were 65 years of age or older on December 31, 2004*;
- Qualified as a head of household in 2002 or 2003 by providing a household for a qualifying individual who died during 2002 or 2003; and
- Did not have adjusted gross income over \$54,730 for 2004.

*If your 65th birthday is on January 1, 2005, you are considered to be age 65 on December 31, 2004.

Note: If you meet all the conditions listed above, you do not need to qualify to use the head of household filing status for 2004 in order to claim this credit.

Use this worksheet to figure this credit.

1. Enter the amount from Form 540, line 19 1 _____
2. Credit percentage — 2% 2 x .02
3. Credit amount. Multiply line 1 by line 2.
Enter the result or \$1,031, whichever is less 3 _____

Credit for Child Adoption Costs — Code 197

For the year in which an adoption decree or an order of adoption is entered (e.g., adoption is final), you may claim a credit for 50% of the cost of adopting a child who was **both**:

- A citizen or legal resident of the United States.
- In the **custody** of a California public agency or a California political subdivision.

You may treat a prior unsuccessful attempt to adopt a child (even when the costs were incurred in a prior year) and a later successful adoption of a different child as one effort when computing the cost of adopting the child. You may include the following costs if directly related to the adoption process:

- Fees for Department of Social Services or a licensed adoption agency.
- Medical expenses not reimbursed by insurance.
- Travel expenses for the adoptive family.

Note:

- This credit does not apply when a child is adopted from another country or another state, or who was not in the custody of a California public agency or a California political subdivision.

- Any deduction for the expenses used to claim this credit must be reduced by the amount of the child adoption costs credit claimed.

Use the worksheet below to figure this credit. If more than one adoption qualifies for this credit, complete a separate worksheet for each adoption. The maximum credit is limited to \$2,500 per minor child.

1. Enter qualifying costs for the child	1	_____
2. Credit percentage — 50%	2	x .50
3. Credit amount. Multiply line 1 by line 2. Do not enter more than \$2,500	3	_____

Your allowable credit is limited to \$2,500 for 2004. You may carry over the excess credit to future years until the credit is used.

Line 31 – Nonrefundable renter’s credit

Did you pay rent for at least six months in 2004 on your principal residence located in California?

Yes You may qualify to claim this credit which may reduce your tax. Complete the qualification record on page 27.

No Go to line 33.

Line 34 – Subtract the amount on line 33 from the amount on line 25.

Enter the result on line 34. If the amount on line 33 is more than the amount on line 25, enter -0-. If you owe interest on deferred tax from installment obligations, include the additional tax, if any, in the amount you enter on line 34. Write “IRC Section 453 interest” or “IRC Section 453A interest” and the amount on the dotted line to the left of the amount on line 34.

Step 7 — Other Taxes

Attach the specific form or statement required for each entry in this step.

Line 35 – Alternative Minimum Tax (AMT)

If you claim certain types of deductions, exclusions, and credits, you may owe AMT if your total income is more than: \$68,610 if married filing jointly or qualifying widow(er); \$51,457 if single or head of household; or \$34,303 if married filing separately.

A child under age 14 may owe AMT if the sum of the amount on line 19 (taxable income) and any preference items listed on Schedule P (540) and included on the return is more than the sum of \$5,500 and the child’s earned income.

AMT income does not include income, adjustments, and items of tax preference related to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than \$1,000,000 from all trades or businesses.

Get Schedule P (540) for more information. See “Order Forms and Publications” on the back cover.

Line 36 – Other Taxes and Credit Recapture

If you received an early distribution of a qualified retirement plan and were required to report additional tax on your federal return, you may also be required to report additional tax on your California tax return. Get form FTB 3805P, Additional Taxes on Qualified Plans (including IRAs) and Other Tax Favored Accounts. If you are required to report additional tax, report it on line 36 and write “FTB 3805P” to the left of the amount.

If you used form(s) FTB 3501, Employer Child Care Program/Contribution Credit; FTB 3535, Manufacturers’ Investment Credit; FTB 3805Z, Enterprise Zone Deduction and Credit Summary; FTB 3806, Los Angeles Revitalization Zone (LARZ) Deduction and Credit Summary; FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; FTB 3808, Manufacturing Enhancement Area Credit Summary; or FTB 3809, Targeted Tax Area Deduction and Credit Summary; include the additional tax, if any, on line 36. Write the form number on the dotted line to the left of the amount on line 36.

Step 8 — Payments

To avoid a delay in the processing of your return, be sure you enter the correct amounts on line 38 through line 45.

Line 38 – California Income Tax Withheld

Enter the total California income tax withheld from your:

- Form(s) W-2, box 17;
- Form(s) 1099-MISC, box 16; or
- Form(s) W-2G, box 14;
- Form(s) 1099-R, box 10.

Note: The Franchise Tax Board verifies all withholding claimed from a Form W-2, W-2G, 1099-MISC, or 1099-R with the Employment Development Department.

Caution: Do not include city, local, or county tax withheld or tax withheld by other states. Do not include withholding from Forms 592-B, 593-B, or 594, on this line. For more details, see instructions for line 40 on this page.

Caution: Generally, tax should not be withheld on Form 1099-MISC. If you want to pre-pay tax on income reported on Form 1099-MISC, you may use Form 540-ES, Estimated Tax for Individuals.

Line 39 – 2004 CA Estimated Tax and Other Payments

Enter the total of any:

- California estimated tax payments you made using 2004 Form 540-ES;
- Overpayment from your 2003 California income tax return that you applied to your 2004 estimated tax;
- Payment you sent with form FTB 3519, Payment Voucher for Automatic Extension for Individuals; and
- California estimated tax payments made on your behalf by an estate, trust, or S Corporation on Schedule K-1 (541), or Schedule K-1 (100S).

Note: To view payments you have made and/or to obtain your current account balance, visit our Website at www.ftb.ca.gov and click on “Check Account Balance.”

If you and your spouse paid joint estimated taxes but are now filing separate income tax returns, either of you may claim the entire amount paid, or you may each claim part of the joint estimated tax payments. If you want the estimated tax payments to be divided, notify the FTB before you file the tax returns so the payments can be applied to the proper account. The FTB will accept in writing, any divorce agreement (or court ordered settlement) or a statement showing the allocation of the payments along with a notarized signature of both taxpayers. The statements should be sent to:

JOINT ESTIMATED CREDIT ALLOCATION M/S F-225
TAXPAYER SERVICES CENTER
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO, CA 94240-0040

If you or your spouse made separate estimated tax payments, but are now filing a joint income tax return, add the amounts you each paid. Attach a statement to the front of Form 540 explaining that payments were made under both social security numbers.

Note: You do not have to make estimated tax payments if you are a nonresident or new resident of California in 2005 and did not have a California tax liability in 2004.

Line 40 - Real Estate Withholding

If you had California income tax withheld from the sale of your California real estate, enter the total California tax withheld from your Form 593-B, Real Estate Withholding Tax Statement. Also, if you received a nonresident withholding credit, enter the total California tax withheld from your Forms 592-B or 594 on this line. Attach a copy of Form 592-B, 593-B, or 594, or to the lower front of Form 540, Side 1.

Caution: Do not include withholding from Form(s) W-2s or 1099s on this line.

Line 41 – Excess California SDI (or VPDI) Withheld

You may be entitled to claim a credit for excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI) only if you meet **all** of the following conditions:

- You had **two or more** California employers during 2004;
- You received more than \$68,829 in wages; and
- The amounts of SDI (or VPDI) withheld appear on your Forms W-2. Be sure to attach your Forms W-2 to your Form 540.

To determine the amount to enter on line 41, complete the Excess SDI (or VPDI) Worksheet on this page. If married filing jointly, figure the amount of excess SDI (or VPDI) separately for each spouse.

If SDI (or VPDI) was withheld from your wages by a single employer, at more than 1.18% of your gross wages, you may not claim excess SDI (or VPDI) on your Form 540. Contact the employer for a refund.

Excess SDI (or VPDI) Worksheet			
Follow the instructions below to figure the amount of income tax to enter on Form 540, line 41. If you are married and file a joint return, you must figure the amount of excess SDI (or VPDI) separately for each spouse.			
		You	Your Spouse
1. Add amounts of SDI (or VPDI) withheld shown on your Forms W-2. Enter the total here	1		
2. 2004 SDI (or VPDI) limit	2	\$812.18	\$812.18
3. Excess SDI (or VPDI) withheld. Subtract line 2 from line 1. Enter the results here. Combine the amounts on line 3 and enter the total on Form 540, line 41	3		

Note: If zero or less, enter -0- on line 41.

Line 42 through Line 45 – Child and Dependent Care Expenses Credit

You may be able to claim this credit if you paid someone to care for your child under the age of 13, other dependent who is physically or mentally incapable of caring for him or herself, or spouse if physically or mentally incapable of caring for him or herself. The care must be provided in California. To claim this credit, your federal adjusted gross income must be less than or equal to \$100,000 and you must complete and attach form FTB 3506, Child and Dependent Care Expenses Credit, included in this booklet.

Line 42 and Line 43

Enter the qualifying person's social security number. Do not enter more than one qualifying person's social security number on line 42 or line 43 from form FTB 3506, Part III, line 2. If you have more than two qualifying persons, enter only the first two qualifying persons listed on form FTB 3506, Part III, line 2.

Line 44

Enter the amount from form FTB 3506, Part III, line 8 (do not round this amount).

Line 45

Enter the credit amount from form FTB 3506, Part III, line 12 (do not round this amount).

Note: If you received a refund for 2003, you may receive a Form 1099-G, Certain Government Payments. The refund amount reported on your Form 1099-G will be different from the amount shown on your tax return if you claimed the Child and Dependent Care Expenses Credit. This is because the credit is not part of the refund from withholdings or estimated tax payments.

Step 9 — Overpaid Tax or Tax Due

To avoid a delay in the processing of your return, be sure you enter the correct amounts on line 47 through line 50.

Line 47 – Overpaid Tax

If the amount on line 46 is more than the amount on line 37, your payments and credits are more than your tax. Subtract the amount on line 37 from the amount on line 46. Enter the result on line 47.



Choose e-file and Direct Deposit and get your refund faster.

Line 48 – Amount You Want Applied to Your 2005 Estimated Tax

You may apply all or part of the amount on line 47 to your estimated tax for 2005. Enter on line 48 the amount of line 47 that you want applied to your 2005 estimated tax.

An election to apply an overpayment to estimated tax is binding. Once the election is made, the overpayment cannot be applied to a deficiency after the due date of the return.

Line 49 – Overpaid Tax Available This Year

If you entered an amount on line 48, subtract it from the amount on line 47. Enter the result on line 49. You may choose to have this entire amount refunded to you or you may make contributions to the California Seniors Special Fund or make other voluntary contributions from this amount. If you make a contribution, skip line 50 and go to Step 9a.

Line 50 – Tax Due

If the amount on line 46 is less than the amount on line 37, subtract the amount on line 46 from the amount on line 37. Enter the result on line 50. Your tax is more than your payments and credits.

There is a penalty for not paying enough tax during the year. You may have to pay a penalty if:

- The tax due on line 50 is \$200 or more (\$100 or more if married filing separately); and
- The amount of state income tax withheld on line 38 is less than 90% of the amount of your total tax on line 37.

If this applies to you, go to line 69.

Increasing your withholding could eliminate the need to make a large payment with your tax return. To increase your withholding, complete Employment Development Department (EDD) Form DE 4, Employee's Withholding Allowance Certificate, and give it to your employer's appropriate payroll staff. You can obtain this form from your employer or by calling EDD at (888) 745-3886. You can download the DE 4 at www.edd.ca.gov or use the online calculator by going to www.ftb.ca.gov and searching for: **DE 4**.

Note: Form DE 4 specifically adjusts your California state withholding and is not the same as the federal Form W-4, Employee's Withholding Allowance Certificate.

Step 9a — Use Tax

Line 51 – Use Tax. This is not a total line.

As explained on page 66, you may owe California use tax for purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person).

You may report use tax on your income tax return instead of filing a use tax return with the State Board of Equalization. To report use tax on your income tax return, complete the Use Tax Worksheet on page 22. If you have questions on whether a purchase is taxable, visit the State Board of Equalization's website at www.boe.ca.gov, or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

If you owe use tax but choose not to report it on your income tax return, you must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Use Tax, from www.boe.ca.gov. You can also request a copy by calling their Information Center.

Note: Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

See page 66 for a general explanation of California use tax.

Use Tax Worksheet	
Round all amounts to the nearest whole dollar.	
1. Enter purchases from out-of-state or Internet sellers made without payment of California sales/use tax. See worksheet instructions below	\$ _____ .00
2. Enter the decimal equivalent of the applicable sales and use tax rate. See worksheet instructions below	_____
3. Multiply line 1 by the tax rate on line 2. Enter result here.	\$ _____ .00
4. Enter any sales or use tax you paid to another state for purchases included on line 1. See worksheet instructions below	\$ _____ .00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 51. If the amount is less than zero, enter -0-.	\$ _____ .00

Worksheet, Line 1, Purchases Subject to Use Tax

- Report items that would have been taxable in a California store. For example, you would include purchases of clothing, but not purchases of prescription medicine.
- Include handling charges.
- Do not include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return you are filing.
- If you traveled to a foreign country and brought items back to California, generally the use tax is due on the purchase price of the goods you listed on your U.S. Customs Declaration less the \$400 per-person exemption. This \$400 exemption does not apply to goods sent or shipped to California by mail or other common carrier.
- If your filing status is "married filing separately," you may elect to report one-half of the use tax due or the entire amount on your income tax return. If you elect to report one-half, your spouse may report the remaining half on his or her income tax return or on the individual use tax return available from the State Board of Equalization (see discussion of Publication 79-B on page 21).

Note: Do not report the following on your income tax return:

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.

Worksheet, Line 2, Sales and Use Tax Rate

- Enter the decimal equivalent of the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375.
- If you do not know the applicable rate, see the table on page 24, "Sales and Use Tax Rates by County." If you have questions regarding the use tax rate in effect in your area, please visit the State Board of Equalization's Website at www.boe.ca.gov or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states. You cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if you paid \$8.00 sales tax to another state for a purchase, and would have paid \$6.00 in California, you can claim a credit of only \$6.00 for that purchase.

Step 10 — Contributions

You may make contributions to the funds listed on Form 540, Side 2, Step 10. See page 25 for a description of the funds.

Step 11 — Refund or Amount You Owe

Be sure to add or subtract correctly to figure the amount of your refund or the amount you owe.

Line 66 – Refund or No Amount Due

If you did not enter an amount on line 51 or line 65, enter the amount from line 49 on line 66. This is the amount that will be refunded to you.

If it is less than \$1, you must attach a written statement to your Form 540 requesting the refund.

Subtract line 51 and line 65 from line 49. If the combined amount of line 51 and line 65 is more than line 49, enter the difference on line 67.

To have your refund directly deposited into your bank account, fill in the account information on the tax return. See the illustration on page 23 for the correct numbers to transfer to your return.

Want a fast refund? Get your refund in 10 days or less when you e-file your return. Visit our Website at www.ftb.ca.gov for more information.

Line 67 – Amount You Owe

Add the amount on line 50, line 51, and line 65, if any. Enter the result on line 67.

To avoid a late filing penalty, file your Form 540 by the extended due date even if you cannot pay the amount you owe.

Do not combine your 2004 tax payment and any 2005 estimated tax payment in the same check. Prepare two separate checks and mail each in a separate envelope.

Other Payment Options

- **Electronic Funds Withdrawal** – Instead of paying by check or money order, you can use this convenient option if you e-file. Simply provide your bank information, amount you want to pay, and the date you want the balance due to be withdrawn from your account. Your tax preparation software will offer this option.
- **Web Pay** – Pay the amount you owe using our secure online payment service. Visit our Website at www.ftb.ca.gov and search for: "Payment options."
- **Check or Money Order** – Make your check or money order payable to the "Franchise Tax Board." Do not send cash. Write your social security number and "2004 Form 540" on the check or money order. Enclose, but do not staple, your payment to your return.
A penalty may be imposed if your check is returned by your bank for insufficient funds.
- **Credit Card** – You may use your Discover/NOVUS, MasterCard, Visa, or American Express card to pay your tax. If you pay by credit card, do not mail form FTB 3519 to us. Call (800) 272-9829 or visit the Website at www.officialpayments.com, and use the jurisdiction code 1555. Official Payments Corp. charges a convenience fee for using this service.

Paying by Credit Card – Whether you e-file or file by mail, you can use your Discover/Novus, MasterCard, Visa, or American Express card to pay your personal income taxes (tax return balance due, extension payment, estimated tax payment, or tax due with bill notice). **There is a convenience fee for this service.** This fee is paid directly to Official Payments Corp. based on the amount of your tax payment.

Convenience Fee

- 2.5% of the tax amount charged (rounded to the nearest cent)
- Minimum fee: \$1

Example:

Tax Payment = \$753.56 Convenience Fee = \$18.84

When will my payments be effective?

Your payment is effective on the date you charge it.

What if I change my mind?

If you pay your tax liability by credit card and later reverse the credit card transaction, you may be subject to penalties, interest, and other fees imposed by the Franchise Tax Board for nonpayment or late payment of your tax liability.

How do I use my credit card to pay my income tax bill?

Once you have determined the type of payment and how much you owe, you should have the following information ready:

- Your Discover/Novus, MasterCard, Visa, or American Express card
- Credit card number
- Expiration date
- Amount you are paying
- Your and your spouse's SSN or ITIN
- First 4 letters of your and your spouse's last name
- Tax year
- Home phone number (including area code)
- ZIP Code for address where your monthly credit card bill is sent
- FTB Jurisdiction Code: 1555

Go to the Official Payments Corp. Website www.officialpayments.com and select Payment Center, or use the toll-free number at (800) 2PAY-TAX or (800) 272-9829. Follow the recorded instructions. Official Payments Corp. will tell you the convenience fee before you complete your transaction. You can decide whether to complete the transaction at that time.

Payment Date : _____

Confirmation Number: _____

If you cannot pay the full amount or can only make a partial payment for the amount shown on line 70, you may request monthly payments. For additional information regarding Installment Payments, see Question 4 on page 28.

Step 12 — Interest and Penalties

If you file your return or pay your tax after the due date, you may owe interest and penalties on the tax due.

Note: Do not reduce the amount on line 47 or increase the amount on line 50 by any penalty or interest amounts. Enter on line 68 the amount of interest and penalties.

Line 68 – Interest and Penalties

Interest. Interest will be charged on any late filing or late payment penalty from the original due date of the return to the date paid. In addition, if other penalties are not paid within 15 days, interest will be charged from the date of the billing notice until the date of payment. Interest compounds daily and the interest rate is adjusted twice a year.

Late Filing of Return. The maximum total penalty is 25% of the tax not paid if the return is filed after October 17, 2005. The minimum penalty for filing a return more than 60 days late is \$100 or 100% of the balance due, whichever is less.

Late Payment of Tax. The penalty is 5% of the tax not paid when due plus 1/2% for each month, or part of a month, the tax remains unpaid.

Other Penalties. There are also other penalties that can be imposed for a check returned for insufficient funds, negligence, substantial understatement of tax and fraud.

Line 69 – Underpayment of Estimated Tax

You may be subject to an estimated tax penalty if your withholding and credits are less than 90% of your current tax year liability or 100% of your prior year tax liability (110% if AGI is more than \$150,000 or \$75,000 MFS), or you did not pay enough through withholding to keep the amount you owe with your return under \$200.

Is line 50 less than \$200 (\$100 if married filing separately)?

Yes Stop. You are not subject to an estimated payment penalty.

No Continue. You may be subject to an estimate payment penalty.

Is line 50 less than 10% of the amount on line 34 (excluding the tax on lump-sum distributions on line 23)?

Yes Stop. You are not subject to an estimated payment penalty.

No You may be subject to an estimate payment penalty, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries (or form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fisherman).

If you complete one of these forms, be sure to attach it to the back of your Form 540. Enter the amount of the penalty on line 69 and fill in the correct circle on line 69. You must complete and attach the form if you claim a waiver, use the annualized income installment method, or pay tax according to the schedule for farmers and fishermen, even if you do not owe a penalty.

The Franchise Tax Board can figure the penalty for you when you file your return and send you a bill.

See page 2, Important due dates, for more information on estimated tax payments and how to avoid the underpayment penalty.

See the instructions for line 70 for information about figuring your payment, if any.

Line 70 – Total Amount Due

Is there an amount on line 67?

Yes Add line 67, line 68, and line 69. Enter the result and make your check or money order for this amount.

No Go to the next question.

Is there an amount on line 66?

Yes Add line 68 and line 69. If the result is:

- Less than line 66, your refund will be reduced by this amount when your return is processed. Do not enter an amount on line 70.
- More than line 66, subtract line 66 from the sum of line 68 and line 69 and enter the result. Use Web Pay to pay online. Go to our Website at www.ftb.ca.gov and search for: "Payment options." Or, make your check or money order for the amount on line 70.

No Add line 68 and line 69 and enter the result.

Line 71 – 2005 Tax Forms

If your Form 540 is prepared by someone else, or if you do not need forms mailed to you next year, fill in the circle on line 71.

Step 13 — Direct Deposit (Refund Only)

Direct Deposit of Refund

Direct deposit is fast, safe, and convenient. To have your refund directly deposited into your bank account, fill in the account information on Form 540, Side 2, Step 13. Please be sure to fill in the routing and account numbers and also indicate the account type. **Do not** attach a voided check or deposit slip. See the illustration below.



Do not use a deposit slip to find the bank numbers. Contact your financial institution for assistance in getting the correct routing number.

The Franchise Tax Board is not responsible when a financial institution rejects a direct deposit. If the bank or financial institution rejects the direct deposit due to an error in the routing number, the Franchise Tax Board will issue a paper check.

Sign Your Return

You must sign your return in the space provided on Side 2. If you file a joint return, your spouse must sign it also. See page 8 "Helpful Hints," for more information on verifying and checking information on your return, attachments to your return, and assembling and mailing your return.

Joint Return. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may be liable. See "Innocent Spouse Relief," on page 66.

For information about Power of Attorney, visit our Website at www.ftb.ca.gov.

Sales and Use Tax Rates by County

(Includes state, local, and district taxes)
As of December 31, 2004

County	Rate
Alameda ¹	8.75%
Alpine	7.25%
Amador	7.25%
Butte	7.25%
Calaveras	7.25%
Colusa	7.25%
Contra Costa	8.25%
Del Norte	7.25%
El Dorado ³	7.25%
Fresno ³	7.875%
Glenn	7.25%
Humboldt ³	7.25%
Imperial ³	7.75%
Inyo	7.75%
Kern	7.25%
Kings	7.25%
Lake ³	7.25%
Lassen	7.25%
Los Angeles ³	8.25%
Madera	7.75%
Marin	7.25%
Mariposa ²	7.25%
Mendocino ³	7.25%
Merced	7.25%
Modoc	7.25%
Mono	7.25%
Monterey	7.25%
Napa	7.75%
Nevada ³	7.375%
Orange	7.75%
Placer	7.25%
Plumas	7.25%
Riverside	7.75%
Sacramento	7.75%
San Benito	7.25%
San Bernardino	7.75%
San Diego	7.75%
San Francisco	8.50%
San Joaquin	7.75%
San Luis Obispo	7.25%
San Mateo	8.25%
Santa Barbara	7.75%
Santa Clara ³	8.25%
San Bernardino	7.75%
San Diego	7.75%
San Francisco	8.50%
San Joaquin	7.75%
San Luis Obispo	7.25%
San Mateo	8.25%
Santa Barbara	7.75%
Santa Clara ³	8.25%
Santa Cruz	8.00%
Shasta	7.25%
Sierra	7.25%

County	Rate
Siskiyou	7.25%
Solano	7.375%
Sonoma ³	7.50%
Stanislaus	7.375%
Sutter	7.25%
Tehama	7.25%
Trinity	7.25%
Tulare ³	7.25%
Tuolumne	7.25%
Ventura	7.25%
Yolo ³	7.25%
Yuba	7.25%

1. The tax rate in the county of Alameda prior to July 1, 2004, was 8.25%.
2. The tax rate in the county of Mariposa prior to July 1, 2004, was 7.75%.
3. Many cities in California impose a district tax, which results in a higher sales and use tax rate than in other parts of the county. If you are reporting an item that was purchased for use in any of the following cities, please use the appropriate tax rates for those areas. The following tax rates apply within the city limits of the listed counties.

County	City	Citywide Rate
El Dorado	Placerville	7.50%
Fresno	Clovis	8.175%
Humboldt	Trinidad	(effective 10/01/2004) ^a 8.25%
Imperial	Calexico	8.25%
Lake	Clearlake	7.75%
Los Angeles	Avalon	8.75%
Mendocino	Point Arena	(effective 4/01/2004) ^b 7.75%
Mendocino	Willits	7.75%
Nevada	Town of Truckee	7.875%
Santa Cruz	Santa Cruz	(effective 7/01/2004) ^c 8.25%
Sonoma	Sebastopol	7.625%
Tulare	Visalia	(effective 7/01/2004) ^d 7.50%
Yolo	Davis	(effective 7/01/2004) ^e 7.75%
Yolo	West Sacramento	7.75%
Yolo	Woodland	7.75%

- ^{a)} The tax rate in Trinidad prior to October 1, 2004, was 7.25%.
- ^{b)} The tax rate in Point Arena prior to April 1, 2004, was 7.25%.
- ^{c)} The tax rate in Santa Cruz prior to July 1, 2004, was 8.00%.
- ^{d)} The tax rate in Visalia prior to July 1, 2004, was 7.25%.
- ^{e)} The tax rate in Davis prior to July 1, 2004, was 7.25%.

Voluntary Contribution Fund Descriptions

You may make contributions to the California Seniors Special Fund or make other voluntary contributions of \$1 or more in whole dollar amounts. The amount you contribute either reduces your overpaid tax or increases your tax due. You may contribute only to the funds listed and cannot change the amount you contributed after you file your return.

If you are using:

- Form 540A, enter the amounts you want to contribute on the line for the fund on Side 2, Step 7. Enter the total contributions on line 38.
- Form 540, enter the amounts you want to contribute on the line for the fund on Side 2, Step 10. Enter the total contributions on line 65.

Code	Fund Name and Description	Code	Fund Name and Description
◀ 52 ▶	<p>California Seniors Special Fund. If you and/or your spouse are 65 years of age* or older and claim the Senior Exemption Credit on line 9, you may make a combined total contribution of up to \$170 or \$85 per spouse. Contributions entered to this fund will be distributed to the Area Agency of Aging Councils (TACC) to provide advice on and sponsorship of Senior Citizens issues. Any excess contributions not required by TACC will be distributed to senior citizen service organizations throughout California for meals, adult day care, and transportation.</p> <p>*If your 65th birthday is on January 1, 2005, you are considered to be age 65 on December 31, 2004.</p>	◀ 59 ▶	<p>Emergency Food Assistance Program Fund. Contributions will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries, and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.</p>
◀ 53 ▶	<p>Alzheimer's Disease/Related Disorders Fund. Contributions will be used to conduct a program for researching the cause and cure of Alzheimer's disease and related disorders and research into the care and treatment of persons suffering from dementing illnesses.</p>	◀ 60 ▶	<p>California Peace Officer Memorial Foundation Fund. Contributions will be used to preserve the memory of California's fallen peace officers and assist the families they left behind. Since statehood, over 1,300 courageous California peace officers have made the ultimate sacrifice while protecting law-abiding citizens. The non-profit charitable organization, California Peace Officers' Memorial Foundation, has accepted the privilege and responsibility of maintaining a memorial for fallen officers on the State Capitol grounds. Each May, the Memorial Foundation conducts a dignified ceremony honoring fallen officers and their surviving families by offering moral support, crisis counseling, and financial support that includes academic scholarships for the children of those officers who have made the supreme sacrifice. On behalf of all of us and the law-abiding citizens of California, thank you for your participation.</p>
◀ 54 ▶	<p>California Fund for Senior Citizens. Contributions will provide support for the California Senior Legislature (CSL). The CSL are volunteers who prioritize statewide senior related legislative proposals in areas of health, housing, transportation, and community services. Any excess contributions not required by the CSL will be distributed to senior citizen service organizations throughout California.</p>	◀ 61 ▶	<p>Asthma and Lung Disease Research Fund. Contributions will support the American Lung Association of California's scientific peer-reviewed research program that provides grants to develop and advance the understanding of the causes of lung disease, the third leading cause of death. Find out more at www.californialung.org.</p>
◀ 55 ▶	<p>Rare and Endangered Species Preservation Program. Contributions will be used to help protect and conserve California's many threatened and endangered species and the wild lands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.</p>	◀ 62 ▶	<p>California Missions Foundation Fund. Contributions will be used to restore and repair the Spanish colonial and mission era missions in this state and to preserve the artworks and artifacts of these missions.</p>
◀ 56 ▶	<p>State Children's Trust Fund for the Prevention of Child Abuse. Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.</p>	◀ 63 ▶	<p>California Military Family Relief Fund Contributions will be used to provide financial aid grants to members of the California National Guard who are California residents, and have been called to active duty.</p>
◀ 57 ▶	<p>California Breast Cancer Research Fund. Contributions will fund research toward preventing and curing breast cancer. Breast cancer is the most common cancer to strike women in California. It kills 4,000 California women each year. Contributions also fund research on prevention and better treatment, and keep doctors up-to-date on research progress. For more about the research your contributions support, please see our Website at www.cbcrp.org. Your contribution can help make breast cancer a disease of the past.</p>	◀ 64 ▶	<p>California Prostate Cancer Research Fund Contributions will be used to further the research of Prostate Cancer.</p>
◀ 58 ▶	<p>California Firefighters' Memorial Fund. Contributions will be used for the repair and maintenance of the California Firefighters' Memorial on the grounds of the State Capitol, ceremonies to honor the memory of fallen firefighters and to assist surviving loved ones, and for an informational guide detailing survivor benefits to assist the spouses and children of fallen firefighters.</p>		

CREDIT CHART

Credit Name	Code	Description
Child Adoption – Worksheet on page 20	197	50% of qualified costs in the year an adoption is ordered
Child and Dependent Care Expenses – FTB 3506 See the instructions on page 59	None	Similar to the federal credit except that the California credit amount is based on a specified percentage of the federal credit and is refundable
Community Development Financial Institution Deposits – Certification Required	209	20% of each qualified deposit made to a community development financial institution Obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capitol Mall, 16th Floor, Sacramento CA 95814 or go to www.insurance.ca.gov/docs/FS-COIN.htm
Dependent Parent – Worksheet on page 19	173	Must use married filing separately status and have a dependent parent
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit but limited to \$125 based on 50% of qualified expenditures that do not exceed \$250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employer: 30% of cost for establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Employee – FTB 3553	169	5% of wages from work in an enterprise zone
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Farmworker Housing – Certification required	207	50% of new construction or rehabilitation costs for farmworker housing Obtain certification from: Farmworker Housing Assistance Program, California Tax Credit Allocation Committee, 915 Capitol Mall, Room 485, Sacramento CA 95814
Joint Custody Head of Household – Worksheet on page 19	170	30% of tax up to \$337 for taxpayers who are single or married filing separately, who have a child and meet the support test
Joint Strike Fighter Wages – FTB 3534	215	A percentage of qualified wages paid or incurred in California in connection with the construction of a joint strike fighter.
Joint Strike Fighter Property Costs – FTB 3534	216	10% of the cost of property placed in service in California for ultimate use in a joint strike fighter
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs
Long-Term Care – FTB 3504	214	\$500 multiplied by the number of qualifying individuals
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area (MEA) Hiring – FTB 3808	211	Percentage of qualified wages paid to qualified disadvantaged individuals
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government.
Nonrefundable Renter's — See page 27	None	For California residents who paid rent for their principal residence for at least 6 months in 2004 and whose AGI does not exceed a certain limit
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 2004
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Rice Straw – Certification required	206	\$15 per ton of purchased rice straw grown in California Obtain certification from: Rice Straw Tax Credit Program, Department of Food and Agriculture, 1220 N Street, Room A-244, Sacramento, CA 95814 or go to www.cdffa.ca.gov
Senior Head of Household – Worksheet on page 19	163	2% of taxable income up to \$1,031 for seniors who qualified for head of household in 2002 or 2003 and whose qualifying individual died during 2002 or 2003
Solar or Wind Energy System – FTB 3508	217	The lesser of 7.5% of the cost paid or incurred for the purchase and installation of a Solar or Wind Energy System or the dollar amount per rated watt of the Solar or Wind Energy System
Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTA businesses
Teacher Retention – FTB 3505	212	Credentialed teachers may be able to claim a credit of up to \$1,500 (per individual) based on years of service and the limitation based on income. The credit is suspended for taxable years 2004 and 2005.

Repealed Credits: The expiration dates for these credits have passed. However, these credits had carryover provisions. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (540), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

Agricultural Products	175	Los Angeles Revitalization Zone (LARZ)	Ridesharing	171
Commercial Solar Electric System	196	Hiring & Sales or Use Tax	Salmon & Steelhead Trout Habitat Restoration	200
Commercial Solar Energy	181	Low-Emission Vehicles	Solar Energy	180
Employee Ridesharing	194	Manufacturers' Investment	Solar Pump	179
Employer Ridesharing: Large employer	191	Orphan Drug	Water Conservation	178
Small employer	192	Political Contributions	Young Infant	161
Transit passes	193	Recycling Equipment		
Energy Conservation	182	Residential Rental & Farm Sales		

Nonrefundable Renter's Credit Qualification Record



e-file and skip this page! The software you use to e-file will help you find out if you qualify for this credit and will figure the correct amount of the credit automatically. Go to www.ftb.ca.gov.

If you were a resident of California and paid rent on property in California which was your principal residence, you may qualify for a credit that you can use to reduce your tax. Answer the questions below to see if you qualify.

1. Were you a resident¹ of California for the entire year in 2004?

- YES.** Go to question 2.
- NO.** Stop. File the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. See "Order Forms and Publications" on the back cover.

2. Is your California adjusted gross income the amount on Form 540A, line 14 or Form 540, line 17:

- \$29,955 or less if single or married filing separately; or
 - \$59,910 or less if married filing jointly, head of household, or qualifying widow(er)?
- YES.** Go to question 3.
NO. Stop here. You do not qualify for this credit.

3. Did you pay rent, for at least half of 2004, on property (including a mobile home that you owned on rented land) in California which was your principal residence?

- YES.** Go to question 4.
NO. Stop here. You do not qualify for this credit.

4. Can you be claimed as a dependent by a parent, foster parent, legal guardian, or any other person in 2004?

- NO.** Go to question 6.
YES. Go to question 5.

5. For more than half the year in 2004, did you live in the home of the person who can claim you as a dependent?

- NO.** Go to question 6.
YES. Stop here. You do not qualify for this credit.

6. Was the property you rented exempt² from property tax in 2004?

- NO.** Go to question 7.
YES. Stop here. You do not qualify for this credit.

7. Did you claim the homeowner's property tax exemption³ anytime during 2004?

- NO.** Go to question 8.
YES. Stop here. You do not qualify for this credit.

8. Were you single in 2004?

- YES.** Go to question 11.
NO. Go to question 9.

9. Did your spouse claim the homeowner's property tax exemption³ anytime during 2004?

- NO.** Go to question 11.
YES. Go to question 10.

10. Did you and your spouse maintain separate residences for the entire year in 2004?

- YES.** Go to question 11.
NO. Stop here. You do not qualify for this credit.

11. If you are:

- Single or married filing separately,⁴ enter \$60 below.
 - Married filing jointly, head of household, or qualifying widow(er), enter \$120 below. Enter this figure on Form 540A, line 19 or Form 540, line 31.
- \$ _____

Fill in the street address(es) and landlord information below for the residence(s) you rented in California during 2004 which qualified you for this credit.

Do Not Mail This Record



Street Address	City, State, and ZIP Code	Dates Rented in 2004 (From _____ to _____)
-----------------------	----------------------------------	---

a _____

b _____

Enter the name, address, and telephone number of your landlord(s) or the person(s) to whom you paid rent for the residence(s) listed above.

Name	Street Address	City, State, ZIP Code, and Telephone Number
-------------	-----------------------	--

a _____

b _____

¹ Military personnel. If you are not a legal resident of California, you do not qualify for this credit. However, your spouse may claim this credit if he or she was a resident, did not live in military housing during 2004, and is otherwise qualified.

² Property exempt from property taxes. You do not qualify for this credit if, for more than half of the year, you rented property that was exempt from property taxes. Exempt property includes most government-owned buildings, church-owned parsonages, college dormitories, and military barracks. However, if you or your landlord paid possessory interest taxes for the property you rented, then you may claim this credit.

³ Homeowner's property tax exemption. You do not qualify for this credit if you or your spouse received a homeowner's property tax exemption at any time during the year. However, if you lived apart from your spouse for the entire year and your spouse received a homeowner's property tax exemption for a separate residence, then you may claim this credit if you are otherwise qualified.

⁴ Married filing separate returns. If you and your spouse file separate returns, lived in the same rental property and both qualify for this credit, one spouse may claim the full amount of this credit (\$120), or each spouse may claim half of the amount (\$60 each).