

# Instructions for Form 540A — 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 tax return (Form 1040, 1040A, 1040EZ, or federal Telefile Tax Record) before you begin your California Form 540A. You will use information from your federal income tax return to complete your Form 540A. Be sure to complete and mail Form 540A 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 540A. 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.

## Step 1a — Social Security Number (SSN)

Enter your social security number (SSN) in the spaces provided. To protect your privacy, your SSN is not printed on your label. If you file a joint return, enter the SSNs in the same order as the names.

**Note:** If you do not have a social security number because you are a nonresident or resident alien for federal tax purposes, and the IRS issued you an Individual Taxpayer Identification Number (ITIN), enter the ITIN in the space for the SSN. An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the IRS to foreign nationals and others who have a federal tax filing requirement and do not qualify for a social security number. It is a nine-digit number that always starts with the number 9.

## Step 2 — Filing Status

Fill in only one of the circles for line 1 through line 5. Be sure to enter the required additional information if you filled in the circle on line 3 or line 5.

You must use the same filing status for California that you used for your federal income tax return.

**Exception:** If you file a joint return for federal, you may file separately for California if either spouse was:

- An active member of the United States armed forces or any auxiliary military branch during 2004, or
- A nonresident for the entire year and had no income from California sources during 2004.

If you had no federal filing requirement, use the same filing status for California you would have used to file a federal income tax return.

**Note:** If you filed a joint return and either you or your spouse was a nonresident for 2004, you must file the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

### Line 1 — Single

Fill in the circle on line 1 if **any** of the following was true on December 31, 2004:

- You were never married;
- You were either divorced under a final decree of divorce or legally separated under a final decree of legal separation or final decree of separate maintenance; or
- You were widowed before January 1, 2004, and did not remarry in 2004.

### Line 2 — Married Filing Jointly

Fill in the circle on line 2 if **any** of the following is true:

- You were married as of December 31, 2004, even if you did not live with your spouse at the end of 2004;
- Your spouse died in 2004 and you did not remarry in 2004; or
- Your spouse died in 2005 before you filed a 2004 return.

### Line 3 — Married Filing Separately

If you fill in the circle on line 3, be sure to enter your spouse's full name on line 3 and social security number or Individual Taxpayer Identification Number in Step 1a.

**Note:**

- Community property rules apply to the division of income if you use the married filing separately status. For more information, get FTB Pub. 1031, Guidelines for Determining Resident Status, FTB Pub. 1051A, Guidelines for Married Filing Separate Returns, or FTB Pub. 1032, Tax Information for Military Personnel. See "Order Forms and Publications" on the back cover.
- You cannot claim a personal exemption credit for your spouse even if your spouse had no income, is not filing a return, and is not claimed as a dependent on another person's return.
- You may be able to file as head of household if you had a child living with you and you lived apart from your spouse during the entire last six months of 2004.

### Line 4 — Head of Household

This filing status is for unmarried individuals and certain married individuals living apart (considered unmarried) who provide a home for certain other persons. You are entitled to use the head of household filing status only if **all** of the following apply:

- You were unmarried or considered unmarried on December 31, 2004;
- You paid more than one-half the cost of keeping up a home for the year 2004;
- For more than half the year, your home was the main home for you and another person who lived with you;
- The other person was your qualifying relative; and
- You were not a nonresident alien at any time during the year.

For further information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) or get FTB Pub. 1540, California Head of Household Filing Status Information. See code 934 on the back cover to order FTB Pub.1540 by telephone.



**CalFile or e-file and you can close this book now!** The software you use to e-file will help you find out if you qualify to claim the head of household filing status. Most software companies also include the Head of Household Schedule (4803e), which will help verify your eligibility to the FTB. See our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

### Line 5 — Qualifying Widow(er) with Dependent Child

Fill in the circle on line 5 and use the joint return tax rates for 2004 if **all five** of the following apply:

- Your spouse died in 2002 or 2003 and you did not remarry in 2004; and
- You have a child, stepchild, adopted child, or foster child whom you can claim as a dependent; and
- This child lived in your home for all of 2004. Temporary absences, such as for vacation or school, count as time lived in the home; and
- You paid over half the cost of keeping up your home for this child; and

- You could have filed a joint return with your spouse the year he or she died, even if you actually did not do so.

**Note:** If your spouse died in 2004, see the instructions for line 2 and line 3.

## Step 3 — Exemptions

### Line 6 – Can be Claimed as Dependent



601

Fill in the circle on line 6 if your parent (or someone else) can claim you as a dependent on his or her tax return, even if he or she chooses not to.

### Line 7 – Personal Exemptions

Did you fill in the circle on line 6?

**No** Follow the instructions on Form 540A, line 7.

**Yes** Ignore the instructions on Form 540A, line 7. Instead, enter in the box on line 7 the amount shown below for your filing status:

- Single or married filing separately, enter -0-;
- Head of household, enter -0-;
- Married filing jointly and both you and your spouse can be claimed as dependents, enter -0-; or
- Married filing jointly and only one spouse can be claimed as a dependent, enter 1.

**Caution:** You may not claim this credit if someone else can claim you as a dependent on his or her return.

### Line 8 – Blind Exemptions

The first year you claim this exemption credit, you must attach a doctor's statement to the back of Form 540A indicating you or your spouse are visually impaired. Visually impaired means you cannot see better than 20/200 while wearing glasses or contact lenses, or that your field of vision is not more than 20 degrees.

**Caution:** You may not claim this credit if someone else can claim you as a dependent on their return.

### Line 9 – Senior Exemptions

If you were 65 years of age or older by December 31, 2004\*, you should claim an additional exemption credit on line 9. If you are married, each spouse 65 years of age or older should claim an additional credit. You may contribute all or part of this credit to the California Seniors Special Fund. See page 25 for information about this fund.

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

**Caution:** You may not claim this credit if someone else can claim you as a dependent on their return.

### Line 10 – Dependent Exemptions

To claim an exemption credit for each of your dependents, write each dependent's name and relationship to you in the space provided. If additional space is needed, attach a separate sheet of paper. The persons you list as dependents must be the same persons you listed as dependents on your federal income tax return. Multiply the number you entered by the pre-printed dollar amount and enter the result.

### Line 11 – Total Personal, Blind, and Senior Exemptions

Enter the total dollar amount of all exemptions, personal and dependents.

## Step 4 — Taxable Income and California Income Adjustments

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

### Line 12a – State Wages

Enter the total amount of your state wages 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 13 – California Income Adjustments

California does not tax certain types of income that are taxable on your federal return.

#### Line 13a – State Income Tax Refund

Enter the amount of any state income tax refund shown on your federal Form 1040, line 10. If you filed Form 1040A or Form 1040EZ, enter -0-.

#### Line 13b – Unemployment Compensation

Enter the total of any unemployment compensation and/or Paid Family Leave Insurance benefits reported on federal Form(s) 1099-G and shown on your federal return. These types of income are not taxed by California and should not be included on line 13b and in the total for line 13g.

#### Line 13c – Social Security Benefits (and tier 1 or tier 2 railroad retirement benefits)

Enter the total of any of the following amounts shown on your federal return:

- Social security benefits and equivalent tier 1 railroad retirement benefits reported on federal Form 1040A, line 14b or Form 1040, line 20b.
- Tier 1 (non-social security equivalent) and tier 2 railroad retirement benefits included in the amount on federal Form 1040A, line 12b or Form 1040, line 16b.

**Note:** Do not include any other pension amounts on this line.

If you filed Form 1040EZ, enter -0- .

There may be differences between the taxable amounts of federal and California IRA distributions, pensions, and annuities. Enter any differences for Line 13d through Line 13f:

#### Line 13d – California Nontaxable Interest or Dividend Income

**California does not tax interest earned from:**

- United States savings bonds;
- United States Treasury bills, notes, and bonds; and
- Bonds or obligations of United States territories, and government agency obligations specifically exempted by federal law.

Enter only the amount of interest that you received from these sources and that you included in the amount reported on your federal Form 1040A, line 8a; Form 1040, line 8a; or Form 1040EZ, line 2.

#### Interest from municipal or state bonds from a state other than California:

This interest is taxed by California. You may not use Form 540A. Use Form 540, e-file, or CalFile.

#### Interest from Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds, and Federal Home Loan Mortgage Corporation (FHLMC) securities:

This interest is taxed by California. Do not enter it on line 13d.

#### Exempt-interest dividends from mutual funds:

Certain mutual funds are qualified to pay "exempt-interest dividends" if **at least 50%** of their assets consist of tax-exempt government obligations. The portion of the dividends that are tax-exempt will be shown on your annual statement from the mutual fund. If the amount of California tax-exempt interest is more than the amount of federal tax-exempt interest, enter the difference on line 13d. If the amount of California tax-exempt interest is less than the amount of federal tax-exempt interest, you may not use Form 540A. Use Form 540, e-file, or CalFile.

#### Line 13e – California Individual Retirement Arrangement (IRA) Distributions

**Note:** You cannot use Form 540A if you have Roth IRA conversions or distributions. Use Form 540, e-file, or CalFile.

The method of taxing IRA distributions is generally the same for California and federal purposes. However, there may be significant differences in the taxable amount depending on when you made your contributions.

The maximum IRA contribution you were allowed to deduct for California was less than the maximum amount allowed for federal for years 1975 and 1982 through 1986. If you made contributions during these years, report the difference between the deduction you took for federal and the deduction you took for California on this line. For more information, get FTB Pub. 1005, Pension and Annuity Guidelines. See "Order Forms and Publications" on the back cover.

Report the difference between your California and your federal taxable IRA distributions on line 13e. Be sure to attach Form 1099-R to your Form 540A if tax was withheld.

**Line 13f – Non-taxable Pensions and Annuities**

Generally, you will not make any adjustments on this line. You should not make an adjustment solely because the pension was earned in another state. Federal and State tax laws require that California residents pay state income tax on all taxable pensions, regardless of where they were earned. However, California law treats railroad retirement benefits differently. If you received tier 2 railroad retirement benefits, tier 1 (non-social security equivalent) (included in the amount on federal Form 1040A, line 12b or Form 1040, line 16b), or partially taxable distributions from a pension plan, you may need to make the adjustment described on this page.

If you received a federal Form RRB 1099 – R for railroad retirement benefits and included all or part of these benefits in federal adjusted gross income on line 12b, enter the taxable benefit amount on line 13f.

If you began receiving a retirement annuity between July 1, 1986, and January 1, 1987, and you elected to use the three-year recovery rule for California, you must make an adjustment because your federal taxable amount is less than your California taxable amount. Figure the difference between the gross distribution shown on your Form 1099-R, box 1 and the taxable amount shown in box 2a. Enter the difference in parentheses on line 13f. For example: "(12,325)."

If you received a lump-sum distribution from a profit sharing or retirement plan, you may pay less tax on the distribution if you choose the 10-year averaging method. However, you must file Form 540 to use this method. See the instructions for Form 540 and get Schedule G-1, Tax on Lump-Sum Distributions (not in this booklet), for more information. See "Order Form and Publications" on the back cover.

California law now conforms to certain provisions of the Internal Revenue Code related to pension plans and deferred compensation, as those provisions apply for federal purposes including amendments to the Internal Revenue Code that may be enacted in the future.

**Line 13g –Total California Adjustments**

Combine line 13a through line 13f. If the result is less than zero, enter the amount in parentheses, on Form 540A, Side 1, line 13g. For example, "(13,325)."

**Line 14 – California Adjusted Gross Income**

Subtract line 13g from line 12b. If line 13g is in parentheses, treat the amount as a positive number and add it to the amount on line 12b. Enter the result on line 14.

**Line 15 – California Itemized Deductions or California Standard Deduction**

You must decide whether to itemize your actual 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 the California Itemized Deductions Worksheet on this page. Enter the result on Form 540A, line 15.

**Note:** If you did not itemize deductions on your federal income tax return but will itemize deductions for your California Form 540A, first complete a federal Schedule A, Itemized Deductions. Then complete the California Itemized Deductions Worksheet on page 12. Do not attach federal Schedule A to your Form 540A.

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

<b>California Standard Deduction Chart for Most People</b>	
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.	
<b>Your Filing Status</b>	<b>Enter On Line 15</b>
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
<b>Note:</b> The California standard deduction amounts are less than the federal standard deduction amounts.	

**Note:** If you filled in the circle on Form 540A, line 6, enter your wages, salaries, and tips on the California Standard Deduction Worksheet for Dependents, line 1 below. If you have earned income other than wages, then you must file Form 540 and use the standard deduction worksheet for that form.

<b>California Standard Deduction Worksheet for Dependents</b>	
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 total wages, salaries, and tips from all your Form(s) W-2, box 1. (You may also refer to federal Form 1040EZ, line 1; Form 1040A, line 7; or Form 1040, line 7.)	1 _____
2. _____	2 <u>\$250.00</u>
3. Add line 1 and line 2. Enter total here	3 _____
4. Minimum standard deduction	4 <u>\$800.00</u>
5. Enter the <b>larger</b> of line 3 or line 4 here	5 _____
6. Enter the amount shown for your filing status:	6 _____
• Single or married filing separately, enter \$3,165	} ...
• Married filing jointly, head of household, or qualifying widow(er) enter \$6,330	
7. <b>Standard deduction.</b> Enter the <b>smaller</b> of line 5 or line 6 here and on Form 540A, line 15	7 _____

**California Itemized Deductions Worksheet**

1. Federal itemized deductions: Add the amounts on federal Schedule A (Form 1040), lines 4, 9, 14, 18, 19, 26, and 27 ..... 1 \_\_\_\_\_
2. Add the following amounts from federal Schedule A and enter on line 2:
  - Line 5, state and local income tax: \_\_\_\_\_
  - State Disability Insurance (SDI): \_\_\_\_\_
  - Line 8, foreign income taxes: \_\_\_\_\_ 2 \_\_\_\_\_
3. Subtract line 2 from line 1. This amount is your total California **itemized deductions** ..... 3 \_\_\_\_\_
4. Is the amount on Form 540A, line 12b, more than the amount shown below for your filing status?
  - Single or married filing separately .... \$139,921
  - Married filing jointly or qualifying widow(er) ..... \$279,846
  - Head of household ..... \$209,885

**Yes** Continue to line 5 of this worksheet  
**No** Enter on Form 540A, line 15, the larger of:
 
  - The amount on line 3; or,
  - Your standard deduction\* shown below:
    - Single or married filing separately .... \$3,165
    - Married filing jointly, head of household, or qualifying widow(er) ..... \$6,330

**Do not complete the rest of this worksheet.**
5. Using California amounts, add the amounts on federal Schedule A, line 4, line 13, line 19, and any gambling losses included on line 27 ..... 5 \_\_\_\_\_
6. Subtract line 5 from line 3 ..... 6 \_\_\_\_\_
 

**Note:** If -0-, skip line 7 through line 12, enter the amount from line 3 on line 13 and continue to line 14.
7. Multiply line 6 by 80% (.80) ..... 7 \_\_\_\_\_
8. Amount from Form 540A, line 12b ..... 8 \_\_\_\_\_
9. Enter the amount shown below for your filing status ..... 9 \_\_\_\_\_
  - Single or married filing separately ... \$139,921
  - Married filing jointly or qualifying widow(er) ..... \$279,846
  - Head of household ..... \$209,885
10. Subtract line 9 from line 8 ..... 10 \_\_\_\_\_
 

**Note:** If -0- or less, skip line 11 and line 12, enter the amount from line 3 on line 13 and continue to line 14.
11. Multiply line 10 by 6% (.06) ..... 11 \_\_\_\_\_
12. Compare line 7 and line 11. Enter the smaller amount here ..... 12 \_\_\_\_\_
13. Total itemized deductions. Subtract line 12 from line 3 ..... 13 \_\_\_\_\_
14. Enter on Form 540A, line 15, the larger of:
  - The amount on line 13; or,
  - Your standard deduction\* shown below:
    - Single or married filing separately .... \$3,165
    - Married filing jointly, head of household, or qualifying widow(er) ..... \$6,330

**\*Standard Deduction for Dependents.**  
 If your parent, or someone else, can claim you as a dependent, use the standard deduction amount from line 7 of the "California Standard Deduction Worksheet for Dependents" on page 11 instead of the standard deduction amount shown above.

**Step 5 — Tax and Credits**

First figure your tax. Be sure to use the correct filing status and taxable income amount. Then make sure you qualify to claim your credits.

**Line 17 – Tax**

If your taxable income on line 16 is \$81,750 or less, use the tax table beginning on page 62. Be sure to use the correct column for your filing status. If your taxable income on line 16 is over \$81,750, figure your 2004 tax by using the following worksheet.

1. Enter your taxable income from Form 540A, line 16 .....	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: <ul style="list-style-type: none"> <li>• Single or married filing separately .. <b>\$5,627</b></li> <li>• Married filing jointly or qualifying widow(er) ..... <b>\$3,651</b></li> <li>• Head of household ..... <b>\$4,502</b></li> </ul>	6	
7. <b>2004 Tax.</b> Add line 5 and line 6. Enter the result here and on Form 540A, line 17 .....	7	

**Note:** To prevent possible delays in processing your return or refund, be sure to enter the correct tax amount on line 17. 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](http://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](http://www.ftb.ca.gov).

**Line 18 – Exemption Credits**

Use your exemption credits to reduce your tax. If your federal adjusted gross income (AGI) on line 12b is more than the amount shown below for your filing status, your credits will be limited.

If your filing status is: Is Form 540A, line 12b 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 shown on Form 540A, line 18.

AGI Limitation Worksheet	
a. Enter the amount from Form 540A, line 12b	a _____
b. Enter the amount for your filing status on line b	b _____
Single or married filing separately	... \$139,921
Married filing jointly or qualifying widow(er)	..... \$279,846
Head of household	..... \$209,885
c. Subtract line b from line a	c _____
d. Divide line c by \$2,500 (\$1,250 if married filing separately)	d _____
<b>Note:</b> If the result is not a whole number, round it to the next higher whole number.	
e. Multiply line d by \$6	e _____
f. Add the numbers from the boxes on Form 540A, 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 540A, 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 540A, 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 540A, line 18	n _____

**Line 19 – 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 20.

**Step 6 — Overpaid Tax or Tax Due**

To avoid a delay in the processing of your return, be sure you enter the correct amounts on line 25 through line 36.

**Line 25 – California Income Tax Withheld**

Enter the total California income tax withheld on your:

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



**Caution:** Do not include city or county tax withheld or tax withheld by other states.

**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.

If you received a Form 1099 showing California income tax withheld, include the amount withheld in the total on line 25 and attach a copy of the Form 1099 to your return.

If you do not have a Form W-2, see “Attachments to your return” on page 8.

**Line 26 – 2004 California Estimated Tax and Payment with form FTB 3519**

Enter the total of any:

- California estimated tax payments you made using 2004 Form 540-ES;
- Overpayment from your 2003 California income tax return applied to your 2004 estimated tax; and
- Payment you sent with form FTB 3519, Payment Voucher for Automatic Extension for Individuals.

**Note:** To view payments you have made and/or to obtain your current account balance, visit our Website at [www.ftb.ca.gov](http://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

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

**Line 27 – 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 540A.

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 540A. Contact the employer for a refund.

To determine the amount to enter on line 27, complete the Excess SDI (or VPDI) Worksheet. If married filing jointly, figure the amount of excess SDI (or VPDI) separately for each spouse.

Excess SDI (or VPDI) Worksheet		
Follow the instructions below to figure the amount to enter on Form 540A, line 27.		
	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 540A, line 27.	3	
<b>Note:</b> If zero or less, enter -0- on line 27.		

**Line 28 through Line 31 – 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. To claim this credit, your federal adjusted gross income must be \$100,000 or less. You must complete and attach form FTB 3506, Child and Dependent Care Expenses Credit, included in this booklet.

**Line 28 and Line 29**

Enter the qualifying person’s social security number. Do not enter more than one qualifying person’s social security number on line 28 or line 29 from form FTB 3506, Part III. 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 30**

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

**Line 31**

Enter the 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.

**Line 33 – Overpaid Tax**

If the amount on line 32 is more than the amount on line 24, your payments and credits are more than your tax. Subtract the amount on line 24 from the amount on line 32. Enter the result on line 33. This is the amount of your overpaid tax. If the amount on line 32 is less than the amount on line 24, go to line 36.

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

**Line 34 – Amount You Want Applied To Your 2005 Estimated Tax**

If you pay estimated tax, you may apply all or part of the amount on line 33 to your 2005 estimated tax. Enter on line 34 the amount of line 33 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 35 – Overpaid Tax Available This Year**

If you entered an amount on line 34, subtract that amount from line 33. Enter the result on line 35. You may choose to have this entire amount refunded to you or you may make contributions to the California Seniors Special Fund or make voluntary contributions from this amount. If you choose to make contributions, skip line 36 and go to Step 7.

**Line 36 – Tax Due**

If the amount on line 32 is less than the amount on line 24, your tax is more than your payments and credits. Subtract the amount on line 32 from the amount on line 24. Enter the result on line 36. This is the amount of your tax due.

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 36 is \$200 (\$100 if married filing separately) or more; and
- California income tax withheld on line 25 is less than 90% of the amount of your total tax on line 24.

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](http://www.edd.ca.gov) or use the online calculator by going to [www.ftb.ca.gov](http://www.ftb.ca.gov) and searching for: **DE 4**.

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

**Step 6a – Use Tax**

**Line 37 – Use Tax – This is not a total line.**

As explained on page 66, you may owe California use tax on your purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person). If you have questions on whether a purchase is taxable, visit the State Board of Equalization’s Website at [www.boe.ca.gov](http://www.boe.ca.gov), or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

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 this page.

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](http://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.

<b>Use Tax Worksheet</b>	
Round all amounts to the nearest whole dollar.	
1. Enter your purchases from out-of-state or Internet sellers made without payment of California sales/use tax. See worksheet instructions on page 15 . . . . .	\$ _____ .00
2. Enter the decimal equivalent of the applicable sales and use tax rate. See worksheet instructions on page 15 . . . . .	_____
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 on page 15 . . . . .	\$ _____ .00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 37. 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 must 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 14).

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

- Vehicles, vessels, and trailers that must be registered with the California 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](http://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 7 — Contributions**

You may make contributions to the funds listed on Form 540A, Side 2, Step 7. See page 25 for a description of the funds.

**Line 38 – Total Contributions**

Enter the amount of your total contributions on line 38. If you did not make any contributions, do not enter an amount on line 38. If you show an amount on line 35, you must subtract the amount you contribute from the amount of overpaid tax. If you show an amount on line 36, you must add the amount you contribute to your tax due.

**Step 8 — Refund or Amount You Owe and Direct Deposit (Refund Only)**

**Line 39 – Refund or No Amount Due**

If you did not enter an amount on line 37 or line 38, enter the amount from line 35 on line 39. This is the amount that will be refunded to you. If the amount is less than \$1, you must attach a written request to your Form 540A to receive the refund.

Subtract line 37 and line 38 from line 35. If the result is zero or more, enter the result on line 39. If the combined amount of line 37 and line 38 is more than line 35, enter the difference on line 40.

**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 540A, Side 2, Step 8. Please be sure to fill in all three boxes. **Do not** attach a voided check or deposit slip. See the illustration below.

The illustration on this page shows which bank numbers to transfer to the preprinted boxes on Form 540A, Side 2, Step 8. Please be sure to fill in the routing and account numbers and also indicate the account type.



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.

John Doe  
Mary Doe  
1234 Main Street  
Anytown, CA 99999

1234  
15-0000/0000

19

PAY TO THE ORDER OF \$ [ ]

DOLLARS

ANYTOWN BANK  
Anytown, CA 99999

Routing number: 250250025  
Account number: 202020

Do not include the check number

For I : (250250025) I : (202020) • 1234

**Line 40 – Amount You Owe**

Add the amount on line 36, line 37, and line 38, if any, and enter the result on line 40.

To avoid a late filing penalty, file your 2004 Form 540A 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. You must 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](http://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 540A” on the check or money order. Enclose, but do not staple, any payment to your return. A penalty may be imposed if your check is returned by your bank for insufficient funds.
- **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 tax (tax return balance due, extension payment, estimated tax payment, or tax due with bill notice). 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](http://www.officialpayments.com), and use the jurisdiction code 1555. Official Payments Corp. charges a convenience fee for using this service.

**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](http://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 40, you may request monthly payments. For additional information regarding Installment Payments, see Question 4 on page 28.

**Line 41 – 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, or if you did not pay enough through withholding to keep the amount you owe with your 2004 return under \$200.

Is line 36 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 estimated payment penalty.

Is line 36 less than 10% of the amount on line 34?

**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.

If you complete form FTB 5805, be sure to attach it to the back of Form 540A. Enter the amount of the penalty on line 41 and fill in the circle on line 41. You must complete and attach form FTB 5805 if you claim a waiver of the penalty or use the annualized income installment method.

**Note:** The Franchise Tax Board can figure the penalty for you when you file your return and send you a bill. **Do not** reduce the amount on line 33 or increase the amount on line 36 by any penalty or interest amounts.

See page 55 for information on estimated tax payments and how to avoid the underpayment penalty.

**Line 42 – 2005 Tax Forms**

If your Form 540A is prepared by someone else or if you do not need tax forms mailed to you next year, fill in the circle on line 42.

**Step 9 — 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 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 have to. See “Innocent Spouse Relief” on page 66.

**Mailing Your Return**

Mail your return in the envelope provided in this booklet. If your return shows **a refund or no amount due**, be sure to attach the green label to the front of the envelope. If your return has an **amount you owe**, be sure to attach the white label to the front of the envelope.

If you have misplaced your envelope, see page 8, “Mailing your return” for the correct address.

# 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](http://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 resident<sup>1</sup> 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 exempt<sup>2</sup> 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 exemption<sup>3</sup> 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 exemption<sup>3</sup> 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,<sup>4</sup> 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**



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

**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.

<b>Name</b>	<b>Street Address</b>	<b>City, State, ZIP Code, and Telephone Number</b>
-------------	-----------------------	--

**a** \_\_\_\_\_

**b** \_\_\_\_\_

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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).