



STATE OF CALIFORNIA
Franchise Tax Board

California Tax Law Update



Presented by Franchise Tax Board VITA

Objectives

- Tax Cuts and Jobs Act of 2017- CA Update
 - Where California conforms
 - Where California does not conform
- CA Return- Using TaxSlayer software

Tax Cuts and Jobs Act of 2017 Where California Conforms

Medical Expense Deductions

California conforms to Federal allowing 7.5% above AGI deduction.

Investment Income Limit for Earned Income Tax Credit

California conforms to the \$3,500 limitation of investment income with modifications.

Tax Cuts and Jobs Act of 2017

Where California does not Conform

Personal Exemption

- California does not conform to the elimination of personal exemption or dependent exemptions.
- California allows personal exemption tax credits:
 - \$118 for Single or HOH
 - \$237 for Joint or Widow(er)
 - \$367 for each dependent

Standard Deductions

- California does not conform to the federal standard deduction amounts.
- California has different standard deduction amounts for each filing status:
 - \$4,401 for Single
 - \$8,802 for Joint, HOH, Widow(er)

State and Local Tax

- SALT – Your **State And Local Tax**
- California allows the full deduction for real estate and personal property taxes paid.
- California does not allow deductions of local and state income taxes.

Moving Expenses

- California does not conform to the suspended deduction.
- California allows deductions of moving expenses or exclusions of reimbursement from income.

Mortgage Interest

- California does not conform to the \$750,000 cap on mortgage loans.
- California conforms to the \$1 million cap.

Home Equity Loan Interest

- California does not conform to the new federal rules of interest deduction.
- California allows deductions of interest on a Home Equity Loan up to \$100,000.

Charitable Contributions

- California conforms to charitable contributions deductions.
- California does not conform to the 10% increase.

Miscellaneous Itemized Deductions

- California does not conform to the suspension of all miscellaneous itemized deductions.
- California allows miscellaneous itemized deductions subject to the 2%.

Child Tax Credit

California does not conform and has no similar credit.

California Earned Income Tax Credit (CalEITC)

- CalEITC changed for tax year 2018 from age 25-64 to 18 and older.
- Form 3514 has to be completed and submitted with return.

CaEITC

Number of Qualifying Children	CA Maximum AGI	CaEITC (Up to)
None	\$16,751	\$232
1	\$24,951	\$1,554
2	\$24,951	\$2,505
3 or more	\$24,951	\$2,879

Head Of Household

- Form 3532 is required for the California return.
- HOH status will be denied without this form.

TAXABLE YEAR

2017 Head of Household Filing Status Schedule

CALIFORNIA FORM

3532

Attach to your California Form 540, Long or Short Form 540NR, or Form 540 2EZ.

Name(s) as shown on tax return

SSN or ITIN

Part I – Marital Status

1 Check one box below to identify your marital status. See instructions.

- a Not legally married/RDP during 2017 1a
- b Widow/widower (my spouse/RDP died before 01/01/2017) 1b
- c Marriage/RDP was annulled 1c
- d Received final decree of divorce, legal separation, dissolution, or termination of marriage/RDP by 12/31/2017 1d
- e Legally married/RDP and did not live with spouse/RDP during 2017 1e

Qualified Business Income

- California does not conform to the new federal deduction for certain businesses.
- New Federal Provision:
 - Under certain circumstances a deduction of 20% of certain qualified business income is allowed on line 9 of 1040.

Combat-Injured Veterans Tax Fairness Act of 2016

- Federal allows certain veterans, who received lump sum disability severance payments after January 17, 1991, additional time to file a claim for credit or refund of an overpayment attributable to the disability severance payment.
- California does not conform to the federal statute of limitation for the income inclusion.
- California allows taxpayers two years to file claim after the final federal determination.

VITA Training Videos

FTB launched a series of 11 videos sharing information volunteers need to get certified.

- Training videos are available for 2018.
- You may access the training videos at:
www.ftb.ca.gov.

California Tax Return using TaxSlayer Software

Click on the “Add State Return” button to create a California return.

Your Federal Return is Complete!

Congratulations! You have completed your Federal Return.

We're ready to add your state return. We'll automatically transfer all the necessary information into your state return for you.

Please choose from the following options:

- ★ Add a State Return to your account.

The following states do not have state income tax returns that can be filed through TaxSlayer Pro: **Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming**

- ★ Skip the State Return process and Continue to the Summary.
- ★ Return to the Federal Section to review or make changes to your Federal Return.

◀ Return to Federal Section

▶ Add State Return(s)

▶ Continue to Summary

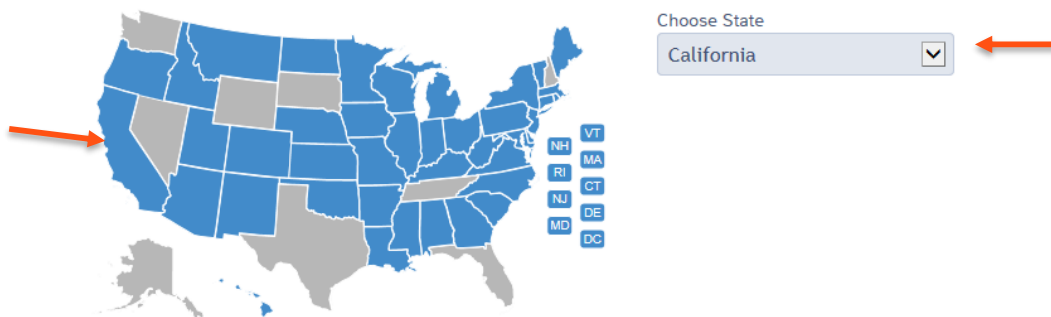
Click on the state map or select “California” from the drop down menu to start a California return.

Select your State Return

Please select the state that you would like to complete below.

Only states that accept tax returns for which you have not already created a state tax return are listed here. The following states **do not** have individual income tax returns:

Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming



✕ Cancel

✓ Continue

Select the type of California return you prepare (in most cases this will be a resident return).

Select your California Return Residency

Please choose a return type



Resident: You are a resident of California if your domicile/permanent home is in California regardless of brief, infrequent absences.



Part Year: You are a Part Year Resident of California if you have a permanent place to live in California during any part of the tax year.



Non-Resident You are a Nonresident of California if you do not maintain a permanent place to live in California during the tax year.

✕ Cancel

✓ Continue

State Return in TaxSlayer

- Generally, income and above the line deductions will flow to the California return.
- However, some items have to be manually entered.

Interest Income: To subtract non-taxable interest for CA, enter the amount and the state in the appropriate boxes.

Interest Income

Type of transaction: **Interest Income**

Payer's Name:

Taxpayer, Spouse, or Joint?

Interest Income (Box 1)

Early Withdrawal Penalty (Box 2)

Interest on U.S. Savings Bonds and Treasury obligations (Box 3)

(Note: Enter Taxable amount only)

Federal Tax Withheld (Box 4)

Foreign Tax Withheld (Box 6)

Amount of Interest on U.S. Savings Bonds and Treasury Obligations that you want subtracted from your state return

Please select your state

Nominee Interest

OID Adjustment

Accrued Interest

ABP Adjustment

Accrued Market Discount

Renter's Credit: Responses to the following questions triggers the software to determine if taxpayer is eligible and qualifies for the California renter's credit.

California Return

Did your Name and Address change from your Prior Year tax return?

 ▾

The Renters Credit is *automatically calculated* if you answer **YES** below.

Do you qualify for the Renters Credit?

 ▾

CONTINUE

Head of Household Filing Status: Complete Form 3532 under the state basic information section.

California Return

Basic Information

Your federal information has been successfully transferred to your State. There are just a few more items required to complete the state return.



Complete California Form 3532 (Head of Household)

EDIT

Additional Personal Information

BEGIN

Complete if you were Active Duty Military

BEGIN

Complete if the Taxpayer or Spouse listed on the return is deceased

BEGIN

In Home Supportive Services (IHSS) Payments: If taxpayer and the person care is given to live together, the IHSS income is not taxable to taxpayer.

12

	Code	Amount
a	<input type="text" value=""/>	<input type="text" value="\$"/>

+ add another row

14

Code	Amount
<input type="text" value=""/>	<input type="text" value="\$"/>

13

- Statutory Employee
- Retirement Plan
- Third Party Pay

Medicaid Waiver Payment in Box 1

In Home Supportive Services (IHSS) Payments: Non-taxable IHSS income is entered on Form 3514 for California.

California State Return

CA Earned Income Credit (Form 3514)

Has IRS previously disallowed your Federal EIC?

--Select-- ▾

Has CA previously disallowed your CA EIC?

--Select-- ▾

Child #1 reported on CA 3514

BEGIN

Child #2 reported on CA 3514

BEGIN

Child #3 reported on CA 3514

BEGIN

Prison Inmate Income

\$

Pension from nonqualified plan

\$

Amount of any Medicaid waiver payments, In Home Supportive Services (IHSS) payments, or IHSS supplementary payments that are nontaxable for federal purposes that are included on the CA return. NOTE: Any amount entered will be subtracted from the CA Wages reported on the CA return.

\$

Child and Dependent Care Credit: The information entered on the federal form 2441 is transferred to the CA Form 3506. The provider's phone number is mandatory for California.

Basic Provider Information

Please select if ID Number is a SSN, ITIN, or EIN

SSN/ITIN
 EIN

Provider's ID Number (SSN, ITIN, or EIN) 002 - 04 - 4863

Provider's Last Name SMITH

Provider's First Name SUSIE

Provider's Address

Check here if foreign address

Address (Number and Street) 555 Shoo Fly Ln

Zip Code 93015 -

City, Town, or Post Office Fillmore

State California

Check here if provider is Tax Exempt

Check here if you were living abroad and used a foreign care provider

Amount Paid to Provider for Child Care \$1800

Hawaii Tax ID Number
Enter the 8 or 10 digit number (numbers only)

Provider's Phone Number (831) 111 - 1111
* You MUST provide a phone number if you intend to file a CALIFORNIA state return.



Schedule CA (540) Adjustments

In **TaxSlayer**, once you have filled out the federal section, under itemized deductions, the information should flow directly to the California return (540). If the taxpayer's itemized deductions are higher than the standard deduction for California, **Taxslayer** will automatically create the Schedule CA (540).

Amended Return: Starting with 2017TY, California amended return can be electronically filed.

TAXABLE YEAR FORM

2017 California Resident Income Tax Return **540**

Fiscal year filers only: Enter month of year end: month _____ year 2018. Check here if this is an AMENDED return.

Your first name	Initial	Last name	Suffix	Your SSN or ITIN	A R RP	
# joint tax return, spouse's/RDP's first name		Initial	Last name	Suffix		Spouse's/RDP's SSN or ITIN
Additional information (see instructions)		PBA code				
Street address (number and street) or PO box			Apt. no./ste. no.	PMI/private mailbox		
City (If you have a foreign address, see instructions)			State	ZIP code		
Foreign country name		Foreign province/state/county		Foreign postal code		

Schedule X: Effective 2017TY Schedule X has replaced Form 540X.

TAXABLE YEAR <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div>	California Explanation of Amended Return Changes	CALIFORNIA SCHEDULE X
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Attach this schedule to amended Form 540, Form 540 2EZ, or Long or Short Form 540NR

Name(s) as shown on amended tax return	Your SSN or ITIN
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Part I Financial Adjustments – Reconciliation

1 Enter the amount you owe, as shown on the amended tax return	<input checked="" type="radio"/>	1		00
2 Overpaid tax, if any, as shown on original tax return or as previously adjusted by the FTB. See instructions	<input checked="" type="radio"/>	2		00
3 Add line 1 and line 2	<input checked="" type="radio"/>	3		00
4 Enter the refund, as shown on the amended tax return	<input checked="" type="radio"/>	4		00
5 Tax paid with original tax return plus additional tax paid after it was filed. Do not include penalties and interest	<input checked="" type="radio"/>	5		00
6 Add line 4 and line 5	<input checked="" type="radio"/>	6		00
7 AMOUNT YOU OWE. If line 3 is more than line 6, subtract line 6 from line 3. See instructions.	<input checked="" type="radio"/>	7		00
8 Penalties/Interest. See instructions: Penalties 8a Interest 8b	<input checked="" type="radio"/>	8c		00
9 REFUND. If line 6 is more than line 3, subtract line 3 from line 6. See instructions.	<input checked="" type="radio"/>	9		00

Part II Reason(s) for Amending

- 1 Check all that apply:
- | | | |
|--|---|--|
| <input checked="" type="radio"/> a <input type="checkbox"/> Protective claim for refund | <input checked="" type="radio"/> f <input type="checkbox"/> NOL carryback | <input checked="" type="radio"/> k <input type="checkbox"/> Military HR 100 |
| <input checked="" type="radio"/> b <input type="checkbox"/> Reservation source income adjustments | <input checked="" type="radio"/> g <input type="checkbox"/> Error on original return | <input checked="" type="radio"/> l <input type="checkbox"/> Informal claim |
| <input checked="" type="radio"/> c <input type="checkbox"/> Pass-through entity adjustments | <input checked="" type="radio"/> h <input type="checkbox"/> Credit adjustment | <input checked="" type="radio"/> m <input type="checkbox"/> Other |
| <input checked="" type="radio"/> d <input type="checkbox"/> Federal audit and/or adjustments | <input checked="" type="radio"/> i <input type="checkbox"/> Earned income tax credit | |
| <input checked="" type="radio"/> e <input type="checkbox"/> FTB audit contact | <input checked="" type="radio"/> j <input type="checkbox"/> Disaster Loss | |
- 2 If you checked boxes **a, b, c, d, m** or multiple boxes, provide further explanation of reason(s) for amending below. If needed, attach a separate sheet that includes your name and SSN or ITIN.

Questions

For questions, contact FTB's VITA team:

Phone: 800-522-5665

Email: volunteercoordinator@ftb.ca.gov

Training Evaluation

Please take a few minutes and tell me what you think of this training.

https://www.research.net/r/VITA_External_Training_Eval_2018

THANK YOU!