

Forms & Instructions

California 540 & 540A

2006 Personal Income Tax Booklet

**Members of the
Franchise Tax Board**

Steve Westly, Chair
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Important Due Dates

Note: When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

April 16, 2007	Last day to file and pay the 2006 amount you owe to avoid penalties and interest. * See form FTB 3519 on page 41 for more information. *If you are living or traveling outside the United States on April 16, 2007, the due dates for filing your return and paying your tax are different. See form FTB 3519 on page 41 for more information.
October 15, 2007	Last day to file or e-file your 2006 return to avoid penalties and interest computed from the original due date of April 15, 2007.
April 16, 2007 June 15, 2007 September 17, 2007 January 15, 2008	Due dates for 2007 estimated tax payments. Generally, you do not have to make estimated tax payments if your California withholding in each payment period totals 90% of your required annual payment. Also, you do not have to make estimated tax payments if you will pay enough through withholding to keep the amount you owe with your return under \$200 (\$100 if married filing separately). However, if you do not pay enough tax either through withholding or by making estimated tax payments, you may have an underpayment penalty. See Form 540-ES instructions on page 45 for more information.

\$\$\$ for You

Earned Income Credit (EIC) – EIC reduces your federal tax obligation, or allows a refund if no federal tax is due. You qualify if:

- You earned less than \$38,348; or
- You have no qualifying children and earned less than \$12,120

Call the IRS at (800) 829-4477, when instructed enter topic 601, or see your federal income tax booklet. Currently, no comparable state credit exists.

Refund of Excess State Disability Insurance (SDI) – Taxpayers who worked for at least two employers during 2006 who together paid more than \$79,418 in wages may qualify for a refund of excess SDI. See the instructions on page 10 (Form 540A) or page 16 (Form 540).

Homeowner and Renter Assistance (HRA) – This California program provides a once-a-year state payment to qualifying homeowners and renters based on the property tax they paid in the prior year. See page 6.

Common Errors and How to Prevent Them

Help us process your return quickly and accurately. When we find an error, it requires us to stop to verify the information on the return, which slows processing. The most common errors consist of:

- Claiming the wrong exemption credit,
- Claiming the wrong amount of real estate withholding, and
- Making tax computation errors.

To avoid errors and help process your return faster, use these helpful hints when preparing your return.

Claiming estimated tax payments:

- Verify the amount of estimated tax payments claimed on your return matches what you sent to the Franchise Tax Board (FTB) for that year. Go to our Website at www.ftb.ca.gov and search for **view payments** to view your total estimate tax payments before you file your return.
- If FTB records do not match the amount of estimated tax payments claimed, "Return Information Notices" will be sent explaining the difference.

Totaling your exemptions:

- Add the exemption amounts and transfer the total to the line of the return.

Computing your tax:

- Go to our Website at www.ftb.ca.gov and search for **tax table** to compute your tax, or
- Locate the correct tax amount from the tax table (page 21) and transfer it to your return correctly.

Claiming real estate withholding:

- Claim the amount of withholding from real estate sold in California during 2006. Your escrow company provides you with a California Form 593-B, Real Estate Withholding Tax Statement, indicating the amount withheld. For details, see the Form 540 line 38 instructions on page 16.

By using the helpful hints above, you assist in preventing delays in processing your return and unnecessary account adjustments.

Do I Have to File?

Steps to Determine Filing Requirement

Step 1: Is your gross income (all income received from all sources in the form of money, goods, property, and services that are not exempt from tax) more than the amount shown in the California Gross Income chart below for your filing status, age, and number of dependents? If yes, you have a filing requirement. If no, go to Step 2.

Step 2: Is your adjusted gross income (federal adjusted gross income from all sources reduced or increased by all California income

adjustments) more than the amount shown in the California Adjusted Gross Income chart below for your filing status, age, and number of dependents? If yes, you have a filing requirement. If no, you do not have a filing requirement.



File a return in order to get a refund if California state income tax was withheld from your pay, if you made California estimated tax payments, or you have earned income and qualify for the child and dependent care expenses credit (get form FTB 3506).

On 12/31/06, my filing status was:	and on 12/31/06, my age was (If your 65th birthday is on January 1, 2007, you are considered to be age 65 on December 31, 2006)	California Gross Income			California Adjusted Gross Income		
		Dependents			Dependents		
		0	1	2 or more	0	1	2 or more
Single or Head of household	Under 65	13,713	23,213	30,338	10,970	20,470	27,595
	65 or older	18,263	25,388	31,088	15,520	22,645	28,345
Married filing jointly Married filing separately (The income of both spouses must be combined; both spouses may be required to file a return even if only one spouse had income over the amounts listed.)	Under 65 (both spouses)	27,426	36,926	44,051	21,940	31,440	38,565
	65 or older (one spouse)	31,976	39,101	44,801	26,490	33,615	39,315
	65 or older (both spouses)	36,526	43,651	49,351	31,040	38,165	43,865
Qualifying widow(er)	Under 65		23,213	30,338		20,470	27,595
	65 or older		25,388	31,088		22,645	28,345
Dependent of another person Any filing status	Any age	More than your standard deduction (Use the California Standard Deduction Worksheet for Dependents on page 9 or page 13 to figure your standard deduction.)					

Requirements for Children with Investment Income

Federal law allows parents' election to report a child's interest and dividend income from a child under age 18 on their return. California allows you to report your child's interest and dividend income on your return if they are under age 14. For each child under age 14 who received more than \$1,700 of investment income in 2006, complete Form 540 and 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.

Note: If you qualify, you may elect to report your child's income of \$8,500 or less (but not less than \$850) on your return by completing form FTB 3803, Parents' Election to Report Child's Interest and Dividends. To make this election, your child's income must be **only** from interest and/or dividends. See "Order Forms and Publications" on page 67 or go to our Website at www.ftb.ca.gov.

Other Situations When You Must File

If you owe any of the following taxes for 2006, you must file Form 540.

- Tax on a lump-sum distribution;
- Tax on a qualified retirement plan including an Individual Retirement Arrangement (IRA) or an Archer Medical Savings Account (MSA);
- Tax for children under age 14 who have investment income greater than \$1,700 (see paragraph above);
- Alternative minimum tax;
- Recapture taxes;
- Deferred tax on certain installment obligations; or
- Tax on an accumulation distribution from a trust.

Filing Status

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 2006; or
- A nonresident for the entire year and had no income from California sources during 2006.

Caution – Community Property States: If the spouse earning the California source income is domiciled in a community property state, community income will be split equally between the spouses. Both spouses will have California source income and they will not qualify for the nonresident spouse exception. 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 2006, file the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

Single – If any of the following was true on December 31, 2006:

- 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
- You were widowed before January 1, 2006, and did not remarry in 2006.

Married Filing Jointly – If any of the following is true:

- You were married as of December 31, 2006, even if you did not live with your spouse at the end of 2006;
- Your spouse died in 2006 and you did not remarry in 2006; or
- Your spouse died in 2007 before you filed a 2006 return.

Married Filing Separately

- 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 page 67.
- 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 2006.

Head of Household 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, 2006;
- You paid more than one-half the cost of keeping up a home for the year 2006;
- 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.

Beginning in 2005, for a child to qualify as your foster child for head of household purposes, the child must either be placed with you by an authorized placement agency or by order of a court.

If you are unmarried, your unmarried child no longer qualifies you for head of household filing status if he or she is 19 years of age or older, is not a student, and has gross income equal to or greater than the federal exemption amount (\$3,300 in 2006). In addition, if you are unmarried, your unmarried child also no longer qualifies you for the status if he or she is under 19 years of age or a student under 24 and pays more than half of his or her own support.

For more information, go to our Website at www.ftb.ca.gov or get FTB Pub. 1540, California Head of Household Filing Status. See code **934** on page 67 to order FTB Pub. 1540 by telephone.

2006 What's New and Other Important Information

Differences between California and Federal Law

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information regarding California and federal law, go to our Website at www.ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Note, the instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

2006 Tax Law Changes

Direct Deposit of Refund – More Choices

For taxable years beginning on or after January 1, 2006, individual taxpayers may request that his or her refund be electronically deposited into more than one checking or savings account. This allows more options for managing your refund. For example, you can request part of your refund go to your checking account to use now and the rest to your savings account to save for later.

Heroes Earned Retirement Opportunities Act

California conforms to the Federal Heroes Earned Retirement Opportunities Act that allows members of the Armed Forces serving in a combat zone to make contributions to their individual retirement plans even if the compensation on which such contribution is based is excluded from gross income.

Conformity

For updates regarding the following federal acts, go to our Website at www.ftb.ca.gov and search for **conformity**.

- Tax Increase Prevention and Reconciliation Act of 2005
- Federal Energy Policy Act of 2005
- Pension Protection Act of 2006

Voluntary Contributions

For taxable years beginning on or after January 1, 2006, you may make contributions to the California Sea Otter Fund.

Registered Domestic Partners

Beginning with the 2007 tax year, registered domestic partners are required to file a joint California return or separate returns using the same rules applicable to spouses. If you are a registered domestic partner, you may choose to modify your withholding or estimated tax payments for 2007 in anticipation of this change.

Capital Gains Distributed from Mutual Funds

For taxable years beginning on or after January 1, 2006, taxpayers can report capital gain distributions from mutual funds on Form 540 2EZ, if the amount reportable during the taxable year for federal and state purposes is the same.

Northern California Rainstorms and Related Events

For tax treatment information for victims of the northern California severe rainstorms and related events that occurred December 2005 to January 2006, and March 2006 to April 2006, get FTB Pub. 1034, How to Claim a State Tax Deduction for Your Disaster Loss.

San Bernardino Wildfires

For tax treatment information for victims of the San Bernardino wildfires that occurred July 2006, get FTB Pub. 1034, How to Claim a State Tax Deduction for Your Disaster Loss.

Withholding on California Real Estate

For transactions occurring on or after January 1, 2007 that require withholding, a seller of California real estate may elect an alternative to withholding 3 1/3 percent of the total sales price. The seller may elect an alternative withholding amount based on the maximum tax rate for individuals, corporations, or banks and financial corporations, as applied to the gain on the sale. The seller is required to certify under penalty of perjury the alternative withholding amount to the Franchise Tax Board. For real estate installment sales, if a buyer receives seller's certification as to an alternative withholding election, the buyer would be required to withhold either the full alternative withholding amount at the time of sale or an alternative withholding percentage on the amount of each installment payment.

Employer Child Care Program Credit and the Employer Child Care Contribution Credit

The Employer Child Care Program Credit and the Employer Child Care Contribution Credit has been extended to taxable years beginning before January 1, 2012.

The California Community Development Financial Institution Tax Credit (CDFI)

The CDFI Credit has been extended to taxable years beginning before January 1, 2012.

Teacher Retention Credit

The Teacher Retention Credit is suspended for taxable year 2006.

Other Important Information

Tax Shelter

If the individual was involved in a reportable transaction, including a listed transaction, the individual may have a disclosure requirement. Attach the federal Form 8886 to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the individual fails to file federal Form 8886, or any other required information.

TAX SHELTER FILING MS F385
FRANCHISE TAX BOARD
PO BOX 1673
SACRAMENTO CA 95812-1673

Individuals must still file federal Form 8271, Investor Reporting of Tax Shelter Registration Number, with their California tax return that claims or reports any income or deduction, loss, credit, or other tax benefit from a registration-required tax shelter. For more information, see federal Form 8271 Instructions, IRS Notice 2004-80 (2004-50 I.R.B. 963), or go to our Website at www.ftb.ca.gov and search for **tax shelters**.

Katrina Tax Relief Act

For more information related to Hurricane Katrina, go to our Website at www.ftb.ca.gov and search for **disaster**.

Which Form Should I Use?



e-file and you won't have to decide which form to use! The software will select the correct form for you.

Were you, and your spouse, residents during the entire year 2006?

Yes. Check the chart below to see which form to use.

No. Use the Long or Short Form 540NR. To download or order the California Nonresident or Part-Year Resident Income Tax Booklet, see page 66, "Where to Get Income Tax Forms and Publications."

	Form 540 2EZ	Form 540A	Form 540
	<p>Form not included in this booklet. *See the note at the bottom of this column.</p>		
Filing Status	Single, married filing jointly, head of household, qualifying widow(er)	Any filing status	Any filing status
Dependents	0-3 allowed	All dependents you are entitled to claim	All dependents you are entitled to claim
Amount of Income	Total income of: <ul style="list-style-type: none"> • \$100,000 or less if single or head of household • \$200,000 or less if married filing jointly or qualifying widow(er) 	Any amount of income	Any amount of income
Sources of Income	<p>Only income from:</p> <ul style="list-style-type: none"> • Wages, salaries, tips • Taxable interest, dividends, and pensions • Taxable scholarship and fellowship grants (only if reported on Form(s) W-2) • Capital gains from mutual funds (reported on Form 1099DIV, box 2a only) • Unemployment compensation • Paid family leave • U.S. social security benefits • Tier 1 and tier 2 railroad retirement payments <p>Note: You cannot use Form 540 2EZ if you (or your spouse) can be claimed as a dependent by another taxpayer, and your TOTAL income is less than or equal to \$11,260 if single; \$22,570 if married filing jointly or qualifying widow(er); or \$15,970 if head of household.</p>	<p>Only income from:</p> <ul style="list-style-type: none"> • Wages, salaries, tips • Taxable scholarship and fellowship grants • Interest and dividends • Unemployment compensation reported on Form 1099-G • Paid family leave • U.S. social security benefits • Tier 1 and tier 2 railroad retirement payments • Fully and partially taxable IRA distributions, pensions, and annuities • Alimony 	All sources of income
Adjustments to Income	No adjustments to income	Allowed if the amount is the same as your federal adjustments to income. Note: If you claimed educator expenses or the tuition and fees deduction, do not file Form 540A. Instead file Form 540.	All adjustments to income
Standard Deduction	Allowed	Allowed	Allowed
Itemized Deductions	No itemized deductions	Allowed if the amount is the same as your federal itemized deductions (except for state, local, and foreign taxes paid)	All itemized deductions
Payments	Only withholding shown on Form(s) W-2, CA Sch W-2, or 1099-R	<ul style="list-style-type: none"> • Withholding shown on Form(s) W-2, CA Sch W-2, and 1099-R • Estimated tax payments • Payments made with extension voucher • Excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI) 	<ul style="list-style-type: none"> • Withholding shown on Form(s) W-2, CA Sch W-2, W-2G, 1099, 592-B, 593-B, and 594 • Estimated tax payments • Payments made with extension voucher • Excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI)
Tax Credits	<ul style="list-style-type: none"> • Personal exemption credit • Up to three dependent exemption credits • Nonrefundable renter's credit • Senior exemption credit 	<ul style="list-style-type: none"> • Personal exemption credit • Senior exemption credit • Blind exemption credit • Dependent exemption credit • Nonrefundable renter's credit • Child and Dependent Care Expenses Credit 	All tax credits
Other Taxes	<p>Only tax computed using the 540 2EZ Table</p> <p>*Note: If you qualify to use Form 540 2EZ, go to www.ftb.ca.gov to e-file or to download this form, or see "Order Forms and Publications" on page 67.</p>	<ul style="list-style-type: none"> • Tax computed using the tax table • Mental Health Services Tax 	<p>All taxes:</p> <ul style="list-style-type: none"> • Tax computed using the tax table • Alternative minimum tax • Tax on early distributions from IRAs or other qualified retirement plans • Tax on distributions from MSAs and education IRAs • Tax for children under age 14 with investment income of more than \$1,700 • Tax on lump-sum distributions • Recapture taxes • Deferred tax on certain installment obligations • Tax on accumulation distributions of trusts • Mental Health Services Tax
	<p> If you qualify to use 540 2EZ or 540A, go to www.ftb.ca.gov to CalFile or e-file. You're likely to qualify for free!</p>		

Additional Information

California Use Tax General Information

The use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state sellers and is similar to the sales tax paid on purchases you make in California.

In general, you must pay California use tax on purchases made from out-of-state (for example, by telephone, over the internet, by mail, or in person) if:

- The seller does not collect California sales or use tax, and
- You use, give away, store, or consume the item in this state.

Example: You live in California and purchase a dining table from a company in North Carolina. The company ships the table from North Carolina to your home for your use and does not charge California sales or use tax. You owe use tax on the purchase.

Complete the Use Tax Worksheet on page 11 or page 17 to calculate the amount due.

Extensions to file. If you request an extension to file your income tax return, wait until you file your return to report your purchases subject to use tax and make your use tax payment.

Penalty. To avoid late payment penalties for use tax, you must report and pay the use tax with a timely filed income tax return.

Changes in use tax reported. Do not file an Amended Income Tax Return (Form 540X) to revise the use tax previously reported. If you have changes to the amount of use tax previously reported on the original return contact the State Board of Equalization.

For assistance with your use tax questions, please go to 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. Income tax information is not available at this number.

Collection Fees

The FTB is required to assess collection and filing enforcement cost recovery fees on delinquent accounts.

Deceased Taxpayers

A final return must be filed for a person who died in 2006 if a return normally would be required. The administrator or executor, if one is appointed, or beneficiary must file the return. Please print "deceased" and the date of death next to the taxpayer's name at the top of the return.

If you are a surviving spouse and no administrator or executor has been appointed, file a joint return if you did not remarry during 2006. Indicate next to your signature that you are the surviving spouse.

You may also file a joint return with an administrator or executor acting on behalf of the deceased taxpayer.

If you file a return and claim a refund due to a deceased taxpayer, you are certifying under penalty of perjury either that you are the legal representative of the deceased taxpayer's estate (in this case, attach certified copies of the letters of administration or letters testamentary) or that you are entitled to the refund as the deceased's surviving relative or sole beneficiary under the provisions of the California Probate Code. You must also attach a copy of federal Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, or a copy of the death certificate when you file a return and claim a refund due.

Innocent Spouse Relief

You may qualify for relief from liability for tax on a joint return if (1) you were granted Innocent Spouse relief by the IRS, (2) there is an understatement of tax because you are divorced, legally separated, or no longer living with your spouse, and (3) given all the facts and circumstances, it would be unfair to hold you liable for the tax. For more information, get FTB Pub. 705, Request for Innocent Spouse Relief Form and Brochure – Are you eligible?, by going to our Website at www.ftb.ca.gov or calling (916) 845-7072, Monday - Friday between 8 a.m. to 5 p.m. excluding state holidays.

Military Personnel

If you are a member of the military and need additional information on how to file your return, get FTB Pub. 1032, Tax Information for Military Personnel. See "Order Forms and Publications" on page 67.

Homeowner and Renter Assistance

Homeowner assistance is a once-a-year payment from the State of California as a reimbursement for part of the property taxes you paid on your home. If eligible, you could receive up to 96% of the property taxes you paid in the prior year. In 2006, you would have qualified for this assistance if you:

- Were one of the following on December 31, 2005: 62 years of age or older, blind, or disabled; and
- Owned your home and lived in it on December 31, 2005, had total household income of \$40,811 or less, and were a U.S. citizen, designated alien, or qualified alien, when you file your claim.

Renter assistance is a once-a-year payment from the State of California as a reimbursement for part of the property taxes that you pay indirectly when you pay your rent. In 2006, you would have qualified for this assistance if you:

- Were one of the following on December 31, 2005: 62 years of age or older, blind, or disabled; and
- Paid \$50 or more rent per month in the prior year, had total household income of \$40,811 or less, and were a U.S. citizen, designated alien, or qualified alien when you file your claim.

The 2006 filing season ends June 30, 2007.

The 2007 filing season for these programs begins July 1, 2007. For more information, go to our Website at www.ftb.ca.gov or call (800) 868-4171.

Requesting a Copy of Your Tax Return

The FTB keeps personal income tax returns for three and one-half years from the original due date. To obtain a copy of your return, write a letter or complete form FTB 3516, Request for Copy of Personal Income Tax or Fiduciary Return. In most cases, a \$20 fee is charged for each tax year you request. However, no charge applies for victims of a designated California or federal disaster; or you request copies from a field office that assisted you in completing your return. See "Order Forms and Publications" on page 67.

Mello-Roos

You cannot deduct Mello-Roos if they are assessed to fund local benefits and improvements that tend to increase the value of your property. Mello-Roos taxes may appear on your annual county property tax bill with other deductible property taxes. That does not mean you can deduct the Mello-Roos taxes. You may only be able to deduct a portion of the total property tax shown on your bill.

For more information, you can:

- Contact your Mello-Roos District.
- Get federal Publication 17, Your Federal Income Taxes-Individuals, Chapter 24.

Vehicle License Fees for Federal Schedule A

On your federal Schedule A, you may deduct the California motor vehicle license fee listed on your Vehicle Registration Billing Notice from the Department of Motor Vehicles. The other fees listed on your billing notice such as registration fee, weight fee, and county fees are not deductible.

Voting Is Everybody's Business

You may register to vote if you meet these requirements:

- You are a United States citizen;
- You are a resident of California;
- You will be 18 years old by the date of the next election; and
- You are not in prison or on parole for the conviction of a felony.

You need to re-register every time you move, change your name, or wish to change political parties. In order to vote in an election, you must be registered to vote at least 15 days before that election. To obtain a Voter Registration Card, call the California Secretary of State's office toll-free voter hotline at (800) 345-VOTE or go to their Website at www.ss.ca.gov.

It's Your Right . . . Register and Vote

If You File Electronically

If you e-file your return, make sure all the amounts entered on the paper copy of your California return are correct before you sign form FTB 8453, California e-file Return Authorization for Individuals. If you are requesting direct deposit of a refund, make sure your account and routing information is correct. Your return can be transmitted to FTB by your preparer or electronic e-filing service only after you sign form FTB 8453. The preparer or electronic e-file service must provide you with:

- A copy of form FTB 8453;
- Any original Form(s) W-2, CA Sch W-2, W-2G, 592-B, 593-B, 594, 1099-G, and other Form(s) 1099 that you provided; and
- A paper copy of your California tax return showing the data transmitted to the FTB.

Note: You cannot retransmit an e-filed tax return once we've accepted the original. You can correct an error only by completing an Amended Individual Income Tax Return (Form 540X) and mailing the paper copy to us. See "Where To Get Income Tax Forms and Publications" on page 66.

Instructions for Form 540A — California Resident Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005, and the California Revenue and Taxation Code (R&TC).

Before You Begin

Complete your federal tax return (Form 1040, Form 1040A, or Form 1040EZ) before you begin your California Form 540A. You will use information from your federal income tax return to complete your Form 540A. Complete and mail Form 540A by April 16, 2007. If unable to mail your return by the due date, see page 2 for more information.



You may qualify for the federal earned income credit. See page 2 for more information. No comparable state credit exists.

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. Verify 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.

Private Mail Box

Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

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.

Prior Name

If you filed your 2005 tax return under a different last name, write the last name **only** from your 2005 return.

Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)

Enter your SSN in the spaces provided. To protect your privacy, your SSN is not printed on your label. If filing a joint return, enter the SSNs in the same order as the names.

Note: If you do not have a SSN because you are a nonresident or resident alien for federal tax purposes, and the IRS issued you an ITIN, enter the ITIN in the space for the SSN. An 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.

Filing Status

Fill in only one of the circles for line 1 through line 5. Enter the required additional information if you filled in the circle on line 3 or line 5. For filing status requirements see page 3.

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 2006; or
- A nonresident for the entire year and had no income from California sources during 2006.

Caution – Community Property States: If the spouse earning the California source income is domiciled in a community property state, community income will be split equally between the spouses. Both spouses will have California source income and they will not qualify for the nonresident spouse exception.

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 2006, you must file the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.



CalFile or e-file and you can close this book now! e-file software assists you in determining if you qualify to claim the head of household filing status. Most software companies also include the Head of Household Schedule (4803e), which assists in verifying your eligibility to the FTB. Go to our Website at www.ftb.ca.gov.

Exemptions

Line 6 – Can be Claimed as Dependent



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Fill in the circle on line 6 if 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: Do 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, attach a doctor's statement to the back of Form 540A indicating you or your spouse are visually impaired. Visually impaired means not capable of seeing better than 20/200 while wearing glasses or contact lenses, or if your field of vision is not more than 20 degrees.

Caution: Do 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, 2006*, 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 59 for information about this fund.

*If your 65th birthday is on January 1, 2007, you are considered to be age 65 on December 31, 2006.

Caution: Do 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.

Taxable Income and California Income Adjustments

Refer to your completed federal income tax return to complete line 12a and line 12b.

Line 12a – State Wages

Enter the total amount of your state wages from each of your Form(s) W-2, box 16 or the CA Sch W-2, line C.

If you received wages and have no Form W-2, see "Filing your return" on page 19.

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 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 amount of U.S. social security benefits or 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-.

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

Differences may exist between the taxable amounts of federal and California IRA distributions, pensions, and annuities. Enter any differences for line 13e and line 13f.

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 allowed as a deduction 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 page 67.

Report the difference between your California and your federal taxable IRA distributions on line 13e. 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 California residents to 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, 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 and choose the 10-year averaging method you may pay less tax on the distribution. To use this method file Form 540. 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 page 67.

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

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, 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 page 9.

Itemized deductions. Figure your California itemized deductions by completing the California Itemized Deductions Worksheet on page 9. 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 9. 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 page 9.

California Standard Deduction Chart for Most People	
Do not use this chart if someone else can claim you (or your spouse) as a dependent on his or her tax return.	
Your Filing Status	Enter On Line 15
1 – Single	\$3,410
2 – Married filing jointly	\$6,820
3 – Married filing separately	\$3,410
4 – Head of household	\$6,820
5 – Qualifying widow(er)	\$6,820
Note: 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 file Form 540 and use the standard deduction worksheet for that form.

California Standard Deduction Worksheet for Dependents

Use this worksheet only if someone else can claim you (or your spouse) 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 or CA Sch W-2, line C. (You may also refer to federal Form 1040EZ, line 1; Form 1040A, line 7; or Form 1040, line 7.) 1 _____
2. 2 **\$300.00**
3. Add line 1 and line 2. Enter total here 3 _____
4. Minimum standard deduction 4 **\$850.00**
5. Enter the **larger** of line 3 or line 4 here 5 _____
6. Enter the amount shown for your filing status:
 - Single or married filing separately, enter \$3,410
 - Married filing jointly, head of household, or qualifying widow(er) enter \$6,820
 } 6 _____
7. **Standard deduction.** Enter the **smaller** 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 or general sales 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 \$150,743
 - Married filing jointly or qualifying widow(er) \$301,491
 - Head of household \$226,119**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 \$3,410
 - Married filing jointly, head of household, or qualifying widow(er) \$6,820**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 zero, 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. \$150,743
 - Married filing jointly or qualifying widow(er) \$301,491
 - Head of household \$226,119
10. Subtract line 9 from line 8. 10 _____

Note: If zero 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. \$3,410
 - Married filing jointly, head of household, or qualifying widow(er) \$6,820

***Standard Deduction for Dependents**

If 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 this page instead of the standard deduction amount shown above.

Tax and Credits

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

Line 17 – Tax

If your taxable income on line 16 is:

- \$100,000 or less, use the tax table beginning on page 21. Use the correct column for your filing status.
- Over \$100,000, use the tax rate schedules on page 26. Use the correct tax rate schedule.

Note: To prevent possible delays in processing your return or refund, 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 going to our Website at 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 \$150,743
 - Married filing jointly or qualifying widow(er) \$301,491
 - Head of household \$226,119

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 \$150,743
 - Married filing jointly or qualifying widow(er) \$301,491
 - Head of household \$226,119
- c Subtract line b from line a. c _____
- d Divide line c by \$2,500 (\$1,250 if married filing separately) d _____

Note: 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 _____

(continued on next column)

Line 19 – Nonrefundable Renter’s Credit

Did you pay rent for at least six months in 2006 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 57.

No Go to line 20.

Line 22 – Mental Health Services Tax

If your taxable income is more than \$1,000,000, compute the Mental Health Services Tax below:

A. Taxable income from Form 540A, line 16	
B. Less	\$(1,000,000)
C. Subtotal	
D. Multiply line C by 1%	x .01
E. Mental Health Service Tax – Enter this amount on Form 540A, line 22	

Overpaid Tax or Tax Due

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

Line 25 – California Income Tax Withheld



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Enter the total California income tax withheld on your:

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

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, CA Sch 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 “Filing Your Return” on page 19.

Line 26 – 2006 California Estimated Tax and Payment with Form FTB 3519

Enter the total of any:

- California estimated tax payments you made using 2006 Form 540-ES;
- Overpayment from your 2005 California income tax return applied to your 2006 estimated tax; and
- Payment you sent with form FTB 3519, Automatic Extension for Individuals.

Note: To view payments you have made and/or to obtain your current account balance, go to our Website at www.ftb.ca.gov and search **view payments**.

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. Send statements to:

JOINT ESTIMATED CREDIT ALLOCATION MS F225
TAXPAYER SERVICES CENTER
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO, CA 94240-0040

Show both social security numbers or individual taxpayer identification 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 or individual taxpayer identification numbers.

Line 27 – Excess California SDI (or VPD) 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 2006;
- You received more than \$79,418 in wages; and
- The amounts of SDI (or VPD) withheld appear on your Forms W-2. Be sure to attach your Forms W-2 or CA Sch W-2 to your Form 540A.

If SDI (or VPD) was withheld from your wages by a single employer at more than 0.8% of your gross wages, you may not claim excess SDI (or VPD) on your Form 540A. Contact the employer for a refund.

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

Excess SDI (or VPD) 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 VPD) withheld shown on your Forms W-2 or CA Sch W-2. Enter the total here		
2. 2006 SDI (or VPD) limit	\$635.34	\$635.34
3. Excess SDI (or VPD) 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.		
Note: If zero or less, enter -0- on line 27.		

Line 28 through Line 31 – Child and Dependent Care Expenses Credit

Claim this credit if you paid someone to care for your qualifying 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. 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 (SSN). Do not enter more than one qualifying person’s SSN 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 2005, 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.



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

Line 34 – Amount You Want Applied To Your 2007 Estimated Tax

If you pay estimated tax, apply all or part of the amount on line 33 to your 2007 estimated tax. Enter on line 34 the amount of line 33 you want applied to your 2007 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. Choose to have this entire amount refunded to you or make contributions to the California Seniors Special Fund or voluntary contributions from this amount. If you choose to make contributions, skip line 36 and go to the Contributions section.

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. Get 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 CA state withholding and is not the same as the federal Form W-4, Employee's Withholding Allowance Certificate.

Use Tax

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

California use tax applies on purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person). For questions on whether a purchase is taxable, go to 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.

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, or 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.

Use Tax Worksheet	
Round all amounts to the nearest whole dollar.	
1. Enter your purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions on this page.	\$ _____00
2. Enter the decimal equivalent of the applicable sales and use tax rate. See tax rates on page 20	_____
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 this page.	\$ _____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

Use Tax Penalty

To avoid late payment penalties for use tax, report and pay the use tax with a timely filed income tax return.

Worksheet, Line 1, Purchases Subject to Use Tax

- Report items taxable in a California store. For example, 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 this page).

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 20, "Sales and Use Tax Rates by County." If you have questions regarding the use tax rate in effect in your area, go to 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.

Contributions

You may make contributions to the funds listed on Form 540A, Side 2. See page 59 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, enter no amount on line 38. If you show an amount on line 35, subtract the amount you contribute from the amount of overpaid tax. If you show an amount on line 36, add the amount you contribute to your tax due.

Amount You Owe

Line 39 – Amount You Owe

Add the amount on line 36, line 37, and line 38, if any, and enter the result on line 39.

To avoid a late filing penalty, file your 2006 Form 540A by the extended due date even if unable to pay the amount you owe.

Do not combine your 2006 tax payment and any 2007 estimated tax payment in the same check or money order. Prepare two separate checks or money orders 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. Go to 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 (or Individual Taxpayer Identification Number) and "2006

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.

Note: Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

- **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 go to the Official Payments Corp. Website at 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, have the following information available:

- 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 at 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. 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, request monthly payments. For additional information regarding Installment Payments, see Question 4 on page 28.

Line 40 – 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 2006 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 24?

- 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, attach it to the back of Form 540A. Enter the amount of the penalty on line 40 and fill in the circle on line 40. 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 45 for information on estimated tax payments and how to avoid the underpayment penalty.

Refund and Direct Deposit

Line 41 – 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 41. This is the amount that will be refunded to you. If the amount is less than \$1, 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 41. If the combined amount of line 37 and line 38 is more than line 35, enter the difference on line 39.

Line 42 and Line 43 – 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, line 42 and line 43. Fill in the routing and account numbers and indicate the account type. **Do not** attach a voided check or deposit slip. See the illustration below.

Individual taxpayers may request that his or her refund be electronically deposited into more than one checking or savings account. This allows more options for managing your refund. For example, you can request part of your refund go to your checking account to use now and the rest to your savings account to save for later.

The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a paper check sent instead. On the sample check, the routing number is 250250025.

Check the appropriate box for the type of account. Do not check more than one box for each line.

Enter the portion of your refund you want directly deposited into each account. Each deposit must be at least \$1. The total of line 42 and line 43 must equal the total amount of your refund.



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

Note: 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.

The illustration shows a check from John Doe and Mary Doe, 1234 Main Street, Anytown, CA 99999. The check is payable to the order of \$1234.00. The routing number is 250250025 and the account number is 1234. A box on the check says "Do not include the check number".

Sign Your Return

Sign your return in the space provided on Side 2. If you file a joint return, your spouse must sign it also.

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 neglects to pay the tax due, the other may have to. See "Innocent Spouse Relief" on page 6.

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 20, "Mailing your return" for the correct address. Or, you can also find the correct address to use by looking on Side 2, line 39 (**amount you owe**) or line 41 (**refund or no amount due**).



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

Instructions for Form 540 — California Resident Income Tax Return

Reference to these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005, and the California Revenue and Taxation Code (R&TC).

Before You Begin

Complete your federal income tax return (Form 1040, Form 1040A, or Form 1040EZ) before you begin your California Form 540. Use information from your federal income tax return to complete your Form 540. Complete and mail Form 540 by April 16, 2007. If unable to 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. No comparable state credit exists.

Filling in your return

- Use black or blue ballpoint pen on the copy you send FTB.
- Enter your social security number(s) (SSN) or Individual Taxpayer Identification Number(s) (ITIN) at the top of Form 540A or Form 540, Side 1.
- Print numbers and CAPITAL LETTERS on combed lines. Be sure to line up dollar amounts.
- Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.
- If you do not have an entry for a line, leave it blank unless the instructions for a line specifically tell you to enter zero. Do not enter a dash, or the word "NONE."
- Attach your label. If you don't have a label, please print your name(s) and address in CAPITAL LETTERS.

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. Verify 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.

Private Mail Box

Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

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.

For instructions on how to enter your SSN (or ITIN) and Exemptions, see Form 540A instructions on page 7.

Prior Name

If you filed your 2005 tax return under a different last name, write the last name **only** from the 2005 tax return.

Taxable Income

Refer to your completed federal income tax return to complete this section.

Line 12 – State Wages



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Enter the total amount of your state wages from all states from each of your Form(s) W-2, or CA Sch W-2. This amount appears on Form W-2, box 16, or CA Sch W-2, line C.

If you received wages and do not have a Form W-2, see "Attachments to your return" on page 19.

Line 14 – California Adjustments – Subtractions [from Schedule CA (540), line 37, 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, complete Schedule CA (540), California Adjustments – Residents. Follow the instructions for Schedule CA (540) beginning on page 50. Enter on line 14 the amount from Schedule CA (540), line 37, column B. If a negative amount, see Schedule CA (540), line 37 instructions, page 55.

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 37, column C]

If there are differences between your federal and California income or deductions, complete Schedule CA (540), California Adjustments – Residents. Follow the instructions for Schedule CA (540) beginning on page 50. Enter on line 16 the amount from Schedule CA (540), line 37, column C. If a negative amount, see Schedule CA (540), line 37 instructions, page 55.

Line 18 – California Itemized Deductions or California Standard Deduction

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 married and file separate returns, 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, use 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 38 through line 44. 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 sample federal Schedule A, Itemized Deductions. Then complete Schedule CA (540), Part II, line 38 through line 44. Attach both the federal Schedule A and California Schedule CA (540) to the back of your return.

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) as a dependent on his or her tax return.

Your Filing Status	Enter On Line 18
1 – Single	\$3,410
2 – Married filing jointly	\$6,820
3 – Married filing separately	\$3,410
4 – Head of household	\$6,820
5 – Qualifying widow(er)	\$6,820

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) 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 B of the worksheet on the back of Form 1040EZ. 1 _____
2. Minimum standard deduction. 2 **\$850.00**
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 \$3,410	} 4 _____
• Married filing jointly, head of household, or qualifying widow(er), enter \$6,820		
5. **Standard deduction.** Enter the **smaller** of line 3 or line 4 here and on Form 540, line 18 5 _____

Line 19 – Taxable Income

Capital Construction Fund (CCF). If you claim a deduction on your federal Form 1040, line 43 for the contribution made to a capital construction fund set up under the Merchant Marine Act of 1936, reduce the amount you contributed on line 19 by the amount of the deduction. Next to line 19,

enter "CCF" and the amount of the deduction. For details, see federal Publication 595, Capital Construction Fund for Commercial Fishermen.

Tax

When figuring your tax, use the correct filing status and taxable income amount.

Line 20 – Tax

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

- **Tax Table.** If your taxable income on line 19 is \$100,000 or less, use the tax table beginning on page 21. Use the correct filing status column in the tax table.
- **Tax Rate Schedules.** If your taxable income on line 19 is over \$100,000, use the tax rate schedules on page 26.
- **FTB 3800.** Generally, 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, 2007, and who had more than \$1,700 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 \$8,500 or less (but not less than \$850) on your return, complete form FTB 3803, Parents' Election to Report Child's Interest and Dividends. 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, 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 going to 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

Exemption credits 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:	Is Form 540, line 13 more than:
Single or married filing separately \$150,743
Married filing jointly or qualifying widow(er) \$301,491
Head of household \$226,119

- 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 \$150,743 Married filing jointly or qualifying widow(er) .. \$301,491 b _____ Head of household \$226,119
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 2006 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 page 67.

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 page 58 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.

1. Do you qualify to claim the nonrefundable renter's credit? Complete the qualification record on page 57.
Check **Yes** or **No**, then go to Question 2.
2. Are you claiming any other special credit listed on the Credit Chart on page 58?
No If you checked "Yes" for Question 1 and entered an amount on Form 540, line 28, go to line 29. If you checked "No" for Question 1, skip to the instructions for line 30.
Yes Figure your credit using the form, schedule, worksheet, or certificate identified on 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, verify you entered your nonrefundable renter's credit on line 28.

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 31 instructions, on page 15.):
<ul style="list-style-type: none"> • 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 Complete Schedule P (540). See "Order Forms and Publications" on page 67.
No Go to Box B.

Box B – Did you claim or receive any of the following:
<ul style="list-style-type: none"> • Investment interest expense; ☎ 226 • Income from incentive stock options in excess of the amount reported on your return; or ☎ 225 • Income from installment sales of certain property.
Yes Complete Schedule P (540). See "Order Forms and Publications" on page 67.
No Go to Box C.

Box C – If your filing status is:	Is Form 540, line 17 more than:
Single or head of household \$207,888
Married filing jointly or qualifying widow(er) \$277,183
Married filing separately \$138,591
Yes Complete Schedule P (540). See "Order Forms and Publications" on page 67.	
No Your credits are not limited. Go to the instructions for Form 540, line 25.	

Line 25 through Line 27 – Additional Special Credits

A code number identifies each credit. To claim only one or two credits, enter the credit name, code number, and amount of the credit on line 25 and line 26. To claim more than two credits, use Schedule P (540), Part III. See "Order Forms and Publications" on page 67. List two of the credits on line 25 and line 26. Enter the total of any remaining credits from Schedule P (540) on line 27.

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, 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.

Claim the credit if unmarried at the end of 2006 (or if married, you lived apart from your spouse for all of 2006 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 legal separation or part of a written agreement between the parents where the proceedings have been initiated, but a decree of dissolution or legal separation 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 \$363, whichever is less 3 _____

If you qualify for the credit for Joint Custody Head of Household and the Credit for Dependent Parent, claim only one credit. Select the credit that allows the maximum benefit.

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.

Claim this credit only if:

- You were married at the end of 2006 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. If you qualify for the Credit for Joint Custody Head of Household and the Credit for Dependent Parent, claim only one. Select the credit that will allow the maximum benefit.

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, 2006*;
- Qualified as a head of household in 2004 or 2005 by providing a household for a qualifying individual who died during 2004 or 2005; and
- Did not have adjusted gross income over \$58,963 for 2006.

* If your 65th birthday is on January 1, 2007, you are considered to be age 65 on December 31, 2006.

Note: If you meet all the conditions listed above, you do not need to qualify to use the head of household filing status for 2006 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 \$1,111, 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), claim a credit for 50% of the cost of adopting a child who was **both**:

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

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. 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 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 2006. Carry over the excess credit to future years until the credit is used.

Line 28 – Nonrefundable Renter's Credit

Did you pay rent for at least six months in 2006 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 57.

No Go to line 29.

Line 30 – Subtract the amount on line 29 from the amount on line 24. Enter the result on line 30. If the amount on line 29 is more than the amount on line 24, 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 30. 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 30.

Other Taxes

Attach the specific form or statement required for each item below.

Line 31 – 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:

- \$73,916 married filing jointly or qualifying widower(er); or
- \$55,437 single or head of household; or
- \$36,956 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 page 67.

Line 32 – Mental Health Services Tax

If your taxable income is more than \$1,000,000, compute the Mental Health Services Tax below:

A. Taxable income from Form 540, line 19	
B. Less	\$(1,000,000)
C. Subtotal	
D. Multiply line C by 1%	x .01
E. Mental Health Services Tax – Enter this amount here and on Form 540, line 32	

Line 33 – 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 required to report additional tax, report it on line 33 and write “FTB 3805P” to the left of the amount.

California conforms to federal law for income received under IRC section 409A on a nonqualified deferred compensation plan. Income received under IRC section 409A is subject to an additional 20% tax plus interest. Include the additional tax, if any, on line 33. Write “NQDC” on the dotted line to the left of the amount.

If you used form(s)

- FTB 3501, Employer Child Care Program/Contribution Credit;
- FTB 3508, Solar or Wind Energy System 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 33. Write the form number on the dotted line to the left of the amount on line 33.

Payments

To avoid a delay in the processing of your return, enter the correct amounts on line 36 through line 43.

Line 36 – 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
- CA Sch. W-2; • Form(s) 1099-R, box 10.
- Form(s) W-2G, box 14;

Note: The Franchise Tax Board verifies all withholding claimed from Form W-2, CA Sch. W-2, Form 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 38 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, use Form 540-ES, Estimated Tax for Individuals.

Line 37 – 2006 CA Estimated Tax and Other Payments

Enter the total of any:

- California estimated tax payments you made using 2006 Form 540-ES or Web Pay;
- Overpayment from your 2005 California income tax return that you applied to your 2006 estimated tax;
- Payment you sent with form FTB 3519, 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 made or get your current account balance, go to our Website at www.ftb.ca.gov and search for view payments.

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 each may 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.

Send statements to:

JOINT ESTIMATED CREDIT ALLOCATION MS F225
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 2007 and did not have a California tax liability in 2006.

Line 38 – Real Estate and Other Withholding

Enter the total of California withholding from the sale of real estate, Form 593-B or California payments, Forms 592-B or 594 on this line. Attach a copy of Forms 592-B, 593-B, or 594, to the lower front of Form 540, Side 1.

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

Line 39 – Excess California SDI (or VPD) Withheld

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

- You had **two or more** California employers during 2006;
- You received more than \$79,418 in wages; and
- The amounts of SDI (or VPD) withheld appear on your Forms W-2 or CA Sch W-2. Be sure to attach your Forms W-2 or CA Sch W-2 to your Form 540.

If SDI (or VPD) was withheld from your wages by a single employer, at more than 0.8% of your gross wages, you may not claim excess SDI (or VPD) on your Form 540. Contact the employer for a refund.

To determine the amount to enter on line 39, complete the Excess SDI (or VPD) Worksheet below. If married filing jointly, figure the amount of excess SDI (or VPD) separately for each spouse.

Excess SDI (or VPD) Worksheet		
	You	Your Spouse
1. Add amounts of SDI (or VPD) withheld shown on your Forms W-2. Enter the total here.	1	
2. 2006 SDI (or VPD) limit	2 \$635.34	\$635.34
3. Excess SDI (or VPD) 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 39	3	

Note: If zero or less, enter -0- on line 39.

Line 40 through Line 43 – Child and Dependent Care Expenses Credit

Claim this credit if you paid someone to care for your qualifying 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 40 and Line 41

Enter the qualifying person’s social security number. Do not enter more than one qualifying person’s SSN on line 40 or line 41 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 42

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

Line 43

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

Line 44

For the Claim of Right credit, follow the reporting instructions in Schedule CA (540) under the Claim of Right.

Claim of Right: If you are claiming the tax deduction on your California return, include the amount of the credit in the total for this line. Write in "IRC 1341" and the amount of the credit to the left of the amount column.

Caution: To determine if you are entitled to this deduction, refer to your prior year California 540/540A, 540NR Long Form, Schedule CA (540), Schedule CA (540NR), column E, to verify the amount was included in your CA taxable income. If the amount repaid under a "Claim of Right" was not originally taxed by California, you are not entitled to claim the deduction.

Overpaid Tax or Tax Due

Note: If you received a refund for 2005, 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 withholding or estimated tax payments.

To avoid delay in processing of your return, enter the correct amounts on line 45 through line 48.

Line 45 – Overpaid Tax

If the amount on line 44 is more than the amount on line 34, your payments and credits are more than your tax. Subtract the amount on line 34 from the amount on line 44. Enter the result on line 45.



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

Line 46 – Amount You Want Applied to Your 2007 Estimated Tax

Apply all or part of the amount on line 45 to your estimated tax for 2007. Enter on line 46 the amount of line 45 that you want applied to your 2007 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 47 – Overpaid Tax Available This Year

If you entered an amount on line 46, subtract it from the amount on line 45. Enter the result on line 47. Choose to have this entire amount refunded to you, make contributions to the California Seniors Special Fund (see page 59), or make other voluntary contributions from this amount. If you make a contribution, skip line 48 and go to the Use Tax section of the tax return.

Line 48 – Tax Due

If the amount on line 44 is less than the amount on line 34, subtract the amount on line 44 from the amount on line 34. Enter the result on line 48. 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 48 is \$200 or more (\$100 or more if married filing separately); and
- The amount of state income tax withheld on line 36 is less than 90% of the amount of your total tax on line 34.

If this applies to you, go to line 67.

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. Get this form from your employer or by calling EDD at (888) 745-3886. 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.

Use Tax

Line 49 – Use Tax. This is not a total line.

As explained on page 6, California use tax applies to 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 this page. For questions on whether a purchase is taxable, go to 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 Individual Use Tax, from www.boe.ca.gov or request a copy by calling the State Board of Equalization's Information Center.

Use Tax Penalty

Failure to timely report and pay the use tax due may result in the assessment of penalties.

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 6 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 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 chart on page 20	_____
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 and on page 18	\$ _____ .00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 49. 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 this page).

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 20, "Sales and Use Tax Rates by County." If you have questions regarding the use tax rate in effect in your area, please go to 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.

Contributions

To make contributions, see the funds listed on Form 540, Side 2. See page 59 for a description of the funds.

Amount You Owe

Add or subtract correctly to figure the amount you owe.

Line 65 – Amount You Owe

Add the amount on line 48, line 49, and line 64, if any. Enter the result on line 65.

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

Payment Options

- **Electronic Funds Withdrawal** – Instead of paying by check or money order, 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. Go to our Website at www.ftb.ca.gov for more information.
- **Check or Money Order** – Make your check or money order payable to the "Franchise Tax Board." **Do not send cash.** Write your SSN or ITIN and "2006 Form 540" on the check or money order. Enclose, but do not staple, your payment with your return.

Note: Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution. Do not combine your 2006 tax payment and any 2007 estimated tax payment in the same check. Prepare two separate checks and mail each in a separate envelope.

A penalty may be imposed if your check is returned by your bank for insufficient funds.

- **Credit Card** – 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 Official Payments Corp. 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, 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, have the following 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 at 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 68, see the information regarding Installment Payments on page 28.

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 45 or increase the amount on line 48 by any penalty or interest amounts. Enter on line 66 the amount of interest and penalties.

Line 66 – 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. The FTB Website has a chart of interest rates in effect since 1976. Go to www.ftb.ca.gov and search for **interest**.

Late Filing of Return. The maximum total penalty is 25% of the tax not paid if the return is filed after October 15, 2007. 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. However, the underpayment penalty may be waived where 90% of the tax shown on the return is paid by the original due date of the return.

Penalties. To avoid late payment penalties for use tax, you must report and pay the use tax with a timely filed income tax return.

Other Penalties. We may impose other penalties if a payment is returned for insufficient funds. We may also impose penalties for negligence, substantial understatement of tax, and fraud.

Line 67 – Underpayment of Estimated Tax

You may be subject to an estimated tax penalty if any of the following is true:

- Your withholding and credits are less than 90% of your current tax year liability,
- Your withholding and credits are less than or 100% of your prior year tax liability (110% if AGI is more than \$150,000 or \$75,000 if married filing separately),
- You did not pay enough through withholding to keep the amount you owe with your return under \$200.

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

Is line 48 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.

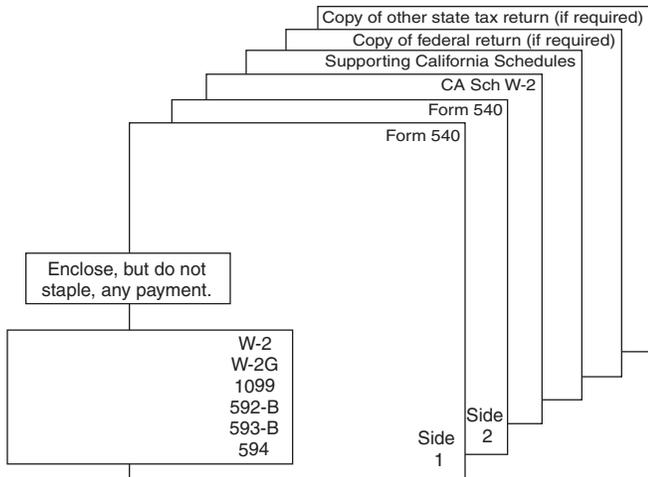
Is line 48 less than 10% of the amount on line 30 (excluding the tax on lump-sum distributions on line 23)?

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

Assembling Your Return

Assemble your return in the order shown below.



¹ 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 rate shown below. The following tax rates apply within the city limits of the listed community.

County	City	Citywide Rate
Contra Costa	Richmond	8.75%
El Dorado	Placerville	7.50%
El Dorado	South Lake Tahoe	7.75%
Fresno	Clovis	8.275%
Humboldt	Trinidad	8.25%
Imperial	Calexico (effective 4/01/2006) ^a	7.75%
Lake	Clearlake	7.75%
Lake	Lakeport	7.75%
Los Angeles	Avalon	8.75%
Marin	San Rafael (effective 4/01/2006) ^b	8.25%
Mendocino	Fort Bragg	7.75%
Mendocino	Point Arena	7.75%
Mendocino	Ukiah	7.75%
Mendocino	Willits	7.75%
Merced	Los Banos	7.75%
Merced	Merced (effective 4/01/2006) ^c	7.75%
Monterey	Salinas (effective 4/01/2006) ^d	7.75%
Monterey	Sand City	7.75%
Nevada	Town of Truckee	7.875%
Orange	Laguna Beach (effective 7/01/2006) ^k	8.25%
San Benito	San Juan Bautista	8.00%
San Bernardino	Montclair	8.00%
San Diego	El Cajon	8.25%
San Diego	National City (effective 10/01/2006) ^l	8.75%
San Joaquin	Stockton	8.00%
Santa Cruz	Capitola	8.25%
Santa Cruz	Santa Cruz	8.25%
Santa Cruz	Scotts Valley (effective 4/01/2006) ^e	8.50%
Sonoma	Sebastopol	8.00%
Sonoma	Santa Rosa	8.00%
Tulare	Dinuba (effective 4/01/2006) ^f	8.00%
Tulare	Farmersville	7.75%
Tulare	Porterville (effective 4/01/2006) ^g	7.75%
Tulare	Tulare (effective 4/01/2006) ^h	7.75%
Tulare	Visalia	7.50%
Tuolumne	Sonora	7.75%
Yolo	Davis	7.75%
Yolo	West Sacramento	7.75%
Yolo	Woodland (effective 10/1/06) ^{ij}	7.75%

Mailing your return

Mail your return using 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. The address is:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

If your return has an amount due, be sure to attach the white label to the front of the envelope. The address is:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001

Sales and Use Tax Rates by County

(Includes state, local, and district taxes)
As of December 31, 2006

County	Rate	County	Rate
Alameda	8.75%	Orange ¹	7.75%
Alpine	7.25%	Placer	7.25%
Amador	7.25%	Plumas	7.25%
Butte	7.25%	Riverside	7.75%
Calaveras	7.25%	Sacramento	7.75%
Colusa	7.25%	San Benito ¹	7.25%
Contra Costa ¹	8.25%	San Bernardino ¹	7.75%
Del Norte	7.25%	San Diego ¹	7.75%
El Dorado ¹	7.25%	San Francisco	8.50%
Fresno ¹	7.975%	San Joaquin ¹	7.75%
Glenn	7.25%	San Luis Obispo	7.25%
Humboldt ¹	7.25%	San Mateo	8.25%
Imperial ¹	7.75%	Santa Barbara	7.75%
Inyo	7.75%	Santa Clara	8.25%
Kern	7.25%	Santa Cruz ¹	8.00%
Kings	7.25%	Shasta	7.25%
Lake ¹	7.25%	Sierra	7.25%
Lassen	7.25%	Siskiyou	7.25%
Los Angeles ¹	8.25%	Solano	7.375%
Madera	7.25%	Sonoma ¹	7.75%
Marin ¹	7.75%	Stanislaus	7.375%
Mariposa	7.75%	Sutter	7.25%
Mendocino ¹	7.25%	Tehama	7.25%
Merced ¹	7.25%	Trinity	7.25%
Modoc	7.25%	Tulare ¹	7.25%
Mono	7.25%	Tuolumne ¹	7.25%
Monterey ¹	7.25%	Ventura	7.25%
Napa	7.75%	Yolo ¹	7.25%
Nevada ¹	7.375%	Yuba	7.25%

^a The tax rate in Calexico prior to April 1, 2006, was 8.25%.
^b The tax rate in San Rafael prior to April 1, 2006, was 7.75%.
^c The tax rate in City of Merced prior to April 1, 2006, was 7.25%.
^d The tax rate in Salinas prior to April 1, 2006, was 7.25%.
^e The tax rate in Scotts Valley prior to April 1, 2006, was 8.00%.
^f The tax rate in Dinuba prior to April 1, 2006, was 7.25%.
^g The tax rate in Porterville prior to April 1, 2006, was 7.25%.
^h The tax rate in City of Tulare prior to April 1, 2006, was 7.25%.
ⁱ The tax rate in Woodland prior to July 1, 2006, was 7.75%.
^j The tax rate in Woodland from July 1, 2006 to September 30, 2006, was 7.25%.
^k The tax rate in Laguna Beach prior to July 1, 2006, was 7.75%.
^l The tax rate in National City prior to October 1, 2006, was 7.75%.

2006 California Tax Table

To Find Your Tax:

- Read down the column labeled "If Your Taxable Income Is ..." to find the range that includes your taxable income from Form 540, line 19 or Form 540A, line 16.
- Read across the columns labeled "The Tax For Filing Status" until you find the tax that applies for your taxable income and filing status.

Filing status: 1 or 3 (Single; Married Filing Separately)			2 or 5 (Married Filing Jointly; Qualifying Widow(er))			4 (Head of Household)								
If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status		
At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is
\$1	\$50	\$0	\$0	\$0	6,451	6,550	65	65	65	12,951	13,050	194	130	130
51	150	1	1	1	6,551	6,650	66	66	66	13,051	13,150	196	131	131
151	250	2	2	2	6,651	6,750	68	67	67	13,151	13,250	198	132	132
251	350	3	3	3	6,751	6,850	70	68	68	13,251	13,350	200	134	133
351	450	4	4	4	6,851	6,950	72	69	69	13,351	13,450	202	136	135
451	550	5	5	5	6,951	7,050	74	70	70	13,451	13,550	204	138	137
551	650	6	6	6	7,051	7,150	76	71	71	13,551	13,650	206	140	139
651	750	7	7	7	7,151	7,250	78	72	72	13,651	13,750	208	142	141
751	850	8	8	8	7,251	7,350	80	73	73	13,751	13,850	210	144	143
851	950	9	9	9	7,351	7,450	82	74	74	13,851	13,950	212	146	145
951	1,050	10	10	10	7,451	7,550	84	75	75	13,951	14,050	214	148	147
1,051	1,150	11	11	11	7,551	7,650	86	76	76	14,051	14,150	216	150	149
1,151	1,250	12	12	12	7,651	7,750	88	77	77	14,151	14,250	218	152	151
1,251	1,350	13	13	13	7,751	7,850	90	78	78	14,251	14,350	220	154	153
1,351	1,450	14	14	14	7,851	7,950	92	79	79	14,351	14,450	222	156	155
1,451	1,550	15	15	15	7,951	8,050	94	80	80	14,451	14,550	224	158	157
1,551	1,650	16	16	16	8,051	8,150	96	81	81	14,551	14,650	226	160	159
1,651	1,750	17	17	17	8,151	8,250	98	82	82	14,651	14,750	228	162	161
1,751	1,850	18	18	18	8,251	8,350	100	83	83	14,751	14,850	230	164	163
1,851	1,950	19	19	19	8,351	8,450	102	84	84	14,851	14,950	232	166	165
1,951	2,050	20	20	20	8,451	8,550	104	85	85	14,951	15,050	234	168	167
2,051	2,150	21	21	21	8,551	8,650	106	86	86	15,051	15,150	236	170	169
2,151	2,250	22	22	22	8,651	8,750	108	87	87	15,151	15,250	238	172	171
2,251	2,350	23	23	23	8,751	8,850	110	88	88	15,251	15,350	240	174	173
2,351	2,450	24	24	24	8,851	8,950	112	89	89	15,351	15,450	242	176	175
2,451	2,550	25	25	25	8,951	9,050	114	90	90	15,451	15,550	244	178	177
2,551	2,650	26	26	26	9,051	9,150	116	91	91	15,551	15,650	246	180	179
2,651	2,750	27	27	27	9,151	9,250	118	92	92	15,651	15,750	248	182	181
2,751	2,850	28	28	28	9,251	9,350	120	93	93	15,751	15,850	252	184	183
2,851	2,950	29	29	29	9,351	9,450	122	94	94	15,851	15,950	256	186	185
2,951	3,050	30	30	30	9,451	9,550	124	95	95	15,951	16,050	260	188	187
3,051	3,150	31	31	31	9,551	9,650	126	96	96	16,051	16,150	264	190	189
3,151	3,250	32	32	32	9,651	9,750	128	97	97	16,151	16,250	268	192	191
3,251	3,350	33	33	33	9,751	9,850	130	98	98	16,251	16,350	272	194	193
3,351	3,450	34	34	34	9,851	9,950	132	99	99	16,351	16,450	276	196	195
3,451	3,550	35	35	35	9,951	10,050	134	100	100	16,451	16,550	280	198	197
3,551	3,650	36	36	36	10,051	10,150	136	101	101	16,551	16,650	284	200	199
3,651	3,750	37	37	37	10,151	10,250	138	102	102	16,651	16,750	288	202	201
3,751	3,850	38	38	38	10,251	10,350	140	103	103	16,751	16,850	292	204	203
3,851	3,950	39	39	39	10,351	10,450	142	104	104	16,851	16,950	296	206	205
3,951	4,050	40	40	40	10,451	10,550	144	105	105	16,951	17,050	300	208	207
4,051	4,150	41	41	41	10,551	10,650	146	106	106	17,051	17,150	304	210	209
4,151	4,250	42	42	42	10,651	10,750	148	107	107	17,151	17,250	308	212	211
4,251	4,350	43	43	43	10,751	10,850	150	108	108	17,251	17,350	312	214	213
4,351	4,450	44	44	44	10,851	10,950	152	109	109	17,351	17,450	316	216	215
4,451	4,550	45	45	45	10,951	11,050	154	110	110	17,451	17,550	320	218	217
4,551	4,650	46	46	46	11,051	11,150	156	111	111	17,551	17,650	324	220	219
4,651	4,750	47	47	47	11,151	11,250	158	112	112	17,651	17,750	328	222	221
4,751	4,850	48	48	48	11,251	11,350	160	113	113	17,751	17,850	332	224	223
4,851	4,950	49	49	49	11,351	11,450	162	114	114	17,851	17,950	336	226	225
4,951	5,050	50	50	50	11,451	11,550	164	115	115	17,951	18,050	340	228	227
5,051	5,150	51	51	51	11,551	11,650	166	116	116	18,051	18,150	344	230	229
5,151	5,250	52	52	52	11,651	11,750	168	117	117	18,151	18,250	348	232	231
5,251	5,350	53	53	53	11,751	11,850	170	118	118	18,251	18,350	352	234	233
5,351	5,450	54	54	54	11,851	11,950	172	119	119	18,351	18,450	356	236	235
5,451	5,550	55	55	55	11,951	12,050	174	120	120	18,451	18,550	360	238	237
5,551	5,650	56	56	56	12,051	12,150	176	121	121	18,551	18,650	364	240	239
5,651	5,750	57	57	57	12,151	12,250	178	122	122	18,651	18,750	368	242	241
5,751	5,850	58	58	58	12,251	12,350	180	123	123	18,751	18,850	372	244	243
5,851	5,950	59	59	59	12,351	12,450	182	124	124	18,851	18,950	376	246	245
5,951	6,050	60	60	60	12,451	12,550	184	125	125	18,951	19,050	380	248	247
6,051	6,150	61	61	61	12,551	12,650	186	126	126	19,051	19,150	384	250	249
6,151	6,250	62	62	62	12,651	12,750	188	127	127	19,151	19,250	388	252	251
6,251	6,350	63	63	63	12,751	12,850	190	128	128	19,251	19,350	392	254	253
6,351	6,450	64	64	64	12,851	12,950	192	129	129	19,351	19,450	396	256	255

Continued on next page.

2006 California Tax Table – Continued

Filing status: 1 or 3 (Single; Married Filing Separately) 2 or 5 (Married Filing Jointly; Qualifying Widow(er)) 4 (Head of Household)														
If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status		
At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is
19,451	19,550	400	258	257	26,451	26,550	714	398	397	33,451	33,550	1,134	580	580
19,551	19,650	404	260	259	26,551	26,650	720	400	399	33,551	33,650	1,140	584	584
19,651	19,750	408	262	261	26,651	26,750	726	402	401	33,651	33,750	1,146	588	588
19,751	19,850	412	264	263	26,751	26,850	732	404	403	33,751	33,850	1,152	592	592
19,851	19,950	416	266	265	26,851	26,950	738	406	405	33,851	33,950	1,158	596	596
19,951	20,050	420	268	267	26,951	27,050	744	408	407	33,951	34,050	1,164	600	600
20,051	20,150	424	270	269	27,051	27,150	750	410	409	34,051	34,150	1,170	604	604
20,151	20,250	428	272	271	27,151	27,250	756	412	411	34,151	34,250	1,176	608	608
20,251	20,350	432	274	273	27,251	27,350	762	414	413	34,251	34,350	1,182	612	612
20,351	20,450	436	276	275	27,351	27,450	768	416	415	34,351	34,450	1,188	616	616
20,451	20,550	440	278	277	27,451	27,550	774	418	417	34,451	34,550	1,196	620	620
20,551	20,650	444	280	279	27,551	27,650	780	420	419	34,551	34,650	1,204	624	624
20,651	20,750	448	282	281	27,651	27,750	786	422	421	34,651	34,750	1,212	628	628
20,751	20,850	452	284	283	27,751	27,850	792	424	423	34,751	34,850	1,220	632	632
20,851	20,950	456	286	285	27,851	27,950	798	426	425	34,851	34,950	1,228	636	636
20,951	21,050	460	288	287	27,951	28,050	804	428	427	34,951	35,050	1,236	640	640
21,051	21,150	464	290	289	28,051	28,150	810	430	429	35,051	35,150	1,244	644	644
21,151	21,250	468	292	291	28,151	28,250	816	432	431	35,151	35,250	1,252	648	648
21,251	21,350	472	294	293	28,251	28,350	822	434	433	35,251	35,350	1,260	652	652
21,351	21,450	476	296	295	28,351	28,450	828	436	435	35,351	35,450	1,268	656	656
21,451	21,550	480	298	297	28,451	28,550	834	438	437	35,451	35,550	1,276	660	660
21,551	21,650	484	300	299	28,551	28,650	840	440	439	35,551	35,650	1,284	664	664
21,651	21,750	488	302	301	28,651	28,750	846	442	441	35,651	35,750	1,292	668	668
21,751	21,850	492	304	303	28,751	28,850	852	444	443	35,751	35,850	1,300	672	672
21,851	21,950	496	306	305	28,851	28,950	858	446	445	35,851	35,950	1,308	676	676
21,951	22,050	500	308	307	28,951	29,050	864	448	447	35,951	36,050	1,316	680	680
22,051	22,150	504	310	309	29,051	29,150	870	450	449	36,051	36,150	1,324	684	684
22,151	22,250	508	312	311	29,151	29,250	876	452	451	36,151	36,250	1,332	688	688
22,251	22,350	512	314	313	29,251	29,350	882	454	453	36,251	36,350	1,340	692	692
22,351	22,450	516	316	315	29,351	29,450	888	456	455	36,351	36,450	1,348	696	696
22,451	22,550	520	318	317	29,451	29,550	894	458	457	36,451	36,550	1,356	700	700
22,551	22,650	524	320	319	29,551	29,650	900	460	459	36,551	36,650	1,364	704	704
22,651	22,750	528	322	321	29,651	29,750	906	462	461	36,651	36,750	1,372	708	708
22,751	22,850	532	324	323	29,751	29,850	912	464	463	36,751	36,850	1,380	712	712
22,851	22,950	536	326	325	29,851	29,950	918	466	465	36,851	36,950	1,388	716	716
22,951	23,050	540	328	327	29,951	30,050	924	468	467	36,951	37,050	1,396	720	720
23,051	23,150	544	330	329	30,051	30,150	930	470	469	37,051	37,150	1,404	724	724
23,151	23,250	548	332	331	30,151	30,250	936	472	471	37,151	37,250	1,412	728	728
23,251	23,350	552	334	333	30,251	30,350	942	474	473	37,251	37,350	1,420	732	732
23,351	23,450	556	336	335	30,351	30,450	948	476	475	37,351	37,450	1,428	736	736
23,451	23,550	560	338	337	30,451	30,550	954	478	477	37,451	37,550	1,436	740	740
23,551	23,650	564	340	339	30,551	30,650	960	480	479	37,551	37,650	1,444	744	744
23,651	23,750	568	342	341	30,651	30,750	966	482	481	37,651	37,750	1,452	748	748
23,751	23,850	572	344	343	30,751	30,850	972	484	483	37,751	37,850	1,460	752	752
23,851	23,950	576	346	345	30,851	30,950	978	486	485	37,851	37,950	1,468	756	756
23,951	24,050	580	348	347	30,951	31,050	984	488	487	37,951	38,050	1,476	760	760
24,051	24,150	584	350	349	31,051	31,150	990	490	489	38,051	38,150	1,484	764	764
24,151	24,250	588	352	351	31,151	31,250	996	492	491	38,151	38,250	1,492	768	768
24,251	24,350	592	354	353	31,251	31,350	1,002	494	493	38,251	38,350	1,500	772	772
24,351	24,450	596	356	355	31,351	31,450	1,008	496	496	38,351	38,450	1,508	776	776
24,451	24,550	600	358	357	31,451	31,550	1,014	500	500	38,451	38,550	1,516	780	780
24,551	24,650	604	360	359	31,551	31,650	1,020	504	504	38,551	38,650	1,524	784	784
24,651	24,750	608	362	361	31,651	31,750	1,026	508	508	38,651	38,750	1,532	788	788
24,751	24,850	612	364	363	31,751	31,850	1,032	512	512	38,751	38,850	1,540	792	792
24,851	24,950	618	366	365	31,851	31,950	1,038	516	516	38,851	38,950	1,548	796	796
24,951	25,050	624	368	367	31,951	32,050	1,044	520	520	38,951	39,050	1,556	800	800
25,051	25,150	630	370	369	32,051	32,150	1,050	524	524	39,051	39,150	1,564	804	804
25,151	25,250	636	372	371	32,151	32,250	1,056	528	528	39,151	39,250	1,572	808	808
25,251	25,350	642	374	373	32,251	32,350	1,062	532	532	39,251	39,350	1,580	812	812
25,351	25,450	648	376	375	32,351	32,450	1,068	536	536	39,351	39,450	1,588	816	816
25,451	25,550	654	378	377	32,451	32,550	1,074	540	540	39,451	39,550	1,596	820	820
25,551	25,650	660	380	379	32,551	32,650	1,080	544	544	39,551	39,650	1,604	824	824
25,651	25,750	666	382	381	32,651	32,750	1,086	548	548	39,651	39,750	1,612	828	828
25,751	25,850	672	384	383	32,751	32,850	1,092	552	552	39,751	39,850	1,620	832	832
25,851	25,950	678	386	385	32,851	32,950	1,098	556	556	39,851	39,950	1,628	836	836
25,951	26,050	684	388	387	32,951	33,050	1,104	560	560	39,951	40,050	1,636	840	840
26,051	26,150	690	390	389	33,051	33,150	1,110	564	564	40,051	40,150	1,644	844	844
26,151	26,250	696	392	391	33,151	33,250	1,116	568	568	40,151	40,250	1,652	848	848
26,251	26,350	702	394	393	33,251	33,350	1,122	572	572	40,251	40,350	1,660	852	852
26,351	26,450	708	396	395	33,351	33,450	1,128	576	576	40,351	40,450	1,668	856	856

Continued on next page.

2006 California Tax Table – Continued

Filing status: 1 or 3 (Single; Married Filing Separately) 2 or 5 (Married Filing Jointly; Qualifying Widow(er)) 4 (Head of Household)														
If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status		
At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is
40,451	40,550	1,676	860	860	47,451	47,550	2,289	1,140	1,280	54,451	54,550	2,940	1,519	1,788
40,551	40,650	1,684	864	866	47,551	47,650	2,298	1,144	1,286	54,551	54,650	2,949	1,525	1,796
40,651	40,750	1,692	868	872	47,651	47,750	2,307	1,148	1,292	54,651	54,750	2,958	1,531	1,804
40,751	40,850	1,700	872	878	47,751	47,850	2,317	1,152	1,298	54,751	54,850	2,968	1,537	1,812
40,851	40,950	1,708	876	884	47,851	47,950	2,326	1,156	1,304	54,851	54,950	2,977	1,543	1,820
40,951	41,050	1,716	880	890	47,951	48,050	2,335	1,160	1,310	54,951	55,050	2,986	1,549	1,828
41,051	41,150	1,724	884	896	48,051	48,150	2,345	1,164	1,316	55,051	55,150	2,996	1,555	1,836
41,151	41,250	1,732	888	902	48,151	48,250	2,354	1,168	1,322	55,151	55,250	3,005	1,561	1,844
41,251	41,350	1,740	892	908	48,251	48,350	2,363	1,172	1,328	55,251	55,350	3,014	1,567	1,852
41,351	41,450	1,748	896	914	48,351	48,450	2,373	1,176	1,334	55,351	55,450	3,024	1,573	1,860
41,451	41,550	1,756	900	920	48,451	48,550	2,382	1,180	1,340	55,451	55,550	3,033	1,579	1,868
41,551	41,650	1,764	904	926	48,551	48,650	2,391	1,184	1,346	55,551	55,650	3,042	1,585	1,876
41,651	41,750	1,772	908	932	48,651	48,750	2,400	1,188	1,352	55,651	55,750	3,051	1,591	1,884
41,751	41,850	1,780	912	938	48,751	48,850	2,410	1,192	1,358	55,751	55,850	3,061	1,597	1,892
41,851	41,950	1,788	916	944	48,851	48,950	2,419	1,196	1,364	55,851	55,950	3,070	1,603	1,900
41,951	42,050	1,796	920	950	48,951	49,050	2,428	1,200	1,370	55,951	56,050	3,079	1,609	1,908
42,051	42,150	1,804	924	956	49,051	49,150	2,438	1,204	1,376	56,051	56,150	3,089	1,615	1,916
42,151	42,250	1,812	928	962	49,151	49,250	2,447	1,208	1,382	56,151	56,250	3,098	1,621	1,924
42,251	42,350	1,820	932	968	49,251	49,350	2,456	1,212	1,388	56,251	56,350	3,107	1,627	1,932
42,351	42,450	1,828	936	974	49,351	49,450	2,466	1,216	1,394	56,351	56,450	3,117	1,633	1,940
42,451	42,550	1,836	940	980	49,451	49,550	2,475	1,220	1,400	56,451	56,550	3,126	1,639	1,948
42,551	42,650	1,844	944	986	49,551	49,650	2,484	1,225	1,406	56,551	56,650	3,135	1,645	1,956
42,651	42,750	1,852	948	992	49,651	49,750	2,493	1,231	1,412	56,651	56,750	3,144	1,651	1,964
42,751	42,850	1,860	952	998	49,751	49,850	2,503	1,237	1,418	56,751	56,850	3,154	1,657	1,972
42,851	42,950	1,868	956	1,004	49,851	49,950	2,512	1,243	1,424	56,851	56,950	3,163	1,663	1,980
42,951	43,050	1,876	960	1,010	49,951	50,050	2,521	1,249	1,430	56,951	57,050	3,172	1,669	1,988
43,051	43,150	1,884	964	1,016	50,051	50,150	2,531	1,255	1,436	57,051	57,150	3,182	1,675	1,996
43,151	43,250	1,892	968	1,022	50,151	50,250	2,540	1,261	1,444	57,151	57,250	3,191	1,681	2,004
43,251	43,350	1,900	972	1,028	50,251	50,350	2,549	1,267	1,452	57,251	57,350	3,200	1,687	2,012
43,351	43,450	1,908	976	1,034	50,351	50,450	2,559	1,273	1,460	57,351	57,450	3,210	1,693	2,020
43,451	43,550	1,917	980	1,040	50,451	50,550	2,568	1,279	1,468	57,451	57,550	3,219	1,699	2,028
43,551	43,650	1,926	984	1,046	50,551	50,650	2,577	1,285	1,476	57,551	57,650	3,228	1,705	2,036
43,651	43,750	1,935	988	1,052	50,651	50,750	2,586	1,291	1,484	57,651	57,750	3,237	1,711	2,044
43,751	43,850	1,945	992	1,058	50,751	50,850	2,596	1,297	1,492	57,751	57,850	3,247	1,717	2,052
43,851	43,950	1,954	996	1,064	50,851	50,950	2,605	1,303	1,500	57,851	57,950	3,256	1,723	2,060
43,951	44,050	1,963	1,000	1,070	50,951	51,050	2,614	1,309	1,508	57,951	58,050	3,265	1,729	2,068
44,051	44,150	1,973	1,004	1,076	51,051	51,150	2,624	1,315	1,516	58,051	58,150	3,275	1,735	2,076
44,151	44,250	1,982	1,008	1,082	51,151	51,250	2,633	1,321	1,524	58,151	58,250	3,284	1,741	2,084
44,251	44,350	1,991	1,012	1,088	51,251	51,350	2,642	1,327	1,532	58,251	58,350	3,293	1,747	2,092
44,351	44,450	2,001	1,016	1,094	51,351	51,450	2,652	1,333	1,540	58,351	58,450	3,303	1,753	2,100
44,451	44,550	2,010	1,020	1,100	51,451	51,550	2,661	1,339	1,548	58,451	58,550	3,312	1,759	2,108
44,551	44,650	2,019	1,024	1,106	51,551	51,650	2,670	1,345	1,556	58,551	58,650	3,321	1,765	2,116
44,651	44,750	2,028	1,028	1,112	51,651	51,750	2,679	1,351	1,564	58,651	58,750	3,330	1,771	2,124
44,751	44,850	2,038	1,032	1,118	51,751	51,850	2,689	1,357	1,572	58,751	58,850	3,340	1,777	2,132
44,851	44,950	2,047	1,036	1,124	51,851	51,950	2,698	1,363	1,580	58,851	58,950	3,349	1,783	2,140
44,951	45,050	2,056	1,040	1,130	51,951	52,050	2,707	1,369	1,588	58,951	59,050	3,358	1,789	2,148
45,051	45,150	2,066	1,044	1,136	52,051	52,150	2,717	1,375	1,596	59,051	59,150	3,368	1,795	2,156
45,151	45,250	2,075	1,048	1,142	52,151	52,250	2,726	1,381	1,604	59,151	59,250	3,377	1,801	2,165
45,251	45,350	2,084	1,052	1,148	52,251	52,350	2,735	1,387	1,612	59,251	59,350	3,386	1,807	2,174
45,351	45,450	2,094	1,056	1,154	52,351	52,450	2,745	1,393	1,620	59,351	59,450	3,396	1,813	2,183
45,451	45,550	2,103	1,060	1,160	52,451	52,550	2,754	1,399	1,628	59,451	59,550	3,405	1,819	2,193
45,551	45,650	2,112	1,064	1,166	52,551	52,650	2,763	1,405	1,636	59,551	59,650	3,414	1,825	2,202
45,651	45,750	2,121	1,068	1,172	52,651	52,750	2,772	1,411	1,644	59,651	59,750	3,423	1,831	2,211
45,751	45,850	2,131	1,072	1,178	52,751	52,850	2,782	1,417	1,652	59,751	59,850	3,433	1,837	2,221
45,851	45,950	2,140	1,076	1,184	52,851	52,950	2,791	1,423	1,660	59,851	59,950	3,442	1,843	2,230
45,951	46,050	2,149	1,080	1,190	52,951	53,050	2,800	1,429	1,668	59,951	60,050	3,451	1,849	2,239
46,051	46,150	2,159	1,084	1,196	53,051	53,150	2,810	1,435	1,676	60,051	60,150	3,461	1,855	2,248
46,151	46,250	2,168	1,088	1,202	53,151	53,250	2,819	1,441	1,684	60,151	60,250	3,470	1,861	2,258
46,251	46,350	2,177	1,092	1,208	53,251	53,350	2,828	1,447	1,692	60,251	60,350	3,479	1,867	2,267
46,351	46,450	2,187	1,096	1,214	53,351	53,450	2,838	1,453	1,700	60,351	60,450	3,489	1,873	2,276
46,451	46,550	2,196	1,100	1,220	53,451	53,550	2,847	1,459	1,708	60,451	60,550	3,498	1,879	2,286
46,551	46,650	2,205	1,104	1,226	53,551	53,650	2,856	1,465	1,716	60,551	60,650	3,507	1,885	2,295
46,651	46,750	2,214	1,108	1,232	53,651	53,750	2,865	1,471	1,724	60,651	60,750	3,516	1,891	2,304
46,751	46,850	2,224	1,112	1,238	53,751	53,850	2,875	1,477	1,732	60,751	60,850	3,526	1,897	2,314
46,851	46,950	2,233	1,116	1,244	53,851	53,950	2,884	1,483	1,740	60,851	60,950	3,535	1,903	2,323
46,951	47,050	2,242	1,120	1,250	53,951	54,050	2,893	1,489	1,748	60,951	61,050	3,544	1,909	2,332
47,051	47,150	2,252	1,124	1,256	54,051	54,150	2,903	1,495	1,756	61,051	61,150	3,554	1,915	2,341
47,151	47,250	2,261	1,128	1,262	54,151	54,250	2,912	1,501	1,764	61,151	61,250	3,563	1,921	2,351
47,251	47,350	2,270	1,132	1,268	54,251	54,350	2,921	1,507	1,772	61,251	61,350	3,572	1,927	2,360
47,351	47,450	2,280	1,136	1,274	54,351	54,450	2,931	1,513	1,780	61,351	61,450	3,582	1,933	2,369

Continued on next page.

2006 California Tax Table – Continued

Filing status: 1 or 3 (Single; Married Filing Separately) 2 or 5 (Married Filing Jointly; Qualifying Widow(er)) 4 (Head of Household)														
If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status		
At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is
61,451	61,550	3,591	1,939	2,379	68,451	68,550	4,242	2,359	3,030	75,451	75,550	4,893	2,913	3,681
61,551	61,650	3,600	1,945	2,388	68,551	68,650	4,251	2,365	3,039	75,551	75,650	4,902	2,921	3,690
61,651	61,750	3,609	1,951	2,397	68,651	68,750	4,260	2,371	3,048	75,651	75,750	4,911	2,929	3,699
61,751	61,850	3,619	1,957	2,407	68,751	68,850	4,270	2,377	3,058	75,751	75,850	4,921	2,937	3,709
61,851	61,950	3,628	1,963	2,416	68,851	68,950	4,279	2,385	3,067	75,851	75,950	4,930	2,945	3,718
61,951	62,050	3,637	1,969	2,425	68,951	69,050	4,288	2,393	3,076	75,951	76,050	4,939	2,953	3,727
62,051	62,150	3,647	1,975	2,434	69,051	69,150	4,298	2,401	3,085	76,051	76,150	4,949	2,961	3,736
62,151	62,250	3,656	1,981	2,444	69,151	69,250	4,307	2,409	3,095	76,151	76,250	4,958	2,969	3,746
62,251	62,350	3,665	1,987	2,453	69,251	69,350	4,316	2,417	3,104	76,251	76,350	4,967	2,977	3,755
62,351	62,450	3,675	1,993	2,462	69,351	69,450	4,326	2,425	3,113	76,351	76,450	4,977	2,985	3,764
62,451	62,550	3,684	1,999	2,472	69,451	69,550	4,335	2,433	3,123	76,451	76,550	4,986	2,993	3,774
62,551	62,650	3,693	2,005	2,481	69,551	69,650	4,344	2,441	3,132	76,551	76,650	4,995	3,001	3,783
62,651	62,750	3,702	2,011	2,490	69,651	69,750	4,353	2,449	3,141	76,651	76,750	5,004	3,009	3,792
62,751	62,850	3,712	2,017	2,500	69,751	69,850	4,363	2,457	3,151	76,751	76,850	5,014	3,017	3,802
62,851	62,950	3,721	2,023	2,509	69,851	69,950	4,372	2,465	3,160	76,851	76,950	5,023	3,025	3,811
62,951	63,050	3,730	2,029	2,518	69,951	70,050	4,381	2,473	3,169	76,951	77,050	5,032	3,033	3,820
63,051	63,150	3,740	2,035	2,527	70,051	70,150	4,391	2,481	3,178	77,051	77,150	5,042	3,041	3,829
63,151	63,250	3,749	2,041	2,537	70,151	70,250	4,400	2,489	3,188	77,151	77,250	5,051	3,049	3,839
63,251	63,350	3,758	2,047	2,546	70,251	70,350	4,409	2,497	3,197	77,251	77,350	5,060	3,057	3,848
63,351	63,450	3,768	2,053	2,555	70,351	70,450	4,419	2,505	3,206	77,351	77,450	5,070	3,065	3,857
63,451	63,550	3,777	2,059	2,565	70,451	70,550	4,428	2,513	3,216	77,451	77,550	5,079	3,073	3,867
63,551	63,650	3,786	2,065	2,574	70,551	70,650	4,437	2,521	3,225	77,551	77,650	5,088	3,081	3,876
63,651	63,750	3,795	2,071	2,583	70,651	70,750	4,446	2,529	3,234	77,651	77,750	5,097	3,089	3,885
63,751	63,850	3,805	2,077	2,593	70,751	70,850	4,456	2,537	3,244	77,751	77,850	5,107	3,097	3,895
63,851	63,950	3,814	2,083	2,602	70,851	70,950	4,465	2,545	3,253	77,851	77,950	5,116	3,105	3,904
63,951	64,050	3,823	2,089	2,611	70,951	71,050	4,474	2,553	3,262	77,951	78,050	5,125	3,113	3,913
64,051	64,150	3,833	2,095	2,620	71,051	71,150	4,484	2,561	3,271	78,051	78,150	5,135	3,121	3,922
64,151	64,250	3,842	2,101	2,630	71,151	71,250	4,493	2,569	3,281	78,151	78,250	5,144	3,129	3,932
64,251	64,350	3,851	2,107	2,639	71,251	71,350	4,502	2,577	3,290	78,251	78,350	5,153	3,137	3,941
64,351	64,450	3,861	2,113	2,648	71,351	71,450	4,512	2,585	3,299	78,351	78,450	5,163	3,145	3,950
64,451	64,550	3,870	2,119	2,658	71,451	71,550	4,521	2,593	3,309	78,451	78,550	5,172	3,153	3,960
64,551	64,650	3,879	2,125	2,667	71,551	71,650	4,530	2,601	3,318	78,551	78,650	5,181	3,161	3,969
64,651	64,750	3,888	2,131	2,676	71,651	71,750	4,539	2,609	3,327	78,651	78,750	5,190	3,169	3,978
64,751	64,850	3,898	2,137	2,686	71,751	71,850	4,549	2,617	3,337	78,751	78,850	5,200	3,177	3,988
64,851	64,950	3,907	2,143	2,695	71,851	71,950	4,558	2,625	3,346	78,851	78,950	5,209	3,185	3,997
64,951	65,050	3,916	2,149	2,704	71,951	72,050	4,567	2,633	3,355	78,951	79,050	5,218	3,193	4,006
65,051	65,150	3,926	2,155	2,713	72,051	72,150	4,577	2,641	3,364	79,051	79,150	5,228	3,201	4,015
65,151	65,250	3,935	2,161	2,723	72,151	72,250	4,586	2,649	3,374	79,151	79,250	5,237	3,209	4,025
65,251	65,350	3,944	2,167	2,732	72,251	72,350	4,595	2,657	3,383	79,251	79,350	5,246	3,217	4,034
65,351	65,450	3,954	2,173	2,741	72,351	72,450	4,605	2,665	3,392	79,351	79,450	5,256	3,225	4,043
65,451	65,550	3,963	2,179	2,751	72,451	72,550	4,614	2,673	3,402	79,451	79,550	5,265	3,233	4,053
65,551	65,650	3,972	2,185	2,760	72,551	72,650	4,623	2,681	3,411	79,551	79,650	5,274	3,241	4,062
65,651	65,750	3,981	2,191	2,769	72,651	72,750	4,632	2,689	3,420	79,651	79,750	5,283	3,249	4,071
65,751	65,850	3,991	2,197	2,779	72,751	72,850	4,642	2,697	3,430	79,751	79,850	5,293	3,257	4,081
65,851	65,950	4,000	2,203	2,788	72,851	72,950	4,651	2,705	3,439	79,851	79,950	5,302	3,265	4,090
65,951	66,050	4,009	2,209	2,797	72,951	73,050	4,660	2,713	3,448	79,951	80,050	5,311	3,273	4,099
66,051	66,150	4,019	2,215	2,806	73,051	73,150	4,670	2,721	3,457	80,051	80,150	5,321	3,281	4,108
66,151	66,250	4,028	2,221	2,816	73,151	73,250	4,679	2,729	3,467	80,151	80,250	5,330	3,289	4,118
66,251	66,350	4,037	2,227	2,825	73,251	73,350	4,688	2,737	3,476	80,251	80,350	5,339	3,297	4,127
66,351	66,450	4,047	2,233	2,834	73,351	73,450	4,698	2,745	3,485	80,351	80,450	5,349	3,305	4,136
66,451	66,550	4,056	2,239	2,844	73,451	73,550	4,707	2,753	3,495	80,451	80,550	5,358	3,313	4,146
66,551	66,650	4,065	2,245	2,853	73,551	73,650	4,716	2,761	3,504	80,551	80,650	5,367	3,321	4,155
66,651	66,750	4,074	2,251	2,862	73,651	73,750	4,725	2,769	3,513	80,651	80,750	5,376	3,329	4,164
66,751	66,850	4,084	2,257	2,872	73,751	73,850	4,735	2,777	3,523	80,751	80,850	5,386	3,337	4,174
66,851	66,950	4,093	2,263	2,881	73,851	73,950	4,744	2,785	3,532	80,851	80,950	5,395	3,345	4,183
66,951	67,050	4,102	2,269	2,890	73,951	74,050	4,753	2,793	3,541	80,951	81,050	5,404	3,353	4,192
67,051	67,150	4,112	2,275	2,899	74,051	74,150	4,763	2,801	3,550	81,051	81,150	5,414	3,361	4,201
67,151	67,250	4,121	2,281	2,909	74,151	74,250	4,772	2,809	3,560	81,151	81,250	5,423	3,369	4,211
67,251	67,350	4,130	2,287	2,918	74,251	74,350	4,781	2,817	3,569	81,251	81,350	5,432	3,377	4,220
67,351	67,450	4,140	2,293	2,927	74,351	74,450	4,791	2,825	3,578	81,351	81,450	5,442	3,385	4,229
67,451	67,550	4,149	2,299	2,937	74,451	74,550	4,800	2,833	3,588	81,451	81,550	5,451	3,393	4,239
67,551	67,650	4,158	2,305	2,946	74,551	74,650	4,809	2,841	3,597	81,551	81,650	5,460	3,401	4,248
67,651	67,750	4,167	2,311	2,955	74,651	74,750	4,818	2,849	3,606	81,651	81,750	5,469	3,409	4,257
67,751	67,850	4,177	2,317	2,965	74,751	74,850	4,828	2,857	3,616	81,751	81,850	5,479	3,417	4,267
67,851	67,950	4,186	2,323	2,974	74,851	74,950	4,837	2,865	3,625	81,851	81,950	5,488	3,425	4,276
67,951	68,050	4,195	2,329	2,983	74,951	75,050	4,846	2,873	3,634	81,951	82,050	5,497	3,433	4,285
68,051	68,150	4,205	2,335	2,992	75,051	75,150	4,856	2,881	3,643	82,051	82,150	5,507	3,441	4,294
68,151	68,250	4,214	2,341	3,002	75,151	75,250	4,865	2,889	3,653	82,151	82,250	5,516	3,449	4,304
68,251	68,350	4,223	2,347	3,011	75,251	75,350	4,874	2,897	3,662	82,251	82,350	5,525	3,457	4,313
68,351	68,450	4,233	2,353	3,020	75,351	75,450	4,884	2,905	3,671	82,351	82,450	5,535	3,465	4,322

Continued on next page.

2006 California Tax Table – Continued

Filing status: 1 or 3 (Single; Married Filing Separately) 2 or 5 (Married Filing Jointly; Qualifying Widow(er)) 4 (Head of Household)														
If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status			If Your Taxable Income Is ...		The Tax For Filing Status		
At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is	At Least	But Not Over	1 Or 3 Is	2 Or 5 Is	4 Is
82,451	82,550	5,544	3,473	4,332	88,951	89,050	6,148	4,020	4,936	95,451	95,550	6,753	4,624	5,541
82,551	82,650	5,553	3,481	4,341	89,051	89,150	6,158	4,029	4,945	95,551	95,650	6,762	4,633	5,550
82,651	82,750	5,562	3,489	4,350	89,151	89,250	6,167	4,038	4,955	95,651	95,750	6,771	4,643	5,559
82,751	82,850	5,572	3,497	4,360	89,251	89,350	6,176	4,048	4,964	95,751	95,850	6,781	4,652	5,569
82,851	82,950	5,581	3,505	4,369	89,351	89,450	6,186	4,057	4,973	95,851	95,950	6,790	4,661	5,578
82,951	83,050	5,590	3,513	4,378	89,451	89,550	6,195	4,066	4,983	95,951	96,050	6,799	4,671	5,587
83,051	83,150	5,600	3,521	4,387	89,551	89,650	6,204	4,075	4,992	96,051	96,150	6,809	4,680	5,596
83,151	83,250	5,609	3,529	4,397	89,651	89,750	6,213	4,085	5,001	96,151	96,250	6,818	4,689	5,606
83,251	83,350	5,618	3,537	4,406	89,751	89,850	6,223	4,094	5,011	96,251	96,350	6,827	4,699	5,615
83,351	83,450	5,628	3,545	4,415	89,851	89,950	6,232	4,103	5,020	96,351	96,450	6,837	4,708	5,624
83,451	83,550	5,637	3,553	4,425	89,951	90,050	6,241	4,113	5,029	96,451	96,550	6,846	4,717	5,634
83,551	83,650	5,646	3,561	4,434	90,051	90,150	6,251	4,122	5,038	96,551	96,650	6,855	4,726	5,643
83,651	83,750	5,655	3,569	4,443	90,151	90,250	6,260	4,131	5,048	96,651	96,750	6,864	4,736	5,652
83,751	83,850	5,665	3,577	4,453	90,251	90,350	6,269	4,141	5,057	96,751	96,850	6,874	4,745	5,662
83,851	83,950	5,674	3,585	4,462	90,351	90,450	6,279	4,150	5,066	96,851	96,950	6,883	4,754	5,671
83,951	84,050	5,683	3,593	4,471	90,451	90,550	6,288	4,159	5,076	96,951	97,050	6,892	4,764	5,680
84,051	84,150	5,693	3,601	4,480	90,551	90,650	6,297	4,168	5,085	97,051	97,150	6,902	4,773	5,689
84,151	84,250	5,702	3,609	4,490	90,651	90,750	6,306	4,178	5,094	97,151	97,250	6,911	4,782	5,699
84,251	84,350	5,711	3,617	4,499	90,751	90,850	6,316	4,187	5,104	97,251	97,350	6,920	4,792	5,708
84,351	84,450	5,721	3,625	4,508	90,851	90,950	6,325	4,196	5,113	97,351	97,450	6,930	4,801	5,717
84,451	84,550	5,730	3,633	4,518	90,951	91,050	6,334	4,206	5,122	97,451	97,550	6,939	4,810	5,727
84,551	84,650	5,739	3,641	4,527	91,051	91,150	6,344	4,215	5,131	97,551	97,650	6,948	4,819	5,736
84,651	84,750	5,748	3,649	4,536	91,151	91,250	6,353	4,224	5,141	97,651	97,750	6,957	4,829	5,745
84,751	84,850	5,758	3,657	4,546	91,251	91,350	6,362	4,234	5,150	97,751	97,850	6,967	4,838	5,755
84,851	84,950	5,767	3,665	4,555	91,351	91,450	6,372	4,243	5,159	97,851	97,950	6,976	4,847	5,764
84,951	85,050	5,776	3,673	4,564	91,451	91,550	6,381	4,252	5,169	97,951	98,050	6,985	4,857	5,773
85,051	85,150	5,786	3,681	4,573	91,551	91,650	6,390	4,261	5,178	98,051	98,150	6,995	4,866	5,782
85,151	85,250	5,795	3,689	4,583	91,651	91,750	6,399	4,271	5,187	98,151	98,250	7,004	4,875	5,792
85,251	85,350	5,804	3,697	4,592	91,751	91,850	6,409	4,280	5,197	98,251	98,350	7,013	4,885	5,801
85,351	85,450	5,814	3,705	4,601	91,851	91,950	6,418	4,289	5,206	98,351	98,450	7,023	4,894	5,810
85,451	85,550	5,823	3,713	4,611	91,951	92,050	6,427	4,299	5,215	98,451	98,550	7,032	4,903	5,820
85,551	85,650	5,832	3,721	4,620	92,051	92,150	6,437	4,308	5,224	98,551	98,650	7,041	4,912	5,829
85,651	85,750	5,841	3,729	4,629	92,151	92,250	6,446	4,317	5,234	98,651	98,750	7,050	4,922	5,838
85,751	85,850	5,851	3,737	4,639	92,251	92,350	6,455	4,327	5,243	98,751	98,850	7,060	4,931	5,848
85,851	85,950	5,860	3,745	4,648	92,351	92,450	6,465	4,336	5,252	98,851	98,950	7,069	4,940	5,857
85,951	86,050	5,869	3,753	4,657	92,451	92,550	6,474	4,345	5,262	98,951	99,050	7,078	4,950	5,866
86,051	86,150	5,879	3,761	4,666	92,551	92,650	6,483	4,354	5,271	99,051	99,150	7,088	4,959	5,875
86,151	86,250	5,888	3,769	4,676	92,651	92,750	6,492	4,364	5,280	99,151	99,250	7,097	4,968	5,885
86,251	86,350	5,897	3,777	4,685	92,751	92,850	6,502	4,373	5,290	99,251	99,350	7,106	4,978	5,894
86,351	86,450	5,907	3,785	4,694	92,851	92,950	6,511	4,382	5,299	99,351	99,450	7,116	4,987	5,903
86,451	86,550	5,916	3,793	4,704	92,951	93,050	6,520	4,392	5,308	99,451	99,550	7,125	4,996	5,913
86,551	86,650	5,925	3,801	4,713	93,051	93,150	6,530	4,401	5,317	99,551	99,650	7,134	5,005	5,922
86,651	86,750	5,934	3,809	4,722	93,151	93,250	6,539	4,410	5,327	99,651	99,750	7,143	5,015	5,931
86,751	86,850	5,944	3,817	4,732	93,251	93,350	6,548	4,420	5,336	99,751	99,850	7,153	5,024	5,941
86,851	86,950	5,953	3,825	4,741	93,351	93,450	6,558	4,429	5,345	99,851	99,950	7,162	5,033	5,950
86,951	87,050	5,962	3,834	4,750	93,451	93,550	6,567	4,438	5,355	99,951	100,000	7,169	5,040	5,957
87,051	87,150	5,972	3,843	4,759	93,551	93,650	6,576	4,447	5,364	IF YOUR TAXABLE INCOME IS OVER \$100,000 YOU MUST COMPUTE YOUR TAX USING THE TAX RATE SCHEDULES.				
87,151	87,250	5,981	3,852	4,769	93,651	93,750	6,585	4,457	5,373					
87,251	87,350	5,990	3,862	4,778	93,751	93,850	6,595	4,466	5,383					
87,351	87,450	6,000	3,871	4,787	93,851	93,950	6,604	4,475	5,392					
87,451	87,550	6,009	3,880	4,797	93,951	94,050	6,613	4,485	5,401					
87,551	87,650	6,018	3,889	4,806	94,051	94,150	6,623	4,494	5,410					
87,651	87,750	6,027	3,899	4,815	94,151	94,250	6,632	4,503	5,420					
87,751	87,850	6,037	3,908	4,825	94,251	94,350	6,641	4,513	5,429					
87,851	87,950	6,046	3,917	4,834	94,351	94,450	6,651	4,522	5,438					
87,951	88,050	6,055	3,927	4,843	94,451	94,550	6,660	4,531	5,448					
88,051	88,150	6,065	3,936	4,852	94,551	94,650	6,669	4,540	5,457					
88,151	88,250	6,074	3,945	4,862	94,651	94,750	6,678	4,550	5,466					
88,251	88,350	6,083	3,955	4,871	94,751	94,850	6,688	4,559	5,476					
88,351	88,450	6,093	3,964	4,880	94,851	94,950	6,697	4,568	5,485					
88,451	88,550	6,102	3,973	4,890	94,951	95,050	6,706	4,578	5,494					
88,551	88,650	6,111	3,982	4,899	95,051	95,150	6,716	4,587	5,503					
88,651	88,750	6,120	3,992	4,908	95,151	95,250	6,725	4,596	5,513					
88,751	88,850	6,130	4,001	4,918	95,251	95,350	6,734	4,606	5,522					
88,851	88,950	6,139	4,010	4,927	95,351	95,450	6,744	4,615	5,531					

2006 California Tax Rate Schedules



Go to www.ftb.ca.gov to e-file and eliminate the math. Or search our Website for **tax calculator** to use the online tax calculator to figure your tax.

Caution: Use only if your taxable income on Form 540, line 19 or Form 540A, line 16 is more than \$100,000. If \$100,000 or less, use the Tax Table.

Schedule X -

Use if your filing status is
Single or Married Filing Separately

If the amount on Form 540, line 19 or Form 540A, line 16 is over –		But not over –		Enter on Form 540, line 20 or Form 540A, line 17	of the amount over –
\$ 0	\$ 6,622	\$ 0.00	+ 1.0%	\$ 0.00	
6,622	15,698	66.22	+ 2.0%	6,622	
15,698	24,776	247.74	+ 4.0%	15,698	
24,776	34,394	610.86	+ 6.0%	24,776	
34,394	43,467	1,187.94	+ 8.0%	34,394	
43,467	AND OVER	1,913.78	+ 9.3%	43,467	

Schedule Y -

Use if your filing status is
**Married Filing Jointly or Qualifying
Widow(er) with Dependent Child**

If the amount on Form 540, line 19 or Form 540A, line 16 is over –		But not over –		Enter on Form 540, line 20 or Form 540A, line 17	of the amount over –
\$ 0	\$ 13,244	\$ 0.00	+ 1.0%	\$ 0.00	
13,244	31,396	132.44	+ 2.0%	13,244	
31,396	49,552	495.48	+ 4.0%	31,396	
49,552	68,788	1,221.72	+ 6.0%	49,552	
68,788	86,934	2,375.88	+ 8.0%	68,788	
86,934	AND OVER	3,827.56	+ 9.3%	86,934	

Schedule Z -

Use if your filing status is
Head of Household

If the amount on Form 540, line 19 or Form 540A, line 16 is over –		But not over –		Enter on Form 540, line 20 or Form 540A, line 17	of the amount over –
\$ 0	\$ 13,251	\$ 0.00	+ 1.0%	\$ 0.00	
13,251	31,397	132.51	+ 2.0%	13,251	
31,397	40,473	495.43	+ 4.0%	31,397	
40,473	50,090	858.47	+ 6.0%	40,473	
50,090	59,166	1,435.49	+ 8.0%	50,090	
59,166	AND OVER	2,161.57	+ 9.3%	59,166	

How to Figure Tax Using the 2006 California Tax Rate Schedules

Example: John and Jackie Anderson are filing a joint return using Form 540. Their taxable income on Form 540, line 19 is \$125,000.

Step 1: Using Schedule Y, they find the taxable income range that includes their taxable income of \$125,000. See the boxed range in the sample below.

If the amount on Form 540, line 19 is: over –		But not over –		Enter on Form 540, line 20	of the amount over –
\$ 0	\$ 13,244	\$ 0.00	+ 1.0%	\$ 0.00	
13,244	31,396	132.44	+ 2.0%	13,244	
31,396	49,552	495.48	+ 4.0%	31,396	
49,552	68,788	1,221.72	+ 6.0%	49,552	
68,788	86,934	2,375.88	+ 8.0%	68,788	
86,934	AND OVER	3,827.56	+ 9.3%	86,934	

	Example	Your Income
Step 2: They subtract the amount at the beginning of their range from their taxable income.	\$125,000 - 86,934 \$ 38,066	\$ - \$
Step 3: They multiply the result from Step 2 by the percentage for their range.	\$38,066 x .093 \$3,540.14	\$ x \$
Step 4: They round the amount from Step 3 to two decimals (if necessary) and add it to the tax amount for their income range. After rounding the result, they will enter \$7,368 on Form 540, line 20. For information on rounding, see "Filing in your return" on page 14.	\$3,827.56 + 3,540.14 \$7,367.70	\$ + \$

2006

Wage and Withholding Summary

W-2

Important: Attach this schedule directly behind Side 2 of your return.

Name(s) as shown on return

SSN or ITIN

Attach your Form(s) W-2 to the front of your income tax return, or complete CA Sch W-2. Use this schedule to transfer information from your Form(s) W-2. If you need more space, complete a separate CA Sch W-2. If you complete a CA Sch W-2, do not submit your Form(s) W-2. Keep them for your records. Transfer the amounts from your Form(s) W-2 to the appropriate boxes on this schedule. If Form(s) W-2 contain data from multiple states, you cannot use this form. The shaded areas need to be completed to ensure excess SDI claims.

Taxpayer W-2 information. (Transfer amounts from your Form(s) W-2 to the appropriate boxes below.) Complete a box for each Form W-2 you receive.

Table with 2 columns: 1st W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Table with 2 columns: 2nd W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Table with 2 columns: 3rd W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Table with 2 columns: 4th W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Spouse W-2 information. (Transfer amounts from your Form(s) W-2 to the appropriate boxes below.) Complete a box for each Form W-2 you receive.

Table with 2 columns: 1st W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Table with 2 columns: 2nd W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Table with 2 columns: 3rd W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

Table with 2 columns: 4th W-2, and 2 columns for SSN (---). Rows include Social Security Number, Employer ID Number, State & Employer's State ID Number, Employer Name, State Wages, Tips, etc., CA State Income Tax, Social Security Wages, and SDI (Local Income Tax).

- A. Total state wages from your Form(s) W-2 for taxpayer (Add box 16 from all Form(s) W-2 for taxpayer) \$
B. Total state wages from your Form(s) W-2 for spouse (Add box 16 from all Form(s) W-2 for spouse) \$
C. Total California Wages from all Form(s) W-2 (Add line A and line B, and enter on line C.) \$
D. Transfer the amount on line C to Form 540 2EZ, line 9; Form 540A, line 12a; Form 540, or Form 540NR (Long or Short), line 12. If completing Form 540X, report any W-2 income on line a, Column B, that was not reported on the original tax return.

Frequently Asked Questions

(Go to our Website at www.ftb.ca.gov for more frequently asked questions)

1. What if I can't file by April 16, 2007, and I think I owe tax?

You must pay 100% of the amount you owe by April 16, 2007, to avoid interest and penalties. If you cannot file because you have not received all your Form(s) W-2, estimate the amount of tax you owe by completing form FTB 3519, Automatic Extension for Individuals, on page 41. Mail it to the FTB with your payment by April 16, 2007, or pay online at www.ftb.ca.gov. Then, when you receive all your Form(s) W-2, complete and mail your return by October 15, 2007 (you must use Form 540A or Form 540).

2. I never received a Form W-2. What should I do?



204

If all of your Form(s) W-2 were not received by January 31, 2007, contact your employer. Only an employer issues or corrects a Form W-2. For more information, call (800) 338-0505, select "Personal Income Tax," then "Frequently Asked Questions," and enter code **204** when instructed.

If you cannot get a copy of your Form(s) W-2, complete form FTB 3525, Substitute for Form W-2, Wage and Tax Statement, or Form 1099, Distributions from Pensions, Annuities, Retirement, or Profit Sharing Plans, IRAs, Insurance Contracts, etc. See "Where To Get Income Tax Forms and Publications" on page 66.

3. How can I get help?

Throughout California more than 1,500 sites provide trained volunteers offering free help during the tax filing season to persons who need to file simple federal and state income tax returns. Many military bases also provide this service for members of the U.S. Armed Forces. Participating locations are listed on our Website at www.ftb.ca.gov, from January 2 through April 16, or call the FTB at (800) 852-5711 to find a location near you.

4. What do I do if I can't pay what I owe with my 2006 return?

Pay as much as possible when you file your return. If unable to pay your tax in full with your return, make a request for monthly payments. However, interest accrues and an underpayment penalty may be charged on the tax not paid by April 16, 2007, even if your request for monthly payments is approved. To make monthly payments, complete form FTB 3567, Installment Agreement Request, online or mail it to the address on the form. Do not mail it with your return.

The Installment Agreement Request might not be processed and approved until after your return is processed, and you may receive a bill before you receive approval of your request.



949

To order this form go to our Website at www.ftb.ca.gov or by phone, call (800) 338-0505, select "Personal Income Tax," then select "Forms and Publications," and enter code **949** when instructed.



610

Note: For more information on how to pay by credit card, go to our Website at www.ftb.ca.gov, or call (800) 338-0505, select "Personal Income Tax," then select "Frequently Asked Questions," and enter code **610** when instructed.

5. How long will it take to get my refund?



112

If you e-file, you get the fastest possible refund. Your refund check is mailed within seven to ten calendar days (or if you request direct deposit, the refund posts to your checking or savings account within five to seven banking days) from the time the FTB receives your e-file return. For more information about e-filing, go to our Website at www.ftb.ca.gov or call (800) 338-0505, select "Personal Income Tax," then select "Frequently Asked Questions," and enter code **112** when instructed.

If you do not e-file your return, you will receive your refund check within six to eight weeks after you file your return. If you request direct deposit, the refund posts to your account, within six to eight weeks after you file your return.

6. I expected my refund by now. How can I check on the status?

Check the status of your refund on our Website at www.ftb.ca.gov. You will need your social security number or ITIN and the refund amount from your return.

You can also call our automated phone service. See page 67 for more information.

7. I discovered an error on my tax return. What should I do?

If you discover that you made an error on your California income tax return after you filed it (paper or e-filed), use Form 540X, Amended Individual Income Tax Return to correct your return. Get Form 540X online at www.ftb.ca.gov or call (800) 338-0505 and enter code **908**. You cannot e-file an amended return.

8. The Internal Revenue Service (IRS) made changes to my federal return. What should I do?

If your federal income tax return is examined and changed by the IRS and you owe additional tax, report these changes to the FTB within six months of the date of the final federal determination. If the changes the IRS made result in a refund due for California, claim a refund within two years of the date of the final federal determination. Either use Form 540X, Amended Individual Income Tax Return, to correct the California income tax return you already filed, or send a copy of the federal changes to:

ATTN RAR/VOL MS F310
FRANCHISE TAX BOARD
PO BOX 1998
RANCHO CORDOVA CA 95741-1998

or Fax the information to (916) 843-2269.

If you need additional information or have any questions, call (916) 845-4028.

Regardless of which method you use to notify the FTB, you must include a copy of the final federal determination along with all data and schedules on which the federal adjustment was based. Get FTB Pub. 1008, Federal Tax Adjustments and Your Notification Responsibilities to California, for more information. See "Order Forms and Publications" on page 67.

Note: File Form 540X only if the change affected your California tax liability.

9. How long should I keep my tax information?

Request for information regarding your California income tax return usually occurs within the California statute of limitations period, which is usually the later of four years from the due date of the return or four years from the file date of the return. (**Exception:** An extended statute of limitations period applies for California or federal tax returns related or subject to a federal audit.)

Keep a copy of your return and the records that verify the income, deductions, adjustments, or credits reported on your return. Some records should be kept longer. For example, keep property records as long as needed to figure the basis of the property or records needed to verify carryover items (i.e., net operating losses) or records needed to track deferred gains on a 1031 exchange.

10. I will be moving after I file my return. How do I notify the FTB of my new address?

Notify the FTB of your new address by using form FTB 3533, Change of Address. This form is available on our Website at www.ftb.ca.gov as a fillable form or you may call (800) 852-5711 and select option 5 to report a change of address.

After filing your return, report a change of address to us for up to four years, especially if you leave the state and no longer have a requirement to file a California return.

Your name: _____ Your SSN or ITIN: _____

- 24 Enter the amount from Side 1, line 23 24 _____
- 25 California income tax withheld. (see page 10) ■ 25 _____
- 26 2006 California estimated tax and payment with form FTB 3519 and amount applied from 2005 return. ■ 26 _____
- 27 Excess SDI. To see if you qualify, see page 10. ■ 27 _____

Child and Dependent Care Expenses Credit. (see page 10.)
Attach form FTB 3506.

- 28 _____
- 29 _____
- 30 _____ ■ 31 _____
- 32 Total payments and credits. Add line 25, line 26, line 27, and line 31 32 _____
- 33 Overpaid tax. If line 32 is more than line 24, subtract line 24 from line 32 33 _____
- 34 Enter the amount of line 33 you want applied to your 2007 estimated tax ■ 34 _____
- 35 Overpaid tax available this year. Subtract line 34 from line 33 ■ 35 _____
- 36 Tax due. If line 32 is less than line 24, subtract line 32 from line 24. (see page 11). 36 _____

Use Tax 37 Use Tax. **This is not a total line.** (see page 11) ● 37 _____ 0 0

Contributions	CA Seniors Special Fund. (see page 59) ● 50 _____ 00	Emergency Food Assistance Program Fund . . . ● 57 _____ 00
	Alzheimer's Disease/Related Disorders Fund ● 51 _____ 00	CA Peace Officer Memorial Foundation Fund . . ● 58 _____ 00
	CA Fund for Senior Citizens ● 52 _____ 00	CA Military Family Relief Fund ● 59 _____ 00
	Rare and Endangered Species Preservation Program . . ● 53 _____ 00	Veterans' Quality of Life Fund ● 60 _____ 00
	State Children's Trust Fund for the Prevention of Child Abuse. ● 54 _____ 00	CA Sexual Violence Victim Services Fund ● 61 _____ 00
	CA Breast Cancer Research Fund ● 55 _____ 00	CA Colorectal Cancer Prevention Fund ● 62 _____ 00
	CA Firefighters' Memorial Fund. ● 56 _____ 00	CA Sea Otter Fund. ● 63 _____ 00
	38 Add line 50 through line 63. These are your total contributions. ● 38 _____ 00	

Amount You Owe 39 **AMOUNT YOU OWE.** (see page 11) **Do not send cash.**
Mail to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001** ■ 39 _____

Pay Online – Go to our Website at www.ftb.ca.gov

40 Underpayment of estimated tax. If form FTB 5805 is attached, fill in this circle. ○ ■ 40 _____

Refund and Direct Deposit 41 **REFUND or NO AMOUNT DUE.** (see page 12)
Mail to: **FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0002** ■ 41 _____

Fill in the information to have your refund directly deposited to one or two separate accounts. Do not attach a voided check or a deposit slip. (see page 12)

All or portion of total refund (line 41) you want to direct deposit:

Checking _____

Savings _____

● Routing number ● Type ● Account number ■ 42 Amount you want to direct deposit _____

Remaining portion of total refund (line 41) you want to direct deposit:

Checking _____

Savings _____

● Routing number ● Type ● Account number ■ 43 Amount you want to direct deposit _____

Sign Here Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is true, correct, and complete.

It is unlawful to forge a spouse's signature. Your signature _____ Spouse's signature (if filing jointly, both must sign) _____ Daytime phone number (optional) (_____) _____

Joint return? (see page 12). X Paid preparer's signature (declaration of preparer is based on all information of which preparer has any knowledge) _____ Date _____ Paid preparer's SSN/PTIN _____

Firm's name (or yours if self-employed) _____ Firm's address _____ FEIN _____

Your name: _____ Your SSN or ITIN: _____

24 Enter the amount from Side 1, line 23 24 _____
25 California income tax withheld. (see page 10) 25 _____
26 2006 California estimated tax and payment with form FTB 3519 and amount applied from 2005 return 26 _____
27 Excess SDI. To see if you qualify, see page 10 27 _____

Child and Dependent Care Expenses Credit. (see page 10.)
Attach form FTB 3506.

28 _____
29 _____
30 _____ 31 _____
32 Total payments and credits. Add line 25, line 26, line 27, and line 31 32 _____
33 Overpaid tax. If line 32 is more than line 24, subtract line 24 from line 32 33 _____
34 Enter the amount of line 33 you want applied to your 2007 estimated tax 34 _____
35 Overpaid tax available this year. Subtract line 34 from line 33 35 _____
36 Tax due. If line 32 is less than line 24, subtract line 32 from line 24. (see page 11) 36 _____

37 Use Tax. **This is not a total line.** (see page 11) 37 _____ 0 0

Contributions

CA Seniors Special Fund. (see page 59) ● 50	00	Emergency Food Assistance Program Fund ... ● 57	00
Alzheimer's Disease/Related Disorders Fund ● 51	00	CA Peace Officer Memorial Foundation Fund .. ● 58	00
CA Fund for Senior Citizens ● 52	00	CA Military Family Relief Fund ● 59	00
Rare and Endangered Species Preservation Program... ● 53	00	Veterans' Quality of Life Fund ● 60	00
State Children's Trust Fund for the Prevention of Child Abuse. ● 54	00	CA Sexual Violence Victim Services Fund ● 61	00
CA Breast Cancer Research Fund ● 55	00	CA Colorectal Cancer Prevention Fund ● 62	00
CA Firefighters' Memorial Fund ● 56	00	CA Sea Otter Fund ● 63	00

38 Add line 50 through line 63. These are your total contributions. ● 38 _____ 00

Amount You Owe

39 **AMOUNT YOU OWE.** (see page 11) **Do not send cash.**
Mail to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001** 39 _____
Pay Online – Go to our Website at www.ftb.ca.gov
40 Underpayment of estimated tax. If form FTB 5805 is attached, fill in this circle ○ 40 _____

Refund and Direct Deposit

41 **REFUND or NO AMOUNT DUE.** (see page 12)
Mail to: **FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0002** 41 _____

Fill in the information to have your refund directly deposited to one or two separate accounts. Do not attach a voided check or a deposit slip. (see page 12)

All or portion of total refund (line 41) you want to direct deposit:
 Checking _____
 Savings _____
● Routing number ● Type ● Account number

Remaining portion of total refund (line 41) you want to direct deposit:
 Checking _____
 Savings _____
● Routing number ● Type ● Account number

42 Amount you want to direct deposit _____
43 Amount you want to direct deposit _____

Sign Here Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is true, correct, and complete.

It is unlawful to forge a spouse's signature.
Your signature _____ Spouse's signature (if filing jointly, both must sign) _____
Date _____

Joint return? (see page 12).
Paid preparer's signature (declaration of preparer is based on all information of which preparer has any knowledge) _____
Paid preparer's SSN/PTIN _____
Firm's name (or yours if self-employed) _____ Firm's address _____
FEIN _____

California Resident Income Tax Return 2006

540 C1 Side 1

Fiscal year filers only: Enter month of year end: month _____ year 2007.

Your first name		Initial	Last name	Your SSN or ITIN		P AC A R RP
If joint return, spouse's first name		Initial	Last name	Spouse's SSN or ITIN		
Present home address — number and street, PO Box, rural route, or PMB no.				Apt. no.	PBA Code	
City, town, or post office (If you have a foreign address, (see page 13)				State	ZIP Code	
Prior Name	If you filed your 2005 tax return under a different last name, write the last name only from the 2005 return. <input type="radio"/> Taxpayer _____ <input type="radio"/> Spouse _____					

Filing Status

1 Single

2 Married filing jointly. (see page 3)

3 Married filing separately. Enter spouse's SSN or ITIN above and full name here _____

4 Head of household (with qualifying person). (see page 3)

5 Qualifying widow(er) with dependent child. Enter year spouse died _____.

6 If someone can claim you (or your spouse) as a dependent, fill in the circle here (see page 7) 6

Exemptions

▶ For line 7, line 8, line 9, and line 10: Multiply the amount you enter in the box by the pre-printed dollar amount for that line.

7 **Personal:** If you filled in 1, 3, or 4 above, enter 1 in the box. If you filled in 2 or 5, enter 2.
 If you filled in the circle on line 6 do not enter amount on line 7 7 X \$91 = \$ _____

8 **Blind:** If you (or your spouse) are visually impaired, enter 1; if both, enter 2 8 X \$91 = \$ _____

9 **Senior:** If you (or your spouse) are 65 or older, enter 1; if both, enter 2 9 X \$91 = \$ _____

10 **Dependents:** Enter name and relationship. **Do not include yourself or your spouse.** _____
 Total dependent exemptions. 10 X \$285 = \$ _____

11 **Exemption amount:** Add line 7 through line 10. Transfer this amount to line 21 11 \$ _____

Taxable Income

12 State wages from your Form(s) W-2, box 16 or CA Sch. W-2, line C 12 _____

13 Enter federal adjusted gross income from Forms 1040, line 37; 1040A, line 21; 1040EZ, line 4 13 _____

14 California adjustments – subtractions. Enter the amount from Schedule CA (540), line 37, column B 14 _____

15 Subtract line 14 from line 13. If less than zero, enter the result in parentheses (see page 13) 15 _____

16 California adjustments – additions. Enter the amount from Schedule CA (540), line 37, column C 16 _____

17 California adjusted gross income. Combine line 15 and line 16 17 _____

18 Enter the **larger of:** { Your California **itemized deductions** from Schedule CA (540), line 44; **OR** Your California **standard deduction** shown below for your filing status:
 • Single or Married filing separately \$3,410
 • Married filing jointly, Head of household, or Qualifying widow(er) \$6,820
 If the circle on line 6 is filled in, STOP. (see page 13) 18 _____

19 Subtract line 18 from line 17. This is your **taxable income**. If less than zero, enter -0- 19 _____

Tax

20 Tax. Fill in the circle if from: Tax Table Tax Rate Schedule FTB 3800 FTB 3803 20 _____

21 Exemption credits. Enter the amount from line 11. If your federal AGI is more than \$150,743, see page 14. 21 _____

22 Subtract line 21 from line 20. If less than zero, enter -0- 22 _____

23 Tax (see page 14). Fill in the circle if from: Schedule G-1 FTB 5870A 23 _____

24 Add line 22 and line 23. 24 _____

Special Credits

25 Enter credit name _____ code no _____ and amount ▶ 25 _____

26 Enter credit name _____ code no _____ and amount ▶ 26 _____

27 To claim more than two credits (see page 15) 27 _____

28 Nonrefundable renter's credit (see page 15) 28 _____

29 Add line 25 through line 28. These are your total credits 29 _____

30 Subtract line 29 from line 24. If less than zero, enter -0- 30 _____

Other Taxes

31 Alternative minimum tax. Attach Schedule P (540) 31 _____

32 Mental Health Services Tax (see page 16) 32 _____

33 Other taxes and credit recapture (see page 16) 33 _____

34 Add line 30, line 31, line 32, and line 33. This is your total tax 34 _____

Your name: _____ Your SSN or ITIN: _____

Payments	35 Total tax from line 34, Side 1 35
	36 California income tax withheld (see page 16) 36
	37 2006 CA estimated tax and other payments (see page 16) 37
	38 Real estate and other withholding, Forms 592-B, 593-B, and 594 (see page 16) 38
	39 Excess SDI. To see if you qualify (see page 16) 39
Child and Dependent Care Expenses Credit (see page 16). Attach form FTB 3506.	
● 40 _____ ● 41 _____	
■ 42 _____ ■ 43 _____	
44 Add line 36, line 37, line 38, line 39, and line 43. These are your total payments (see page 17) 44	

Overpaid Tax/ Tax Due	45 Overpaid tax. If line 44 is more than line 35, subtract line 35 from line 44 45
	46 Amount of line 45 you want applied to your 2007 estimated tax 46
	47 Overpaid tax available this year. Subtract line 46 from line 45 47
	48 Tax due. If line 44 is less than line 35, subtract line 44 from line 35 48

Use Tax	49 Use Tax. This is not a total line (see page 17) ● 49 _____ 00
----------------	--

Contributions	CA Seniors Special Fund (see page 59) ● 50 _____ 00	Emergency Food Assistance Program Fund ● 57 _____ 00
	Alzheimer's Disease/Related Disorders Fund ● 51 _____ 00	CA Peace Officer Memorial Foundation Fund ● 58 _____ 00
	CA Fund for Senior Citizens ● 52 _____ 00	CA Military Family Relief Fund ● 59 _____ 00
	Rare and Endangered Species Preservation Program ● 53 _____ 00	Veterans' Quality of Life Fund ● 60 _____ 00
	State Children's Trust Fund for the Prevention of Child Abuse ● 54 _____ 00	CA Sexual Violence Victim Services Fund ● 61 _____ 00
	CA Breast Cancer Research Fund ● 55 _____ 00	CA Colorectal Cancer Prevention Fund ● 62 _____ 00
	CA Firefighters' Memorial Fund ● 56 _____ 00	CA Sea Otter Fund ● 63 _____ 00
	64 Add line 50 through line 63. These are your total contributions ● 64 _____ 00	

Amount You Owe	65 AMOUNT YOU OWE. Add line 48, line 49, and line 64 (see page 18). Do not send cash. Mail to: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001 ■ 65 <input type="text"/>
-----------------------	---

Interest and Penalties	66 Interest, late return penalties, and late payment penalties 66
	67 Underpayment of estimated tax. Fill in circle: ○ FTB 5805 attached ○ FTB 5805F attached ■ 67
	68 Total amount due (see page 19). Enclose, but do not staple, any payment 68

Refund and Direct Deposit	69 REFUND OR NO AMOUNT DUE. Subtract line 49 and line 64 from line 47 (see page 19). Mail to: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0002 ■ 69 <input type="text"/>
----------------------------------	---

Fill in the information to have your refund directly deposited to one or two separate accounts. Do not attach a voided check or a deposit slip (see page 19).

All or portion of total refund (line 69) you want to direct deposit:

Checking Savings

● Routing number ● Type ● Account number

■ **70** Direct deposit amount

Remaining portion of total refund (line 69) you want to direct deposit:

Checking Savings

● Routing number ● Type ● Account number

■ **71** Direct deposit amount

Sign Here

IMPORTANT: See the instructions to find out if you should attach a copy of your complete federal return. Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Your signature	Spouse's signature (if a joint return, both must sign)	Daytime phone number (optional)
X	X	() _____
Paid preparer's signature (<i>declaration of preparer is based on all information of which preparer has any knowledge</i>)		Date _____
		● Paid preparer's SSN/PTIN _____
Firm's name (or yours if self-employed)	Firm's address	● FEIN _____

California Resident Income Tax Return 2006

540 C1 Side 1

Fiscal year filers only: Enter month of year end: month _____ year 2007.

Your first name		Initial	Last name	Your SSN or ITIN		P AC A R RP
If joint return, spouse's first name		Initial	Last name	Spouse's SSN or ITIN		
Present home address — number and street, PO Box, rural route, or PMB no.				Apt. no.	PBA Code	
City, town, or post office (If you have a foreign address, (see page 13)				State	ZIP Code	
Prior Name	If you filed your 2005 tax return under a different last name, write the last name only from the 2005 return. <input type="radio"/> Taxpayer _____ <input type="radio"/> Spouse _____					

Filing Status

1 Single

2 Married filing jointly. (see page 3)

3 Married filing separately. Enter spouse's SSN or ITIN above and full name here _____

4 Head of household (with qualifying person). (see page 3)

5 Qualifying widow(er) with dependent child. Enter year spouse died _____.

6 If someone can claim you (or your spouse) as a dependent, fill in the circle here (see page 7) 6

Exemptions

▶ For line 7, line 8, line 9, and line 10: Multiply the amount you enter in the box by the pre-printed dollar amount for that line.

7 **Personal:** If you filled in 1, 3, or 4 above, enter 1 in the box. If you filled in 2 or 5, enter 2.
 If you filled in the circle on line 6 do not enter amount on line 7 7 X \$91 = \$ _____

8 **Blind:** If you (or your spouse) are visually impaired, enter 1; if both, enter 2 8 X \$91 = \$ _____

9 **Senior:** If you (or your spouse) are 65 or older, enter 1; if both, enter 2 9 X \$91 = \$ _____

10 **Dependents:** Enter name and relationship. **Do not include yourself or your spouse.** _____
 Total dependent exemptions. 10 X \$285 = \$ _____

11 **Exemption amount:** Add line 7 through line 10. Transfer this amount to line 21 11 \$ _____

Taxable Income

12 State wages from your Form(s) W-2, box 16 or CA Sch. W-2, line C 12 _____

13 Enter federal adjusted gross income from Forms 1040, line 37; 1040A, line 21; 1040EZ, line 4 13 _____

14 California adjustments – subtractions. Enter the amount from Schedule CA (540), line 37, column B 14 _____

15 Subtract line 14 from line 13. If less than zero, enter the result in parentheses (see page 13) 15 _____

16 California adjustments – additions. Enter the amount from Schedule CA (540), line 37, column C 16 _____

17 California adjusted gross income. Combine line 15 and line 16 17 _____

18 Enter the **larger of:** { Your California **itemized deductions** from Schedule CA (540), line 44; **OR** Your California **standard deduction** shown below for your filing status:
 • Single or Married filing separately \$3,410
 • Married filing jointly, Head of household, or Qualifying widow(er) \$6,820
 If the circle on line 6 is filled in, STOP. (see page 13) 18 _____

19 Subtract line 18 from line 17. This is your **taxable income**. If less than zero, enter -0- 19 _____

Tax

20 Tax. Fill in the circle if from: Tax Table Tax Rate Schedule FTB 3800 FTB 3803 20

21 Exemption credits. Enter the amount from line 11. If your federal AGI is more than \$150,743, see page 14. 21 _____

22 Subtract line 21 from line 20. If less than zero, enter -0- 22 _____

23 Tax (see page 14). Fill in the circle if from: Schedule G-1 FTB 5870A 23

24 Add line 22 and line 23. 24 _____

Special Credits

25 Enter credit name _____ code no _____ and amount ▶ 25 _____

26 Enter credit name _____ code no _____ and amount ▶ 26 _____

27 To claim more than two credits (see page 15) 27 _____

28 Nonrefundable renter's credit (see page 15) 28 _____

29 Add line 25 through line 28. These are your total credits 29 _____

30 Subtract line 29 from line 24. If less than zero, enter -0- 30 _____

Other Taxes

31 Alternative minimum tax. Attach Schedule P (540) 31 _____

32 Mental Health Services Tax (see page 16) 32 _____

33 Other taxes and credit recapture (see page 16) 33 _____

34 Add line 30, line 31, line 32, and line 33. This is your total tax 34 _____

Your name: _____ Your SSN or ITIN: _____

Payments	35 Total tax from line 34, Side 1 35
	36 California income tax withheld (see page 16) 36
	37 2006 CA estimated tax and other payments (see page 16) 37
	38 Real estate and other withholding, Forms 592-B, 593-B, and 594 (see page 16) 38
	39 Excess SDI. To see if you qualify (see page 16) 39
Child and Dependent Care Expenses Credit (see page 16). Attach form FTB 3506.	
● 40 _____ ● 41 _____	
■ 42 _____ ■ 43 _____	
44 Add line 36, line 37, line 38, line 39, and line 43. These are your total payments (see page 17) 44	

Overpaid Tax/ Tax Due	45 Overpaid tax. If line 44 is more than line 35, subtract line 35 from line 44 45
	46 Amount of line 45 you want applied to your 2007 estimated tax 46
	47 Overpaid tax available this year. Subtract line 46 from line 45 47
	48 Tax due. If line 44 is less than line 35, subtract line 44 from line 35 48

Use Tax	49 Use Tax. This is not a total line (see page 17) ● 49 _____ 00
----------------	--

Contributions	CA Seniors Special Fund (see page 59) ● 50 _____ 00	Emergency Food Assistance Program Fund ● 57 _____ 00
	Alzheimer's Disease/Related Disorders Fund ● 51 _____ 00	CA Peace Officer Memorial Foundation Fund ● 58 _____ 00
	CA Fund for Senior Citizens ● 52 _____ 00	CA Military Family Relief Fund ● 59 _____ 00
	Rare and Endangered Species Preservation Program ● 53 _____ 00	Veterans' Quality of Life Fund ● 60 _____ 00
	State Children's Trust Fund for the Prevention of Child Abuse ● 54 _____ 00	CA Sexual Violence Victim Services Fund ● 61 _____ 00
	CA Breast Cancer Research Fund ● 55 _____ 00	CA Colorectal Cancer Prevention Fund ● 62 _____ 00
	CA Firefighters' Memorial Fund ● 56 _____ 00	CA Sea Otter Fund ● 63 _____ 00
	64 Add line 50 through line 63. These are your total contributions ● 64 _____ 00	

Amount You Owe	65 AMOUNT YOU OWE. Add line 48, line 49, and line 64 (see page 18). Do not send cash. Mail to: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001 ■ 65 <input type="text"/>
-----------------------	---

Interest and Penalties	66 Interest, late return penalties, and late payment penalties 66
	67 Underpayment of estimated tax. Fill in circle: <input type="radio"/> FTB 5805 attached <input type="radio"/> FTB 5805F attached ■ 67
	68 Total amount due (see page 19). Enclose, but do not staple, any payment 68

Refund and Direct Deposit	69 REFUND OR NO AMOUNT DUE. Subtract line 49 and line 64 from line 47 (see page 19). Mail to: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0002 ■ 69 <input type="text"/>
----------------------------------	---

Fill in the information to have your refund directly deposited to one or two separate accounts. Do not attach a voided check or a deposit slip (see page 19).

All or portion of total refund (line 69) you want to direct deposit:

Checking Savings

● Routing number ● Type ● Account number

■ **70** Direct deposit amount

Remaining portion of total refund (line 69) you want to direct deposit:

Checking Savings

● Routing number ● Type ● Account number

■ **71** Direct deposit amount

Sign Here

IMPORTANT: See the instructions to find out if you should attach a copy of your complete federal return. Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Your signature	Spouse's signature (if a joint return, both must sign)	Daytime phone number (optional)
X	X	() _____
Paid preparer's signature (<i>declaration of preparer is based on all information of which preparer has any knowledge</i>)		Date _____
		● Paid preparer's SSN/PTIN _____
Firm's name (or yours if self-employed)	Firm's address	● FEIN _____

2006 California Adjustments – Residents

CA (540)

Important: Attach this schedule directly behind Form 540, Side 2.

Name(s) as shown on return

SSN or ITIN

Part I Income Adjustment Schedule

Section A – Income

	A	Federal Amounts (taxable amounts from your federal return)	B	Subtractions See instructions	C	Additions See instructions
7	Wages, salaries, tips, etc. See instructions before making an entry in column B or C . . .	7				
8	Taxable interest income	8				
9	Ordinary dividends. See instructions. (b) _____	(a)				
10	Taxable refunds, credits, offsets of state and local income taxes	10				
11	Alimony received	11				
12	Business income or (loss)	12				
13	Capital gain or (loss). See instructions	13				
14	Other gains or (losses)	14				
15	Total IRA distributions. See instructions. (a) _____	(b)				
16	Total pensions and annuities. See instructions. (a) _____	(b)				
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc.	17				
18	Farm income or (loss)	18				
19	Unemployment compensation. Enter the same amount in column A and column B.	19				
20	Social security benefits (a) _____	(b)				
21	Other income.					
	a California lottery winnings			a		
	b Disaster loss carryover from FTB 3805V			b		
	c Federal NOL (Form 1040, line 21)			c		
	d NOL carryover from FTB 3805V			d		
	e NOL from FTB 3805D, 3805Z, 3806, 3807, or 3809			e		
	f Other (describe) _____			f		
21						
22	Total. Combine line 7 through line 21 in column A. Add line 7 through line 21f in column B and column C. Go to Section B.	22				

Section B – Adjustments to Income

23	Archer MSA deduction	23				
24	Certain business expenses of reservists, performing artists, and fee-basis government officials	24				
25	Health savings account deduction	25				
26	Moving expenses	26				
27	One-half of self-employment tax	27				
28	Self-employed SEP, SIMPLE, and qualified plans	28				
29	Self-employed health insurance deduction	29				
30	Penalty on early withdrawal of savings	30				
31a	Alimony paid. (b) Recipient's: SSN _____ - _____ - _____					
	Last name _____	31a				
32	IRA deduction	32				
33	Student loan interest deduction	33				
34	Jury duty pay you gave to your employer	34				
35	Domestic production activities deduction	35				
36	Add line 23 through line 31a and line 32 through line 35 in columns A, B, and C. See instructions	36				
37	Total. Subtract line 36 from line 22 in columns A, B, and C. See instructions	37				

Part II Adjustments to Federal Itemized Deductions

38	Federal itemized deductions. Add the amounts on federal Schedule A (Form 1040), lines 4, 9, 14, 18, 19, 26, and 27	38	_____
39	Enter total of federal Schedule A (Form 1040), line 5 (State Disability Insurance, and state and local income tax, or General Sales Tax) and line 8 (foreign taxes only). See instructions	39	_____
40	Subtract line 39 from line 38	40	_____
41	Other adjustments including California lottery losses. See instructions. Specify _____	41	_____
42	Combine line 40 and line 41	42	_____
43	Is your federal AGI (Form 540, line 13) more than the amount shown below for your filing status?		
	Single or married filing separately.	\$150,743	
	Head of household	\$226,119	
	Married filing jointly or qualifying widow(er)	\$301,491	
	No. Transfer the amount on line 42 to line 43		
	Yes. Complete the Itemized Deductions Worksheet in the instructions for Schedule CA (540), line 43	43	<input type="text"/>
44	Enter the larger of the amount on line 43 or your standard deduction listed below		
	Single or married filing separately.	\$3,410	
	Married filing jointly, head of household, or qualifying widow(er).	\$6,820	
	Transfer the amount on line 44 to Form 540, line 18	44	<input type="text"/>

2006

California Capital Gain or Loss Adjustment

Do not complete this schedule if all of your California gains (losses) are the same as your federal gains (losses).

D (540)

Name(s) as shown on return

SSN or ITIN

Table with 5 columns: (a) Description of property, (b) Sales price, (c) Cost or other basis, (d) Loss, (e) Gain. Includes lines 1a, 1b, 2-12b.

2006

Depreciation and Amortization Adjustments

Do not complete this form if your California depreciation amounts are the same as federal amounts.

3885A

Part I Identify the activity as passive or nonpassive.

- 1 This form is being completed for a passive activity.
This form is being completed for a nonpassive activity.

Business or activity to which form FTB 3885A relates

Part II Election to Expense Certain Tangible Property (IRC Section 179).

2 Enter the amount from line 12 of the Tangible Property Expense Worksheet in the instructions

Table with 6 columns: (a) Description of property placed in service, (b) Date placed in service, (c) California basis for depreciation, (d) Method, (e) Life or rate, (f) California depreciation deduction. Includes line 3.

4 Add the amounts on line 3, column (f)
5 California depreciation for assets placed in service prior to 2006
6 Total California depreciation from this activity.
7 Total federal depreciation from this activity.
8 a If line 6 is more than line 7, enter the difference here and see instructions
b If line 6 is less than line 7, enter the difference here and see instructions

Table with 6 columns: (a) Description of cost amortizable, (b) Date placed in service, (c) California basis for amortization, (d) Code section, (e) Period or percentage, (f) California amortization deduction. Includes line 9.

10 Total California amortization from this activity.
11 California amortization of costs that began before 2006.
12 Total California amortization from this activity.
13 Total federal amortization from this activity.
14 a If line 12 is more than line 13, enter the difference here and see instructions
b If line 12 is less than line 13, enter the difference here and see instructions

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visit our Website:

www.ftb.ca.gov

Instructions for Form FTB 3519

Automatic Extension for Individuals

General Information

Use form FTB 3519 **only** if:

- You cannot file your 2006 return by April 16, 2007; **and**
- You owe tax for 2006.

When you file your 2006 return, you can **e-file**. Go to our Website at www.ftb.ca.gov. Use Form 540A, Form 540, or Long Form 540NR. **Note:** If you use form FTB 3519, you may not file Form 540 2EZ or Short Form 540NR.

Use the worksheet below to determine if you owe tax.

- If you **do not** owe tax, **do not** complete or mail this voucher. However, file your return by October 15, 2007.
- If you owe tax, choose one of the following payment options:
 - Web Pay:** To make a payment online or to schedule a future payment (up to one year in advance), go to our Website at www.ftb.ca.gov. **Do not mail** the voucher to us.
 - Check or Money Order:** Complete the payment voucher below and mail it with your check or money order to the Franchise Tax Board (FTB). **Note:** Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.
 - Credit Card:** Use your Discover/NOVUS, MasterCard, American Express, or Visa card. Call (800) 272-9829 or go to the Website www.officialpayments.com. Use the jurisdiction code 1555. Official Payments Corp. charges a convenience fee for using this service. **Do not** mail the voucher to us.
 - Installment Agreement:** Can't pay the full amount you owe? Go to our Website at www.ftb.ca.gov or get form FTB 3567, Installment Agreement Request Booklet.

Name and Address. Fill in your complete name(s), address, and social security number(s) (SSN's) or individual taxpayer identification number(s) (ITIN's) on the voucher. If you lease a private mailbox (PMB) from a private business rather than a PO box from the United States Postal Service, include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street, PMB 123.

Penalties and Interest

If you fail to pay your total tax liability by April 16, 2007, a late-payment penalty plus interest will be added to your tax due. The late payment penalty may be waived where 90% of the tax shown on the return is paid by the original due date of the return. If, after April 16, 2007, you find that your estimate of tax due was too low, pay the additional tax as soon as possible to avoid further accumulation of penalties and interest. Pay your additional tax with another form FTB 3519 voucher. If you do not file your tax return by October 15, 2007, you will be assessed a late-filing penalty plus interest from the original due date of the return.

Taxpayers Residing or Traveling Outside the USA

If you are living or traveling outside the USA on April 16, 2007, the deadline to file your return and pay the tax is June 15, 2007. Interest will accrue from the original due date (April 15, 2007) until the date of payment. If you need additional time to file, you will be allowed a six-month extension without filing a request. To qualify for the extension, file your tax return by December 17, 2007. To avoid any late-payment penalties, pay your tax liability by June 15, 2007. When filing your tax return, attach a statement to the front indicating that you were "outside the USA on April 16, 2007."

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tax you expect to owe. This is the amount you expect to enter on Form 540A, line 23; Form 540, line 34; or Long Form 540NR, line 42 . . .	1	_____
2	Payments and credits:		
a	California income tax withheld (including real estate and nonresident withholding) . . .	2a	_____
b	California estimated tax payments and amount applied from your 2005 tax return . . .	2b	_____
(Note: You can check the estimated tax payments we have received by going to our Website at www.ftb.ca.gov .)			
c	Other payments and credits, including any tax payments made with any previous form FTB 3519 voucher.	2c	_____
3	Total tax payments and credits. Add line 2a, line 2b, and line 2c	3	_____
4	Tax due. Is line 1 more than line 3?	4	_____

- No. Stop here.** You have no tax due. **DO NOT MAIL THE PAYMENT VOUCHER.** Your return, when filed by October 15, 2007, will verify that you qualified for the extension.
- Yes.** Subtract line 3 from line 1. This is your tax due. Enter the tax due amount from line 4 as the "Amount of payment" on the form FTB 3519 voucher below. Fill in your name(s), address, and SSN or ITIN, and separate the voucher from this page where it says "DETACH HERE." Make a check or money order payable to "Franchise Tax Board." Also write your SSN or ITIN and "2006 FTB 3519" on the check or money order. Enclose, but **do not** staple your check or money order with the voucher and mail to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0051**

✓ Keep this completed worksheet with your tax records.

Save the stamp – pay online or by credit card!

✂ DETACH HERE _____ IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM _____ DETACH HERE ✂

Calendar year – File and Pay by April 16, 2007

TAXABLE YEAR

CALIFORNIA FORM

2006

Automatic Extension for Individuals

3519 (PIT)

Your first name	Initial	Last name	Your SSN or ITIN
_____	_____	_____	_____
If joint payment, spouse's first name	Initial	Last name	Spouse's SSN or ITIN
_____	_____	_____	_____
Present address – number and street, PO Box, rural route, or PMB no.			Apt. no.
_____			_____
City, town, or post office		State	ZIP Code
_____		_____	_____

IF PAYMENT IS DUE, MAIL TO:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0051

If amount of payment is zero, do not mail form } ▶

Amount of payment

540-ES Voucher 1 at bottom of page

✂ DETACH HERE _____ IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM _____ DETACH HERE ✂

TAXABLE YEAR

CALIFORNIA FORM

2007 Estimated Tax for Individuals File and Pay by April 16, 2007 540-ES

Fiscal year filers, enter year ending month: Year 2008

Your first name	Initial	Last name	Your SSN or ITIN
If joint payment, spouse's first name	Initial	Last name	Spouse's SSN or ITIN
Present home address — number and street, PO Box, rural route, or PMB no.			Apt no.
City, town, or post office (If you have a foreign address, see instructions)		State	ZIP Code

**Payment
Voucher
1**

Do not combine this payment with payment of your tax due for 2006. Make your check or money order payable to "Franchise Tax Board." Write your social security number or individual taxpayer identification number and "Form 540-ES 2007" on it. Mail this voucher and your check or money order to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031.**

Amount of payment

If No Payment is Due, Do Not Mail This Form.

See Section A of the instructions for an alternative to using this form.

2007 Estimated Tax for Individuals

File and Pay by June 15, 2007

540-ES

Fiscal year filers, enter year ending month: Year 2008

Your first name	Initial	Last name	Your SSN or ITIN
If joint payment, spouse's first name	Initial	Last name	Spouse's SSN or ITIN
Present home address — number and street, PO Box, rural route, or PMB no.			Apt no.
City, town, or post office (If you have a foreign address, see instructions)		State	ZIP Code

Payment Voucher 2

Do not combine this payment with payment of your tax due for 2006. Make your check or money order payable to "Franchise Tax Board." Write your social security number or individual taxpayer identification number and "Form 540-ES 2007" on it. Mail this voucher and your check or money order to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031.**

Amount of payment

If No Payment is Due, Do Not Mail This Form.

See Section A of the instructions for an alternative to using this form.

For Privacy Notice, get form FTB 1131.

1201073

Form 540-ES 2006

✂ DETACH HERE IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM DETACH HERE ✂

2007 Estimated Tax for Individuals

File and Pay by Sept. 17, 2007

540-ES

Fiscal year filers, enter year ending month: Year 2008

Your first name	Initial	Last name	Your SSN or ITIN
If joint payment, spouse's first name	Initial	Last name	Spouse's SSN or ITIN
Present home address — number and street, PO Box, rural route, or PMB no.			Apt no.
City, town, or post office (If you have a foreign address, see instructions)		State	ZIP Code

Payment Voucher 3

Do not combine this payment with payment of your tax due for 2006. Make your check or money order payable to "Franchise Tax Board." Write your social security number or individual taxpayer identification number and "Form 540-ES 2007" on it. Mail this voucher and your check or money order to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031.**

Amount of payment

If No Payment is Due, Do Not Mail This Form.

See Section A of the instructions for an alternative to using this form.

For Privacy Notice, get form FTB 1131.

1201073

Form 540-ES 2006

✂ DETACH HERE IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM DETACH HERE ✂

2007 Estimated Tax for Individuals

File and Pay by Jan. 15, 2008

540-ES

Fiscal year filers, enter year ending month: Year 2008

Your first name	Initial	Last name	Your SSN or ITIN
If joint payment, spouse's first name	Initial	Last name	Spouse's SSN or ITIN
Present home address — number and street, PO Box, rural route, or PMB no.			Apt no.
City, town, or post office (If you have a foreign address, see instructions)		State	ZIP Code

Payment Voucher 4

Do not combine this payment with payment of your tax due for 2006. Make your check or money order payable to "Franchise Tax Board." Write your social security number or individual taxpayer identification number and "Form 540-ES 2007" on it. Mail this voucher and your check or money order to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031.**

Amount of payment

If No Payment is Due, Do Not Mail This Form.

See Section A of the instructions for an alternative to using this form.

For Privacy Notice, get form FTB 1131.

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Form 540-ES 2006

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visit our Website:

www.ftb.ca.gov

2007 Instructions for Form 540-ES Estimated Tax For Individuals

What's New

Registered Domestic Partners. Beginning with the 2007 tax year, registered domestic partners are required to file a joint California return or separate returns using the same rules applicable to spouses. If you are a registered domestic partner, you may choose to modify your withholding or estimated tax payments for 2007 in anticipation of this change.

A Purpose

Use this form, with the instructions and the 2007 Estimated Tax Worksheet, to determine if you owe estimated tax for 2007 and to figure the required amounts. Estimated tax is the tax you expect to owe in 2007 after subtracting the credits you plan to take and tax you expect to have withheld.

Note: If you need to make a payment for your 2006 tax liability or make a separate payment for any balance due on your 2006 tax return, use form FTB 3519, Automatic Extension for Individuals, or form FTB 3567, Installment Agreement Request, or call (800) 338-0505.

Generally, the required estimated tax amount is based on the lesser of 90% of the current year's tax or 100% of the prior year's tax including Alternative Minimum Tax (AMT).

Note: Certain taxpayers are limited in their use of the prior year's tax as a basis for figuring their estimated tax. See paragraph C below for more information. Check for estimated payments we've received by going to our Website at www.ftb.ca.gov and select **Check your account**.

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 get this form from your employer, or by calling EDD at (888) 745-3886. You can download the Form DE 4 at EDD's Website www.edd.ca.gov or by going to our Website at www.ftb.ca.gov and search 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.

B Who Must Make Estimated Tax Payments

Generally, you must make estimated tax payments if you expect to owe at least \$200 (\$100 if married filing separately) in tax for 2007 (after subtracting withholding and credits) and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 2007 tax return; or
2. The tax shown on your 2006 tax return including AMT.

Note:

- You do not have to make estimated tax payments if you are a nonresident or new resident of California in 2006 and did not have a California tax liability in 2006.
- If you are a military servicemember not domiciled in California, do not include your military pay in your computation of estimated tax payments. For additional information, get FTB Pub. 1032, Tax Information for Military Personnel.

If you and your spouse paid joint estimated tax payments, but are now filing separate returns, either of you may claim all of the amount paid, or you may each claim part of the joint estimated payments. If you want the estimated tax payments to be divided, notify the FTB before the end of the tax year in which you wish to file separate returns so that 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 ESTIMATE CREDIT ALLOCATION MS F225
TAXPAYER SERVICES CENTER
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0040

C Limit on the Use of Prior Year's Tax

Individuals who are required to make estimated payments, and whose 2006 adjusted gross income is more than \$150,000 (or \$75,000 if married filing separately), must figure estimated tax based on the lesser of 90% of their tax for 2007 or 110% of their tax for 2006 including AMT. This rule does not apply to farmers or fishermen.

D When to Make Your Estimated Tax Payments

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If you do not pay enough tax by the due date of each of the payment periods, you may be charged a penalty even if you are due a refund when you file your income tax return. The payment periods and due dates are:

For the payment period:

January 1 through March 31, 2007
April 1 through May 31, 2007
June 1 through August 31, 2007
Sept. 1 through Dec. 31, 2007

File and Pay by:

April 16, 2007
June 15, 2007
September 17, 2007
January 15, 2008

Filing an Early Return In Place of the 4th Installment. If you file your 2007 tax return by January 31, 2008, and pay the entire balance due, you do not have to make your last estimated tax payment. In addition, you will not owe a penalty for the fourth installment.

Annualization Option. If you do not receive your taxable income evenly during the year, it may be to your advantage to annualize your income. This method allows you to match your estimated tax payments to the actual period when you earned the income. You may use the annualization schedule included with the 2006 form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

Farmers and Fishermen. If you are a farmer or fisherman, and at least two-thirds of your 2006 and 2007 gross income is from farming or fishing, you may:

- Pay all of your estimated tax by January 15, 2008; or
- File your tax return for 2007 on or before March 3, 2008, and pay the total tax due. In this case, you need not make estimated tax payments for 2007. Use form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to determine if you paid the required estimated tax. If the estimated tax is underpaid, attach the completed form FTB 5805F to the back of your return.

Fiscal Year. If you file your return on a fiscal year basis, your due dates will be the 15th day of the 4th, 6th, and 9th months of your fiscal year and the 1st month of the following fiscal year. If the due date falls on a Saturday, Sunday, or legal holiday, use the next business day.

Mental Health Services Tax. If your taxable income or nonresident CA source taxable income is more than \$1,000,000, compute the Mental Health Services Tax below.

A. Taxable income from Form 540A, line 16; Form 540, line 19; or Long Form 540NR, line 22	
B. Less:	\$(1,000,000)
C. Subtotal	
D. Multiply line C by 1%	x .01
E. Mental Health Services Tax – Enter this amount on line 17 of the 2007 Estimated Tax Worksheet on the next page	

E How to Use Form 540-ES Payment Voucher

Use the Estimated Tax Worksheet and your 2006 California income tax return as a guide for figuring your 2007 estimated tax. Be sure that the amount shown on line 21 of the Estimated Tax Worksheet has been reduced by any overpaid tax on your 2006 tax return which you chose to apply toward your 2007 estimated tax payment.

Note:

- This form is not an application for an installment agreement. If you are not able to pay your income tax, get FTB 3567, Installment Agreement Request Booklet, or complete the form online. Go to our Website at www.ftb.ca.gov.
- If you filed Form 540 2EZ for 2006, do not use the Form 540 2EZ instructions for figuring amounts on this worksheet. Instead, get the 2006 California Resident Income Tax Booklet.

There is a separate payment voucher for each due date. Please be sure you use the voucher with the correct due date shown in the top margin of the voucher. Complete Form 540-ES using black or blue ink:

1. Print your name, address, and social security number or individual taxpayer identification number in the space provided on Form 540-ES. If you have a 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.
2. Complete the amount of payment line of the voucher by entering the amount of the payment that you are sending. Your entry must match the amount you are sending.
3. Paying your tax:
 - Web Pay** – To make a payment online or to schedule a future payment (up to one year in advance), go to our Website at www.ftb.ca.gov. **Do not mail** the voucher to us.
 - Credit card** – Go to our Website at www.ftb.ca.gov or call (800) 272-9829. You will be charged a fee for this service. **Do not mail** the voucher if you pay by credit card.
 - Check or money order** – Make your check or money order payable to "Franchise Tax Board." Write your social security number or individual taxpayer identification number and "Form 540-ES 2007" on it and mail to the address on the voucher.
- Note:** Make all checks and money orders payable in U.S. dollars and drawn against a U.S. financial institution.
4. Complete the Record of Estimated Tax Payments on page 46 for your files.
5. **Fiscal year filers:** Enter the month of your fiscal year end (located directly below the form's title).

F Failure to Make Estimated Tax Payments

If you do not make the required estimate payments, if you pay an installment after the date it is due, or if you underpay any installment, a penalty may be assessed on the portion of estimated tax that was underpaid from the due date of the installment to the date of payment or the due date of your tax return, whichever is earlier. Refer to the 2006 form FTB 5805 for more information.

2007 California Estimated Tax Worksheet Keep this worksheet for your records.

- 1 Residents:** Enter your estimated 2007 California AGI. **Nonresidents and part-year residents:** Enter your estimated 2007 total AGI from all sources. **If you are a military servicemember not domiciled in California, do not include your military pay** . . . **1** _____
- 2 a** If you plan to itemize deductions, enter the estimated total of your itemized deductions **2a** _____
b If you do not plan to itemize deductions, enter the standard deduction for your filing status:
 \$3,410 single or married filing separately
 \$6,820 married filing jointly, head of household, or qualifying widow(er) **2b** _____
c Enter the amount from line 2a or line 2b, whichever applies **2c** _____
- 3** Subtract line 2c from line 1. **3** _____
- 4** Tax. Figure your tax on the amount on line 3 using the 2006 tax table for Form 540, Form 540A, or Long Form 540NR. Also include any tax from form FTB 3800, Tax Computation for Children with Investment Income; form FTB 3803, Parents' Election to Report Child's Interest and Dividends **4** _____
- 5 Residents:** Skip to line 6a. **Nonresidents and part-year residents:**
a Enter your estimated California taxable income from Schedule CA (540NR), Part IV, line 49 **5a** _____
b Compute the CA Tax Rate: $\frac{\text{Tax on total taxable income from line 4}}{\text{Total taxable income from line 3}}$ **5b** _____
c Multiply the amount on line 5a by the CA Tax Rate on line 5b **5c** _____
- 6 a Residents:** Enter the exemption credit amount from the 2006 instructions for Form 540 or Form 540A **6a** _____
b Nonresidents or part-year residents: Enter the CA credit proration percentage. Divide line 5a by line 3. If more than 1 enter 1.0000 . . . **6b** _____
- 7 Nonresidents:** CA prorated Exemption credits. Multiply the total exemption credit amount by line 6b. **7** _____
- 8 Residents:** Subtract line 6a from line 4. **Nonresidents or part-year residents:** Subtract line 7 from line 5c **8** _____
- 9** Tax on accumulation distribution of trusts. See instructions for form FTB 5870A, Tax on Accumulation Distribution of Trusts **9** _____
- 10** Add line 8 and line 9 **10** _____
- 11** Credits for joint custody head of household, dependent parent, senior head of household, and child and dependent care expenses. **11** _____
Nonresidents and part-year residents: For the child and dependent care expenses credit, use the amount from your 2006 Long Form 540NR, line 50. For the other credits listed on line 11, multiply the total 2006 credit amount by the ratio on line 6b.
- 12** Subtract line 11 from line 10. **12** _____
- 13** Other credits (such as other state tax credit). See the 2006 instructions for Form 540, Form 540A, or Long Form 540NR **13** _____
- 14** Subtract line 13 from line 12. **14** _____
- 15** Interest on deferred tax from installment obligations under IRC Sections 453 or 453A **15** _____
- 16** Alternative Minimum Tax. See Schedule P (540 or 540NR) **16** _____
- 17** Mental Health Services Tax Worksheet, line E, from page 16 **17** _____
- 18** 2007 Estimated Tax. Add line 14 through 17. Enter the result, but not less than zero. **18** _____
- 19 a** Multiply line 18 by 90% (.90). Farmers and fishermen multiply line 18 by 66 2/3% (.6667) **19a** _____
b Enter the sum of line 30, line 31, and line 32 from your 2006 Form 540; line 23 from Form 540A; or the sum of line 38, line 39, and line 40 from your Long Form 540NR. **19b** _____
c Enter the amount from your 2006 Form 540, line 17; Form 540A, line 14; or Long Form 540NR, line 21 **19c** _____
d Is the amount on line 19c more than \$150,000 (\$75,000 if married filing separately)?
Yes. Go to line 19e. **No.** Enter the lesser of line 19a or line 19b. Skip line 19e and go to line 20. **19d** _____
e Multiply 110% (1.10) by the sum of line 30, line 31, and line 32 from your 2006 Form 540; line 23 from Form 540A; or the sum of line 38, line 39, and line 40 from your Long Form 540NR. **19e** _____
f Enter the lesser of line 19a or line 19e and go to line 20 **19f** _____
- Caution:** Generally, if you do not prepay at least the amount on line 19d (or 19f if no amount on line 19d), you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimated tax on line 18 is as accurate as possible. If you prefer, you may pay 100% of your 2007 estimated tax (line 18).
- 20** California income tax withheld and estimated to be withheld during 2006 (include withholding on pensions, annuities, etc.) **20** _____
- 21 Balance.** Subtract line 20 from line 19d (or line 19f if no amount on line 19d). If less than \$200 (or less than \$100, if married filing separately), you do not have to make a payment at this time. **21** _____
- 22 Installment amount.** Divide the amount on line 21 by 4. Enter the result here and on each of your Forms 540-ES. If you will earn your income at an uneven rate during the year, see Annualization Option in the instructions under paragraph D. **22** _____

Record of Estimated Tax Payments

Payment voucher number	(a) Date	(b) Web Pay/Credit Card and confirmation number	(c) Amount paid	(d) 2005 overpayment applied	(e) Total amount paid and credited add (c) and (d)
1			\$	\$	\$
2					
3					
4					
Total ▶			\$	\$	\$

Instructions for California Schedule D (540)

California Capital Gain or Loss Adjustment

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information regarding California and federal law, go to our Website at www.ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Note, the instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

Caution: Although federal law increased the IRC Section 179 expense to \$108,000, the maximum deduction amount under California law is \$25,000.

Purpose

Use California Schedule D (540) **only** if there is a difference between your California and federal capital gains and losses.

For more information about the following, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments:

- Disposition of property inherited before 1987;
- Disposition of S corporation stock acquired before 1987;
- Gain on the sale or disposition of a qualified assisted housing development to low-income residents or to specific entities maintaining housing for low-income residents; or
- Capital loss carryback.

Exclusion of Gain on Qualified Small Business Stock. California law (R&TC Section 18152.5) provides an exclusion (similar to the federal exclusion under IRC Section 1202) of 50% of the gain on the sale of qualifying small business stock originally issued after 8/10/93 that was held for more than five years. However, for California purposes, at least 80% of the issuing corporation's payroll must be attributable to employment located within California, and at least 80% of the value of the corporation's assets must be used by the corporation to actively conduct one or more qualified trades or businesses in California.

Note: If you have gain on the sale of qualified small business stock that qualifies for the federal Section 1202 exclusion, go to the specific line instructions for line 1b.

Installment Sales. If you sold property at a gain (other than publicly traded stocks or securities) and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to do so. Get form FTB 3805E, Installment Sale Income. Also, use that form if you received a payment in 2006, for an installment sale made in an earlier year.

Note: You may elect not to use the installment sale method for California by reporting the entire gain on Schedule D (540) (or Schedule D-1 for business assets) in the year of the sale and filing your return on or before the due date.

At-Risk Rules and Passive Activity Limitations. If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and the amounts in the activity for which you are not at risk, get and complete federal Form 6198, At-Risk Limitations, using California amounts to figure your California deductible loss under the at-risk rules. Once a loss becomes allowable under the at-risk rules, it becomes subject to the passive activity rules. Get form FTB 3801, Passive Activity Loss Limitations.

Specific Line Instructions

Line 1a – List each capital asset transaction.

Column (a) – Description of Property. Describe the asset you sold or exchanged.

Column (b) – Sales Price. Enter in this column either the gross sales price or the net sales price. If you received a Form 1099-B, 1099-S, or similar statement showing the gross sales price, enter that amount in column (b). However, if box 2 of Form 1099-B indicates that gross proceeds less commissions and option premiums were reported to the IRS, enter that net amount in column (b). If you entered the net amount in column (b), do not include the commissions and option premiums in column (c).

Column (c) – Cost or Other Basis. In general, the cost or other basis represents the cost of the property plus purchase, commissions and improvements minus depreciation, amortization, and depletion. Enter the cost or adjusted basis of the asset for California purposes. Use your records and California tax returns for years before 1987 to determine the California amount to enter in column (c). If you used an amount other than cost as the original basis, your federal basis may be different from your California basis. Other reasons for differences include:

Depreciation Methods and Property Expensing

Before 1987, California law disallowed the use of accelerated cost recovery system (ACRS) and disallowed the use of an asset depreciation range 20% above or below the standard rate. Before 1999, California had different limits on the expensing of property under IRC Section 179. California law permits rapid write-off of certain property such as solar energy systems, pollution control devices, and property used in an Enterprise Zone, LAMBRA, Targeted Tax Area, or Los Angeles Revitalization Zone (LARZ).

Inherited Property – The California basis of property inherited from a decedent is generally fair market value (FMV) at the time of death. If you acquired community property as a surviving spouse, get FTB Pub. 1039, Basis of Property – Decedent/Surviving Spouse, for more information.

S Corporation Stock – Prior to 1987, California law did not recognize S corporations and your California basis in S corporation stock may differ from your federal basis. In general, your California basis will be cost-adjusted for income, loss, and distributions received after 1986, while your stock was California S corporation stock. Your federal basis will be cost-adjusted for income, loss, and distributions received during the time your stock qualified for federal S corporation treatment. Effective for taxable years beginning on or after 1/1/02, any corporation with a valid federal S corporation election is considered an S corporation for California purposes. Existing law already requires federal C corporations to be treated as C corporations for California purposes.

Special Credits – California law authorizes special tax credits not allowed under federal law or computed differently under federal law. In many instances if you claimed special credits related to capital assets, you must reduce your basis in the assets by the amount of credit.

Other adjustments may apply differently to the federal and California basis of your capital assets. Figure the original basis of your asset using the California law in effect when the asset was acquired, and adjust it according to provisions of California law in effect during the period of your ownership.

Line 1b – R&TC Section 18152.5 Exclusion. If the gain qualifying for the IRC Section 1202 exclusion also qualifies for the California exclusion under R&TC Section 18152.5: Enter in column (a) "Section 18152.5 Exclusion." Complete column (b) and column (c) according to the instructions for line 1a. Enter in column (d) the amount of gain that qualifies for the California exclusion. Enter in column (e) the entire gain realized. **If the gain qualifying for the IRC Section 1202 exclusion does not qualify for the California exclusion:** Complete column (a), column (b), and column (c) according to the instructions for line 1a. Enter -0- in column (d) and enter the entire gain realized in column (e).

Line 3 – Capital Gain Distributions. If you receive federal Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, from a mutual fund, do not include the **undistributed** capital gain dividends on Schedule D. If you receive federal Form 1099-DIV, Dividends and Distributions, enter the amount of **distributed** capital gain dividends.

Line 6 – 2005 California Capital Loss Carryover. If you were a resident of California for all prior years, enter your California capital loss carryover from 2005. However, if you were a nonresident of California during any taxable year that generated a portion of your 2005 capital loss carryover, recalculate your 2005 capital carryover loss as if you resided in California for all prior years. Get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency, for more information. Enter your California capital loss carryover amount from 2005 on line 6 as a negative number.

Line 8 – Net Gain or Loss. If the amount on line 4 is more than the amount on line 7, subtract line 7 from line 4. Enter the difference as a gain on line 8.

If the amount on line 7 is more than the amount on line 4, subtract line 4 from line 7 and enter the difference as a negative amount on line 8.

Use the worksheet on this page to figure your capital loss carryover to 2007.

Line 9 – If line 8 is a net capital loss, enter the smaller of the loss on line 8 or \$3,000 (\$1,500 if you are married filing a separate return).

Line 12a – Compare the amounts entered on line 10 and 11 to figure the adjustment to enter on Schedule CA (540), line 13, column B.

For example:

Loss on line 10 is less than loss on line 11.

Federal loss on line 10 is (\$1,000)
 California loss on line 11 is (\$2,000)
 Difference between line 10 and line 11 \$1,000

Gain on line 10 and loss on line 11.

Federal gain on line 10 is \$3,000
 California loss on line 11 is (\$3,000)
 Difference between line 10 and line 11 \$6,000

Line 12b – Compare the amounts on line 10 and 11 to figure the adjustment to enter on Schedule CA (540), line 13, column C.

For example:

Loss on line 10 is more than loss on line 11.

Federal loss on line 10 is (\$2,000)
 California loss on line 11 is (\$1,000)
 Difference between line 11 and line 10 \$1,000

Loss on line 10 and gain on line 11.

Federal loss on line 10 is (\$2,000)
 California gain on line 11 is \$5,000
 Difference between line 10 and line 11 \$7,000

California Capital Loss Carryover Worksheet	
1. Loss from Schedule D (540), line 11, stated as a positive number.	1 _____
2. Amount from Form 540, line 17	2 _____
3. Amount from Form 540, line 18	3 _____
4. Subtract line 3 from line 2. If less than zero, enter as a negative amount.	4 _____
5. Combine line 1 and line 4. If less than zero, enter -0-.	5 _____
6. Loss from Schedule D (540), line 8.	6 _____
7. Enter the smaller of line 1 or line 5	7 _____
8. Subtract line 7 from line 6. This is your capital loss carryover to 2007	8 _____

Instructions for Form FTB 3885A Depreciation and Amortization Adjustments

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information regarding California and federal law, go to our Website at www.ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Note, the instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information on differences between California and federal law for the following items:

- Amortization of certain intangibles (IRC Section 197);
- Qualified Indian Reservation property;
- Grapevines subject to Phylloxera or Pierce's disease; and
- Bonus depreciation

Purpose

Use form FTB 3885A **only** if there is a difference between the amount of depreciation and amortization allowed as a deduction using California law and the amount allowed using federal law. California law and federal law have not always allowed the same depreciation methods, special credits, or accelerated write-offs. As a result, the recovery periods or the basis on which the depreciation is figured for California may be different from the amounts used for federal purposes. You will probably have reportable differences if all or part of your assets were placed in service:

- **Before 1/1/87.** California disallowed depreciation under the federal accelerated cost recovery system (ACRS). Continue to figure California depreciation for those assets in the same manner as in prior years for those assets.
- **On or after 1/1/87.** California provides special credits and accelerated write-offs that affect the California basis of qualifying assets. California did not conform to all changes to federal law enacted in 1993; therefore, the California basis or recovery periods may be different for some assets.
- **On or after 9/11/01.** If you claimed the 30% additional depreciation for federal purposes, California has not conformed to the federal Job Creation and Worker Assistance Act of 2002 which allows taxpayers to take an additional first year depreciation deduction and Alternative Minimum Tax depreciation adjustment for property placed in service after September 10, 2001.

- California generally conforms to the federal 2003 increase (IRC Section 280F) for the limitation on luxury automobile depreciation. However, California does not conform to the IRC Section 168(k) provisions (30% and 50% additional first year depreciation). In addition, SUVs and minivans built on a truck chassis are included in the definition of trucks and vans when applying the 6,000 pound gross weight limit.

Differences may also occur for other less common reasons, and the instructions for Schedule CA (540 or 540NR) list them on the line for the type of income likely to be affected. Get FTB Pub. 1001 for more information about figuring and reporting these adjustments.

If reporting a difference for assets related to a passive activity, get form FTB 3801, Passive Activity Loss Limitations, for more information about passive activities.

Do not use form FTB 3885A to report depreciation expense from federal Form 2106, Employee Business Expenses. Instead, see the instructions for Schedule CA (540 or 540NR), line 41.

Specific Line Instructions

Note: Prepare and file a separate form FTB 3885A for each business or activity on your return that has a difference between California and federal depreciation or amortization. Enter the name of the business or activity in the space provided at the top of the form. If you need more space, attach additional sheets. However, complete Part II, Election to Expense Certain Tangible Property (IRC Section 179), only once.

Part I Identify the Activity as Passive or Nonpassive

Line 1 – Check the box to identify the activity as passive or nonpassive. A passive activity is any activity involving the conduct of any trade or business in which you did not materially participate. Get form FTB 3801 for more information.

If the activity is passive, use this form as a worksheet to figure the depreciation adjustment to carry to form FTB 3801. **Caution:** Beginning in 1994, and for federal purposes only, rental real estate activities of persons in real property business are not automatically treated as passive activities. California did not conform to this provision.

Part II Election To Expense Certain Tangible Property

If you elect to expense part of the cost of depreciable personal property used in your trade or business and certain other property described in federal Publication 946, How to Depreciate Property. To qualify, you must have purchased property, as defined in the IRC Section 179(d)(2), and placed it in service during 2006, or have a carryover of unused cost from 2005. If you elect this deduction, you must reduce your California depreciable basis by the IRC Section 179 expense. The maximum Section 179 expense allowed for 2006 is \$25,000.

Complete the worksheet in the next column to figure IRC Section 179 expense for California. Include all assets qualifying for the deduction because the limit applies to all qualifying assets as a group rather than to each asset individually. **Refer to federal Form 4562 for information.**

Tangible Property Expense Worksheet		
1	Maximum dollar limitation for California	1 \$25,000
2	Total cost of Section 179 property placed in service	2 _____
3	Threshold cost of Section 179 property before reduction in limitation	3 \$200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4 _____
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-	5 _____
(a) Description of property	(b) Cost	(c) Elected cost
6		
7	Listed property (elected Section 179 cost)	7 _____
8	Total elected cost of Section 179 property. Add line 6 column (c) and line 7	8 _____
9	Tentative deduction. Enter the smaller of line 5 or line 8	9 _____
10	Carryover of disallowed deduction from 2005	10 _____
11	Enter the smaller of business income (not less than zero) or line 5	11 _____
12	Section 179 expense deduction for California. Add line 9 and line 10, but do not enter more than line 11. Also, enter the result on form FTB 3885A, line 2	12 _____
13	Carryover of disallowed deduction to 2007. Add line 9 and line 10. Subtract line 12 from the result	13 _____

Part III Depreciation

Line 3 – Complete column (a) through column (f) for each tangible asset or group of assets placed in service during the tax year. Use the California basis for assets on which you elected to take the Section 179 deduction. It will be the difference between line 6, column (b) and line 6, column (c) of the Tangible Property Expense Worksheet in Part II.

Line 8a and Line 8b – Are you using this form as a worksheet in connection with form FTB 3801?

Yes Enter the amount from line 8a or line 8b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

No Include the amount from line 8a on Schedule CA (540 or 540NR) in column B on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Include the amount from line 8b on Schedule CA (540 or 540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Part IV Amortization

Line 9 – Complete column (a) through column (f) for intangible assets placed in service during the tax year. Use the California basis and the California recovery period.

Line 14a and Line 14b – Are you using this form as a worksheet in connection with form FTB 3801?

Yes Enter the amount from line 14a or line 14b on form FTB 3801, Side 2, California Passive Activity Worksheet, column (e).

No Include the amount from line 14a on Schedule CA (540 or 540NR) in column B on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Include the amount from line 14b on Schedule CA (540 or 540NR) in column C on line 12 for federal Schedule C activities; on line 17 for federal Schedule E activities; and on line 18 for federal Schedule F activities.

Instructions for Schedule CA (540)

References to these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and the California Revenue and Taxation Code (R&TC).

What's New

Heroes Earned Retirement Opportunities Act

California conforms to the Federal Heroes Earned Retirement Opportunities Act that allows members of the Armed Forces serving in a combat zone to make contributions to their individual retirement plans even if the compensation on which such contribution is based is excluded from gross income.

The Tax Increase Prevention and Reconciliation Act

California does not conform to the provision of the Federal Tax Increase Prevention and Reconciliation Act; which increased the age of the children from under 14 to under 18 for elections made by parents reporting a child's interest and dividends.

Conformity

For updates regarding the following federal acts, go to our Website at www.ftb.ca.gov and search for **conformity**.

- Tax Increase Prevention and Reconciliation Act of 2005
- Federal Energy Policy Act of 2005
- Pension Protection Act of 2006

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information regarding California and federal law, go to our Website at www.ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, and the Business Entity tax booklets.

Note, the instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

Military Personnel – Servicemembers domiciled outside of California, and their spouses, may exclude the member's military compensation from gross income when computing the tax rate on nonmilitary income. Requirements for military servicemembers domiciled in California remain unchanged. Military servicemembers domiciled in California must include their military pay in total income. In addition, they must include their military pay in California source income when stationed in California. However, military pay is not California source income when a servicemember is permanently stationed outside of California. For more information, get FTB Pub. 1032, Tax Information for Military Personnel.

Purpose

Use this schedule to make adjustments to your federal adjusted gross income and to your federal itemized deductions using California law.

Part I – Specific Line Instructions

Column A — Federal Amounts

Line 7 through Line 21

Enter on line 7 through line 21 the same amounts you entered on your federal Form 1040, line 7 through line 21; Form 1040A, line 7 through line 14b; or Form 1040EZ line 1, line 2, and line 3.

Line 22 – Total

Combine the amounts on line 7 through line 21.

Line 23 through Line 30 and Line 32 through Line 35

Enter the same amounts entered on your federal Form 1040, line 23 through line 30 and line 32 through line 35 or Form 1040A, line 16 through line 19.

Line 31a and Line 31b

Enter on line 31a the same amount entered on your federal Form 1040, line 31a. Enter on line 31b the social security number or individual taxpayer identification number and last name of the person to whom you paid alimony.

Line 36

Add line 23 through line 31a and line 32 through line 35. However, if you made any of the adjustments described in the instructions for federal Form 1040, line 36 or if you claimed the foreign housing deduction from federal Form 2555, Foreign Earned Income, or Form 2555-EZ, Foreign Earned Income Exclusion, enter the amount from Form 1040, line 36 on this line.

Line 37 – Total

Subtract line 36 from line 22.

Column B and Column C — Subtractions and Additions

Use these columns to enter subtractions and additions to the federal amounts in column A that are necessary because of differences between California and federal law. Enter all amounts as positive numbers unless instructed otherwise.

You may need one of the following FTB publications to complete column B and column C:

- 1001, Supplemental Guidelines to California Adjustments;
- 1005, Pension and Annuity Guidelines;
- 1031, Guidelines for Determining Resident Status;
- 1032, Tax Information for Military Personnel; or
- 1100, Taxation of Nonresidents and Individuals Who Change Residency.

To get a publication or form go to our Website at www.ftb.ca.gov or see page 67 of your tax booklet.

Line 7 – Wages, Salaries, Tips, etc.

Generally, you will not make any adjustments on this line. If you did not receive any of the following types of income, make no entry on this line in either column B or column C.

Active duty military pay. Special rules apply to active duty military taxpayers. Get FTB Pub. 1032, Tax Information for Military Personnel, for more information.

Sick pay received under the Federal Insurance Contributions Act and Railroad Retirement Act.

California excludes this item from income. Enter in column B the amount of these benefits included in the amount in column A.

Ridesharing fringe benefit differences. Under federal law, qualified transportation benefits are excluded from gross income. Under the Revenue and Taxation Code, there are no monthly limits for the exclusion of these benefits and California's definitions are more expansive. Enter the amount of ridesharing benefits received and included in federal income on line 7, column B.

Exclusion for compensation from exercising a California Qualified Stock Option (CQSO).

To claim this exclusion:

- Your earned income is \$40,000 or less from the corporation granting the CQSO,

- The market value of the options granted to you must be \$100,000 or less,
- The total number of shares must be 1,000 or less, and
- The corporation issuing the stock must designate that the stock issued is a California qualified stock option at the time the option is granted.

If you included an amount qualifying for this exclusion in federal income, enter that amount in column B.

Exclusion for Medical Expenses Reimbursement. California allows an exclusion from gross income for employer-provided accident, health insurance, and medical expense reimbursement for registered domestic partners and the partner's dependents if they were not previously deducted. Self-employed individuals may also claim a deduction for health insurance costs paid for themselves, their spouses, and dependents. In addition, self-employed individuals may claim this deduction for health insurance costs paid for their registered domestic partner and the domestic partner's dependents. Enter the amount included in federal income in column B.

Compensation of merchant seamen, military service members, rail, motor, and aircraft carriers. Exclude the following from gross income: compensation for the performance of duties of certain merchant seamen, rail carriers, motor carriers, aircraft carriers, and military service members.

Line 8 – Taxable Interest Income

If you did not receive any of the kinds of income listed below, make no entry on this line in either column B or column C.

Enter in column B the interest you received from:

- U.S. savings bonds (except for interest from series EE U.S. savings bonds issued after 1989 that qualified for the Education Savings Bond Program exclusion);
- U.S. Treasury bills, notes, and bonds;
- Any other bonds or obligations of the United States and its territories;
- Interest from Ottoman Turkish Empire Settlement Payments;
- Interest income from children between the ages of 14 and 18. (For more information, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.)

Enter in column C the interest you identified as tax-exempt interest on your federal Form 1040 (or Form 1040A), line 8b, **and** which you received from:

- Non-California state bonds;
- Non-California municipal bonds issued by a county, city, town, or other local government unit;
- Obligations of the District of Columbia issued after 12/27/73;
- Non-California bonds if the interest was passed through to you from S corporations, trusts, partnerships, or Limited Liability Companies (LLCs);
- Interest or other earnings earned from a Health Savings Account (HSA) are not treated as taxed deferred. Interest or earnings in a HSA are taxable in the year earned;
- Interest on any bond or other obligation issued by the Government of American Samoa.

Note: Make no entries in either column B or column C for interest you earned on Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds, and Federal Home Loan Mortgage Corporations (FHLMC) securities, or grants paid to low income individuals.

Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, if you received interest income from the following sources:

- Loans made in an enterprise zone (EZ) or the former Los Angeles Revitalization Zone (LARZ); or
- Items listed above passed through to you from S corporations, trusts, estates, partnerships, or LLCs.

Line 9 – Ordinary dividends

Generally, no difference exists between the amount of dividends reported in Column A and the amount reported using California law. However, California taxes dividends derived from other states and their municipal obligations. In addition, certain mutual funds pay "exempt-interest dividends". If the mutual fund has at least 50% of its assets invested in tax-exempt U.S. obligations and/or in California or its municipal obligations, that amount of dividend is exempt from California tax. The proportion of dividends that are tax-exempt will be shown on your annual statement or statement issued with Form 1099-DIV.

Add dividends received from the following and enter in column B:

- The portion of exempt interest dividends from mutual funds that meets the 50% rule above and were included in column A;
- Non-cash patronage dividends from farmers' cooperatives or mutual associations;
- Dividend income for children between the ages of 14 and 18. (For more information, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.)

Add dividends received from the following and enter in column C:

- The federally exempt interest dividends from other states, or their municipal obligations and/or from mutual funds that do not meet the 50% rule above;
- Controlled foreign corporation dividends in the year distributed;
- Regulated investment company (RIC) capital gains in the year distributed;
- Distributions of pre-1987 earnings from an S corporation;
- Non-cash patronage dividends from farmers' cooperatives or mutual associations.

Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, if you received dividends from:

- Non-cash patronage dividends from farmers' cooperatives or mutual associations;
- A controlled foreign corporation;
- Distributions of pre-1987 earnings from S corporations; or
- Undistributed capital gains for regulated investment company (RIC) shareholders.

Line 10 – Taxable refunds, credits, or offsets of state and local income taxes

California does not tax the state income tax refund received in 2006.

Enter in column B the amount of state tax refund entered in column A.

Line 11 – Alimony Received

If you are a nonresident alien and received alimony not included in your federal income, enter the alimony on this line in column C. Otherwise, make no entry on this line.

Line 12 – Business Income or (Loss)

Adjustments to federal business income or loss you reported in column A generally are necessary because of the difference between California and federal law relating to depreciation methods, special credits, and accelerated write-offs. As a result, the recovery period or basis used to figure California depreciation may be different from the amount used for federal purposes.

Adjustments are figured on form FTB 3885A, Depreciation and Amortization Adjustments, and are most commonly necessary because of the following:

- **Before January 1, 1987**, California did not allow depreciation under the federal accelerated cost recovery system. Continue to figure California depreciation for those assets in the same manner as prior years.
- **On or after January 1, 1987**, California provides special credits and accelerated write-offs that affect the California basis of qualifying assets. Refer to the bulleted list on the next page.

Use form FTB 3801, Passive Activity Loss Limitations, to figure the total adjustment for line 12 if you have:

- One or more passive activities that produce a loss; or
- One or more passive activities that produce a loss **and** any nonpassive activity reported on federal Schedule C.

Use form FTB 3885A to figure the total adjustment for line 12 if you have:

- Only nonpassive activities which produce either gains or losses (or combination of gains and losses); or
- Passive activities that produce gains.

Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information about:

Income related to:

- Business, trade, or profession carried on within California that is an integral part of a unitary business carried on both within and outside California; or
- Pro-rata share of income received from a controlled foreign corporation by a U.S. shareholder.

Basis adjustments related to:

- Property acquired prior to becoming a California resident;
- Sales or use tax credit for property used in an EZ, Local Agency Military Base Recovery Area (LAMBRA), Targeted Tax Area (TTA), or former LARZ;
- Reduced recovery periods for fruit-bearing grapevines replaced in a California vineyard on or after 1/1/92 as a result of phylloxera infestation; or on or after 1/1/97 as a result of Pierce's disease;
- Expenditures for tertiary injectants;
- Property placed in service on an Indian reservation after 1/1/94 and before 1/1/05;
- Amortization of pollution control facilities;
- Discharge of real property business indebtedness;
- Employer-paid child care program;
- Employer-paid child care plan;
- Vehicles used in an employer-sponsored ridesharing program;
- An enhanced oil recovery system;
- Joint Strike Fighter property costs;
- The cost of making a business accessible to disabled individuals;
- Property for which you received an energy conservation subsidy from a public utility on or after 1/1/95 and before 1/1/97; or
- Research and experimental expenditures.

Business expense deductions related to:

- Wages paid in an EZ, LAMBRA, Manufacturing Enhancement Area (MEA), or TTA;
- Certain employer costs for employees who are also enrolled members of Indian tribes;
- Abandonment or tax recoupment fees for open-space easements and timberland preserves;
- Business located in an EZ, LAMBRA, or TTA;
- Research expense;
- Employer wage expense for the Work Opportunity Credit and Welfare-to-Work Credit;
- Pro-rata share of deductions received from a controlled foreign corporation by a U.S. shareholder;
- Interest paid on indebtedness in connection with company-owned life insurance policies; or
- Premiums paid on life insurance policies, annuities, or endowment contracts issued after 6/8/97 where the owner of the business is directly or indirectly a policy beneficiary.

Line 13 – Capital Gain or (Loss)

Generally, no adjustments are made on this line. California taxes long and short term capital gains as regular income. No special rate for long term capital gains exists. However, the California basis of the assets listed below may be different from the federal basis due to differences between California and federal laws. If there are differences, use Schedule D

(540), California Capital Gain or Loss Adjustment, to calculate the amount to enter on line 13.

- Gain on the sale of qualified small business stock which qualifies for the gain exclusion under IRC Section 1202;
- Basis amounts resulting from differences between California and federal law in prior years;
- Gain or loss on stock and bond transactions;
- Installment sale gain reported on form FTB 3805E, Installment Sale Income;
- Gain on the sale of personal residence where depreciation was allowable;
- Flow-through gain or loss from partnerships, fiduciaries, S corporations, or LLCs; or
- Capital loss carryover from your 2005 California Schedule D (540).

Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information about:

- Disposition of S corporation stock acquired before 1987;
- Gain on sale or disposition of qualified assisted housing development to low-income residents or to specified entities maintaining housing for low-income residents;
- Undistributed capital gain for RIC shareholders;
- Gain or loss on the sale of property inherited before 1/1/87; or
- Capital loss carrybacks.
- Capital gain distribution for children between the ages of 14 and 18.

Line 14 – Other Gains or (Losses)

Generally, no adjustments are made on this line. However, the California basis of your other assets may differ from your federal basis due to differences between California and federal law. Therefore, you may have to adjust the amount of other gains or losses. Get Schedule D-1, Sales of Business Property.

Line 15 – Total IRA Distributions

Generally, no adjustments are made on this line. However, there may be significant differences in the taxable amount of a distribution (including a distribution from conversion of a traditional IRA to a Roth IRA), depending on when you made your contributions to the IRA. Differences also occur if your California IRA deductions were different from your federal deductions because of differences between California and federal self-employment income.

If the taxable amount using California law is:

- Less than the amount taxable under federal law, enter the difference in column B; or
- More than the amount taxable under federal law, enter the difference in column C.

Get FTB Pub. 1005, Pension and Annuity Guidelines, for more information and worksheets for figuring the adjustment to enter on line 15, if any.

Caution: If you have an IRA basis and were a nonresident in prior years, you may need to restate your California IRA basis. Get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Coverdell ESA formerly known as Education (ED) IRA – If column A includes a taxable distribution from an ED IRA, you may owe additional tax on that amount. Get form FTB 3805P, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts. Report only the taxable amount of the distribution on line 21f.

Line 16 – Total Pensions and Annuities

Generally, no adjustments are made on this line. However, if you received Tier 2 railroad retirement benefits or partially taxable distributions from a pension plan, you may need to make the following adjustments.

If you received a federal Form RRB 1099-R for railroad retirement benefits and included all or part of these benefits in taxable income in column A, enter the taxable benefit amount in column B.

If you began receiving a retirement annuity between 7/1/86 and 1/1/87 and elected to use the three-year rule for California purposes and the annuity rules for federal purposes, enter in column C the amount of the annuity payments you excluded for federal purposes.

Caution: You may have to pay an additional tax if you received a taxable distribution from a qualified retirement plan before reaching age 59½ and the distribution was not rolled over into another qualified plan. See Form 540, line 33 instructions; or form FTB 3805P, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts.

Line 17 – Rental Real Estate, Royalties, Partnerships, S Corporations, Estates, Trusts, etc.

Adjustments to federal income or loss you reported in column A generally are necessary because of the difference between California and federal law relating to depreciation methods, special credits, and accelerated write-offs. As a result, the recovery period or basis used to figure California depreciation may be different from the recovery period or amount used for federal. For more information, see the instructions for column B and column C, line 12.

Note: California law does not conform to federal law for material participation in rental real estate activities. Beginning in 1994, and for federal purposes only, rental real estate activities conducted by persons in real property business are not automatically treated as passive activities. Get form FTB 3801, Passive Activity Loss Limitations, for more information.

Use form FTB 3801, Passive Activity Loss Limitations, to figure the total adjustment for line 17 if you have:

- One or more passive activities that produce a loss; or
- One or more passive activities that produce a loss **and** any nonpassive activity reported on federal Schedule E.

Use form FTB 3885A, Depreciation and Amortization Adjustments, to figure the total adjustment for line 17 if you have:

- Only nonpassive activities which produce either gains or losses (or combination of gains and losses); or
- Passive activities that produce gains.

Note: LLCs that are classified as partnerships for California purposes and limited liability partnerships (LLPs) are subject to the same rules as other partnerships. LLCs report distributive items to members on Schedule K-1 (568), Member's Share of Income, Deductions, Credits, etc. LLPs report to partners on Schedule K-1 (565), Partner's Share of Income, Deductions, Credits, etc.

Get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information about accumulation distributions to beneficiaries for which the trust was not required to pay California tax because the beneficiary's interest was contingent.

Line 18 – Farm Income or (Loss)

Adjustments to federal income or loss you report in column A generally are necessary because of the difference between California and federal law relating to depreciation methods, special credits, and accelerated write-offs. As a result, the recovery period or basis you use to figure California depreciation may be different from the amount used for federal purposes, and you may need to make an adjustment to your farm income or loss.

Use form FTB 3801, Passive Activity Loss Limitations, to figure the total adjustment for line 18 if you have:

- One or more passive activities that produce a loss; or
- One or more passive activities that produce a loss **and** any nonpassive activity reported on federal Schedule F.

Use form FTB 3885A, Depreciation and Amortization Adjustments, to figure the total adjustment for line 18 if you have:

- Only nonpassive activities which produce either gains or losses (or combination of gains and losses); or

- Passive activities that produce gains.

Line 19 – Unemployment Compensation

California excludes unemployment compensation from taxable income. Enter on line 19, column B the amount of unemployment compensation shown in column A.

Paid Family Leave Insurance (PFL) benefits, also known as Family Temporary Disability Insurance. Payments received from the PFL Program in 2006, are reported on your Form 1099-G in Column B, line 19. For additional information, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.

Line 20 – U.S. Social Security Benefits

California excludes U.S. social security benefits or equivalent Tier 1 railroad retirement benefits from taxable income. Enter in column B the amount of U.S. social security benefits or equivalent Tier 1 railroad retirement benefits shown in column A.

Line 21 – Other Income

a. California Lottery Winnings. California excludes California lottery winnings from taxable income. Enter in column B the amount of California lottery winnings included in the federal amount on line 21 in column A.

Note: Make no adjustment for lottery winnings from other states. They are taxable by California. California and federal laws allow gambling losses only to the extent of reported gambling income. If you reduced gambling income for California lottery income, you may need to reduce the losses included in the federal itemized deductions on line 38. Enter these losses on line 41 as a negative number.

b. Disaster Loss Carryover from form FTB 3805V, Part III, line 6.

If you have a California disaster loss carryover from your 2005 form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts, enter that amount as a positive number in column B.

c. Federal NOL deduction from Form 1040, line 21. If the amount on line 21 in column A includes a federal NOL, enter the amount of the federal NOL deduction as a positive number in column C. Get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts, to figure the allowable California NOL deduction.

d. NOL Carryover from form FTB 3805V, Part III, line 5. The allowable NOL carryover under California law is different from the allowable NOL carryover under federal law. Use form FTB 3805V to figure the allowable California NOL deduction and enter it as a positive number in column B.

e. NOL deduction from form FTB 3805D, FTB 3805Z, FTB 3806, FTB 3807, or FTB 3809. Enter in column B the total NOL deduction figured on the following forms.

- FTB 3805D, Net Operating Loss (NOL) Computation and Limitation – Pierce's Disease;
- FTB 3805Z, Enterprise Zone Deduction and Credit Summary, line 5b;
- FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary, line 3b;
- FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary, line 5b; or
- FTB 3809, Targeted Tax Area Deduction and Credit Summary, line 3b.

f. Other (describe).

Reward from a crime hotline. Enter in column B the amount of a reward authorized by a government agency received from a crime hotline established by a government agency or nonprofit organization and that is included in the amount on line 21 in column A.

Note: You may not make this adjustment if you are an employee of the hotline or someone who sponsors rewards for the hotline.

Federal foreign earned income or housing exclusion. Enter in column C the amount deducted from federal income on Form 1040, line 21.

Beverage container recycling income. Enter in column B the amount of recycling income included in the amount on line 21 in column A.

Rebates or vouchers from a local water agency, energy agency, or energy supplier. California law allows an income exclusion for rebates or vouchers from a local water agency, energy agency, or energy supplier for the purchase and installation of water conservation appliances and devices. Enter in column B the amount of this type of income included in the amount on line 21 in column A.

Original issue discount (OID) for debt instruments issued in 1985 and 1986. In the year of sale or other disposition, you must recognize the difference between the amount reported on your federal return and the amount reported for California purposes. **Issuers:** Enter the difference between the federal deductible amount and the California deductible amount on line 21f in column B. **Holders:** Enter the difference between the amount included in federal gross income and the amount included for California purposes on line 21f in column C.

Foreign income of nonresident aliens. Adjust federal income to reflect worldwide income computed under California law. Enter losses from foreign sources in column B. Enter foreign source income in column C.

Cost-share payments received by forest landowners. Enter in column B the cost-share payments received from the Department of Forestry and Fire Protection under the California Forest Improvement Act of 1978 or from the United States Department of Agriculture, Forest Service, under the Forest Stewardship Program and the Stewardship Incentives Program, pursuant to the Cooperative Forestry Assistance Act.

Foreign Income. If you excluded income exempted by U.S. tax treaties on your federal Form 1040 (unless specifically exempt for state purposes), enter the excluded amount in Column C. If you claimed foreign earned income or housing cost exclusion on your federal Form 1040 (under IRC Section 911), see the instructions for line 21.

Compensation for False Imprisonment. California excludes compensation for false imprisonment from income. Enter the amount of compensation on line 21f, column B.

Coverdell (ESA) Distributions. If you received a distribution from a Coverdell ESA, report only the taxable amount of the distribution on line 21f.

Grants paid to low-income individuals. California excludes grants paid to low-income individuals to construct or retrofit buildings to make them more energy efficient. Federal has no similar exclusion. Enter on line 21f, column B the amount of this type of income.

Health Savings Account (HSA) Distributions for unqualified medical expense. Distributions from a HSA not used for qualified medical expenses, and included in federal income, are not taxable for California purposes. Enter the distribution not used for qualified medical expenses on line 21f, column B.

California National Guard Surviving Spouse & Children Relief Act of 2004. Death benefits up to \$10,000 received from the State of California by a surviving spouse or member-designated beneficiary of certain military personnel killed in the performance of duty is excluded from gross income. Military personnel include the California National Guard, State Military Reserve, or the Naval Militia. If you reported a death benefit on line 21, column A, enter the death benefit amount in column B.

Ottoman Turkish Empire Settlement Payments. If you received settlement payments as a person persecuted by the regime that was in control of the Ottoman Turkish Empire from 1915 until 1923 your gross income does not include those excludable settlement payments, or interest, received by you, your heirs, or your estate for payments received on or after January 1, 2005. If you reported settlement payments on line 21, column A, enter the amount of settlement payments in column B.

Line 22 – Total

Add line 7 through line 21f in column B and column C. Enter the totals on line 22.

Line 23 through Line 31a and Line 32 through Line 35 – California law is the same as federal law with the exception of the following:

- Line 23 (Educator expense) – Federal law allows a deduction for Educator Expense. California does not conform to this deduction. The amount claimed as Educator Expense for federal purposes should be entered on line 23, column B, with the notation “Educator Expense”.
- Line 24 (Certain business expenses of reservists, performing artists, and fee-basis government officials) – If claiming a depreciation deduction as an unreimbursed employee business expense on federal Form 2106, you may have an adjustment in column B or column C.
- Line 25 (Health Savings Account (HSA) Deduction) – Federal law allows a deduction for contributions to an HSA account. California does not conform to this provision. Transfer the amount from Column A, line 25, to column B, line 25.
- Line 29 (Self-Employed Health Insurance Deduction) – Most people do not have any entry in column B or column C. For the purposes of this deduction, California allows you to treat your registered domestic partner as your spouse.

Enter on line 29, column C, the amount paid for health insurance coverage (established under your business) for your registered domestic partner and their dependents. Your total California deduction cannot exceed the limitations explained in the federal instructions. Do not include health insurance costs for any month you were eligible to participate in any subsidized health plan maintained by you or your domestic partner’s employer.

Enter on line 29, column B, the amount of health insurance cost included in column A, line 29, for any month you were eligible to participate in any subsidized health plan maintained by your registered domestic partner’s employer.

- Line 31a (Alimony Paid) – Enter the social security number or ITIN and last name of the person to whom you paid alimony.
Note: If you are a nonresident alien and did not deduct alimony on your federal return, enter the amount you paid in column C.
- Line 32 (IRA Deduction) – If you are an active duty military member domiciled outside of California, you may have an adjustment. See line 36.
- Line 33 (Student Loan Interest Deduction) – California conforms to federal law regarding student loan interest deduction except for a spouse of a non California domiciled military taxpayer residing in a community property state. Use the Student Loan Interest Deduction Worksheet below to compute the amount to enter on line 33. See FTB Pub. 1032, Tax Information for Military Personnel for more information.

Student Loan Interest Deduction Worksheet

- 1 Enter the total amount from Schedule CA (540), line 33, column A. Caution: If the amount on line 1 is zero, STOP. Enter zero on Schedule CA (540), column B. You are not allowed a deduction for California . . . **1** _____
- 2 Enter the total interest you paid in 2006 on qualified student loans but not more than \$2,500 here . . . **2** _____
- 3 From Form 1040, add line 33 (student loan interest deduction) to line 37 (AGI). Enter the result here **3** _____
- 4 Enter the total military income included in federal adjusted gross income (see FTB Pub. 1032) **4** _____
- 5 Subtract line 4 from line 3. **5** _____
- 6 Enter the amount shown below for your filing status.
 - Single, head of household, or qualifying widow(er) – \$50,000
 - Married filing jointly – \$105,000 } . . . **6** _____
- 7 Is the amount on line 5 more than the amount on line 6?
 - No.** Skip lines 7 and 8, enter -0- on line 9, and go to line 10.
 - Yes.** Subtract line 6 from line 5 **7** _____
- 8 Divide line 7 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000 **8** _____
- 9 Multiply line 2 by line 8 **9** _____
- 10 **Student loan interest deduction.** Subtract line 9 from line 2. **10** _____
- 11 **Student loan interest adjustment.** Enter the result here. If line 1 is less than line 10, enter the difference on Schedule CA (540), column C. **11** _____

- Line 35 (Domestic production activities deduction) – California does not conform to the federal law regarding the Domestic production activities deduction. If you made an adjustment on your federal return for Domestic production activities, enter that amount in column B.

Federal law allows a deduction for Tuition Fees and Domestic Production Activities. California does not conform to these deductions. The amount claimed as Tuition Fees Deduction for federal purposes should be entered on line 35, column B, with the notation "Tuition and Fees Deduction". If entries in column B are required for both "Domestic Production Activities Deduction" and "Tuition Fees Deduction" add a statement in the space provided below line 35 showing the break down for each adjustment.

Line 36 – Add line 23 through line 31a and line 32 through line 35 in column B and column C.

If you claimed the foreign housing deduction, include that amount in the total you enter in column B, line 36. Enter the amount and "Form 2555" or "Form 2555-EZ" on the dotted line next to line 36.

If you are active duty military and not domiciled in California and your IRA deduction was limited because of a federal AGI limitation, recalculate your deduction excluding your active duty military pay. If the recalculated amount is larger than the amount on line 32, column A, enter the difference between the two amounts in Column C, line 36. Enter the amount and "MPA Adjustment" on the dotted line next to line 36.

Line 37 – Total

Subtract line 36 from line 22 in column B and column C.

Also, transfer the amount from:

- Line 37, column B to Form 540, Side 1, line 14

Caution: If column B is a negative number, transfer the amount as a positive number to line 16.

- Line 37, column C to Form 540, Side 1, line 16

Caution: If column C is a negative number, transfer the amount as a positive number to line 14.

Note: When itemizing deductions, go to Part II.

Part II – Specific Line Instructions

Line 38 – Federal Itemized Deductions

Enter the total amount of itemized deductions from your federal Form 1040, Schedule A, lines 4, 9, 14, 18, 19, 26, and 27.

Important: If you did not itemize deductions on your federal tax return but will itemize deductions on your California tax return, first complete federal Schedule A. Then complete Schedule CA (540), Part II, line 38 through line 44.

Line 39 – State, Local, Foreign Income Taxes, and General Sales Tax

Add the following amounts from federal Schedule A (Form 1040) and enter on line 39:

- Line 5, state and local income tax (including limited partnership tax and income or franchise tax paid by corporations), and State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI); and
- Line 8, foreign income taxes.

If you are deducting either local general sales and use taxes or state and local income taxes as an itemized deduction on federal Schedule A, line 5, enter the amount on Schedule CA, line 39.

Note: For tax years beginning in 2004 and 2005, the American Jobs Creation Act of 2004 allows taxpayers to elect to claim either local general sales and use taxes or state and local income taxes as an itemized deduction. If you are deducting either of these on line 5 of federal Schedule A, enter the amount on line 39.

Line 41 – Other Adjustments

Adoption-Related Expenses – If you deducted adoption-related expenses on your federal Form 1040, Schedule A and are claiming the adoption cost credit for the same amounts on your Form 540, enter the amount of the adoption cost credit claimed as a negative number on line 41.

Mortgage Interest Credit – If you reduced your federal mortgage interest deduction by the amount of your mortgage interest credit (from federal Form 8396, Mortgage Interest Credit), increase your California itemized deductions by the same amount. Enter the amount of your federal mortgage interest credit as a positive number on line 41.

Nontaxable Income Expenses – If, on federal Schedule A, you claim expenses related to producing income taxed under federal law but not taxed by California, enter the amount as a negative number on line 41.

You may claim expenses related to producing income taxed by California law but not taxed under federal law by entering the amount as a positive number on line 41.

Employee Business Expense – If you completed federal Form 2106, Employee Business Expense, or Form 2106-EZ, Unreimbursed Employee Business Expense, prepare a second set of forms reflecting your employee business expense using California amounts (i.e., following California law).

Generally, California law conforms with federal law and no adjustment is needed. However, differences occur when:

- Assets (requiring depreciation) were placed in service before 1/1/87. Figure the depreciation based on California law.
- Federal employees were on temporary duty status. California does not conform to the federal provision that expanded temporary duties to include prosecutive duties, in addition to investigative duties. Therefore, travel expenses paid or incurred in connection with temporary duty status (exceeding one year), involving the prosecution (or support of the prosecution) of a federal crime, should not be included in the California amount.

Compare line 10 on the federal form and the form completed using California amounts. If the federal amount is larger, enter the difference as a negative number on line 41 (bracket the number). If the California amount is larger, enter the difference as a positive number on line 41.

Investment Interest Expense – Your California deduction for investment interest expense may be different from your federal deduction. Use form FTB 3526, Investment Interest Expense Deduction, to figure the amount to enter on line 41.

Interest Expense Deduction – Your California interest expense deduction may be different from your federal deduction. A deduction is allowed for interest paid on any loan or financed indebtedness from a utility company to purchase energy efficient equipment and products for California residences. Enter as a positive number on line 41.

Gambling Losses – California lottery losses are not deductible for California. Enter the amount of California lottery losses shown on federal Schedule A as a negative number on line 41.

Federal Estate Tax – Federal estate tax paid on income in respect of a decedent is not deductible for California. Enter the amount of federal estate tax shown on federal Schedule A as a negative number on line 41.

Generation Skipping Transfer Tax – Tax paid on generation skipping transfers is not deductible under California law. Enter the amount of expenses shown on federal Schedule A as a negative number on line 41.

State Legislator’s Travel Expenses – Under California law, deductible travel expenses for state legislators include only those incurred while away from their place of residence overnight. Figure the difference between the amount allowed using federal law and the amount allowed using California law. Enter the difference as a negative number on line 41.

Charitable Qualified Contributions – Your California deduction may be different from your federal deduction. California limits the amount of your deduction to 50% of your adjusted gross income.

Charitable Contribution Carryover Deduction – If deducting a prior year charitable contribution carryover, and the California carryover is larger than the federal carryover, enter the additional amount as a positive number on line 41.

Health Savings Account (HSA) Distributions – If you received a tax-free HSA distribution for qualified medical expenses, enter the qualified expenses paid that exceed 7.5% of federal AGI as an adjustment to itemized deductions. To determine the amount of the itemized deduction adjustment:

- Calculate the medical expense deduction for California.
- Calculate the medical expense deduction for federal.
- Subtract the federal amount from the California amount. Enter the amount on line 41, as a positive amount.

Carryover Deduction Appreciated Stock Contributed to a Private Foundation prior to 1/1/02 – If deducting a charitable contribution carryover of appreciated stock donated to a private operating foundation prior to 1/1/02, and the fair market value allowed for federal purposes is larger than the basis allowed for California purposes, enter the difference as a negative number on line 41.

Interest on loans from utility companies – Taxpayers are allowed a tax deduction for interest paid or incurred on a public utility company financed loan that is used to purchase and install energy efficient equipment or products, including zone-heating products for a qualified residence **located in California**. Federal law has no equivalent deduction. Enter the amount as a positive number on line 41.

Medical benefits paid on behalf of registered domestic partners – Taxpayer benefits are extended to include the taxpayer’s registered domestic partner and their dependent(s) for medical expenses and health insurance benefits that occur on or after 1/1/02. Federal law does not include this provision. Enter the amount as a positive number on line 41.

Claim of Right – If you had to repay an amount that you included in your income in an earlier year, because at the time you thought you had an unrestricted right to it, you may be able to deduct the amount repaid from your income for the year in which you repaid it. Or, if the amount you repaid is more than \$3,000, you may take a credit against your tax for the year in which you repaid it, whichever results in the least tax.

Note: If the amount repaid was not taxed by California, then no deduction or credit is allowed.

If you claimed a credit for the repayment on your federal return and are deducting the repayment for California, enter the allowable deduction as a positive amount on Schedule CA (540NR), line 41. Deductions of \$3,000 or less are subject to the 2% federal AGI limit.

If you deducted the repayment on your federal return and are taking a credit for California, enter the amount of the federal deduction as a negative amount on Schedule CA(540NR), line 41. To help you determine whether to take a credit or deduction, see the Repayment section of federal Publication 525, Taxable and Nontaxable Income. Remember to use the California tax rate in your computations. If you choose to take the credit instead of the deduction for California, add the credit amount on line 44, the total payment line, of the Form 540. To the left of the total, write IRC 1341 and the amount of the credit.

Line 43 – California Itemized Deductions

Is the amount on Form 540, line 13 more than the amount shown below for your filing status?

Single or married filing separately	\$150,743
Married filing jointly or qualifying widow(er)	\$301,491
Head of household	\$226,119

NO Transfer the amount from line 42 to line 43. Do not complete the worksheet.

YES Complete the Itemized Deductions Worksheet.

Note:

- If married and filing 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, claim the greater of the standard deduction or your itemized deductions. See the instructions for “California Standard Deduction Worksheet for Dependents” on page 13 of this booklet to figure your standard deduction.

Itemized Deductions Worksheet	
1. Amount from Schedule CA (540), line 42.	1 _____
2. Using California amounts, add the amounts on federal Form 1040, Schedule A, line 4, line 13, and line 19 plus any gambling losses included on line 27	2 _____
3. Subtract line 2 from line 1	3 _____
Note: If zero, stop. Enter the amount from line 1 on Schedule CA (540), line 43.	
4. Multiply line 3 by 80% (.80).	4 _____
5. Amount from Form 540, line 13.	5 _____
6. Enter the amount shown above for your filing status.	6 _____
7. Subtract line 6 from line 5	7 _____
Note: If zero or less, stop. Enter the amount from line 1 on Schedule CA (540), line 43.	
8. Multiply line 7 by 6% (.06).	8 _____
9. Compare line 4 and line 8. Enter the smaller amount here.	9 _____
10. Total itemized deductions. Subtract line 9 from line 1. Enter here and on Schedule CA (540), line 43	10 _____

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 our Website at www.ftb.ca.gov to check your e-file options.

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. **Do not mail this record. Keep with your tax records.**

<p>1. Were you a resident of California for the entire year in 2006? 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 2006, and is otherwise qualified. 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 page 67.</p>
<p>2. Is your California adjusted gross income the amount on Form 540A, line 14 or Form 540, line 17: • \$32,272 or less if single or married filing separately; or • \$64,544 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.</p>
<p>3. Did you pay rent, for at least half of 2006, 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.</p>
<p>4. Can you be claimed as a dependent by a parent, foster parent, legal guardian, or any other person in 2006? NO. Go to question 6. YES. Go to question 5.</p>
<p>5. For more than half the year in 2006, 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.</p>
<p>6. Was the property you rented exempt from property tax in 2006? 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. NO. Go to question 7. YES. Stop here. You do not qualify for this credit.</p>
<p>7. Did you claim the homeowner's property tax exemption anytime during 2006? 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. NO. Go to question 8. YES. Stop here. You do not qualify for this credit.</p>
<p>8. Were you single in 2006? YES. Go to question 11. NO. Go to question 9.</p>
<p>9. Did your spouse claim the homeowner's property tax exemption anytime during 2006? 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. NO. Go to question 11. YES. Go to question 10.</p>
<p>10. Did you and your spouse maintain separate residences for the entire year in 2006? YES. Go to question 11. NO. Stop here. You do not qualify for this credit.</p>
<p>11. If you are: • Single, enter \$60 below. • Married filing separately, 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 the credit (\$120), or each spouse may claim half the amount (\$60 each). • 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 28. \$ _____</p> <p>Fill in the street address(es) and landlord information below for the residence(s) you rented in California during 2006, which qualified you for this credit.</p>

Street Address	City, State, and ZIP Code	Dates Rented in 2006 (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 _____

CREDIT CHART

Credit Name	Code	Description
Child Adoption – Worksheet on page 15	197	50% of qualified costs in the year an adoption is ordered
Child and Dependent Care Expenses – FTB 3506 See the instructions on page 63	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, Suite 1600, Sacramento CA 95814, or go to www.insurance.ca.gov
Dependent Parent – See page 15	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
Environmental Tax – FTB 3511	218	Five cents (\$.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in this state
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, or go to www.treasurer.ca.gov
Joint Custody Head of Household – Worksheet on page 15	170	30% of tax up to \$363 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	EXPIRED – form available for carryover and recapture only
Joint Strike Fighter Property Costs – FTB 3534	216	EXPIRED – form available for carryover and recapture only
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRA
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 57	None	For California residents who paid rent for their principal residence for at least 6 months in 2006 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 2006
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 140, Sacramento, CA 95814, or go to www.cdfa.ca.gov
Senior Head of Household – Worksheet on page 15	163	2% of taxable income up to \$1,111 for seniors who qualified for head of household in 2004 or 2005 and whose qualifying individual died during 2004 or 2005
Solar or Wind Energy System – FTB 3508	217	EXPIRED – form available for carryover and recapture only
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. This credit is suspended for taxable years 2004, 2005, and 2006.

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. See "Where To Get Income Tax Forms and Publications" on page 66.

Agricultural Products	175	Los Angeles Revitalization Zone (LARZ)	159	Residential Rental & Farm Sales	186
Commercial Solar Electric System	196	Hiring & Sales or Use Tax	159	Ridesharing	171
Commercial Solar Energy	181	Low-Emission Vehicles	160	Salmon & Steelhead Trout Habitat	
Employee Ridesharing	194	Manufacturers' Investment	199	Restoration	200
Employer Ridesharing: Large employer	191	Orphan Drug	185	Solar Energy	180
Small employer	192	Political Contributions	184	Solar Pump	179
Transit passes	193	Recycling Equipment	174	Water Conservation	178
Energy Conservation	182			Young Infant	161

Voluntary Contribution Fund Descriptions

Make voluntary contributions of \$1 or more in whole dollar amounts to the funds listed below. To contribute to the California Seniors Special Fund use the instructions for code 50 below. The amount you contribute either reduces your overpaid tax or increases your tax due. You may contribute to only the funds listed and cannot change the amount you contribute after you file your return. Go to our Website at www.ftb.ca.gov and search for **voluntary contributions**.

If you are using:

- Form 540A, enter the amounts you want to contribute on the line for the fund on Side 2. 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. Enter the total contributions on line 64.

Fund Name	Code	Description
California Seniors Special Fund	50	If you and/or your spouse are 65 years of age or older as of December 31, 2006, and claim the Senior Exemption Credit on line 9, you may make a combined total contribution of up to \$182 or \$91 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.
Alzheimer's Disease/Related Disorders Fund	51	Contributions will provide grants to California scientists who study Alzheimer's disease and related disorders. This research includes basic science, diagnosis, treatment, prevention, behavioral problems, and care giving. With one-half million Californians living with the disease and another 2 million providing care to a loved one with Alzheimer's, our state is in the early stages of a major public health crisis. Your contribution will ensure that Alzheimer's disease receives the attention, research, and resources it deserves.
California Fund for Senior Citizens	52	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.
Rare and Endangered Species Preservation Program	53	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.
State Children's Trust Fund for the Prevention of Child Abuse	54	Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.
California Breast Cancer Research Fund	55	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.
California Firefighters' Memorial Fund	56	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.
Emergency Food Assistance Program Fund	57	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.
California Peace Officer Memorial Foundation Fund	58	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.
California Military Family Relief Fund	59	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.
Veterans' Quality of Life Fund	60	Contributions will be allocated to the Morale, Welfare, and Recreation Fund to provide additional funding for each of the veterans' homes.
California Sexual Violence Victim Services Fund	61	Contributions will be allocated to the State Department of Health Services for allocation to the California Coalition Against Sexual Assault (CALCASA) for the award of grants to support CALCASA rape crisis center programs for victims of rape and sexual assault.
California Colorectal Cancer Prevention Fund	62	Contributions will be allocated to the State Department of Health Services for making grants to foundations that qualify as exempt organizations and whose mission is the prevention and early detection of colorectal cancer. The grants shall contribute toward the expansion of community-based colorectal cancer education and culturally sensitive and appropriate prevention activities targeted toward communities that are disproportionately at risk or afflicted by colorectal cancer.
California Sea Otter Fund	63	The California Coastal Conservancy and the Department of Fish and Game will each be allocated 50% of the contributions. The California Coastal Conservancy will use the contributions for research and programs related to the near-shore ecosystem, including sea otters. The Department of Fish and Game will use the contributions to establish a sea otter fund within the department's index coding system for increased investigation, prevention, and enforcement action.

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visit our Website:

www.ftb.ca.gov

2006 Child and Dependent Care Expenses Credit

3506

Attach to your California Form 540, 540A, or Long Form 540NR.

Name(s) as shown on return

SSN or ITIN

Part I Unearned Income and Other Funds Received in 2006. See instructions.

SOURCE OF INCOME/FUNDS	AMOUNT	SOURCE OF INCOME/FUNDS	AMOUNT
•	•	•	•
•	•	•	•
•	•	•	•

Part II Persons or Organizations Who Provided the Care in California – You must complete this part. See instructions.

1 Enter the following information for each person or organization that provided care in California. (Only care provided in California qualifies for the credit). If you need more space, attach a separate sheet.

	Provider	Provider
a. Care provider's name	•	•
b. Care provider's address (number, street, apt. no., city, state, and ZIP Code)	•	•
c. Care provider's telephone number	• ()	• ()
d. Is provider a person or organization?	<input type="checkbox"/> Person <input type="checkbox"/> Organization	<input type="checkbox"/> Person <input type="checkbox"/> Organization
e. Identification number (SSN or FEIN)	•	•
f. Address where care was provided (number, street, apt. no., city, state, and ZIP Code)		
g. Amount paid for care provided	•	•

Did you receive dependent care benefits? >>>> No Complete Part III below.
Yes Complete Part IV before Part III.

Part III Credit for Child and Dependent Care Expenses

2 Information about your qualifying person(s). See instructions.

(a) Qualifying person's name		(b) Qualifying person's social security number (See instructions)	(c) Qualifying person's date of birth (DOB) or if disabled	(d) Percentage of physical custody (See instructions)	(e) Qualified expenses you incurred and paid in 2006 for the qualifying person's care in California
First	Last				
•	•	•	• DOB: _____ • Disabled <input type="checkbox"/> Yes	•	•
•	•	•	• DOB: _____ • Disabled <input type="checkbox"/> Yes	•	•
•	•	•	• DOB: _____ • Disabled <input type="checkbox"/> Yes	•	•

3 Add the amounts in column (e) of line 2. Do not enter more than \$3,000 for one qualifying person or \$6,000 for two or more qualifying persons. If you completed Part IV, enter the amount from line 35.	•	3	
4 Enter YOUR earned income. See instructions	•	4	
Nonresidents: Enter only your earned income from California sources. If you do not have earned income from California sources, stop, you do not qualify for the credit. Military members, see instructions. Part-year residents: Enter the total of (1) your earned income from California sources received while you were a nonresident and (2) all earned income received while you were a resident. Military members, see instructions.			
5 If married filing a joint return, enter YOUR SPOUSE'S earned income. (If your spouse was a student or was disabled, see the instructions.) If not filing a joint return, enter the amount from line 4	•	5	
Nonresidents: Enter only your spouse's earned income from California sources. If your spouse does not have earned income from California sources, stop, you do not qualify for the credit. Military members, see instructions. Part-year residents: Enter the total of (1) your spouse's earned income from California sources received while he or she was a nonresident and (2) all earned income your spouse received while he or she was a resident. Military members, see instructions.			
6 Enter the smallest of line 3, line 4, or line 5.	•	6	
7 Enter the decimal amount shown in the chart on page 3 of the instructions for line 7.	•	7	X. _____
8 Multiply line 6 by the decimal amount on line 7. Enter the amount here and on Form 540A, line 30; Form 540, line 42; or Long Form 540NR, line 49.	•	8	
9 Enter the decimal amount listed in the chart on page 3 of the instructions for line 9.	•	9	X. _____
10 Multiply the amount on line 8 by the decimal amount on line 9.	•	10	
11 Credit for prior year expenses paid in 2006. See instructions for line 11.	•	11	
12 Add line 10 and line 11. Enter the amount here and on Form 540A, line 31; Form 540, line 43; or Long Form 540NR, line 50	•	12	

Part IV Dependent Care Benefits

13 Enter the total amount of dependent care benefits you received for 2006. This amount should be shown in box 10 of your Form(s) W-2. Do not include amounts that were reported to you as wages in box 1 of Form(s) W-2. Include amounts you received under a dependent care assistance program from your sole proprietorship or partnership	13		
14 Enter the amount, if any, you carried over from 2005 and used in 2006 during the grace period	14		
15 Enter the amount, if any, you forfeited or carried forward to 2007.	15	()
16 Combine line 13 through line 15	16		
17 Enter the total amount of qualified expenses incurred in 2006 for the care of the qualifying person(s) . See instructions.	17		
18 Enter the smaller of line 16 or line 17	18		
19 Enter YOUR earned income	19		
20 If married filing a joint return, enter YOUR SPOUSE'S earned income (if your spouse was a student or was disabled, see the instructions for line 5); if married filing a separate return, see the instructions for the amount to enter; all others , enter the amount from line 19	20		
21 Enter the smallest of line 18, line 19, or line 20.	21		
22 Enter the amount from line 13 that you received from your sole proprietorship or partnership. If you did not receive any amounts, enter -0-.	22		
23 Subtract line 22 from line 16	23		
24 Enter \$5,000 (\$2,500 if married filing separately and you were required to enter your spouse's earned income on line 20)	24		
25 Deductible benefits. Enter the smallest of line 21, line 22, or line 24. Also, include this amount on the appropriate line(s) of your return.	25		
26 Enter the smaller of line 21 or line 24.	26		
27 Enter the amount from line 25	27		
28 Excluded benefits. Subtract line 27 from line 26. If zero or less, enter -0-	28		
29 Taxable benefits. Subtract line 28 from line 23. If zero or less, enter -0-	29		
30 Enter \$3,000 (\$6,000 if two or more qualifying persons).	30		
31 Enter the amount from line 25 and line 28	31		
32 Subtract the amount on line 31 from the amount on line 30. If zero or less, stop . You do not qualify for the credit. Exception – If you paid 2005 expenses in 2006, see instructions for line 11.	32		
33 Complete Side 1, Part III, line 2. Add the amounts in column (e) and enter the total here	33		
34 Enter the amount from your federal Form 2441, Part III, line 32	34		
35 Enter the smaller of line 32, line 33, or line 34. Also, enter this amount on Side 1, line 3 on the front of this form and complete line 4 through line 12	35		

Worksheet – Credit for 2005 Expenses Paid in 2006

- 1) Enter your 2005 qualified expenses paid in 2005. If you did not claim the credit for these expenses on your 2005 return, get and complete a 2005 form FTB 3506 for these expenses. You may need to amend your 2005 return
- 2) Enter your 2005 qualified expenses paid in 2006
- 3) Add the amounts on line 1 and line 2
- 4) Enter \$3,000 if care was for one qualifying person (\$6,000 for two or more).
- 5) Enter any dependent care benefits received for 2005 and excluded from your income (from line 24 of 2005 form FTB 3506).
- 6) Subtract amount on line 5 from amount on line 4 and enter the result
- 7) Compare your and your spouse's earned income for 2005 and enter the **smaller** amount.
- 8) Compare the amounts on line 3, line 6, and line 7 and enter the **smallest** amount.
- 9) Enter the amount from your 2005 form FTB 3506, line 6
- 10) Subtract amount on line 9 from amount on line 8 and enter the result. If zero or less, stop here. You cannot increase your credit by any previous year's expenses
- 11) Enter your 2005 federal adjusted gross income (AGI) (from your 2005 Form 540, line 13; 540A, line 12b; or Long Form 540NR, line 13).
- 12) 2005 federal AGI decimal amount (from 2005 form FTB 3506, instructions for line 7). X.
- 13) Multiply line 10 by line 12
- 14) 2005 California AGI decimal amount (from 2005 form FTB 3506, instructions for line 9). X.
- 15) Multiply line 13 by line 14. Enter the result here and on line 11 of your 2006 form FTB 3506

Instructions for Form FTB 3506

Child and Dependent Care Expenses Credit

General Information

Attach the completed form FTB 3506 to your return if you claim the child and dependent care expenses credit.

What's New

Beginning with the 2007 tax year, registered domestic partners are required to file a joint California return or separate returns using the same rules applicable to spouses. However, for the 2006 tax year, registered domestic partners must continue to claim this credit using the single or head of household filing status.

A Purpose

You may qualify to claim the 2006 credit for child and dependent care expenses, if you (and your spouse) paid someone in California to care for your child or other qualifying person while you worked or looked for employment. You must have earned income to do so. If you qualify to claim the credit, use form FTB 3506 to figure the amount of your credit.

If you received dependent care benefits for 2006 but do not qualify to claim the credit, you are not required to complete form FTB 3506. For additional definitions, requirements, and instructions, get federal Form 2441.

B Differences in California and Federal Law

The differences between California and federal law are as follows:

- California allows this credit only for care provided in California.
- If you were a nonresident, you must have earned wages from working in California or earned self-employment income from California business activities.
- Federal adjusted gross income must be \$100,000 or less to qualify for the California credit.
- The California credit is a percentage of the federal credit as modified by California law.
- The California credit is refundable.

C Qualifications

You may take the credit if **all eight** of the following apply.

1. If you are married, you must file a joint return. For an exception, see Section E, Married Persons Filing Separate Returns, on page 64.
2. Care must be provided in California for one or more qualifying persons. See Section D, Qualifying Person Defined, on this page.
3. You paid for care so you (and your spouse) could work or look for work. However, if you did not find a job and have no earned income, you do not qualify for the credit. If your spouse was a student or disabled, see the instructions for Part III, line 5, on page 65.
4. You (and your spouse) must have earned income (wages or self-employment income) during the year. See the instructions for Part III, line 4, on page 65 for more information on earned income.
5. You and the qualifying person(s) live in the same home for more than half the year.
6. The person who provided care was not your spouse, the parent of your qualifying child, or a person for whom you can claim a dependent exemption. If your child provided the care, the child must have been age 19 or older by the end of 2006.
7. You report the required information about the care provider(s) in Part II, line 1, and the information about the qualifying person(s) in Part III, line 2.
8. Your federal adjusted gross income is \$100,000 or less.

D Qualifying Person Defined

Rules for Most People

A qualifying person is:

1. A child under age 13 who meets the requirements to be your dependent as a Qualifying Child. A child who turned 13 during the year qualifies only for the part of the year when he or she was 12 years old.
2. Your spouse who was physically or mentally incapable of self-care.
3. Any person who was physically or mentally incapable of self-care whom you can claim as a dependent (or could claim as a dependent except that the person had gross income of \$3,300 or more or filed a joint return).
4. Any disabled person not able to care for himself or herself whom you could claim as a dependent except that you (or your spouse if filing a joint return), could be claimed as a dependent on someone else's 2006 return.

Qualifying Child

A Qualifying Child is a child who meets all of the following tests:

- **Relationship Test** - The child must be your son, daughter, stepchild, adopted child, eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of one of these. An adopted child includes a child who has been lawfully placed with you for legal adoption even if the adoption is not yet final. An eligible foster child must be placed with you by an authorized placement agency or by a court.
- **Age Test** - The child must be under 19 years of age or a full-time student under 24. (For the purposes of qualifying for the Child and Dependent Care Expenses Credit, the child must be under 13.)
- **Residency Test** - The child must live with you for more than half the year.
- **Support Test** - The child must not have provided more than half of his or her own support.
- **Joint Return Test** - The child must not have filed a joint federal income tax return with his or her spouse.
- **Citizenship Test** - The child must be a citizen or national of the U.S. or a resident of the U.S., Canada, or Mexico.

Qualifying Child of More Than One Person -- Tie-Breaker Rules

If...	Then the child will be treated as the qualifying child of the...
Only one of the persons is the child's parent	Parent
Both persons are the child's parent	Parent with whom the child lived with for the longer period of time. If the child lived with each parent for the same amount of time then the child will be treated as the qualifying child of the parent with the highest adjusted gross income.
None of the persons are the child's parent.	Person with the highest adjusted gross income.

Divorced, Separated, or Never Married Parents

For divorced or separated parents, special rules apply in determining if your child meets the requirements to be your qualifying person. When parents file separate returns only one parent qualifies to claim a child as a qualifying person.

Even if both parents pay for child care for the same child, both parents cannot qualify for the credit. Some custody agreements designate which parent is entitled to the credit. However, the designated parent must meet all the qualifications in Section C, Qualifications, to claim the credit. To verify that your child meets the requirements to be your qualifying person use the table below.

RULES FOR DIVORCED, SEPARATED, OR NEVER MARRIED PARENTS

IF	AND	THEN
ALL four of the following apply: 1. Your child was under 13 and/or physically or mentally incapable of self-care when the care was provided. Children turning 13 during the year qualify only for the part of the year they were 12 years old. 2. One of the following applies a. You are divorced or legally separated from the other parent; b. You are separated under a written separation agreement; c. You and the other parent lived apart at all times during the last 6 months of the year. (This includes parents never married to each other.) 3. One or both parents had custody of the child for more than half the year. 4. One or both parents provided more than half the child's support for the year.	You were the custodial parent and you can claim the dependent exemption credit for the child.	The child is your qualifying person.
	You were the custodial parent and under the provisions of a decree of divorce, legal separation, or a written separation agreement, the noncustodial parent claimed the dependent exemption credit, or you signed a statement releasing the dependent exemption credit to the noncustodial parent.	The child is your qualifying person.
One or more of the four statements above do not apply.	You are not the custodial parent.	The child is not your qualifying person.
		Use the "Rules for Most People" on this page.

Custodial parent. You are the custodial parent if you had physical custody of your child longer than the other parent during the calendar year. On days where custody is shared, the parent having custody of the child for more than 12 hours is considered to have custody for that day.

E Married Persons Filing Separate Returns

Generally, if you are married, you must file a joint return to claim the credit. However, you can take the credit on your separate return if:

- You meet all three requirements below:
 - You lived apart from your spouse at all times during the last six months of 2006.
 - The qualifying person(s) lived in your home more than half of 2006.
 - You provided over half the cost of keeping up your home.
- You meet all the other qualifications in Section C, Qualifications.

F Nonresidents and Part-Year Residents

- You must complete and attach Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents, to your tax return, Long Form 540NR. If Part I of Schedule CA (540NR) is not fully completed, we may disallow your credit.
- Nonresidents must have earned income from California sources to qualify for the credit. Beginning with tax year 2006, a nonresident servicemember's military wages are considered earned income from a California source for the purpose of qualifying for the credit.
- Part-year residents must have earned income while a California resident or earned income from California sources while a nonresident to qualify for the credit.

Specific Line Instructions

Part I

Unearned Income and Other Funds

List the source and amount of **any** money you received in 2006 that is not included in your earned income (line 4 and line 5) but that was used to support your household. Include child support, property settlements, public assistance benefits, court awards, inheritances, insurance proceeds, pensions and annuities, social security payments, workers' compensation, unemployment compensation, interest, or dividends.

Part II

Line 1

Complete line 1a through line 1g for each person or organization that provided the care in California. Only care provided in California qualifies for the credit. Use federal Form W-10, Dependent Care Provider's Identification and Certification, or any other source listed in the instructions for Form W-10 to get the information from your care provider. If your provider does not give you the information, complete as much of the information as possible and explain that your provider did not give you the information you requested.

If you do not give correct and complete information, we may disallow your credit unless you can show you used due diligence in trying to get the required information.

Lines 1a through Line 1c

Enter your California care provider's complete name (or business name), address, and telephone number (including the area code). We may contact your care provider to verify the information you provide.

If you were covered by your employer's dependent care plan and your employer furnished the care (either at your workplace or by hiring a care provider), enter your employer's name on line 1a. Next, enter "See W-2" on line 1b. Complete line 1c through line 1f. Then leave line 1g blank. But, if your employer paid a third party (not hired by your employer) on your behalf to provide care, you must provide information on the third party on line 1a through line 1g.

Line 1d

For each care provider, check one box indicating whether the care provider is a person or organization.

Line 1e

If your care provider is	Then enter on line 1e
An individual	The provider's social security number
Not an individual	The provider's federal employer identification number (FEIN)
A tax-exempt organization	"Tax-exempt"

Line 1f

Enter the complete address where the care was provided. Only care provided in California qualifies for the credit.

Line 1g

Enter the total amount you **actually paid** in 2006 to your care provider for care provided in California. Also include amounts your employer paid to a third party on your behalf. It does not matter when the expenses were incurred. Do not reduce this amount by any reimbursement you received.

Part III

Line 2

Complete column (a) through column (e) for each qualifying person for whom care was provided in California. If claiming more than three qualifying persons, attach a sheet of paper to your return with the required information and write "see attached." Write your name and social security number or ITIN on the sheet.

Column (a)

Enter each qualifying person's name.

Column (b)

Enter each qualifying person's social security number. Verify that the name and social security number match the qualifying person's social security card to avoid the reduction or disallowance of your credit. If the person was born in, and later died in, 2006, and does not have a social security number, enter "Deceased" in column (b) and attach a copy of the person's birth and death certificates.

Enter the social security numbers of the first two qualifying persons on Form 540, line 40 and line 41; Form 540A, line 28 and line 29; or Long Form 540NR, line 47 and line 48.

Column (c)

Enter the qualifying person's date of birth in the space provided or if the qualifying person is disabled (physically or mentally incapable of self-care), check the "Yes" box.

Column (d)

If you shared custody of the qualifying person(s), enter the percentage of time you possessed physical custody during 2006. If you have 50% or less physical custody of your child, you don't qualify for the credit.

Column (e)

Enter the qualified expenses you incurred and paid in 2006 for the qualifying person. Include only the qualified expenses for care provided in California. If the child turned 13 years old during the year, include only the qualified expenses for the part of the year the child was under 13.

Do not include in column (e) qualified expenses:

- You incurred in 2006 but did not pay until 2007. You may be able to use these expenses to increase your 2007 credit.
- You incurred in 2005 but did not pay until 2006. Instead, see instructions for line 11.
- You prepaid in 2006 for care to be provided in 2007. These expenses may only be used to figure your 2007 credit.

Note: A qualified expense does not include the amount you paid for education (school tuition) or the amount you received through a subsidy program.

Qualified Expenses are amounts paid for the care of your qualifying person while you worked or looked for work.

Qualified expenses include:	Qualified expenses do not include:
<ul style="list-style-type: none"> The cost of care for the qualifying person's well-being and protection. If care was provided by a dependent care center, the center must meet all applicable state and local regulations Cost of pre-school or similar program below the kindergarten level Day camp, even if it specialized in a particular activity, such as soccer 	<ul style="list-style-type: none"> Child support payments. Payments made to the parent of your qualifying child Payments made to your spouse. Payments made to your child who is under age 19 at the end of the year, even if he or she is not your dependent Payments made to a dependent for whom you (or your spouse) can claim a dependent exemption Expenses paid by or reimbursed through a subsidy program Cost for education (school tuition) at the kindergarten level and above Overnight camp

Line 4

Earned income Includes:	Earned income does not include:
<ul style="list-style-type: none"> Wages, salary, tips, and other taxable employee compensation, as well as, military compensation including compensation for service in a combat zone Net earnings from self-employment Strike benefits Disability payments you report as wages Active duty pay received by members of the armed forces is considered earned income regardless of whether the member is domiciled in this state or elsewhere 	<ul style="list-style-type: none"> Pensions or annuities Social security payments Workers' compensation Interest Dividends Capital gains Unemployment compensation Public assistance Homeowner and Renter Assistance

Nonresidents and Part-Year Residents Only: Earned income from California sources includes:	Earned income does not include:
<ul style="list-style-type: none"> Wages, salary, tips, and other taxable employee compensation, for working in California, as well as, military compensation including compensation for service in a combat zone Net earnings from self-employment from California business activities Strike benefits related to California employment Disability payments you report as California wages Active duty pay received by members of the armed forces is considered earned income regardless of whether the member is domiciled in this state or elsewhere 	<ul style="list-style-type: none"> Pensions or annuities Social security payments Workers' compensation Interest Dividends Capital gains Unemployment compensation Public assistance Homeowner and Renter Assistance

Line 5

Spouse Who Was a Student or Disabled

Your spouse was a **student** if he or she was enrolled as a full-time student at a school during any 5 months of 2006. A school does not include a night school or correspondence school.

Your spouse was **disabled** if he or she was not capable of self-care. Figure your spouse's earned income on a monthly basis.

For each month your spouse was a full-time student or disabled, enter on line 5 the larger of

- Your spouse's actual earned income for that month, or
- \$250 (\$500, if you have 2 or more qualifying persons).

If, in the same month, both you and your spouse qualified as either full-time students or disabled, only one of you receive treatment as having earned income of \$250 (or \$500) in that month. For any month that your spouse was not a full-time student or disabled, use your spouse's actual earned income for that month.

Line 7

Use the chart on this page to determine the decimal amount to enter on line 7. Your federal adjusted gross income (AGI) is on Form 540A, line 12b; Form 540, line 13; or Long Form 540NR, line 13.

If your Federal AGI is:		The decimal amount on Line 7 is:
Over	But not over	
\$0	\$15,000	.35
15,000	17,000	.34
17,000	19,000	.33
19,000	21,000	.32
21,000	23,000	.31
23,000	25,000	.30
25,000	27,000	.29
27,000	29,000	.28
29,000	31,000	.27
31,000	33,000	.26
33,000	35,000	.25
35,000	37,000	.24
37,000	39,000	.23
39,000	41,000	.22
41,000	43,000	.21
43,000	No limit	.20

Line 9

Use the chart below to determine the decimal amount to enter on line 9.

If your federal AGI from Form 540A, line 12b; Form 540, line 13; or Long Form 540NR, line 13 is:	The decimal amount to enter on Line 9 is:
\$40,000 or less	.50
Over \$40,000 but not over \$70,000	.43
Over \$70,000 but not over \$100,000	.34
Over \$100,000	.Stop. You do not qualify for this credit.

Line 11

If you had qualified expenses for care that was provided in 2005 that you paid for in 2006, you may be able to increase your credit for 2006. Complete the worksheet on Side 2 of form FTB 3506. You will need a copy of your 2005 California tax return to complete the worksheet.

Part IV

Line 13

Dependent care benefits are:

- Amounts an employer paid directly to you (or your spouse), or to your care provider for the care of your qualifying person(s), while you worked.
- A day-care facility provided by your employer.
- Generally deducted from your salary.
- Shown in box 10 of your 2006 Form(s) W-2.

Line 14

Enter the amount from federal Form 2441, line 13.

Line 15

If you had a flexible spending account, any amount included on line 13 that you did not receive because you did not incur the expense is considered forfeited. Do not include amounts you expect to receive at a future date.

Line 17

Enter the total of all qualified expenses incurred in 2006. It does not matter when the expenses were paid.

Note: A qualified expense does not include the amount you paid for education (school tuition) or the amount you received through a subsidy program.

Example: You received \$2,000 cash under your employer's dependent care plan for 2006. The \$2,000 is shown in box 10 of your Form W-2. You incurred \$900 of qualified expenses in 2006 for the care of your 3-year-old dependent child. Enter \$900 on line 17, but report the entire \$2,000 on line 13.

For all other lines, follow specific line instructions on the form. For additional information, get federal Form 2441 or federal Publication 503, Child and Dependent Care Expenses.

Worksheet

Line 12 and line 14

You need the 2005 form FTB 3506 instructions to complete the Credit for 2005 Expenses Paid in 2006 Worksheet, on Side 2. Forms are available from our Website at www.ftb.ca.gov or by calling (800) 338-0505.

Line 12

Enter the decimal amount from the chart in the line 7 instructions of the 2005 form FTB 3506 that corresponds to your 2005 federal adjusted gross income.

Line 14

Enter the decimal amount from the chart in the line 9 instructions of the 2005 form FTB 3506 that corresponds to your 2005 California adjusted gross income.

How To Get California Tax Information

Where To Get Income Tax Forms and Publications

By Internet – You can download, view, and print California income tax forms and publications from our Website at www.ftb.ca.gov or you may have these forms and publications mailed to you. Many of our most frequently used forms may be filed electronically, printed out for submission, and saved for record keeping.

By phone – To order 2004-2006 California tax forms and publications:

- Refer to the list on the next page and find the code number for the form you want to order.
- Call (800) 338-0505.
- Select “Personal Income Tax.”
- Select “Forms and Publications.”
- Enter the three-digit form code when you are instructed.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

In person – Many post offices and libraries provide free California tax booklets during the filing season. Most libraries have forms and schedules for you to photocopy (a nominal fee may apply).

Note: Employees at libraries and post offices cannot provide tax information or assistance.

By mail – Write to: TAX FORMS REQUEST UNIT, FRANCHISE TAX BOARD, PO BOX 307, RANCHO CORDOVA CA 95741-0307.

Letters

If you write to us, be sure your letter includes your social security number or individual taxpayer identification number and your daytime and evening telephone numbers. Send your letter to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0040

We will respond to your letter within 10 weeks. In some cases, we may call you to respond to your inquiry, or ask you for additional information. Do not attach correspondence to your tax return unless the correspondence relates to an item on the return.

Your Rights As A Taxpayer

FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable. See “Where To Get Income Tax Forms and Publications,” on this page.

Privacy Notice

Reasons for Information Requests:

We ask for return information so that we can administer the tax law fairly and correctly.

Rights and Responsibility:

You have the right to see our records that contain your personal information. To obtain information about your records, you may write to: The Franchise Tax Board, Disclosure Officer, MS A-181, P.O. Box 1468, Sacramento, CA 95812-1468, or call: (800) 852-5711 within the United States, or (916) 845-6500 outside of the United States.

Your Responsibility:

California Revenue and Taxation Code Sections 18501 and 18621 require you to file a return on the forms we prescribe if you meet certain requirements. It is mandatory that you furnish all requested information. You may be charged penalties and interest, and in certain cases, you may be criminally prosecuted if you do not provide the information we ask for, or you provide fraudulent information.

Information Disclosures:

As provided by law, we may give your tax information to other tax officials to determine your tax liability or collect tax amounts you owe. If you owe the Franchise Tax Board money we may also give your information to employers, financial institutions, county recorders, or others who hold assets belonging to you.

For full text of Franchise Tax Board's Privacy Notice, get form FTB 1131.

Need help with your return?

Go to <http://www.ftb.ca.gov/individuals/vita/sites.asp> for information about free help through the volunteer program, and how to find a site in your area.



Automated Toll-Free Phone Service

(Keep This Booklet For Future Use)

General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 6 p.m. Monday through Friday, except holidays.

From within the United States . . . (800) 852-5711

From outside the United States

(not toll-free) (916) 845-6500

For federal tax questions,

call the IRS at (800) 829-1040

Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with a hearing or speech impairment please call:

TTY/TDD (800) 822-6268

Large-print forms and instructions – The Resident Booklet is available in large print upon request and is also available on audio CD. See “Where To Get Income Tax Forms and Publications” on page 66.

CD. See “Where To Get Income Tax Forms and Publications” on page 66.

Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 6 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos,

llame al (800) 852-5711

Fuera de los Estados Unidos,

llame al (cargos aplican) (916) 845-6500

Para preguntas sobre impuestos

federales, llame el IRS al. (800) 829-1040

Página Electrónica: www.ftb.ca.gov

Asistencia para personas discapacitadas:

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla, pueden llamar al (800) 822-6268 con un aparato de telecomunicación TTY/TTD.

Use our automated toll-free phone service to get recorded answers to many of your questions about California Taxes and to order current year Personal Income Tax Forms and Publications. You can also:

- Get current year tax refund information.
- Get balance due and payment information.

Have paper and pencil ready to take notes.

Call from within the

United States (800) 338-0505

Call from outside the

United States (916) 845-6500
(not toll-free)

Order Forms and Publications

If your current address is on file, you can order California tax forms for the current and previous two years. See the instructions on the previous page.

Code California Tax Forms and Publications

- 900 California Resident Income Tax Booklet: Form 540, Resident Income Tax Return Form 540A, Resident Income Tax Return
- 965 Form 540 2EZ Tax Booklet
- 903 Schedule CA (540), California Adjustments – Residents FTB 3885A, Depreciation and Amortization Adjustments Schedule D, California Capital Gain or Loss Adjustment
- 969 Large Print Resident Booklet
- 970 Resident Booklet on Audio CD

- 907 Form 540-ES, Estimated Tax for Individuals
- 908 Form 540X, Amended Individual Income Tax Return
- 909 Schedule D-1, Sales of Business Property
- 910 Schedule G-1, Tax on Lump-Sum Distributions
- 911 Schedule P (540), Alternative Minimum Tax and Credit Limitations – Residents
- 913 Schedule S, Other State Tax Credit
- 914 California Nonresident Income Tax Booklet: Long and Short Form 540NR, Nonresident or Part-Year Resident Income Tax Return
- 917 Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents
- 918 Schedule P (540NR), Alternative Minimum Tax and Credit Limitations – Nonresidents or Part-Year Residents
- 932 FTB 3506, Child and Dependent Care Expenses Credit
- 937 FTB 3516, Request for Copy of Personal Income Tax or Fiduciary Return
- 921 FTB 3519, Automatic Extension for Individuals
- 972 FTB 3520, Power of Attorney form and FTB Pub. 1144, Power of Attorney Frequently Asked Questions
- 922 FTB 3525, Substitute for W-2 Wage and Tax Statement
- 923 FTB 3526, Investment Interest Expense Deduction
- 940 FTB 3540, Credit Carryover Summary
- 949 FTB 3567, Installment Agreement Request
- 924 FTB 3800, Tax Computation for Children with Investment Income
- 929 FTB 3801, Passive Activity Loss Limitations
- 925 FTB 3805E, Installment Sale Income
- 928 FTB 3805P, Additional Taxes from Qualified Retirement Plans
- 926 FTB 3805V, Net Operating Loss (NOL) – Individuals
- 927 FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries
- 919 FTB Pub. 1001, Supplemental Guidelines to California Adjustments
- 920 FTB Pub. 1005, Pension and Annuity Guidelines
- 945 FTB Pub. 1006, California Tax Forms and Related Federal Forms
- 946 FTB Pub. 1008, Federal Tax Adjustments and Your Notification Responsibilities
- 943 FTB Pub. 4058, California Taxpayers’ Bill of Rights
- 941 FTB Pub. 1031, Guidelines for Determining Resident Status
- 942 FTB Pub. 1032, Tax Information for Military Personnel
- 951 FTB Pub. 1051A, Guidelines for Married Filing Separate Returns
- 934 FTB Pub. 1540, California Head of Household Filing Status

Current Year Refund Information

If you file by mail, wait at least 8 weeks after you file your tax return before you call to find out about your refund. You need your social security number, the numbers in your street address, box number, route number, or PMB number, and your ZIP Code to use this service.

Balance Due and Payment Information

Wait at least 45 days from the date you mailed your payment before you call to verify receipt. You need your social security number, the numbers in your street address, box number, route number, or PMB number, and your ZIP Code to use this service.

Answers To Tax Questions

Call our automated phone service, select “Personal Income Tax,” then “Frequently Asked Questions,” and enter the 3-digit code.

Code Filing Assistance:

- 100 Do I need to file a return?
- 111 Which form should I use?
- 112 How do I file electronically and get a fast refund?
- 201 How can I get an extension to file?
- 203 What is the nonrefundable renter’s credit and how do I qualify?
- 204 I never received a Form W-2. What do I do?
- 205 I have no withholding taken out. What do I do?
- 206 Do I have to attach a copy of my federal return?
- 209 I lived in California for part of the year. Do I have to file a return?
- 210 I did not live in California. Do I have to file a return?
- 215 Who qualifies me to use the head of household filing status?
- 222 How much can I deduct for vehicle license fees?

Penalties

- 403 What is the estimate penalty rate?

Notices And Bills

- 503 How do I file a protest against a Notice of Proposed Assessment?
- 506 How can I get information about my Form 1099-G?

Tax For Children

- 601 Can my child take a personal exemption credit when I claim her or him as a dependent on my return?

Miscellaneous

- 611 What address do I send my payment to?
- 619 How do I report a change of address?

