

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

To get forms and publications referred to in these instructions, go to our Website at www.ftb.ca.gov or see "Where To Get Income Tax Forms and Publications" on page 58.



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

Name(s) and Address

If there is a label on the front of your booklet, attach the label to your completed return. Verify correct information is on your label. Cross out any errors and print the correct information.

If there is no label on the front of your booklet, print your first name, middle initial, last name, and address in the spaces provided at the top of Short Form 540NR.

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 name, write the last name **only** from the 2005 return.

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

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

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

Line 1 through Line 5 – Filing Status

See page 3 for the requirements for each of the filing statuses. Then fill in the circle on the Short Form 540NR that applies to you. **Note: If your filing status is married filing separately, use the Long Form 540NR.**

Nonresident Alien

A joint return may be filed if, in the case of a nonresident alien married to a United States citizen or resident, both spouses elect to treat the nonresident alien spouse as a resident.

Residency

Complete the residency portion by filling in all circles that apply to you and provide the applicable information.

"Domicile" is the place where you voluntarily establish yourself and your family, not merely for a special or limited purpose, but with a present intention of making it your true, fixed, permanent home and principal establishment. It is the place where, whenever you are absent or away, you intend to return. Get FTB Pub. 1031, Guidelines for Determining Resident Status, for more information. See "Where To Get Income Tax Forms and Publications" on page 58.

Exemptions

Caution: If you or your spouse are 65 or older, use the Long Form 540NR.

Line 6 – Can be Claimed as Dependent?

Completely 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 claim you as a dependent.

Line 7 – Personal Exemptions

Did you fill in the circle on line 6?

No Follow the instructions on Short Form 540NR, line 7.

Yes Ignore the instructions on Short Form 540NR, line 7. Instead, enter the amount shown below for your filing status:

- Single, 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 Short Form 540NR indicating that you or your spouse is 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 his or her 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. The persons you list as dependents must be the same persons you listed as dependents on your federal income tax return. Count the number of dependents listed and enter the total in the box on line 10. Multiply the number you entered by the pre-printed dollar amount and enter the result.

Note: If you are claiming more than three dependents attach a separate schedule. If you are claiming more than five dependents, use Long Form 540NR.

Line 11 – Total Exemptions

Add line 7 through line 10 and enter the total amount of all exemptions – personal, blind, and dependent.

Taxable Income

Refer to your completed federal income tax return to complete this section. If your total income is more than \$100,000, you cannot file this form. File the Long Form 540NR.

Line 12 – Total California Wages

Enter the total amount of your California wages from your Form(s) W-2 or CA Sch W-2. This amount is reported in box 16 of Form W-2 or CA Sch W-2, line C.

Line 14 – California Adjustments To Income

California does not tax unemployment compensation or Paid Family Leave benefits. Enter the unemployment compensation or Paid Family Leave benefits from federal Form(s) 1099-G. This type of income is not taxed by California and should not be included in the total for line 14. Enter the amount of any unemployment compensation or Paid Family Leave benefits shown on your federal Form 1040EZ, line 3; Form 1040A, line 13; Form 1040, line 19; or Form 1040NR, line 20.

If you have interest income from U.S. Obligations, U.S. Treasury Bills, Notes, Bonds, or other sources that is taxable for federal purposes and exempt for state purposes, you cannot file this form. File the Long Form 540NR.

Military Pay Adjustment

Compensation for military service of a servicemember domiciled outside of California is exempt from California tax. It is excluded from adjusted gross income. If you are an active duty military member domiciled outside of California, you and your spouse may claim an adjustment for your active duty military pay.

To claim your adjustment, write "MPA" on the dotted line to the left of line 14. Add this amount to any unemployment compensation and/or paid Family Leave benefits and enter on line 14. You will also exclude this amount from adjusted gross income on line 21. Attach a copy of your Form(s) W-2 or CA Sch W-2, reflecting your military compensation to the front of your return.

Line 18 – California Standard Deduction

Did you fill in the circle on line 6? If yes, use the California Standard Deduction Worksheet for Dependents on page 17 of the Long Form 540NR instructions. If no, use the standard deduction amount for your filing status.

California Taxable Income

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

Line 20 – Tax on Total Taxable Income

Figure the tax on the amount on line 19 (see California tax table that begins on page 29). Use the correct filing status and taxable income amount.

Note: 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 21 – California Adjusted Gross Income (If married filing jointly, each spouse reports income based on his or her residency status)

Full-year nonresident – Enter your California wages from Form(s) W-2, box 16 or CA Sch W-2, line C.

Part-year resident – Enter your:

- California wages from Form(s) W-2, box 16 or CA Sch W-2, line C;
- Non-California wages received while you were a California resident from Form(s) W-2, box 16 or CA Sch W-2, line C; and
- Interest income received while you were a California resident.

Full-year resident – Enter your:

- California and non-California wages from all your Form(s) W-2, box 16 or CA Sch W-2, line C; and
- All of your interest income.

Line 23 – CA Tax Rate

In this computation, FTB rounds the tax rate to four digits after the decimal. If your computation is different, you may receive a notice due to the difference in rounding. Contact us at (800) 852-5711 if you disagree with this notice.

Line 25 – CA Exemption Credit Percentage

Divide the California Taxable Income (line 22c) by Total Taxable Income (line 19). This percentage does not apply to the Nonrefundable Renter's Credit, Other State Tax Credit, or credits that are conditional upon a transaction occurring wholly within California. **If more than 1, enter 1.0000.**

Credits

Line 35 – Nonrefundable Renter's Credit

If you paid rent on your principal California residence in 2006, you may be eligible for a credit to reduce your tax. See page 37 to find out if you qualify.

You may be eligible for the California refundable child and dependent care expenses credit. If you qualify for the credit, file the Long Form 540NR. See page 21, line 47 through line 50 for more information.

Payments

Line 43 – Income Tax Withheld

Enter your total California income tax withheld from your Form(s) W-2, box 17 or CA Sch W-2, box 17. Attach a copy of your Form(s) W-2 or CA Sch W-2, to the front of your return.

Overpaid Tax Or Tax Due

Line 54 – Overpaid Tax

If line 43 is larger than line 42, subtract line 42 from line 43.

Line 55 – Tax Due

If line 43 is less than line 42, subtract line 43 from line 42.

Contributions

Make contributions to the funds listed on Short Form 540NR, Side 2. For a description of the funds, see page 36.

Line 70 – Total Contributions

Add line 57 through line 69. Enter the result on line 70. If no contributions were designated, do not enter an amount on line 70. If you show an amount on line 54, subtract the amount contributed from the amount of overpaid tax. If you show an amount on line 55, add the amount contributed to your tax due.

Note: If you have tax due and choose to make a voluntary contribution, it will increase the amount that you owe.

Amount You Owe

Line 71 – Amount You Owe

If you entered an amount on line 70, add line 55 and line 70. Otherwise, enter the amount from line 55. This is the amount you owe with your Short Form 540NR. Make your check or money order for this amount, or see "Paying Your Taxes" on page 57.

To avoid a late filing penalty, file your Short Form 540NR by the due date even if unable to pay the amount you owe. **Note:** Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

Refund and Direct Deposit

Line 75 – Refund or No Amount Due

If you did not enter an amount on line 70, enter the amount from line 54. If the amount is less than \$1, attach a written request to your Short Form 540NR to receive the refund.

If you entered an amount on line 70, subtract that amount from the amount on line 54. If the result is zero or more, enter the amount on line 75. If the result is less than zero, your contributions are more than your overpaid tax available on line 54. In this case, do not enter an amount on line 75. Enter the result on line 71 and see the instructions for line 71.

Line 76 and Line 77 – 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 Short Form 540NR, Side 2, line 76 and line 77. 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 will be sent instead. On the sample check, the routing number is 250250025.

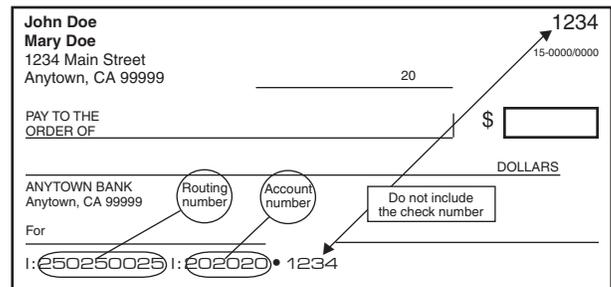
Check the appropriate box for the type of account. Do not check more than one box for each line.

Enter the portion of your refund you want directly deposited into each account. Each deposit must be at least \$1. The total of line 76 and line 77 must equal the total amount of your refund (line 75).



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 number is 1234. The routing number is 250250025 and the account number is 1234. Annotations include: '20' for the amount, '15-00000000' for the MICR line, 'PAY TO THE ORDER OF' and '\$' for the payee and amount, 'ANYTOWN BANK Anytown, CA 99999' for the bank name, 'For' for the payee name, and 'Do not include the check number' for the MICR line. The MICR line is shown as I: 250250025 1: 1234.

Sign Your Return

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

Note: 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. If one spouse neglects to pay the tax, the other spouse may have to pay. See Innocent Spouse Relief on page 7.

If you pay a person to prepare your return, that person signs on Side 2 and includes his or her social security number, (or PTIN) or FEIN. A paid preparer gives you two copies of your return: one to file with the Franchise Tax Board and one to keep for your records. For information about **Power of Attorney**, go to our Website at www.ftb.ca.gov.

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 56 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**.

Enter the amounts you want to contribute on the line for the fund on Side 2. Enter the total contributions on line 70.

Fund Name	Code	Description
California Seniors Special Fund	56	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	57	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	58	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	59	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	60	Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.
California Breast Cancer Research Fund	61	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	62	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	63	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	64	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	65	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	66	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	67	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	68	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	69	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.

Nonrefundable Renter's Credit Qualification Record



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

If you were a resident of California for at least six months in 2006 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.**

1. Were you a resident of California for at least six full months of the tax year in 2006?

Military personnel. If you are not a legal resident of California, you do not qualify for this credit. Your spouse may claim up to a maximum of \$60 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. You do not qualify for this credit.

2. Is your adjusted gross income from all sources on your Long or Short 540NR, 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.

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.

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.

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.

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.

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.

8. Were you single in 2006?

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

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.

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.

11. Use the following chart to find the amount of your credit based on the number of full months you were a resident of and rented property in California in 2006. Enter the amount on the line below and follow the instructions below the chart.

Number of months	6	7	8	9	10	11	12
Single or married filing separately	\$30	\$35	\$40	\$45	\$50	\$55	\$60
Married filing jointly, head of household, or qualifying widow(er)	\$60	\$70	\$80	\$90	\$100	\$110	File Form 540

\$ _____

If this credit is the only special credit you are claiming, enter the amount on your Long or Short Form 540NR, line 35.
If you are a Long Form 540NR filer and are claiming additional special credits in addition to this credit, go to the instructions on page 18 for Long Form 540NR.

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 _____