California

Forms & Instructions

541

2010

Fiduciary Income Tax Booklet

Members of the Franchise Tax Board

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California Fiduciary Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

What's New

Net Operating Loss (NOL) – For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction for taxpayers whose adjusted gross income is $300,000 or more. Taxpayers may continue to compute and carryover NOLs during the suspension period. **However**, estates and trusts with an adjusted gross income of less than $300,000 **or** with disaster loss carryovers are not affected by the NOL suspension rules.

Also, California modified the NOL carryback provision. For more information, see form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Individuals, Estates and Trusts.

Charitable Contributions for 2010 Haiti Disaster – California law conforms to the federal law which allows a 2009 charitable contribution deduction for cash contributions made after January 11, 2010, and before March 1, 2010, for the relief of victims in areas affected by the earthquake in Haiti on January 12, 2010. Estates and trusts may claim the deduction on the 2009 **or** 2010 California tax return. Estates and trusts may choose to claim the deduction in different taxable years for federal and California purposes.

Deferred Income – California **has not** conformed to the federal election to defer the income from discharge of indebtedness in connection with the reacquisition after December 31, 2008, and before January 1, 2011. See Form 541, line 8 instructions, for more information.

Backup Withholding – Beginning on or after January 1, 2010, with certain limited exceptions, payers that are required to withhold and remit backup withholding to the Internal Revenue Service (IRS) are also required to withhold and remit to the Franchise Tax Board (FTB). The California backup withholding rate is 7% of the payment. For California purposes, dividends, interests, and any financial institutions release of loan funds made in the normal course of business are exempt from backup withholding. For additional information on California backup withholding, go to **ftb.ca.gov** and search for **backup withholding**.

California Film and Television Tax Credit – For taxable years beginning on or after January 1, 2011, a film and television credit against the net tax will be allowed. The credit, which is allocated and certified by the California Film Commission (CFC), is 20% of expenditures attributable to a qualified motion picture and 25% of production expenditures attributable to an independent film or a TV series that relocates to California. A qualified taxpayer may sell a credit, attributable to an independent film, to an unrelated party once they receive the certificate from the CFC. Prior to the sale, the qualified taxpayer must notify the FTB of the sale by using form FTB 3551, Sale of Credit Attributable to an Independent Film. For more information, go to **ftb.ca.gov** and search for **film**.

Natural Heritage Preservation Credit – The funding for the Natural Heritage Preservation Credit is available beginning January 1, 2010, until June 30, 2015.

New Jobs Credit – For taxable years beginning on or after January 1, 2009, a new jobs credit against the net tax will be allowed for a qualified employer in the amount of $3,000 for each qualified full-time employee hired during the taxable year that increases the employer's number of full-time employees over the previous year. This is determined on an annual full-time equivalent basis. Any credits not used in the taxable year may be carried forward up to eight years. For more information go to **ftb.ca.gov** and search for **new jobs** or get form FTB 3527, New Jobs Credit.

Disaster Losses – For tax information about disaster losses, get FTB Pub 1034, Disaster Loss How to Claim a State Tax Deduction.

General Information

Revised Schedule K-1 – The California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line items were revised to be in a similar format with the federal Schedule K-1 (1041), Beneficiary's Share of Income, Deductions, Credits, etc. Refer to the Schedule K-1 Federal/State Line References chart, and Specific Line Instructions when completing California Schedule K-1 (541).

A Important Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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, go to **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.

For updates regarding the following federal acts go to **ftb.ca.gov** and search for **conformity**.

- The Health Care and Education Reconciliation Act of 2010
- The Patient Protection and Affordable Care Act

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.

Nonresident Group Tax Returns
A corporation may file a group nonresident tax return on behalf of certain electing nonresident individuals who receive wages, salaries, fees, or other compensation from that corporation for director services performed in California, including attendance of board of directors' meetings in California.

Access by Internet
You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

California Tax Service Center
For additional business tax information, go to **taxes.ca.gov**. This website is sponsored by the Board of Equalization (BOE), the Employment Development Department (EDD), the FTB, and the IRS.

State Agencies Websites
Access other state agencies' websites at **ca.gov**.

Providing California and Federal Returns
The FTB may request a copy of California or federal returns that are subject to or related to a federal examination. Generally, the California statute of limitations is four years from the due date of the return or from the date filed, whichever, is later. However, the statute is extended in situations in which an individual or a business entity is under examination by the IRS.

The FTB recommends keeping copies of returns and records that verify income, deductions, adjustments, or credits reported, for at least the minimum time required under the statute of limitations. However, some records should be kept much longer.

Fiduciaries may be required to produce documentation substantiating the claimed basis of any assets sold, exchanged, transferred, or distributed regardless of the original acquisition date.

Tax Shelter
If the fiduciary was involved in a reportable transaction, including a listed transaction, the fiduciary may have a disclosure requirement. Attach the federal Form 8886, Reportable Transaction Disclosure Statement, 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 tax return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the trust fails to file federal Form 8886, or any other required information.

ATSU 398 MS F385
FRANCHISE TAX BOARD
PO BOX 1673
SACRAMENTO CA 95812-9900

For more information, go to **ftb.ca.gov** and search for **tax shelter**.

Claim of Right
If the fiduciary had to repay an amount that was included in income in an earlier year, under a claim of right, the fiduciary may be able to deduct the amount repaid from its income for the year in which it was repaid. Or, if the amount the fiduciary

repaid is more than $3,000, the fiduciary may be able to take a credit against its tax for the year in which it was repaid. For more information, see the Repayments section of federal Publication 525, Taxable and Nontaxable Income.

Punitive Damage Awards
For court actions filed after August 16, 2004, and the final determination rendered by June 30, 2006, the tax treatment of punitive damages differs between federal and state. For California purposes, the amount of punitive damages paid to the director of the Department of Finance shall be excluded from income and the attorney fees associated with the amount paid are not deductible.

California Use Tax
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 made in California.

In general, fiduciaries 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.
- The fiduciary uses, gives away, stores, or consumes the item in this state.

Example: The fiduciary purchases a desk for its use from a company in North Carolina. The company ships the desk from North Carolina to the fiduciary's address in California for the fiduciary's use and does not charge California sales or use tax. The fiduciary owes use tax on the purchase.

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

Extension to file. If the fiduciary requests an extension to file its income tax return, wait until the fiduciary files its tax return to report the purchases subject to use tax and to make their use tax payment.

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

Changes in use tax reported. Do not file an Amended Fiduciary Income Tax Return to revise the use tax previously reported. If the fiduciary has changes to the amount of use tax previously reported on the original tax return, contact the State Board of Equalization.

For assistance, go to **boe.ca.gov** or call their Taxpayer Information Section at 800.400.7115 or TTY/TDD 800.735.2929. Income tax information is not available at these numbers.

B Purpose

Use Form 541, California Fiduciary Income Tax Return, if any of the following apply to report:

- Income received by an estate or trust
- Income that is accumulated or currently distributed to the beneficiaries
- An applicable tax liability of the estate or trust
- File an amended tax return for the estate or trust

A fiduciary includes a trustee of a trust including a qualified settlement fund, or an executor, administrator, or person in possession of property of a decedent's estate.

For taxation purposes, a trust will generally be regarded as a separate entity. However, if there is an unlawful shifting of income from the individual who has earned that income to a trust, the trust will not be treated as a separate entity. The income will be taxed to the individual who earned the income. If the individual establishing the trust has a substantial ability to control the assets, all of the income will be taxed to that individual. Deductions of personal living expenses by an individual or trust is not allowed unless specifically allowed by the R&TC and the IRC.

C Who Must File

Do not file Form 541 if there are no California fiduciaries, California noncontingent beneficiaries, or California sourced income.

Nonresidents or Part-year Residents. See the instructions for Schedule G, California Source Income and Deduction Apportionment, on page 13. Also, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Foreign Estates or Trusts. If the estate or trust filed a federal Form 1040NR, U.S. Nonresident Alien Income Tax Return, **do not** file Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. File Form 541 and allocate the income and deductions where there is a California resident fiduciary or resident non-contingent beneficiary. See the Schedule G instructions on page 13 for more information.

Decedent's Estate. The fiduciary (or one of the fiduciaries) must file Form 541 for a decedent's estate if any of the following apply:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $1,000
- An alternative minimum tax liability

Trust. The fiduciary (or one of the fiduciaries) must file Form 541 for a trust if any of the following apply:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $100
- An alternative minimum tax liability

Simple trusts that have received a letter from the FTB granting exemption from tax under R&TC Section 23701d are considered to be corporations for tax purposes and may be required to file Form 199, California Exempt Organization Annual Information Return. See the back cover, "Where to Get Tax Forms and Publications."

Nonexempt charitable trusts described in IRC Section 4947(a)(1) must file Form 199.

Trusts described in IRC Section 401(a) may be required to file an exempt organization return. Get Form 109, California Exempt Organization Business Income Tax Return, for more information.

Optional Filing Methods for Certain Grantor Trusts. The FTB will accept the optional reporting requirements stated in federal Treasury Regulation Section 1.671-4(b)(2).

Real Estate Mortgage Investment Conduit (REMIC) Trust. A REMIC is a special vehicle for entities that issue multiple classes of investor interests backed by a fixed pool of mortgages. Get the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, for more information. The fiduciary (or one of the joint fiduciaries) must file Form 541 and pay an annual tax of $800 for a REMIC that is governed by California law, qualified to do business in California, or has done business in California at any time during the year.

A REMIC trust is not subject to any other taxes assessed on this form. Attach a copy of federal Form 1066 to the back of the completed Form 541.

Bankruptcy Estate. The fiduciary must file Form 541 for the estate of an individual involved in bankruptcy proceedings under Chapter 7, 11, or 12 of Title 11 of the United States Code if the estate has one of the following:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $1,000
- An alternative minimum tax liability

Taxation of Bankruptcy Estate of an Individual. The bankruptcy estate that is created when an individual debtor files a petition under either chapter 7 or 11 of Title 11 of the U.S. Code is treated as a separate taxable entity. A trustee or a debtor-in-possession administers the bankruptcy estate. If the bankruptcy court later dismisses the bankruptcy, the individual debtor is treated as if the bankruptcy petition had never been filed.

A separate taxable entity is not created if a partnership or corporation files a petition under any chapter of Title 11 of the U.S. Code.

Every trustee (or debtor-in-possession) for an individual's bankruptcy estate under chapter 7 or 11 of Title 11 of the U.S. Code must file a return if the estate has one of the following:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income)
- Net income for the taxable year of more than $1,000

If a tax return is required, the trustee or debtor in possession completes Form 540, California Resident Income Tax Return, and figures the tax using the tax rate schedule for a married person filing separately. In the top margin of Form 540, write "Attachment to Form 541. DO NOT DETACH." Enter on Form 541, line 28 the total tax from Form 540, line 35, and complete the rest of Form 541.

Caution: The filing of a tax return for the bankruptcy estate does not relieve the individual debtor of their individual tax obligations.

Qualified Settlement Fund (including designated settlement fund). The fiduciary must file Form 541 for a qualified settlement fund (print "QSF" in red at the top of Form 541, Side 1), as defined under IRC Section 468B if any of the following apply:

- The court or government agency supervising the administration of the fund is in California
- The fund receives or expects to receive income from California sources, (i.e., income from real or tangible personal property located in California and income from intangible personal property with a business or taxable situs in California)

Electing Small Business Trust (ESBT). An election by the trustee pursuant to IRC Section 1361 to be an electing small business trust for federal purposes is treated as an election by the trustee for California purposes. No separate election for California purposes is allowed. Any election made applies to the taxable year of the trust in which the election is made and all subsequent years of the trust unless revoked with the consent of the FTB.

Qualified Subchapter S Trusts (QSST). The portion of a trust holding S corporation stock related to an IRC Section 1361(d) election cannot use the simplified reporting method for grantor trusts. As a result, the trust must apply all of the following:

- File a complete Form 541
- Indicate that it is a QSST treated as a grantor trust
- Provide a separate Schedule K-1 (541) to the beneficiary showing that all of the income from the S corporation stock related to the election is taxable to the beneficiary

Qualified Funeral Trusts. Special rules apply to the taxation of qualified funeral trusts for trustees that elect to use these rules. For details, get Form 541-QFT, California Income Tax Return for Qualified Funeral Trusts.

Regulated Investment Companies (RIC) and Real Estate Investment Trusts (REIT). If the fiduciary filed a Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies, or a Form 1120-REIT, U.S. Income Tax Return For Real Estate Investment Trusts, file Form 100, California Corporation Franchise or Income Tax Return, instead of Form 541. See the back cover, "Where to Get Tax Forms and Publications."

Federal and State Fiduciary Forms

If the fiduciary filed federal Form:	Then the fiduciary should file California Form:
706	N/A
990T	109
990PF	199
1040NR	541
1041	541
1041-A	541-A
5227	541-B

- **Form 1041,** U.S. Income Tax Return for Estates and Trusts
- **Form 1040NR,** U.S. Nonresident Alien Income Tax Return. Used for filing nonresident alien fiduciary (estate and trust) federal returns
- **Form 5227,** Split-Interest Trust Information Return. Used to report financial activities of charitable remainder trusts, pooled income funds, and charitable lead trusts
- **Form 1041-A,** U.S. Information Return Trust Accumulation of Charitable Amounts. Used to report information on charitable contributions as required by IRC Section 6034 and related regulations
- **Form 990PF,** Return of Private Foundation, or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation
- **Form 990T,** Exempt Organization Business Income Tax Return (and proxy tax under Section 6033(e))
- **Form 706,** U.S. Estate (and Generation-Skipping Transfer) Tax Return, to figure estate tax imposed by Chapter 11 of the IRC on the decedent's estate. It also computes the generation-skipping transfer tax imposed by Chapter 13
- **Form 541,** California Fiduciary Income Tax Return
- **Form 541-A,** Trust Accumulation Of Charitable Amounts. Used to report a charitable or other deduction under IRC Section 642(c), or for charitable or split-interest trust
- **Form 541-B,** Charitable Remainder and Pooled Income Trusts
- **Form 109,** California Exempt Organization Business Income Tax Return
- **Form 199,** California Exempt Organization Annual Information Return

D Definitions

Get federal Form 1041, U.S. Income Tax Return for Estates and Trusts, for information about any of the following:

- Beneficiaries
- Fiduciaries
- Decedent's estates
- Simple trusts
- Income required to be distributed currently
- Income, deductions, and credits in respect of a decedent
- Distributable net income (DNI)
- Complex trusts
- Bankruptcy estates
- Grantor-type trusts
- Pooled income funds

E Additional Forms the Fiduciary May Have to File

In addition to Form 541, the fiduciary must file a separate Schedule K-1 (541) or an FTB-approved substitute for each beneficiary.

Trusts that only hold assets related to an IRC Section 1361(d) election should include all of the trust's items of income and deductions on the Schedule K-1 of the beneficiary who made the election and should write "QSST" across the top of the Schedule K-1 (the trust is treated as a grantor trust with respect to such beneficiary).

Trusts that hold assets related to an IRC Section 1361(d) election and other assets not related to an IRC Section 1361(d) election should provide its beneficiary or beneficiaries with separate Schedules K-1 (541). One for the income and deductions from the assets related to the IRC Section 1361(d) election and one for the income and deductions from the other assets. The Schedule K-1 (541) for the income and deductions for the IRC Section 1361(d) assets should include all of the trust's items of income and deductions from such assets. Write "QSST" across the top of the Schedule K-1 (541).

Substitute Schedule K-1 (541). If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute form.

You may also be required to file one or more of the following:

- **Form 540**, California Resident Income Tax Return
- **Form 540NR**, California Nonresident or Part-Year Resident Income Tax Return (Long or Short)
- **Form 541-A**, Trust Accumulation of Charitable Amounts
- **Form 541-B**, Charitable Remainder and Pooled Income Trusts
- **Form 541-ES**, Estimated Tax for Fiduciaries
- **Form 541-T**, California Allocation of Estimated Tax Payments to Beneficiaries
- **Form 592**, Resident and Nonresident Withholding Statement
- **Form 592-B**, Resident and Nonresident Withholding Tax Statement
- **Form 592-F**, Foreign Partner or Member Annual Return
- **Form 593**, Real Estate Withholding Tax Statement
- **Schedule P (541)**, Alternative Minimum Tax and Credit Limitations – Fiduciaries
- **Form 4800**, Interest and Interest-Dividend Payment Reporting Requirement Letter*
- **Federal Forms 1099**-A, B, INT, LTC, MISC, MSA, OID, R, and S

*Entities paying interest to California taxpayers on non-California municipal bonds that are held by California taxpayers, are required to report interest payments aggregating $10 or more. Information returns and Form 4800 are due on or before June 1, 2011.

F Period Covered by the Tax Return

File Form 541 for calendar year 2010 or a fiscal year beginning in 2010. Only trusts exempt from taxation under IRC Section 501(a) or a charitable trust described under IRC Section 4947(a)(1) and estates may have a fiscal year. If the fiduciary does not file a calendar year tax return, it must enter the taxable year in the space at the top of Form 541.

For estates, the date of death determines the end of the decedent's taxable year and the beginning of the estate's taxable year. The first taxable year for the estate may be any period of 12 months or less that ends on the last day of a month.

G When to File

File Form 541 by the 15th day of the 4th month following the close of the taxable year of the estate or trust. For calendar year estates and trusts, file Form 541 and Schedules K-1 (541) by April 15, 2011.

Due to the federal Emancipation Day holiday on April 15, 2011, tax returns filed and payments received on April 18, 2011, will be considered timely.

If Form 541 cannot be filed by the filing due date, the estate or trust has an additional six months to file without filing a written request for extension. However, to avoid late-payment penalties, the tax

liability must be paid by the original due date of the tax return. This also applies to REMICs that are subject to an annual $800 tax. 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.

If an extension of time to file is needed but an unpaid tax liability is owed, use form FTB 3563, Payment for Automatic Extension for Fiduciaries, that is included in this tax booklet.

If the tax return is not filed by the extended due date, delinquent filing penalties and interest will be imposed on any tax due from the original due date of the tax return.

The 2010 Form 541 may be used for a taxable year beginning in 2011 if both of the following apply:

- The estate or trust has a taxable year of less than 12 months that begins and ends in 2011.
- The 2011 Form 541 is not available by the time the estate or trust is required to file its tax return. However, the estate or trust must show its 2011 taxable year on the 2010 Form 541 and incorporate any tax law changes that are effective for taxable years beginning after December 31, 2010.

A qualified settlement fund is treated as a corporation for filing and reporting purposes and should file its California income tax return by the 15th day of the 3rd month following the close of the taxable year, normally March 15th. The corporation must attach a copy of the federal Form 1120-SF, U.S. Income Tax Return for Settlement Funds (Under Section 468B), and any statements or elections required by Treasury Regulations to Form 541.

H Third Party Designee

If the fiduciary wants to allow the preparer or any other person the fiduciary chooses to discuss the 2010 tax return with the FTB, check the "Yes" box in the signature area of the tax return. Also print the designee's name and telephone number.

If the "Yes" box is checked, the fiduciary is authorizing the FTB to call the designated person to answer any questions that may arise during the processing of its tax return. The fiduciary is also authorizing the designee to:

- Give the FTB any information that is missing from the tax return.
- Call the FTB for information about the processing of the tax return or the status of any related refund or payments.
- Respond to certain FTB notices about math errors, offsets, and tax return preparation.

The fiduciary is not authorizing the designee to receive any refund check, bind the estate or trust to anything (including any additional tax liability), or otherwise represent the estate or trust before the FTB.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the estate's or trust's 2011 tax return. If the fiduciary wants to expand the designee's authorization, see form FTB 3520, Power of Attorney Declaration for the Franchise Tax Board. If the fiduciary wants to revoke the authorization before it ends, notify the FTB in writing or call 800.852.5711.

I Where to File

If an **amount is due**, mail the tax return and payment to:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001

Using black or blue ink, write the estate's or trust's federal employer identification number (FEIN) and "2010 Form 541" on all payments. **Do not** mail cash.

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

If there is a **refund or no amount is due**, mail the tax return to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

Private Delivery Service. California conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See federal Form 1041 for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

Caution: Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO box.

J Estimated Tax Payments

Generally, estates and trusts are required to make quarterly estimated tax payments if the estate or trust expects to owe at least $500 in tax including AMT, after subtracting withholding and credits. Estates and trusts, which received the residue of the decedent's estate, are required to make estimated income tax payments for any year ending two or more years after the date of the decedent's death.

The required annual tax payment is generally the lesser of 100% of the prior year's tax or 90% of the current year's tax. Estates and trusts must pay 30% of their required annual payment for the first installment, 40% for the second, no estimated payment for the third, and 30% for the fourth installment.

Limit on Prior Year Tax. Fiduciaries with an adjusted gross income (AGI) of $150,000 or less calculate their required estimated tax on the lesser of 100% of the 2009 year tax, or 90% of the 2010 year tax, including AMT. Fiduciaries with an AGI greater than $150,000 are required to estimate their tax based on the lesser of 110% of their 2009 year tax or 90% of their 2010 year tax, including AMT. Fiduciaries with an AGI equal or greater than $1,000,000 must calculate their estimated tax on 90% of their 2010 year tax, including AMT.

For more information, get Form 541-ES.

K Decedent's Will and Trust Instrument

Do not file a copy of the decedent's will or the trust instrument unless the FTB requests one.

L Limitations

At-Risk Loss Limitations. Generally, the amount the estate or trust has "at-risk" limits the loss that may be deducted for any taxable year. Get federal Form 6198, At-Risk Limitations, to figure the deductible loss for the year. Use California amounts.

Passive Activity Loss and Credit Limitations. IRC Section 469 (which California incorporates by reference) generally limits deductions from passive activities to the amount of income derived from all passive activities. Similarly, credits from passive activities are limited to tax attributable to such activities. These limitations are first applied at the estate or trust level. Get the instructions for federal Form 8582, Passive Activity Loss Limitations, and federal Form 8582-CR, Passive Activity Credit Limitations, for more information on passive activities loss and credit limitation rules. Get form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of credit allowed for the current year.

M Special Rule for Blind Trust

If the fiduciary is reporting income from a qualified blind trust (under the Ethics in Government Act of 1978), it should not identify the payer of any income to the trust, but complete the rest of the tax return as provided in the instructions. Also, write "BLIND TRUST" at the top of Form 541, Side 1.

N Multiple Trust Rules

Two or more trusts are treated as one trust if the trusts have substantially the same grantor(s) and substantially the same primary beneficiary(ies), and if the principal purpose of the use of multiple trusts is avoidance of tax. This provision applies only to that portion of the trust that is attributable to contributions to corpus made after March 1, 1984.

O Interest and Penalties

Interest. Interest will be charged on taxes not paid by the due date, even if the tax return is filed by the extended due date. For more information, see General Information G, When to File.

Late filing of tax return. A penalty is assessed if the tax return is filed after the due date (including extensions), unless there was reasonable cause for filing late. The penalty is 25% of the tax liability if the tax return is filed after the extended due date. If the tax return is filed more than 60 days after the extended due date, the minimum penalty is $135 or 100% of tax due on the tax return, whichever is less.

Late payment of tax. A penalty is assessed for not paying tax by the due date unless there was reasonable cause for not paying on time. The penalty is 5% of the unpaid tax plus one-half of 1% for each month, or part of a month, that the tax is late, up to a maximum of 25%. The late payment penalty may be waived where 90% of the tax shown on the tax return is paid by the original due date of the tax return, but not less than the annual tax.

If an estate or trust is subject to both the penalty for failure to file a timely tax return and the penalty for failure to pay the total tax by the due

date, a combination of the two penalties may be assessed, but the total will not exceed 25% of the unpaid tax.

Penalty for failure to provide Schedule K-1 (541). The fiduciary is required to provide a Schedule K-1 (541) to each beneficiary who receives a distribution of property or an allocation of an item of the estate. A penalty of $50 per beneficiary (not to exceed $100,000 for any calendar year) will be imposed on the fiduciary if this requirement is not satisfied.

If the estate or trust includes interest on any of these penalties with the payment, identify and enter these amounts in the bottom margin of Form 541, Side 1. **Do not** include the interest or penalty in the tax due on line 34 or reduce the overpaid tax on line 35.

Other penalties. Other penalties may be assessed for a payment returned by the fiduciary's bank for insufficient funds, accuracy-related matters, and fraud.

Underpayment of Estimated Tax Penalty. The underpayment of estimated tax penalty shall not apply to the extent the underpayment of an installment was created or increased by any provision of law that is chaptered during and operative for the taxable year of the underpayment. To request a waiver of the underpayment of estimated tax penalty, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

P Attachments

If the estate or trust needs more space on the forms or schedules, attach separate sheets showing the same information in the same order as on the printed forms.

Enter the estate's or trust's FEIN on each sheet. Also, use sheets that are the same size as the forms and schedules and indicate clearly the line number of the printed form to which the information relates. Show the totals on the printed forms.

Q Miscellaneous Items

California law follows federal law in the areas of:

- Accounting methods
- Separate shares in a single trust
- Separate shares in a single estate
- Blind trusts
- Multiple trusts
- Simple and complex trusts
- Common trust funds
- Excess distributions

Liability for tax. The fiduciary is liable for payment of the tax. Failure to pay the tax may result in the fiduciary being held personally liable. See R&TC Sections 19071 and 19516.

Estate income to be reported. If a decedent, at the date of death, was a resident of California, the entire income of the estate must be reported. If a decedent, at the date of death, was a nonresident, only the income derived from sources within California should be reported.

Deductions upon termination. A deduction shall be allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has one of the following:

- A capital loss carryover
- For its final taxable year, deductions (other than the charitable deductions) in excess of gross income
- A net operating loss

Tax-exempt income. California **does not** tax:

- **Interest on governmental obligations.** Interest derived from bonds issued by California or its political subdivisions, the federal government, the District of Columbia (issued before December 24, 1973), or territories of the United States.
- **Proceeds of insurance policies.** In general, a lump sum payable at the death of the insured under a life insurance policy is excludable from gross income of the recipient.
- **Miscellaneous items wholly exempt from tax.** (1) Gifts (not received as a consideration for services rendered), money or property acquired by bequest, devise, or inheritance (but the income derived therefrom is taxable); and, (2) Income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee.

Withholding on nonresident beneficiaries. Fiduciaries must withhold tax on payments of income from California sources that are not subject to payroll withholding and made to nonresident beneficiaries. See R&TC Sections 18662 through 18677. Get Form 592, Resident and Nonresident Withholding Statement and Form 592-B, Resident and Nonresident Withholding Tax Statement, or Form 592-F, Foreign Partner or Member Annual Return, to report the withholding.

See Cal. Code Regs., tit. 18 sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

Tax certificate. If assets that exceed $250,000 in fair market value (FMV) are distributable to one or more nonresident beneficiaries and the FMV of the estate's assets exceeded $1,000,000 at the date of death, then pursuant to R&TC Section 19513, the fiduciary must obtain a tax clearance certificate prior to court approval of the fiduciary's final account. To request the certificate, file form FTB 3571, Request for Estate Income Tax Certificate, at least 30 days prior to the court date for the hearing on the petition for final distribution of the estate assets.

Specific Line Instructions

Identification Area

Follow the instructions for federal Form 1041 when completing the identification area on Form 541, Side 1. Attach a schedule listing the names and addresses of additional fiduciaries (who served the trust during any portion of the taxable year) who are not identified on the front of Form 541. Identify each fiduciary as a resident or nonresident of California. California law is generally the same as federal law in the following areas:

- Simplified filing requirements
- Methods of reporting
- Pooled income funds
- Amended tax returns
- Final tax returns
- Nonexempt charitable and split-interest trusts

Qualified Subchapter S Trust. Trusts that only hold assets related to an IRC Section 1361(d) election should fill out the "Income" and "Deduction" sections of Form 541 like all other trusts, except the trust should take an income distribution deduction on line 18 equal to its adjusted total income from line 17.

Trusts that hold assets related to an IRC Section 1361(d) election and other not related assets should fill out the "Income" and "Deduction" sections of Form 541 only for their income and deductions attributable to assets not related to an IRC Section 1361(d) election.

Use Schedule B of Form 541 to determine their distribution deduction.

Principal Business Activity (PBA) Code. If the estate or trust was engaged in a trade or business during the taxable year, enter the principal business activity code used on the federal Schedule C, Profit or Loss From Business, or Schedule C-EZ, Net Profit From Business.

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

Amended Tax Return. If the fiduciary is filing an amended Form 541, check the box labeled "Amended tax return." Complete the entire return, correct the lines needing new information, and recompute the tax liability. On an attached sheet, explain the reason for the amendments and identify the lines and amounts being changed on the amended tax return. Include the fiduciary name and FEIN on each attachment.

If the amended tax return results in a change to income, or a change in distribution of any income or other information provided to a beneficiary, an amended Schedule K-1 (541) must also be filed with the amended Form 541 and given to each beneficiary. Write "AMENDED" across the top of the amended Schedule K-1 (541).

Income

Complete Schedule G, California Source Income and Deduction Apportionment, on Form 541, Side 3, if the trust has any resident and nonresident trustees and/or resident and nonresident non-contingent beneficiaries. Follow the line instructions for Schedule G on page 13.

The amounts transferred from Schedule G should only include income and deductions reportable to California.

Line 1 – Interest income
Enter the total of all taxable interest including any original issue discount bonds and income received as a holder of a regular interest in a REMIC.

If the fiduciary filed Form 1120-RIC or Form 1120-REIT, file Form 100 instead of Form 541.

Line 2 – Dividends
Enter the total of all taxable dividends.

Line 3 – Business income or (loss)
If the estate or trust was engaged in a trade or business during the taxable year, complete form FTB 3885F, Depreciation and Amortization, and attach it to Form 541. Also complete and attach a copy of federal Schedule C or C-EZ using California amounts. Follow federal instructions

for "Depreciation, Depletion, and Amortization," regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Energy conservation rebates, vouchers, or other financial incentives are excluded from income.

Line 4 – Capital gain or (loss)
Enter from Schedule D (541), Capital Gain or Loss, the gain or (loss) from the sale or exchange of capital assets. See the instructions for Schedule D (541).

Line 5 – Rents, royalties, partnerships, other estates and trusts, etc.
Enter the total of net rent and royalty income or (loss) and the total income or (loss) from partnerships and other estates, or trusts. **Do not** include amounts for any of the following:

- Interest, enter on line 1
- Dividends, enter on line 2
- Capital gain or (loss), enter on Schedule D (541)
- Ordinary gain or (loss), enter on Schedule D-1, Sales of Business Property

Complete and attach federal Schedule E, Supplemental Income and Loss, using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction.

Follow federal instructions for "Depreciation, Depletion, and Amortization," regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Elections to expense certain depreciable business assets under IRC Section 179 and R&TC Sections 17267.2, 17267.6, and 17268 do not apply to estates and trusts.

Any losses or credits from passive activities may be limited. See General Information L, for information about passive activity loss limitations.

Line 6 – Farm income or (loss)
Enter the net income or (loss) from farming during the taxable year. Attach federal Schedule F, Profit or Loss From Farming, using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction. Follow federal instructions for "Depreciation, Depletion, and Amortization" regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Line 7 – Ordinary gain or (loss)
Enter from Schedule D-1, the gain or (loss) from the sale or exchange of property other than a capital asset and also from involuntary conversions (other than casualty or theft). Get the instructions for Schedule D-1 for more information.

Line 8 – Other income
Enter the total taxable income not reported elsewhere on Side 1. State the nature of the income. Attach a separate sheet if necessary.

Examples of income to be reported on line 8 include the following:

- Unpaid compensation received by the decedent's estate that is income in respect of a decedent.
- The estate's or trust's share of aggregate income or loss that is ordinary income, if the estate or trust is a shareholder of an S corporation. Enter the name and FEIN of the S corporation. Report capital gain income, dividend income, etc., on other appropriate lines.
- The estate's or trust's share of taxable income or (loss) if the estate or trust is a holder of a residual interest in a REMIC. Beneficiaries should receive Schedule K-1 (541 or 565) and instructions from the REMIC. Get federal Schedule E, Part IV, instructions for reporting requirements; also, attach federal Schedule E.
- Any part of a total distribution shown on federal Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that is treated as ordinary income.

Get California Schedule G-1, Tax on Lump-Sum Distributions, for more information.

California has not conformed to the federal election to defer the discharge of indebtedness income as described in IRC Section 108(i). If the estate or trust elected to defer the discharge of indebtedness income for federal purposes, **add the California** deferred amount on line 8.

Deductions

All deductions entered on line 10 through line 15c must include only the fiduciary's share of deductions related to taxable income. If the estate or trust has tax-exempt income, the amounts included on line 10 through line 15c must be reduced by the allocable portion attributed to tax-exempt income. See federal Form 1041 instructions, "Allocation of Deductions for Tax-Exempt Income," for information on how to determine the allocable amount to enter on line 10 through line 15c.

California law follows federal law for:

- Fiduciary, attorney, accountant, and return preparer fees.
- Limited deductions for losses arising from certain activities.
- Limited deductions for farming syndicates that had a change in membership or were established in 1977 (see IRC Section 464).
- Bankruptcy estates: See Title 11 of the USC 346(e) for California deductions allowed for expenses incurred during administration.
- California law conforms to federal law relating to the denial of deductions for lobbying activities, club dues, and employee remuneration in excess of one million dollars.

Line 10 – Interest
Enter any deductible interest paid or incurred that is not deductible elsewhere on Form 541. Attach a separate schedule showing all interest paid or incurred. Do not include interest on a debt that was incurred or continued in order to buy or carry obligations on which the interest is tax-exempt. If unpaid interest is due to a related person, get federal Publication 936, Home Mortgage Interest Deduction, for more information.

The amount of investment interest deduction is limited. Get form FTB 3526, Investment Interest Expense Deduction, to compute the allowable investment interest expense deduction. Any disallowed investment interest expense is allowed as a carryforward to the next taxable year. See IRC Section 163(d) and get federal Publication 550, Investment Income and Expenses, for more information.

If the allowable part of the excess investment interest expense is deductible and a completed form FTB 3526 is required, write "FTB 3526 attached" on the dotted line to the left of line 10. Then add the deductible investment interest to the other types of deductible interest and enter the total on line 10.

Line 11 – Taxes
Enter any deductible property taxes paid or incurred during the taxable year that are not deductible elsewhere on Form 541. Attach a separate schedule showing all taxes paid or incurred during the taxable year.

Do not deduct:

- Taxes assessed against local benefits that increase the value of the property assessed.
- Income or profit taxes imposed by the federal government, any state, or foreign country.
- Taxes computed as an addition to, or percentage of, any taxes not deductible under the law.
- Legacy, succession, gift, or inheritance taxes.
- Sales and local general sales and use taxes.

Line 12 – Fiduciary fees
Enter the deductible fees paid to the fiduciary for administering the estate or trust and other allowable administration costs incurred during the taxable year.

Allowable administration costs are those costs that were incurred in connection with the administration of the estate or trust that would not have been incurred if the property were not held in such estate or trust. These administration costs are not subject to the 2% floor. Trust expenses relating to outside investment advice and investment management fees are miscellaneous itemized deductions subject to the 2% floor. See instructions for line 15b.

Line 13 – Charitable deduction
Enter the amount from Form 541, Side 2, Schedule A, line 7.

Line 14 – Attorney, accountant, and return preparer fees
Enter deductible attorney, accountant, and return preparer fees paid for the estate or the trust.

Line 15a – Other deductions NOT subject to the 2% floor
Explain on a separate schedule all other authorized deductions that are not deductible elsewhere on Form 541. Enter the total on line 15a.

Include any net interest deduction on interest earned on an enterprise zone (EZ) or targeted tax area (TTA) investment that is more than the expense of earning that interest. Attach form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Claim of Right. To claim the deduction, enter a deduction of $3,000 or less on line 15b or a deduction of more than $3,000 on line 15a. If the fiduciary elects to take the credit instead of the deduction, it should use the California tax rate, add the credit amount to the total on line 33, Total Payments. To the left of this total, write "IRC 1341" and the amount of the credit.

Casualty losses. California law generally follows federal law. See federal Form 4684, Casualties and Thefts.

NOL deductions. If the estate or trust's AGI is $300,000 or more, the NOL deduction is suspended for the 2010 and 2011 taxable

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CREDIT CHART

Credit Name	Code	Description
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. Website: **insurance.ca.gov**
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 $250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employer: 30% of cost for establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Environmental Tax – FTB 3511	218	Five cents ($.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in California
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California. For taxable years beginning on or after January 1, 2009, the farmworker housing credit has been consolidated into the low-income housing tax credit.
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
New Jobs – FTB 3527	220	$3,000 allowed for a qualified employer for each increase in qualified full-time employees hired in the current taxable year
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 2010
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
Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTA businesses

Repealed Credits: The expiration dates for these credits have passed. However, these credits had carryover provisions. The estate or trust may claim these credits only if there is a carryover available from prior years. If the estate or trust is not required to complete Schedule P (541), get form FTB 3540, Credit Carryover Summary, to figure the estate's or trust's credit carryover to future years. See "Where To Get Income Tax Forms and Publications" on the back cover.

Agricultural Products 175
Commercial Solar Electric System 196
Commercial Solar Energy 181
Employee Ridesharing 194
Employer Ridesharing: Large employer 191
Small employer 192
Transit passes 193
Energy Conservation 182
Farmworker Housing 207
Joint Strike Fighter Wages 215
Joint Strike Fighter Property 216
Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax 159
Low-Emission Vehicles 160
Manufacturers' Investment 199
Orphan Drug 185
Political Contributions 184
Recycling Equipment 174
Residential Rental & Farm Sales 186
Ridesharing 171
Rice Straw 206
Salmon & Steelhead Trout Habitat Restoration 200
Solar Energy 180
Solar Pump 179
Solar or Wind Energy System 217
Water Conservation 178

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years. For more information, see R&TC Sections 17276.05, 17276.20, 17276.21, and 17276.22 and get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates and Trusts; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary, and form FTB 3809, Targeted Tax Area (TTA) Deduction and Credit Summary.

Line 15b – Allowable miscellaneous itemized deductions subject to the 2% floor
Miscellaneous itemized deductions are deductible only to the extent that the aggregate amount of such deductions exceeds 2% of AGI.

The term "miscellaneous itemized deductions" does not include deductions relating to:

- Interest under IRC Section 163
- Taxes under IRC Section 164
- Amortization of bond premium under IRC Section 171

For more exceptions, see IRC Section 67(b).

Trusts' expenses relating to outside investment advice and investment management fees are miscellaneous itemized deductions subject to the 2% floor.

For estates and trusts, AGI is computed by subtracting the following from total income (line 9):

- Fiduciary fees of the estate or trust (line 12).
- Income distribution deduction (line 18).
- Other deductions claimed on line 10 through line 15a that were incurred in the conduct of a trade or business or the production of income.

See the federal Form 1041 instructions for more information regarding the income distribution deduction and AGI computation.

Generally, the estate or trust will have to complete Schedule P (541) if an income distribution deduction is reported under IRC Section 651 or IRC Section 661.

Unallowable deductions. Deductions are not allowed on Form 541 for:

- Expenses that are allocable to one or more classes of income (other than interest income) exempt from tax.
- Any amount relating to expenses for production of income that is allocable to interest income exempt from tax. For the treatment of interest expense attributable to tax-exempt income, see the instructions for line 10. For the determination of the amount of expense attributable to tax-exempt income, see the instructions for federal Schedule B, Income Distribution Deduction, (Form 1041).
- Decedent's medical and dental expenses paid by the estate.
- Funeral expenses.

Tax Computation

Enter Mental Health Services Tax on line 27.

Line 21a – Regular tax
Determine the tax on the taxable income (line 20) using the Tax Rate Schedule on the next page. Enter the tax on line 21a.

Line 21b – Other taxes

- Tax may be applied to lump-sum distributions from a qualified retirement plan. The fiduciary must complete Schedule G-1 to figure the amount of tax to enter on line 21b.
- Partial throwback tax on accumulation distribution from trust.

  If an estate or a trust is the beneficiary of a trust and in the current year received a distribution from the trust of income accumulated in prior taxable years (an accumulation distribution), the estate or trust may be liable for a partial throwback tax on the accumulation distribution. Under the throwback rules, the beneficiary of an accumulation distribution is taxed as if the distribution was made in the prior years when the income was accumulated. Figure the throwback tax on form FTB 5870A, Tax on Accumulation Distribution of Trusts. Include the tax on line 21b and attach form FTB 5870A to Form 541.
- Interest on tax deferred under the installment method for certain nondealer property installment obligations.

  If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the estate or trust must include the interest due under IRC Section 453A in the amount to be entered on line 21b. Attach a schedule showing the computation. Write "IRC Section 453A" on line 21b. Include the tax in the total on line 21b.
- Tax on an Electing Small Business Trust (ESBT).

  The portion of an ESBT that consists of stock in one or more S corporations must be treated as a separate trust, and the tax must be figured separately on that separate trust. Figure the tax on the S corporation items making the following modifications:

  a. If the trust holds S corporation stock and no other assets, the trust should do all of the following:
     - Only report the items described in IRC Section 641(c)(2)(C).
     - Take no other deductions (including the distribution deduction) or credits.
     - Pay tax at the highest individual rate.

  b. If the trust holds S corporation stock and other assets, report the income, deductions, and credits from the assets other than S corporation stock on Form 541, and report the items described in IRC Section 641(c)(2)(C) on a separate schedule. On the separate schedule, figure the trust's tax on the items described in IRC Section 641(c)(2)(C) using the highest rate applicable to individuals, carry that amount over to Form 541, Side 1, line 21b and attach the separate schedule to the tax return.

  Do not apportion to the beneficiaries any of the S corporation items of income, loss, deduction, or credit. Attach the tax computation to the tax return.

  Income from an ESBT is also subject to the Mental Health Services Tax. See instructions for line 27.
- REMIC Annual Tax

  Enter the $800 REMIC annual tax on line 21b and line 28, tax liability. REMIC annual tax is not eligible for exemption credits.

Line 21c – QSF Tax
QSF is a Qualified Settlement Fund (including designated settlement funds). Determine the tax using corporate tax rates under R&TC Section 24693. For more information, see General Information C, Who Must File.

Tax Credits

Line 22 – Exemption credit
An estate is allowed an exemption credit of $10. A trust is allowed an exemption credit of $1. A qualified disability trust is allowed an exemption credit of $99.

If a final distribution of assets was made during the year, all taxable income of the estate or trust must be entered on line 18 as distributed to beneficiaries, and no exemption credit is allowable.

Line 23 – Credits
Various California tax credits are available to reduce the tax. For most credits, a separate schedule or statement must be completed and attached to Form 541. See the credit chart on page 8 for a list of the credits, their codes, and a brief description of each.

How to claim California tax credits:

1. Figure the amount of each credit using the appropriate form.
2. Use the Credit Limitation Worksheet to determine if the credits are limited. Complete the worksheet unless federal Schedules C, E, or F (Form 1040), and/or Schedule D (Form 1041) were not completed and the amount entered on Form 541, line 17, is less than $39,762.

   a) If federal Schedules C, D, E, or F (Form 1040) or Schedule D (Form 1041) were not completed and the amount entered on Form 541, line 17, is less than $39,762, **do not** complete the credit limitation worksheet. The credits are not limited.

   b) If the estate or trust completed federal Schedule C, E, or F (Form 1040) or Schedule D (Form 1041) and claimed or received any of the following:
      - 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
      - California qualified stock options (CQSOs)

      Yes Complete Schedule P (541).
      No Go to item (c).

   c) If the estate or trust claimed or received any of the following:
      - AMT adjustment from another estate or trust
      - Investment interest expense

- Income from incentive stock options in excess of the amount reported on Form 540 or Form 540NR (Long or Short)
- Charitable contribution deduction for appreciated property
- Income from installment sales of certain property
- Net operating loss deduction or disaster loss carryover reported on form(s) FTB 3805D, FTB 3805V, FTB 3805Z, FTB 3807, or FTB 3809
- Excluded gain on the sale of qualified small business stock (see R&TC Section 18152.5)

Yes Complete Schedule P (541).
No Complete the Credit Limitation Worksheet that follows.

Credit Limitation Worksheet

A	Enter the amount from Form 541, line 21	**A** _____
B	Enter personal and real property taxes paid. This includes any state and local personal property and state, local, or foreign real property taxes on Form 541, line 11	**B** _____
C	Enter miscellaneous itemized deductions from Form 541, line 15b	**C** _____
D	Add line B and line C	**D** _____
E	Enter any refund of personal or real property tax. **Do not** enter the amount of state income tax refund	**E** _____
F	Subtract line E from line D	**F** _____
G	Enter the amount from Form 541, line 20	**G** _____
H	Add line F and line G	**H** _____
I	Enter $39,762	**I** _____
J	Subtract line I from line H. If zero or less, enter -0-	**J** _____
K	Multiply line J by .0725	**K** _____
L	Subtract line K from line A. If less than zero, enter -0-	**L** _____
M	Enter the total credits	**M** _____

If line L is more than line M, the estate's or trust's credits are not limited. Go to "Claiming Credits on Form 541," below.

If line L is less than line M, get and complete Schedule P (541).

Claiming Credits on Form 541
If the conditions above do not apply, **do not** complete Schedule P (541).

Each credit is identified by a code number. If the estate or trust claims one credit, enter the credit code number and amount of the credit on line 23.

If the estate or trust claims more than one credit, it must use Schedule P (541), Part IV, to figure the total credit amount. Total the column B amounts from Lines 4 through 10 and Lines 12 through 16, of Schedule P (541), Part IV, and enter on Form 541, Line 23. Attach Schedule P (541) and any required supporting schedules or statements to Form 541.

If the estate or trust claims a credit with carryover provisions and the amount of the credit available this year exceeds the estate's or trust's tax, carry over any excess credit to subsequent years until the credit is used.

If the estate or trust claims a credit carryover for a repealed credit, use form FTB 3540, Credit Carryover Summary, to figure this credit, unless the estate or trust is required to complete Schedule P (541). In that case, enter the amount of the credit on Schedule P (541), Sections A2 and B1 and **do not** attach form FTB 3540.

Other Taxes

Line 26 – Alternative minimum tax (AMT)
If certain types of deductions, exclusions, and credits are claimed, the estate or trust may be subject to California's AMT. Get Schedule P (541) to figure the amount of tax to enter on line 26.

California law conforms to the existing federal law eliminating the deduction for contributions of appreciated property as an item of tax preference. As a result, taxpayers no longer need to include in their computation of alternative minimum taxable income (AMTI) the amount by which any allowable deduction for contributions of appreciated property exceeds the taxpayer's adjusted basis in the contributed property.

Schedule P (541) must be completed regardless of whether the estate or trust is subject to AMT if an income distribution deduction is reported on line 18.

Tax and Payments

Line 27 – Mental Health Services Tax
If the estate's or trust's taxable income is more than $1,000,000, compute the Mental Health Services Tax. Income from an Electing Small Business Trust (ESBT) is also subject to the Mental Health Services Tax.

Mental Health Services Tax Worksheet
Use whole dollars only.

A. Taxable income from Form 541, line 20	_____
B. ESBT Taxable Income	_____
C. Add line A and line B	_____
D. Less	($1,000,000)
E. Subtotal	_____
F. Multiply line E by 1%	x .01
G. **Mental Health Services Tax –** Enter this amount on line 27 of the 2010 Form 541, Side 1	_____

Line 29 – California income tax withheld
Attach federal Form(s) W-2 if the fiduciary claims credit for California income tax withheld on a decedent's wages and salaries received by the fiduciary. **Do not** include withholding from Forms 592-B or 593 on this line.

Line 30 – California income tax previously paid
(minus tax allocated to beneficiaries)
Use this line only if the estate or trust is filing an amended tax return. Enter payments made with the original tax return plus additional tax paid after the original tax return was filed. If the estate or trust made only one payment, enter the serial number that the FTB stamped on the face of the cancelled check if available, on the dotted line to the left of the amount on line 30. If the estate or trust made multiple payments, did not receive a cancelled check, or made any payment with a credit card, attach a statement showing the check number, the amount of the check or charge, the date posted to the account, and the name of the payee FTB.

Be sure to reduce the amount of tax previously paid by the amount of estimated tax that the beneficiary treated as a payment.

Line 31 – 2010 Withholding (Form 592-B and/or Form 593)
Enter the total California tax withheld from the estate's or trust's Form 592-B and/or Form 593. Attach a copy of Form 592-B or Form 593 to the lower front of Form 541, Side 1.

An estate or trust that has resident/nonresident or real estate withholding should only claim the credit if the estate or trust did not distribute the related income in the current year. If the estate or trust distributed the related income, the estate or trust should prepare Form 592 and Form 592-B to distribute the credit to the beneficiaries who will report the taxable income and claim their share of the credit on their California income tax returns. If the estate or trust partially distributes the income, Form 592 and Form 592-B should show

2010 Tax Rate Schedule

If the amount on Form 541, line 20 is: over —	but not over —	Enter on line 21a:		of the amount over —
$ 0	$ 7,124	$ 0.00	+ 1.25%	$ 0
7,124	16,890	89.05	+ 2.25%	7,124
16,890	26,657	308.79	+ 4.25%	16,890
26,657	37,005	723.89	+ 6.25%	26,657
37,005	46,766	1,370.64	+ 8.25%	37,005
46,766	and over	2,175.92	+ 9.55%	46,766

only the allocated income distribution and related withholding credit. **Do not** include withholding from other forms on this line.

Line 32 – 2010 CA estimated tax payments, amount applied from 2009 tax return, and payments with form FTB 3563
Enter the amount of any estimated tax payment the estate or trust made on Form 541-ES, Estimated Tax for Fiduciaries, for 2010. Also, enter the amount of any overpayment from the 2009 tax return that was applied to the 2010 estimated tax. Include payments made with form FTB 3563, Payment for Automatic Extension for Fidicuaries.

The trustee (or executor under certain circumstances) may elect to allocate to the beneficiary a portion of estimated payments. Use Form 541-T, California Allocation of Estimated Tax Payments to Beneficiaries. Reduce the amount of estimated tax payments you are claiming by the amount allocated to the beneficiary on Form 541-T.

Estimated tax paid by an individual before death must be claimed on the income tax return filed for the decedent and not on the Form 541 filed for the decedent's estate.

Line 34 and Line 35 – Tax Due/Overpaid Tax
If the amount on line 28 is larger than the amount on line 33, then the tax is larger than the payments and credits. Subtract line 33 from line 28. This is the amount of tax the estate or trust owes before any voluntary contributions or use tax.

If the amount on line 28 is less than the amount on line 33, then the payments and credits are larger than the tax. Subtract line 28 from line 33. This is the amount of overpaid tax before any voluntary contributions or use tax.

If the estate or trust must compute interest under the look-back method for completed long-term contracts, get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the estate or trust owes on line 34 or the amount of interest to be credited or refunded to the organization on line 35. Write "FTB 3834" on the dotted line to the left of line 34 or line 35, whichever applies.

If the estate or trust completed the credit recapture portion of any of the following forms, include the recapture amount on line 34. Write the form number and the recaptured amount on the dotted line to the left of line 34.

- Form FTB 3501, Employer Child Care Program/Contribution Credit
- Form FTB 3805Z, Enterprise Zone Deduction and Credit Summary
- Form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA), Deduction and Credit Summary
- Form FTB 3808, Manufacturing Enhancement Area Credit Summary
- Form FTB 3809, Targeted Tax Area Deduction and Credit Summary

Line 36 – Credit to your 2011 estimated tax
Enter the amount from line 35 that the estate or trust wants applied to their 2011 estimated tax.

Line 37 – Amount of overpaid tax available this year
If an amount is entered on line 36, subtract it from line 35. Enter the result on line 37. The entire amount may be refunded or voluntary contributions may be made. If the estate or trust owes use tax, the estate or trust may offset that amount against this balance.

Line 38 – Use Tax
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). For questions on whether a purchase is taxable, go to **boe.ca.gov**, or call their Taxpayer Information Section at 800.400.7115 or TTY/TDD 800.735.2929.

Note: The following businesses must continue to report purchases subject to use tax directly to the State Board of Equalization:

- Businesses that have a California seller's permit.
- Businesses that are not required to hold a California seller's permit, but receive at least $100,000 in gross receipts.
- Individuals or businesses that have a California consumer use tax account.

A fiduciary that is not required to report purchases subject to use tax directly to the State Board of Equalization may report use tax on Form 541. To report use tax on Form 541, complete the Use Tax Worksheet below.

If the fiduciary owes use tax but does not report it on Form 541, the fiduciary must report and pay the tax to the State Board of Equalization. For information on reporting use tax directly to the State Board of Equalization, go to **boe.ca.gov**.

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

Use Tax Worksheet

Use whole dollars only.

1.	Enter purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions below.	$ _____.00
2.	Enter the applicable sales and use tax rate.	_____
3.	Multiply line 1 by the tax rate on line 2. Enter result here.	$ _____.00
4.	Enter any sales or use tax paid to another state for purchases included on line 1. See worksheet line 4 instructions	$ _____.00
5.	Total Use Tax Due. Subtract line 4 from line 3. Enter the amount due on line 38. 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 if sold in a California store, such as office equipment and supplies.
- 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 the fiduciary is filing.

Note: Report and pay any use tax owed on the following purchases to the State Board of Equalization, **not** on Form 541.

- 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 sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. If the fiduciary does not know the applicable rate, go to **boe.ca.gov** and click on City and County Tax Rates or call 800.400.7115 or TTY/TTD 800.735.2929.

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

- This is a credit for tax paid to other states reported on Line 1. The fiduciary can claim a credit up to the amount of tax that would have been due if the purchase had been made in California. For example, if the fiduciary paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, the fiduciary can claim a credit of only $6.00 for that purchase.

Line 39 – Total voluntary contributions
Add voluntary contributions to the amount on line 34 or subtract voluntary contributions from the amount on line 37. The amount of tax due, including the contributions, must be paid when the tax return is filed. See Voluntary Contributions, below for more information.

Line 40 – Refund or no amount due
If no amount is entered on line 38 or line 39, enter the amount from line 37 on line 40. This is the amount that will be refunded. If this amount is less than $1, attach a written statement to the tax return requesting the refund.

If an amount is entered on line 38 or line 39, subtract the amounts from the amount on line 37. If the result is zero or more, enter the result on line 40. If the result is less than zero, enter the result as a positive number on line 41.

Line 41 – Amount due
If an amount is entered on line 38 or line 39, add the amounts to the amount on line 34. Enter the result on line 41. This is the amount due with the tax return.

If no amount is entered on line 34, add line 38 and line 39, subtract the total from line 37 and enter the result as a positive number on line 41. Otherwise, add line 34, line 38, and line 39 and enter the total on line 41.

Line 42 – Underpayment of estimated tax
The estate or trust may owe an estimated tax penalty if:

- the estate or trust underpaid its estimated tax liability for any payment period, or
- the amount on Line 34 is more than $500 and the estate or trust did not pay the lesser of:

	2009 Tax	2010 Tax
AGI less than $150,000	100%	90%
AGI between $150,000 and $999,999	110%	90%
AGI $1,000,000 or greater		90%

The FTB will figure the underpayment of estimated tax penalty and send a bill. However, the estate or trust may use form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, or form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen to:

- see if the estate or trust owes a penalty
- figure the amount of the penalty
- claim a waiver of estimated tax penalty
- use the annualized income installment method.

If the estate or trust completes form FTB 5805 or form FTB 5805F, attach the form to the back of Form 541. Enter the amount of the penalty on line 42 and fill in the appropriate circle on line 42.

Voluntary Contributions

Code 401 through Code 414
The estate or trust may make voluntary contributions of $1 or more in whole dollar amounts to the funds listed in this section. If one or more voluntary contributions are made, complete Voluntary Contributions on Side 2.

On Form 541, Side 2, line 39, enter the amount of the total voluntary contributions from the Voluntary Contributions, line 61.

If there is an overpaid tax on Form 541, line 37, the amount contributed must be subtracted from the overpaid tax. If there is a tax due on Form 541, line 34, the total contributions must be added to the tax due.

Code 401, Alzheimer's Disease/Related Disorders Fund. 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 over 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. For more information go to **cdph.ca.gov** and search for **alzheimer**.

Code 402, California Fund for Senior Citizens. Contributions will provide support for the California Senior Legislature (CSL). The CSL is made up of volunteers who develop statewide senior related legislative proposals in areas of health, housing, transportation, and community services to be presented to the State Legislature. For more information go to **www.4csl.org**.

Code 403, Rare and Endangered Species Preservation Program. Contributions will be used to help protect and conserve California's many threatened and endangered species and the wild lands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.

Code 404, State Children's Trust Fund for the Prevention of Child Abuse. Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.

Code 405, California Breast Cancer Research Fund. Contributions will fund research toward preventing and curing breast cancer. Breast cancer is the most common cancer to strike women in California. It kills 4,000 California women each year. Contributions also fund research on prevention and better treatment, and keep doctors up-to-date on research progress. For more about the research your contributions support, go to **cbcrp.org**. Your contribution can help make breast cancer a disease of the past.

Code 406, California Firefighters' Memorial Fund. Contributions will be used for 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/RDPs and children of fallen firefighters.

Code 407, Emergency Food for Families Fund. Contributions will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries, and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.

Code 408, California Peace Officer Memorial Foundation Fund. Contributions will be used to preserve the memory of California's fallen peace officers and assist the families they left behind. Since statehood, over 1,300 courageous California peace officers have made the ultimate sacrifice while protecting law-abiding citizens. The non-profit charitable organization, California Peace Officers' Memorial Foundation, has accepted the privilege and responsibility of maintaining a memorial for fallen officers on the State Capitol grounds. Each May, the Memorial Foundation conducts a dignified ceremony honoring fallen officers and their surviving families by offering moral support, crisis counseling, and financial support that includes academic scholarships for the children of those officers who have made the supreme sacrifice. On behalf of all of us and the law-abiding citizens of California, thank you for your participation.

Code 410, California Sea Otter Fund. 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.

Code 413, California Cancer Research Fund. Contributions will be used to provide research on cancer causes, detection and prevention, and provide education and support to cancer survivors.

Code 415, Arts Council Fund. Contributions will be used by the Arts Council to allocate grants to individuals or organizations administering arts programs.

Code 416, California Police Activities League (CALPAL) Fund. Contributions will be used exclusively to fund the services and programs of the California Police Activities League (CALPAL) program.

Code 417, California Veterans Homes Fund. Contributions will be used for veterans homes operations.

Code 418, Safely Surrendered Baby Fund. Contributions will be used to fund programs to increase public awareness and outreach regarding the Safely Surrendered Baby Law.

Line 61 – Total Voluntary Contributions
Add the amounts entered on Code 401 through Code 418. Enter the total on Form 541, Side 2, line 39. If no amounts are entered on Code 401 through Code 418, **do not** enter an amount on Form 541, line 39.

Schedule A Charitable Deduction

California law generally follows federal law.

A trust claiming a charitable deduction, etc., under IRC Section 642(c) for the taxable year must file the information return required by R&TC Section 18635 on Form 541-A.

California law follows federal law for charitable contributions.

See the instructions for completing federal Schedule A, Charitable Deduction (Form 1041).

Schedule B Income Distribution Deduction

California law generally follows federal law.

Schedule P (541) must be completed if the estate or trust had an income distribution deduction.

Line 1 – If the amount on Side 1, line 17, is less than zero and the negative number is attributable in whole or in part to the capital loss limitation rules under IRC Section 1211(b), then enter as a negative number on Schedule B, line 1, the lesser of the loss from Side 1, line 17, or the loss from Side 1, line 4. If the negative number is not attributable to the capital loss on line 4, enter -0-.

Line 2 – Figure the adjusted tax-exempt interest as follows:

From the amount of tax-exempt interest received, subtract the total of 1 and 2 below.

1. The amount of tax-exempt interest, including exempt interest dividends from qualified mutual funds, on Schedule A (541), line 2.
2. Any disbursements, expenses, losses, etc., directly or indirectly allocable to the interest (even though described as not deductible under R&TC Section 17280).

Figure the amount of the indirect disbursements, etc., allocable to tax-exempt interest as follows:

1. Divide the total tax-exempt interest received by the total of all the items of gross income (including tax-exempt interest) included in distributable net income.
2. Multiply the result by the total disbursements, etc., of the trust that are not directly attributable to any items of income.

Include any nontaxable gain from installment sales of small business stock sold prior to October 1, 1987, and includable in distributable net income.

Line 3 – Include all capital gains, whether or not distributed, that are attributable to income under the governing instrument or local law. If the amount on Schedule D (541), line 9, column (a) is a net loss, enter -0-.

If the estate or trust excluded gain from the sale of qualified small business stock pursuant to R&TC Section 18152.5, be sure to add back the amount of the exclusion. (R&TC Section 17750)

Line 9 and Line 10 – These lines provide for the computation of the deduction allowable to the fiduciary for amounts paid, credited, or required to be distributed to the beneficiaries of the estate or trust. The deduction is equal to the amounts paid, credited, or required to be distributed or the distributable net income, whichever is smaller, adjusted in either case to exclude items of tax-exempt income entering into distributable net income. See the instructions for completing federal Schedule B, Income Distribution Deduction (Form 1041), and attach Schedule J (541), Trust Allocation of an Accumulation Distribution, if required.

Complete and attach to Form 541 a properly completed Schedule K-1 (541) for each beneficiary. An FTB-approved substitute form or the information notice sent to beneficiaries may be used if it contains the information required by Schedule K-1 (541).

For more information, see General Information E, Additional Forms the Fiduciary May Have to File.

Schedule G California Source Income and Deduction Apportionment

Trust Income to be Reported from Sources. Income retained by a trust is taxable to the trust. Income from California sources is taxable regardless of the residence of the fiduciaries and beneficiaries. R&TC Section 17742 through Section 17745 provide that the taxability of non-California source income retained by a trust and allocated to principal depends on the residence of the fiduciaries and **noncontingent** beneficiaries, not the person who established the trust. Contingent beneficiaries are not relevant in determining the taxability of a trust.

A noncontingent or vested beneficiary has an unconditional interest in the trust income or corpus. If the interest is subject to a condition precedent, something must occur before the interest becomes present, it is not counted for purposes of computing taxable income. Surviving an existing beneficiary to receive a right to trust income is an example of a condition precedent.

There are five different situations that can occur when determining the taxability of a trust. The situations and treatment are:

1. If the trustee (or all the trustees, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
2. If the noncontingent beneficiary (or all the noncontingent beneficiaries, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
3. If at least one trustee is a California resident and at least one trustee is a nonresident and all beneficiaries are nonresidents, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident trustees bears to the total number of trustees (R&TC Section 17743). Complete Schedule G, Form 541, Side 3.
4. If all of the trustees are nonresidents and at least one noncontingent beneficiary is a California resident and at least one noncontingent beneficiary is a nonresident, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident noncontingent beneficiaries bear to the total number of noncontingent beneficiaries (R&TC Section 17744). Complete Schedule G, Form 541, Side 3.
5. If the trust has resident and nonresident trustees and resident and nonresident noncontingent beneficiaries, both situations 3 and 4 apply. Complete Schedule G, Form 541, Side 3.

The R&TC and accompanying regulations do not discuss the situation where some fiduciaries and some beneficiaries are nonresidents (situation 5). The FTB Legal Ruling No. 238, October 27, 1959, provides the method for allocating non-California source income where there is a mixture of California resident and nonresident fiduciaries, and California resident and nonresident noncontingent beneficiaries.

Example: Assume that the total taxable income of the trust is $90,000 and is not sourced in California. There are three trustees, one of whom is a resident of California. There are two noncontingent income beneficiaries, one of whom is a resident of California. The amount of income taxable by California is calculated in the following steps:

1. Taxable income is first allocated to California by the ratio of the number of California trustees to the total number of trustees. The trustee calculation is 1/3 of $90,000 = $30,000.
2. The amount allocated to California in that ratio (from Step 1) is subtracted from total taxable income. The amount for the next allocation is $60,000 ($90,000 – $30,000).
3. The remainder of total income is then allocated to California by the ratio of the number of California noncontingent beneficiaries to the total number of noncontingent beneficiaries. The beneficiary calculation is 1/2 of $60,000 = $30,000.
4. The sum of the trustee calculation and the noncontingent beneficiary calculation is the amount of non-California source income taxable by California. The trustee income calculation of $30,000 plus the beneficiary income calculation of $30,000 equals the income taxable by California of $60,000.

The apportionment described above does not apply when the interest of a beneficiary is contingent. See R&TC Section 17745 regarding taxability in such cases.

If any of the following apply, all trust income is taxable to California. **Do not** complete Schedule G.

- All trustees are California residents
- All non-contingent beneficiaries are California residents
- All trust income is from California sources

The amounts transferred from Schedule G, column F and column H, should only include income and deductions reportable to California.

Part I

Complete lines 1a through 1f **before** completing the Income and Deduction Allocation.

The trustee is required to disclose the number of the trust's California resident trustees, nonresident trustees total trustees, California resident noncontingent beneficiaries, and total noncontingent beneficiaries.

Line 1(a) and Line 1(b) – Provide the total number of California resident trustees and the total number of California nonresident trustees who served the trust during any portion of the trust's taxable year. If a trustee ceased to serve the trust during any portion of the taxable year, changed residence during the taxable year, or began serving the trust during the taxable year, attach an additional statement identifying the particular trustee, the relevant date or dates, and a description of the event.

Line 1(d) and Line 1(e) – Include only noncontingent beneficiaries as provided in R&TC Section 17742. If the trust has no California resident noncontingent beneficiaries or no nonresident noncontingent beneficiaries, enter -0- on line 1(d) or line 1(e), respectively.

Part II

Complete Column A through Column H to determine the amounts to enter on Form 541, Side 1, line 1 through line 15b.

Income Allocation

Column A: Enter the California sourced income amount for line 1 through line 8.

Column B: Enter the non-California sourced income amount for line 1 through line 8.

Column C: Multiply column B by

$$\frac{\text{The number of CA trustees}}{\text{The total number of trustees}}$$

Column D: Subtract column C from column B.

Column E: Multiply column D by

$$\frac{\text{The number of CA noncontingent beneficiaries}}{\text{The total number of noncontingent beneficiaries}}$$

Column F: Add columns A, C, and E.

Line 9: Total lines 1 through 8 for column A through column F.

Deduction Allocation

Column G: Enter the total amount of deductions for line 10 through line 15b.

Column H: Multiply the amounts in column G, line 10 through line 15b by

$$\frac{\text{Line 9, column F}}{\text{Line 9, column A plus B}}$$

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Visit our website:

ftb.ca.gov

TAXABLE YEAR | FORM

2010 California Fiduciary Income Tax Return 541

For calendar year 2010 or fiscal year beginning month_____ day_____ year _____, and ending month_____ day_____ year_____.

● Type of entity:
(1) ☐ Decedent's estate
(2) ☐ Simple trust
(3) ☐ Complex trust
(4) ☐ Grantor trust
(5) ☐ Bankruptcy estate – Chapter 7
(6) ☐ Bankruptcy estate – Chapter 11
(7) ☐ Pooled income fund
(8) ☐ ESBT (S portion only)
(9) ☐ QSST
(10) ☐ Apportioning Trusts

Name of estate or trust | FEIN

Name and title of all fiduciaries, see instructions | PBA Code

Address (suite, room, PO Box, or PMB no.)

City | State | ZIP Code

P AC A R RP

Check applicable boxes: ● ☐ Initial tax return ☐ Final tax return ☐ REMIC
☐ Amended tax return. Attach explanation and schedules
☐ Change in fiduciary's name or address

Income

Trusts that have nonresident trustees and/or nonresident beneficiaries must first complete Schedule G, California Source Income and Deductions Apportionment on Side 3.

1	Interest income	1	00
2	Dividends	2	00
3	Business income or (loss). Attach federal Schedule C or C-EZ (Form 1040)	● 3	00
4	Capital gain or (loss). Attach Schedule D (541)	● 4	00
5	Rents, royalties, partnerships, other estates and trusts, etc. Attach federal Schedule E (Form 1040)	● 5	00
6	Farm income or (loss). Attach federal Schedule F (Form 1040)	● 6	00
7	Ordinary gain or (loss). Attach Schedule D-1	● 7	00
8	Other income. See instructions. State nature of income_____	● 8	00
9	**Total income.** Add line 1 through line 8. (Apportioning fiduciaries: Complete Schedule G on Side 3)	● 9	00

Deductions

10	Interest	10	00
11	Taxes	11	00
12	Fiduciary fees	● 12	00
13	Charitable deduction. Enter the amount from Side 2, Schedule A, line 7	● 13	00
14	Attorney, accountant, and return preparer fees	14	00
15	**a** Other deductions not subject to 2% floor. Attach schedule.	● 15a	00
	b Allowable misc. itemized deductions subject to 2% floor.	● 15b	00
	c Total. Add line 15a and line 15b	● 15c	00
16	Total. Add line 10 through line 14 and line 15c. (Apportioning fiduciaries: Complete Schedule G on Side 3)	● 16	00
17	Adjusted total income (or loss). Subtract line 16 from line 9. Enter here and on Side 3, Schedule B, line 1	● 17	00
18	Income distribution deduction from Side 3, Schedule B, line 15. Attach Schedule K-1 (541)	● 18	00
20	Taxable income of fiduciary. Subtract line 18 from line 17	20	00

Tax and Payments

21	**a** Regular tax _____; **b** Other taxes _____; **c** QSF tax _____; **d** Total	● 21	00
22	Exemption credit. See instructions	22	00
23	Credits. Attach worksheet. If one credit, enter code ● ☐ If more than one credit, see instructions.	● 23	00
24	Total. Add line 22 and line 23	● 24	00
25	Subtract line 24 from line 21	25	00
26	Alternative minimum tax. Attach Schedule P (541)	● 26	00
27	Mental Health Service Tax. See instructions	● 27	00
28	Tax liability. Add line 25, line 26, and line 27	● 28	00
29	California income tax withheld. See instructions	● 29	00
30	California income tax previously paid. See instructions	● 30	00
31	2010 Withholding (Form 592-B and/or 593). See instructions	● 31	00
32	2010 CA estimated tax, amount applied from 2009 tax return, and payment with form FTB 3563	● 32	00
33	Total payments. Add line 29, line 30, line 31, and line 32	33	00
34	Tax due. Subtract line 33 from line 28	● 34	00

Tax and Payments

35	Overpaid tax. Subtract line 28 from line 33 from Side 1	35	00
36	Amount of line 35 to be credited to **2011** estimated tax	36	00
37	Amount of overpaid tax available this year. Subtract line 36 from line 35	37	00
38	Use tax. See instructions	38	00
39	Total voluntary contributions from line 61 below	39	00
40	**Refund or No Amount Due.** See instructions	40	00
41	**Amount Due.** See instructions	41	00
42	Underpayment of estimated tax. Fill in circle: ○ FTB 5805 attached ○ FTB 5805F attached	42	00

Voluntary Contributions. See instructions.

	Code	Amount			Code	Amount	
Alzheimer's Disease/Related Disorders Fund	401		00	CA Peace Officer Memorial Foundation Fund	408		00
CA Fund for Senior Citizens	402		00	CA Sea Otter Fund	410		00
Rare and Endangered Species Preservation Program	403		00	CA Cancer Research Fund	413		00
State Children's Trust Fund for the Prevention of Child Abuse	404		00	Arts Council Fund	415		00
CA Breast Cancer Research Fund	405		00	CA Police Activities League (CALPAL) Fund	416		00
CA Firefighters' Memorial Fund	406		00	CA Veterans Homes Fund	417		00
Emergency Food For Families Fund	407		00	Safely Surrendered Baby Fund	418		00

61 **Total voluntary contributions.** Add line 401 through line 418. Enter here and on line 39, above . . . 61 00

Schedule A **Charitable Deduction. Do not** complete for a simple trust or a pooled income fund. Attach statement listing the name and address of each charitable organization to which your contributions totaled $3,000 or more.

1 a	Amounts paid for charitable purposes from gross income	1a	00
b	Amounts permanently set aside for charitable purposes from gross income. See instructions	1b	00
c	Total. Add line 1a and line 1b	1c	00
2	Tax-exempt income allocable to charitable contributions. See instructions	2	00
3	Subtract line 2 from line 1c	3	00
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4	00
5	Add line 3 and line 4	5	00
6	R&TC Section 18152.5 exclusion allocable to capital gains paid or permanently set aside for charitable purposes	6	00
7	**Charitable deduction**. Subtract line 6 from line 5. Enter here and on Side 1, line 13	7	00

Other Information. Note: Income of final year is taxable to beneficiaries.

1 Date trust was created or, if an estate, date of decedent's death:
  a _____
  b Name of Grantor(s) of Trust _____
  (please attach an additional sheet if necessary)

2 a If an estate, was decedent a California resident? ☐ Yes ☐ No
  b Was decedent married at date of death? ☐ Yes ☐ No
  c If "Yes," enter surviving spouse's/RDP's social security number (or ITIN) and name:
  _____

3 If an estate, enter fair market value (FMV) of:
  a Decedent's assets at date of death _____
  b Assets located in California _____
  c Assets located outside California _____

4 If this is the final tax return of an estate, enter date of court order, if applicable, authorizing the final distribution _____

5 Did the estate or trust receive tax-exempt income? ☐ Yes ☐ No
  If "Yes," attach computation of the allocation of expenses.

6 Is this tax return for a short taxable year? ☐ Yes ☐ No

7 Has the estate or trust included a Reportable Transaction, or Listed Transaction within this tax return? If "Yes," complete and attach federal Form 8886 for each transaction ☐ Yes ☐ No

8 **Attach a copy of 2010 federal Form 1041, pages 1 and 2**

9 Does this trust have a beneficial interest in a trust or is it a grantor of another trust? Attach schedule of trusts and federal IDs. ☐ Yes ☐ No

10 Did this fiduciary elect to defer income from the discharge of indebtedness as described in IRC Section 108(i) for federal purposes? ☐ Yes ☐ No
  If "Yes," enter the federal deferred income from discharge of indebtedness. _____

11 During the year did the estate or trust defer any income from the disposition of assets? ☐ Yes ☐ No

Please Sign Here

Under penalties of perjury, I declare that I have examined this tax return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ _____ Date
Signature of trustee or officer representing fiduciary

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ☐ | Paid preparer's PTIN/SSN

Firm's name (or yours, if self-employed) and address. ▶ _____ | FEIN | Telephone ( )

May the FTB discuss this return with the designee shown above (see instructions)? ☐ Yes ☐ No

Schedule B **Income Distribution Deduction.**

1	Adjusted total income. Enter amount from Side 1, line 17	1	00
2	Adjusted tax-exempt interest and nontaxable gain from installment sale of small business stock. See instructions	2	00
3	Net gain shown on Schedule D (541), line 9, column a. If net loss, enter -0-. See instructions	3	00
4	Enter amount from Schedule A, line 4 (reduced by any allocable R&TC Section 18152.5 exclusion)	4	00
5	Enter capital gain included on Schedule A, line 1c	5	00
6	If the amount on Side 1, line 4 is a gain, enter the amount here as a negative number. If the amount on Side 1, line 4 is a loss, enter the loss as a positive number	6	00
7	Distributable net income. Combine line 1 through line 6	7	00
8	Income for the taxable year determined under the governing instrument (accounting income)	8	00
9	Income required to be distributed currently (IRC Section 651)	9	00
10	Other amounts paid, credited, or otherwise required to be distributed (IRC Section 661)	10	00
11	Total distributions. Add line 9 and line 10. If the result is greater than line 8, see federal Schedule B (1041) instructions for line 11 to see if you must complete Schedule J (541)	11	00
12	Enter the total amount of tax-exempt income included on line 11	12	00
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	00
14	Tentative income distribution deduction. Subtract line 2 from line 7	14	00
15	**Income distribution deduction.** Enter the smaller of line 13 or line 14 here and on Side 1, line 18	15	00

Schedule G **California Source Income and Deduction Apportionment.**

Part I: If a trust, enter the number of:

1 a California resident trustees ●
b Nonresident trustees ●
c Total number of trustees (line a plus line b) ●
d California resident beneficiaries ●
e Nonresident beneficiaries ●
f Total number of beneficiaries (line d plus line e) ●

Part II: **Income Allocation.** Complete questions 1a through 1f above prior to completing Income and Deduction Allocation.

Type of Income	A California Source Income	B Non-California Source Income	C Apportioned Income # CA Trustees / # Total Trustees X B	D Remaining Non-California Source Income Col. B - Col. C	E Apportioned Income # CA Beneficiaries / # Total Beneficiaries X D	F Income Reportable to California (Col. A+C+E)
1 Interest	●	●				
2 Dividends	●	●				
3 Business income	●	●				
4 Capital gain	●	●				
5 Rents, royalties, etc.	●	●				
6 Farm income	●	●				
7 Ordinary gain	●	●				
8 Other income	●	●				
9 Total income	●	●				

Enter the amounts from lines 1-9, column F, on Form 541, Side 1, lines 1-9.

Deduction Allocation.

Type of Deduction	G Total Deductions	H Amounts Allocable To California
10 Interest		
11 Taxes		
12 Fiduciary fees		
13 Charitable deduction		
14 Attorney, accountant, and return preparer fees		
15 a Other deduction not subject to 2% floor		
15 b Allowable misc. itemized deductions subject to 2% floor		
16 Total deductions		

Enter the amounts from lines 10-15b, column H, on Form 541, Side 1, lines 10-15b.

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TAXABLE YEAR

CALIFORNIA SCHEDULE

2010 Capital Gain or Loss

D (541)

Attach to Form 541 or Form 109.

Name of estate or trust

FEIN

Part I Capital Gain and Loss

(a) Description of property: Example, 100 shares 7% preferred of "Z" Co.	(b) How was property held, community, separately, jointly?	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)	(e) Gross sales price	(f) Cost or other basis, as adjusted, plus expense of sale	(g) Gain (or loss) column (e) less column (f)
1						

2 Capital gain from installment sales from form FTB 3805E, line 26 or line 37 2

3 Enter your share of net gain or (loss) from partnerships, S corporations, limited liability companies (LLCs), and other fiduciaries . . . 3

4 Capital gain distributions. See instructions 4

5 Net gain or (loss). Combine line 1, column (g), line 2, line 3, and line 4. 5

6 Enter gain, if applicable, from California Schedule D-1. 6

7 Capital loss carryover from prior years. There is no capital loss carryover from a decedent to an estate. 7

8 Net gain or (loss). Combine line 5, line 6, and line 7. 8

Part II Summary of Part I

	(a) Beneficiaries	(b) Fiduciary	(c) Total
9 Enter the net gain or (loss) from line 8, above. If line 9, column (c), is a net gain, enter the gain on Form 541, line 4 or Form 109, Side 2, Part I, line 4a. If line 9, column (c), is a net loss, complete Part III. See instructions 9			

Part III Computation of Capital Loss Limitation

10 Enter here and enter as a loss on Form 541, line 4 or Form 109, Side 2, Part 1, line 4c the smaller of:
The net loss on line 9, column (c) or $3000. 10

Part IV Computation of Capital Loss Carryover from 2010 to 2011

If the net loss on line 8 is more than $3000, determine the capital loss carryover. Attach a copy of Schedule D (Form 1041) to Form 541 or Form 109. See instructions.

Instructions for Schedule D (541)

Capital Gain or Loss

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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, go to **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.

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.

A Purpose

Use Schedule D (541), Capital Gain or Loss, to report gains and losses from the sale or exchange of capital assets by an exempt organization, estate or trust. Generally, California law follows federal law.

To report sales or exchanges of property other than capital assets, including the sale or exchange of property used in a trade or business and involuntary conversions (other than casualties and thefts), get California Schedule D-1, Sales of Business Property.

If property is involuntarily converted because of casualty or theft, complete federal Form 4684, Casualties and Thefts, **using California amounts**.

California does not have a special capital gain tax rate.

Qualified Small Business Stock

California law does not conform to federal law changes regarding the increase in the percentage of the gain exclusion for the sales of qualified small business stock acquired after February 17, 2009. California law allows an exclusion of 50% of any gain from the sale or exchange of qualified small business stock held for more than 5 years. For California purposes, 80% of the issuing corporation's payroll must be attributable to employment located within California (at time of issuance). Also, 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.

R&TC Section 18038.5 also provides for the deferral of gain from the sale of small business stock that has been held for six months or more, if qualified replacement stock is purchased within 60 days after the sale giving rise to the gain. Report gain deferred from the sale of qualified small business stock in accordance with the instructions contained in Revenue Procedure 98-48.

For more information, go to **ftb.ca.gov** and search for **qsbs**.

B Miscellaneous Information

See the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, for the definition of capital assets.

In computing gross income, no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

C Basis

California law generally follows federal law with respect to basis. In determining the basis of property apply one of the following:

Gift
Generally, use the donor's basis if the transaction results in a gain. Use the lower of the donor's basis or the fair market value (FMV) on the date of the gift if the transaction results in a loss.

Inherited property
Use the FMV at the date of death, unless an alternate valuation date election is made under IRC Section 2032.

For special cases involving property acquired from a decedent before 1987, see former R&TC Sections 18031 through 18033.

The basis of the decedent's one-half of community property is the FMV at date of death. If the decedent's death occurred after December 31, 1986, the basis of the surviving spouse's one-half of community property becomes the FMV on the date of the decedent's death.

Depreciation Methods and Property Expensing
California law has not always conformed to federal law regarding depreciation methods, special credits, or accelerated write offs. Consequently, the recovery period and the basis on which depreciation is calculated may be different from the amounts used for federal purposes.

Before 1987, California law disallowed the use of accelerated cost recovery system (ACRS). California depreciation is calculated in the same manner as in prior years for those assets. The election to expense certain tangible property **does not** apply to estates and trusts.

Figure the original basis using the California law in effect when the asset was acquired, and adjust it according to provisions of California law in effect. For more information get form FTB 3885F Depreciation and Amortization, and FTB Pub. 1001, or refer to the R&TC.

D Internet Access

You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Access other state agencies' websites at **ca.gov**.

Specific Line Instructions

If you file Form 109, California Exempt Organization Business Income Tax Return, attach a copy of your completed Schedule D (541) to Form 109.

Part I – Capital Gain and Loss

Line 1 – If the estate or trust qualifies for the R&TC Section 18152.5 exclusion of gain on qualified small business stock, report 100% of the gain on line 1. Directly below the line on which you reported the gain, enter in column (a) "Section 18152.5 exclusion" and enter as a (loss) in column (g) 50% of the gain. Also report 50% of the exclusion as a positive number on Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries, line 4v.

Line 2 – If the estate or trust sold property at a gain this taxable year and is to receive any payment in a later taxable year, use the installment method and file form FTB 3805E, Installment Sale Income. If the estate or trust elects out of the installment method, report the gain or loss on line 1. Also use form FTB 3805E if a payment was received in the taxable year from a sale made in an earlier year on the installment basis.

If the estate or trust elects not to use the installment method and is reporting a note or other obligation at less than face amount on line 1, state that fact in the margin and give the percentage of valuation. Get federal Publication 537, Installment Sales, and Publication 559, Survivors, Executors, and Administrators, for additional information.

Line 4 – Report the amount from Form 1099-DIV, box 2a, on line 4. If you received a Form 1099-DIV, Dividends and Distributions, with a gain in box 2c, part of that gain (which is also included in box 2a) may be eligible for the R&TC Section 18152.5 exclusion. California does not have a special capital gain tax rate. In column (a) of line 1, enter the name of the corporation whose stock was sold. In column (g) of line 1, enter the amount of your allowable exclusion as a loss.

Line 7 – Enter the amount of unused capital loss carryover from prior years.

There is no capital loss carryover from a decedent to an estate.

Part II – Summary of Part I

Line 9 – Use line 9 to summarize the gain or loss computed in Part I.

Column (a) — Beneficiaries
Enter the amounts of capital gain or loss allocable to the beneficiaries. **Do no**t allocate capital losses to beneficiaries unless the capital losses are required to offset capital gains. Refer to IRC Section 643(a). Any capital loss carryover for the final year is allowed to the beneficiaries, to the extent of their distributive shares.

Nonresident and part-year resident beneficiaries may have to report their loss carryovers, deferred deductions, and deferred income differently from the manner shown on their Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Column (b) — Fiduciary
Enter the amounts of the gain or loss allocable to the fiduciary.

Enter any capital gain paid or permanently set aside for charitable purposes, IRC Section 642(c), in column (b).

Column (c) — Total
The amount entered on line 9, column (c), should be the total of the amounts shown on line 9, column (a) and column (b).

Form 109 filers, see instructions for that form.

Part III – Computation of Capital Loss Limitation

Line 10 – If line 9, column (c), shows a loss, the loss is limited at line 10 to the smaller of the amount of the loss or $3,000.

Form 109 filers, see instructions for that form.

Part IV – Computation of Capital Loss Carryover from 2010 to 2011

Complete the Capital Loss Carryover Worksheet in the instructions for federal Schedule D (Form 1041). Use California amounts to determine the capital loss carryover.

TAXABLE YEAR

CALIFORNIA FORM

2010 Depreciation and Amortization 3885F

Attach to Form 541 or Form 109.

Name of estate or trust

FEIN

Assets placed in service after 12/31/09 (depreciation) Intangibles placed in service after 12/31/09 (amortization)			Depreciation			Amortization		
(a) Description of property	(b) Date placed in service (mo., day, yr.)	(c) Cost or other basis	(d) Method of figuring depreciation	(e) Life or rate	(f) Depreciation for this year	(g) Code section	(h) Period or percentage	(i) Amortization for this year
1								
Add line 1 column (f) and column (i) amounts. See instructions								

Depreciation

2 California depreciation for assets placed in service before January 1, 2010 . . . . . 2 _____
Be sure to make adjustments for any basis differences.

3 Total California depreciation. Add line 1(f) and line 2 . . . . . 3 _____

Amortization

4 California amortization for intangibles placed in service before January 1, 2010 . . . . . 4 _____
Be sure to make adjustments for any basis differences.

5 Total California amortization. Add line 1(i) and line 4 . . . . . 5 _____

6 Total depreciation and amortization. Add line 3 and line 5. Enter amount on the appropriate line of federal Schedules C or C-EZ, E (using California amounts), F; Form 541, line 15a; or Form 109, Part II, line 21a. . . . . 6 _____

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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, go to **ftb.ca.gov** and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments.

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.

A Purpose

Use form FTB 3885F, Depreciation and Amortization, to compute depreciation and amortization allowed as a deduction on Form 541, California Fiduciary Income Tax Return, or Form 109, California Exempt Organization Business Income Tax Return. Attach form FTB 3885F to Form 541 or Form 109.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. Land is not depreciable.

Amortization is an amount deducted to recover the cost of certain capital expenses over a fixed period.

Generally, California conforms to federal law for assets placed in service on or after January 1, 1987. See R&TC Section 17250.

B Calculation Differences

California law has not always conformed to federal law regarding depreciation methods, special credits, or accelerated write-offs. Consequently, the recovery periods and the basis on which the depreciation is calculated may be different from the amounts used for federal purposes. Reportable differences may occur if all or part of your assets were placed in service:

- **Before January 1, 1987.** California disallowed depreciation under the federal Accelerated Cost Recovery System (ACRS). California depreciation is calculated in the same manner as in prior years for those assets.
- **On or after January 1, 1987.** California provides special credits and accelerated write-offs that affect the California basis for qualifying assets. California does not conform to all the changes to federal law enacted in 1993. Therefore, the California basis or recovery periods may be different for some assets.
- **On or after September 11, 2001.** 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.
- **Amortization of Certain Intangibles.** California conforms to IRC Section 197 relating to the amortization of intangibles as of January 1, 1994. There is no separate California election required or allowed. However, for IRC Section 197 property acquired before January 1, 1994, the California adjusted basis as of January 1, 1994, must be amortized over the remaining federal amortization period.
- **American Recovery and Reinvestment Act of 2009.** California does not conform to the additional 50% first year special depreciation for qualified property acquired and placed in service on or after December 31, 2007, and before January 1, 2010, or certain qualifying property placed in service before January 1, 2011.
- **Election to Expense Certain Tangible Property. (IRC 179)** This election does not apply to estates and trusts.

Differences may also occur for other less common reasons. This list is not intended to be all-inclusive of the federal and state differences. For more information about adjustments, get FTB Pub. 1001, or refer to the R&TC.

Specific Line Instructions

Line 1 – Complete columns (a) through (i) for each asset or group of assets placed in service after December 31, 2009. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – Enter total California depreciation for assets placed in service before January 1, 2010, taking into account differences in asset basis or differences in California and federal tax law.

Line 4 – Enter total California amortization for intangibles placed in service before January 1, 2010, taking into account any differences in asset basis or differences in California and federal tax law.

Line 6 – Add line 3 and line 5. Enter the total on line 6. If the estate or trust was engaged in a trade or business, complete form FTB 3885F and attach it to Form 541. Also complete and attach a copy of the federal Schedule C, Profit or Loss from Business, federal Schedule C-EZ, Net Profit from Business, federal Schedule E, Supplemental Income and Loss, and/or Schedule F (Form 1040) Profit or Loss From Farming, using California amounts, to Form 541. Follow federal instructions for "Depreciation, Depletion, and Amortization" regarding dividing the deductions between the fiduciary and the beneficiaries.

Form 109 filers: Enter the total on Form 109, Part II, Line 21a.

Attach a schedule if you need additional space.

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TAXABLE YEAR

CALIFORNIA SCHEDULE

2010 Trust Allocation of an Accumulation Distribution J (541)

Attach to Form 541.

References are to the Internal Revenue Code (IRC), as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

Name of trust

FEIN

Part I Accumulation Distribution

For definitions and special rules, see the federal Treasury Regulations under IRC Sections 665–668. See the instructions for federal Form 4970, Tax on Accumulation Distribution of Trusts, for certain income minors may exclude and for special rules for multiple trusts.

1	Enter amount from 2010 Schedule B (541), line 10		1	
2	Enter amount from 2010 Schedule B (541), line 7	2		
3	Enter amount from 2010 Schedule B (541), line 9	3		
4	2010 distributable net income. Subtract line 3 from line 2. If line 3 is more than line 2, enter -0-		4	
5	2010 accumulation distribution. Subtract line 4 from line 1		5	

Part II Ordinary Income Accumulation Distribution. Enter the applicable throwback years below.

If the distribution is thrown back more than four years (starting with the earliest applicable taxable year beginning after December 31, 1968), attach additional schedules. If the trust was a simple trust, see federal Treasury Regulation Section 1.665(e) – 1A(b).		Throwback year ending	Throwback year ending	Throwback year ending	Throwback year ending
6 Distributable net income. See instructions	6				
7 Distributions. See instructions	7				
8 Undistributed net income. Subtract line 7 from line 6	8				
9 Enter amount from Part III, line 25	9				
10 Subtract line 9 from line 8	10				
11 Enter amount of prior accumulation distributions thrown back to any of these years	11				
12 Subtract line 11 from line 10	12				
13 Allocate the amount on line 5 to the earliest applicable taxable year first. Do not allocate an amount greater than the amount on line 12 for the same year.	13				
14 Divide line 13 by line 10 and multiply the result by line 9	14				
15 Add line 13 and line 14	15				
16 Tax-exempt interest included on line 13. See instructions	16				
17 Subtract line 16 from line 15	17				

Part III Taxes Imposed on Undistributed Net Income. Enter the applicable throwback years below.

If more than four throwback years are involved, attach additional schedules. See General Instructions. If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665-668.		Throwback year ending	Throwback year ending	Throwback year ending	Throwback year ending
18 Tax. See instructions	18				
19 Total net capital gain. Enter amount from Form 541, Side 1, line 6, for 1969-1979; Form 541, Side 1, line 7, for 1980-1986; Form 541, Side 1, line 6, for 1987-1990; Form 541, Side 1, line 4, for 1991-2009	19				
20 Net capital gain distributed to beneficiaries. See instructions	20				
21 Net capital gain undistributed. Subtract line 20 from line 19	21				
22 Total taxable income. See instructions	22				
23 Enter percent (divide line 21 by line 22) but not more than 100%	23				
24 Multiply amount on line 18 by percent on line 23	24				
25 Tax on undistributed net income. Subtract line 24 from line 18. Enter here and on Part II, line 9	25				

Part IV **Allocation to Beneficiary.** See Part IV Instructions below. Complete Part IV for each beneficiary.

If the accumulation distribution is allocated to more than one beneficiary, attach an additional Schedule J with Part IV completed for each additional beneficiary. If more than four throwback years are involved, attach additional schedules.

Beneficiary's name			Identifying number		
Beneficiary's address (number and street, PO Box, or PMB no.)	Apt. no./Ste. no.		**(a)** Enter amount from Part II, line 13 allocated to this beneficiary	**(b)** Enter amount from Part II, line 14 allocated to this beneficiary	**(c)** Enter amount from Part II, line 16 allocated to this beneficiary
City, State, and ZIP Code					
26 Throwback year ending _____		**26**			
27 Throwback year ending _____		**27**			
28 Throwback year ending _____		**28**			
29 Throwback year ending _____		**29**			
30 Total. Add amounts from line 26 through line 29		**30**			

General Information

California has conformed to federal provisions of the Taxpayer Relief Act of 1997 repealing the throwback rules for certain domestic trusts. However, if the trust did not pay tax on the beneficiary's interest because the beneficiary was contingent, the income that would have been taxed is included by the beneficiary in the year it is distributable or distributed; see California Revenue and Taxation Code (R&TC) Section 17745(b).

Purpose

File Schedule J (541), Trust Allocation of an Accumulation Distribution, with Form 541, California Fiduciary Income Tax Return, to report an accumulation distribution by domestic complex trusts and certain foreign trusts.

Access by Internet

You can download, view, and print California tax forms and publications at **ftb.ca.gov.**

Specific Instructions

Part I

Accumulation Distribution in 2010

Generally, the beneficiary may exclude amounts accumulated before the beneficiary becomes age 21. For multiple trusts exceptions, see Internal Revenue Code (IRC) Sections 665 and 667(c). The trustee reports the total amount of the accumulation distribution before any reduction for income accumulated before the beneficiary becomes age 21. The beneficiary claims the exclusion when filing form FTB 5870A, Tax on Accumulation Distribution of Trusts, if the multiple trust rules do not apply. This is because one trustee may be unaware that the beneficiary may be a beneficiary of other trusts with other trustees.

Part II

You must complete Part III before completing this part.

Ordinary Income Accumulation Distribution

Line 6 – Distributable net income for earlier years. Enter the applicable amounts as follows:

Throwback Year(s):	**Amount From:**
1969-1978	Schedule H, (Form 541), line 5
1979	Part D, (Form 541), line 5
1980	Form 541, line 55
1981-1984	Form 541, line 57
1985-1986	Schedule 3, (Form 541), line 11
1987	Schedule 3, (Form 541), line 9
1988-1998	Schedule B, (Form 541), line 8
1999-2009	Schedule B, (Form 541), line 7

Line 7 – Distributions made during earlier years. Enter the applicable amounts as follows:

Throwback Year(s):	**Amount From:**
1969-1978	Schedule I, (Form 541), line 3
1979	Part D, (Form 541), line 8
1980	Form 541, line 58
1981-1984	Form 541, line 60
1985-1986	Schedule 3, (Form 541), line 14
1987	Schedule 3, (Form 541), line 13
1988-1998	Schedule B, (Form 541), line 12
1999-2009	Schedule B, (Form 541), line 11

Line 16 – Tax-exempt interest included on line 13. For each throwback year, divide line 15 by line 6 and multiply the result by one of the following:

Throwback Year(s):	**Amount From:**
1969-1978	Schedule H, (Form 541), line 2(a)
1979	Part D, (Form 541), line 2(a)
1980	Form 541, line 52(a)
1981-1984	Form 541, line 54(a)
1985-1986	Schedule 3, (Form 541), line 3
1987	Schedule 3, (Form 541), line 2
1988-2009	Schedule B, (Form 541), line 2

Part III

Taxes Imposed on Undistributed Net Income

For the regular tax computation, if there is a capital gain, complete line 18 through line 25 for each throwback year. If there is no capital gain for any year (or there is a capital loss for every year), enter on line 9 the amount of the tax for each year entered for line 18; **do not** complete Part III.

If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665-668.

Line 18 – Tax

Enter the applicable tax amounts as follows:

Throwback Year(s):	**Amount From:**
1969	Form 541, line 20
1970-1971	Form 541, line 21
1972-1979	Form 541, line 19
1980-1981	Form 541, line 23
1982-1984	Form 541, line 23(c)
1985-1986	Form 541, line 24(c)
1987-1989	Form 541, line 22(c)
1990-1996	Form 541, line 20(a)
1997-2009	Form 541, line 21(a)

Line 20 – Enter the applicable net capital gain distributed as follows:

Throwback Year(s):	**Amount From:**
1969	Form 541, Side 1, line 17 plus amounts from Schedule F-1 (541), lines 1 and 2
1970-1971	Form 541, Side 1, line 18 plus amounts from Schedule F-1 (541), lines 1 and 2
1972-1979	Schedule F-1 (541), lines 1(a)-1(c)
1980	Schedule K-1 (541), lines 2-4
1981	Schedule K-1 (541), lines 1-3
1982	Schedule D (541), line 25
1983	Schedule D (541), line 30
1984	Schedule D (541), line 33
1985-1986	Schedule D (541), line 28
1987	Schedule D (541), line 24
1988-2009	Schedule D (541), line 9(a)

Line 22 – Total taxable income

Enter the applicable amounts as follows:

Throwback Year(s):	**Amount From:**
1969	Form 541, line 19
1970-1971	Form 541, line 20
1972-1979	Form 541, line 18
1980-1984	Form 541, line 22
1985-1986	Form 541, line 23
1987-1989	Form 541, line 21
1990-1996	Form 541, line 19
1997-2009	Form 541, line 20

Part IV

Allocation to Beneficiary

Complete Part IV for each beneficiary. If the accumulation distribution is allocated to more than one beneficiary, attach an additional copy of Schedule J with Part IV completed for each additional beneficiary. If more than four throwback years are involved, attach additional schedules.

Nonresident Beneficiaries. In the case of a nonresident beneficiary, enter on line 26 through line 29, column (a), only that ratio of income from California sources as the amount on Part II, line 13 bears to the amount on Part II, line 10. Enter on line 26 through line 29, column (b), only that ratio of the amount on Part II, line 14 as the amount in column (a) bears to the amount on Part II, line 13.

Attach separate schedules supporting allocation of income to sources within and outside California.

Under R&TC Section 17953, income from trusts deemed distributed to nonresident beneficiaries is income from sources within California only if derived out of trust income derived from sources within California. Generally, for purposes of R&TC Section 17953, the nonresident beneficiary shall be deemed to be the owner of intangible personal property from which the income of the trust is derived.

If the beneficiary is a nonresident individual or a foreign corporation, see IRC Section 667(e) about retaining the character of the amounts distributed to determine the amount of withholding tax.

The beneficiary may use form FTB 5870A to compute the tax on the distribution.

TAXABLE YEAR **2010**

Beneficiary's Share of Income, Deductions, Credits, etc.

CALIFORNIA SCHEDULE **K-1 (541)**

For calendar year 2010 or fiscal year beginning month ____ day ____ year _____ , and ending month ____ day ____ year _____ .

Fiduciaries: Complete a **separate** Schedule K-1 (541) for each beneficiary.

Beneficiaries: Refer to the instructions for Schedule K-1 (541).

Name of estate or trust

Beneficiary's SSN/ITIN, California corporation no., SOS file no., or FEIN	Estate's or trust's FEIN
Beneficiary's name, address (number and street, suite, Apt., PO Box, or PMB no.), City, State, and ZIP Code	Fiduciary's name, address (number and street, suite, Apt., PO Box, or PMB no.), City, State, and ZIP Code (If there is more than one fiduciary or trustee, list all of the fiduciaries or trustees' names, addresses, and indicate if fiduciary is a nonresident. If more space is needed, add an attachment. Include the estate's or trust's FEIN at the top of each separate attachment.)

A Beneficiary's percentage of distribution at year end . . . . . ● ___ ___ ___ . ___ ___ ___ ___ %

B Check here **only** if this is: ● **(1)** ☐ A final Schedule K-1 (541) **(2)** ☐ An amended Schedule K-1 (541)

C What type of entity is this beneficiary? . . . . . ● **(1)** ☐ Individual **(2)** ☐ Estate/Trust **(3)** ☐ Qualified Exempt Organization **(4)** ☐ Other _____

D Is this beneficiary a nonresident or part-year resident of California? . . . . . ▶ ☐ Yes ● ☐ No

E Is the fiduciary a nonresident of California? . . . . . ▶ ☐ Yes ● ☐ No

	(a) Allocable share item	(b) Amount from federal Schedule K-1 (1041)	(c) California Adjustments	(d) Total amounts using California law Combine col. (b) and col. (c)	(e) California source amounts and credits
Income (Loss)	**1** Interest			●	●
	2 Dividends			●	●
	3 Net capital gain or (loss)			●	●
	5 Other portfolio and nonbusiness income			●	●
	6 Ordinary business income			●	●
	7 Net rental real estate income				
	8 Other rental income				
Directly apportioned deduction	**9 a** Depreciation				
	b Depletion				
	c Amortization				
Final year deduction	**11 a** Excess deduction on termination (Attach computation)				
	b Capital loss carryover				
	c Net operating loss (NOL) carryover for regular tax purposes				
	d NOL carryover for alternative minimum tax purposes				
Alternative minimum tax adjustment	**12 a** Adjustment for alternative minimum tax purposes				
	b Accelerated depreciation				
	c Depletion				
	d Amortization				
	e Exclusion items				
Credits	**13 a** Trust payments of estimate tax credited to beneficiary				
	b Total Withholding (equals amount on Form 592-B, if calendar year)				
	c Taxes paid to other states. Attach Schedule S, Other State Tax Credit				
	d Other credits. Attach schedule				
Other Information	**14 a** Tax-exempt interest				
	b Net investment income				
	c Gross farm and fishing income				
	d Other Information _____				

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2010 Instructions for Schedule K-1 (541)

Beneficiary's Share of Income, Deductions, Credits, etc.

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

General Information

Conformity

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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, go to **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.

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.

Revised Schedule K-1 (541)

The California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line items are in a similar format to the federal Schedule K-1 (1041), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Schedule K-1 Federal/State Line References chart on page 29.

Round Cents to Dollars

Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.

A Purpose

The estate or trust uses Schedule K-1 (541) to report its beneficiary's share of the income, deductions, credits, etc. The estate or trust files copies of the Schedules K-1 (541) with the Form 541, California Fiduciary Income Tax Return.

B Who Must File

A fiduciary of the estate or trust (or one of the joint fiduciaries) must file a Schedule K-1 (541) for each beneficiary. A copy of each beneficiary's Schedule K-1 (541) must be attached to the Form 541 filed with the Franchise Tax Board (FTB). The fiduciary also must give each beneficiary a copy of his or her respective Schedule K-1 (541) and a copy of the Beneficiary's Instructions for Schedule K-1 (541) or other prepared specific instructions. One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

C Penalty

The estate or trust will be charged a $50 penalty for failure to provide a copy of each beneficiary's Schedule K-1 (541), unless reasonable cause is established for not providing it, R&TC Section 19183.

D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). Get FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, for more information.

E Taxable Year

Beneficiary's taxable year. The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year in which the estate's or trust's taxable year ends.

Prior Year. Do not include in the beneficiary's income any amounts deducted on Form 541 for an earlier year that were credited or required to be distributed in that earlier year.

F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income
- Character of income
- Allocation of deductions
- Allocation of credits
- Gifts and bequests

However, income of nonresidents from bank accounts, stocks, bonds, notes, and other intangible personal property is not income from sources in California unless one of the following applies 1) the property has acquired a business situs in California 2) orders with brokers have been placed so regularly as to constitute "doing business" (R&TC Section 17952).

Include on Schedule K-1 (541) column (e) only income from intangible property that is income from sources within California.

Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income, such as interest, dividends, capital gains from the sale of stocks, bonds, etc., whose source is dependent upon the residence or commercial domicile of the beneficiary.

For nonresidents, income from a trade or business conducted within and outside California is apportioned or allocated to California in accordance with Cal. Code Regs., tit. 18, section 17951-4(c).

G Passive Activities

The limitations on passive activity losses and credits under IRC Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion, and amortization deductions to beneficiaries. These deductions are called "directly allocable deductions."

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

H Nonresident Beneficiaries

If the beneficiary of an estate or trust was a nonresident of California for the estate's or trust's entire taxable year, California will only tax the beneficiary on income that is derived from California sources. If the beneficiary of an estate or trust is a resident of California for only part of the estate's or trust's taxable year, California will tax the beneficiary's share of the estate's or trust's income or loss in accordance with FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency, and FTB Legal Ruling 2003-1. Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within and outside California are to be properly allocated and reported on the Schedule K-1 (541).

Payments to nonresidents having a business or taxable situs in California are subject to withholding of taxes. For more information, get the 2010 instructions for Form 592, Resident and Nonresident Withholding Statement; Form 592-A, Payment Voucher for Foreign Partner or Member Withholding; and Form 592-B, Resident and Nonresident Withholding Tax Statement.

General Summary of Treatment for Sourcing Specific Nonbusiness Income Items

For California tax purposes:

- Compensation for personal services has a source where the services are performed.
- Interest and dividends generally have a source at the taxpayer's state of residence.
- Gains and losses from the sale or exchange of real and tangible personal property have a source where the property is located.
- Income from intangible personal property generally has a source at the taxpayer's state of residence.
- Rents and royalties have a source where the property is located.
- Pensions have a source where the services were performed. However, California does not impose a tax on qualified retirement income or pensions received by nonresidents on or after January 1, 1996.

Generally, income from a business, trade, or profession is sourced as follows:

- If the operations are conducted wholly within California, the income has a California source.

- If the operations within California are so separate and distinct from the operations outside of California that taxable income can be separately accounted for, only the income from within California must be included in California source income.
- If the trade or business carried on within California is an integral part of a unitary business carried on outside of California, the entire net income must be reported and apportioned or allocated in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act as contained in R&TC Sections 25120 through 25139.

Partnership, limited liability company (LLC), and S corporation income (loss), is apportioned or allocated in the same manner as any other business. If the estate or trust is a partner, member, or S corporation shareholder in a business entity, income sourced to California is generally included in column (e) of Schedules K-1 (565, 568, or 100S). For more information, see Cal. Code Regs., tit. 18, section 17951-4 and related tax codes.

See Cal. Code Regs., tit. 18 sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

If California source income is being distributed to a nonresident beneficiary, see instructions regarding withholding in General Information Q, Miscellaneous Items, of the Form 541 instructions.

If the beneficiary of an estate or trust was a resident of California for the estate's or trust's entire taxable year, the beneficiary's share of the estate's or trust's income or loss for the taxable year is taxable to California.

I Internet

You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Specific Line Instructions

When completing the California Schedule K-1 (541) refer to the Federal/State Line References chart on page 29 that shows the specific line instructions between the federal Schedule K-1 (1041) and the California Schedule K-1 (541).

The estate or trust is required to request and provide a proper identification number for each beneficiary. Enter the beneficiary's number on the respective Schedule K-1 (541) when the estate or trust files Form 541.

Individuals and business beneficiaries are responsible for giving the estate or trust their social security number or Individual Taxpayer Identification Number (ITIN), California corporation number, Secretary of State (SOS) file number, or federal employer identification number (FEIN) upon request.

The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certificate, to request the beneficiary's identifying number.

Columns (b), (c), (d), and (e)

In **column (b)**, enter the amounts from your federal Schedule K-1 (1041).

In **column (c)**, enter adjustments resulting from differences between California and federal law for each specific line item.

In **column (d)**, enter the result of combining column (b) and column (c).

In **column (e)**, enter California source income and credits.

Line 1 and Line 2 – Enter in column (b), the amounts from federal Schedule K-1 (1041), and in column (c) any adjustments resulting from differences between California and federal law for each specific line item.

Line 3 – Enter the combined amount from federal Schedule K-1 (1041), line 3 and line 4a. Gains or losses from the complete or partial disposition of a rental real estate or trade or business activity that is a passive activity must be shown on an attachment to Schedule K-1 (541).

Line 5 – Enter on line 5 the beneficiary's share of annuities, royalties, or any other income (before directly allocable deductions) that is not subject to any passive activity loss limitation rules at the beneficiary level.

Line 6 through Line 8 – Enter the beneficiary's share of trade or business, rental real estate, and other rental income, minus allocable deductions (other than directly apportionable deductions). To assist the beneficiary in figuring any applicable passive activity loss limitations, also attach a separate schedule showing the beneficiary's share of income derived from each trade or business, rental real estate, and other rental activity.

Line 9a through line 9c – Enter the beneficiary's share of the depreciation and depletion deductions directly apportioned to each activity reported on line 5 through line 8. Itemize the beneficiary's share of the amortization deductions directly apportioned to each activity on line 5 through line 8. For more information, get the federal instructions for Schedule K-1 (1041).

Line 11a through Line 11d – If this is the final return, enter on line 11 the beneficiary's share of any of the following:

- Excess deductions on termination (follow the instructions for federal Form 1041)
- Capital loss carryover
- Unused net operating loss (NOL) carryover for both regular and alternative minimum tax, if the NOL carryover would be allowed to the estate or trust in a later year but for termination

Note: No deduction is allowed for estate taxes.

Net Operating Loss (NOL)
For more information, get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.

Line 12a – Enter the beneficiary's share of the adjustment for minimum tax purposes. To figure the adjustment, subtract the beneficiary's share of the income distribution deduction figured on Form 541, Schedule B, line 15, from the beneficiary's share of the income distribution deduction on an alternative minimum tax basis figured on Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries, Part II, line 15. The difference is the beneficiary's share of the adjustment for minimum tax purposes.

An estate or trust cannot pass through the alternative minimum taxable income (AMTI) exclusion to the beneficiary. The fiduciary for the estate or trust must recalculate Schedule P (541), by leaving Part I, line 7b blank. This will eliminate the effect of the AMTI exclusion but allow other items of adjustment or tax preference to be passed through to the beneficiary. The recalculated amount on Schedule P (541), Part I, line 10, must be entered on Schedule K-1 (541), line 12a, column (d).

Line 12b through Line 12e – Enter the amounts from Schedule P (541), line 4. Get the instructions for federal Schedule K-1 (1041) for more information.

Line 13 and Line 14 – Enter the beneficiary's trust payments, withholding, taxes paid to other states, and/or other credits. Attach a separate sheet for each item reported on line 13a-d and line 14a showing the computation. Items that must be reported on this line include the allocable share, if any, of items listed on line 13a through line 14a.

Line 13a – Enter the beneficiary's share of estimated payment credited.

Form 541-T, Allocation of Estimated Tax Payments to Beneficiaries, **must be** submitted in order for the beneficiary to receive credit for the payments.

Line 13b – If the fiduciary withheld taxes at source for a domestic or foreign nonresident beneficiary, if there is a pass-through withholding credit from another entity, or backup withholding, the fiduciary must provide each affected beneficiary (including California residents), a completed Form 592-B. The fiduciary and beneficiaries must attach Form 592-B to the front of their California tax return to claim the withholding amounts. Schedule K-1 (541) may not be used to claim the withholding credit.

Line 13c – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Attach a copy of the return filed with the other state, evidence of payment, and a copy of Schedule S to verify the amount of tax paid.

Line 13d – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

Line 14a – Enter tax-exempt interest received by the estate or trust. Include exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Line 14d – Enter any other item that is not included. The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

If the estate or trust claims tax benefits from an Enterprise Zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it should give the beneficiaries their distributive share of the business income and business capital gain or loss apportioned to the EZ, LARZ, LAMBRA, MEA, or TTA on this line.

SCHEDULE K-1 FEDERAL/STATE LINE REFERENCES

The following chart cross-references the line items on the federal Schedule K-1 to the appropriate line items on the California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Specific Line Instructions for Schedule K-1 (541) and the Beneficiary's Instructions for Schedule K-1 (541).

Federal Schedule K-1 (1041)			CA Schedule K-1 (541)	
Box	**Code**	**Items**	**Line**	**Items**
1		Interest income	**1**	Interest
2a		Ordinary dividends	**2**	Dividends (ordinary and qualified)
2b		Qualified dividends		*Not applicable*
3		Net short-term capital gain	**3**	Net capital gain or (loss)
4a		Net long-term capital gain		*Not applicable*
4b		28% rate gain		*Not applicable*
4c		Unrecapture Section 1250 gain		*Not applicable*
5		Other portfolio and nonbusiness income	**5**	Other portfolio and nonbusiness income
6		Ordinary business income	**6**	Ordinary business income
7		Net rental real estate income	**7**	Net rental real estate income
8		Other rental income	**8**	Other rental income
9	**A**	Depreciation	**9a**	Depreciation
	B	Depletion	**9b**	Depletion
	C	Amortization	**9c**	Amortization
10		Estate tax deduction	**10**	*Not applicable*
11	**A**	Excess deductions	**11a**	Excess deduction on termination (Attach computation)
	B	Short-term capital loss carryover	**11b**	Capital loss carryover
	C	Long-term capital loss carryover		*Not applicable*
	D	NOL carryover – regular tax	**11c**	NOL carryover – regular tax
	E	NOL carryover – minimum tax	**11d**	NOL carryover for alternative minimum tax purposes
12	**A**	Adjustment for minimum tax purposes	**12a**	Adjustment for alternative minimum tax purposes
12	**G**	Accelerated depreciation	**12b**	Accelerated depreciation
12	**H**	Depletion	**12c**	Depletion
12	**I**	Amortization	**12d**	Amortization
12	**J**	Exclusion items	**12e**	Exclusion items
12	**B-F**	AMT adjustment		*Not applicable*
13	**A**	Credit for estimated taxes	**13a**	Trust payments of estimated tax credited to you
		Not applicable	**13b**	Total withholding (equals amount on Form 592-B if calendar year)
		Not applicable	**13c**	Taxes paid to other states. Attach Schedule S, Other State Tax Credit.
		Not applicable	**13d**	Other California credits. Attach schedule
	B-T	Federal credits		*Not applicable*
14	**A**	Tax-exempt interest	**14a**	Tax-exempt interest
14	**E**	Net investment income	**14b**	Net investment income
14	**F**	Gross farm and fishing income	**14c**	Gross farm and fishing income
14	**H**	Other information	**14d**	Other
14	**B**	Foreign taxes		*Not applicable*
14	**C**	Qualified production activities income		*Not applicable*
14	**D**	Form W-2 wages		*Not applicable*
14	**G**	Foreign trading gross receipts (IRC 942(a))		*Not applicable*

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Beneficiary's Instructions for Schedule K-1 (541)

General Information

Purpose

The estate or trust uses Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., to report your share of the estate's or trust's income, deductions, credits, etc. Your name, address, and tax identification number, as well as the estate's or trust's name, address, and tax identification number, should be entered on the Schedule K-1 (541). Keep Schedule K-1 (541) for your records. **Do not** file it with your tax return. The estate or trust has filed a copy with the Franchise Tax Board (FTB).

You are subject to tax on your share of the estate's or trust's income, and you must include your share on your individual tax return.

Schedule K-1 (541), column (b) shows amounts from your federal Schedule K-1 (1041), Beneficiary's Share of Income, Deductions, Credits, etc. Column (c) shows the difference between federal and California amounts. Column (d) shows your total amounts using California law by combining column (b) and column (c). Column (e) shows your income and loss from California sources.

Generally, the amount of loss and deduction you may claim on your tax return is limited to your share of the estate or trust and the amount for which you are considered at-risk. If you have losses, deductions, or credits from a passive activity, you must also apply the passive activity rules. It is the beneficiary's responsibility to consider and apply any applicable limitations.

California law is generally the same as federal law with regard to income, the character of income, allocation of deductions, gifts, and bequests, and past years. Follow the instructions for federal Schedule K-1 (1041) for these items.

Generally, you must report items shown on your Schedule K-1 (541) (and any attached schedules) the same way that the estate or trust treated the items on its tax return. If the treatment on your original or amended tax return is inconsistent with the estate's or trust's treatment, or if the estate or trust was required to but has not filed a tax return, you must attach a statement identifying the inconsistency. Beneficiaries may be liable for negligence penalties and penalties relating to mathematical errors if they cannot demonstrate that their treatment is consistent with the estate or trust.

Beneficiaries of estates and trusts include in their gross income their distributive share of the fiduciary's income distribution deduction for the taxable year. Amounts that are distributed by an estate or trust and that are not deductible in computing the entity's taxable income (i.e., distributions of corpus or tax-exempt income) usually are not taxable to the beneficiary.

Resident beneficiaries are taxed on income distributed or distributable from all sources. Nonresident beneficiaries are taxed only on income distributed or distributable that is derived from sources within California (R&TC Section 17953).

For purposes of this section, the nonresident beneficiary is deemed the owner of intangible personal property from which the income of the estate or trust is derived. Therefore, such income is taxed at the beneficiary's domicile.

The estate or trust will attach a schedule of intangible income, such as income from stocks, bonds, bank accounts, and notes, whose source is dependent upon the residence or commercial domicile of the taxpayer. The income on this schedule is not income from California sources for nonresidents but is income sourced at the beneficiary's state of residence or commercial domicile.

Specific Line Instructions

If you are a nonresident beneficiary, the California source amounts in column (e) will help you identify the California source adjusted gross income that must be reported on your Schedule CA (540NR), column E.

Part-year residents may be required to calculate their IRC Section 652 or 662 income in a manner that produces a different result than the amounts shown in column (e) of this form. For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Line 3 through Line 12
You must report the amounts in column (c), adjustments, that are from **nonpassive** activities on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d), total amounts using California law, that are from **passive** activities on the appropriate California form or schedule. Get form FTB 3801, Passive Activity Loss Limitations, to transfer those amounts and to figure the amount of your passive activity loss limitation. Carry the passive activity amounts to the California form or schedule to figure your California adjustment amount. Enter this adjustment amount on the corresponding line on Schedule CA (540 or 540NR) only if there is a federal/California difference.

If there is no California form or schedule on which to compute your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Adjustment Worksheets in the instructions for form FTB 3801. Enter the total of your adjustments from these worksheets from all passive activities on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is appropriate.

Line 1 – Interest
Include on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is appropriate, any amount shown on line 1, column (c).

Line 2 – Dividends
Include on Schedule CA (540 or 540NR), line 9 (a), column B or column C, whichever is appropriate, any amount shown on line 2, column (c).

Line 3 – Net capital gain or (loss)
Include on Schedule D (540), California Capital Gain or Loss Adjustment, line 2, any amount shown on line 3, column (d).

If there is an attachment to Schedule K-1 (541) that reports the disposition of a passive activity, get form FTB 3801 for more information.

Line 5 – Other portfolio and nonbusiness income
Include on Schedule CA (540 or 540NR), on line 17, in column B or column C, any amount shown on line 5, column (c).

Line 6 through Line 8 – Ordinary business, net rental real estate, and other rental income
Read the instructions below before including any amounts shown on Schedule K-1 (541), line 6, on Schedule CA (540 or 540NR), line 17.

Passive activities: The deductions on line 6 may be subject to the passive loss limitation rules. In general, losses from passive activities are allowed only to the extent of income from passive activities.

If your passive activity deductions exceed your passive activity income, or you have passive activity losses from any other source, you must use form FTB 3801 to figure your losses allowed from all passive activities.

Line 9a through Line 9c – Depreciation, depletion, and amortization
Any directly apportionable deduction, such as depreciation, is treated by the beneficiary as having been incurred in the same activity as incurred by the estate or trust. The estate or trust should provide you with a schedule showing your share of directly apportionable deductions derived from each activity reported on line 5 through line 8.

Line 11a – Excess deductions on termination
Include any adjustment on Schedule CA (540 or 540NR), line 41 as an addition or subtraction, whichever is appropriate.

Line 11b – Capital loss carryover
Include any capital loss carryovers from the final year of the estate or trust on Schedule D (Form 540), line 6, column (d).

Line 11c and Line 11d – Net Operating Loss (NOL) Carryover
Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused NOL (and any Alternative Minimum Tax (AMT) NOL) carryover for regular and AMT purposes if the carryover would be allowable to the estate or trust in a later tax year but for the termination.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources.

Line 12a – Adjustment for alternative minimum tax purposes
Enter your share of adjustment for AMT purposes on Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents, or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents and Part-Year Residents.

Line 12b through Line 12d
Schedule P (540) filers: Include any column (d) amount on Schedule P (540), Part I.

Schedule P (540NR) filers: Include column (d) amounts on Schedule P (540NR), Part I and report column (e) amounts in Part II.

Line 12e – Exclusion items
Include any column (d) or column (e) amount on line 2 of form FTB 3510, Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries.

Line 13a – Trust payments of estimated tax credited to you
Include on Form 540, line 72 or Long Form 540NR, line 83, any estimated tax payments paid by the trust on your behalf.

Line 13b
Total withholding is the sum of your distributive share of taxes withheld from payments to the estate or trust by another entity (allocated to all beneficiaries according to their respective estate or trust interests) plus taxes withheld-at-source on you as a domestic or foreign nonresident beneficiary. If there is a pass-through withholding credit from another entity or taxes were withheld on you by the estate or trust, the estate or trust must provide you with a completed 2010 Form 592-B, Resident and Nonresident Withholding Tax Statement. Attach Form 592-B to the front of your California income tax return to claim the amount withheld. The amount shown on Form 592-B should be claimed on one of the following:

- Form 540, California Resident Income Tax Return, line 73.
- Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, line 82.
- Form 541, California Fiduciary Income Tax Return, line 31.
- Form 109, California Exempt Organization Business Income Tax Return, line 17.
- Form 100, California Corporation Franchise or Income Tax Return, line 34.
- Form 100S, California S Corporation Franchise or Income Tax Return, line 33.

Schedule K-1 (541) is not used to claim the withholding credit. If the estate or trust is not on a calendar year, the amount on line 13b may not match the amount on Form 592-B because of the difference in accounting periods.

Line 13c – Taxes paid to other states
You may claim a credit against your individual income tax on your share of the net income tax paid to other states by the estate or trust. Get California Schedule S, Other State Tax Credit.

Line 13d – Other credits
If applicable, the estate or trust will use this line, through an attached statement, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported include the following:

- Enterprise Zone (EZ), Hiring and Sales or Use Tax Credit. Get form FTB 3805Z
- Orphan Drug Credit Carryover. Get form FTB 3540
- Research Credit. Get form FTB 3523
- Residential Rental and Farm Sales Credit Carryover. Get form FTB 3540
- Commercial Solar Electric System Carryover. Get form FTB 3540
- Employer Child Care Program/Contribution Credit. Get form FTB 3501
- Local Agency Military Base Recovery Area (LAMBRA) Hiring or Sales and Use Tax Credit. Get form FTB 3807
- Enhanced Oil Recovery Credit. Get form FTB 3546
- Donated Agricultural Products Transportation Credit. Get form FTB 3547
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548
- Manufacturing Enhancement Area Hiring Credit. Get form FTB 3808
- Targeted Tax Area Hiring and Sales or Use Tax Credit. Get form FTB 3809
- New Jobs Credit. Get form FTB 3527

The passive activity limitations of IRC Section 469 may limit the amount of credits you may claim. Get form FTB 3801-CR, Passive Activity Credit Limitations.

Line 14a – Tax-exempt interest
Include any column (c) amount on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is appropriate.

Line 14d – Other
Report any column (c) amount on Schedule CA (540 or 540NR), line 17, column B or column C, whichever is appropriate.

If the estate or trust is claiming tax benefits from an EZ, LARZ, or LAMBRA, it will give you your distributive share of the business income, and business capital gains and losses included in business income, apportioned to the EZ, LARZ, or LAMBRA on this line. Get form FTB 3805Z, FTB 3806, or FTB 3807 to claim the NOL, credit, or business deduction from any of these economic development areas.

TAXABLE YEAR **2010**

California Allocation of Estimated Tax Payments for Beneficiaries

FORM **541-T**

For calendar year 2010 or fiscal year beginning month ____ day ____ year_____, and ending month ____ day ____ year _____ .

Name of estate or trust | FEIN

Name and title of fiduciary

Address of fiduciary (suite, room, PO Box, or PMB no.)

City | State | ZIP Code

If you are filing this form for the final year of the estate or trust, check this box . . . . . ☐

1 Total amount of estimated taxes to be allocated to beneficiaries . . . . . $ _____

2 Allocation to beneficiaries:

File this form no later than March 7, 2011.

(a) No.	(b) Beneficiary's name and address	(c) Beneficiary's SSN/ITIN or FEIN	(d) Amount of estimated tax payment allocated to beneficiary	(e) Proration percentage
I				%
II				%
III				%
IV				%
V				%
VI				%
VII				%
VIII				%
IX				%
X				%

3 Total from additional sheets **3**

4 Total amounts allocated. (Must equal line 1, above) **4**

Under penalties of perjury, I declare that I have examined this allocation, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here ▶ Signature of fiduciary or officer representing fiduciary | ▶ Date

Mailing Address

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

Note: Do not file with Form 541.

For Privacy Notice, get form FTB 1131.

7031103

Instructions for Form 541-T

California Allocation of Estimated Tax Payments to Beneficiaries

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

General Instructions

Registered Domestic Partners (RDP)
Under California law, RDPs must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status.

For purposes of California income tax, references to a spouse, husband, or wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

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

A Purpose

A trust or, for its final year, a decedent's estate may elect under California Revenue and Taxation Code Section 17731 and Internal Revenue Code Section 643(g) to have any part of its estimated tax payments treated as made by a beneficiary or beneficiaries. The trustee or fiduciary files Form 541-T, California Allocation of Estimated Tax Payments to Beneficiaries, to make the election. Once made, the election is irrevocable.

Do not distribute resident and nonresident real estate withholding, or backup withholding to beneficiaries on Form 541-T. Use Forms 592, Resident and Nonresident Withholding Statement, and 592-B, Resident and Nonresident Withholding Tax Statement, to allocate withholding.

B How to File

File Form 541-T separately from Form 541, California Fiduciary Income Tax Return. **Do not attach Form 541-T to Form 541**.

C Where to File

Mail Form 541-T to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

D When to File

For the election to be valid, a trust or decedent's estate must file Form 541-T by the 65th day after the close of the taxable year as shown at the top of the form. If the due date falls on a weekend or holiday, the deadline to file is extended to the next business day. For a calendar year trust, the due date is on or before **March 7, 2011**.

E Period Covered

File Form 541-T for calendar year 2010 and fiscal years beginning in 2010. If the form is for a fiscal year or a short year, enter the taxable year in the space at the top of the form.

F Internet Access

You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Access other state agencies' websites at **ca.gov**.

Specific Line Instructions

Line 1
Enter the amount of the estimated tax payments made by the trust or decedent's estate that the fiduciary elects to treat as a payment made by the beneficiaries. This amount is treated as if paid or credited to the beneficiaries on the last day of the taxable year of the trust or decedent's estate. Be sure to include the amount on Form 541, Schedule B, Income Distribution Deduction, line 10.

Line 2

Column (b) – Beneficiary's name and address
Group the beneficiaries to whom you are allocating estimated tax payments into two categories. In the first category, list all the individual beneficiaries who have a social security number (SSN) or individual taxpayer identification number (ITIN). In the second category, list all the other beneficiaries.

Column (c) – Beneficiary's identifying number
For each beneficiary who is an individual, enter the SSN or ITIN. For all other entities, enter the federal employer identification number (FEIN). Failure to enter a valid SSN/ITIN or FEIN may cause a delay in processing and could result in the imposition of penalties on the beneficiary. For those beneficiaries who file a joint income tax return, you can assist the Franchise Tax Board in crediting the proper account by providing the SSN or ITIN, if known, of the beneficiary's spouse/RDP. However, this is an optional entry.

Column (d) – Amount of estimated tax payment allocated to beneficiary
For each beneficiary, enter this amount on Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line 13a.

Column (e) – Proration percentage
For each listed beneficiary, divide the amount shown in column (d) by the amount shown on line 1 and enter the result as a percentage.

Line 3
If you are allocating a payment of estimated tax to more than 10 beneficiaries, list the additional beneficiaries on an attached sheet that follows the format of line 2. Enter on line 3 the total from the attached sheets. Include the fiduciary name and SSN/ITIN or FEIN on the attached sheets.

2011 Instructions for Form 541-ES

Estimated Tax For Fiduciaries

General Information

Installment Payments. Installments due shall be thirty percent of the required annual payment for the 1st required installment, forty percent of the required annual payment for the 2nd required installment, no installment is due for the 3rd required installment and thirty percent of the required annual payment for the 4th required installment.

Estates and trusts with a tax liability less than $500 do not need to make estimated tax payments.

A Purpose

Use Form 541-ES, Estimated Tax For Fiduciaries, to figure and pay estimated tax for an estate or trust. Estimated tax is the amount of tax the fiduciary of an estate or trust expects to owe for the year.

B Who Must Make Estimated Tax Payments

Generally, a fiduciary of an estate or trust must make 2011 estimated tax payments if the estate or trust expects to owe at least $500 in tax for 2011 (after subtracting withholding and credits).

A fiduciary of an estate or trust is **not** required to make 2011 estimated tax payments if one of the following applies:

- 100% of the tax shown on the 2010 tax return including alternative minimum tax (AMT) was paid by withholding.
- 90% of the tax shown on the 2011 tax return will be paid by withholding.
- It is a decedent's estate for any taxable year ending before the date that is two years after the decedent's death.
- It is a trust that was treated as owned by the decedent and if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust is primarily responsible for paying debts, taxes, and expenses of administration) for any taxable year ending before the date that is two years after the decedent's death.

Required Annual Estimated Tax Payment

Adjusted Gross Income (AGI) $150,000 or less. Estates and trusts required to make estimated tax payments and whose 2010 AGI is $150,000 or less, must figure their estimated tax based on the lesser of 100% of the tax for 2010 or 90% of the tax for 2011, including AMT. This rule does not apply to farmers or fishermen.

AGI greater than $150,000. Estates and trusts required to make estimated tax payments and whose 2010 AGI is more than $150,000 must figure their estimated tax based on the lesser of 110% of the tax for 2010 or 90% of the tax for 2011, including AMT. This rule does not apply to farmers or fishermen.

AGI $1,000,000 or more. Estates and trusts with a 2011 AGI equal to or greater than $1,000,000 must figure their estimated tax based on 90% of the tax for 2011. This rule does not apply to farmers or fishermen.

If the estate or trust must make estimated tax payments, use the Estimated Tax Worksheet on the next page to figure the amount owed.

Real Estate Mortgage Investment Conduit (REMIC) trusts are not required to make estimated payments.

Tax-exempt trusts and nonexempt charitable trusts described in IRC Section 4947(a)(1) should use Form 100-ES, Corporation Estimated Tax.

C When to Make Estimated Tax Payments

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If an estate or trust does not pay enough tax by the due date of each payment, it may be charged a penalty even if it is due a refund when it files its income tax return. The payment due dates are:

Estimated tax payment:	Due date is:
1st Payment	April 15, 2011*
2nd Payment	June 15, 2011
3rd Payment	September 15, 2011
4th Payment	January 17, 2012

*Due to the federal Emancipation Day holiday on April 15, 2011, tax returns filed and payments received on April 18, 2011, will be considered timely.

Filing an Early Tax Return in Place of the 4th Installment. If an estate or trust files its 2011 tax return by January 31, 2012, and pays the entire balance due, it does not have to make its last estimated tax payment.

Annualization Option. If the estate or trust does not receive its taxable income evenly during the year, it may be to its advantage to annualize the income. This method allows matching estimated tax payments to the actual period when income was earned. Use the annualization schedule included with 2010 form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

Farmers and Fishermen. If at least 2/3 of gross income for 2010 or 2011 is from farming or fishing, the estate or trust may apply one of the following:

- Pay the total estimated tax by January 17, 2012.
- File Form 541, California Fiduciary Income Tax Return, for 2011 on or before March 1, 2012, and pay the total tax due. In this case, estimated tax payments are not due for 2011. Enclose form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, with Form 541.

Fiscal Year Filers. If the estate or trust files on a fiscal year basis, the due dates will be the 15th day of the 4th, 6th, and 9th months of the fiscal year and the first month of the following fiscal year. 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.

Mental Health Services Tax. If the estate's or trust's taxable income is more than $1,000,000, compute the Mental Health Services Tax. Income from an Electing Small Business Trust (ESBT) is also subject to the Mental Health Services Tax.

Mental Health Services Tax Worksheet
Use whole dollars only.

A. Taxable income from Form 541 line 20	
B. ESBT taxable income	
C. Add line A and line B	
D. Less	$(1,000,000)
E. Subtotal	
F. Multiply line E by 1%	x .01
G. **Mental Health Services Tax –** Enter this amount on line 10 of the 2011 Estimated Tax Worksheet on the next page	

D How to Use Form 541-ES

Use the Estimated Tax Worksheet on the next page and the 2010 Form 541 tax return as a guide for figuring the 2011 estimated tax payment.

There is a separate payment form for each due date. Use the form with the correct due date.

Fill in Form 541-ES:

1. Using black or blue ink, print the estate's or trust's name, the fiduciary's name and title, mailing address, and the estate's or trust's federal employer identification number (FEIN) in the space provided on Form 541-ES. Print all names and words in CAPITAL LETTERS. If the estate's or trust's name or address is too long to fit in the provided spaces, **do not** shorten the name or address. Instead, ignore the combed lines and fit the information in the space provided.

   Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.
2. Enter on the payment line of the form only the amount of the current payment. When making payments of estimated tax, be sure to take into account any previous year's overpayment to be credited against the current year's tax, but **do not** include the overpayment amount in the payment amount.
3. If part of the estimated tax is to be allocated to the beneficiaries per IRC Section 643(g), enclose a copy of Form 541-T, California Allocation of Estimated Tax Payments for Beneficiaries, to Form 541-ES.
4. Using black or blue ink, make a check or money order payable to the "Franchise Tax Board." Write the FEIN and "2011 Form 541-ES" on the check or money order. Enclose, but **do not** staple the payment with Form 541-ES and mail to:

   FRANCHISE TAX BOARD
   PO BOX 942867
   SACRAMENTO CA 94267-0031

   Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.
5. Keep a record of the payment.
6. **Fiscal year filers:** Fill in the month and year-end information at the top of the form.

E Failure to Make Estimated Tax Payments

If the estate or trust is required to make estimated tax payments and does not, or if it underpays any installment, a penalty will be assessed for that portion of estimated tax that was underpaid from the due date of the installment to the date of payment or the due date of the tax return, whichever is earlier. For more information, get 2010 form FTB 5805.

F Other Information

Filing 541-ES on Magnetic Media. Fiduciaries that make estimated tax payments for more than 200 taxable trusts may submit the estimated tax information on magnetic media or composite listing. For additional information, our general toll-free service is available from within the United States 800.852.5711 or from outside the United States 916.845.6500.

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday. We may modify these hours without notice to meet operational needs.

Access by Internet. You can download, view, and print California tax forms and publications at **ftb.ca.gov.**

Access other state agencies' websites at **ca.gov.**

2011 Estimated Tax Worksheet. Do not file. Keep this worksheet for your records.

1	Enter the estimated amount of adjusted total income you expect in 2011			1	00
2	Enter income distribution deduction			2	00
3	Taxable income of fiduciary. Subtract line 2 from line 1			3	00
4	Tax. Figure the amount by using the 2010 tax rate schedule			4	00
5	Additional taxes from: form FTB 5870A, Tax on Accumulation Distribution of Trusts; IRC Section 453A tax, relating to certain dispositions under the installment method; and, IRC Section 641(d) tax on income attributable to S corporation stock held by an Electing Small Business Trust (ESBT)			5	00
6	Total. Add line 4 and line 5			6	00
7	Credits. See the instructions for Form 541 for more information about credits you may claim			7	00
8	Total. Subtract line 7 from line 6			8	00
9	Enter the alternative minimum tax from Schedule P (541)			9	00
10	Mental Health Services Tax Worksheet, line G			10	00
11	Enter the total of line 8, line 9, and line 10			11	00
12	a Enter 90% (.90) of line 11. Farmers and fishermen use 66 2/3% (.6667) of line 11	12a	00		
	b Enter 100% of the tax shown on your 2010 Form 541, line 28, or 110% (1.10) of that amount if the estate's or trust's AGI on the 2010 Form 541 is more than $150,000, and if less than 2/3 of gross income for 2010 or 2011 is from farming or fishing	12b	00		
	c Enter the smaller of line 12a or line 12b. If the 2011 AGI is $1,000,000 or more, enter the amount from line 12a.	12c	00		
13	California income tax withheld and estimated to be withheld during 2011			13	00
14	Estimated tax. Subtract line 13 from line 12c. If less than $500, no payment is required			14	00

15 Multiply line 14 by 30% (.30). Enter the amount on the 1st and 4th installment of your Form 541-ES. Multiply the amount on line 14 by 40% (.40). Enter the result on the 2nd installment of your Form 541-ES. See the instructions if income will be earned at an uneven rate during the year. **If the amount is zero, do not mail this form**.

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

TAXABLE YEAR

CALIFORNIA FORM

2011 Estimated Tax for Fiduciaries

File and Pay by Jan. 17, 2012

541-ES

Fiscal year filers, enter year ending: month _____ year _____

Name of estate or trust

FEIN

Name and title of fiduciary

Address (number and street, suite, PO Box, or PMB no.)

City

State

ZIP Code

Payment Form 4

If no amount is due, do not mail this form.

Using black or blue ink, make a check or money order payable to the **"Franchise Tax Board."** Write the FEIN and "2011 Form 541-ES" on it. **Do not combine this payment with payment of your tax due for 2010.** Mail this form and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

00

1211113

TAXABLE YEAR

CALIFORNIA FORM

2011 Estimated Tax for Fiduciaries

File and Pay by April 15, 2011

541-ES

Fiscal year filers, enter year ending: month _____ year _____

Name of estate or trust

FEIN

Name and title of fiduciary

Address (number and street, suite, PO Box, or PMB no.)

City

State

ZIP Code

Payment Form 1

If no amount is due, do not mail this form.

Using black or blue ink, make a check or money order payable to the **"Franchise Tax Board."** Write the FEIN and "2011 Form 541-ES" on it. **Do not combine this payment with payment of your tax due for 2010.** Mail this form and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

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1211113

Form 541-ES 2010

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

TAXABLE YEAR

CALIFORNIA FORM

2011 Estimated Tax for Fiduciaries

File and Pay by June 15, 2011

541-ES

Fiscal year filers, enter year ending: month _____ year _____

Name of estate or trust

FEIN

Name and title of fiduciary

Address (number and street, suite, PO Box, or PMB no.)

City

State

ZIP Code

Payment Form 2

If no amount is due, do not mail this form.

Using black or blue ink, make a check or money order payable to the **"Franchise Tax Board."** Write the FEIN and "2011 Form 541-ES" on it. **Do not combine this payment with payment of your tax due for 2010.** Mail this form and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

00

1211113

Form 541-ES 2010

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

TAXABLE YEAR

CALIFORNIA FORM

2011 Estimated Tax for Fiduciaries

File and Pay by Sept. 15, 2011

541-ES

Fiscal year filers, enter year ending: month _____ year _____

Name of estate or trust

FEIN

Name and title of fiduciary

Address (number and street, suite, PO Box, or PMB no.)

City

State

ZIP Code

Payment Form 3

If no amount is due, do not mail this form.

Using black or blue ink, make a check or money order payable to the **"Franchise Tax Board."** Write the FEIN and "2011 Form 541-ES" on it. **Do not combine this payment with payment of your tax due for 2010.** Mail this form and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

00

1211113

Form 541-ES 2010

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Visit our website:

ftb.ca.gov

Instructions for Form FTB 3563

Payment for Automatic Extension for Fiduciaries

General Information

California does not require filing written extensions. If the fiduciary cannot file Form 541, California Fiduciary Income Tax Return, or Form 541-QFT, California Income Tax Return for Qualified Funeral Trusts, by the due date, the fiduciary is granted an automatic six-month extension. If the tax return is filed by the 15th day of the 10th month following the close of the taxable year (fiscal year) or by October 17, 2011 (calendar year), the extension will apply.

Only use form FTB 3563, Payment for Automatic Extension for Fiduciaries, if both of the following apply:

- The fiduciary cannot file Form 541 or Form 541-QFT by the original due date.
- Tax is owed for 2010.

Use the worksheet below to determine if tax is owed.

- If **tax is not owed**, **do not** complete or mail this form.
- If **tax is owed**, complete the form below, using black or blue ink. Mail the form along with the fiduciary's check or money order to the Franchise Tax Board (FTB) by the 15th day of the 4th month (fiscal year) or April 15, 2011* (calendar year), to avoid late payment penalty and interest.

*Due to the federal Emancipation Day holiday on April 15, 2011, tax returns filed and payments received on April 18, 2011, will be considered timely.

Using black or blue ink, make the check or money order payable to the "Franchise Tax Board." Make all checks and money orders payable in U.S. dollars and drawn against a U.S. financial institution.

Nonexempt charitable trusts as described in Internal Revenue Code Section 4947(a)(1), exempt pension trusts, and simple trusts (that have a letter from the FTB authorizing the exempt status) use form FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs.

Penalties and Interest

If the fiduciary fails to pay its total tax liability by the original due date of the tax return, a late payment penalty and interest will be added to the tax due. To avoid late payment penalties and interest, the fiduciary must pay its tax liability by the 15th day of the 4th month, following the close of the taxable year. If the estate or trust paid at least 90% of the tax shown on the return by the original due date of the return, we will waive the penalty based on reasonable cause. If after the tax return's due date has passed, the estate or trust finds that its estimate of tax due was too low, the estate or trust should pay the additional tax as soon as possible to avoid or minimize further accumulation of penalties and interest. Pay the estimated additional tax with another form FTB 3563.

If the estate's or trust's fiduciary tax return is not filed by the 15th day of the 10th month following the close of the taxable year, the automatic extension will not apply and a late filing penalty and interest will be assessed from the original due date of the tax return.

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1	Total tax the estate or trust expects to owe. This is the amount you expect to enter on Form 541, line 28 or Form 541-QFT, line 28	**1**	00
2	Payments and credits:		
a	California income tax withheld	**2a**	00
b	California estimated tax payments and amount applied from the 2009 Form 541 or Form 541-QFT	**2b**	00
c	Other payments and credits, including any tax payments made with any previous form FTB 3563	**2c**	00
3	Total tax payments and credits. Add line 2a, line 2b, and line 2c	**3**	00
4	Tax due. Subtract line 3 from line 1	**4**	00

- If the amount on line 3 is more than the amount on line 1, the estate or trust has no tax due. **Do not mail this form.**
- If the amount on line 1 is more than the amount on line 3, subtract line 3 from line 1. This is the estate's or trust's tax due. Enter the result on line 4 and on the "Amount of payment" line on the form FTB 3563 below. Fill in the estate's or trust's name, address, and federal employer identification number (FEIN.) Separate the form from this page where it says "DETACH HERE." Using black or blue ink, make a check or money order payable to the "Franchise Tax Board," and write the FEIN and "2010 FTB 3563" on it. Enclose, but **do not** staple, the payment with the form and mail to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0051**
- If the tax return is filed by the 15th day of the 10th month following the close of the taxable year (fiscal year) or by October 17, 2011 (calendar year), the extension will apply.

Save the completed worksheet as a permanent part of the estate's or trust's tax records along with the copy of the tax return.

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

(Calendar year – File and Pay by April 15, 2011) (Fiscal year filers - See instructions)

TAXABLE YEAR **2010**

Payment for Automatic Extension for Fiduciaries

CALIFORNIA FORM **3563 (541)**

For calendar year 2010 or fiscal year beginning month_____ day_____ year _____, and ending month_____ day_____ year_____.

Name of estate or trust | FEIN

Name and title of fiduciary

Address (number and street, suite, PO Box, or PMB no.)

City | 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 00

For Privacy Notice, get form FTB 1131.

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How to Get California Tax Information

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Joint Agency Website – For additional business tax information, go to **taxes.ca.gov.**

By Phone – To order California forms use the FTB general phone service (on this page).

In Person – Most libraries have forms and schedules 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

General Phone Service

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday, except holidays. Hours are subject to change.

Internet and Telephone Assistance

Website:	**ftb.ca.gov**
Telephone:	800.852.5711 from within the United States 916.845.6500 from outside the United States
TTY/TDD:	800.822.6268 for persons with hearing or speech impairments
IRS	800.829.1040 call the IRS for federal tax questions

Asistencia Por Internet y Teléfono

Asistencia telefónica está disponible todo el año durante las 7 a.m. y las 5 p.m. lunes a viernes, excepto días festivos. Las horas están sujetas a cambios.

Sitio web:	**ftb.ca.gov**
Teléfono:	800.852.5711 dentro de los Estados Unidos 916.845.6500 duera de los Estados Unidos
TTY/TDD:	800.822.6268 personas con discapacidades auditivas y del habla
IRS	800.829.1040 llame al IRS para preguntas sobre impuestos federales

Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), 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 ten weeks. In some cases we may need to call you for additional information.

Do not attach correspondence to your tax return unless it relates to an item on your tax return.

Your Rights As A Taxpayer

The 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 Tax Forms and Publications," on this page.

Recycled
Recyclable