

Exemptions

Line 7

Personal Exemption

Enter the number of personal exemptions claimed on the tax return. Filing status 1, 3, or 4 allows one personal exemption. Filing status 2 or 5 allows two personal exemption credits. The tax software automatically enters personal exemptions for you.

Line 8

Blind Exemption

For information about the blind exemption credit, refer to the General Information section. The tax software provides a checkbox for visually impaired on the Personal Information Screen for Blind Exemption credit flow through.

Line 9

Senior Exemption

For more information about the senior exemption, refer to the General Information section. The tax software automatically enters the Senior Exemption based on birth date information provided on the Personal Information Screen.

Line 10

Dependent Exemption

Allow an exemption credit for each dependent. For additional information regarding dependent exemptions, refer to the General Information section. Federal and state tax law conforms regarding dependent exemptions.

Line 11

Exemption Amount

Add line 7 through line 10 amounts. Transfer this amount to the Exemption Credit line in the Tax and Credits section of the form. The tax software completes this step automatically.

Line 12

State Wages

Add up the amounts of state wages, tips, etc. from Box 16 on each of your client's Forms W-2 and enter the total on line 12. The tax software completes this step from information entered on the W-2.

Line 13

Federal Adjusted Gross Income

State tax calculations begin with the federal adjusted gross income. Enter the federal adjusted gross income from the Form 1040, line 37. The tax software automatically enters this information.

Line 14 and 16

California Adjustments

Certain types of income are nontaxable in California, but taxable on your client's federal tax return. Frequently, the difference is between the taxable amount of federal and California IRA distribution, pension, and annuity income. Other income types, social security and unemployment, are taxed by federal but not by California.

If there are differences between your clients's federal taxable income and state taxable income, complete a Schedule CA (540). The tax software will automatically generate a Schedule CA (540), although the flow through of information depends on information entered on income statements, worksheets, and the main information sheet.

Enter income taxable to federal, but not to the state. Enter the amount from Schedule CA (540), column B, line 37 to Form 540, line 14.

Enter income taxable to the state, but not to federal. Enter the amount from Schedule CA (540), column C, line 37 to Form 540, line 16.

After populating the Schedule CA (540), the tax software requires the preparer to enter adjustments from State Return Page. Use the print return function to see if the form is correct. For more detailed information on California adjustments, refer to the General Information Section, the Schedule CA (540) detail later in this chapter, and FTB 1001, *Supplemental Guidelines to California Adjustments*.

The most common California adjustments are:

- Any state income tax refund
- Unemployment compensation
- Federally taxable U.S. social security or railroad retirement
- California nontaxable interest or dividend income
- California IRA distributions resulting from an increased California basis
- Non-taxable pensions and annuities
- California Lottery winnings
- Tuition and fees deduction
- Educator expense