

Line 32

Exemption Credits

Enter the amount from line 11.

Line 33

Subtract

Subtract line 32 from line 31 and enter the result on line 33. If the amount on line 33 is less than zero, enter zero.

Line 34

Tax from Schedule G-1 and Form FTB 5870A

This is beyond the scope of the VITA/TCE volunteer program.

Line 35 & Line 36

Add

Add line 33 and line 34 and enter the result on line 35.

Line 40

Child and Dependent Care Expenses Credit

On or after January 1, 2011 this credit is nonrefundable. If the client has more than three qualifying persons, refer to the Form 3506 instructions for more information. If paper filing, complete and attach FTB 3506 to your client's Form 540. FTB Form 3506 also transmits through the e-file process. If your client received a refund for 2015, they may receive a federal Form 1099-G.

Line 43 through line 45

Special Credit Section

A variety of additional credits are available to qualified clients to reduce their tax liability. To claim your client's credits, figure the amount of the credit and enter the credit name, code number, and amount of the credit on line 43 through line 45. Consider the following question:

Does your client claim any of the credits listed on the Credit Chart on Pages 24 of the Form 540 instruction booklet?

No: Skip line 40 through line 46. Go to line 47.

Yes: Figure the amount of your client's credit or credits. Enter the total amount of credit and the credit code number on line 43 through line 45. See below a list of the most common credits. For a list of all credit codes available, see the credit chart in the Form 540 instruction booklet or the chart following this section.

Credit for Joint Custody Head of Household Code 170

Do not claim this credit if your client filed head of household, married filing jointly/RDP, or qualifying widow(er).

Claim a credit for joint custody head of household if your client was unmarried at the end of 2016, or if the client lived apart from their spouse/RDP for all of 2016 and file married filing separately. They furnish more than one-half of the household expenses for their home, which also served as the home of their child, stepchild, or grandchild for at least 146 days but not more than 219 days. If the child is married, your client must claim the dependent exemption for the child.

The custody arrangement for the child is part of a decree of dissolution, legal separation, or separate maintenance, or is a part of a written agreement between the parents in effect during the period between the petition and issuance of the final decree.

Use the worksheet below to compute the credit.

Credit for Joint Custody Head of Household Worksheet	
1. Enter the amount from Form 540, line 35.	_____
2. Credit percentage.	<u>x .30</u>
3. Credit amount. Multiple line 1 by line 2. Enter the result or \$431, whichever is less.	_____

Credit for Dependent Parent Code 173

Do not claim this credit if your client claimed single, head of household, married filing jointly/RDP, or qualifying widow(er) filing status. Your client claims this credit if all of the following conditions apply:

- Married at the end of 2016 and use the married filing separately filing status.
- Their spouse/RDP did not live in the client's household during the last six months of the year.
- They furnished over one-half of the household for their dependent mother's or father's home (whether or not the parent lived in your client's home).

To figure the Credit for Dependent Parent, use the Joint Custody Head of Household Worksheet above.

Credit for Senior Head of Household Code 163

Claim this credit if all of the following conditions apply:

- The client is 65 years of age or older on December 31, 2016.
- The client qualifies for the head of household filing status in 2014 or 2015 by providing a household for a qualifying individual who died during 2015 or 2016.
- California adjusted gross income is \$71,370 or less for 2016.

Important Note: If your client's 65th birthday is January 1, 2017, consider them age 65 on December 31, 2016.

Use the worksheet below to compute the credit.

<p style="text-align: center;">Credit for Senior Head of Household Worksheet</p> <p>1. Enter the amount from Form 540, line 19. _____</p> <p>2. Multiply line 1 by 2% (.02). Enter the result or \$1,345 _____ whichever is less.</p>
--

Credit for Child Adoption Costs Code 197

For the year of court filed adoption, your client claims a credit of 50 percent of the cost of adopting a child who is a citizen or legal resident of the United States, and a California public agency or a California political subdivision held custody of the child prior to the adoption. Qualifying costs include:

- Fees of the Department of Social Services or a licensed adoption agency
- Medical expenses not reimbursed by insurance
- Travel expenses for the adoptive family

Use the following worksheet to compute the credit.

<p style="text-align: center;">Credit for Child Adoption Costs Worksheet</p> <p>1. Enter the total qualifying costs. _____</p> <p>2. Multiply line 1 by 50% (.50). Enter the result or \$2,500, _____ whichever is less. The maximum credit is \$2,500 per minor child. Your clients may carry over the excess credit to future years until they use the credit.</p>

On the next page is a list of possible special credits. If your client potentially qualifies for any of these credits, have them call Franchise Tax Board's public assistance telephone number, 800.852.5711, for more detail.

CODE NAME	CODE #	DESCRIPTION
Child Adoption	197	50% of qualified costs in the year an adoption is ordered.
FTB 3506, <i>Child and Dependent Care Expenses</i>	232	Similar to the federal credit except that the California credit amount is based on a specified percentage of the federal credit.
Community Development Financial Institution Deposits – Certification Required	209	20% of each qualified deposit made to a community development institution. Obtain certification from California Organized Investment Network (COIN), Department of Insurance, 300 Capitol Mall Ste 1600, Sacramento, CA 95814 Website: insurance.ca.gov
Dependent Parent	173	Must use married/RDP filing separately filing status and have a dependent parent.
College Access	235	The credit, which is allocated and certified by the California Educational Facilities Authority, is available for taxpayers who contribute to the College Access Tax Credit Fund. Website: treasurer.ca.gov/cefa/
FTB 3547, <i>Disabled Access for Eligible Small Business</i>	205	Similar to the federal credit but limited to \$125 based on 50% of qualified expenditures that do not exceed \$250.
FTB 3547, <i>Donated Agricultural Products Transportation</i>	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations.
FTB 3546, <i>Enhanced Oil Recovery</i>	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California.
FTB 3511, <i>Environmental Tax</i>	218	Five cents (\$.05) for each gallon of ultra-low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in this state.

CODE NAME	CODE #	DESCRIPTION
FTB 3521, <i>Low-Income Housing</i>	172	Similar to the federal credit but limited to low-income housing in California.
FTB 3808, <i>Manufacturing Enhancement Area (MEA) Hiring</i>	211	Percentage of qualified wages paid to qualified disadvantaged individuals.
New Employment Credit	234	Taxpayer that hires full time employee and pays or incurs wages in a designated census tract or economic development area, and receives a tentative credit reservation for that full-time employee.
FTB 3503, <i>Natural Heritage Preservation</i>	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government.
Nonrefundable Renter's Credit	None	For California, residents who paid rent for their principal residence for at least 6 months in 2016 and whose AGI does not exceed a certain limit.
Other State Tax Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California.
FTB 3510, <i>Prior Year Alternative Minimum Tax</i>	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 2015.
FTB 3507, <i>Prison Inmate Labor</i>	162	10% of wages paid to prison inmates.
FTB 3523, <i>Research</i>	183	Similar to the federal credit but limited to costs for research activities in CA
Senior Head of Household	163	2% of taxable income up to \$1,345 for seniors who qualified for head of household in 2014 or 2015 and whose qualifying individual died during 2015 or 2016.

The following credits are no longer available. However, your clients may claim these credits if there are carryovers available from prior years.

CODE NAME & NUMBER	CODE NAME & NUMBER	CODE NAME & NUMBER	CODE NAME & NUMBER
Agricultural Products - 175	Employee Ridesharing - 194	Recycling Equipment - 174	Political Contributions - 184
Commercial Solar Energy - 181	Farm worker Housing - 207	Low-emission vehicles - 160	Residential Rental and Farm Sales - 186
Employer Ridesharing Large Employer - 191 Small Employer - 192 Transit Passes - 193	Orphan Drug - 185	Salmon & Steelhead Trout Habitat Restoration - 200	Rice Straw - 206
Water Conservation – 178	Young Infant - 161	Solar Energy - 180	Ridesharing - 171
Local Agency Military Base Recovery Area (LAMBRA) – 198	FTB 3527, <i>New Jobs Credit</i> 220 \$3,000 allowed for a qualified employer for each increase in qualified full-time employees hired in the current tax year.		

Line 46

Nonrefundable Renter’s Credit

To determine if your client qualifies for the Nonrefundable Renter’s Credit, refer to the General Information section.

Line 47

Total Credits

Add line 40 and line 43 through line 46. These are the total credits.

Line 48
Subtract

Subtract line 47 from line 35 and enter the result on line 48. If the amount on line 48 is zero or less, **enter 0**.

Lines 61 through 63
Other Taxes

The tax software figures the amount of other taxes, line 63, correctly, provided the birth date and income statement are correct. The tax software computes the amount of additional tax owed on an early distribution of a qualified retirement plan based on information from Form 1099-R. The computation of any other tax in this section is beyond the scope of the VITA/TCE volunteer program. If your client is subject to taxes beyond program scope, refer them to Franchise Tax Board.

Line 64
Total Tax

Add line 48, line 61, and line 63. This is the total tax.

Line 71
California Income Tax Withheld

Enter your client's total California income tax withholding from box 17 on Forms W-2. If filing a joint tax return, be sure to include the amount withheld from the spouse's/RDP's wages.

For more information about income tax withheld, refer to the General Information section or the 540 instruction booklet.

Line 72
2015 California Estimated Tax and Other Payments

For information about estimate tax and other payments, refer to the General Information section. Clients make estimate payments using electronic funds withdrawal, Web Pay, check with a voucher, and credit card.

Line 73
Real Estate Withholding

Generally, real estate withholding is out of scope for the volunteer program. If your client has real estate tax withholding from the sale of California real estate, enter the total California tax withheld from Form 592-B or 593-B.

Line 74

Excess California SDI or VPD I Withheld

Claim excess California State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI) as a credit on the California tax return. For more information about excess SDI or VPD I, refer to the General Information Section or the Form 540 instruction booklet.

Line 75

EITC

If taxpayer qualified for CA Earned Income Tax Credit, enter on this line.

Line 76

Total Payments

Add line 71, line 72, line 73, line 74, and line 75. Enter the total on line 76. This is your client's total payment amount. The tax software calculates this step for you.

The next section discusses overpaid tax or tax due.

Line 91

Use Tax

Please refer to the General Information section or Form 540 instruction booklet for information regarding use tax. Use tax may be reported directly to the State Board of Equalization (BOE) or on the California personal income tax return. **The 540 booklet includes a worksheet used to figure use tax amounts based on California AGI.** Refer questions on the taxability of purchases to the State Board of Equalization website, boe.ca.gov, or call the BOE Taxpayer Information Section, **800.400.7115**.

Line 92

Payments balance. If line 76 is more than line 91, subtract line 91 from line 76.

Line 93

Use Tax balance. If line 91 is more than line 76, subtract line 76 from line 91.

Line 94

Overpaid Tax

If the amount on line 92 is more than the amount on line 64, your payments and credits are more than your tax. Subtract the amount on line 64 from the amount on line 92. Enter the result on line 94.

Refund to your client, apply to the client's 2017 estimate tax, or apply all or part as a charitable contribution.