Head of Household Filing Status. In general, HOH filing status is for unmarried individuals and certain married individuals or RDPs living apart who provide a home for a specified relative. You may be entitled to use HOH filing status if **all** of the following apply:

- You were unmarried and not in a registered domestic partnership, or you met the requirements to be considered unmarried or considered not in a registered domestic partnership on December 31, 2021.
- You paid more than one-half the cost of keeping up your home for the year in 2021.
- For more than half the year, your home was the main home for you and one of the specified relatives who by law can qualify you for HOH filing status.
- You were not a nonresident alien at any time during the year.

For a child to qualify as your foster child for HOH purposes, the child must either be placed with you by an authorized placement agency or by order of a court.

California requires taxpayers who use HOH filing status to file form FTB 3532, Head of Household Filing Status Schedule, to report how the HOH filing status was determined.

Beginning in tax year 2018, if you do not attach a completed form FTB 3532 to your tax return, we will deny your HOH filing status. For more information about the HOH filing requirements, go to **ftb.ca.gov** and search for **hoh.** To get form FTB 3532, see "Order Forms and Publications" or go to **ftb.ca.gov/forms.**

Qualifying Widow(er)

Check the box on Form 540, line 5 and use the joint return tax rates for 2021 if **all** five of the following apply:

- Your spouse/RDP died in 2019 or 2020 and you did not remarry or enter into another registered domestic partnership in 2021.
- You have a child, stepchild, or adopted child (not a foster child) whom you can claim as a dependent or could claim as a dependent except that, for 2021:
  - The child had gross income of $4,300 or more;
  - The child filed a joint return, or
  - You could be claimed as a dependent on someone else's return.

  If the child isn't claimed as your dependent, enter the child's name in the entry space under the "Qualifying widow(er)" filing status.
- This child lived in your home for all of 2021. Temporary absences, such as for vacation or school, count as time lived in the home.
- You paid over half the cost of keeping up your home for this child.
- You could have filed a joint tax return with your spouse/RDP the year he or she died, even if you actually did not do so.

What's New and Other Important Information for 2021

Differences between California and Federal Law

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. 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), California Adjustments – Residents, 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 instructions. Taxpayers should not consider the instructions as authoritative law.

Conformity – For updates regarding federal acts, go to **ftb.ca.gov** and search for **conformity**.

2021 Tax Law Changes/What's New

Voluntary Contributions – You may contribute to the following new funds:

- Mental Health Crisis Prevention Voluntary Tax Contribution Fund
- California Community and Neighborhood Tree Voluntary Tax Contribution Fund

COBRA Premium Assistance – The American Rescue Plan Act (ARPA) of 2021, enacted on March 11, 2021, allows an exclusion from gross income for COBRA premium assistance subsidies received by eligible individuals for the COBRA coverage period beginning on April 1, 2021 and ending on September 30, 2021. California law does not conform to this federal provision. For more information, see Schedule CA (540) instructions.

Employer-Provided Dependent Care Assistance Exclusion – California conforms to the employer-provided dependent care assistance exclusion from gross income as of the specified date of January 1, 2015, without any modifications. The ARPA of 2021 enacted on March 11, 2021, temporarily increases the amount of the exclusion from gross income from $5,000 to $10,500 (and half of that amount for married filing separate) for employer-provided dependent care assistance. CA law does not conform to this change under the federal ARPA. For more information, see Schedule CA (540) instructions.

Expanded Definition of Qualified Higher Education Expenses – For taxable years beginning on or after January 1, 2021, California law conforms to the expanded definition of qualified higher education expenses associated with participation in a registered apprenticeship program and payment on the principal or interest of a qualified education loan under the federal Further Consolidated Appropriations Act, 2020.

Federal Acts – In general, R&TC does not conform to the changes under the following federal acts. California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. For specific adjustments due to the following acts, see the Schedule CA (540) instructions.

- American Rescue Plan Act (ARPA) of 2021 (enacted on March 11, 2021)
- Consolidated Appropriations Act (CAA), 2021 (enacted on December 27, 2020)
- Coronavirus Aid, Relief, and Economic Security (CARES) Act (enacted on March 27, 2020)
- Setting Every Community Up for Retirement Enhancement (SECURE) Act (enacted on December 20, 2019)

California Microbusiness COVID-19 Relief Grant – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Microbusiness COVID-19 Relief Program that is administered by the Office of Small Business Advocate (CalOSBA). For more information, see R&TC Section 17158.1 and Schedule CA (540) instructions.

Shuttered Venue Operator Grants – The CAA, 2021, enacted on December 27, 2020, allows an exclusion from gross income for grants received by shuttered venue operators. California does not conform to this federal provision. For more information, see Schedule CA (540) instructions.

California Venues Grant – For taxable years beginning on or after September 1, 2020, and before January 1, 2030, California law allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the California Venues Grant Program that is administered by CalOSBA. For more information, see R&TC Section 17158 and Schedule CA (540) instructions.

Restaurant Revitalization Grants – The ARPA allows an exclusion from gross income for restaurant revitalization grants awarded to eligible entities that are used for allowable expenses for the covered period. California law does not conform to this federal provision. For more information, see Schedule CA (540) instructions.

Small Business COVID-19 Relief Grant Program – For taxable years beginning on or after January 1, 2020, and before January 1, 2030, California allows an exclusion from gross income for grant allocations received by a taxpayer pursuant to the COVID-19 Relief Grant under Executive Order No.E 20/21-182 and the California Small Business COVID-19 Relief Grant Program established by Section 12100.83 of the Government Code. For more information, see Schedule CA (540) instructions.

Income Exclusion for Rent Forgiveness – For taxable years beginning on or after January 1, 2020, and before January 1, 2025, gross income shall not include a tenant's rent liability that is forgiven by a landlord or rent forgiveness provided through funds grantees received as a direct allocation from the Secretary of the Treasury based on the federal CAA, 2021. For more information, see Schedule CA (540) instructions.

Paycheck Protection Program (PPP) Loans Forgiveness – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for covered loan amounts forgiven under the federal CARES Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, or the CAA, 2021. However, the Paycheck Protection Program Extension Act extends the covered period of the PPP to June 30, 2021. California law does not conform to this extension and does not allow an exclusion from gross income for PPP loans forgiven due to the extended covered period after March 31, 2021 to June 30, 2021. For more information, see Schedule CA (540) instructions.

Also, the ARPA expands PPP eligibility to include "additional covered nonprofit entities" which includes certain Code 501(c) nonprofit organizations and Internet-only news publishers and Internet-only periodical publishers. California law does not conform to this expansion of PPP eligibility. For more information, see Schedule CA (540) instructions.

The CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of Division N of the CAA, 2021. For more information, see Schedule CA (540) instructions or R&TC Section 17131.8 or go to **ftb.ca.gov** and search for **AB 80**.

Revenue Procedure 2021-20 allows taxpayers to make an election to report the eligible expense deductions related to a PPP loan on a timely filed original 2021 tax return including extensions. If a taxpayer makes an election for federal purposes, California will follow the federal treatment for California tax purposes.

Advance Grant Amount – For taxable years beginning on or after January 1, 2019, California law conforms to the federal law regarding the treatment for an emergency Economic Injury Disaster Loan (EIDL) grant under the federal CARES Act or a targeted EIDL advance under the CAA, 2021.

Other Loan Forgiveness – For taxable years beginning on or after January 1, 2019, California law allows an exclusion from gross income for borrowers of forgiveness of indebtedness described in Section 1109(d)(2)(D) of the federal CARES Act as stated by section 278, Division N of the federal CAA, 2021. The CAA, 2021, allows deductions for eligible expenses paid for with covered loan amounts. California law conforms to this federal provision, with modifications. For California purposes, these deductions generally do not apply to an ineligible entity. "Ineligible entity" means a taxpayer that is either a publicly-traded company or does not meet the 25% reduction from gross receipts requirements under Section 311 of the CAA, 2021. For more information, see Schedule CA (540) instructions or go to **ftb.ca.gov** and search for **AB 80**.

Gross Income Exclusion for Bruce's Beach – Effective September 30, 2021, California law allows an exclusion from gross income for the first time sale in the taxable year in which the land within Manhattan State Beach, known as "Peck's Manhattan Beach Tract Block 5" and commonly referred to as "Bruce's Beach" is sold, transferred, or encumbered. A recipient's gross income does not include the following:

- Any sale, transfer, or encumbrance of Bruce's Beach;
- Any gain, income, or proceeds received that is directly derived from the sale, transfer, or encumbrance of Bruce's Beach.

For more information, get Schedule D (540), California Capital Gain or Loss Adjustment.

Reporting Requirements – For taxable years beginning on or after January 1, 2021, taxpayers who benefited from the exclusion from gross income for the PPP loans forgiveness, other loan forgiveness, or the EIDL advance grant and related eligible expense deductions under the federal CARES Act, Paycheck Protection Program and Health Care Enhancement Act, Paycheck Protection Program Flexibility Act of 2020, or the CAA, 2021, should file form FTB 4197, Information on Tax Expenditure Items, as part of the Franchise Tax Board's annual reporting requirement. For more information, get form FTB 4197.

Moving Expense Deduction – For taxable years beginning on or after January 1, 2021, taxpayers should file California form FTB 3913, Moving Expense Deduction, to claim moving expense deductions. Attach the completed form FTB 3913 to Form 540, California Resident Income Tax Return. For more information, see Schedule CA (540) instructions and get form FTB 3913.

Homeless Hiring Tax Credit – For taxable years beginning on or after January 1, 2022, and before January 1, 2027, a Homeless Hiring Tax Credit (HHTC) will be available to a qualified taxpayer that hires individuals who are, or recently were, homeless. The amount of the tax credit will be based on the number of hours the employee works in the taxable year. Employers must obtain a certification of the individual's homeless status from an organization that works with the homeless and must receive a **tentative credit reservation** for that employee. Any credits not used in the taxable year may be carried forward up to three years. For more information, go to **ftb.ca.gov** and search for **hhtc**.

Elective Tax for Pass-Through Entities (PTE) and Credit for Owners – For taxable years beginning on or after January 1, 2021, and before January 1, 2026, California law allows an entity taxed as a partnership or an "S" corporation to annually elect to pay an elective tax at a rate of 9.3 percent based on its qualified net income. The election shall be made on an original, timely filed return and is irrevocable for the taxable year.

The law allows a credit against the personal income tax to a taxpayer, other than a partnership, that is a partner, shareholder, or member of a qualified entity that elects to pay the elective tax, in an amount equal to 9.3 percent of the partner's, shareholder's, or member's pro rata share or distributive share of qualified net income subject to the election made by the qualified entity. A disregarded entity and its partners or members cannot claim the credit. For more information, go to **ftb.ca.gov** and search for **pte elective tax** and get the following new PTE elective tax forms and instructions:

- Form FTB 3893, Pass-Through Entity Elective Tax Payment Voucher
- Form FTB 3804, Pass-Through Entity Elective Tax Calculation
- Form FTB 3804-CR, Pass-Through Entity Elective Tax Credit

Main Street Small Business Tax Credit II – For the taxable year beginning on or after January 1, 2021, and before January 1, 2022, a **new** Main Street Small Business Tax Credit is available to a qualified small business employer that received a tentative credit reservation from the California Department of Tax and Fee Administration (CDTFA). For more information, get form FTB 3866, Main Street Small Business Tax Credits.

New Donated Fresh Fruits or Vegetables Credit – The sunset date for the New Donated Fresh Fruits or Vegetables Credit is extended until taxable years beginning before January 1, 2027. For more information, get form FTB 3814, New Donated Fresh Fruits or Vegetables Credit.

Natural Heritage Preservation Credit – The Natural Heritage Preservation Credit is available for qualified contributions made on or after January 1, 2021, and no later than June 30, 2026. This credit may **not** be claimed for any contributions made on or after July 1, 2020, and on or before December 31, 2020. For more information, get form FTB 3503, Natural Heritage Preservation Credit.

Other Important Information

Resident State Tax Filers List – For taxable years beginning on or after January 1, 2020, taxpayers will include on their Form 540 the address and county of their principal residence as part of the FTB's annual reporting requirements to the jury commissioner. Taxpayers that are required to provide this information include persons who are 18 years of age or older and have filed a California resident income tax return for the preceding taxable year. The list of resident state tax filers will be used as one of the source lists for jury selection by the jury commissioner's office. For more information, see specific line instructions or California R&TC Sections 19548.4 and 19585.

Dependent Exemption Credit with No ID – For taxable years beginning on or after January 1, 2018, taxpayers claiming a dependent exemption credit for a dependent who is ineligible for a Social Security Number (SSN) and a federal Individual Taxpayer Identification Number (ITIN) may provide alternative information to the FTB to identify the dependent. To claim the dependent exemption credit, taxpayers complete form FTB 3568, Alternative Identifying Information for the Dependent Exemption Credit, attach the form and required documentation to their tax return, and write "no id" in the SSN field of line 10, Dependents, on Form 540, California Resident Income Tax Return. For each dependent being claimed that does not have an SSN and an ITIN, a form FTB 3568 must be provided along with supporting documentation.

Taxpayers may amend their tax return beginning with taxable year 2018 to claim the dependent exemption credit. For more information on how to amend your tax returns, see "Instructions for Filing a 2021 Amended Return" on page 29.

CARES Act Qualified Employer Plan Loans – For taxable years beginning on or after January 1, 2020, California conforms to the qualified employer plan loans provision under the federal CARES Act which temporarily increases the amount of loans allowable from a qualified employer plan to $100,000 for coronavirus-related relief and delays by one year the due date for any repayment for an outstanding loan from a qualified employer plan if requirements are met.

Expansion for Credits Eligibility – For taxable years beginning on or after January 1, 2020, California expanded EITC and YCTC eligibility to allow either the federal ITIN or the SSN to be used by all eligible individuals, their spouses, and qualifying children. If an ITIN is used, eligible individuals should provide identifying documents upon request of the FTB. Any valid SSN can be used, not only those that are valid for work. Additionally, upon receiving a valid SSN, the individual should notify the FTB in the time and manner prescribed by the FTB. The YCTC is available if the eligible individual or spouse has a qualifying child younger than six years old. For more information, go to **ftb.ca.gov** and search for **eitc**, or get form FTB 3514.

Worker Status: Employees and Independent Contractors – Some individuals may be classified as independent contractors for federal purposes and employees for California purposes, which may also cause changes in how their income and deductions are classified. Proposition 22 was operative as of December 16, 2020 and may affect a taxpayer's worker classification. For more information, see the instructions for Schedule CA (540).

Minimum Essential Coverage Individual Mandate – For taxable years beginning on or after January 1, 2020, California law requires residents and their dependents to obtain and maintain minimum essential coverage (MEC), also referred to as qualifying health care coverage. Individuals who fail to maintain qualifying health care coverage for any month during the taxable year will be subject to a penalty unless they qualify for an exemption. For more information, see specific line instructions for Form 540, lines 64, 77, and 92, or get the following health care forms, instructions, and publications:

- Form FTB 3849, Premium Assistance Subsidy
- Form FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty
- Form FTB 3895, California Health Insurance Marketplace Statement
- Publication 3849A, Premium Assistance Subsidy (PAS)
- Publication 3895B, California Instructions for Filing Federal Forms 1094-B and 1095-B
- Publication 3895C, California Instructions for Filing Federal Forms 1094-C and 1095-C

Rental Real Estate Activities – For taxable years beginning on or after January 1, 2020, the dollar limitation for the offset for rental real estate activities shall not apply to the low income housing credit program. For more information, see R&TC Section 17561(d)(1). Get form FTB 3801-CR, Passive Activity Credit Limitations, for more information.

R&TC Section 41 Reporting Requirements – Beginning in taxable year 2020, California allows individuals and other taxpayers operating under the personal income tax law to claim credits and deductions of business expenses paid or incurred during the taxable year in conducting commercial cannabis activity. Sole proprietors conducting a commercial cannabis activity that is licensed under California Medicinal and Adult-Use Cannabis Regulation and Safety Act should file form FTB 4197. The FTB uses information from form FTB 4197 for reports required by the California Legislature. Get form FTB 4197 for more information.

Net Operating Loss Suspension – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, California has suspended the net operating loss (NOL) carryover deduction. Taxpayers may continue to compute and carryover an NOL during the suspension period. **However**, taxpayers with net business income or modified adjusted gross income of less than $1,000,000 or with disaster loss carryovers are **not** affected by the NOL suspension rules.

The carryover period for suspended losses is extended by:

- Three years for losses incurred in taxable years beginning before January 1, 2020.
- Two years for losses incurred in taxable years beginning on or after January 1, 2020, and before January 1, 2021.
- One year for losses incurred in taxable years beginning on or after January 1, 2021, and before January 1, 2022.

For more information, see R&TC Section 17276.23, and get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.

Excess Business Loss Limitation – The federal CARES Act made amendments to IRC Section 461(l) by eliminating the excess business loss limitation of noncorporate taxpayers for taxable year 2020 and retroactively removing the limitation for taxable years 2018 and 2019. California does **not** conform to those amendments. Also, California law does not conform to the federal changes in the ARPA that extends the limitation on excess business losses of noncorporate taxpayers for taxable years beginning after December 31, 2020, and ending before January 1, 2027. Complete form FTB 3461, California Limitation on Business Losses, if you are a noncorporate taxpayer and your net losses from all of your trades or businesses are more than $262,000 ($524,000 for married taxpayers filing a joint return). For more information, get form FTB 3461 and the instructions for Schedule CA (540).

Program 3.0 California Motion Picture and Television Production Credit – For taxable years beginning on or after January 1, 2020, California R&TC Section 17053.98 allows a third film credit, **program 3.0**, against tax. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information, get form FTB 3541, California Motion Picture and Television Production Credit, form FTB 3551, Sale of Credit Attributable to an Independent Film, go to **ftb.ca.gov** and search for **motion picture**, or go to the CFC website at **film.ca.gov** and search for **incentives**.

Business Credit Limitation – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a $5,000,000 limitation on the application of business credits for taxpayers. The total of all business credits including the carryover of any business credit for the taxable year may not reduce the "net tax" by more than $5,000,000. Business credits should be applied against "net tax" before other credits. Business credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. For more information, get Schedule P (540), Alternative Minimum Tax and Credit Limitations – Residents.

Loophole Closure and Small Business and Working Families Tax Relief Act of 2019 – The Tax Cuts and Jobs Act (TCJA) signed into law on December 22, 2017, made changes to the IRC. California R&TC does not conform to all of the changes. In general, for taxable years beginning on or after January 1, 2019, California conforms to the following TCJA provisions:

- California Achieving a Better Life Experience (ABLE) Program
- Student loan discharged on account of death or disability
- Federal Deposit Insurance Corporation (FDIC) Premiums
- Excess employee compensation
- Excess business loss

Like-Kind Exchanges – The TCJA amended IRC Section 1031 limiting the nonrecognition of gain or loss on like-kind exchanges to real property held for productive use or investment. California conforms to this change under the TCJA for exchanges initiated after January 10, 2019. However, for California purposes, with regard to individuals, this limitation only applies to:

- A taxpayer who is a head of household, a surviving spouse, or spouse filing a joint return with adjusted gross income (AGI) of $500,000 or more for the taxable year in which the exchange begins.
- Any other taxpayer filing an individual return with AGI of $250,000 or more for the taxable year in which the exchange begins.

Get Schedule D-1, Sales of Business Property, for more information.

California requires taxpayers who exchange property located in California for like-kind property located outside of California under IRC Section 1031, to file an annual information return with the FTB. For more information, get form FTB 3840, California Like-Kind Exchanges, or go to **ftb.ca.gov** and search for **like kind**.

Young Child Tax Credit – For taxable years beginning on or after January 1, 2019, the refundable YCTC is available to taxpayers who also qualify for the California EITC and who have at least one qualifying child who is younger than six years old as of the last day of the taxable year. The maximum amount of credit allowable for a qualified taxpayer is $1,000. The credit amount phases out as earned income exceeds the threshold amount of $25,000, and completely phases out at $30,000. For more information, see specific line instructions for Form 540, line 76, and get form FTB 3514.

Net Operating Loss Carrybacks – For taxable years beginning on or after January 1, 2019, net operating loss carrybacks are **not** allowed.

Alimony – California law does not conform to changes made by the TCJA to federal law regarding alimony and separate maintenance payments that are not deductible by the payor spouse, and are not includable in the income of the receiving spouse, if made under any divorce or separation agreement executed after December 31, 2018, or executed on or before December 31, 2018, and modified after that date (if the modification expressly provides that the amendments apply). See Schedule CA (540) specific line instructions for more information.

Small Business Accounting/Percentage of Completion Method – For taxable years beginning on or after January 1, 2019, California law generally conforms to the TCJA's definition of small businesses as taxpayers whose average annual gross receipts over three years do not exceed $25 million. These small businesses are exempt from the requirement of using the Percentage of Completion Method of accounting for any construction contract if the contract is estimated to be completed within two years from the date the contract was entered into. A taxpayer may elect to apply the provision regarding accounting for long term contracts to contracts entered into on or after January 1, 2018.

Student Loan Discharged Due to Closure of a For-Profit School – California law allows an income exclusion for an eligible individual who is granted a discharge of any student loan under specified conditions. This income exclusion has now been expanded to include a discharge of student loans occurring on or after January 1, 2019, and before January 1, 2024, for individuals who attended a Brightwood College school or a location of The Art Institute of California. Additional information can be found in the instructions for California Schedule CA (540).

Charitable Contribution and Business Expense Deductions Disallowance – For taxable years beginning on or after January 1, 2014, California law disallows a charitable contribution deduction to an educational organization that is a postsecondary institution or to the Key Worldwide Foundation, and a deduction for a business expense related to a payment to the Edge College and Career Network, LLC, to a taxpayer who meets specific conditions, including that they are named in any of several specified criminal complaints. For taxable years beginning on or after 2014, file an amended Form 540 and Schedule X, California Explanation of Amended Return Changes, to report the correct amount of charitable contribution and business expense deductions, as applicable. Additional information can be found in the instructions of California Schedule CA (540).

Real Estate Withholding Statement – Effective January 1, 2020, the real estate withholding forms and instructions have been consolidated into one new **Form 593, Real Estate Withholding Statement**. For more information, get Form 593.

California Earned Income Tax Credit – For taxable years beginning on or after January 1, 2018, the age limit for an eligible individual without a qualifying child is revised to 18 years or older. For more information, go to **ftb.ca.gov** and search for **eitc** or get form FTB 3514.

Native American Earned Income Exemption – For taxable years beginning on or after January 1, 2018, federally recognized tribal members living in California Indian country who earn income from any federally recognized California Indian country are exempt from California taxation. This exemption applies only to earned income. Enrolled tribal members who receive per capita income must reside in their affiliated tribe's Indian country to qualify for tax exempt status. Additional information can be found in the instructions for Schedule CA (540) and form FTB 3504, Enrolled Tribal Member Certification.

IRC Section 965 Deferred Foreign Income – Under federal law, if you own (directly or indirectly) certain foreign corporations, you may have to include on your return certain deferred foreign income. California does not conform. For more information, see the Schedule CA (540) instructions.

Global Intangible Low-Taxed Income (GILTI) Under IRC Section 951A – Under federal law, if you are a U.S. shareholder of a controlled foreign corporation, you must include your GILTI in your income. California does not conform. For more information, see the Schedule CA (540) instructions.

Wrongful Incarceration Exclusion – California law conforms to federal law excluding from gross income certain amounts received by wrongfully incarcerated individuals for taxable years beginning before, on, or after January 1, 2018. If you included income for wrongful incarceration in a prior taxable year, you can file an amended California personal income tax return for that year. If the normal statute of limitations has expired, you must file a claim by January 1, 2019.

College Access Tax Credit – For taxable years beginning on and after January 1, 2017, and before January 1, 2023, the College Access Tax Credit (CATC) is available to entities awarded the credit from the California Educational Facilities Authority (CEFA). The credit is 50% of the amount contributed by the taxpayer for the taxable year to the College Access Tax Credit Fund. The amount of the credit is allocated and certified by the CEFA. For more information, go to the CEFA website at **treasurer.ca.gov** and search for **catc**.

Schedule X, California Explanation of Amended Return Changes – For taxable years beginning on or after January 1, 2017, use Schedule X to determine any additional amount you owe or refund due to you, and to provide reason(s) for amending your previously filed income tax return. For additional information, see "Instructions for Filing a 2021 Amended Return" on page 29.

Improper Withholding on Severance Paid to Veterans – The Combat-Injured Veterans Tax Fairness Act of 2016 gives veterans who retired from the Armed Forces for medical reasons additional time to claim a refund if they had taxes improperly withheld from their severance pay. If you filed an amended return with the IRS on this issue, you have two years to file your amended California return.

California Achieving a Better Life Experience (ABLE) Program – For taxable years beginning on or after January 1, 2016, the California Qualified ABLE Program was established and California generally conforms to the federal income tax treatment of ABLE accounts. This program was established to help blind or disabled U.S. residents save money in a tax-favored ABLE account to maintain health, independence, and quality of life. Additional information can be found in the instructions of form FTB 3805P, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts.

Electronic Funds Withdrawal (EFW) – Make extension or estimated tax payments using tax preparation software. Check with your software provider to determine if they support EFW for extension or estimated tax payments.

Payments and Credits Applied to Use Tax – For taxable years beginning on or after January 1, 2015, if a taxpayer includes use tax on their personal income tax return, payments and credits will be applied to use tax first, then towards income tax, interest, and penalties. For more information, see specific line instructions for Form 540, line 91.

Dependent Social Security Number – Taxpayers claiming an exemption credit must write each dependent's SSN in the spaces provided within line 10 for the California Form 540. If you are claiming an exemption credit for a dependent who is ineligible for an SSN and a federal ITIN, you may complete and provide form FTB 3568 with required documentation attached to the tax return and write "no id" in the SSN field of line 10. For more information, see Form 540 specific instructions for line 10 and get form FTB 3568.

Financial Incentive for Seismic Improvement – Taxpayers can exclude from gross income any amount received as loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. Additional information can be found in the instructions for California Schedule CA (540).

Disaster Losses – For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Additional information can be found in the instructions for California form FTB 3805V.

Penalty Assessed by Professional Sports League – An owner of all or part of a professional sports franchise will not be allowed a deduction for the amount of any fine or penalty paid or incurred, that was assessed or imposed by the professional sports league that includes that franchise. Additional information can be found in the instructions for California Schedule CA (540).

Mandatory Electronic Payments – You are required to remit all your payments electronically once you make an estimate or extension payment exceeding $20,000 or you file an original tax return with a total tax liability over $80,000. Once you meet this threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically. The first payment that would trigger the mandatory e-pay requirement does not have to be made electronically. Individuals that do not send the payment electronically will be subject to a 1% noncompliance penalty.

You can request a waiver from mandatory e-pay if one or more of the following is true:

- You have not made an estimated tax or extension payment in excess of $20,000 during the current or previous taxable year.

- Your total tax liability reported for the previous taxable year did not exceed $80,000.
- The amount you paid is not representative of your total tax liability.

For more information or to obtain the waiver form, go to **ftb.ca.gov/e-pay**. Electronic payments can be made using Web Pay on FTB's website, EFW as part of the e-file return, or your credit card.

Estimated Tax Payments – Taxpayers are required to pay 30% of the required annual payment for the 1st required installment, 40% of the required annual payment for the 2nd required installment, no installment is due for the 3rd required installment, and 30% of the required annual payment for the 4th required installment.

Taxpayers with a tax liability less than $500 ($250 for married/RDP filing separately) do not need to make estimated tax payments.

Backup Withholding – With certain limited exceptions, payers that are required to withhold and remit backup withholding to the IRS are also required to withhold and remit to the FTB on income sourced to California. If the payee has backup withholding, the payee must contact the FTB to provide a valid taxpayer identification number, before filing the tax return. Failure to provide a valid taxpayer identification number may result in a denial of the backup withholding credit. For more information, go to **ftb.ca.gov** and search for **backup withholding**.

Registered Domestic Partners (RDP) – Under California law, RDPs must file their California income tax return 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 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.

Direct Deposit Refund – You can request a direct deposit refund on your tax return whether you e-file or file a paper tax return. Be sure to fill in the routing and account numbers carefully and double-check the numbers for accuracy to avoid it being rejected by your bank.

Direct Deposit for ScholarShare 529 College Savings Plans – If you have a ScholarShare 529 College Savings Plan account maintained by the ScholarShare Investment Board, you may have your refund directly deposited to your ScholarShare account. Go to **scholarshare529.com** for instructions.

California Disclosure Obligations – If the individual was involved in a reportable transaction, including a listed transaction, the individual may have a disclosure requirement. Attach federal Form 8886, Reportable Transaction Disclosure Statement, to the back of the California tax 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 individual fails to file federal Form 8886, or fails to provide any other required information. A material advisor is required to provide a reportable transaction number to all taxpayers and material advisors for whom the material advisor acts as a material advisor.

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FRANCHISE TAX BOARD
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For more information, go to **ftb.ca.gov** and search for **disclosure obligation.**