

CALIFORNIA TAXATION OF NONRESIDENT INCOME

California Taxation of Nonresident Income	
Type of Income	Taxability
Income from business activities conducted solely in California	Taxable
Income from business activities outside California by a California business	Apportionable ¹
Income from business activities conducted both inside and outside of California	Apportionable ¹
Real property located in California	Taxable
Real property located outside California	Not taxable
Income from tangible personal property located in California	Taxable
Income from tangible personal property located outside California	Not taxable
Gain on the sale of real property or tangible personal property located in California	Taxable
Interest and dividends	Not taxable ²
Payment for services performed in California*	Taxable
Payment for services performed outside California for a California business, trade, or profession*	Not taxable
Pensions accrued during California residency from services performed in California	Not Taxable
Income from a stock option exercised after taxpayer becomes a nonresident but where services between grant date and exercise date were performed while taxpayer was a resident	Taxable ³
Income from California S corporation	Taxable
Gain on sale of partnership interest or closely held stock in a California corporation	Not taxable ⁴
Income from royalties and for the privilege of using patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, etc., that have a business situs in California	Taxable

¹ If the income is an integral part of a unitary business, it would be taxable, and you would need to use the unitary formula to determine the portion allocable to California (R&TC §17951-4(c))

² Interest and dividend income would not be taxable unless it had a business or taxable situs in California (R&TC §17952) or unless the intangible income is from an installment sale that occurred while the taxpayer was a resident

³ 18 Cal. Code Regs. §17952

⁴ *Appeal of Amyas Ames, et al.* (June 17, 1987) 87-SBE-042

* This is true if services performed were reported on a Form W-2. If however, services were in connection with a trade or business, they must be apportioned to California using market-based sourcing rules

 **Website**

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