

| Chart 21-2 | | | |
|--|-----------------------|-----------------------|------------|
| Quick Guide to California Nonconformity for Taxable Year 2019 | | | |
| General notes The following potential differences are not reflected in this guide: <ul style="list-style-type: none"> ⑥ Qualified nonmilitary spouses of nonresident military servicemembers stationed in CA are not subject to CA tax on income they earn in CA. As CA nonresidents, qualified spouses may also exclude from CA income their interest and dividends and other intangible income, which is taxed to the state of residence. (Military Spouses Residency Relief Act (P.L. 111-97)); ⑥ Registered domestic partners (RDPs): There will be a number of differences between federal and CA because the couple will file as single for federal purposes and as married for CA. This means that phaseouts, limitations, and computations will be different (e.g., taxable Social Security, deductible passive losses, mortgage interest, etc.); and ⑥ CA does not conform to any of the provisions in the Disaster Relief and Airport and Airway Extension Act of 2017 provided to victims of Hurricanes Harvey, Irma, and Maria. | | | |
| | IRC § | PITL R&TC § | CTL R&TC § |
| Filing Status and Personal Exemptions | | | |
| Taxpayers must use the same filing status on the CA return that they used on the federal return, unless: <ul style="list-style-type: none"> ⑥ One spouse is a nonresident with no CA source income; ⑥ One spouse is a nonresident military servicemember; or ⑥ They are in a registered domestic partnership (RDP). In the first two cases above, the spouses may elect to file married filing separate for CA and married filing joint for federal purposes. ¶22-100 | 2 | 18521 | N/A |
| Dependents: A parent may claim a child as a dependent on the federal return (so that the child may claim the child as a dependent for CA purposes). | 152 | 17056 | N/A |
| Exemption credits: Taxpayers may claim exemption credits. ¶25-113 | 151 | 17054 | N/A |
| Phaseouts: CA allows phaseouts of itemized deductions based on 6% of federal AGI. | N/A | 17054 | N/A |
| RDPs: RDPs must file as single taxpayers for federal purposes, and must file their CA income tax returns as married taxpayers (generally either married/RDP filing joint or married/RDP filing separate). ¶22-101 | N/A | 18521 | N/A |
| Wages, Salaries, Tips, Etc. | | | |
| Bicycle commuting: CA allows an exclusion for qualified bicycle commuting reimbursement. | 132 | 17149 | N/A |
| California qualified stock option income: Not taxable by CA if exercised by certain individuals. ¶21-101 | N/A | 17502 | N/A |
| Clergy housing: Exclusion not limited to the fair rental value, and CA allows state-employed clergy to allocate up to 50% of their salary to either the rental value or the rental allowance. (Gov't Code §19827.5) ¶21-218 | 107 | 17131.6 | N/A |
| Combat pay: Combat pay for military members serving in the Sinai Peninsula is taxable for CA. | 11026(b), P.L. 115-97 | 17142.5, 18571 | N/A |
| Employer-paid HSA contributions: Included in CA wages. ¶21-325 | 106 | 17131.4, 17131.5 | N/A |
| Employer-provided transportation benefits: CA exclusions are different from federal. ¶21-234 | 132 | 17090, 17149 | 24343.5 |
| IHSS supplementary payments (CA sales tax): Excludable for CA, but not federal. | N/A | 17131.9 | N/A |
| Military pay: Military wages earned by nonresident military domiciled in a state other than CA are not included in federal AGI when computing CA tax. ¶22-701 | N/A | P.L. 108-189, 17140.5 | N/A |
| Moving expense reimbursements: For moves after December 31, 2017, nonmilitary moving expense reimbursements are excludable for CA but not federal. | 132(g) | 172 | N/A |
| Native Americans: Earned income is excludable if earned by a Native American on any CA Indian country and taxpayer residing in any CA Indian country. | N/A | 17131.7 | N/A |
| Nonmilitary spouse income: Excluded if the spouse has same domicile as his or her servicemember spouse. (Military Spouses Residency Relief Act (P.L. 111-97)) ¶22-701 | N/A | P.L. 111-97 | N/A |

This chapter applies to personal (PITL) and corporate (CTL) tax law: PITL sections begin with a "1" and CTL sections begin with a "2."

| <i>Wages, Salaries, Tips, Etc. — continued</i> | IRC § | PITL R&TC § | CTL R&TC § |
|---|--------------------|-------------------------------|------------------|
| Nonresident wages: Not taxable by CA when a taxpayer earned wages while a resident, but receives the wages after becoming a nonresident and services were not performed in CA. ¶22-600 | N/A | 17951 | N/A |
| Qualified equity grant: Income included when grant exercised for CA. | 83(i) | 17024.5 | N/A |
| RDP medical and expense reimbursements and accident and health insurance paid by an employer is not taxable by CA. ¶22-504 | 105 106 | 17021.7, 17141– 17141.3 | N/A |
| Sick pay under the Federal Insurance Contributions Act and Railroad Retirement Act is excludable from CA wages. ¶21-112 | 86 | 17087 | N/A |
| Tip income: Report the actual amount for CA if the federal amount is estimated. ¶51-206 | N/A | N/A | N/A |
| U.S. treaties exempt income: Taxable by CA unless the treaty specifically excludes the income for state purposes. | N/A | FTB Pub. 1001 | N/A |
| Work Colleges Program income: CA does not conform to the expansion of the scholarship exclusion to include this income. | 117 | 17024.5, 17131 | N/A |
| Interest | | | |
| Interest from the following is not taxable by California | | | |
| Qualified tax credit bonds (for example, Build America Bonds). ¶21-201 | 54 | 17143 | 24272 |
| U.S. savings bonds, U.S. Treasury bills, notes, or any other bonds or obligations (excluding Fannie Mae, Ginnie Mae, and FHLMC bonds or securities) of the U.S. and its territories, including CA. ¶21-201 | 103 141–150 | 17133 | 24272 |
| Interest from the following is taxable by California | | | |
| Canadian RRSPs: Interest on Canadian RRSPs included currently in CA income. ¶21-511 | N/A | 17501 | N/A |
| District of Columbia obligations issued after December 27, 1973. | | 17143 | 24272 |
| HSAs: Interest on HSAs included in CA income. ¶21-325 | 223 | 17215.4 | N/A |
| Kiddie tax: CA continues to tax at the parent's rate. | 1(g) | 17014 | N/A |
| Municipal bonds issued by a county, city, town, or other local government unit in a state other than CA. ¶21-201 | N/A | 17143 | 24272 |
| State bonds issued by other states and the government of American Samoa. ¶21-201 | N/A | 17143 | 24272 |
| Interest paid by IRS in conjunction with returning seized property as a result of a court action taxable for CA, excludable for federal. | 139H, TFA§ 1202 | 17042.5 | |
| Dividends | | | |
| Controlled foreign corporation dividends: Taxable by CA in the year distributed rather than the year earned. | N/A | FTB Pub. 1001 | FTB Pub. 1001 |
| Exempt-interest dividends: Dividends that relate to exempt interest from tax exempt assets are excludable if the mutual fund has at least 50% of its assets invested in tax-exempt government obligations. Fully taxable if less than 50%. ¶21-201 | N/A | 17145 | 24272 |
| HSAs: Dividends from HSAs invested in stocks or mutual funds are taxable by CA. ¶21-325 | 223 | 17215.4 | N/A |
| Kiddie tax: CA taxes unearned income at the parent's rate. | 1(g) | 17014 | N/A |
| Non-cash patronage dividends from farmers' cooperative or mutual associations: CA amounts may be different if an election is made. | 1385 | 17086 | 24273.5 |
| RIC undistributed capital gains: Taxable by CA in the year distributed rather than earned. | N/A | 17088 | N/A |
| S corporation distributions of pre-1987 earnings: Taxable by CA. | N/A | FTB Pub. 1001 | FTB Pub. 1001 |
| State Tax Refund | | | |
| State income tax refunds, including refunds from other states: Not taxable to CA. ¶21-104 | N/A | 17131 17220 | 24345 |

| Alimony | | | |
|--|------------------|---|---|
| Alimony is taxable/deductible for CA purposes no matter when court order was put in place. | 71 | 17081, 17201 | N/A |
| Nonresident aliens with alimony income: Taxable by CA. ¶21-322 | 71 | FTB Pub. 1001 | N/A |
| Accounting Methods | | | |
| Effective 1/1/19, CA conforms to the \$25 million gross receipts exception from accrual, inventory, UNICAP, and percentage of completion method rules. Retroactive to 1/1/18 with election. Change in accounting method differences if no conformity in 2018. | 448, 460, 471 | 17563.51, 17564 | 24422.3, 24652, 24652.6, 24654, 24673.2, 24701 |
| Business Income and Loss | | | |
| Income differences | | | |
| Business conducted partially in California: Worldwide income included in nonresident's AGI from all sources; CA-source business income determined using an apportionment formula. | N/A | 17951 | N/A |
| Gambling income: CA does not limit losses for professional gamblers to gambling winnings. | 165(d) | 17024.5, 17201 | N/A |
| Prevention of certain losses from tax-indifferent parties: CA does not conform. | 267 | 17024.5, 17201 | 23051.5, 24427 |
| Credits that may create basis differences | | | |
| Income may be different due to different basis adjustments for federal and/or CA credits. | Var | Var | Var |
| Loss differences | | | |
| Effective 1/1/2019, CA conforms to excess business loss deduction but the carryover is treated as a carryover loss for CA and an NOL for federal. | 461(j) | 17560.5 | N/A |
| NOLs: CA conforms to federal except there is no 80% taxable income when claiming NOL carryovers, California limits the carryover to 20 years, carrybacks were allowed for California for 2018 NOLs, and California does not allow a 2 year carryback for farming NOLs. | 172 | 17276, 17276.21, 17276.22, 19131.5 | 24416, 24416.21, 24416.22 |
| Business Expensing and Depreciation | | | |
| Expensing | | | |
| Economic development area business property (EZ, LAMBRA, TTA): CA allowed expensing up to \$40,000 for the cost of qualified property for taxable years beginning before January 1, 2014. May create basis difference. | N/A | 17276.2, 17276.6, 17268 | 24356.6, 24356.7, 24356.8 |
| Energy-efficient commercial building expensed for buildings placed in service prior to 2018: CA did not conform. May create basis difference. | 179D | 17257.2 | 24349 |
| Environment (remediation) clean-up costs expensed if paid or incurred before January 1, 2012. CA did not conform after 2003. May result in basis differences. ¶21-319 | 198 | 17279.4 | 24369.4 |
| Federal film and television cost expensing for pre-2018 productions: CA did not conform. May result in basis difference. ¶21-601 | 181 | 17201.5 | 24356 |
| IRC §179 expensing: CA modifies IRC §179 as follows: <ul style="list-style-type: none"> ● CA's IRC §179 deduction is limited to \$25,000 and \$200,000 in assets. ● IRC §179 for qualified property (leasehold improvement, restaurant, and retail improvement property) placed in service on or after January 1, 2010: Not allowed for CA. ● Prior to 1999 and after 2002, CA's IRC §179 expense is less than federal. This could cause a depreciation and basis adjustment. ● IRC §179 off-the-shelf computer software expensing: CA does not conform. ● Revocation of IRC §179 election without IRS consent: CA does not conform. ¶21-604 | 179 | 17250, 17255 | 24349, 24356 |
| Mine safety equipment expensing for property placed in service prior to 2018: CA did not conform. May result in basis difference. | 179E | 17250, 17257.4 | 24349, 24356 |
| Reforestation cost expensing: CA limits to California timber. | 194 | 17278.5 | 24372.5 |

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| Depreciation that will create a basis difference | | | |
|---|--------|-----------------------------|---------------------|
| Auto depreciation: CA does not conform to increased auto depreciation. | 280F | 17024.5, 17250, 17255 | 24349 |
| Auto lease inclusion: CA has its own lease inclusion tables. | | | |
| Bonus depreciation (50%/100%), including \$8,000 bonus depreciation for luxury auto: Not allowed for CA. ¶21-601 | 168 | 17250, 17255 | 24349, 24356 |
| Business property moved into CA: If depreciation method or useful life is unacceptable to CA before the move, you must use the straight-line method. Applies also to former nonresidents who become CA residents. | N/A | 17250 | 24349 |
| Cellulosic biomass ethanol plant property placed in service before January 1, 2018: CA did not conform to additional first-year depreciation. | 168 | 17250 | 24349 |
| Commercial revitalization for buildings placed in service prior to 2010: Difference in depreciation if taxpayer claimed or took the 120-month amortization. | 1400I | 17250 | 24349 |
| Grapevines: Five-year recovery period if replaced in a CA vineyard for phylloxera infestation and for Pierce's Disease. ¶21-603 | 168 | 17250 | 24349 |
| Income forecast method: CA conforms to the federal income forecast method, except for the treatment of participations and residuals and the treatment of distribution costs for property placed in service after October 22, 2004. ¶21-601 | 167 | 17250, 17250.5 | 24349, 24356 |
| Indian reservations: Recovery period for property placed in service after 1993 and before 2018 is shorter depending on the property class. CA does not conform. ¶21-601 | 168 | 17250 | 24349 |
| Insolvency creates a basis difference when elected for CA but not federal and depreciable basis (tax attribute) is reduced. ¶21-212 | 108 | 17144 | 24307 |
| Leasehold improvements , retail improvement property, and qualified restaurant property have a life of 15 years for federal purposes only if TCJA technical correction is made. If not, such property placed in service after 2017 will be treated as 39 year property. CA's recovery period has always been 39 years. ¶21-601 | 168 | 17250 | 24349 |
| Listed property: Computers and peripheral equipment are listed property for CA. | 280F | 17024.5, 17201 | 23051.5, 24349.1 |
| Motorsports entertainment complexes: Seven-year recovery period if placed in service prior to January 1, 2018. CA does not conform. | 168 | 17250 | 24349 |
| Nonresidential real property: Recovery period for property placed in service on or after May 13, 1993, but before January 1, 1997. CA's recovery period is 31.5 years; the federal recovery period is 39 years. ¶21-601 | 168 | 17250 | 24349 |
| Racehorses: Three-year recovery period if placed in service in 2015–2017. CA does not conform. | 168 | 17250 | 24349 |
| Small aircraft recovery method: CA does not conform. | 168 | 17250 | 24349 |
| Smart electric meters and grids: Federal 10-year depreciation. CA does not conform for corporations. | 168 | 17201, 17250 | 24349 |
| Water utility property: CA does not conform to special MACRS. | 168 | | 24354.1 |
| Amortization | | | |
| The following will create a basis difference | | | |
| Geological and geophysical costs: Starting in 2010, CA does not conform. | 167(h) | 17250.5 | 24349 |
| Pollution control facilities: CA conforms to the federal accelerated write-offs, but only for facilities located in CA. | 169 | 17250 | 24372.3, 24449 |
| Start-up costs: CA limited the maximum first year expense to \$5,000 with a limit of \$50,000 rather than \$10,000/\$60,000 in 2010, with the remainder amortized over 180 months. ¶21-607 | 195 | 17201 | 24414 |
| Other Business Expense Differences | | | |
| Taxpayers may need to adjust federal amounts for these California differences | | | |
| Abandonment or tax-recoupment fees for open space easements and timberland preserves not deductible for CA purposes. | N/A | 17275 | 24441 |

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| <i>Other Business Expense Differences — continued</i> | IRC § | PITL R&TC § | CTL R&TC § |
|---|-------------------------|-----------------------------|---------------------------|
| Business interest expense: CA does not limit. | 163(j) | 17024.5, 17201 | 23051.5, 24344 |
| Club dues: CA does not allow a deduction for payments made to clubs that discriminate. | 274 | 17269 | 24333 |
| Credits: Increase CA deduction for any federal credits taken when expense must be reduced by credit amount. Decrease deduction for any CA credits taken when expense must be reduced by credit amount. | Var | Var | Var |
| Employee achievement awards: CA does not conform to TCJA definitional changes. | 274(j)(3) (A)(ii)(I) | 17024.5, 17201 | 23051.5, 24443 |
| Employee meals: CA does not limit the employer's deduction for meals provided for the convenience of the employer to 50% of expenses. | 274 | 17024.5, 17201 | 23051.5, 24443 |
| Employer-provided family leave credit: CA does not have a similar credit. CA's wage deduction is increased by the amount federal wages reduced for which the credit was claimed. | 45S | | |
| Entertainment: CA does not conform to TCJA changes. | 274 | 17024.5, 17201 | 23051.5, 24443 |
| Illegal activities: For PIT, conformity to IRC §280E, except for licensed cannabis businesses which may deduct all expenses. For CTL, all deductions are allowed. No COGS or deductions if the taxpayer is subject to state statutory court actions for profiteering. ¶¶21-301, 21-342 | 280E | 17024.5, 17209, 17282 | 24436.1 |
| Insolvency election: Reduction in tax attributes may change depreciable basis if CA election is different from federal. ¶21-212 | 108 | 17144 | 24307 |
| Local lobbying expenses: CA continues to allow. | 162(e) | 17024.5, 17201 | 23051.5, 24343 |
| Nondeductible penalties and fines: CA does not conform to the TCJA's expanded definition of nondeductible fines and penalties. | 162(f) | 17024.5, 17201 | 23051.5, 24343 |
| Percentage depletion for oil and gas wells and geothermal deposits. CA did not conform to temporary suspensions of taxable income limit. ¶21-608 | 611–638 | 17681.6 | 24831.6 |
| Professional sports league penalties: CA does not allow a business expense deduction. | N/A | 17228 | 24343.8 |
| Qualified business income (IRC §199A): CA does not conform. | 199A | 17024.5, 17201 | N/A |
| Research credit: Differences in what may be claimed for the research credit will result in different research expenses that may be deducted. ¶¶21-310, 25-124 | 41, 280C, 174 | 17052.12, 17201 | 24365, 24440, 23609 |
| Sexual harassment settlements: CA does not conform to disallowed deductions subject to nondisclosure agreements. | 162(q) | 17024.5, 17201 | 23051.5, 24343 |
| Tertiary injectants expenses incurred in the crude oil industry: CA allows depreciation; federal allows expensing. ¶21-315 | 193 | 17260 | 24341, 24401 |
| Transportation fringe benefits: Employers may deduct CA transportation fringe benefits. | 274 | 17024.5, 17090 | 23051.5, 24990 |
| 1099 or Form W-2 not filed for personal services: CA does not allow a deduction. ¶29-103 | N/A | 17299.8 | 24447 |
| Rents, Royalties, Partnerships, Estates and Trusts, etc. | | | |
| Deduction, depreciation, and basis differences | | | |
| Accumulation distribution differences to beneficiaries. | | | |
| Depreciation differences will make the CA numbers different from federal numbers. | | | |
| K-1 income differences due to net income differences. | | | |
| Partnership carried interest: CA does not conform to the increased holding period for capital gain treatment. | 1061(a) | 17024.5, 18031 | N/A |
| Partnership technical terminations: CA conforms effective 1/1/19 or retroactively to 1/1/18 with election. | 708(b) | 17024.5, 17851 | N/A |
| Real estate professionals: CA does not conform to the federal law that treats certain passive income as nonpassive. ¶27-005 | 469 | 17561 | N/A |

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| <i>Rents, Royalties, Partnerships, Estates and Trusts, etc. — continued</i> | IRC § | PITL R&TC § | CTL R&TC § |
|--|------------|---|-------------------------------|
| Substandard housing: CA does not allow a deduction for interest, taxes, depreciation, or amortization. ¶21-301 | | 17274 | 24436.5 |
| Capital Gains and Losses | | | |
| Basis differences can create differences in amount of gains/losses — in addition to items listed below | | | |
| CA does not apply a lower rate for capital gains. | 1 | 17041 | N/A |
| Decedent dying in 2010 if no estate tax was elected: beneficiary has carryover basis — CA basis is equal to FMV rather than adjusted carryover basis. | 1022 | 18035.6 | N/A |
| Gain or loss on stock and bond transactions. | | 17024.5 | |
| Opportunity zone deferral/step-up in basis: CA does not allow capital gain deferral/basis step-up for investments in qualified opportunity zones. | 1400Z-2 | 17024.5 | 23051.5 |
| Prior-year differences between CA and federal law. | | | |
| Self-created property: CA does not conform to the exclusion of certain property as a capital asset. | 1221 | 17024.5, 18151 | 23051.5, 24990 |
| IRC §1031: CA conforms except for individuals with federal AGI less than \$250,000 (\$500,000 MFJ) may still defer gain for exchanges of property other than real property. | 1031 | 17024.5, 18031, 18031.5 | 23051.5, 24941, 24941.5 |
| Other differences | | | |
| CA qualified stock option: Gain may be different. ¶22-605 | N/A | 17502 | N/A |
| Capital loss carryover adjustment for part-year resident year. ¶22-605 | N/A | 17041 | N/A |
| Deemed sale election (2001) was different. (Tax Reform Act of 1997 §311(e)) | | 17024.5 | N/A |
| Installment sale: Different election or basis. ¶27-003 | 453 | 17551 | 24667, 24668.1 |
| Inherited property: Gain or loss on the sale of property inherited before January 1, 1987. | N/A | 18035.6, FTB Pub. 1001 | N/A |
| Passthrough gain or loss from a partnership, S corporation, trust, or LLC may be different. | | | |
| Principal residence gain: Differences due to differences in depreciation or exclusion amount (e.g., RDPs). ¶21-227 | 121 | 17152 | N/A |
| Qualified housing project gain where project provided rental or cooperative housing for low-income families. ¶21-401 | N/A | 18041.5 | 24955 |
| Qualified small business stock: CA does not allow for a rollover on the exchange of qualified small business stock or an exclusion on the gain. ¶21-414 | 1045, 1202 | 18038.4, 18038.5, 18044, 18152.5, FTB Notice 2012-03 | N/A |
| S corporation stock gain may be different if the CA S election date was later (pre-2002) or due to basis differences. ¶23-401 | 1362, 1367 | | 23801, 23804 |
| Undistributed capital gains from a regulated investment company are taxable for CA purposes. | 852(b) | 17088 | 24871 |
| IRA Distributions | | | |
| Basis differences due to: <ul style="list-style-type: none"> ● Catch-up contributions in 2005–2009 for former employees of bankrupt companies. ● Different election to treat IRA contributions as nondeductible for federal but not CA or vice versa. ¶21-506 ● Lower CA AGI limitations in 2007–2009. ¶21-505 | 219 | 17501, 17203, 17024.5 | N/A |

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| IRA Distributions — continued | IRC § | PITL R&TC § | CTL R&TC § |
|---|----------------------|----------------------------|-----------------------|
| Contributions: Pre-1987 IRA and SEP contributions commonly have a higher CA basis. ¶21-505 | 219 | 17203 | N/A |
| HSAs: IRA rolled over to an HSA is taxable to CA. ¶21-510 | 408 | 17215.4 | N/A |
| Hurricane relief: Federal IRA distribution relief and penalty abatement due to 2017 DRAAE and 2018 BBA hurricane and fire relief do not apply for CA. | 504(a)(4), 502(a) | 17024.5 | |
| Self-employment or farm income: Lower IRA deduction for CA purposes for 1987–1995. | 219 | 17203 | N/A |
| Pensions and Annuities | | | |
| Income exempt by U.S. treaties including foreign Social Security and foreign pensions: CA does not conform to most U.S. treaties. (<i>Appeal of de Mey Van Streefkerk</i> (November 6, 1985) 85-SBE-135) ¶21-001 | | | |
| Railroad retirement benefits: Tier 1 and Tier 2 are not taxable to CA. ¶21-112 | 86 | 17087 | N/A |
| U.S. Social Security benefits: Not taxable to CA. ¶21-112 | 86 | 17081 | N/A |
| IRA and Pension Basis Differences | | | |
| Canadian RRSP earnings: Taxable by CA in the year earned. ¶21-511 | 408 | 17501 | N/A |
| Contribution deductions: Pre-1987 Keogh and SEP deductions may have been higher for federal than for CA purposes. ¶21-505 | 219 | 17085 | N/A |
| MSA rolled into an HSA: Taxable by CA, provides basis for CA purposes. | 220 | FTB Pub. 1001 | N/A |
| Self-employment or farm income: After 1986 and before 1996, if CA deductions for self-employment or farm income was lower. | 219 | 17507 | N/A |
| Starting dates: <ul style="list-style-type: none"> ● Annuity starting date after July 1, 1986, and before January 1, 1987, if the taxpayer elected to use the three-year recovery rule for CA purposes. ● Annuities with a starting date after November 18, 1996, and before January 1, 1998, may have basis recovered under a different method. | 219 | FTB Pub. 1001 | N/A |
| Other Income/Deductions/Exclusions | | | |
| Income/Exclusions | | | |
| CA lottery winnings: Not taxable to CA. ¶21-113 | 61 | Gov't. Code §8880.68 | |
| Global intangible low-tax income (GILTI): CA does not conform and does not tax such income until actually distributed. | 951A | N/A | N/A |
| Kast Property Tank Farm cleanup settlements: CA excludes settlement payments paid to 1,500 Carousel Housing Tract residents. ¶21-202 | N/A | 17138.4 | 24308.8 |
| Paid family leave benefits: Not taxable to CA. ¶21-111 | 85 | 17083 | N/A |
| Repatriation income: CA does not conform and does not tax such income until actually distributed. | 965 | N/A | N/A |
| State tax refunds: Not taxable to CA. | 111 | 17131, 17142 | 24345 |
| Unemployment compensation: Not taxable to CA. ¶21-111 | 85 | 17083 | N/A |
| Other income and deductions (Line 21 1040) | | | |
| Beverage container recycling income: Not taxable to CA. ¶21-207 | N/A | 17153.5 | 24315 |
| Canadian government settlement payments made by the Canadian government to redress injustices done during World War II to persons of Japanese ancestry: Not taxable to CA. ¶21-202 | N/A | 17156.5 | N/A |

| <i>Other Income/Deductions/Exclusions — continued</i> | IRC § | PITL R&TC § | CTL R&TC § |
|--|------------------------------------|--|-----------------|
| Cancellation of debt: The following are differences between CA/federal treatment: <ul style="list-style-type: none"> ● Insolvency election: Reduction in tax attributes may change depreciable basis if CA election is different than federal. ● Principal residence exclusion: Federal does not allow COD on principal residence after 2017 unless an agreement was entered into in 2017; CA does not allow after 2013. ● Student loan forgiveness: CA excludes loans forgiven under income-based repayment (IBR) program and income-contingent repayment programs and loans discharged due to a student's death or disability. ● Difference in real property indebtedness due to basis. | 108 | 17131, 17132.11, 17144, 17144.5, 17144.8 | 24307 |
| Coal power grants: CA does not allow an exclusion from gross income of certain clean coal power grants to noncorporate taxpayers. | Uncodified Sec. 343 (P.L. 114-113) | N/A | N/A |
| Commodity Credit Corporation loans: Different elections for income exclusion. ¶21-114 | 77 | 17081 | 24273 |
| Congressional member living expenses: CA allows a \$3,000 deduction. | 162(a) | 17201 | N/A |
| Cost share payments for forest landowners: Not taxable to CA. | N/A | 17135.5 | 24308.5 |
| Crime hotline rewards: Not taxable to CA. ¶21-205 | N/A | 17147.7 | N/A |
| Death benefits received from the CA National Guard, State Military Reserve, or Naval Militia are excludable for CA purposes. | | 17132.4 | N/A |
| Disaster loss: Difference due to different elections or basis differences. Carryback allowed for governor-only declared emergencies. ¶21-304 | 165(i) | 17207.14 | 24347, 24347.14 |
| Foreign-earned income or housing exclusion: Not allowed by CA. ¶21-210 | 911 | 17024.5 | N/A |
| HSA withdrawn for nonqualified purposes are not taxable for CA due to basis in HSA. ¶21-325 | 223 | 17215.4 | N/A |
| Nonresident aliens must include worldwide income on CA return. ¶22-606 | N/A | 17954 | N/A |
| Ottoman Turkish Empire Settlement Payments: CA provides an exclusion. | N/A | 17131.2 | 24272 |
| Per capita payments: CA does not tax Native Americans living on their tribal land receiving payments from their tribe. | N/A | FTB Pub. 1001 | N/A |
| Prescription drug subsidies: CA does not allow exclusion. | 139A | 17139.6 | N/A |
| Rebates from water agencies and suppliers: Not taxable to CA. ¶21-206 | N/A | 17138, 17138.1 | 24323 |
| Seismic retrofit assistance: Excluded from CA gross income. ¶21-235 | N/A | 17138.3 | 24308.7 |
| §529 plan: CA does not allow tax-free distributions for K–12 tuition. Basis may be different due to previous differences. | 529 | 17140.3 | 23714 |
| Adjustments to Income | | | |
| Educator expense \$250 deduction: CA does not allow. ¶21-301 | 62(a)(2)(D) | 17072 | N/A |
| HSAs: Contributions not deductible. ¶21-325 | 223 | 17215.4 | N/A |
| Moving expenses: CA continues to allow moving expenses for moves into or within CA. | 217 | 17072, 17201 | N/A |
| Nonresident aliens who did not deduct alimony payments on their federal return can deduct alimony payments on their CA return. ¶22-606 | N/A | 17302 | N/A |
| Self-employed health insurance paid on behalf of a nondependent RDP deductible for CA. ¶22-504 | N/A | 17021.7 | N/A |
| Student loan interest deduction: Non-CA domiciled military taxpayers exclude military wages, which may increase deduction. | 221 | 17041 | N/A |
| Tuition and related expenses exclusion (pre-2018 tax years): Not excludable for CA purposes. ¶21-326 | 222 | 17024.7 | N/A |
| Whistleblower court costs: CA taxes court costs awarded in IRS, SEC, Commodities Futures Trading Commission, and State False Claims Act whistleblower cases. | 62(a)(21)(A) | 17072 | N/A |

This chapter applies to personal (PITL) and corporate (CTL) tax law: PITL sections begin with a "1" and CTL sections begin with a "2."

| Itemized Deductions | | | |
|---|-----------|----------------|---------|
| When using standard deductions on the federal return but itemizing on the CA return, complete and attach a copy of the federal Schedule A (even though the taxpayer did not file one with his or her federal return). | | | |
| Itemized deduction phaseout amount is 6% of federal AGI for CA purposes. | 68 | 17077 | N/A |
| Any deductions subject to AGI limitations may be different for RDPs because they must file as married for CA and single for federal. ¶22-504 | | | |
| Expenses related to income taxed under federal law but not taxed under CA law: Not deductible for CA. ¶21-302 | 265 | FTB Pub. 1001 | |
| Expenses related to income taxed under CA law but not under federal law: Deductible for CA. ¶21-302 | 265 | FTB Pub. 1001 | N/A |
| Medical expenses | | | |
| Adoption-related medical expenses: Adjust for differences between CA and federal Adoption Credit rules. | N/A | 17052.25 | N/A |
| HSA: Payments made with HSA funds are deductible. ¶21-325 | 223 | 17215.4 | N/A |
| Federal law reduces medical expenses by 10% of AGI; California is 7.5% of federal AGI. | 213 | 17241 | N/A |
| Taxes | | | |
| Foreign taxes: CA does not allow a deduction for foreign tax paid. | 164 | 17220 | N/A |
| Foreign real property taxes: CA allows an itemized deduction for foreign real property taxes. | 164(b)(6) | 17024.5, 17201 | N/A |
| Federal estate tax: Not deductible for CA. | N/A | FTB Pub. 1001 | N/A |
| Generation-skipping transfer tax: Not deductible for CA. | 2601 | 17024.5 | N/A |
| Income taxes or sales and use tax paid (including foreign income taxes, SDI, sales tax on vehicles, \$800 annual tax paid by LPs and LLCs, and income or franchise taxes paid by S corporations): Not deductible for CA. ¶21-303 | 164 | 17220 | 24345 |
| Property tax: Different capitalization elections. | 266 | 17201 | 24426 |
| State and local taxes: CA does not allow a deduction for state income tax. Other state and local taxes (property, <i>ad valorem</i> , etc.) are allowed in full. | 164 | 17024.5, 17220 | N/A |
| Interest | | | |
| Capital gain and dividends: Electing for CA not to include as investment income may create a larger interest expense. ¶21-302 | 163 | 17201 | N/A |
| Capitalizing carrying charges: Different elections. | 266 | 17201 | 24426 |
| Federal Mortgage Interest Credit: Interest deductible for CA. ¶21-302 | | FTB Pub. 1001 | N/A |
| Investment interest differences. ¶21-302 | 163 | 17280 | 24425 |
| Mortgage insurance premiums (pre-2018 tax years): Not deductible for CA. ¶21-302 | 163 | 17225 | N/A |
| Mortgage interest: CA follows pre-TCJA rules for \$1 million of acquisition debt and \$100,000 of equity debt (subject to AMT). | 163(h)(3) | 17024.5, 17201 | N/A |
| Charitable contributions | | | |
| Agricultural research organizations: CA does not conform to federal increased individual charitable contribution limits for contributions to agricultural research organizations. | 170(b)(1) | 17201 | N/A |
| Athletic seats: CA continues to allow deductions for college athletic seating rights. | 170(1)(I) | 17024.5, 17201 | 23051.5 |
| College bribery scandal: For years beginning 1/1/14, no contribution deduction complaints allowed for those convicted in college bribery scandal. | 170 | 17275.4 | N/A |
| College Access Tax Credit Fund: No CA deduction for contribution if a credit for the contribution was claimed. ¶21-306, ¶25-107 | 170 | 17053.86 | 23686 |

| <i>Charitable contributions — continued</i> | IRC § | PITL R&TC § | CTL R&TC § |
|--|----------------------------|----------------|--------------------------------|
| Food inventories: CA does not conform to enhanced deduction for charitable contributions of food inventories. ¶21-306 | 170(e)(3)(C) | 17275.2 | 24357.1, 24358 |
| Maximum limits: CA limits the maximum charitable deduction to 50% of federal AGI. | 170 | 17024.5, 17201 | N/A |
| Qualified conservation contributions: CA deductions are different. | 170(b)(1)(B), 170(b)(2)(B) | 17201 | 24358 |
| Miscellaneous itemized deductions | | | |
| CA continues to allow miscellaneous itemized deductions. | 67(g) | 17024.5, 17076 | N/A |
| CA phases out itemized deductions based on 6% of federal AGI. | | 17077 | N/A |
| Casualty losses: CA continues to allow casualty losses; nondeductible for federal. | 165 | 17201 | N/A |
| Disaster loss: Different throwback elections for disaster victims under IRC §165(i), or where the CA Governor declared a disaster but the President did not. ¶21-304 | 165 | 17207.14 | 24347.14 |
| Employee educator expense: Include \$250 deduction due to federal education credits/deduction as miscellaneous itemized deduction. | | | |
| Interest paid to public utility: Qualified interest is deductible for CA as a miscellaneous itemized deduction not subject to 2%. ¶21-302 | | 17073, 17208.1 | N/A |
| Provisions Applicable Only to Corporations | | | |
| AMT: California imposes AMT for corporations and does not allow an acceleration of AMT credits. | 55, 56, 59 | N/A | 23400, 23455(a) and (d), 23456 |
| Basis adjustment to stock of S corporations making charitable contributions of property: CA does not conform. | 1367(a)(2) | N/A | 23051.5, 23800 |
| Cancellation of debt: Difference in basis due to COD for S corporations for distributions after October 11, 2001, and before January 1, 2003. | 108 | N/A | 24307 |
| Charitable contributions: <ul style="list-style-type: none"> Charitable deduction limited to 10% of CA income. Patents and intellectual property: Special treatment of these charitable does not apply for corporate purposes. For corporate purposes, the property is valued at basis. | 170(m) | N/A | 24357.1, 24358 |
| Contributions to capital: CA does not conform to TCJA modifications to definitions, so income may not be taxable to CA. | 118(b) | N/A | 24325 |
| Depreciation: <ul style="list-style-type: none"> ACRS and MACRS: CA does not conform for C corporations. Bonus depreciation: In lieu of electing IRC §179 expensing CA allows additional \$2,000. Luxury automobiles and listed property: C corporations must use CA corporate depreciation methods. first-year depreciation for C corporations, but no other general bonus depreciation. | 168, 280F | N/A | 24349, 24349.1, 24350, 24356 |
| Dividend received deduction: CA does not have a general dividends received deduction. | 243 | N/A | 24402 |
| Foreign derived intangible income/GILTI: CA does not conform to the 50% deduction for foreign derived intangible income or global intangible low-taxed income. | 250 | N/A | N/A |
| Health plans and insurers: CA excludes certain income. | N/A | N/A | 24330 |
| Interest on government obligations: Interest received on all government (federal, state, municipal, and tax credit bond) obligations are taxable to franchise taxpayers only. | N/A | N/A | 24272 |
| REITs: Restriction on tax-free spin-offs involving REITs. | 355(a) | N/A | 24451 |