

Table of Contents

Part 1: California Taxes, Tax Agencies, and Authority to Tax.	1
¶10-100 California taxes	1
¶10-200 California's tax agencies	1
¶10-300 California's authority to tax	3
Part 2: Income and Franchise Taxes.	5
Chapter 1: Taxable Income Elements	5
¶21-000 California conformity	5
Quick Guide to California Nonconformity for Taxable Year 2021	9
¶21-100 Gross income in general	21
¶21-200 Exclusions in general.	27
¶21-300 Deductions in general	38
¶21-400 Sales and Exchanges	55
¶21-500 Pensions, IRAs, and Other Deferred Compensation	61
¶21-600 Depreciation, Amortization, and Depletion	66
Chapter 2: Personal Income Tax	70
¶22-100 Filing status	70
¶22-200 Filing requirements.	73
¶22-300 Filing, payment, and refund options	78
¶22-400 Community property	81
¶22-500 Registered domestic partners (RDPs)	85
¶22-600 Residency and nonresidency	86
¶22-700 Military and Native Americans.	104
¶22-800 Individual health care mandate.	108
¶22-900 Voluntary contributions	117
Chapter 3: Corporations.	118
¶23-000 Corporations in general	118
¶23-100 Forming a California corporation.	119
¶23-200 Minimum franchise tax	119
¶23-300 Corporate Statement of Information — in general	121
¶23-400 Electing S corporation status	121
¶23-500 Foreign corporations	126
¶23-600 Corporate filing requirements	132
¶23-700 Suspended corporations — revivor	139
¶23-800 Liquidation and dissolution.	141
Chapter 4: Partnerships, LPs, LLPs, and LLCs	147
¶24-000 Partnership/LLC return due dates.	147
¶24-100 General partnerships.	151

¶24-200 Limited partnerships	155
¶24-300 Limited liability partnerships	157
¶24-400 Limited liability companies	158
Chapter 5: Credits	181
¶25-000 Credits generally	181
¶25-100 Specific credits	184
¶25-200 Carryovers of expired credits	217
Chapter 6: AMT and Other Taxes	220
¶26-100 Alternative minimum tax (AMT) – individuals	220
¶26-200 Alternative minimum tax (AMT) – corporations	222
¶26-300 Other taxes	223
¶26-400 Paying use tax with California income and franchise tax returns.	225
Chapter 7: Periods, Methods, and Inventories	227
¶27-001 Accounting periods in general	227
¶27-002 Accounting methods in general.	227
¶27-003 Taxable year of inclusion	229
¶27-004 Taxable year of deduction.	229
¶27-005 Passive losses	230
¶27-006 Inventories	230
¶27-007 Mark-to-market for certain securities dealers	230
¶27-008 Adjustments and allocations of income	230
¶27-009 Allocation and apportionment	230
¶27-010 Unitary business	236
¶27-011 Elections	237
Chapter 8: Administration	238
¶28-100: Audits and Appeals	238
¶28-200: Statute of Limitations, Assessments, and Refunds.	257
¶28-300: Penalties, Interest, and Fees.	267
¶28-400: Collections	297
¶28-500: Power of Attorney and Taxpayer Information Authorization	311
¶28-600: FTB E-services	316
Chapter 9: Information Returns and Withholding at Source	320
¶29-100 Information returns	320
¶29-200 Withholding at source	324
Part 3: Estates and Trusts	342
Chapter 1: Estates	342
¶31-100 Death and gift taxes	342
¶31-200 Income in respect of a decedent.	342
¶31-300 Taxation of probate estates and their beneficiaries	342
Chapter 2: Trusts	344

¶32-100 Taxation of trusts and beneficiaries	344
¶32-200 Trust income taxed by California	346
Part 4: Sales and Use Taxes	350
Chapter 1: Overview	350
¶41-100 Imposition of S&U taxes	350
Chapter 2: Subject Taxpayers and Transactions	355
¶42-100 S&U taxes — who is taxed?	355
¶42-200 Elements of a taxable sale	355
¶42-300 Elements of a sale.	356
¶42-400 Definition of retail	357
¶42-500 Sale of property and sale of services distinguished.	362
¶42-600 Tangible personal property distinguished from real property	367
¶42-700 Tangible personal property distinguished from intangible property.	368
¶42-800 California retailer.	368
¶42-900 California purchasers	371
Chapter 3: Deductions, Exemptions, and Exclusions	374
¶43-100 Deductions, exemptions, and exclusions in general	374
¶43-200 Necessities of life	374
¶43-300 General public benefit	380
¶43-400 Industry benefit.	382
¶43-500 Exclusions by definition	387
¶43-600 Other exemptions, exclusions, and credits.	387
Chapter 4: Permits, Returns, and Payments.	393
¶44-100 Permits and registration	393
¶44-200 S&U tax returns.	396
¶44-300 Payments	398
Chapter 5: Audits, Administration, and Collections	400
¶45-100 Audits — S&U taxes	400
¶45-200 Administrative remedies and appeals — S&U taxes	405
¶45-300 Collection of S&U taxes	410
Chapter 6: Penalties and Interest	417
¶46-100 Penalties — S&U taxes.	417
¶46-200 Interest — S&U taxes.	418
Part 5: Employment Taxes	419
Chapter 1: Payroll Taxes and Reporting.	419
¶51-100 California employment taxes	419
¶51-200 Definitions.	422
¶51-300 Employees or independent contractors?	429
¶51-400 Reporting and payments	441
¶51-500 Employer change of status	448

¶51-600 Employees working in multiple states	449
¶51-700 Household employers	451
¶51-800 Layoff alternative – work sharing	453
¶51-900 Employment tax treatment of stock options	454
Chapter 2: Audits, Appeals, and Administration.	456
¶52-001 Employment Development Department.	456
¶52-002 EDD audits	456
¶52-003 EDD appeals	460
¶52-004 Penalties and interest – payroll taxes	462
¶52-005 Settlements – payroll taxes	462
¶52-006 Collections – payroll taxes	463
¶52-007 Offers in Compromise – EDD	466
¶52-008 Statute of limitations – payroll taxes	467
Part 6: Property Taxes.	469
Chapter 1: Overview	469
¶61-100 Property subject to tax	469
¶61-101 Property tax definitions	469
¶61-102 Rate of property tax	469
¶61-103 Property tax exemptions.	469
Chapter 2: The Assessment Process	471
¶62-100 Property tax assessment	471
¶62-101 Assessor’s notification of the taxpayer	471
¶62-102 Delivery of property roll to the auditor	471
¶62-103 Supplemental assessments	471
Chapter 3: Base-Year Values	472
¶63-000 Assessments, generally	472
¶63-100 Change in ownership	472
¶63-101 Reporting change in ownership.	473
¶63-102 Disputing change of ownership.	474
Chapter 4: Real Property	475
¶64-101 Proposition 13.	475
¶64-102 Proposition 8	475
¶64-103 Conflict between Propositions 8 and 13	475
¶64-104 Transfer of ownership without reappraisal	476
¶64-105 Transfer of principal residence base-year value.	476
¶64-106 Transfers between parent and child or grandparent and grandchild.	479
¶64-107 Transfers to surviving co-owners.	481
¶64-108 Transfers between registered domestic partners	482
¶64-109 Ownership or control	482
¶64-110 Construction resulting in reassessment	486

¶64-111 Dates of reappraisal	487
¶64-112 Property tax postponement	487
¶64-113 Disaster relief — property taxes	488
Chapter 5: Business Property Taxes	491
¶65-101 Business property tax filing requirements	491
¶65-102 Classification of property	492
¶65-103 Tax return consistency of property treatment	492
¶65-104 Tools and equipment property tax exemption	492
¶65-105 Computer valuation factors — property taxes	493
¶65-106 Assessment of leased equipment	493
¶65-107 Lien dates and assessments — property taxes	493
Chapter 6: Application for Changed Assessment, Audits, and Appeals.	495
¶66-101 Protests	495
¶66-102 Residential property valuation	496
¶66-103 Income property valuation	496
¶66-104 Special-purpose property valuation	498
¶66-105 Property tax appeal issues other than value.	499
¶66-106 Assessor audits	499
¶66-107 Managing property tax appeals.	500
Chapter 7: Property Tax Reduction Tips	501
¶67-101 Overvalued property.	501
¶67-102 Property tax statement.	501
¶67-103 Homeowner's exemption	501
¶67-104 Timing of property delivery.	501
¶67-105 Estate planning/ property tax planning overlap	501
¶67-106 Proper classification of property costs	501
¶67-107 New construction.	501
Chapter 8: Returns, Payments, Penalties, and Refunds	502
¶68-101 Property tax returns	502
¶68-102 Property tax payments.	502
¶68-103 Penalties — property tax.	502
¶68-104 Refunds of property tax	502
Part 7: Miscellaneous Taxes and Fees	503
¶70-001 Miscellaneous taxes and fees — overview.	503
¶70-002 Environmental fees.	503
¶70-003 Excise taxes	503
¶70-004 Motor vehicle taxes.	507
¶70-005 Fuel taxes	508
¶70-006 Private railroad car tax.	508
¶70-007 Documentary transfer tax	508

¶70-008 Business license taxes	509
¶70-009 Oil and gas production taxes	509
¶70-010 Reserved.	509
¶70-011 Public utilities.	509
¶70-012 Fire Prevention Fee	509
¶70-013 Timber yield tax	509
¶70-014 Lumber products assessment	510
¶70-015 Reserved.	510
¶70-016 Childhood Lead Poisoning Prevention Fee	510
¶70-017 Oil Spill Prevention, Response, and Administration Fee.	510
¶70-018 Prepaid Mobile Telephony Services (MTS) surcharge	510
Index	511