

## Table of Contents

<b>Part 1: California Taxes, Tax Agencies, and Authority to Tax.</b> . . . . .	<b>1</b>
¶10-100 California taxes — overview . . . . .	1
¶10-200 California's tax agencies . . . . .	1
¶10-300 California's authority to tax . . . . .	3
<b>Part 2: Income and Franchise Taxes.</b> . . . . .	<b>5</b>
Chapter 1: Taxable Income Elements . . . . .	5
¶21-000 California conformity . . . . .	5
Quick Guide to California Nonconformity for Taxable Year 2022 . . . . .	11
¶21-100 Gross income in general . . . . .	23
¶21-200 Exclusions in general. . . . .	29
¶21-300 Deductions in general . . . . .	41
¶21-400 Sales and Exchanges . . . . .	59
¶21-500 Pensions, IRAs, and Other Deferred Compensation . . . . .	65
¶21-600 Depreciation, Amortization, and Depletion . . . . .	70
Chapter 2: Personal Income Tax . . . . .	74
¶22-100 Filing status . . . . .	74
¶22-200 Filing requirements. . . . .	77
¶22-300 Filing, payment, and refund options . . . . .	82
¶22-400 Community property . . . . .	86
¶22-500 Registered domestic partners (RDPs) . . . . .	89
¶22-600 Residency and nonresidency . . . . .	90
¶22-700 Military and Native Americans. . . . .	111
¶22-800 Individual health care mandate. . . . .	115
¶22-900 Voluntary contributions . . . . .	123
Chapter 3: Corporations. . . . .	124
¶23-000 Corporations in general . . . . .	124
¶23-100 Forming a California corporation. . . . .	125
¶23-200 Minimum franchise tax . . . . .	125
¶23-300 Corporate Statement of Information — in general . . . . .	127
¶23-400 Electing S corporation status . . . . .	127
¶23-500 Foreign corporations . . . . .	132
¶23-600 Corporate filing requirements . . . . .	138
¶23-700 Suspended corporations — revivor . . . . .	145
¶23-800 Liquidation and dissolution. . . . .	147
Chapter 4: Partnerships, LPs, LLPs, and LLCs . . . . .	154
¶24-000 Partnership/LLC return due dates. . . . .	154
¶24-100 General partnerships. . . . .	160

¶24-200 Limited partnerships . . . . .	163
¶24-300 Limited liability partnerships . . . . .	165
¶24-400 Limited liability companies . . . . .	166
Chapter 5: Credits . . . . .	190
¶25-000 Credits generally . . . . .	190
¶25-100 Specific credits . . . . .	193
¶25-200 Carryovers of expired credits . . . . .	226
Chapter 6: AMT and Other Taxes . . . . .	229
¶26-100 Alternative minimum tax (AMT) – individuals . . . . .	229
¶26-200 Alternative minimum tax (AMT) – corporations . . . . .	231
¶26-300 Other taxes . . . . .	232
¶26-400 Paying use tax with California income and franchise tax returns. . . . .	234
Chapter 7: Periods, Methods, and Inventories . . . . .	236
¶27-001 Accounting periods in general . . . . .	236
¶27-002 Accounting methods in general. . . . .	236
¶27-003 Taxable year of inclusion . . . . .	238
¶27-004 Taxable year of deduction. . . . .	238
¶27-005 Passive losses . . . . .	239
¶27-006 Inventories . . . . .	239
¶27-007 Mark-to-market for certain securities dealers . . . . .	239
¶27-008 Adjustments and allocations of income . . . . .	239
¶27-009 Allocation and apportionment . . . . .	239
¶27-010 Unitary business . . . . .	245
¶27-011 Elections . . . . .	246
Chapter 8: Administration . . . . .	248
¶28-100 Audits and Appeals . . . . .	248
¶28-200 Statute of Limitations, Assessments, and Refunds . . . . .	267
¶28-300 Penalties, Interest, and Fees . . . . .	277
¶28-400 Collections. . . . .	308
¶28-500 Power of Attorney and Taxpayer Information Authorization. . . . .	323
¶28-600 FTB E-services. . . . .	328
Chapter 9: Information Returns and Withholding at Source . . . . .	332
¶29-100 Information returns . . . . .	332
¶29-200 Withholding at source . . . . .	336
<b>Part 3: Estates and Trusts . . . . .</b>	<b>354</b>
Chapter 1: Estates . . . . .	354
¶31-100 Death and gift taxes . . . . .	354
¶31-200 Income in respect of a decedent. . . . .	354
¶31-300 Taxation of probate estates and their beneficiaries . . . . .	354
Chapter 2: Trusts . . . . .	356

¶32-100 Taxation of trusts and beneficiaries . . . . .	356
¶32-200 Trust income taxed by California . . . . .	358
<b>Part 4: Sales and Use Taxes . . . . .</b>	<b>362</b>
Chapter 1: Overview . . . . .	362
¶41-100 Imposition of S&U taxes . . . . .	362
Chapter 2: Subject Taxpayers and Transactions . . . . .	367
¶42-100 S&U taxes — who is taxed? . . . . .	367
¶42-200 Elements of a taxable sale . . . . .	367
¶42-300 Elements of a sale. . . . .	368
¶42-400 Definition of retail . . . . .	369
¶42-500 Sale of property and sale of services distinguished. . . . .	374
¶42-600 Tangible personal property distinguished from real property . . . . .	379
¶42-700 Tangible personal property distinguished from intangible property. . . . .	380
¶42-800 California retailer. . . . .	380
¶42-900 California purchasers . . . . .	383
Chapter 3: Deductions, Exemptions, and Exclusions . . . . .	385
¶43-100 Deductions, exemptions, and exclusions in general . . . . .	385
¶43-200 Necessities of life . . . . .	385
¶43-300 General public benefit . . . . .	391
¶43-400 Industry benefit. . . . .	393
¶43-500 Exclusions by definition . . . . .	398
¶43-600 Other exemptions, exclusions, and credits. . . . .	398
Chapter 4: Permits, Returns, and Payments. . . . .	404
¶44-100 Permits and registration . . . . .	404
¶44-200 S&U tax returns. . . . .	407
¶44-300 Payments . . . . .	409
Chapter 5: Audits, Administration, and Collections . . . . .	411
¶45-100 Audits — S&U taxes . . . . .	411
¶45-200 Administrative remedies and appeals — S&U taxes . . . . .	416
¶45-300 Collection of S&U taxes . . . . .	421
Chapter 6: Penalties and Interest . . . . .	428
¶46-100 Penalties — S&U taxes. . . . .	428
¶46-200 Interest — S&U taxes. . . . .	429
<b>Part 5: Employment Taxes . . . . .</b>	<b>430</b>
Chapter 1: Payroll Taxes and Reporting. . . . .	430
¶51-100 California employment taxes . . . . .	430
¶51-200 Definitions. . . . .	433
¶51-300 Employees or independent contractors? . . . . .	441
¶51-400 Reporting and payments . . . . .	452
¶51-500 Employer change of status . . . . .	460

¶51-600 Employees working in multiple states . . . . .	462
¶51-700 Household employers . . . . .	463
¶51-800 Layoff alternative – work sharing . . . . .	464
¶51-900 Employment tax treatment of stock options . . . . .	465
Chapter 2: Audits, Appeals, and Administration. . . . .	468
¶52-001 Employment Development Department. . . . .	468
¶52-002 EDD audits . . . . .	468
¶52-003 EDD appeals . . . . .	472
¶52-004 Penalties and interest – payroll taxes . . . . .	474
¶52-005 Settlements – payroll taxes . . . . .	474
¶52-006 Collections – payroll taxes . . . . .	475
¶52-007 Offers in Compromise – EDD . . . . .	478
¶52-008 Statute of limitations – payroll taxes . . . . .	479
<b>Part 6: Property Taxes. . . . .</b>	<b>481</b>
Chapter 1: Overview . . . . .	481
¶61-100 Property subject to tax . . . . .	481
¶61-101 Property tax definitions . . . . .	481
¶61-102 Rate of property tax . . . . .	481
¶61-103 Property tax exemptions. . . . .	481
Chapter 2: The Assessment Process . . . . .	483
¶62-100 Property tax assessment . . . . .	483
¶62-101 Assessor’s notification of the taxpayer . . . . .	483
¶62-102 Delivery of property roll to the auditor . . . . .	483
¶62-103 Supplemental assessments . . . . .	483
Chapter 3: Base-Year Values . . . . .	484
¶63-000 Assessments, generally . . . . .	484
¶63-100 Change in ownership . . . . .	484
¶63-101 Reporting change in ownership. . . . .	485
¶63-102 Disputing change of ownership. . . . .	486
Chapter 4: Real Property . . . . .	487
¶64-101 Proposition 13. . . . .	487
¶64-102 Proposition 8 . . . . .	487
¶64-103 Conflict between Propositions 8 and 13 . . . . .	487
¶64-104 Transfer of ownership without reappraisal . . . . .	488
¶64-105 Transfer of principal residence base-year value. . . . .	488
¶64-106 Transfers between parent and child or grandparent and grandchild. . . . .	492
¶64-107 Transfers to surviving co-owners. . . . .	494
¶64-108 Transfers between registered domestic partners . . . . .	495
¶64-109 Ownership or control . . . . .	495
¶64-110 Construction resulting in reassessment . . . . .	499

¶64-111 Dates of reappraisal . . . . .	500
¶64-112 Property tax postponement . . . . .	500
¶64-113 Disaster relief — property taxes . . . . .	501
Chapter 5: Business Property Taxes . . . . .	504
¶65-101 Business property tax filing requirements . . . . .	504
¶65-102 Classification of property . . . . .	505
¶65-103 Tax return consistency of property treatment . . . . .	505
¶65-104 Tools and equipment property tax exemption . . . . .	505
¶65-105 Computer valuation factors — property taxes . . . . .	506
¶65-106 Assessment of leased equipment . . . . .	506
¶65-107 Lien dates and assessments — property taxes . . . . .	506
Chapter 6: Application for Changed Assessment, Audits, and Appeals. . . . .	508
¶66-101 Protests . . . . .	508
¶66-102 Residential property valuation . . . . .	509
¶66-103 Income property valuation . . . . .	509
¶66-104 Special-purpose property valuation . . . . .	511
¶66-105 Property tax appeal issues other than value. . . . .	512
¶66-106 Assessor audits . . . . .	512
¶66-107 Managing property tax appeals. . . . .	513
Chapter 7: Property Tax Reduction Tips . . . . .	514
¶67-101 Overvalued property. . . . .	514
¶67-102 Property tax statement. . . . .	514
¶67-103 Homeowner's exemption . . . . .	514
¶67-104 Timing of property delivery. . . . .	514
¶67-105 Estate planning/ property tax planning overlap . . . . .	514
¶67-106 Proper classification of property costs . . . . .	514
¶67-107 New construction. . . . .	514
Chapter 8: Returns, Payments, Penalties, and Refunds . . . . .	515
¶68-101 Property tax returns . . . . .	515
¶68-102 Property tax payments. . . . .	515
¶68-103 Penalties — property tax. . . . .	515
¶68-104 Refunds of property tax . . . . .	515
<b>Part 7: Miscellaneous Taxes and Fees . . . . .</b>	<b>516</b>
¶70-001 Miscellaneous taxes and fees — overview. . . . .	516
¶70-002 Excise taxes . . . . .	516