

SAMPLE — This information comes from the 2020 edition

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"> Ⓞ 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)); Ⓞ 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 Ⓞ 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"> Ⓞ One spouse is a nonresident with no CA source income; Ⓞ One spouse is a nonresident military servicemember; or Ⓞ 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: Exemption credits. ¶25-113	151	17054	N/A
Phaseouts: CA 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

Reference for more information within book

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

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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

<i>Rents, Royalties, Partnerships, Estates and Trusts, etc. — continued</i>	IRC §	PITL R&TC §	CTL R&TC §
Standard 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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<i>IRA Distributions — continued</i>	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

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<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

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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

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<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

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