

2021 Instructions for Form FTB 3800

Tax Computation for Certain Children with Unearned Income

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

General Information

For taxable years beginning on or after January 1, 2010, California conforms to the provision of the Small Business and Work Opportunity Act of 2007 which increased the age of children to 18 and under or a student under age 24 for elections made by parents reporting their child's interest and dividends.

Registered Domestic Partners (RDP) – For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP, they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Purpose

For certain children, unearned income over \$2,200 is taxed at the parent's rate if the parent's rate is higher. Use form FTB 3800, Tax Computation for Certain Children with Unearned Income, to figure the child's tax.

Complete form FTB 3800 if all of the following apply:

- The child is 18 and under or a student under age 24 at the end of 2021. A child born on January 1, 2004, is considered to be age 18 at the end of 2021. A child born on January 1, 1998, is considered to be age 24 at the end of 2021.
- The child had unearned income taxable by California of more than \$2,200.
- At least one of the child's parents was alive at the end of 2021.
- The child was age 18 at the end of 2021 and did not have earned income that was more than half of the child's support.

If the child uses form FTB 3800, file Form 540, California Resident Income Tax Return, or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

If the child does not file form FTB 3800, figure the tax in the normal manner on the child's Form 540, or Form 540NR.

Parents of children 18 and under or a student under age 24 at the end of 2021 may elect to include the child's unearned income on the parent's tax return. To make this election, the child must have had income only from interest and dividends. The election is not available if estimated tax payments were made in the child's name. Get form FTB 3803, Parents' Election to Report Child's Interest and Dividends, for more information. If parents make this election, the child will not have to file a California tax return or form FTB 3800.

If you elect to report your child's income on your federal income tax return, but not on your California income tax return, be sure to make an adjustment on your Schedule CA (540), California Adjustments - Residents, Part I, Section B, line 8f, or Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents, Part II, Section B, line 8f.

Specific Line Instructions

Parent's Name and Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)

If federal Form 8615, Tax for Certain Children Who Have Unearned Income, was filed with the child's federal tax return, enter the name and SSN or ITIN of the same parent who was identified at the top of federal Form 8615.

If the child's parents were married to each other or in an RDP and filed a joint 2021 California tax return, enter the name and SSN or ITIN of the parent who is listed first on the joint return.

If the parents were married or in an RDP but filed separate California tax returns, enter the name and SSN or ITIN of the parent with the **higher** taxable income.

If the parents were unmarried, treated as unmarried for tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and SSN or ITIN of the parent who had custody of the child for most of 2021.

Exception. If the custodial parent remarried or entered into an RDP and filed a joint return with the new spouse/RDP, enter the name and SSN or ITIN of the person listed first on the joint return, even if that person is not the child's parent. If the custodial parent and the new spouse/RDP filed separate California tax returns, enter the name and SSN or ITIN of the person with the **higher** taxable income, even if that person is not the child's parent.

If the child's parents were unmarried but lived together during the year with the child, enter the name and SSN or ITIN of the parent who had the **higher** taxable income.

Part I Child's Net Unearned Income

Line 1 – Enter the child's unearned income. Include income such as taxable interest, dividends, capital gains, rents, royalties, taxable social security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on federal Form W-2, Wage and Tax Statement, unemployment compensation, alimony, and income received as a beneficiary. In most cases, this will be the same as the amount entered on federal Form 8615; however, you should only include income taxable by California. Also, include unearned income that was not taxed on the child's federal tax return but is taxable under California law. For more information, get the instructions for Schedule CA (540), Part I, Section A, line 2 and line 3 or Schedule CA (540NR), Part II, Section A, line 2 and line 3.

If the child had earned income (defined below), use the following worksheet to figure the amount to enter on form FTB 3800, line 1.

1. Enter the amount of the child's adjusted gross income from Form 540, line 17 or Form 540NR, line 17, whichever applies 1 _____
2. Enter the child's earned income 2 _____
(wages, tips, and other payments received for personal services performed)
3. Subtract line 2 from line 1. Enter the result here and on form FTB 3800, line 1 3 _____

Line 2 – If the child itemized deductions, enter the greater of:

- \$2,200, or
- \$1,100 plus the portion of the amount on Form 540 or Form 540NR, line 18, that is directly connected with the production of the unearned income shown on form FTB 3800, line 1.

Part II Tentative Tax Based on Parent's Tax Rate

If the parent used Form 540 2EZ, California Resident Income Tax Return, refigure your tax by referring to the tax table for Form 540 in order to complete this part. Using Form 540 2EZ will **not** produce the correct result.

Line 6 – Enter the taxable income from Form 540, line 19; or total taxable income from Form 540NR, line 19 of the parent whose name is shown at the top of form FTB 3800. If the parent's taxable income is less than zero, enter -0- on line 6. If the parent filed a joint California tax return, enter the taxable income shown on that return even if the parent's spouse/RDP is not the child's parent.

Line 7 – If the individual identified as the parent on this form FTB 3800 is also identified as the parent on any other form FTB 3800, add the amounts, if any, from line 5 on **each** of the other forms FTB 3800 and enter the total on line 7.

Line 9 – Use the California tax table or tax rate schedules in the 2021 instructions for Form 540 to find the tax for the amount on line 8, based on the parent's filing status.

Form 540NR Filers: To figure a revised California adjusted gross income and a tentative tax based on the parent's tax rate, complete the following worksheet.

- A Enter the child's portion of the net unearned income that must be included in the child's CA adjusted gross income. _____
- B Enter parent's CA adjusted gross income from Form 540NR, line 32. _____
If the parents have other children for whom form FTB 3800 was completed, add the other children's CA sourced net unearned income to the parent's CA adjusted gross income.
- C Add line A and line B. _____
- D Enter the child's net unearned income (form FTB 3800, line 5). _____
- E Enter parent's adjusted gross income from all sources from Form 540NR, line 17. _____
If the parents have other children for whom form FTB 3800 was completed, add the other children's net unearned income to the parent's adjusted gross income from all sources.
- F Add line D and line E. _____
- G Divide line C by line F (not to exceed 1.0). _____
- H Enter the parent's total itemized deductions or standard deduction from Form 540NR, line 18. _____
- I Multiply line H by line G. _____
- J Subtract line I from line C. _____
- K Subtract line H from line F. _____
- L Find the tax on the amount on line K for the parent's filing status (use the tax table or tax rate schedules in the 2021 instructions for Form 540NR). _____
- M Divide line L by line K. _____
- N Multiply line J by line M. Enter the result on form FTB 3800, line 9. If zero or less, enter -0-. _____

Line 10 – Enter the tax shown on the tax return of the parent identified at the top of form FTB 3800 from Form 540, line 31.

If the parent filed a joint tax return, enter on line 10 the tax shown on that tax return even if the parent's spouse/RDP is not the child's parent.

Form 540NR Filers: If the parent's tax amount on Form 540NR, line 37 does not include an amount from form FTB 3803, then enter the parent's tax amount from Form 540NR, line 37.

If the parent's tax amount on Form 540NR, line 37 includes an amount from form FTB 3803, revise the parent's tax by completing the following worksheet.

- A Enter the tax from the parent's Form 540NR, line 31. _____
- B Enter the tax from form FTB 3803. _____
- C Subtract line B from line A. _____
- D Enter the amount from the parent's Form 540NR, line 19. _____
- E Divide line C by line D. _____
- F Enter the amount from the parent's Form 540NR, line 35. _____
- G Multiply line F by line E. Enter the result on form FTB 3800, line 10. _____

Part III Child's Tax

Line 15 – Use the California tax table or tax rate schedules in the 2021 instructions for Form 540 to find the tax for the amount on line 14 based on the child's filing status.

Form 540NR Filers: To figure a revised California adjusted gross income for the child and the child's tax, complete the following worksheet.

- A Enter the child's CA adjusted gross income from Form 540NR, line 32. _____
- B Enter the portion of the child's net unearned income that must be included in the child's CA adjusted gross income. _____
- C Subtract line B from line A. _____
- D Enter the child's adjusted gross income from all sources from Form 540NR, line 17. _____
- E Enter the child's net unearned income (form FTB 3800, line 5). _____
- F Subtract line E from line D. _____
- G Divide line C by line F (not to exceed 1.0). _____
- H Enter the child's total itemized deductions or standard deduction from Form 540NR, line 18. _____
- I Multiply line H by line G. _____
- J Subtract line I from line C. _____
- K Subtract line H from line F. _____
- L Find the tax on the amount on line K for the child's filing status (use the tax table or tax rate schedules in the 2021 instructions for Form 540NR). _____
- M Divide line L by line K. _____
- N Multiply line J by line M. Enter the result on form FTB 3800, line 15. _____

Line 17 – Use the California tax table or tax rate schedules found in the 2021 instructions for Form 540 to find the tax for the amount on line 4, based on the child's filing status.

Form 540NR Filers:

- A Enter the amount from form FTB 3800, line 4. _____
- B Find the tax for the amount on line A, by using the tax table or tax rate schedules in the 2021 instructions for Form 540NR based on the child's filing status. _____
- C Divide line B by line A. _____
- D Enter the amount from the child's Form 540NR, line 35. _____
- E Multiply line D by line C. Enter the result on form FTB 3800, line 17. _____

Line 18 – Compare the amounts on line 16 and line 17 and enter the **larger** of the two amounts on line 18 and on the child's Form 540, line 31. Be sure to check the box labeled "FTB 3800" on Form 540, line 31 of the child's tax return.

Form 540NR Filers: Divide the child's Form 540NR, line 35 by the child's Form 540NR, line 19 to determine the child's percentage. Divide the **larger** of line 16 or line 17 by the percentage. Enter the amount on line 18 and on the child's Form 540NR, line 31. Be sure to check the box labeled "FTB 3800" on the child's Form 540NR.

Note: The amount entered on Form 540NR, line 31 reflects your tax on total taxable income before applying the California tax rate to your California source income. Follow the instructions for Form 540NR to determine your final California tax.

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