

2025 CA Adjustments Chart

Income (Schedule CA Part I Section A)

Category...	Item...	Adjustment...
Wages, salaries, tips	<ul style="list-style-type: none"> •HSA contributions not deductible in CA •Employer paid student loans not tax-free fringe benefit •CA may not recognize treaty exempting income 	•Add on line 1a column C
	<ul style="list-style-type: none"> •Foreign earned inc of contractors in combat zones - no CA excl •Active duty military pay in OB3 hazard/combat zones 	•Add on line 1i column C
	<ul style="list-style-type: none"> •Employer pd moving exp (into/within CA) tax-free fringe •Ridesharing fringe benefits (in excess of fed limit) •Native Americans' earned inc from Indian country not taxable •Native Americans' tribal inc not taxable if reside on Indian land •Clergy housing (in excess of fed limit) 	•Subtract on line 1a column B
	<ul style="list-style-type: none"> •Military pay adjustment if not domiciled in CA (inc spouse) •Military pay if domiciled on Indian land 	•Subtract on line 1a column A and enter MPA
	<ul style="list-style-type: none"> •Independent contractor for fed, employee for CA 	•Add fed Sch C gross income on line 1a column C
Taxable interest	<ul style="list-style-type: none"> •US treasury interest not taxable (mutual fund must be >50%) 	•Subtract on line 2b column B
	<ul style="list-style-type: none"> •Non-CA municipal bond interest taxable •Mutual fund CA municipal bond interest taxable if <50% •HSA interest earned (HSA not recognized in CA) 	•Add on line 2b column C
Ordinary dividends	<ul style="list-style-type: none"> •HSA dividends earned are taxable 	•Add on line 3b column C
IRA distributions	<ul style="list-style-type: none"> • Pre-1987, Post-2019 CA basis adjustment • ROTH conversions with conflicting CA & fed basis 	•Add or subtract on line 4b
Pensions and annuities	<ul style="list-style-type: none"> •CA does not recognize most treaties exempting from inc. 	•Add on line 5 column C
	<ul style="list-style-type: none"> •CA does not tax Railroad Retirement Benefits •\$20k exclusion of military retirement/survivor benefits 	•Subtract on line 5 column B
Social security benefits	<ul style="list-style-type: none"> • CA does not tax social security benefits 	•Subtract on line 6 column B
Capital gain or (loss)	<ul style="list-style-type: none"> •Generally, CA does not allow for the 1202 exclusion •No CA deferral of gains into Qualified Opportunity Funds 	•FTB Sch D, and Sch CA line 7

Additional Income (Schedule CA Part I Section B)

Category...	Item...	Adjustment...
Taxable refunds	<ul style="list-style-type: none"> •State inc taxes not deductible, so refunds are not taxable 	•Subtract on line 1 column B
Alimony received	<ul style="list-style-type: none"> •No CA conformity to elimination of alimony for finalized agreements on or before 12/31/2025 	•Add on line 2a column C
Business income (loss)	<ul style="list-style-type: none"> •CA does not allow bonus depreciation •CA 179 exp limit to \$25k / phaseout begins at \$200k •Qualified improvement property 39-year life (15-year fed) •CA does not allow qualified production property 	•Add on line 3 column C
	<ul style="list-style-type: none"> •Cannabis deductions are allowed •Bicycling commuting exclusion is still deductible •Wages do NOT have to be reduced by fed credits claimed •Professional gamblers' wagering losses fully deductible •Employee parking and transportation remain deductible •No business interest limitation 	•Subtract on line 3 column B
	<ul style="list-style-type: none"> •Independent contractor for fed, employee for CA 	•Add/subtract fed net income/loss on line 3
	<ul style="list-style-type: none"> •Employer payments of student loans not deductible 	•Add on line 3 column C
	<ul style="list-style-type: none"> •Depreciation/amortization differences if diff fed/CA basis 	•FTB 3885A, and line 3

Category...	Item...	Adjustment...
Rental real estate, royalties, pass-thru	•Pass-through entity elective tax not deductible	•Add line 5
	•No CA real estate professional, so all rentals are passive	•FTB 3801, and line 5
	•No business interest limitation	•Subtract on line 5 column C
Farm income or (loss)	•Farm related depreciation, special credits, NOL, and accelerated write-offs for farmers	•FTB 3801 or 3885A and line 6
Unemployment	•CA does not tax unemployment	•Subtract on line 7 column B
Other income	•Principal residence indebtedness exclusion differences	•Add on line 8c column C
	•One time federal student loan forgiveness not excludable	
	•§529 dist for K-12/post-secondary credentials	•Add on line 8z column C
	•§529 to Roth rollover	
	•Excess business loss limitation carryover on CA as an excess business loss carryover, not an NOL	•FTB 3461, and add on line 8p column C
	•Foreign earned income exclusion not allowed	•Add on line 8d column C
	•NOL must be recalculated using CA numbers	•FTB 3805V, and lines 8a
	•Turf replacement water conservation rebate is deductible	•Subtract on line 8z column B
•Settlements for PG&E and SoCal edison fires are excludable		
•CA does not tax CA lottery winnings	•Subtract on line 8b column B	
•HSA distributions are not taxable to CA	•Subtract on line 8f	

Adjustments to Income (Schedule CA Part I, Section C)

Category...	Item...	Adjustment...
Educator expenses	•Educator expenses not allowed as deduction from AGI	•Subtract on line 11 column B
Expenses of reservists, artists, ...	•Depreciation differences for reservists, performing artists, and fee-basis gov't officials	•Add or subtract on line 12
	•Living expense deduction for members of Congress	•Subtract on line 12 column B
HSA deduction	•HSA deduction not allowed	•Subtract on line 13 column B
Moving expenses	•Moving into or within CA remains deductible	•Fed Form 3903, and add on line 14 column C
SEP,SIMPLE,Qual plan	•Nonresident deduction limited to CA S/E income	•540NR Sch CA line 16 col E
Alimony paid	•Remains deductible in CA for agreement before 1/1/2026	•Add on line 19a column C
Student loan interest	•Not deductible for spouse of non-CA military in comm prop st	•Add on line 21 column C

Itemized Deductions (Part II)

Category...	Item...	Adjustment...
Medical and Dental	•Move medical exp pd with HSA funds to CA Sch A	•If exceeds 7.5% of fed AGI, add on line 4 column C
Taxes	•State and local income taxes not deductible	•Subtract on line 5a column B
	•Foreign property taxes remain deductible	•Add on line 6 column C
Interest	•Acquisition debt >\$750,000 (up to \$1M) still deductible	•Add on line 8a column C
	•Investment interest limited to taxable CA investment income	•FTB 3526, and line 9
Gifts to Charity	•Charitable limited to 50% of fed AGI (unless disaster cont)	•Subtract on line 11/12 col B
	•College athletic seating rights remain partially deductible	•Subtract on line 12 column B
	•Charitable contributions to schools/org as bribes not deductible	•Subtract on line 11/12 col B
	•CA charitable contribution carryover may be diff. than fed	•Add/subtract on line 13
Casualty and Theft Loss	•CA casualty loss, subject to \$100 reduction per casualty and overall 10% haircut, remain deductible	•Add to deductions on Line 15 column C
Other Itemized Deductions	•Misc itemized deduction subject to 2% haircut remain deductible	•Add on lines 19-21
	•Disaster loss (if claimed with standard deduction)	•Subtract on line 16, column B
	•If electing CA deduction for claim of right rather than credit	•Add to total ded'ns on line 22
	•CA lottery losses not deductible (because inc not taxable)	•Subtract on line 16 column B