



STATE OF CALIFORNIA
Franchise Tax Board

California Tax Workshop for Foreign Scholars and Researchers



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Program Overview



California Residency Laws



Items Taxed by California



Taxation of Fellowships, Stipends, and Scholarships



Federal and State Law Differences (same filing status)



Calculation of California Tax



Example: Preparing a Tax Return

Do I Have to File?

California has a minimum filing requirement

- Refer to Student Resources
Do I have to File?
- If you've had money withheld, you must file to receive a refund
- Due date: April 15, 2026





California Residency Laws

Who is a CA Resident?

Definitions

A resident is a person who is...

- In this state for other than a temporary or transitory purpose, *or*
- Domiciled in CA, and who is outside for a temporary or transitory purpose

A nonresident is...

- Every person other than a resident



What is Temporary or Transitory?

A person is in California for a temporary or transitory purpose if someone is...



- Passing through the state
- Here for a brief rest
- Here for a vacation
- Here for a short period to complete a particular transaction, contract, etc.

Where is your Domicile?



The location of **your** permanent home



The **place** where you intend to return to whenever absent

What are the Connections?

Factors to consider:

- Amount of time spent
- Intention to remain in the US/California
- Location of spouse and children
- Location of principal residence
- Location of issued driver license, registered vehicles
- Location of real property and investments
- Permanence of work assignment
- Location of social ties



Presumption of Residency



Every individual who spends the aggregate of more than nine months of the taxable year within this state shall be presumed a resident



The presumption may be overcome by satisfactory evidence the individual is in the state for a temporary or transitory purpose

Presumption of Residency



Case law indicates CA students pursuing academics outside of CA retain their California resident status despite the length of time spent outside of CA



Therefore, for consistency, foreign scholars pursuing a degree in CA will not be considered California residents solely based on the presumption of residency and their presence in CA

Foreign Scholars/Researchers

If you are not a student or pursuing a degree, you will likely appear to meet the presumption of residency. The presumption can be overcome by showing that your stay is temporary or transitory.



Why is Residency Important?

Residency affects the way a person is taxed:



A California resident is taxed on all income from everywhere



A nonresident is taxed on income derived from sources within California

How to Source Income

Tangible Income

Where it is earned or located

Intangible Income

The state (or country) where the recipient is a resident

Tangible vs. Intangible Income

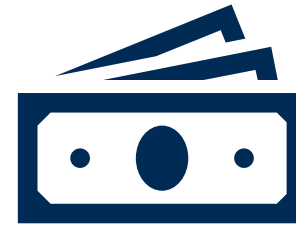
If income is...	Such as...	Has a California source if:
Tangible	Wages, scholarships, stipends, fellowships	Work was performed in California regardless of the location of the employer, where the payment was issued, or the individual's residence upon the receipt of the payment.
Intangible	Interest and dividends	Nonresident: Never California resident: Always
Intangible	Sales of stocks and bonds	Nonresident: Never California resident: Always

California Source Income



Wages/Salary and Payments

Fellowships or stipends: teaching/research assistantships
Amounts received from employers domestic and foreign



Fellowships and Scholarships

Amounts not used for payment of tuition and fees or books, supplies, and equipment required for courses of instruction

California Differences from Federal

No tax treaties with other countries

No foreign tax credit

Source of income has different meaning

Worldwide income is required to be reported

Ways to Convert Currency

- Convert on the day the money was earned
- Convert using an average for the entire year
- Convert on the last day of the calendar year (12/31)
- Whichever method is used, it must be consistently applied



CA Tax Forms Defined

Resident Form 540

Requires all income from worldwide sources to be reported and computes the tax based on all income

Nonresident/Part-Year Resident Form 540 NR

- Reflects worldwide income but applies tax rate only to California sourced income

CA Tax Forms

Nonresidents/Part-Year Residents

- Form 540NR

Residents

- Form 540
- Form 540 2EZ

Form 540 2EZ

You cannot use Form 540 2EZ if your:

- Filing status is married/RDP filing separately
- Income excluded for federal purposes pursuant to a tax treaty
- Income received from another country during 2025
- Taxable scholarships, fellowships, or stipends not reported on a Form W-2



CA Healthcare Mandate

California residents must either:



Have qualifying health insurance coverage

Obtain an exemption from the requirement to have coverage; **or**

Pay a penalty when filing state tax return



Check Box 92 on your tax return to indicate full-year health coverage



FTB 3853: Health Coverage Exemptions & Penalty Calculator

CA Healthcare Mandate

 For additional information, go to **ftb.ca.gov** and search **Health Care Mandate**

 Click “Personal” tab to access Forms, Exemptions, Penalty Estimator

 For full year CA nonresidents, enter exemption code “E” on FTB 3853

 See FTB 3853 and instructions included in Student Resources

Schedule CA

Part II Income Adjustment Schedule		A	B	C	D	E
Section A — Income from federal Form 1040 or 1040-SR		Federal Amounts (taxable amounts from your federal tax return)	Subtractions See instructions (difference between CA & federal law)	Additions See instructions (difference between CA & federal law)	Total Amounts Using CA Law As If You Were a CA Resident (subtract col. B from col. A; add col. C to the result)	CA Amounts (income earned or received as a CA resident and income earned or received from CA sources as a nonresident)
1 a	Total amount from federal Form(s) W-2, box 1. See instructions 1a	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b	Household employee wages not reported on federal Form(s) W-2 1b	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c	Tip income not reported on line 1a 1c	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d	Medicaid waiver payments not reported on federal Form(s) W-2. See instructions . 1d	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e	Taxable dependent care benefits from federal Form 2441, line 26 1e	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f	Employer-provided adoption benefits from federal Form 8839, line 29 1f	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g	Wages from federal Form 8919, line 6 . . . 1g	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h	Other earned income. See instructions . . 1h	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i	Nontaxable combat pay election. See instructions 1i			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
z	Add line 1a through line 1i 1z	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	Taxable interest. a <input type="radio"/> 2b	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	Ordinary dividends. See instructions. a <input type="radio"/> 3b	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	IRA distributions. See instructions. a <input type="radio"/> 4b	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	Pensions and annuities. See instructions. a <input type="radio"/> 5b	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	Social security benefits. a <input type="radio"/> 6b	<input type="radio"/>	<input type="radio"/>			
7	Capital gain or (loss). See instructions . . . 7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How to Begin your CA Tax Return

1

Complete your federal return **before** you start your state return

2

Determine if you are a resident or a nonresident of California

Note: you can be a nonresident alien for federal purposes and still be a California resident

3

Use the same filing status as your federal return

4

If you are a nonresident, determine your California source income

Comprehensive Example

CA Form 540NR & Schedule CA (540NR)

Questions

- Refer to Student Resources handout
- Email: EducationandOutreach@ftb.ca.gov
- Questions will be answered within 30 days
- We can only address general questions
- We cannot provide advice

