

2014 California Like-Kind Exchanges

3840

For the calendar year 2014 or fiscal year beginning (mm/dd/yyyy) _____, and ending (mm/dd/yyyy) _____.

Name(s) as shown on your California tax return.		California corporation number
SSN or ITIN	Spouse's/RDP's SSN or ITIN	FEIN
Additional Information. See instructions.		California Secretary of State file number
Street address (suite/room no.)		PMB no.
City (If you have a foreign address, see instructions.)		State ZIP code
Foreign country name	Foreign province/state/country	Foreign postal code

- A** Individual Estate Trust C corporation S corporation Partnership Limited liability company Exempt organization
- B** Initial FTB 3840 Amended FTB 3840 Final FTB 3840
- C** Does this exchange involve: Real property Personal property Related party If the related party box is checked, enter:
 Name of the related party: _____ Related party's SSN/ITIN or FEIN: _____

Part I Information on Like-Kind Exchange. See instructions.

1 Description of like-kind property given up: _____

2 Description of like-kind property received: _____

3 Date like-kind property given up was originally acquired (mm/dd/yyyy) 3

4 Date you actually transferred your property to other party (mm/dd/yyyy) 4

5 Date like-kind property you received was identified by written notice to another party (mm/dd/yyyy) 5

6 Date you actually received the like-kind property from other party (mm/dd/yyyy) 6

Part II Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received. See instructions.

7 Fair market value (FMV) of other property given up	7		00
8 Adjusted basis of other property given up	8		00
9 Gain or (loss) recognized on other property given up. Subtract line 8 from line 7.	9		00
10 Cash received, FMV of other property received, plus net liabilities assumed by the other party, reduced (but not below zero) by any exchange expenses incurred	10		00
11 FMV of like-kind property received	11		00
12 Add line 10 and line 11	12		00
13 Adjusted basis of like-kind property given up, net amounts paid to other party, plus any exchange expenses not used on line 10.	13		00
14 Realized gain or (loss). Subtract line 13 from line 12.	14	<input checked="" type="radio"/>	00
15 Enter smaller of line 10 or line 14, but not less than zero.	15		00
16 Ordinary income under recapture rules.	16		00
17 Subtract line 16 from line 15. If more than -0-, enter here. If zero or less, enter -0-.	17		00
18 Recognized gain. Add line 16 and line 17.	18	<input checked="" type="radio"/>	00
19 Deferred gain or (loss). Subtract line 18 from line 14	19		00
20 Basis of like-kind property received. Subtract line 10 from the sum of line 13 and line 18	20	<input checked="" type="radio"/>	00

Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is true, correct and complete.

Sign here
if you are filing this form separately and not with a tax return. See instructions.

It is unlawful to forge a spouse's/RDP's signature.

Your signature	Telephone ()	Date (mm/dd/yyyy)
If joint, spouse's/RDP's signature	Telephone ()	Date (mm/dd/yyyy)
Owner, officer, or representative signature	Title	Date (mm/dd/yyyy)
Firm's name	Firm's address	

Taxpayer name

Taxpayer ID

Schedule A Properties Given Up and Received. See instructions.

Part I Properties Given Up. If you gave up more than three properties, attach additional copies of Schedule A.

1	Is property in California?	Ownership percentage	Property description
A	<input type="checkbox"/> Yes	-----%	Property address (if no street address, provide parcel number and county)/Description
	<input type="checkbox"/> No		City State ZIP code
B	<input type="checkbox"/> Yes	-----%	Property address (if no street address, provide parcel number and county)/Description
	<input type="checkbox"/> No		City State ZIP code
C	<input type="checkbox"/> Yes	-----%	Property address (if no street address, provide parcel number and county)/Description
	<input type="checkbox"/> No		City State ZIP code

Properties given up:		A	B	C
2	Was this property acquired as a replacement property in a prior tax deferred exchange?	2 <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
3	Consideration/Sale price	3		
4	Selling expenses paid/incurred	4		
5	Amount realized. Subtract line 4 from line 3	5		
6	California adjusted basis	6		
7	Realized gain or (loss). Subtract line 6 from line 5	7		

8 **California source deferred gain.** If all property given up was located in California, enter the amount from Side 1, line 19, Deferred gain, adjusted for differences between federal and California law. If multiple properties were given up and the properties were located both in and outside of California, see instructions. 8 00

Part II Properties Received. If you received more than three properties, attach additional copies of Schedule A.

9	Is property in California?	Ownership percentage	Property description
D	<input type="checkbox"/> Yes	-----%	Property address (if no street address, provide parcel number and county)/Description
	<input type="checkbox"/> No		City State ZIP code
E	<input type="checkbox"/> Yes	-----%	Property address (if no street address, provide parcel number and county)/Description
	<input type="checkbox"/> No		City State ZIP code
F	<input type="checkbox"/> Yes	-----%	Property address (if no street address, provide parcel number and county)/Description
	<input type="checkbox"/> No		City State ZIP code

Part III Allocation of California Source Deferred Gain. See instructions.

Properties received:		D	E	F
10	Allocation of California source deferred gain to properties received. If only one property was received, enter the amount from Part I, line 8, in column D. If more than one property was received, see instructions.	10		

11 Apportionment percentage for the year of the exchange. See instructions 11 _____ %

2014 Instructions for Form FTB 3840

California Like-Kind Exchanges

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2009, and to the California Revenue and Taxation Code (R&TC).

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity Tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

General Information

Like-Kind Exchanges – For taxable years beginning on or after January 1, 2014, California requires taxpayers who exchange real property located in California for like-kind property located outside of California, and meet all requirements of IRC Section 1031, to file an annual information return, form FTB 3840, California Like-Kind Exchanges, with the Franchise Tax Board (FTB). For information on filing requirements, see General Information B, Who Must File.

California R&TC Sections 18031 and 24941 conform to IRC Section 1031, with regard to like-kind exchanges. IRC Section 1031 provides that no gain or loss is recognized if the taxpayer exchanges business or investment property solely for business or investment property of a like-kind. A valid like-kind exchange has the benefit of deferred taxation, meaning that the taxpayer does not bear a tax liability at the time of the exchange. The taxpayer recognizes the realized gain or loss when the like-kind property received is sold or disposed of in a subsequent taxable transaction.

To qualify as a like-kind exchange, the property received in the exchange must be both qualifying property and like-kind property. For more information, get federal Form 8824, Like-Kind Exchanges, IRC Section 1031, and the applicable regulations.

The source of a gain or loss from the sale or exchange of property located in California is determined at the time the gain or loss is realized. The source of such gain or loss is preserved without regard to when such gain or loss may be recognized.

Form FTB 3840 must be filed for the year in which the exchange is completed and each subsequent year, until the California source deferred gain or (loss) is recognized on a California tax return. See R&TC Sections 18032 and 24953 for more information.

If the taxpayer fails to file the annual form FTB 3840, the FTB may estimate net income and assess tax with any applicable penalties and interest.

A Purpose

Use form FTB 3840 to report like-kind exchanges of California business or investment property for like-kind out of state property, and to allocate the California source deferred gain to the properties received in the exchange.

B Who Must File

All taxpayers, regardless of residence status or commercial domicile, who exchange real property located in California for like-kind property located outside of California, must file form FTB 3840 with their California tax return. Taxpayers who exchange multiple assets involving both real

and personal property located in California for like-kind property located outside of California are also subject to this requirement.

If the taxpayer is not otherwise required to file a California tax return, the taxpayer must complete the entire form FTB 3840, including the signature area at the bottom of Side 1, and file form FTB 3840 at the address shown in General Information D, Where to File.

Form FTB 3840 must be filed for the year in which the exchange is completed and for each subsequent year until the California source deferred gain is recognized.

For purposes of the California filing requirement, the term "taxpayer" or "taxpayers" includes all individuals, estates, trusts, general partnerships, limited partnerships, limited liability partnerships, limited liability companies, and corporations.

C When to File

File form FTB 3840 for the year of the exchange and annually thereafter until the deferred gain or loss is recognized. Attach form FTB 3840 to the California tax return, or file separately as a California information return if the taxpayer does not otherwise have a California filing requirement, by the following dates:

Individuals, Estates, and Trusts

Calendar Year: April 15, 2015
Extended Due Date: October 15, 2015

Corporations and S Corporations

Calendar Year: March 16, 2015
Fiscal Year: 15th day of the 3rd month following the close of the taxable year
Extended Due Date: October 15 or the 15th day of the 10th month following the close of the taxable year

Partnerships and Limited Liability Companies

Calendar Year: April 15, 2015
Fiscal Year: 15th day of the 4th month following the close of the taxable year
Extended Due Date: October 15 or the 15th day of the 10th month following the close of the taxable year

Exempt Organizations

Calendar Year: May 15, 2015
Fiscal Year: 15th day of the 5th month following the close of the taxable year
Extended Due Date: December 15 or the 15th day of the 12th month following the close of the taxable year

When the due date falls on a weekend or holiday, the deadline to file is extended to the next business day.

D Where to File

For taxpayers who are required to file a California tax return, attach form FTB 3840 to the tax return and file using the address for that tax return.

For taxpayers with no California filing requirement, mail form FTB 3840 to:

FRANCHISE TAX BOARD
PO BOX 1998
RANCHO CORDOVA, CA 95471-1998

E Signature

If form FTB 3840 is attached to a California tax return, no signature is needed.

If form FTB 3840 is filed separately, sign and complete the signature area on Side 1 of this form.

F Failure to File

For taxpayers who fail to file form FTB 3840 for any year in which the gain or loss is deferred from the exchange, the FTB may issue a Notice of Proposed Assessment to adjust the income for the deferred California source gain plus any applicable penalties and interest.

G Multiple Exchanges

If the taxpayer reported more than one like-kind exchange for federal purposes in which the taxpayer gave up California property and acquired out of state property, file a separate form FTB 3840 for each such exchange.

H Multiple Asset Exchanges

A multi-asset exchange involves the transfer and receipt of more than one group of like-kind properties. For example, an exchange of land, vehicles, and cash for land and vehicles is a multi-asset exchange. An exchange of land, vehicles, and cash for land only is not a multi-asset exchange. The transfer or receipt of multiple properties within one like-kind group is also a multi-asset exchange. Special rules apply when figuring the amount of gain recognized and basis in properties received in a multi-asset exchange. For details, see Treasury Regulations section 1.1031(j)-1. For more information, see instructions for federal Form 8824.

For California purposes, taxpayers must file form FTB 3840, if a multiple asset exchange contains both real and personal property located in California for like-kind property located outside of California. See the instructions under Schedule A, Part I, Properties Given Up, and Part II, Properties Received, line 1 and line 9, for information on how to report both real and personal property.

Taxpayers who exchange only personal property assets are not required to file form FTB 3840.

Specific Instructions

Using black or blue ink, print the taxpayer's name, taxpayer identification number, and street address in the spaces provided at the top of the form.

Additional Information

Use the Additional Information field for "In-Care-Of" name, "Owner/Representative/Attention" name, and other supplemental address information only.

Foreign Address

If you have a foreign address enter the city, foreign country name, foreign province/state/county name, and foreign postal code in the appropriate boxes. Do not abbreviate the foreign country name. Follow the country's practice for entering the province/state/county name and foreign postal code.

General Questions A through C

Question A – Check the box indicating whether the taxpayer is, for tax reporting purposes, an individual, estate, trust, C corporation, S corporation, partnership, limited liability company, or an exempt organization.

Question B – Check each box as appropriate to indicate whether this form FTB 3840 is the initial information return (for the year of the exchange), an amended information return (correcting a previously filed form FTB 3840) or a final information return (future forms FTB 3840 will not be filed for this exchange.) If filing an amended or final form FTB 3840, attach a statement with a detailed explanation.

Question C – Check each box as applicable to indicate the type of property that was involved in the exchange. If the exchange involved both real and personal property, check both boxes.

If the exchange involved a related party, also check the "related party" box. Enter the name of the related party and the social security number (SSN), individual taxpayer identification number (ITIN), or federal employer identification number (FEIN) in the space provided.

A related party includes your spouse, child, grandchild, parent, brother, sister, or a related corporation, S corporation, partnership, trust, or estate. For special rules for exchanges between related parties see IRC Section 1031(f) for more information.

Part I – Information on Like-Kind Exchange

When completing Part I and Part II, see the instructions below and refer to federal Form 8824 instructions.

Line 1 through Line 6 – Enter the like-kind property descriptions and dates as shown on federal Form 8824, Part I, line 1 through line 6.

Part II – Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

Line 7 through Line 20 – Enter the federal amounts from federal Form 8824, Part III, line 12 through line 25 on form FTB 3840, Part II, line 7 through line 20, respectively. For more information, see Specific Instructions for federal Form 8824.

Schedule A – Properties Given Up and Received

Part I – Properties Given Up

Line 1 – List each property given up in the exchange. Indicate if the property was located in California and the taxpayer's percentage of ownership.

Enter the full address where the property given up was located. If the property does not have a street address, then provide the assessor's parcel number, the county, and the state in which the property is located.

If personal property located in California was exchanged for personal property located outside of California as part of a single exchange that included California real property exchanged for non-California real property, combine each type of like-kind personal property given-up and report such personal property given-up as a separate property. Provide the location where the personal property given up was located as if it were separately sold or exchanged.

If more than three properties were given up, enter those properties on another Schedule A (Side 2 of form FTB 3840). Attach each Schedule A to form FTB 3840.

Line 2 – Check "Yes" or "No" to indicate if the property given up was acquired as replacement property in a prior tax deferred exchange.

Line 3 – Consideration/Sale price

For each property, enter the consideration or total sales price the taxpayer received for the property. This includes all money and notes received, plus any mortgages or other debts assumed by the buyer or paid from the proceeds of the sale, plus the fair market value of any other property or any services received.

Line 4 – Selling expenses paid/incurred

Enter selling expenses paid or incurred pertaining to the sale of each property given up and for which the taxpayer is liable. Selling expenses include commissions, advertising, legal fees, escrow fees, title certification and insurance, termite inspection fees, and loan charges paid by the seller, such as loan placement fees or "points." Do not include exchange expenses on this line.

Line 6 – California adjusted basis

Enter the adjusted basis for each property given up as determined using California tax law. The California adjusted basis is the basis of the property increased or decreased by certain amounts. Increases to basis typically include:

- Capital improvements
- Assessments for local improvements
- Amounts to restore damaged property after a casualty
- Legal fees for title search or to perfect title
- Zoning costs

Decreases to basis typically include:

- Deferred gains from prior sales or exchanges
- Insurance payments for casualty losses
- Deductible casualty losses not covered by insurance
- Payments received for granting an easement or right of way
- Depreciation allowed or allowable
- IRC Section 179 deduction

The California adjusted basis of the property may be different from the federal basis due to depreciation methods, special credits, and accelerated write-offs.

Line 8 – California source deferred gain

If all the property given up in the exchange was located in California, enter the amount from Side 1, Part II, line 19, *Deferred gain*, adjusted for differences between federal and California law. Attach a statement that shows the calculation.

If multiple properties were given up, and those properties were located both in and outside of California, first calculate the deferred gain amount for each property without regard to location. Then add the deferred gain or (loss) amounts for only the properties that were located in California and enter that amount on line 8. Attach a statement that shows how the deferred gain was calculated for each property given up.

If more than one Schedule A is attached, enter the aggregated amount of California source deferred gain on line 8 on the first Schedule A.

Part II – Properties Received

Line 9 – List each property received in the exchange. Indicate if the property is located in California and the taxpayer's percentage of ownership.

Enter the full address where each property received is located. If the property does not have a street address, then provide the assessor's parcel number, the county, and the state in which the property is located.

If personal property located in California was exchanged for personal property located outside of California as part of a single exchange that included California real property exchanged for non-California real property, combine each type of like-kind personal property received and report such personal property received as a separate property. Provide the location where the personal property was located as if it were separately bought or exchanged.

If more than three properties were received in the exchange, enter those properties on another Schedule A (Side 2 of form FTB 3840). Attach each Schedule A to form FTB 3840.

Part III – Allocation of California Source Deferred Gain

Line 10 – Allocation of California source deferred gain to properties received

If only one property was received in the exchange, enter the amount from Schedule A, Part I, line 8, on Part III, line 10, column D.

If more than one property was received, allocate the entire California source deferred gain amount from Schedule A, Part I, line 8 to each property received in the exchange, regardless of its location. Enter the allocated California source deferred gain amount for each property received on Schedule A, Part III, line 10. Attach a statement that shows how the California source deferred gain was allocated to each property received.

Line 11 – Apportionment percentage for the taxable year of the exchange

For taxpayers required to apportion income to California using Schedule R, *Apportionment and Allocation of Income*, enter the apportionment percentage for the taxable year of the exchange from Schedule R, line 18a. If more than one Schedule A is attached, enter this percentage only on the first Schedule A.

Where to Get More Information

General Phone Assistance

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday, except holidays. Hours subject to change.

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States

TTY/TDD: 800.822.6268 for persons with hearing or speech impairment

IRS: 800.829.4933 call the IRS for federal tax questions

Asistencia en español:

Asistencia telefónica está disponible durante todo el año desde las 7 a.m. hasta las 5 p.m. de lunes a viernes, excepto días feriados. Las horas están sujetas a cambios.

Telefono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos

TTY/TDD: 800.822.6268 para personas con discapacidades auditivas o del habla.

IRS: 800.829.4933 para preguntas sobre impuestos federales

Where to Get Tax Forms and Publications

By Internet – You can download, view and print California tax forms, instructions, publications, FTB Notices, and FTB Legal Rulings at ftb.ca.gov.

By phone – You can order current year California tax forms from 6 a.m. to 10 p.m. weekdays, 6 a.m. to 4:30 p.m. Saturdays, except holidays. Call 800.338.0505.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order. For more information, go to ftb.ca.gov.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307