

19 Prison Inmate Labor Credit

3507

Attach to your California tax return.

Name(s) as shown on return	Social security or California corporation number
Business address (number and street)	Federal employer identification number
City or town, state and ZIP code	

- 1 Total qualifying wages 1 _____
- 2 Multiply line 1 by 10% (.10) 2 _____
- 3 Flow-through prison inmate labor credit(s) from partnerships, S corporations, limited liability companies and fiduciaries 3 _____
- 4 Total available prison inmate labor credit. Add line 2 and line 3 ■ 4 _____

Caution: Your credit may be limited. See the instructions for line 4.

Note: The employer must keep the approved joint venture agreement for audit purposes.

General Information

A Purpose of Form

Use form FTB 3507 to figure and claim a credit for wages paid to prison inmates under an approved joint venture agreement.

B Qualifications

California allows a credit equal to 10 percent of the wages paid to each prisoner who is employed under an approved joint venture agreement.

The credit amount is based on wages paid to each qualifying employee during the taxable or income year for the duration of the contract agreement.

The credit applies only if a contract agreement has been signed between the Director of Corrections and the joint venture employer on or before the day the individual begins work for the employer.

C Miscellaneous

The credit is in addition to any other deduction to which the employer is entitled.

There is no provision for carryover of any unused credit to subsequent tax years.

Specific Line Instructions

Line 1 – Enter the total amount of qualifying wages paid or incurred under the provisions of the approved joint venture agreement.

Line 3 – If you have flow-through credit(s) from partnerships, S corporations, limited liability companies or fiduciaries, add them and enter the total on line 3. Attach a schedule showing the names and identification numbers of the entities from which the credit(s) flowed through to you.

Line 4 – The amount of this credit that you may claim on your tax return may be limited. Refer to the credit instructions in your tax booklet to see if there are any limitations on the amount of credit you may claim. These instructions also explain how to claim this credit on your tax return. You must use credit code number 162 to claim this credit.

This credit can not reduce the minimum tax (corporations, limited partnerships, limited liability companies and S corporations), the alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations).

S corporations may claim only one-third of the credit against the 1.5 percent tax. In addition, 100 percent of this credit may be passed through to the shareholders according to their pro-rata share.

Partnerships, limited liability companies and S corporations must prorate the prison inmate labor credit on line 4 among the partners, members or shareholders. Attach form FTB 3507 to the return, and on Schedule K-1 (565, 568 or 100S) show the credit for each partner, member or shareholder.

Fiduciaries must allocate the credit between the estate or trust and the beneficiary or beneficiaries in proportion to the income allocable to each.

Enter the estate's or trust's allocated portion of the total prison inmate labor credit on the dotted line to the left of the amount on line 4. Label it "541 PORTION."