

1996

Employer Child Care Program/ Contribution Credit

3501

Attach to your California tax return.

Name(s) as shown on return Social security or California corporation no. FEIN

Part I Employer Child Care Program Credit Read the instructions before completing this part.

Section A

1 Number of children the child care facility(s) will legally accommodate (no minimum number required) 1

Section B - Computation of Credit

2 Enter the amount of costs paid or incurred for startup expenses... 3 Enter the amount of costs paid or incurred this year for contributions... 4 Add line 2 and line 3... 5 Multiply line 4 by 30% (.30)... 6 Flow-through credit(s) from Schedule K-1... 7 Add line 5 and line 6... 8 S corporations: Enter 1/3 of the amount on line 7... 9 Credit carryover from prior years... 10 Tentative Credit... 11 Total available credit... 12 Enter amount of credit claimed... 13 Subtract line 12 from line 11... 14 Excess available credit... 15 Credit carryover available for future years...

Section C - Credit Recapture (for the Employer Child Care Program Credit). See Part I, General Information E.

(a) Total credit claimed for all years (b) Proration percentage (60 months less number of months facility operated) ÷ 60 months (c) Credit recapture amount (column (a) x column (b)) 16

Include the amount on line 16, column (c), in the total on: Form 540, line 36; Form 540NR, line 45; Form 541, line 31; Form 100, Side 2, Schedule J; Form 100S, Side 2, Schedule J; Form 109, Side 4, Schedule K; Form 565, Schedule K, line 22; or Form 568, Schedule K, line 20. Write in the space to the left of the line, "FTB 3501" and the amount of credit recaptured.

Part II Employer Child Care Contribution Credit Read the instructions before completing this part.

(a) Name of employee's dependent (b) Contribution amount (c) 30% of column (b), but not more than \$360 (d) No. of weeks of care ÷ 42, but not more than 100% (e) Credit amount (column (c) x column (d)) 1 2 Flow-through credit(s) from Schedule K-1 (100S, 541, 565 or 568) 3 Total current year credits. Add amounts in line 1, column (e), and line 2. 4 S corporations only: Enter 1/3 of the amount on line 3. 5 Credit carryover from prior years. 6 Total available credit. All taxpayers except S corporations, add line 3 and line 5. S corporations add line 4 and line 5. 7 Amount of credit claimed on current year tax return. See Part II, General Information D. 8 Credit carryover available for future years. Subtract line 7 from line 6.

Instructions for Form 3501

Employer Child Care Program/Contribution Credit

General Information

Purpose of Form

Use form FTB 3501 to figure a credit if you are an employer and have established or contributed to a qualified employee child care program or contributed to California child care information and referral services. Also use form FTB 3501 to figure any recapture of the employer child care program credit.

Part I — Employer Child Care Program Credit

A Who May Claim the Credit

Child Care Program Startup

You may claim this credit if you incurred costs for the startup expenses of establishing a child care program or constructing child care facilities in California, and are either:

- An employer; or
- Are leasing commercial or office space you own to an employer.

The child care facilities must be used primarily by the children of your employees or the children of your tenant's employees, or both.

Information and Referral Services

You may also claim a credit for contributions to California child care information and referral services such as those that:

- Identify local child care services;
- Offer information describing these resources to employees; and
- Refer employees to child care services where there are vacancies.

If a child care facility is established by two or more taxpayers, the credit is allowed if the facility is to be used primarily by the children of the employees of each of the taxpayers or the children of the employees of tenants of each of the taxpayers, or both.

Note: A credit is not allowed if local ordinance or regulation requires the taxpayer to provide a child care facility.

B Definition of Startup Expenses

Startup expenses include, but are not limited to:

- Feasibility studies;
- Site preparation; and
- Construction, renovation or acquisition of facilities for purposes of establishing or expanding on-site or near-site centers by one or more employers, or one or more building owners leasing space to employers.

C Computation of Credit

The amount of the credit allowed is 30% of your cost paid or incurred for establishing a

child care program or constructing a child care facility in California for use primarily by employees as described in Part I, General Information A.

Two or more employers (other than a husband and wife) who share in the costs eligible for the credit may claim the credit in proportion to their respective share of the costs paid or incurred. For a husband and wife who file separate returns, the credit may be taken by either or divided equally between them.

D Limitations

The amount of credit generated for any taxable or income year is limited to \$50,000 (Part I, line 7). Any credit generated in excess of \$50,000 may not be claimed and cannot be carried over.

S corporations may only claim 1/3 of the allowable credit to offset the 1.5% entity level tax. If the 1/3 allowable credit is not used by the S corporation in the year that it is generated, it may be carried over to future years. However, the S corporation may pass-through 100% of the allowable credit (not to exceed the \$50,000 annual limitation) to its shareholders.

Any deduction allowed for the same costs must be reduced by the amount of the credit.

The amount of this credit you may claim on your tax return may be further limited (in addition to the yearly limitation). 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 **189** to claim this credit.

This credit cannot reduce the minimum tax (corporations, limited partnerships, limited liability partnerships, limited liability companies and S corporations), the alternative minimum tax (corporations, fiduciaries and individuals), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations). The credit cannot reduce regular tax below the tentative minimum tax (TMT). See Schedule P (100, 540, 540NR or 541) for more information.

E Recapture

If the child care center is disposed of or stops operating within 60 months after completion, the portion of the credit claimed that represents the remaining portion of the 60-month period must be recaptured. You must add the recapture amount to your tax liability in the taxable or income year of disposition or nonuse. Figure any recapture amount in Section C.

Estates and trusts, partnerships and limited liability companies must identify the recapture amounts for their beneficiaries, partners and

members on Schedule K-1 (541, 565 or 568). In addition, S corporations must also identify recapture amounts for their shareholders on Schedule K-1 (100S), which will differ from the amount recaptured by the S corporation on Form 100S, Side 2, Schedule J.

F Carryover

If the amount of the credit exceeds your tax for the taxable or income year, you may carry over the excess to succeeding taxable or income years. Apply the carryover to the earliest years possible.

If the amount of allowable credit generated this year, plus the credit carried over from prior years exceeds \$50,000, you may carry over the amount in excess of \$50,000 to succeeding years.

Any credit generated in excess of \$50,000 in any taxable or income year may not be claimed and cannot be carried over.

G Basis and Depreciation

You must reduce the basis for depreciation of the child care facilities by the amount of the credit attributable to the facilities in the taxable or income year the credit is allowed. You may elect to take depreciation in lieu of this credit, or you may take depreciation for the cost of facilities in excess of the amount of the credit claimed.

Part II — Employer Child Care Contribution Credit

A Who May Claim the Credit

You may claim this credit if you are an employer who made contributions to a qualified care plan for any of your California employee's dependents under the age of 12.

The credit is not available if the employee's dependent is in the care of a person who:

- Qualifies as a dependent of that employee or that employee's spouse; or
- Is a son, stepson, daughter or stepdaughter of that employee and is under the age of 19 at the close of the taxable or income year.

B Definitions

Qualified care plan includes, but is not limited to:

- On-site service;
- Center-based service;
- In-home care;
- Home-provider care; or
- Dependent care specialized center.

Facilities must be located in California and operated under the authority of a license when required by state law.

Full-time qualified care plan means an average of eight or more hours of dependent care

per day for at least 42 weeks per year in a qualified care plan.

Part-time qualified care plan means an average of two to eight hours of dependent care per day for at least 42 weeks per year in a qualified care plan.

Employer contributions are direct payments to child care programs or providers.

C Computation of Credit

The amount of the credit allowed is 30% of your cost paid or incurred for contributions to a qualified care plan made on behalf of any of your California employee's dependents under the age of 12.

Two or more employers (other than a husband and wife) who share in the costs eligible for the credit may claim the credit in proportion to their respective share of the costs paid or incurred. For a husband and wife who file separate returns, the credit may be taken by either or divided equally between them.

D Limitations

The amount of this credit cannot exceed \$360 per dependent in any taxable or income year. S corporations may only claim 1/3 of the

allowable credit to offset the 1.5% entity level tax. If the 1/3 allowable credit is not used by the S corporation in the year that it is generated, it may be carried over to future years. However, the S corporation may pass-through 100% of the allowable credit to its shareholders.

If the child care received is less than 42 weeks, prorate the credit in column (c) as indicated in column (d).

If you, as an employer, make contributions to a qualified care plan and also collect fees from parents to support child care facilities which you own and operate, the contributions available for computing the allowable credit may be limited. If the sum of contributions and fees exceed the total cost of child care, the contributions must be reduced by the amount in excess of cost.

Any deduction allowed for the same costs must be reduced by the amount of the credit.

The amount of this credit 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 **190** to claim this credit.

This credit cannot reduce the minimum tax (corporations, limited partnerships, limited liability partnerships, limited liability companies and S corporations) the alternative minimum tax (corporations, fiduciaries and individuals), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations). The credit cannot reduce regular tax below the tentative minimum tax (TMT). See Schedule P (100, 540, 540NR or 541) for more information.

E Carryover

If the amount of the credit exceeds your tax for the taxable or income year, you may carry over the excess to succeeding taxable or income years. Apply the carryover to the earliest year possible.

F Basis

When you claim this credit for contributions to a qualified care plan used at facilities that you own, reduce the basis of those facilities by the amount of the credit in the taxable or income year the credit is allowed.