

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 Schedule K-1 (100S, 541, 565 or 568). See instructions . . . . .	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% 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 to wages paid pursuant to a contract agreement between the Director of Corrections and the joint venture employer executed on or before the day the individual begins work for the employer.

C Limitations

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

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

S corporations may claim only one-third of the credit against the 1.5% tax. In addition, 100% of this credit may be passed through to the shareholders. A separate form FTB 3507 must be filed with the S corporation's return and the return for each shareholder claiming pass-through of the credit.

Corporate Members of a Unitary or Combined Group

This credit may not be allocated or otherwise transferred to another taxpayer, even if the other taxpayer(s) is a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit.

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. See General Information C.

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