YEAR

# 2003 Natural Heritage Preservation Credit

CALIFORNIA FORM

**3503**

Attach to your California tax return.

Name(s) as shown on tax return

| Secretary of State (SOS) file number | ☐ Social security ☐ Corporation number ☐ FEIN |
|---|---|
| | |

**Part I Wildlife Conservation Board (WCB) Qualified Contributions**

| Donor's name as shown on certificate | Type of Donated Property | Date Donation was Accepted | Fair Market Value |
|---|---|---|---|
| | | | |

| Project Name | WCB ID# |
|---|---|
| | |

**Part II Credit Computation**

**1** Fair market value amount from Part I . . . **1** ______

**2** Multiply the amount on line 1 by 55% (.55) . . . **2** ______

**3** Enter your ownership percentage if you are a pass-through shareholder or beneficiary . . . **3** ____.____

**4** Multiply the amount on line 2 by the percentage on line 3. If you are the sole donor, enter the amount from line 2. This is your available credit . . . **4** ______

**5** Enter the amount of credit claimed on your current tax return. See instructions . . . **5** ______

**Caution:** This amount may be less than the amount on line 4, if your credit is more than your tax liability.

**6** Credit carryover available for future years. Subtract line 5 from line 4 . . . **6** ______

## General Information

The California Personal Income Tax Law and the Corporation Tax Law allows a nonrefundable credit for certain approved contributions of real property. This credit can be used by taxpayers against the net tax in an amount equal to 55% of the fair market value of a qualified contribution that has been approved for acceptance by the Wildlife Conservation Board.

The Wildlife Conservation Board's authority to award Natural Heritage Preservation Tax Credits was suspended between July 1, 2002, and June 30, 2003, inclusive. Thus, any credits that were allocated before June 30, 2002, may be claimed on the 2002 tax return. Any credits that could have been allocated, but were not allocated, or any new credits that are allocated on or after July 1, 2003, may be claimed on the 2003 tax return, or subsequent tax returns. Carryover is not affected for previously awarded credits, credits awarded before June 30, 2002, or any credits allocated on or after July 1, 2003.

## Purpose

Use form FTB 3503 to figure the Natural Heritage Preservation Credit. Also, use this form to claim pass-through credits received from S corporations, estates or trusts, partnerships, or limited liability companies (LLCs) classified as partnerships.

S corporations, estates or trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3503 to figure the amount of credit to pass through to shareholders, beneficiaries, partners, or members. Attach this form to Form 100S, Form 541, Form 565, or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule(s) K-1 (100S, 541, 565, or 568).

## Description

The Wildlife Conservation Board (WCB) has implemented a program under which property can be contributed to the state, any local government, or to any nonprofit organization designated by a local government, based on specified criteria, in order to provide for the protection of wildlife habitat, open space, and agricultural lands.

## Definitions

The credit is allowed against net tax, in an amount equal to 55% (.55) of the fair market value of any qualified contribution made by the taxpayer on or after January 1, 2000, and prior to December 31, 2005, to the state, any local government, or any designated nonprofit organization.

## Qualifications

To qualify for this credit, you must make a contribution of property as defined in Section 37002 of the Public Resources Code, and the WCB must have approved the contribution for acceptance.

For more information about qualified contributions, contact the Wildlife Conservation Board at (916) 445-8448. Or go to their Website at **www.dfg.ca.gov/wcb/index.html**.

The fair market value of any qualified contribution shall be passed through to partners, shareholders, beneficiaries, or members of the pass-through entity in accordance with their interest as of the date of the qualified contribution. The term "pass-through entity" means any partnership, S corporation, or LLC classified as a partnership.

## Limitations

No credit will be allowed unless you received a certificate from the WCB, which shows that your qualified contribution was approved for acceptance. You must retain the certificate and make it available to the Franchise Tax Board upon request.

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining two-thirds must be disregarded and may not be used as a carryover. In addition, S corporations may pass through 100% of the credit to their shareholders.

If a taxpayer owns an interest in a disregarded business entity, a single member limited liability company (SMLLC) not recognized (disregarded) by California for tax purposes that is treated as a sole proprietorship owned by an individual or a branch owned by a corporation, the credit amount received from the disregarded entity that can be utilized is limited to the difference between the taxpayer's regular tax figured with the income of the disregarded entity, and the taxpayer's regular tax figured without the income of the disregarded entity. A SMLLC may be disregarded as an entity separate from its owner, and is subject to statutory provisions that recognize otherwise disregarded entities for certain purposes including the tax and fee of an LLC, the return filing requirements of an LLC, and the credit limitations previously mentioned. Get Form 568, Limited Liability Company Return of Income Tax Booklet, for more details.

**Note:** If the disregarded entity reports a loss, the taxpayer may not claim the credit this year but can carry over the credit amount received from the disregarded entity to the next succeeding taxable year.

This credit cannot reduce the minimum franchise tax (corporations and S corporations), annual tax (limited partnerships, limited liability partnerships, and LLCs), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations).

This credit can reduce regular tax below TMT. See Schedule P (100, 100W, 540, 540NR, or 541) for more information.

This credit is in lieu of any other state tax credit or deduction that the taxpayer would otherwise be allowed for the contributed property or interest therein.

**This credit is not refundable.**

## Specific Line Instructions

### Part I

Enter the name of the donor, the type of property donated, the date donation was accepted, the approved fair market value amount, the project name, and the WCB ID# from the certificate that you received from the WCB. If you have more than one qualified contribution, compute each qualified contribution on a separate form FTB 3503.

### Part II

#### Line 2

Multiply the amount on line 1 (fair market value) by 55% and enter on line 2.

#### Line 3

Enter your S corporation, estate or trust, partnership, or LLC pass-through ownership percentage. If you are the sole donor, enter 100%.

#### Line 5

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 for more information. The instructions also explain how to claim this credit on your tax return. You must use credit code number **213** when you claim this credit.

#### Line 6

Carryover: If the available credit exceeds the current year tax liability the unused credit may be carried over to the following year and the succeeding seven years if necessary, until the credit is exhausted. Apply the carryover to the earliest taxable years possible. This credit cannot be carried back and applied against a prior year's tax.