

2006 Natural Heritage Preservation Credit

3503

Attach to your California tax return.

Name(s) as shown on your California tax return
[ ] SSN or ITIN [ ] Corporation no. [ ] FEIN
Secretary of State (SOS) file number

Part I Wildlife Conservation Board (WCB) Qualified Contributions

Table with 4 columns: Donor's name as shown on certificate, Type of Donated Property, Date Donation was Accepted, Fair Market Value. Includes Project Name and WCB ID#.

Part II Credit Computation

Table with 2 columns: Description, Amount. Rows 1-8 detailing credit computation steps from fair market value to carryover.

What's New

The funding for the Natural Heritage Preservation Credit is available beginning January 1, 2005, until June 30, 2008.

General Information

The California Personal Income Tax Law and Corporation Tax Law allows a nonrefundable credit for certain approved contributions of real property.

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.

Description

The WCB implemented a program for the protection of wildlife habitat, open space, and agricultural lands. Under this program, property can be contributed to the state, any local government, or to any nonprofit organization designated by a local government, based on specified criteria.

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 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 regarding qualified contributions, contact the WCB at (916) 445-8448. Or go to their Website at www.wcb.ca.gov.

The credit of any qualified contribution passes 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.

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## 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 2/3 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 by California, and for tax purposes 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.

An 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 Tax Booklet, for more information.

**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 regular tax below the minimum franchise tax (corporations and S corporations), annual tax (limited partnerships, limited liability partnerships, and LLCs classified as a partnership), 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.**

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## Specific Line Instructions

### Part I

Enter the following information from the certificate you received from the WCB:

- Name of donor,
- Type of property donated,
- Date donation was accepted,
- Approved fair market value amount,
- Project name, and
- WCB ID #

If you have more than one qualified contribution, compute each contribution on a separate form FTB 3503.

### Part II

#### 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

Enter the amount from your 2005 form FTB 3503, line 6.

#### Line 7

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. Use credit code number **213** when you claim this credit.

#### Line 8

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.