TAXABLE YEAR

CALIFORNIA FORM

2008 Low-Income Housing Credit 3521

Attach to your California tax return.

Name(s) as shown on your California tax return

☐ SSN or ITIN ☐ Corporation no. ☐ FEIN

Building identification number (BIN)

Secretary of State (SOS) file number

Part I Credit Computation

1 Has the eligible basis of any project or building decreased since you received form CTC 3521A from the California Tax Credit Allocation Committee?
☐ Yes ☐ No If "Yes," complete Part III before continuing. See General Information C.

2 Current year credit. See instructions. . . . . 2 _____ 00

3 Enter any affiliated corporation or pass-through low-income housing credits from other entities below. See instructions.

If you are a	Current year low-income housing credits from –	(a) Name of entity passing through the credit –	(b) Identification numbers – California corporation, FEIN, etc.	(c) BIN	(d) Total amount of affiliated corporation or pass-through credit(s)
Corporation	FTB 3521, line 10 of the affiliated corporation				00
S corporation shareholder	Schedule K-1 (100S), line 13a				00
Beneficiary	Schedule K-1 (541), line 13d				00
Partner or LLC member	Schedule K-1 (565, 568), line 15b				00

Total pass-through low-income housing credit. Add the amounts in column (d) . . . . . 3 _____ 00

4 Current year low-income housing credit. Add line 2 and line 3. . . . . 4 _____ 00

5 Enter the amount of low-income housing credit on line 4 that is from passive activities.
If none of the amount on line 4 is from passive activities, enter -0- . . . . . 5 _____ 00

6 Subtract line 5 from line 4 . . . . . 6 _____ 00

7 Enter the allowable low-income housing credit from passive activities. See instructions. . . . . 7 _____ 00

8 Low-income housing credit carryover from prior year . . . . . 8 _____ 00

9 Add line 6 through line 8 . . . . . 9 _____ 00

10 **Corporations only:** Amount of low-income housing credit allocated to affiliated corporations:

Corporation name	California corporation number	Amount of credit allocated

Total amount of low-income housing credit allocated. If you are not a corporation, enter -0- . . . . . 10 _____ 00

11 Total available low-income housing credit. Subtract line 10 from line 9 . . . . . 11 _____ 00
This amount may be less than the amount on line 9 if your credit is limited by tentative minimum tax (TMT) or your tax liability. See instructions.

Part II **Carryover Computation**

12	Amount of low-income housing credit claimed on the current year tax return	**12**	00
13	Carryover to future years. Subtract line 12 from line 11	**13**	00

Part III **Basis Recomputations.** Complete this part only if the basis in a project or building has decreased. Use additional sheets if necessary.

		(a) Building 1	(b) Building 2	(c) Total
14 Date building was placed in service (month/year)	**14**			
15 BIN	**15**			
16 Eligible basis of building. See General Information C	**16**			
17 Low-income portion (lesser of unit percentage or floor-space percentage). See instructions.	**17**			
18 Qualified basis of low-income building. Multiply line 16 by line 17	**18**			
19 Applicable percentage. See General Information B, 2	**19**			
20 Multiply line 18 by line 19. See Specific Line Instructions for Part I, line 2	**20**			

Instructions for Form FTB 3521

Low-Income Housing Credit

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005,** and to the California Revenue and Taxation Code (R&TC).

What's New

Business Tax Credit Limitation – For taxable years beginning on or after January 1, 2008, and before January 1, 2010, business tax credits can only offset 50% of the net tax, if a corporation's taxable income is $500,000 or more, or if an individual's net business income is $500,000 or more.

Business tax credits disallowed due to the 50% limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credits were not allowed.

Allocations to Partners – Low income housing projects receiving a preliminary reservation from the California Tax Credit Allocation Committee (TCAC) between January 1, 2009, and December 31, 2015, will now be able to allocate the California low income housing tax credits among partners based upon the terms of the partnership agreement and without regard to any other requirements of Subchapter K of the Internal Revenue Code.

Farmworker Housing Credit – Beginning on or after January 1, 2009, the farmworker housing credit will be consolidated into the low-income housing tax credit.

Assigned Credits to Affiliated Corporations – For taxable years beginning on or after July 1, 2008, credit earned by members of a combined reporting group may be assigned to an affiliated corporation. A credit assigned may only be applied by the affiliated corporation against their tax in a taxable year beginning on or after January 1, 2010.

General Information

You are **not** required to attach form CTC 3521A, Certificate of Final Award of California Low-Income Housing Tax Credits, to your return. However, you must retain the certificate and make a copy available to the Franchise Tax Board (FTB) upon request.

Round Cents to Dollars – Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25. If you do not round, the FTB will disregard the cents. This helps process your return quickly and accurately.

A Purpose

Use form FTB 3521, Low-Income Housing Credit, if you are an owner of a residential rental project providing low-income housing in California.

Also use this form to claim a credit that was:

- Allocated from an affiliated corporation.
- Passed through from S corporations, estates or trusts, partnerships, or limited liability companies (LLCs) classified as partnerships.

The meaning of an affiliated corporation is provided in Revenue and Taxation Code (R&TC) Section 25110(b), except substitute "100%" for "more than 50%" and "voting common stock" for "voting stock" wherever they appear in R&TC Section 25110.

S corporations, estates or trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3521 to figure the amount of credit to pass through to shareholders, beneficiaries, partners, or members. Attach this form to Form 100S, California S Corporation Franchise or Income Tax Return; Form 541, California Fiduciary Income Tax Return; Form 565, Partnership Return of Income; or Form 568, Limited Liability Company Return of Income. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedules K-1 (100S, 541, 565, or 568), Share of Income, Deductions, Credits, etc.

Under Internal Revenue Code (IRC) Section 42(a), as adopted by California, the low-income housing credit for any year is the applicable percentage of the qualified basis of each qualified low-income building. See R&TC Sections 17058 and 23610.5.

B CA and Federal Differences

1. California Tax Credit Allocation Committee authorization. The Committee must authorize the amount of the credit allocated to any low-income housing project. California requires that the credit be allocated based on a project's need for the credit for economic viability.

The low-income housing project must be located in California and must either:

- Have been allocated a federal low-income housing credit.
- Qualify for the credit under IRC Section 42(h)(4)(B), the special rule where 50% or more of the building is financed with exempt bonds subject to a volume cap.

The Committee must certify to the owner the amount of California credit to which the owner is entitled each year. To apply for the certificate, write to:

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
915 CAPITOL MALL RM 485
SACRAMENTO CA 95814
Telephone: 916.654.6340

2. Applicable percentage. For a new building not federally subsidized that received an allocation after 1989, the applicable percentage is:

- For each of the first three years, the percentage prescribed by the Secretary of the Treasury for such buildings.
- For the 4th year, the difference between 30% and the sum of the applicable percentages for the first three years.

For a new building that is federally subsidized or an existing building that is "at risk of conversion" that receives an allocation after 1989, the applicable percentage is:

- For each of the first three years, the percentage prescribed by the Secretary of the Treasury for new buildings that are federally subsidized.
- For the 4th year, the difference between 13% and the sum of the applicable percentages for the first three years.

The credit percentage will be adjusted monthly to reflect the present value at the time the building is placed in service. See the IRS revenue ruling published monthly dealing with federal interest rates.

3. Credit period. California uses a 4-year period instead of the 10-year period allowed under federal law. California does not apply the federal special rule for the first year of the credit period under IRC Section 42(f)(2).

4. Accelerated credit election. California law contains no provision for acceleration of the credit. See R&TC Sections 17058(p) and 23610.5(p).

5. Compliance period. The compliance period (during which a housing project remains subject to the set-aside and rent requirements that qualified it for the low-income housing credit) is 30 consecutive years, instead of the 15-year period allowed under federal law. This period begins with the first taxable year of the credit period.

6. Recapture of credit. California law contains no provision for recapture of the credit. See R&TC Sections 17058(i) and 23610.5(i).

C Basis

Generally, the eligible basis of a building for its entire 30-year compliance period is figured as of the date it is placed in service. For housing projects consisting of two or more buildings, figure the credit separately for each building.

For new buildings, the eligible basis is generally the cost of construction.

For existing buildings, the eligible basis is the cost of acquisition plus any rehabilitation expenses incurred before the close of the first year of the credit period. The owner must have acquired the building by purchase from an unrelated person, and it must have been at least 10 years since the building was last placed in service or substantially improved.

When figuring the eligible basis of a new or existing building, do not include the cost of land. You must reduce the basis by the amount of any federal grants received and by any basis allocable to units that are not low-income units and are above the average quality standard of the low-income units in the building.

Residential rental property may qualify for the credit even though part of the building in which the residential units are located is used for commercial purposes. To figure the eligible basis of such property, do not include the cost of the nonresidential rental property. You may generally include the basis of common areas or tenant facilities, such as swimming pools or parking areas.

D Limitations

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 carryover. S corporations can 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 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, for example:

- The tax and fee of an LLC
- The return filing requirements of an LLC
- The credit limitations previously mentioned

Get Form 568, Limited Liability Company Return of Income Tax Booklet, for more information.

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.

This credit cannot reduce the minimum franchise tax (corporations, and S corporations), the annual tax (limited partnerships, limited liability partnerships, and LLCs classified as partnerships), 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 tentative minimum tax. Get Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

This credit is not refundable.

E Carryover

If the available credit exceeds the current year tax liability, the unused credit may be carried over to succeeding years until exhausted. Use Part II to figure your carryover. Apply the carryover to the earliest taxable year(s) possible. This credit may not be carried back and applied against a prior year's tax.

Specific Line Instructions

Part I – Credit Computation

Line 2 – The available credit is the smaller of:

- The amount designated on form CTC 3521A.
- The amount computed in Part III, line 20.

If form FTB 3521 is completed by a pass-through entity (S corporation, estate or trust, partnership, or LLC classified as a partnership), the entity must attach a separate schedule to the form that shows each shareholder's, beneficiary's, partner's, or member's name, identification number, the amount of pass-through credit, and the corresponding building identification number.

Line 3 – If you received more than one pass-through credit from S corporations, estates or trusts, partnerships, or LLCs classified as partnerships, more than one allocated credit from affiliate corporations, or a combination of pass-through and allocated credits, add the amounts and enter the total on line 3. Attach a schedule showing the names and identification numbers of the entities from which the credits were passed through or allocated to you.

Line 7 – If any part of the amount on line 4 is from a passive activity, you must complete form FTB 3801-CR, Passive Activity Credit Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to determine your allowable credit. Complete form FTB 3801-CR or form FTB 3802 **before** completing the rest of this form.

You cannot claim the credit on any building that has been allowed any relief from the passive loss rules under Section 502 of the Tax Reform Act of 1986.

Line 11 – The amount of this credit you can claim on your tax return may be limited further. 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 **172** when you claim this credit. Also see General Information D, Limitations.

Part III – Basis Recomputations

Use Part III only if the eligible basis decreased on a project or building.

Line 17 – Only the portion of the basis attributable to the low-income rental units in the building at the close of the year qualifies for the credit. This is the smaller of the following:

- The percentage of low-income units to all residential rental units (the "unit percentage").
- The percentage of floor space of the low-income units to the floor space of all residential rental units (the "floor space percentage").

Low-income units are units occupied by qualifying tenants, while residential rental units are all units, whether or not occupied.