TAXABLE YEAR

CALIFORNIA FORM

2008 Credit Carryover Summary 3540

Attach to your California tax return.

You do not need to complete this form if you file Schedule P (100, 100W, 540, 540NR, or 541).

☐ SSN or ITIN ☐ Corporation no. ☐ FEIN

Name(s) as shown on your California tax return

Secretary of State (SOS) file number

(a) Code	(b) Name of repealed credit	(c) Credit carryover available from prior years	(d) Credit carryover used this year	(e) Credit carryover to future years

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.

General Information

References in these instructions are to the California Revenue and Taxation Code (R&TC).

A Purpose

Use form FTB 3540, Credit Carryover Summary, to figure a prior year credit carryover of one or more repealed credits that no longer have separate credit forms. Credit carryovers may **not** be carried back and applied against a prior year's tax. The repeal dates have passed for the credits listed below. However, these credits had carryover features.

You may claim these credits **only** if carryovers are available from a prior year(s).

You must keep your old tax returns along with the appropriate information to substantiate that you are entitled to the credits claimed on this form. The Franchise Tax Board can request that information even on tax returns for years that are past the statute of limitations.

You do not need to complete this form if you file Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations.

B Credit Carryover

Use the credit code number listed to the left of the credit name when you enter the credit amount on your tax return.

Code 175 – Agricultural Products Credit Carryover

You may claim a credit carryover if you donated agricultural products to a nonprofit organization under **former** R&TC Sections 17053.12 and 23608, only if a carryover is available from tax years 1989 through 1991.

Code 196 – Commercial Solar Electric System Credit Carryover

You may claim a credit carryover for the costs of installing commercial solar electric systems under **former** R&TC Sections 17052.5 and

23601.5, only if a carryover is available from tax years 1990 through 1993.

Code 181 – Commercial Solar Energy Credit Carryover

You may claim a credit carryover for the costs of installing commercial solar energy systems under **former** R&TC Sections 17052.4 and 23601.4, only if a carryover is available from tax years 1987 through 1988.

Code 202 – Contribution of Computer Software Credit Carryover (Corporations only)

You may claim a credit carryover if you contributed computer software under **former** R&TC Section 23606.1, only if a carryover is available.

Code 194 – Employee Ridesharing Credit Carryover (Individuals only)

You may claim a credit carryover for the costs paid or incurred as an employee for non-employer sponsored vanpool subscription costs under **former** R&TC Section 17053.1, only if a carryover is available from tax years 1989 through 1995.

Code 191 – Employer Ridesharing Credit Carryover (Large)

You may claim a credit carryover for the cost of sponsoring a ridesharing program for your employees or for operating a private, third-party ridesharing program under **former** R&TC Sections 17053 and 23605, only if a carryover is available from tax years 1989 through 1995.

Use Code 191 if, in the year(s) in which the credit was generated, your available credit was computed using the Large Employer Program because you were an employer with 200 or more employees.

Code 192 – Employer Ridesharing Credit Carryover (Small)

You may claim a credit carryover for the cost of sponsoring a ridesharing program for your employees or for operating a private, third-party ridesharing program under **former** R&TC Sections 17053 and 23605, only if a carryover is available from tax years 1989 through 1995.

Use Code 192 if, in the year(s) in which the credit was generated, your available credit was computed using the Small Employer Program because you were an employer with fewer than 200 employees.

Code 193 – Employer Ridesharing Credit Carryover (Transit Passes)

You may claim a credit carryover for the costs paid or incurred for providing subsidized public transit passes to your employees under **former** R&TC Sections 17053 and 23605, only if a carryover is available from tax years 1989 through 1995.

Code 182 – Energy Conservation Credit Carryover

You may claim a credit carryover for the costs of installing energy conservation measures under **former** R&TC Sections 17052.4, 17052.8, and 23601.5, only if a carryover is available from tax years 1981 through 1986.

Code 215 – Joint Strike Fighter Credit Carryover — Wages

You may claim a credit carryover for the percentage of qualified wages paid or incurred for qualified employees under **former** R&TC Section 17053.36 and 23636, only if the carryover is available from taxable years 2001 through 2005.

Limitation: The credit may be carried forward for up to eight years from the year in which the credit was incurred, or until exhausted, whichever occurs first.

Code 216 – Joint Strike Fighter Credit Carryover — Property Costs

You may claim a credit carryover for the qualified cost to manufacture qualified property placed in service in California under **former** R&TC Section 17053.37 and 23637, only if the carryover is available from taxable years 2001 through 2005.

Limitation: The credit may be carried forward for up to eight years from the year in which the credit was incurred, or until exhausted, whichever occurs first.

Code 159 – Los Angeles Revitalization Zone (LARZ) Hiring Credit Carryover & Sales or Use Tax Credit Carryover

You may claim a credit carryover for the following:

- Qualified wages paid to qualified employees under **former** R&TC Sections 17053.10, 17053.17, 23623.5, and 23625, only if a carryover is available from tax years 1992 through 1997.
- Sales or use tax paid or incurred on qualified property under **former** R&TC Sections 17052.15 and 23612.6, only if a carryover is available from tax years 1992 through 1997.

The amount of credit carryover you may claim for the LARZ hiring credit and LARZ sales or use tax credit is limited by the amount of tax on business income attributable to the former LARZ. Get FTB 3806, Los Angeles Revitalization Zone Business Booklet, to determine the amount of credit carryover you may claim.

Code 160 – Low-Emission Vehicles Credit Carryover

You may claim a credit carryover for the amount that was authorized by the CA Energy Commission under **former** R&TC Sections 17052.11 and 23603, only if a carryover is available from tax years 1991 through 1995.

Code 199 – Manufacturers' Investment Credit (MIC)

You may claim a credit carryover for the qualified costs paid or incurred for acquiring, constructing, or reconstructing qualified properties under Cal. Code Regs., tit. 18, sections 17053.49-0 through 17053.49-11 and sections 23649-0 through 23649-11, only if a carryover is available from tax years 1994 through 2003.

Limitation: The credit may generally be carried over for a maximum of eight years. However, if the qualified taxpayer met the definition of a small business as of the last day of the taxable year in the year the credit was first allowed, then the credit may be carried over for ten years.

Even though the cost to construct or acquire the property may have been paid or incurred during 2003 or prior years, if the property was not placed in service before January 1, 2004, none of those costs are qualified costs for the credit.

Code 185 – Orphan Drug Credit Carryover

You may claim a credit carryover for expenses related to qualified clinical testing under **former** R&TC Sections 17057 and 23609.5, only if a carryover is available from tax years 1987 through 1992.

Code 184 – Political Contributions Credit Carryover (Individuals only)

You may claim a credit carryover for political contributions you made prior to January 1, 1992, under **former** R&TC Section 17053.14, only if a carryover is available from tax years 1987 through 1991.

The political contribution credit was the smaller of one of the following:

- 25% (.25) of the amount contributed.
- $50 ($25 for married filing separately and single).

Code 174 – Recycling Equipment Credit Carryover

You may claim a credit carryover for the purchase of qualified recycling equipment, which was certified by the California Integrated Waste Management Board, under **former** R&TC Sections 17052.14 and 23612.5, only if a carryover is available from tax years 1989 through 1993.

Code 186 – Residential Rental and Farm Sales Credit Carryover

You may claim a credit carryover if you had a gain from the sale of residential rental or farm property under **former** R&TC Section 17061.5, only if a carryover is available from tax years 1987 through 1991.

Code 206 – Rice Straw Credit

You may claim a credit carryover for the purchase of rice straw grown in California under former R&TC Sections 17052.10 and 23610, only if a carryover is available from tax years 1997 through 2007.

Limitation: The credit may be carried forward for up to ten years from the year in which the credit was incurred, or until exhausted, whichever occurs first.

Code 171 – Ridesharing Credit Carryover (Pre-1989)

You may claim a credit carryover for the cost of sponsoring a ridesharing program for your employees, or for operating a private, third-party ridesharing program under **former** R&TC Sections 17053, and 23605, only if a carryover is available from tax years 1981 through 1986.

Use Code 171 **only** for employer ridesharing credit carryovers from pre-1989 tax years. If you are claiming a credit carryover from the employer ridesharing vehicle credit available in tax years 1989 through 1995, see codes 191 through 193 to determine which code to use.

Code 200 – Salmon and Steelhead Trout Habitat Restoration

You may claim a credit carryover for the cost associated with salmon and steelhead trout habitat restoration and improvement projects under **former** R&TC Sections 17053.66 and 23666, only if a carryover is available from tax years 1995 through 1999. The credit amount is the lesser of 10% of qualified costs, or other amounts determined by the California Department of Fish and Game.

Code 180 – Solar Energy Credit Carryover

You may claim a credit carryover for the costs of installing solar energy systems under **former** R&TC Sections 17052.5 and 23601, only if a carryover is available from tax years 1985 through 1988.

Code 179 – Solar Pump Credit Carryover

You may claim a credit carryover for the cost of installing a solar pump system under **former** R&TC Sections 17052.1, 17052.4, 17052.8, and 23607, only if a carryover is available from tax years 1981 through 1983.

Code 217 – Solar or Wind Energy System Credit Carryover

You may claim a credit carryover for the purchase and installation costs of a solar energy or wind energy system installed on California property under **former** R&TC 17053.84 and 23684, from taxable years 2001 through 2005.

Limitation: The credit may be carried forward for up to eight years from the year in which the credit was incurred, or until exhausted, whichever occurs first.

Code 201 – Technological Property Contribution Credit Carryover (Corporations only)

You may claim a credit carryover if you contributed technological property under **former** R&TC Section 23606, only if a carryover is available.

Code 178 – Water Conservation Credit Carryover (Individuals, Estates, and Trusts only)

You may claim a credit carryover for the costs of installing water conservation measures under **former** R&TC Section 17052.8, only if a carryover is available from tax years 1980 through 1982.

Code 161 – Young Infant Credit Carryover

You may claim a credit carryover for a dependent under 13 months of age under **former** R&TC Section 17052.20, only if a carryover is available from tax years 1991 through 1993.

C Limitations

In general, a credit carryover cannot reduce the minimum franchise tax (corporations, S corporations) and the annual tax (limited partnerships, limited liability companies (LLCs) classified as partnerships, limited liability 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).

However, the solar energy credit carryover and the commercial solar energy credit carryover may reduce alternative minimum tax. Get Schedule P (100, 100W, 540, 540NR, or 541).

If the available credit carryover for the current taxable year exceeds the current year tax, any unused amount may be carried over to succeeding years unless the credit carryover period has expired. Apply the carryover to the earliest taxable year(s) possible.

In no event can a credit carryover be carried back and applied against a prior year's tax.

Single Member LLCs (SMLLC)
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 tax purposes. Get Form 568, Limited Liability Company Income Tax Return, 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.

Corporate Members of a Unitary or Combined Group
You cannot allocate or otherwise transfer the credit carryover to another taxpayer, even if the other taxpayer is a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit from which the credit carryover originated.

Specific Column Instructions

Column (a) – Enter the code number from the instructions for the carryover credit(s) you are eligible to claim.

Column (b) – Enter the name of repealed credit from the instructions for the carryover credit(s) you are eligible to claim.

Column (c) – Enter the amount of credit carryover available from prior years. This amount is on the prior year credit form or statement that you attached to your previous year's tax return. This amount may also be on the prior year Schedule P (100, 100W, 540, 540NR, or 541), under Credit Carryover, column (d).

Column (d) – Enter the amount of credit carryover claimed on your current year tax return. The credit carryover amount you can claim on your tax return may be limited by federal adjusted gross income and by California tentative minimum tax. Refer to the credit instructions in your tax booklet to determine the amount of credit carryover you can claim and for information on claiming the credit carryover on your tax return. Also see General Information C, Limitations.

Column (e) – Subtract the amount in column (d) from the amount in column (c). Enter the result in column (e). This is the amount of credit that can be carried over to future years. To see if the credit is limited, see General Information C, Limitations.