

# 2012 New Jobs Credit

# 3527

Attach to your California tax return.

Name(s) as shown on your California tax return

SSN or ITIN  Corporation no.  FEIN

California Secretary of State (SOS) file number

## Part I – Net Increase in Qualified Full-Time Employees

Read General Information Section D, Definitions, before completing Part I.

### Section A – Taxable year 2011

Complete Section A to calculate the total number of qualified employees employed in the prior taxable year (2011). See the rules under General Information B, Qualifications, for determining if you first commenced business during the current taxable year.

1	Number of qualified full-time hourly and salaried employees that were employed for the entire taxable year (2011) . . .	1	_____
2	Number of qualified full-time hourly employees that were employed for less than 52 weeks during the taxable year (2011) . . . . .	2	_____
3	Total number of hours worked by employees in line 2 (not to exceed 2,000 hours per employee) . . . . .	3	_____
4	Divide line 3 by 2000. See specific line instructions . . . . .	4	_____
5	Number of qualified full-time salaried employees that were employed for less than 52 weeks during the taxable year (2011) . . . . .	5	_____
6	Total number of weeks worked by employees in line 5. . . . .	6	_____
7	Divide line 6 by 52. See specific line instructions . . . . .	7	_____
8	Add lines 1, 4 and 7. See specific line instructions. . . . .	8	_____

If the number of employees on line 8 is more than 20, **STOP**, you are not eligible for this credit.

### Section B – Taxable year 2012

Complete Section B to calculate the total number of qualified employees employed in the current taxable year (2012).

9	Number of qualified full-time hourly and salaried employees that were employed for the entire taxable year (2012) . . .	9	_____
10	Number of qualified full-time hourly employees that were employed for less than 52 weeks during the taxable year (2012) . . . . .	10	_____
11	Total number of hours worked by employees in line 10 (not to exceed 2,000 hours per employee) . . . . .	11	_____
12	Divide line 11 by 2000. See specific line instructions . . . . .	12	_____
13	Number of qualified full-time salaried employees that were employed for less than 52 weeks during the taxable year (2012) . . . . .	13	_____
14	Total number of weeks worked by employees in line 13. . . . .	14	_____
15	Divide line 14 by 52. See specific line instructions . . . . .	15	_____
16	Add lines 9, 12 and 15. See specific line instructions. . . . .	16	_____

## Part II – Credit Computation

17	Net increase in qualified employees. Subtract line 8 from line 16. If the amount on line 17 is zero or less, you do not qualify for the credit. . . . .	17	_____
18	Multiply line 17 by \$3,000. Total new jobs credit generated. See specific line instructions. . . . .	18	00
19	Pass-through new jobs credit(s) from Schedule K-1 (100S, 541, 565, or 568). See specific line instructions . . . . .	19	00
20	Credit carryover from prior year . . . . .	20	00
21	Total available new jobs credit. Add line 18, line 19, and line 20. . . . .	21	00
22 a	Enter the amount of credit claimed on your current tax return (Do not include any assigned credit claimed on form FTB 3544A.) . . . . .	22a	00
	This amount may be less than the amount on line 21 if your credit is limited by tentative minimum tax or your tax liability. See Limitations, Section E, and specific line instructions.		
b	Total credit assigned to other corporations within combined reporting group from form FTB 3544, column (g) . . . . .	22b	00
23	Credit carryover available for future years. Add line 22a and line 22b, subtract the result from line 21. . . . .	23	00

# Instructions for Form FTB 3527

## New Jobs Credit

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

### General Information

#### A Purpose

Use form FTB 3527, New Jobs Credit, to figure a credit for qualified employers in the amount of \$3,000 for each increase in qualified full-time employees hired in the current taxable year. The \$3,000 credit is prorated based on an annual full-time equivalent basis for full-time employees employed less than a full year. See General Information Section D, Definitions, for more information. The total amount of credit that the Franchise Tax Board (FTB) can allocate may not exceed four hundred million dollars (\$400,000,000).

The credit must be claimed on a timely filed original tax return by a cut-off date that the FTB will establish based on allocations. The FTB will post the cut-off date at the FTB website when the credit has been fully allocated. Only tax returns filed by the cut-off date will qualify to claim the credit. To ensure that you receive the credit if you qualify, you must file your original tax return by the cut-off date. Go to [ftb.ca.gov](http://ftb.ca.gov) and search for **new jobs** to find out if the credit has been fully allocated, when the cut-off date will be, and to get any other updates for this credit.

The credit was not subject to the 50% limitation for business credits under California Revenue and Taxation Code (R&TC) Sections 17039.2 and 23036.2.

#### B Qualifications

Net increases in qualified full-time employees are determined by comparing the number of full-time employees employed by the taxpayer in the current taxable year with the number of qualified full-time employees that were employed by the taxpayer in the preceding taxable year.

Qualified employers must have employed 20 or less employees on the last day of the preceding taxable year and must have a net increase in qualified full-time employees in the current taxable year compared to the number in the preceding taxable year. If an employer first commenced doing business in California during the current taxable year, the number of qualified full-time employees for the immediately preceding taxable year would be zero.

In determining whether the taxpayer has first commenced doing business in this state during the current taxable year, the following rules apply:

1. Where a taxpayer or partnership purchases or otherwise acquires all or any portion of the assets of an existing trade or business (irrespective of the form of entity) that is doing business in this state (within the meaning of R&TC Section 23101), the trade or business thereafter conducted by the taxpayer or partnership (or any related person) shall not be treated as a new business if the aggregate fair market value (FMV) of the acquired assets (including real, personal, tangible, and intangible property) used by the taxpayer or partnership (or any related person) in the conduct of its trade or business exceeds 20% of the aggregate FMV of the total assets of the trade or business being conducted by the taxpayer or partnership (or any related person).

For purposes of this paragraph:

- (A) The determination of the relative FMVs of the acquired assets and the total assets shall be made as of the last day of the first taxable year in which the taxpayer or partnership (or any related person) first uses any of the acquired trade or business assets in its business activity.
- (B) Any acquired assets that constituted property described in IRC Section 1221(1) in the hands of the transferor shall not be treated as assets acquired from an existing trade or business,

unless those assets also constitute property described in IRC Section 1221(1) in the hands of the acquiring taxpayer or partnership (or related person).

2. Where a taxpayer or partnership (or any related person) is engaged in one or more trade or business activities in this state, or has been engaged in one or more trade or business activities in this state within the preceding 36 months ("prior trade or business activity"), and thereafter commenced an additional trade or business activity in this state, the additional trade or business activity shall only be treated as a new business if the additional trade or business activity is classified under a different division of the Standard Industrial Classification (SIC) Manual (1987 edition), than are any of the taxpayer's or partnership's (or any related persons) current or prior trade or business activities.
3. Where a taxpayer or partnership, including all related persons, is engaged in trade or business activities wholly outside of this state and the taxpayer or partnership first commences doing business in this state (within the meaning of R&TC Section 23101) after December 31, 1993 (other than by purchase or other acquisition described in paragraph 1), the trade or business activity shall be treated as a new business for purposes of this credit.
4. Where the legal form under which a trade or business activity is being conducted is changed, the change in form shall be disregarded and the determination of whether the trade or business activity is a new business shall be made by treating the taxpayer or partnership as having purchased or otherwise acquired all or any portion of the assets of an existing trade or business under the rules of paragraph 1.

Employees of related persons shall be treated as employed by a single taxpayer.

For more information on these rules, see Legal Rulings 96-5 and 99-2, and R&TC Sections 17276(f) and 24416(g).

#### C Exceptions

An employer may not claim the credit for those employees who are any of the following:

- Certified as a qualified employee in an enterprise zone or targeted tax area.
- Certified as a qualified disadvantaged individual in a manufacturing enhancement area.
- Certified as a qualified disadvantaged individual or qualified displaced employee in a local agency military base recovery area.
- An employee whose wages are included in calculating any other credit allowed.

#### D Definitions

**Qualified Employer:** A taxpayer that, as of the last day of the preceding taxable year, employed a total of 20 or fewer employees.

**Qualified Full-time Employee:**

- A qualified employee who was paid qualified wages by the qualified employer for services of not less than an average of 35 hours per week. The average hours are determined based on the number of hours worked divided by the number of weeks in the period of employment. Qualified employees include only those employees who work an average of 35 hours per week.
- A qualified employee who was a salaried employee and was paid compensation during the current taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified employer.

**Qualified Wages:** Wages subject to Div. 6 (commencing with Section 13000) of the Unemployment Insurance Code.

## Annual Full-time Equivalent:

- In the case of a full-time employee paid hourly qualified wages, the total number of hours worked for the taxpayer by the employee (not to exceed 2,000 hours per employee) divided by 2,000.
- In the case of a salaried full-time employee, the total number of weeks worked for the taxpayer by the employee divided by 52.

**Acquire:** Includes any gift, inheritance, transfer incident to divorce, or any other transfer, whether or not for consideration.

## E Limitations

The credit is limited to \$3,000 per qualified employee and is limited further by being prorated on an annual full-time equivalent basis for employees employed less than a full year.

This credit does not reduce any other deduction for qualified wages.

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. 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 is treated as a sole proprietorship owned by an individual or a branch owned by a corporation], the usable credit amount received from the disregarded entity 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 subject to certain statutory provisions that recognize otherwise disregarded entities for certain purposes, for example:

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

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

This credit cannot reduce the regular tax below the minimum franchise tax (corporations and S corporations), the 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 cannot reduce regular tax below the tentative minimum tax (TMT). Get Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

**This credit is not refundable.**

## F Disallowance of the Credit

Taxpayers that have been denied the credit as a result of the \$400 million cap being reached will not be assessed an underpayment of estimated tax or underpayment of tax penalty to the extent the underpayment was created or increased by the disallowance of this credit. For more information, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, or form FTB 5806, Underpayment of Estimated Tax by Corporations. Additionally, any disallowance of the credit due to the \$400 million cap being reached would be treated as a math error, and would not be reviewable in any administrative or judicial proceeding.

## G Assignment of Credits

**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 that is a member of the same combined reporting group. A credit assigned may only be claimed by the affiliated corporation against its tax in taxable years beginning on or after January 1, 2010. For more information, get form FTB 3544, Election to Assign Credit Within Combined Reporting Group, or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

## H Carryover

If the available credit exceeds the current year tax liability or is limited by tentative minimum tax, the unused credit may be carried over for eight years or until the credit is exhausted, whichever occurs first. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax.

If you have a carryover, retain all records that document this credit and carryover used in prior years. The FTB may require access to these records.

## Specific Line Instructions

How many total employees, including both full-time and part-time, did you have on the last day of the prior taxable year? If more than 20, **STOP**, you are not eligible for this credit.

### Part I – Net Increase in Qualified Full-Time Employees

#### Section A

For line 4, line 7, and line 8 of Section A, enter the result as a decimal out to four decimal places.

#### Section B

For line 12, line 15, and line 16 of Section B, enter the result as a decimal out to four decimal places.

If the amounts entered on lines 1, 3, and 6 of Section A, and lines 9, 11, and 14 of Section B are negative, enter as negative.

### Part II – Credit Computation

**Example:** Company P employs two qualified full-time employees paid on an hourly basis. One employee worked 1,575 hours during the current taxable year, and the other worked 1,000 hours.

The total amount of credit Company P may claim for both employees is calculated as follows:

Step 1:  $2,575 \text{ hours} \div 2,000 \text{ hours} = 1.2875$

Step 2:  $1.2875 \times \$3,000 = \$3,863$

**Example:** Company P also employs two qualified full-time employees paid on a salaried basis. One employee worked 35 weeks during the current taxable year, and the other worked 50 weeks. The total amount of credit Company P may claim for both employees is calculated as follows:

Step 1:  $85 \text{ weeks} \div 52 \text{ weeks} = 1.6346$

Step 2:  $1.6346 \times \$3,000 = \$4,904$

**Line 18** – Enter the total new jobs credit generated amount on Form 100, line 25a; Form 100S, line 23a; Form 100W, line 25a; Form 109, line 11a; Form 540, line 41; Long Form 540NR, line 56; Form 565, question EE; or Form 568, question EE.

**Line 19** – If you received pass-through new jobs credit(s) from S corporations, estates or trusts, partnerships, or LLCs classified as partnerships, add the amounts and enter the total.

**Line 22a** – The amount of this credit you can claim on your tax return may be limited further. See General Information E, Limitations. Also, refer to the credit instructions in your tax booklet for more information. Enter the amount of credit claimed on this line and on your current tax return; Form 100, line 25b; Form 100S, line 23b; Form 100W, line 25b; Form 109, line 11b; Form 540, line 42; Long Form 540NR, line 57; or Form 541, line 23 and use credit code number **220**.