

# Credit Carryover and Recapture Summary

Attach to your California tax return.

SSN or ITIN     CA Corporation no.     FEIN

Name(s) as shown on your California tax return

California Secretary of State (SOS) file number

**Part I – Credit Carryover**

(a) Code	(b) Name of repealed credit	(c) Credit carryover available from prior years	(d) Credit carryover used this year	(e) Credit carryover to future years

**Part II – Credit Recapture** (See Credit Recapture Instructions)

	(a) Total credit claimed for all years	(b) Proration percentage: (60 months less number of months facility operated ÷ 60 months)	(c) Credit recapture amount column (a) x column (b)
Employer Childcare Program Credit (ECPC)			
<b>Code 189</b>		_____ . _____	
Farmworker Housing Credit (FWHC)			
<b>Code 207</b>		_____ . _____	

**General Information**

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

**Part I Carryover**

**A Purpose**

Use form FTB 3540, Credit Carryover and Recapture Summary, Part I, to figure a prior year credit carryover of one or more repealed credits that no longer have separate credit forms.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 on this form, however, these credits have carryover provisions. 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 FTB can request that information even on tax returns for years that are past the statute of limitations.

**Business Tax Credit Limitation** – For taxable years beginning on or after January 1, 2008, and before January 1, 2010, business tax credits could only offset 50% of the tax (corporations) or net tax (individuals), if a corporation's taxable income was \$500,000 or more, or if an individual's net business income was \$500,000 or more. Business tax credits disallowed due to the 50% limitation may be carried over. The carryover period for disallowed credits was extended by the number of taxable years the credits were not allowed.

You do not need to complete this form if you file Schedule P (100, 100W, 540, 540NR, or 541). However, complete this form if you are required to report a credit recapture on Part II.

**B Assignment of Credits**

**Assigned Credits to Affiliated Corporations** – For taxable years beginning on or after July 1, 2008, credits 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 applied by the affiliated corporation against their tax in a taxable year 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**.

**C 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 taxable years 1989 through 1991.

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**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 taxable 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 taxable 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 from taxable years 1986 through 1987.

**Code 189 – Employer Childcare Program Carryover**

You may claim a credit carryover if you were an employer and previously established a qualified employee childcare program, constructed a childcare facility in California under **former** R&TC Sections 17052.17, 17052.18, and 23617, only if a carryover is available from taxable years 1994 through 2011.

**Code 190 – Employer Childcare Contribution Credit Carryover**

You may claim a credit carryover if you contributed to California childcare information and referral services in California under **former** R&TC Sections 17052.18, and 23617.5, only if a carryover is available from taxable years 1994 through 2011.

**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 taxable 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 taxable 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 taxable 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 taxable 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 taxable years 1981 through 1986.

**Code 207 – Farmworker Housing Credit Carryover – Construction**

You may claim a credit carryover for the eligible costs to construct or rehabilitate qualified farmworker housing under **former** R&TC Sections 17053.14 and 23608.2 only if a carryover is available from taxable years 1997 through 2008. This credit is subject to recapture.

**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 Sections 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 Sections 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 taxable 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 taxable 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 form 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 taxable 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 taxable 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 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 taxable 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 taxable 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 taxable years 1989 through 1993.

### **Code 186 – Residential Rental and Farm Sales Credit Carryover** (Individuals only)

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 taxable years 1987 through 1991.

### **Code 206 – Rice Straw Credit Carryover**

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 taxable 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 taxable years 1981 through 1986.

Use Code 171 **only** for employer ridesharing credit carryovers from pre-1989 taxable years. If you are claiming a credit carryover from the employer ridesharing vehicle credit available in taxable 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 taxable 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 taxable 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 taxable 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 Sections 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 210 – Targeted Tax Area (TTA) (Sales or Use Tax)**

You may claim a credit carryover for the TTA sales or use tax paid or incurred on qualified property under **former** R&TC Sections 17053.33 and 23633, only if a carryover is available from taxable years 1998 through 2012.

The amount of credit you may claim is limited by the amount of tax on business income attributable to the TTA. Get form FTB 3809, Targeted Tax Area Business Booklet, to determine the amount of credit carryover you may claim.

### **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 from taxable years 1983 through 1984.

### **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 taxable years 1980 through 1982.

### **Code 161 – Young Infant Credit Carryover** (Individuals only)

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 taxable years 1991 through 1993.

## **D Limitations**

In general, a credit carryover cannot reduce the minimum franchise tax (corporations and 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).

Alternative Minimum Tax (AMT) may be reduced by the following credit carryovers: solar energy credit, commercial solar energy credit and the manufacturing investment credit (MIC). However, the MIC carryover may only reduce the alternative minimum tax (AMT) for corporations. 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.

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### Single Member LLC (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 Booklet.

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.

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### 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 tentative minimum tax or your tax liability. 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 D, 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 D, Limitations.

## Part II Credit Recapture

### A Purpose

Use form FTB 3540, Credit Carryover and Recapture Summary, Part II to compute any recapture. You must keep your old tax returns along with the appropriate information to substantiate the credits recaptured on this form. The FTB can request that information even on tax returns for years that are past the statute of limitations.

## B Credit Recapture Definition

### Code 189 – Employer Childcare Program Credit (ECPC)

If the childcare center is disposed of or stops operating within 60 months after completion, the portion of the credit claimed that represents the remaining portion of the 60-month period must be recaptured. You must add the recapture amount to your tax liability in the taxable year of disposition or nonuse.

### Code 207– Farmworker Housing Credit (FWHC)

If the FWHC was allocated under the former FWHC provision prior to January 1, 2009, and the property is disposed of or stops operating, with respect to the costs of constructing or rehabilitating farmworker housing, within 360 months after completion, the portion of the credit claimed that represents the portion of the 360-month period must be recaptured.

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### Specific Column Instructions

**Column (c)** – Include the recaptured amount from Part II, column (c), for each credit on your California tax return or schedule as follows:

- Form 540, line 63
- Long Form 540NR, line 73
- Form 541, line 34
- Form 100, Schedule J, line 5
- Form 100S, Schedule J, line 5
- Form 100W, Schedule J, line 5
- Form 109, Schedule K, line 4
- Form 565, Schedule K, line 20c
- Form 568, Schedule K, line 20c.

Indicate that a credit recapture is included on the tax return by writing "FTB 3540" in the space provided or next to the line on the schedule or form.

Estates, trusts, partnerships, and LLCs, classified as partnerships, must identify the recapture amounts for their beneficiaries, partners, and members on Schedule K-1 (541, 565, or 568).

In addition, S corporations must identify recapture amounts for their shareholders on Schedule K-1 (100S), which will differ from the amount recaptured by the S corporation on Form 100S, Schedule J, line 5.