

California

Forms & Instructions

3554

2015

New Employment Credit Booklet

Members of the Franchise Tax Board

Betty T. Yee, Chair
Jerome E. Horton, Member
Michael Cohen, Member

This booklet contains:

Form FTB 3554, New Employment Credit



**State of California
Franchise Tax Board**

2015 Instructions for Form FTB 3554

New Employment Credit

Introduction

The Governor's 2013 Economic Development Initiative

On July 11, 2013, the governor signed legislation that affected business incentives in California. The legislation had four impacts:

- **New Employment Credit (NEC)**

The NEC establishes a credit for businesses located in a designated area in the state. For more information, go to ftb.ca.gov and search for [nec](#).

- **California Competes Tax Credit (CCC)**

The CCC is an income tax credit available to businesses that want to come to California or stay and grow in California. The Governor's Office of Business and Economic Development (GO-Biz) administers the CCC. For more information, go to business.ca.gov.

- **Repeal of the Enterprise Zone (EZ) and Local Agency Military Base Recovery Area (LAMBRA) program effective January 1, 2014.**

For more information go to ftb.ca.gov and search for [repeal tax incentives](#).

- **Sales Tax Exemption**

The Board of Equalization administers a partial exemption to businesses that purchase qualified property on or after July 1, 2014. Go to boe.ca.gov and search for [manufacturing exemptions](#).

New Employment Credit

The NEC is available for each taxable year beginning on or after January 1, 2014, and before January 1, 2021. This credit is for a qualified taxpayer that hires a qualified full-time employee on or after January 1, 2014, and pays or incurs qualified wages attributable to work performed by that employee in a designated census tract, pilot area, or former economic development area, known as the Designated Geographic Area (DGA), and receives a Tentative Credit Reservation (TCR) for that employee. In addition, an annual certification of employment is required with respect to each qualified full-time employee hired in a previous taxable year. In order to be allowed a credit, the qualified taxpayer must have a net increase in the total number of full-time employees working in California, when compared to its base year, both determined on an annual full-time equivalent basis. See Line Instructions, Part I - Net Increase in Full-Time Employees, for more information.

Reporting Requirement

California statutes require the FTB to report the names of employers claiming the credit, the amount of the credit, and the number of new jobs created on the FTB website.

Purpose

Use form FTB 3554, New Employment Credit, to figure a credit for a qualified taxpayer that hires a qualified full-time employee and pays or incurs qualified wages attributable to work performed by that employee in a DGA and receives a TCR for that employee.

The NEC must be claimed on a timely filed original return of the qualified taxpayer.

An employer cannot claim the NEC for an employee hired before January 1, 2014.

General Information

A Designated Geographic Area

In order to qualify for the NEC, the qualified taxpayer must have a qualified full-time employee performing services for the employer in the DGA. The DGA is defined as:

- Designated census tracts that have the highest unemployment and highest poverty in the state.
- Former Enterprise Zones (in existence on December 31, 2011, designated in 2012) and any revision to an EZ prior to June 30, 2013, except census tracts within those EZs with the lowest unemployment and poverty levels.
- Former LAMBRA (in existence on July 11, 2013).

Pilot Areas

Pilot areas are select areas within the DGA. There may be up to five pilot areas designated at one time. Qualified wages for qualified full-time employees in pilot areas are those wages greater than \$10 per hour, up to 350% of the state minimum wage at that time.

In 2014, GO-Biz designated the following pilot areas:

1. **Fresno Pilot Area**

The former Fresno City Enterprise Zone, except within census tracts with the lowest unemployment and poverty levels.

2. **Merced Pilot Area**

The former Merced Enterprise Zone, except within census tracts with the lowest unemployment and poverty levels.

3. **Riverside Pilot Area**

The Riverside Pilot Area includes census tracts 303, 401.01, 402.03, 429.04, and 467 in Riverside County.

These pilot areas are in effect until December 31, 2017. The pilot area designation may be extended by GO-Biz for an additional period of up to three calendar years.

B Qualified Taxpayer

A qualified taxpayer is an employer engaged in a trade or business within a DGA who, during the taxable year, pays qualified wages to a qualified full-time employee, and is not in an excluded business. See Line Instructions, Question F, Excluded PBA/NAICS Codes.

A qualified taxpayer must hire a qualified full-time employee on or after January 1, 2014, and receive a TCR from FTB within 30 days of complying with the Employment Development Department (EDD) new hire reporting requirements for that employee. In addition, a qualified taxpayer must annually certify each qualified full-time employee.

C Tentative Credit Reservation

An employer is required to obtain a TCR from FTB for a qualified full-time employee. The employer must get the reservation within 30 days of completing the EDD new hire reporting requirements. A qualified taxpayer must obtain the TCR through an online system that is available on FTB's website. For more information on the TCR, go to ftb.ca.gov and search for [nec](#).

D Annual Certification of Employment

The qualified taxpayer must annually certify that it is still a qualified employer and that each qualified full-time employee hired in a previous taxable year is still qualified in the current taxable year. The annual certification of employment is due on or before the 15th day of the third month of the qualified taxpayer's current taxable year. For more information on annual certification, go to ftb.ca.gov and search for [nec](#).

E Relocating Businesses

A qualified taxpayer who relocates to a DGA will be allowed a NEC for wages paid to each qualified full-time employee employed in the new location only if the taxpayer provides each employee at the previous locations a written offer of employment at the new location, with comparable compensation. **Note:** This requirement does not apply if the qualified taxpayer is a small business.

This requirement for relocated employees applies if the taxpayer has an increase in the number of qualified full-time employees in a DGA within a 12-month period in which there is a decrease in the number of full-time employees employed in California but outside of the DGA.

F Qualified wages

Qualified wages are wages paid by the qualified taxpayer during the taxable year to the qualified full-time employee that exceeds 150% (or \$10 for a Pilot Area) but does not exceed 350% of minimum wage. The tentative credit is determined by multiplying the qualified wages for all qualified employees by 35%.

Wages for salaried employees must be converted to an hourly amount. A reasonable way to do this would be to divide the annualized salary by 2000 hours.

Qualified wages are wages paid during the 60 month period beginning with the first day the qualified full-time employee commences employment with the qualified taxpayer in the DGA. For this purpose, commencement of employment or the hire date is the first day for which the individual receives wages/compensation.

For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, re-employment of an individual is not a new hire. It is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test.

Dates	Qualified wage must exceed	Maximum qualified hourly wage
January 1, 2015 – December 31, 2015	\$13.50	\$31.50
Pilot Areas January 1, 2015 – December 31, 2015	\$10	\$31.50

The California minimum wage is \$9.00 per hour from July 1, 2014 through December 31, 2015. Beginning on and after January 1, 2016, the minimum wage will be \$10.00 per hour.

G 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 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.

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. Get Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

This credit is not refundable.

Generally, the credit or credit carryover cannot be transferred to another employer unless there was a qualifying merger under the Internal Revenue Code or the credit qualifies under the California Revenue and Taxation Code (R&TC) section 23663 for an assignment to an affiliated corporation.

H Assignment of Credits

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 claimed by the affiliated corporation against its tax liability. 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 and search for **credit assignment**.

I 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 five years or until the credit is exhausted, whichever occurs first. Apply the carryover to the earliest taxable year. In no event can the credit be carried back and applied against a prior year's tax. Retain all records that document this credit and carryovers. The FTB may require access to these records.

J Recapture

You may be required to recapture a previously taken credit if a qualified full-time employee is terminated within the first 36 months after beginning employment. The amount of credit that must be recaptured is the amount for that taxable year and all prior taxable years attributed to qualified wages paid to that employee.

You are not required to recapture the credit if you meet any of the following **exceptions**:

- The employee voluntarily leaves employment.
- The employee becomes disabled and unable to perform the services of that employment, unless the disability is removed before the close of the period and the employer fails to offer re-employment.
- The employee is terminated due to misconduct.
- The employer has a substantial reduction in operations, including reductions due to seasonal employment.
- The employee is replaced by other qualified full-time employees so as to create a net increase in both the number of employees and the number of hours of employment.
- The employment is considered seasonal, and the qualified employee is rehired on a seasonal basis.

Follow the instructions in the tax booklets if you are required to recapture the NEC.

Examples of the NEC Calculations

Example 1

ABC Company is a qualified taxpayer and has a net increase in full-time employees. ABC Company receives the full amount of the tentative credit. ABC Company is on a calendar year basis and operates entirely within the DGA. For its taxable year 2014, ABC Company has 100 full-time employees based on annual full-time equivalents. During taxable year 2015, ABC Company hired a number of new full-time employees, 2 of which were qualified full-time employees. ABC Company received a TCR for these employees as required.

Assume the following facts:

James Smith was hired on January 1, 2015, at an hourly wage of \$17.00 and on July 1, 2015, his hourly wage was increased to \$20.00 per hour. James worked 2,000 hours during taxable year 2015. Jane Jones was hired on July 1, 2015, at an hourly wage of \$20.00 and worked 1,000 hours during taxable year 2015. The qualified wages and tentative credit are computed as follows:

	Actual Wages	150% of Minimum Wage	Qualified Wages	Hours Worked	Multiply by Applicable Credit Percentage	Tentative Credit
James Smith Jan 1 – June 30	\$17.00	\$13.50	\$3.50	1,000	35%	\$1,225
James Smith July 1 – Dec 31	\$20.00	\$13.50	\$6.50	1,000	35%	\$2,275
Jane Jones July 1 – Dec 31	\$20.00	\$13.50	\$6.50	1,000	35%	\$2,275
Total Tentative Credit						\$5,775

The Base Year is taxable year 2014. In its base year, annual full-time equivalents were 100. The annual full-time equivalents for 2015 was 108. The net increase in full-time employees over the base year is 8. The credit generated is computed as follows:

Description	Calculation
Numerator	108-100 = 8 (Net Increase in full-time employees)
Denominator	2 qualified full-time employees
Computation	8/2 = 100% (the applicable percentage cannot exceed 100%)
Tentative Credit Amount	\$5,775
Credit Generated	\$5,775 (\$5,775 x 100%)

Example 2

ABC Company has a net increase in full-time employees and receives a partial amount of the tentative credit.

Assume the same facts as Example 1, except due to attrition the annual full-time equivalents for taxable year 2015 was 101. The net increase in full-time employees over the base year is 1 (101-100). The credit generated is computed as follows:

Description	Calculation
Numerator	101-100 = 1 (Net Increase in full-time employees)
Denominator	2 qualified full-time employees
Computation	1/2 = 50%
Tentative Credit Amount	\$5,775
Credit Generated	\$2,888 (\$5,775 x 50%)

Example 3

ABC Company does not have a net increase in full-time employees and receives no amount of the tentative credit.

The annual full-time equivalents for taxable year 2015 was 98. The net increase in full-time employees over the base year is zero (98-100 but it cannot be less than 0). ABC Company cannot claim a credit in taxable year 2015.

Example 4

XYZ Company is a qualified taxpayer and first commences doing business in California on January 1, 2015, and receives the full amount of the tentative credit.

XYZ Company is on a calendar year basis and first commences business in California on January 1, 2015, and operates in the DGA. During its taxable year 2015, XYZ Company hired a number of full-time employees, 2 of which were qualified full-time employees. Assume the following facts:

Jeff Smith was hired on January 1, 2015, at an hourly wage of \$17.00 and on July 1, 2015, his hourly wage was increased to \$18.00. Jeff worked 2,000 hours during taxable year 2015. Mary Jones was hired on July 1, 2015, at an hourly wage of \$18.50 and worked 1,000 hours during taxable year 2015.

The qualified wages and tentative credit are computed as follows:

	Actual Wages	150% of Minimum Wage	Qualified Wages	Hours Worked	Multiply by Applicable Credit Percentage	Tentative Credit
Jeff Smith Jan 1 – June 30	\$17.00	\$13.50	\$3.50	1,000	35%	\$1,225
Jeff Smith July 1 – Dec 31	\$18.00	\$13.50	\$4.50	1,000	35%	\$1,575
Mary Jones July 1 – Dec 31	\$18.50	\$13.50	\$5.00	1,000	35%	\$1,750
Total Tentative Credit						\$4,550

Since XYZ Company first commenced business in California on January 1, 2015, its base year annual full-time equivalents are zero. Assume its annual full-time equivalents were 5 in taxable year 2015. The net increase in full-time employees over the base year is 5 (5-0). The credit generated is computed as follows:

Description	Calculation
Numerator	5-0 = 5 (Net Increase in full-time employees)
Denominator	2 qualified full-time employees
Computation	5/2 = 100% (the applicable percentage cannot exceed 100%)
Tentative Credit Amount	\$4,550
Credit Generated	\$4,550 (\$4,550 x 100%)

2015 New Employment Credit

3554

Attach to your California tax return.

Name(s) as shown on your California tax return	<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> CA Corporation no. <input type="checkbox"/> FEIN
	California Secretary of State (SOS) file number

A. Check the appropriate box for your entity type

Individual Estate Trust C Corporation
 S Corporation Partnership Exempt organization Limited liability company Limited liability partnership

B. Enter the name of the entity "operating" in a Designated Geographical Area (DGA) _____

C. Enter one address (actual location) of the business operating in the DGA _____

D. Does the business have at least one location in a pilot area?
 Yes No

E. Did the business receive a **tentative reservation** for all claimed employees?
 Yes No If no, stop. See instructions.

F. Principal Business Activity Code of the business _____

G. Previous taxable year's gross receipts _____

Part I Net Increase in Full-Time Employees

Section A – Enter your base year _____. See Part I, instructions for base year rules.

Complete Section A to calculate the total number of annual full-time equivalents working in California during the base year. See Part I, instructions for base year rules.

1 Number of full-time hourly and salaried employees that were employed for the entire taxable year	1 _____
2 Number of full-time hourly employees that were employed for less than 52 weeks during the taxable year	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 instructions	4 _____
5 Number of full-time salaried employees that were employed for less than 52 weeks during the taxable year	5 _____
6 Total number of weeks worked by employees in line 5	6 _____
7 Divide line 6 by 52. See instructions	7 _____
8 Base year annual full-time equivalents. Add lines 1, 4 and 7. See instructions	8 _____

Section B – Taxable year 2015.

Complete Section B to calculate the total number of annual full-time equivalents in California during the current taxable year.

9 Number of full-time hourly and salaried employees that were employed for the entire taxable year	9 _____
10 Number of full-time hourly employees that were employed for less than 52 weeks during the taxable year	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 instructions	12 _____
13 Number of full-time salaried employees that were employed for less than 52 weeks during the taxable year	13 _____
14 Total number of weeks worked by employees in line 13	14 _____
15 Divide line 14 by 52. See instructions	15 _____
16 Current year annual full-time equivalents. Add lines 9, 12 and 15. See instructions	16 _____

Part II Available Credit

17 Net increase in full-time employees. Subtract line 8 from line 16. If the amount on line 17 is zero or less, stop, you do not qualify	17 _____
18 Total qualified full-time employees. See instructions	18 _____
19 Applicable percentage. Divide line 17 by line 18 (not to exceed 1.0000)	19 _____
20 Tentative credit. See instructions	20 _____ 00
21 Credit generated. Multiply line 20 by line 19	21 _____ 00
22 Pass-through new employment credit(s) from Schedule K-1 (100S, 541, 565, or 568). See instructions	22 _____ 00
23 Credit carryover from prior year	23 _____ 00
24 Total available new employment credit. Add line 21, line 22, and line 23	24 _____ 00
25a Credit claimed. Enter the amount of the credit claimed on the current year tax return. See instructions. (Do not include any assigned credit claimed on form FTB 3544A.)	25a _____ 00
b Total credit assigned. Enter the total amount from form FTB 3544, column (g). If you are not a corporation, enter -0-. See instructions	25b _____ 00
26 Credit carryover available for future years. Add line 25a and line 25b, subtract the result from line 24	26 _____ 00

Part III Credit Recapture

27 Credit Recapture. See instructions	27 _____ 00
---	-------------

Line Instructions

Answer Questions A through G

Corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors, complete items A through G.

Investors of pass-through entities, complete items A through C.

Question B – Qualified taxpayers must have a qualified full-time employee working within the DGA. To find whether a specific location is within the DGA go to the DGA mapping tool. For more information on the mapping tool go to ftb.ca.gov and search for **nec**.

Question D – To find whether a specific location is within a pilot area, go to the DGA mapping tool at ftb.ca.gov and search for **nec pilot area**.

Question E – An employer is required to obtain a TCR from the FTB for each qualified employee. Only claim a credit for an employee which you obtained a TCR. For more information, see General Information C, Tentative Credit Reservation.

Question F – Enter the Principal Business Activity (PBA) code of your principal activities. The codes are listed on page 8 through page 10. The PBAs are based on the North American Industry Classification System (NAICS).

The entity's primary line of business is determined on a separate company basis (not a combined group basis) when determining if the corporation is in an excluded industry.

Excluded PBA/NAICS Codes

In order to be a qualified taxpayer, your primary PBA code or NAICS code must not be an excluded one. Excluded businesses are those in temporary help services or retail trades, and those primarily in food services, theater companies and dinner theaters, drinking places (alcoholic beverages,) or casinos and casino hotels. These otherwise disqualified businesses may be qualified if they are considered a small business.

The NAICS codes for each of these disqualified industries are:

- Temporary Help-NAICS 561320
- Retail Trade Services-NAICS Sector 44-45
- Primarily Theater Companies and Dinner Theater-NAICS 711110
- Primarily Food Services-NAICS 722511, 722513, 722514, and 722515
- Primarily Casino and Casino Hotels-NAICS 713210 and 721120
- Primarily Drinking Places (Alcoholic Beverages)-NAICS 722410

All sexually-oriented businesses are excluded from being a qualified taxpayer regardless of their status as a small business explained below. A sexually oriented business includes a nightclub, bar, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations, and where nudity is a planned and intentional part of the entertainment or performance.

Question G – For this purpose, “gross receipts” means the sum of the gross receipts from the production of business income, as defined in R&TC Section 25120(a), and the gross receipts from the production of nonbusiness income, as defined in R&TC Section 25120(d).

Gross receipts

If your gross receipts qualify you as a “small business”, the only applicable exclusion is for sexually oriented businesses.

A small business is a business that has aggregate gross receipts, less returns and allowances reportable to this state, of less than two million dollars (\$2,000,000) during the previous taxable year.

Determination of whether a taxpayer is a “small business” is made on an annual basis, and is determined by each individual entity.

Part I – Net Increase in Full-Time Employees

The net increase in full-time employees is the total number of annual full-time equivalents in the current taxable year, less the annual full-time equivalents in the base year.

Base year

The base year is the year before the 1st qualified employee is hired. The base year is taxable year 2014 for an employer who hired its first qualified full-time employee during taxable year 2015.

Once the base year is established, it does not change from year to year.

For taxpayers who first commence doing business in California during the current taxable year, the number of full-time employees for the base year would be zero. For more information in determining whether the taxpayer has first commenced doing business in this state during the current taxable year, see Legal Rulings 96-5 and 99-2, and R&TC Sections 17276(f) and 24416(g).

Annual full-time equivalents working in California

An employer must determine their annual full-time equivalents for their base year, and for each taxable year for which they will claim a credit. The number of full-time equivalents is the number of full-time employees who work the entire year and a pro-rata fraction for full-time employees who did not work the entire year. For full-time employees who worked part of the year, the fraction is determined as follows:

- For 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 2000.
- For a salaried full-time employee, the total number of weeks worked for the qualified taxpayer by the employee divided by 52.

Part time employees are not included in the calculation of annual full-time equivalents.

Section A and Section B Decimal Places

For line 4, line 7, and line 8 of Section A, and for line 12, line 15, and line 16 of Section B, enter the result as a decimal (rounded to four decimal places).

Line 8 – For taxpayers who first commence doing business in this state during the taxable year, the number of full-time equivalents for the base year is zero. Enter zero on line 8.

Part II – Available Credit

Line 17 – Enter net increase in full-time employees as a decimal (rounded to four decimal places).

Line 18 – Enter qualified full-time employees. The following are the requirements for a qualified full-time employee:

- Taxpayer received a TCR from FTB.
- Performs at least 50% of their services for the employer in the DGA. The employee may work in more than one location in the DGA to meet the requirement.
- Receives starting wages that exceed 150% up to 350% of the state minimum wage, or if the employee is hired to work in a pilot area, receives starting wages exceeding \$10 per hour.
- Is hired on or after January 1, 2014.
- Is hired after the DGA is designated.
- Is paid hourly wages for an average of at least 35 hours per week, or is salaried, and paid for full-time employment (within the meaning of Section 515 of the Labor Code).
- And, meets one of five conditions:
 1. Unemployed for the six months immediately preceding hire. If the individual completed a college or similar program and received a baccalaureate, postgraduate, or professional degree, the completion date must be at least 12 months prior to hire. For purposes of this definition, an individual is unemployed for a period if all of the following circumstances apply:
 - Not receiving wages subject to withholding
 - Not self-employed
 - Not a full-time student at a high school, college, university, or postsecondary education institution
 2. Veteran separated from the U.S. Armed Forces in the preceding 12 months.
 3. Recipient of the Earned Income Tax Credit (EITC) in the previous taxable year. For this purpose, an employee is deemed to be an EITC recipient if the EITC was claimed on the last personal income tax return filed before the employee's commencement of employment.

4. Ex-offender convicted of a felony.
5. Current recipient of CalWORKS or general assistance in accordance with the applicable sections of the Welfare and Institutions Code.

Line 19 – The applicable percentage is the net increase in full-time employees in California (determined on an annual full-time equivalent basis) divided by the number of qualified full-time employees, for which you received a TCR. The applicable percentage **cannot** exceed 100% or 1.0000. Enter the result as a decimal (rounded to four decimal places).

Line 20 – The tentative credit amount is the total qualified wages multiplied by hours worked multiplied by 35% (the applicable credit percentage). See examples on the page 4 and use Worksheet 1 below to calculate your tentative credit amount. Round your answer to the nearest whole dollar amount.

Line 21 – Enter the total NEC generated amount on this line and on your current tax return, Form 100, line 24; Form 100S, line 22; Form 100W, line 24; Form 109, line 11a; Form 565, question EE; or Form 568, question EE. Form 540 and 540NR filers refer to the credit instructions in your tax booklet for more information.

Line 22 – Enter the total amount of credits received from S corporations, estates, trusts, partnerships, or LLCs classified as partnerships.

Line 25a – Credit claimed

Do not include assigned credits claimed on form FTB 3544A.

This amount may be less than the amount on line 24 if your credit is limited by your tax liability. For more information, see General Information G, Limitations, and refer to the credit instructions in your tax booklet. Enter the total NEC claimed amount on this line and on your current tax return, Form 100, line 25; Form 100S, line 23; Form 100W, line 25; Form 109; line 11b. Form 540 and Form 540NR filers refer to the credit instructions in your tax booklet for more information.

Line 25b – Total credit assigned

Corporations that assign credit to other corporations within combined reporting group must complete form FTB 3544. Enter the total amount of credit assigned from form FTB 3544, column (g) on this line.

Part III – Credit Recapture

Line 27 – Credit Recapture

If you are required to recapture the NEC, enter the total on one of the following California tax returns or schedules:

- Form 100, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, Schedule J, line 5.
- Form 109, Schedule K, line 4.
- Form 540, line 63.
- Long Form 540NR, line 73.
- Form 541, line 37 and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

Worksheet 1

Do not attach to form FTB 3554. Keep for your records.

	(a) Qualified Full-Time Employee	(b) Actual hourly wages	(c) Minimum qualified wage threshold	(d) Qualified Wages per hour col (b) – col (c)	(e) Hours Worked	(f) Applicable Credit Percentage	(g) Tentative Credit col (d) - col (e) - col (f)
1						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
						35%	
2	Total Tentative Credit. Add the amounts in column (g). Enter total here and on Form 3554, Part II, line 20.						.00

FTB 3554

Principal Business Activity Codes

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code (R&TC). For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

Forestry and Logging

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

Mining

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying
- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

Utilities

- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems
- 221500 Combination Gas & Electric

Construction

Code

Construction of Buildings

- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction

- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors

- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries, Tortilla & Dry Pasta Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

Apparel Manufacturing

- 315100 Apparel Knitting Mills

Code

- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315240 Women's, Girls' and Infants' Cut & Sew Apparel Mfg
- 315280 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

Printing and Related Support Activities

- 323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code

- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

Wholesale Trade

- Merchant Wholesalers, Durable Goods**
 - 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
 - 423200 Furniture & Home Furnishings
 - 423300 Lumber & Other Construction Materials
 - 423400 Professional & Commercial Equipment & Supplies
 - 423500 Metal & Mineral (except Petroleum)
 - 423600 Household Appliances and Electrical & Electronic Goods
 - 423700 Hardware, & Plumbing & Heating Equipment & Supplies
 - 423800 Machinery, Equipment, & Supplies
 - 423910 Sporting & Recreational Goods & Supplies
 - 423920 Toy & Hobby Goods & Supplies
 - 423930 Recyclable Materials
 - 423940 Jewelry, Watch, Precious Stone, & Precious Metals
 - 423990 Other Miscellaneous Durable Goods

Code	Code	Code
Merchant Wholesalers, Nondurable Goods	Clothing and Clothing Accessories Stores	Support Activities for Transportation
424100 Paper & Paper Products	448110 Men's Clothing Stores	488100 Support Activities for Air Transportation
424210 Drugs & Druggists' Sundries	448120 Women's Clothing Stores	488210 Support Activities for Rail Transportation
424300 Apparel, Piece Goods, & Notions	448130 Children's & Infants' Clothing Stores	488300 Support Activities for Water Transportation
424400 Grocery & Related Products	448140 Family Clothing Stores	488410 Motor Vehicle Towing
424500 Farm Product Raw Materials	448150 Clothing Accessories Stores	488490 Other Support Activities for Road Transportation
424600 Chemical & Allied Products	448190 Other Clothing Stores	488510 Freight Transportation Arrangement
424700 Petroleum & Petroleum Products	448210 Shoe Stores	488990 Other Support Activities for Transportation
424800 Beer, Wine, & Distilled Alcoholic Beverages	448310 Jewelry Stores	
424910 Farm Supplies	448320 Luggage & Leather Goods Stores	
424920 Book, Periodical, & Newspapers		
424930 Flower, Nursery Stock, & Florists' Supplies		
424940 Tobacco & Tobacco Products		
424950 Paint, Varnish, & Supplies		
424990 Other Miscellaneous Nondurable Goods		
Wholesale Electronic Markets and Agents and Brokers		
425110 Business to Business Electronic Markets		
425120 Wholesale Trade Agents & Brokers		
Retail Trade		
Motor Vehicle and Parts Dealers		
441110 New Car Dealers		
441120 Used Car Dealers		
441210 Recreational Vehicle Dealers		
441222 Boat Dealers		
441228 Motorcycle, ATV, and All Other Motor Vehicle Dealers		
441300 Automotive Parts, Accessories, & Tire Stores		
Furniture and Home Furnishings Stores		
442110 Furniture Stores		
442210 Floor Covering Stores		
442291 Window Treatment Stores		
442299 All Other Home Furnishings Stores		
Electronics and Appliance Stores		
443141 Household Appliance Stores		
443142 Electronic Stores (including Audio, Video, Computer, and Camera Stores)		
Building Material and Garden Equipment and Supplies Dealers		
444110 Home Centers		
444120 Paint & Wallpaper Stores		
444130 Hardware Stores		
444190 Other Building Material Dealers		
444200 Lawn & Garden Equipment & Supplies Stores		
Food and Beverage Stores		
445110 Supermarkets and Other Grocery (except Convenience) Stores		
445120 Convenience Stores		
445210 Meat Markets		
445220 Fish & Seafood Markets		
445230 Fruit & Vegetable Markets		
445291 Baked Goods Stores		
445292 Confectionery & Nut Stores		
445299 All Other Specialty Food Stores		
445310 Beer, Wine, & Liquor Stores		
Health and Personal Care Stores		
446110 Pharmacies & Drug Stores		
446120 Cosmetics, Beauty Supplies, & Perfume Stores		
446130 Optical Goods Stores		
446190 Other Health & Personal Care Stores		
Gasoline Stations		
447100 Gasoline Stations (including convenience stores with gas)		
	Clothing and Clothing Accessories Stores	
	448110 Men's Clothing Stores	
	448120 Women's Clothing Stores	
	448130 Children's & Infants' Clothing Stores	
	448140 Family Clothing Stores	
	448150 Clothing Accessories Stores	
	448190 Other Clothing Stores	
	448210 Shoe Stores	
	448310 Jewelry Stores	
	448320 Luggage & Leather Goods Stores	
	Sporting Goods, Hobby, Book, and Music Stores	
	451110 Sporting Goods Stores	
	451120 Hobby, Toy, & Game Stores	
	451130 Sewing, Needlework, & Piece Goods Stores	
	451140 Musical Instrument & Supplies Stores	
	451211 Book Stores	
	451212 News Dealers & Newsstands	
	General Merchandise Stores	
	452110 Department Stores	
	452900 Other General Merchandise Stores	
	Miscellaneous Store Retailers	
	453110 Florists	
	453210 Office Supplies & Stationery Stores	
	453220 Gift, Novelty, & Souvenir Stores	
	453310 Used Merchandise Stores	
	453910 Pet & Pet Supplies Stores	
	453920 Art Dealers	
	453930 Manufactured (Mobile) Home Dealers	
	453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)	
	Nonstore Retailers	
	454110 Electronic Shopping & Mail-Order Houses	
	454210 Vending Machine Operators	
	454310 Fuel Dealers (including Heating Oil and Liquefied Petroleum)	
	454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	
	Transportation and Warehousing	
	Air, Rail, and Water Transportation	
	481000 Air Transportation	
	482110 Rail Transportation	
	483000 Water Transportation	
	Truck Transportation	
	484110 General Freight Trucking, Local	
	484120 General Freight Trucking, Long-distance	
	484200 Specialized Freight Trucking	
	Transit and Ground Passenger Transportation	
	485110 Urban Transit Systems	
	485210 Interurban & Rural Bus Transportation	
	485310 Taxi Service	
	485320 Limousine Service	
	485410 School & Employee Bus Transportation	
	485510 Charter Bus Industry	
	485990 Other Transit & Ground Passenger Transportation	
	Pipeline Transportation	
	486000 Pipeline Transportation	
	Scenic & Sightseeing Transportation	
	487000 Scenic & Sightseeing Transportation	
	Support Activities for Transportation	
	488100 Support Activities for Air Transportation	
	488210 Support Activities for Rail Transportation	
	488300 Support Activities for Water Transportation	
	488410 Motor Vehicle Towing	
	488490 Other Support Activities for Road Transportation	
	488510 Freight Transportation Arrangement	
	488990 Other Support Activities for Transportation	
	Couriers and Messengers	
	492110 Couriers	
	492210 Local Messengers & Local Delivery	
	Warehousing and Storage	
	493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)	
	Information	
	Publishing Industries (except Internet)	
	511110 Newspaper Publishers	
	511120 Periodical Publishers	
	511130 Book Publishers	
	511140 Directory Mailing List Publishers	
	511190 Other Publishers	
	511210 Software Publishers	
	Motion Picture and Sound Recording Industries	
	512100 Motion Picture & Video Industries (except video rental)	
	512200 Sound Recording Industries	
	Broadcasting (except Internet)	
	515100 Radio & Television Broadcasting	
	515210 Cable & Other Subscription Programming	
	Telecommunications	
	517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications & internet service providers)	
	Data Processing Services	
	518210 Data Processing, Hosting, & Related Services	
	Other Information Services	
	519100 Other Information Services (including news syndicates & libraries, internet publishing & broadcasting)	
	Finance and Insurance	
	Depository Credit Intermediation	
	522110 Commercial Banking	
	522120 Savings Institutions	
	522130 Credit Unions	
	522190 Other Depository Credit Intermediation	
	Nondepository Credit Intermediation	
	522210 Credit Card Issuing	
	522220 Sales Financing	
	522291 Consumer Lending	
	522292 Real Estate Credit (including mortgage bankers & originators)	
	522293 International Trade Financing	
	522294 Secondary Market Financing	
	522298 All Other Nondepository Credit Intermediation	
	Activities Related to Credit Intermediation	
	522300 Activities Related to Credit Intermediation (including loan brokers, check clearing & money transmitting)	
	Rental and Leasing Services	
	532100 Automotive Equipment Rental & Leasing	
	532210 Consumer Electronics & Appliances Rental	
	532220 Formal Wear & Costume Rental	
	532230 Video Tape & Disc Rental	
	532290 Other Consumer Goods Rental	
	532310 General Rental Centers	
	532400 Commercial & Industrial Machinery & Equipment Rental & Leasing	
	Lessors of Nonfinancial Intangible Assets (except copyrighted works)	
	533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)	

Professional, Scientific, and Technical Services	Code	Code	Code
Legal Services	561420 Telephone Call Centers	Home Health Care Services	Food Services and Drinking Places
541110 Offices of Lawyers	561430 Business Service Centers (including private mail centers & copy shops)	621610 Home Health Care Services	722300 Special Food Services (including food service contractors & caterers)
541190 Other Legal Services	561440 Collection Agencies	Other Ambulatory Health Care Services	722410 Drinking Places (Alcoholic Beverages)
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	561450 Credit Bureaus	621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)	722511 Full Service Restaurants
541211 Offices of Certified Public Accountants	561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)	Hospitals	722513 Limited Service Restaurants
541213 Tax Preparation Services	561500 Travel Arrangement & Reservation Services	622000 Hospitals	722514 Cafeterias and Buffets
541214 Payroll Services	561600 Investigation & Security Services	Nursing and Residential Care Facilities	722515 Snack and Non-alcoholic Beverage Bars
541219 Other Accounting Services	561710 Exterminating & Pest Control Services	623000 Nursing & Residential Care Facilities	
Architectural, Engineering, and Related Services	561720 Janitorial Services	Social Assistance	Other Services
541310 Architectural Services	561730 Landscaping Services	624100 Individual & Family Services	Repair and Maintenance
541320 Landscape Architecture Services	561740 Carpet & Upholstery Cleaning Services	624200 Community Food & Housing, & Emergency & Other Relief Services	811110 Automotive Mechanical & Electrical Repair & Maintenance
541330 Engineering Services	561790 Other Services to Buildings & Dwellings	624310 Vocational Rehabilitation Services	811120 Automotive Body, Paint, Interior, & Glass Repair
541340 Drafting Services	561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)	624410 Child Day Care Services	811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)
541350 Building Inspection Services			811210 Electronic & Precision Equipment Repair & Maintenance
541360 Geophysical Surveying & Mapping Services		Arts, Entertainment, and Recreation	811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance
541370 Surveying & Mapping (except Geophysical) Services		Performing Arts, Spectator Sports, and Related Industries	811410 Home & Garden Equipment & Appliance Repair & Maintenance
541380 Testing Laboratories		711100 Performing Arts Companies	811420 Reupholstery & Furniture Repair
Specialized Design Services		711210 Spectator Sports (including sports clubs & racetracks)	811430 Footwear & Leather Goods Repair
541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)		711300 Promoters of Performing Arts, Sports, & Similar Events	811490 Other Personal & Household Goods Repair & Maintenance
Computer Systems Design and Related Services		711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures	
541511 Custom Computer Programming Services		711510 Independent Artists, Writers, & Performers	Personal and Laundry Services
541512 Computer Systems Design Services			812111 Barber Shops
541513 Computer Facilities Management Services		Museums, Historical Sites, and Similar Institutions	812112 Beauty Salons
541519 Other Computer Related Services		712100 Museums, Historical Sites, & Similar Institutions	812113 Nail Salons
Other Professional, Scientific, and Technical Services		Amusement, Gambling, and Recreation Industries	812190 Other Personal Care Services (including diet & weight reducing centers)
541600 Management, Scientific, & Technical Consulting Services		713100 Amusement Parks & Arcades	812210 Funeral Homes & Funeral Services
541700 Scientific Research & Development Services		713200 Gambling Industries	812220 Cemeteries & Crematories
541800 Advertising & Related Services		713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)	812310 Coin-Operated Laundries & Drycleaners
541910 Marketing Research & Public Opinion Polling			812320 Drycleaning & Laundry Services (except Coin-Operated)
541920 Photographic Services		Accommodation and Food Services	812330 Linen & Uniform Supply
541930 Translation & Interpretation Services		Accommodation	812910 Pet Care (except Veterinary) Services
541940 Veterinary Services		721110 Hotels (except Casino Hotels) & Motels	812920 Photofinishing
541990 All Other Professional, Scientific, & Technical Services		721120 Casino Hotels	812930 Parking Lots & Garages
Management of Companies (Holding Companies)		721191 Bed & Breakfast Inns	812990 All Other Personal Services
551111 Offices of Bank Holding Companies		721199 All Other Traveler Accommodation	
551112 Offices of Other Holding Companies		721210 RV (Recreational Vehicle) Parks & Recreational Camps	Religious, Grantmaking, Civic, Professional, and Similar Organizations
Administrative and Support and Waste Management and Remediation Services		721310 Rooming & Boarding Houses	813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)
Administrative and Support Services			
561110 Office Administrative Services			
561210 Facilities Support Services			
561300 Employment Services			
561410 Document Preparation Services			
Medical and Diagnostic Laboratories			
621510 Medical & Diagnostic Laboratories			