

2017 Instructions for Form FTB 3531

California Competes Tax Credit

General Information

A Purpose

Use form FTB 3531, California Competes Tax Credit, to report the credit amount for the current year, the amount to carryover to future years, and any amount recaptured. Also use this form to claim pass-through credits, received from S corporations, estates, trusts, partnerships, or limited liability companies (LLCs).

S corporations, estates, trusts, partnerships, and LLCs should complete form FTB 3531 to figure the amount of credit to pass through to shareholders, beneficiaries, partners, or members. Attach this form to Form 100S, California S Corporation Franchise or Income Tax Return; Form 541, California Fiduciary Income Tax Return; Form 565, Partnership Return of Income; or Form 568, Limited Liability Company Return of Income. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568), Share of Income, Deductions, Credits, etc.

B Description

The California Competes Tax Credit (CCTC) is available for taxable years beginning on and after January 1, 2014, and before January 1, 2025, to businesses that enter into a CCTC Allocation Agreement (credit agreement) with the Governor's Office of Business and Economic Development (GO-Biz). Tax credit agreements are negotiated by GO-Biz and approved by the California Competes Tax Credit Committee. For more information, go to the GO-Biz website at business.ca.gov and search for **ca competes**.

C Qualifications

To claim the CCTC, a taxpayer must have entered into a credit agreement with the GO-Biz and met the terms and conditions in the credit agreement. The credit is allocated by taxable year as specified in the credit agreement. As part of the credit agreement, a taxpayer commits to meet and maintain yearly employment and project investment requirements, referred to as "milestones." If a taxpayer meets the milestones for a taxable year as specified in the credit agreement, then the credit for that year is earned and may be claimed on the tax return.

D Limitations

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining 2/3 must be disregarded and may not be used as carryover. In addition, S corporations may 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 credit amount a taxpayer receives 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.

For more information on SMLLCs, get Form 568, Limited Liability Company Tax Booklet.

This credit cannot reduce 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).

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to 1/3 and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. For more information, get Schedule C (100S), S Corporation Tax Credits.

This credit can 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.

E Assignment of Credits

Assigned credits to affiliated corporations – Credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is an eligible 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**.

F Carryover

If the available credit exceeds the current year tax liability, the unused credit may be carried over for up to six years or until the credit is exhausted, whichever occurs first. 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 Franchise Tax Board may require access to these records.

Specific Line Instructions

Name of credit owner – Enter the name of the credit owner or the name of the entity that generated the tax credit. Also, enter the CA Corporation no., FEIN, or the California Secretary of State file number of the credit owner in the space provided. If the name shown on the California return is the same name as the credit owner, enter "same".

If you are only claiming a credit that was allocated to you from a Schedule K-1 (100S, 541, 565, or 568), skip to Part II, line 4 and **do not** enter any information in Part I and in Part II, line 3.

Part I Credit Earned

Line 1a

Agreement number – Enter the agreement number that was approved by the California Competes Tax Credit Committee.

Credit earned – Enter the amount of credit earned this year.

Line 1b

Agreement number – Enter the second agreement number that was approved by the California Competes Tax Credit Committee.

Credit earned – Enter the amount of credit earned this year from a second agreement.

Part II Available Credit

S corporation, Estate, Trust, Partnership, or LLC

Allocate the line 5 credit to each shareholder, beneficiary, partner, or member in the same way that income and loss are divided.

Line 3 – Enter the credit amount from Part I, line 2.

Line 4 – Pass-through California Competes Tax Credit

If you received more than one pass-through credit from S corporations, estates, trusts, partnerships, or LLCs, add the amounts and enter the total on line 4. Attach a schedule of the pass-through entities showing their names, identification numbers, agreement numbers, and credit amounts.

Line 5 – Current year credit

S corporations, estates, trusts, partnerships, and LLCs (treated as partnerships) this is the amount of the credit to pass through to shareholders, beneficiaries, partners, or members. Additionally, if you are an S corporation take this amount on line 5 and use it to complete Schedule C (100 S), column (a).

Line 5a – Current year credit S corporation

If you are an S corporation enter 1/3 of the amount on line 5 here and in column (a), on Schedule C (100S).

Line 6 – Credit carryover from prior years

Enter the amount of credit carryover from prior years on line 6. Do not include assigned credit carryovers on form FTB 3544A.

Line 7– S corporations add line 5(a) and line 6.

Line 8a – Credit claimed

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

This amount may be less than the amount on line 7 if your credit is limited by your tax liability. For more information, see General Information D, Limitations and refer to the credit instructions in your tax booklet. Use credit code **233** when you claim this credit.

Line 8b – 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 10 – Credit recapture**

If a credit amount was recaptured, the taxpayer would have received notification from GO-Biz of the amount and the taxable year of the recapture. See the "Recapture" section of your credit agreement for further details.

Enter the total recapture here and 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.

Part IV Credit Claimed

Complete this table if you claimed an amount on line 8a. Do not include assigned credits claimed on form FTB 3544A.

Line 11, column (a) – Agreement number

Enter the agreement number that was approved by the California Competes Tax Credit Committee.

Line 11, column (b) – Enter the year the credit was earned.**Line 11, column (c) – Credit amount available for use**

Enter the amount available for use in the current year. Do not include any amount previously claimed.

Line 11, column (d) – Credit claimed

Enter the amount claimed in the current year for each agreement listed. Do not include amounts claimed on form FTB 3544A.

Note: If the credit was earned by a pass-through entity, the entity must provide the year the credit was earned, the agreement number, and the amount that was passed through to the shareholder, partner, or member.

Line 11, column (e) – Credit carryover

Subtract column (d) from column (c).