

2024 State Historic Rehabilitation Tax Credit**3835**

Attach to your California tax return.

Name(s) as shown on your California tax return

☐ SSN or ITIN ☐ CA Corporation no. ☐ FEIN

California Secretary of State (SOS) file number

Name of taxpayer generating the credit. See instructions.

☐ SSN or ITIN ☐ CA Corporation no. ☐ FEIN

California Secretary of State (SOS) file number

Tax Credit Allocation Confirmation Number

Part I Available Credit

1	Enter the tax credit amount allocated from the California Tax Credit Allocation Committee (CTCAC).	☒ 1	00
2	Pass through credit from Schedule K-1 (100S, 541, 565 or 568). See instructions.	☒ 2	00
3	Credit carryover from prior year(s). See Instructions.	☒ 3	00
4	Total available credit. Add lines 1 through line 3.	☒ 4	00
5a	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 3544, Part B.).	☒ 5a	00
b	Total credit assigned. Enter the total amount from form FTB 3544, Part A, column (g). If you are not a corporation, enter -0-. See instructions.	☒ 5b	00
c	Credit amount to be elected as refundable in future years. See instructions.	5c	00
6	Credit carryover available for future years. Add lines 5a, 5b, and 5c, subtract the result from line 4.	☒ 6	00

Part II Credit Recapture

7	Credit recapture. See Instructions.	☒ 7	00
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What's New

Credit Limitation – For taxable years beginning on or after January 1, 2024, and before January 1, 2027, there is a \$5,000,000 limitation on the application of business credits. The total of all business credits including the carryover of any business credit for the taxable year may not reduce the “net tax”, for personal income filers, or “tax”, for corporate filers, by more than \$5,000,000. Business credits should be applied against “net tax” before other credits. For taxpayers included in a combined report, the limitation is applied at the group level.

For each taxable year of the limitation, taxpayers may make an irrevocable election to receive an annual refundable credit amount for the credits disallowed due to the limitation. Taxpayers may claim 20% of this refundable credit in each year of a five-year refundable period. The refundable period begins the third taxable year after the taxable year in which the election is made. To make this irrevocable election, complete form FTB 3870, Election for Refundable Credit, and submit it with an original, timely filed return.

S corporations may **not** elect to make credits taken at the entity level refundable.

If a taxpayer does not choose to make the election outlined above, business credits disallowed due to the limitation may be carried over. The carryover period for disallowed credit is extended by the number of taxable years the credit was not allowed. For more information, refer to California Revenue and Taxation Code (R&TC) Sections 17039.4, 17039.5, 23036.4 and 23036.5 and get form FTB 3870.

Important Information

State Historic Rehabilitation Tax Credit – For taxable years beginning on or after January 1, 2021, a State Historic Rehabilitation Tax Credit is available to qualified taxpayers for the rehabilitation of certified historic structures and for individual taxpayers, a qualified residence. The tax credit is allocated and certified by the California Tax Credit Allocation Committee (CTCAC). The credit is:

- 20% of the qualified rehabilitation expenditures for the rehabilitation of a certified historic structure or,
- 25% of the qualified rehabilitation expenditures for the rehabilitation of a certified historic structure that meets any of the following conditions:
 - The structure is located on certain federal or California surplus real property or surplus land.
 - The rehabilitated structure includes affordable housing for lower-income households.
 - The structure is located in a designated census tract.
 - The structure is part of a military base reuse authority.
 - The structure is a transit-oriented development that is a higher-density, mixed-use development within a walking distance of one-half mile of a transit station.

For individual taxpayers the credit is for qualified rehabilitation expenditure amounts for qualified owner-occupied residences if the expenses are determined to rehabilitate the historic character and improve the integrity of the residence in the year of completion. In addition, for individual taxpayers the credit will be allowed:

- In the amount equal to or more than \$5,000 but not exceeding \$25,000.
- Once every ten taxable years.

Taxpayers should apply for a tax credit allocation with the Office of Historic Preservation (OHP). You must receive a tax credit allocation confirmation number from the CTCAC prior to claiming the credit on the FTB 3885, State Historic Rehabilitation Tax Credit. The credit must be claimed in the first taxable year in which the structure is placed into service. An expense deduction will not be allowed when a credit for that expense is allowed.

The credit was not funded, and **cannot** be claimed for tax year 2021. For more information, see R&TC Sections 17053.91 and 23691, or go to the OHP website at ohp.parks.ca.gov and search **shrtc**.

General Information

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the R&TC.

A Purpose

Use form FTB 3835 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 classified as partnerships should complete form FTB 3835 to report the amount of credit that will be passed 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. Report the pass-through credit amount and the tax credit allocation confirmation number for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568), Share of Income, Deductions, Credits, etc.

B Definitions

Certified historic structure means any building, and its structural components, as defined in IRC Section 47(c)(3), that is located in California and listed on the California Register of Historical Resources.

Qualified residence means a taxpayer's principal residence as defined in IRC Section 163(h)(4) that will be owned and occupied by an individual taxpayer who has a modified adjusted gross income of \$200,000 or less. The qualified residence must be the taxpayer's principal residence or what will be the taxpayer's principal residence within two years after the rehabilitation of the residence.

Qualified rehabilitation expenditure means any amount used for the rehabilitation that is chargeable to a capital account per IRC Section 47(c)(2) with the exemption that there is no regard as to whether any portion of the certified historic structure or qualified residence is, or is reasonably expected to be, tax-exempt use property. Qualified rehabilitation expenditures also means expenditures incurred by the taxpayer with respect to a qualified residence for the rehabilitation of the exterior of the building or rehabilitation necessary for the functioning of the home, including, but not limited to, rehabilitation of the electrical, plumbing, or foundation.

C Limitations

For taxable years beginning on or after January 1, 2024, and before January 1, 2027, there is a \$5,000,000 limitation on the application of business credits, including carryover. For taxpayers included in a combined report, the limitation is applied at the group level.

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 **can** 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.

D 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, Assignment of Credit, or go to ftb.ca.gov and search for **credit assignment**.

E Carryover

If the available credit exceeds the current year tax liability, 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. 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 Franchise Tax Board may require access to these records.

Specific Line Instructions

Name(s) as shown on your California tax return – Enter the name of the individual or business and the social security number (SSN), individual tax identification number (ITIN), California corporation number, federal employer identification number (FEIN), or the California Secretary of State (SOS) file number as shown on your tax return.

Name of taxpayer generating the credit – Enter the name of the taxpayer that generated the tax credit. Also, enter the SSN, ITIN, California corporation number, FEIN, or the California SOS file number of the taxpayer in the space provided. Complete this section even if it is the same taxpayer that appears on the California return. **Do not** enter the word "same".

Tax credit allocation number – Enter the tax credit allocation confirmation number you received from the CTCAC or as reported to you on your Schedule K-1. If you do not have a tax credit allocation confirmation number you cannot claim this credit. If you received more than one tax credit allocation confirmation number, you must file a separate form FTB 3835 for each number. If you file more than one form FTB 3835 add the credit claimed from all forms and report the total on your current year tax return.

Part I Available Credit

Line 2 – Pass through credit from Schedule K-1 (100S, 541, 565, or 568)
Enter the total amount of credits received from an S corporation, estate, trust, partnership or LLC classified as a partnership. An attached statement to your Schedule K-1 should include the allocable share of the credit. In addition, attach to the form FTB 3835, a statement showing the names and identification numbers of the entities from which the credits were passed through or allocated to you.

Line 3 – Credit carryover from prior years

Enter the amount of credit carryover from prior years on line 3.

Line 5a – Credit claimed

Do not include assigned credits claimed on the form FTB 3544, Part B, List of Assigned Credit Received and/or Claimed by Assignee. This amount may be less than the amount on line 4 if your credit is limited by your tax liability. For more information, see General Information C, Limitations, and refer to the credit instructions in your tax booklet. Enter the total credit claimed amount on this line and on your current tax return. **Use credit code 243.** Refer to the credit instructions in the tax booklet of your tax return for more information. Attach form FTB 3835 to your income tax return.

Line 5b – Total credit assigned

Corporations that assign credit to other corporations within the same combined reporting group must complete form FTB 3544, Part A, Election to Assign Credit Within Combined Reporting Group. Enter the total amount of credit assigned from form FTB 3544, Part A, column (g) on this line.

Line 5c – Credit amount to be elected as refundable in future years

You may elect to make credits that are disallowed due to the \$5,000,000 credit limitation refundable in future years. If you make this election on form FTB 3870, enter the amount of credit that would have otherwise been available to reduce tax in this tax year but for the \$5,000,000 credit limitation. Do not include credit limited by your tax.

You may not elect to have a partial amount of your disallowed credit be refundable. If you elect to make the amount of this credit that is disallowed due to the \$5,000,000 credit limitation refundable, you must make the same election for all other credits you claimed this year that were also disallowed due to the \$5,000,000 credit limitation. If you enter a value on this line, you must also enter the same amount on form FTB 3870 line 1, column (c). Attach your complete form FTB 3870 to your original, timely filed tax return.

Line 6 - Credit carryover available for future years

Do not include any amount you will be electing as a refundable credit on form FTB 3870.

Credit limited by your tax liability cannot be included in an election for refundable credit. These amounts would not have otherwise been able to be claimed, regardless of the \$5,000,000 credit limitation and therefore are not eligible for an election to be made refundable. They can, however, be carried over for future years. Include any such amounts here.

Part II Credit Recapture

Line 7 - Credit Recapture

If a tax credit has been allowed to a taxpayer for the rehabilitation of a qualified residence, the credit can be recaptured if the taxpayer does not use the qualified residence as their principal residence within two years after the rehabilitation of the residence. Also, refer to IRC Section 50(a) for additional recapture rules.

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

- Form 100, California Corporation Franchise or Income Tax Return, Schedule J, line 5.
- Form 100S, California S Corporation Franchise or Income Tax Return, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, California Corporation Franchise or Income Tax Return — Water's Edge Filers, Schedule J, line 5.
- Form 109, California Exempt Organization Business Income Tax Return, Schedule K, line 4.
- Form 540, California Resident Income Tax Return, line 63.
- Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, line 73.
- Form 541, California Fiduciary Income Tax Return, line 37 and Schedule K-1(541), line 14d.
- Form 565, Partnership Return of Income, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Limited Liability Company Return of Income, Schedule K, line 20c and Schedule K-1(568), line 20c.

Franchise Tax Board Privacy Notice on Collection

Our privacy notice can be found in annual tax booklets or online. Go to ftb.ca.gov/privacy to learn about our privacy policy statement, or go to ftb.ca.gov/forms and search for 1131 to locate FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection – Aviso de Privacidad del Franchise Tax Board sobre la Recaudación. To request this notice by mail, call 800.338.0505 and enter form code 948 when instructed.