TAXABLE YEAR

CALIFORNIA FORM

2017 Environmental Tax Credit 3511

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 file number

Part I Current Year Credit

1	Ultra low sulfur diesel fuel produced (in gallons). See instructions	1	
2	Multiply line 1 by 5 cents (.05)	2	00
3	Qualified capital costs limitation. See instructions	3	00
4	Total ultra low sulfur diesel fuel production credits allowed for all prior taxable years	4	00
5	Subtract line 4 from line 3	5	00
6	Enter the smaller of line 5 or line 2	6	00
7	Ultra low sulfur diesel fuel production credits from pass-through entities:	7	00

If you are a:	Then enter the credit(s) from:
Shareholder	Schedule K-1 (100S)
Beneficiary	Schedule K-1 (541)
Partner	Schedule K-1 (565)
Member	Schedule K-1 (568)

8	**Current year credit.** Add line 6 and line 7	8	00
9	Credit carryover from prior year(s). See instructions.	9	00
10	Total available environmental tax credit. Add line 8 and line 9	10	00
11 a	**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.)	11a	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	11b	00
12	Credit carryover available for future years. Add line 11a and line 11b, subtract the result from line 10	12	00

Part II Credit Recapture

13	Credit Recapture. See instructions	13	00

General Information

A Purpose

Use form FTB 3511, Environmental Tax Credit, to figure the credit for ultra low sulfur diesel fuel produced by a small refiner located in California. Also use this form to claim pass-through environmental tax credits, received from S corporations, estates, trusts, partnerships, or limited liability companies (LLCs) classified as partnerships, for ultra low sulfur diesel fuel produced by a small refiner located in California.

S corporations, estates, trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3511 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 environmental tax credit is available for each taxable year beginning on or after July 1, 2005, and before **January 1, 2018**. The environmental tax credit is equal to five cents ($0.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in California. The aggregate credit for any taxable year with respect to the facility cannot exceed 25% of the qualified capital costs incurred by the small refiner reduced by the aggregate credits for all prior taxable years.

C Qualifications

To qualify for this credit, a small refiner must request from the California Air Resources Board (CARB) a certification that both of the following are true:

- The items for which qualified capital costs were paid or incurred are for compliance with the applicable Environmental Protection Agency (EPA) or CARB regulations.
- The small refiner placed the items, for which qualified capital costs were paid or incurred, in service.

D Definitions

1. **Ultra low sulfur diesel fuel** includes the following:
   - Diesel fuel with a sulfur content of 15 parts per million or less.
   - Vehicular diesel fuel produced and sold by a small refiner on or after June 1, 2006. Or, if sold before June 1, 2006, the refiner specifically identifies and supports through internal test reports as meeting applicable CARB regulations.
2. **Small refiner** is any refiner who owns or operates a refinery in California that:
   - Has had at all times since January 1, 1978, a crude oil capacity of not more than 55,000 barrels per stream day.
   - Has not been at any time since September 1, 1988, owned or controlled by any refiner that at the same time owned or controlled refineries in California with a total combined crude oil capacity of more than 55,000 barrels per stream day.
   - Has not been at any time since September 1, 1988, owned or controlled by any refiner that at the same time owned or controlled refineries in the United States with a total combined crude oil capacity of more than 137,500 barrels per stream day.

3. **Qualified capital costs** with respect to the facility, are costs paid or incurred during the applicable period that meet both CARB and EPA regulations. The costs include, but are not limited to, expenditures for the construction of new process operation units or the dismantling and reconstruction of existing process units to be used in the production of ultra low sulfur diesel fuel, associated adjacent or offsite equipment (including tankage, catalyst, and power supply), engineering, construction period interest, site work, and permitting.
4. **Applicable period** with respect to the facility, is the period beginning January 1, 2004, and ending May 31, 2007.
5. **Facility** is a small refiner's petroleum refinery located in California that has incurred qualified capital costs to produce ultra low sulfur diesel fuel.
6. **Applicable EPA** regulations is the Highway Diesel Fuel Sulfur Control Requirements of the EPA.
7. **Applicable CARB** regulations is the Vehicular Diesel Fuel Sulfur Control Requirements of the CARB under Section 2281 of Article 2 of Chapter 5 of Division 3 of Title 13 of the California Code of Regulations.
8. **Barrels per stream day** is the maximum number of barrels of input that a distillation facility can process within a 24-hour period when running at full capacity under optimal crude and product slate conditions with no allowance for downtime.

E Basis

For more information, including basis reduction, see California Revenue and Taxation Code (R&TC) Sections 17053.62 and 23662.

F 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 you receive 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 SMLLC, 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 cannot reduce regular tax below the tentative minimum tax (TMT). Get Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

This credit is not refundable.

G 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**.

H Carryover

If the available credit exceeds the current year tax liability, the unused credit may be carried over to the following year and the ten succeeding years until the credit is exhausted. 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

Current Year Credit

Use line 1 through line 6 to figure any environmental tax credit from your own trade or business.

Skip line 1 through line 6 if you are only claiming a credit that was allocated to you from a pass-through entity (S corporation, estate, trust, partnership, or LLC classified as a partnership).

S corporation, Estate, Trust, Partnership, or LLC (classified as a partnership)
Figure the total credit on line 1 through line 6. Then, allocate the line 6 credit to each shareholder or partner in the same way that income and loss are divided.

Part I – Current Year Credit

Line 1 – Ultra low sulfur diesel fuel produced

Enter the number of gallons of diesel fuel produced with a sulfur content of 15 parts per million or less.

Line 3 – Qualified capital costs limitation

Enter 25% (.25) of the qualified capital costs (defined in Part D, Definitions) for the facility that produces ultra low sulfur diesel fuel.

Line 9 – Credit carryover from prior years

Enter the amount from your 2016 form FTB 3511, Part I, line 12.

Line 11a – Credit claimed

Do not include assigned credits claimed on form FTB 3544A.
This amount may be less than the amount on line 10 if your credit is limited by your tax liability. For more information, see General Information F, Limitations, and refer to the credit instructions in your tax booklet. Use credit code **218** when you claim this credit.

Line 11b – Total credit assigned

Corporations that assign credit to other corporations within the same 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 II – Credit Recapture

Line 13 – Credit recapture

Any credit amount previously claimed must be added back to your tax liability if the facility was sold or removed from California within five years of the date in which you first claimed the credit.

Enter the total here and on one of the following California tax returns or schedules:

- Schedule J (Form 100, 100S, or 100W)
- Schedule K (Form 109, 565, or 568)
- Other Taxes (Form 540, or Long Form 540NR)
- Other Taxes (Form 541, Line 21b)