

2020 Natural Heritage Preservation Credit

3503

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 file number	

Part I Wildlife Conservation Board (WCB) Qualified Contribution

Donor's name as shown on certificate	Type of donated property	Date donation was accepted	Fair market value
Project name			WCB ID#

Part II Available Credit

1 Fair market value from Part I	1	00
2 Multiply the amount on line 1 by 55% (.55)	2	00
3 Pass-through natural heritage preservation credit(s) from Schedule K-1 (100S, 541, 565, or 568). See instructions.	3	00
4 Total current year natural heritage preservation credit. Add line 2 and line 3.	4	00
5 Credit carryover from 2019. See instructions	5	00
6 Total available natural heritage preservation credit. Add line 4 and line 5.	6	00
7 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 3544, Part B.)	7a	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.	7b	00
8 Credit carryover available for future years. Add line 7a and line 7b, subtract the result from line 6.	8	00

What's New

Credit Limitation – For taxable years beginning on or after January 1, 2020, and before January 1, 2023, there is a \$5,000,000 limitation on the application of business credits for taxpayers. 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 tax filers, or the “tax”, for corporate filers, by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. The business credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. This limitation does not apply to the Low-Income Housing Credit.

Natural Heritage Preservation Credit – The Natural Heritage Preservation Credit expired on June 30, 2020. All qualified contributions must be made on or before that date. See General Information F, Carryover, for information regarding credit carryover.

General Information

The California Personal Income Tax Law and Corporation Tax Law allows a nonrefundable credit for certain approved contributions of real property. This credit can be used by taxpayers against the net tax in an amount equal to 55% of the fair market value of a qualified contribution that has been approved for acceptance by the Wildlife Conservation Board (WCB).

A Purpose

Use form FTB 3503, Natural Heritage Preservation Credit, to figure the amount of the credit. Also, use this form to claim pass-through credits received from S corporations, estates, trusts, partnerships, or limited liability companies (LLCs) classified as partnerships.

S corporations, estates, trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3503 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 WCB implemented a program for the protection of wildlife habitat, open space, and agricultural lands. Under this program, property can be contributed to the state, any local government, or to any nonprofit organization designated by a local government, based on specified criteria.

The credit is allowed against net tax, in an amount equal to 55% of the fair market value of any qualified contribution made by the taxpayer to the state, any local government, or any designated nonprofit organization.

C Qualifications

To qualify for this credit:

- Make a contribution of property as defined in Section 37002 of the Public Resources Code on or before June 30, 2020.
- The WCB must approve the contribution for acceptance.
- **Attach** completed form FTB 3503 to your California tax return.

For more information regarding qualified contributions, contact the WCB at 916.445.8448, or go to wcb.ca.gov.

The credit of any qualified contribution passes through to shareholders, beneficiaries, partners, or members of the pass-through entity in accordance with their pro-rata interest in the entity as of the date of the qualified contribution. The term "pass-through entity" means any S corporation, partnership, or LLC treated as a partnership.

D Limitations

For taxable years beginning on or after January 1, 2020, and before January 1, 2023, 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. The limitation does not apply to the Low-Income Housing Credit.

No credit will be allowed unless you received a certificate from the WCB, which shows that your qualified contribution was approved for acceptance. You must retain the certificate and make it available to the Franchise Tax Board upon request.

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. In addition, S corporations may pass through 100% of the credit to their shareholders.

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.

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 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.

For more information on SMLLC, get Form 568, Limited Liability Company 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 to the next succeeding taxable year.

This credit cannot reduce the regular tax below the minimum franchise tax (corporations and S corporations), 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 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 in lieu of any other state tax credit or deduction that the taxpayer would otherwise be allowed for the contributed property or interest therein.

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, Assignment of Credit, 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 credits generated before January 1, 2015, the credit may be carried over for eight years or until the credit is exhausted. For credits generated on or after January 1, 2015, the credit carryover period has been extended to 15 years or until exhausted, whichever occurs first. Apply the carryover to the earliest taxable year possible. For taxable years beginning on or after January 1, 2020, and before January 1, 2023, the total of all business credits including carryover of any business credit for the taxable year may not reduce tax by more than \$5,000,000. The credits disallowed due to the limitation may be carried over. The carryover period for disallowed credit is extended, without regard to carryover provisions, by the number of taxable years the credit was not allowed. This credit cannot be carried back and applied against a prior year's tax.

Specific Line Instructions

Part I Wildlife Conservation Board (WCB) Qualified Contribution

Enter the following information from the certificate you received from the WCB:

- Name of donor
- Type of property donated
- Date donation was accepted
- Approved fair market value amount
- Project name
- WCB ID #

If you have more than one qualified contribution, figure each contribution on a separate form FTB 3503.

Part II Available Credit

Line 3 – Pass-through natural heritage preservation credit

If you received more than one pass-through credit from S corporations, estates, trusts, partnerships, or LLCs classified as partnerships, add the amounts and enter the total on line 3. Attach a schedule showing the names and identification numbers of the entities from which the credits were passed through to you.

Line 5 – Credit carryover

Enter the carryover amount from your 2019 form FTB 3503.

Line 7a – Credit claimed

Do not include assigned credits claimed on 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 6 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 **213** when you claim this credit.

Line 7b – 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.