

# 2025 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

<b>1</b> Fair market value from Part I . . . . .	<b>1</b>	00
<b>2</b> Multiply the amount on line 1 by 55% (.55) . . . . .	<b>2</b>	00
<b>3</b> Pass-through Natural Heritage Preservation Credit(s) from Schedule K-1 (100S, 541, 565, or 568). See instructions. . . . .	<b>3</b>	00
<b>4</b> Total current year Natural Heritage Preservation Credit. Add line 2 and line 3 . . . . .	<b>4</b>	00
<b>5</b> Credit carryover from 2024. See instructions . . . . .	<b>5</b>	00
<b>6</b> Total available Natural Heritage Preservation Credit. Add line 4 and line 5. . . . .	<b>6</b>	00
<b>7 a</b> <b>Credit claimed.</b> Enter the amount of the credit claimed on the current year tax return. See instructions. ( <b>Do not</b> include any assigned credit claimed on form FTB 3544, Part B.) . . . . .	<b>7a</b>	00
<b>b</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. . . . .	<b>7b</b>	00
<b>c</b> Credit amount to be elected as refundable in future years. See instructions . . . . .	<b>7c</b>	00
<b>8</b> Credit carryover available for future years. Add lines 7a, 7b, and 7c, subtract the result from line 6. . . . .	<b>8</b>	00

### General Information

The California Personal Income Tax Law and Corporation Tax Law allow 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).

**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.

### 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.

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## 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.
- 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](http://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, 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.

The Natural Heritage Preservation Credit is available for qualified contributions made on or after January 1, 2021, and no later than June 30, 2026. This credit may **not** be claimed for any contributions made on or after July 1, 2020, and on or before December 31, 2020.

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 SMLLCs, 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](http://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. In no event can this credit be carried back and applied against a prior year's tax.

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## 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(s)

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 2024 form FTB 3503.

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### **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.

### **Line 7c – 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 completed form FTB 3870 to your original, timely filed tax return.

### **Line 8 – 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.

## **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](http://ftb.ca.gov/privacy) to learn about our privacy policy statement, or go to [ftb.ca.gov/forms](http://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.