

2020 Instructions for Form FTB 3544

Assignment of Credit

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

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 credits for taxpayers. The total of all credits including the carryover of any credit for the taxable year may not reduce the “tax” by more than \$5,000,000. For taxpayers included in a combined report, the limitation is applied at the group level. The 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**.

Important Information

For taxable years beginning on or after July 1, 2008, California Revenue and Taxation Code (R&TC) Section 23663 allows a taxpayer to assign an “eligible credit” to any “eligible assignee.” For taxable years beginning on or after January 1, 2010, the eligible assignee may claim all or a portion of the assigned credits against tax for the taxable year in which the assignment occurs, or any subsequent taxable years, subject to limitations. For more information, see R&TC Section 23663 or go to ftb.ca.gov and search for **credit assignment**.

Effective on or after September 18, 2018, California adopted new regulation sections regarding **defective credit assignments**. For more information, get Cal. Code Regs., tit. 18, sections 23663-1 through 23663-5.

After assignment of an eligible credit, the assignee shall be treated as if it originally generated the assigned credit. All restrictions and limitations, including any carryover limitations that applied to the assignor (entity that originally generated the credit) will also apply to the assignee.

The election to assign any credit is **irrevocable**. The assignor shall make the election and report the credit assignment by completing form FTB 3544, Assignment of Credit, Part A, Election to Assign Credit Within Combined Reporting Group, and attach it to the assignor's **original** tax return for the taxable year the assignment is made. A credit assignment will **not** be allowed if form FTB 3544 is attached to an amended tax return.

Once a credit is assigned under R&TC Section 23663 to an assignee, the assigned credit cannot be reassigned to another assignee. The assignor will reduce the credit amount available for assignment by the amount used by the assignor and the amount of the credit assigned.

There is no requirement of payment for assignment of credit by an eligible assignee to an assignor. If the eligible assignee makes a

payment for receiving the assignment of credit, the payment is not a deductible expense for the assignee nor income to the assignor.

Also, the assignor and assignee shall maintain the information necessary to substantiate any credit assigned, received and/or claimed and to verify the assignment and subsequent use of the credit assigned. Lack of substantiation may result in the disallowance of the assignment. The assignor and the eligible assignee shall each be liable for the full amount of any tax, addition to tax, or penalty that results from any disallowance of any eligible credit assigned under R&TC Section 23663, and the Franchise Tax Board (FTB) may collect such amount in full from either the assignor or the eligible assignee. See General Information C, Disclosure of Limitations and Restrictions, for more information.

If a C corporation received an assigned credit from an assignor, and then converted to an S corporation, the S corporation is entitled to claim 1/3 of the assigned credit as follows:

- The C corporation assigned credit carryovers are reduced to 1/3 when transferred to the S corporation. The remaining 2/3 are disregarded. The allowable assigned credit carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules.
- These C corporation assigned credit carryovers may not be passed through to the shareholders.

For general information regarding the treatment of S corporations tax credits, get Form 100S, S Corporation Tax Booklet, for [more information](#).

Note: If assigning credit or receiving and/or claiming the assigned credit under R&TC Section 23663, **both** the assignor and assignee must complete the applicable sections of the form:

- Assignor must complete form FTB 3544, Part A when assigning the credit.
- Assignee must complete form FTB 3544, Part B when receiving/claiming the credit.
- Assignor and assignee must complete separate forms.

California Motion Picture and Television

Production Credits – The assignor may assign any portion of the original, new, or Program 3.0 California Motion Picture and Television Production Credit, under R&TC Section 23663, by completing form FTB 3544, Part A. Once assigned under R&TC Section 23663, the assignor may not subsequently reassign that portion of the credit under R&TC Section 23685, Section 23695, or Section 23698. To receive and claim the credit assigned under R&TC Section 23663, the assignee completes form FTB 3544, Part B.

If the assignor assigns any portion of the original, new, or Program 3.0 California Motion Picture and Television Production Credit under R&TC Section 23685, Section 23695, or Section 23698, the assignor and the assignee complete form FTB 3541, California Motion Picture and Television Production Credit. Once any portion of the credit is assigned under R&TC Section 23685, Section 23695, or Section 23698, the assignor may not subsequently reassign that portion of the credit under R&TC Section 23663. Get form FTB 3541 for more information.

Low-Income Housing Credits (LIHC) – The assignor may assign any portion of the LIHC credit under the provisions of R&TC Section 23610.5 or under Section 23663. In both cases use form FTB 3544 to report the assignment of LIHC credit or receipt/claiming of credit. See Specific Instructions, Part A, column (e)-Limitations, for more information.

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California R&TC in the instructions. Taxpayers should not consider the instructions as authoritative law.

For taxable years beginning on or after January 1, 2019, the following forms and instructions have been consolidated into one form **FTB 3544, Assignment of Credit**:

- FTB 3544, Election to Assign Credit Within Combined Reporting Group.
- FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee.

A Purpose

Use form FTB 3544, Side 1, Part A to report the following:

- The election to assign credits to a member of the combined reporting group.
- The assignment (assignor's information, assignee's information, and the amount of the credit assigned).

Use form FTB 3544, Side 2, Part B to report the following:

- Assigned credit amount received this taxable year and/or carryover from prior taxable years.
- Assigned credit amount claimed in the current taxable year.
- Assigned credit amount carryover to future taxable years.

B Definitions

Eligible credit. Eligible credit means any credit generated by the taxpayer in a taxable year beginning on or after July 1, 2008, or any credit generated in any taxable year beginning before July 1, 2008, that is eligible to be carried forward to the taxpayer's first taxable year beginning on or after July 1, 2008.

Assignor. The assignor is the taxpayer that originally generated the eligible credit (or is allowed the credit as a distributive share item) and assigned the eligible credit to an eligible assignee. Any taxpayer-member of the combined reporting group that includes the eligible assignee is a possible assignor.

Eligible assignee. Eligible assignee is any affiliated corporation that is a member of the same combined reporting group (under R&TC Section 25101 or 25110) as the assignor on:

- (1) June 30, 2008, and the last day of the taxable year in which the credit was assigned to the assignee, for credits generated in taxable years beginning before July 1, 2008, or
- (2) The last day of the taxable year in which the credit was first allowed to the assignor and the last day of the taxable year in which the credit was assigned to the assignee, for credits generated in taxable years beginning on or after July 1, 2008.

C Disclosure of Limitations and Restrictions

The eligible assignee shall be treated as if it originally generated the assigned credit. Any credit limitations or restrictions that applied to the assignor will also apply to the eligible assignee. The assignor shall disclose the existence and nature of any assigned credit limitations to the eligible assignee and to the FTB. Such limitations may include, but are not limited to:

- Limitations imposed on the credit to certain types of income, such as income from one of the former California Enterprise Zones (EZ).
- Limitations imposed by California's incorporation of IRC Section 383.

- Limitations on the number of years the assigned credits may be carried forward.

In addition to the requirement to separately list credits generated in different taxable years, the assignor must separately list credits which are subject to separate and distinct limitations and disclose each of those separate and distinct limitations in a statement to be attached to form FTB 3544.

For example, the amount of Enterprise Zone credit allowable for use is limited to the tax on income attributable to that enterprise zone. For zone credits assigned, the assignee must have a tax liability on the income attributable to the same zone that the original credit was generated. If the original credit was generated in the Fresno enterprise zone of the assignor, the assignee must have a tax liability on the income attributable to the former Fresno enterprise zone.

Also, when a corporation has an ownership change, as defined in IRC Section 382, tax credits may be subject to limitations imposed under IRC Section 383. In such situations, the annual use of credits is limited to an amount determined under IRC Section 383.

Another example is that the assignor has an Environmental Tax credit generated during the 2015 taxable year. California law permits an unused Environmental Tax Credit to be carried forward to the following 11 years until the credit is exhausted. The credit has not been used and was carried forward and assigned in the 2020 taxable year. The credit carryover will expire (can no longer be carried forward) in the 2026 taxable year, based on the date that the assignor originally generated the credit. The credit carryover will expire for the assignee in the 2026 taxable year, unless the carryover period is extended by law.

Specific Instructions

The assignor and the assignee, **both** must complete the top portion of form FTB 3544, Side 1. Make sure entries have been made for the following spaces provided:

- Key corporation name.
- California key corporation number.
- Key corporation principal business activity code (PBA).
- Credit name.
- Credit code.

For a complete list of the PBA codes, get Form 100, Corporation Tax Booklet, or Form 100W, Corporation Tax Booklet, Water's-Edge Filers.

For a complete list of eligible credits (active or repealed with a carryover provision) to be assigned, see the Credit Chart inside the Form 100 Tax Booklet or Form 100W Tax Booklet.

Note: The Prior Year Alternative Minimum Tax credit is **excluded** from the list of credits eligible to be assigned.

The assignor must complete the following information of form FTB 3544, Side 1, Part A:

- Assignor name.
- Assignor California corporation number or federal employer identification number (FEIN).
- Assignor PBA code.

The assignee must complete the following information of form FTB 3544, Side 2, Part B:

- Assignee name.
- Assignee California corporation number or FEIN.

For **each** type of eligible business credit assigned or being received as an assignment, the assignor/assignee should complete a **separate** form FTB 3544. For example, if the assignor is assigning the Research and Development (R&D) credit and the EZ credit, or if the assignee is receiving/claiming these credits, two separate forms FTB 3544 are required.

Attach additional form(s) FTB 3544, if necessary. Use only FTB approved form(s) FTB 3544. Schedules or substitute forms, other than a FTB approved computer-generated substitute version of form FTB 3544, will **not** be accepted.

Attach form(s) FTB 3544 to Form 100, California Corporation Franchise or Income Tax Return; Form 100S, California S Corporation Franchise or Income Tax Return; or Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers.

When attaching form FTB 3544 to the original tax return, make sure to check the "Yes" box on Form 100; or Form 100W, Side 1, Schedule Q, **Question B4**; or Form 100S, Side 3, Schedule Q, **Question S** for pass through entities receiving the credit.

Part A – Election to Assign Credit Within Combined Reporting Group

The assignor is required to complete the top portion of form FTB 3544, and Part A of Side 1 to assign credits.

When completing the form, the assignor must **separately** list credits generated in different taxable years. Assignor shall **separately** list credits which are subject to separate and distinct limitations and disclose each of those separate and distinct limitations in a statement to be attached to this form.

Column (a) – Assignee name. Enter the corporation name that is receiving a credit assignment from the assignor.

Column (b) – Assignee California corporation number or FEIN. Enter the California corporation number or FEIN of the corporation that is receiving the credit assignment. If the corporation has applied for but not yet received the California corporation number or FEIN, enter "Applied for" in column (b). If the corporation is a non-U.S. foreign corporation, enter "Foreign" in column (b).

Column (c) – Certificate number or agreement number. Enter the certificate number, if applicable. If the credit assigned is the original, new, or Program 3.0 California Motion Picture and Television Production Credit, enter the California Film Commission (CFC) certificate number.

If the credit assigned is the California Competes Tax Credit (CCTC), enter the CCTC Committee agreement number.

Column (d) – Taxable year credit was generated. Enter the taxable year that the assignor generated the credit. For example, the assignor (Corporation A) generated an R&D credit of \$1,000 during the 2016 taxable year. The credit was not claimed by Corporation A and was carried forward to the succeeding years. Corporation A assigned the available credit to Corporation F (another unitary member of the combined reporting group) in the 2020 taxable year. Corporation A will enter "2016" as the taxable year the R&D credit was generated.

Column (e) – Limitations. Check column (e) if the credit assigned is subject to any limitations as discussed under General Information C, Disclosure of Limitations and Restrictions. If the assigned credit is subject to any limitation, attach a statement to form FTB 3544 fully disclosing the specific limitation(s) imposed upon each of the assigned credits listed on the form. Assignor shall separately list credits which are subject to separate and distinct limitations and disclose each of those separate and distinct limitations in a statement.

If the credit is **Low-Income Housing**, attach a statement to form FTB 3544 disclosing the relevant R&TC Section being applied. If the taxpayer fails to disclose the R&TC section 23610.5 or 23663, then the provision under section 23663 will apply.

Column (f) – Credit amount available for assignment. The available credit amount may be assigned to more than one assignee. However, once a credit amount is assigned to an assignee, the assignment is irrevocable and the assigned credit amount cannot be reassigned to another assignee.

List the unused carryover credit amount available for assignment **separately** for **each** taxable year a credit was generated. Also, **separately** list the credit amount available for assignment that is generated in the current taxable year. For example, if the assignor (Corporation A) has \$10,000 of R&D credit available in 2016, \$6,000 of R&D credit in 2017, and \$5,000 of R&D credit for the current taxable year, then each taxable year's credit amount would be separately listed in column (f) with the corresponding taxable year the credit was generated in column (d). See the example below for how to report the credit assignment.

Column (g) – Credit amount assigned. Enter the credit amount that is being assigned to an assignee in the combined reporting group. Using the same example listed under column (f) for the 2016 generated credit also assume that in the current taxable year (2020) Corporation A assigns \$1,000 to Corporation B. On the current year's form (2020), Corporation A would enter \$10,000 in column (f) as the credit amount available for assignment, and \$1,000 in column (g) as the credit amount assigned to Corporation B.

Column (h) – Balance available. This is the amount available for assignment column (f) less the amount of the current taxable year assigned credit column (g). The balance is the credit amount available that the assignor may use to assign to another assignee, or to carry forward to future taxable years.

Using the same example listed under column (g), the balance available in column (h) for assignor would be \$9,000.

Line 14 – Total credit assigned. Add amounts in column (g) and enter the total on this line. This is the total credit amount assigned to affiliated corporations that are members of the same combined reporting group.

Also, enter the total credit assigned on the applicable line of the related credit form.

Part B – List of Assigned Credit Received and/or Claimed by Assignee

The assignee is required to complete the top portion of form FTB 3544, Side 1 and Side 2, Part B to receive and/or claim an assigned credit.

List each assigned credit received transaction **separately**. For example, if the assignee received an R&D credit in 2015, and again in 2020, the assignee would enter the information for the 2015 credit received on one line, and the information for the 2020 credit received on a separate line. See the example on the next page for how to report the assigned credit received and/or claimed.

Column (a) – Assignor name. Enter the name of the corporation that assigned the credit.

Column (b) – Assignor California corporation number or FEIN. Enter the California corporation number or FEIN of the corporation that assigned the credit.

Column (c) – Taxable year assigned credit was generated. Enter the taxable year that the assignor originally generated the credit (form FTB 3544, Part A, column (d)).

For example, the assignor (Corporation A) generated a R&D credit of \$1,000 during the 2012 taxable year. The credit was not claimed by Corporation A and was carried forward to the succeeding years. Corporation A assigned the available credit to Corporation F (another unitary member of the combined reporting group) in the 2020 taxable year. Corporation F will enter "2012" as the taxable year the R&D credit was generated.

EXAMPLE – How to report the credit assignment.

TAXABLE YEAR

2020

(a) Assignee name	(b) Assignee California corporation number or FEIN	(c) Certificate number or agreement number (if applicable)	(d) Taxable year credit was generated	(e)* Limitations	(f) Credit amount available for assignment	(g) Credit amount assigned	(h) Balance available, column (f) less column (g)
Corp B	XXXXXXXXXX	XXXXXXXXXXXX	2016		10,000	1,000	9,000
Corp B	XXXXXXXXXX	XXXXXXXXXXXX	2017	✓	6,000	1,500	4,500
Corp D	Foreign	XXXXXX	2017	✓	4,500	4,500	0
Corp E	XXXXXX	XXXXXX	2020		5,000	5,000	0
Total credit assigned. Add amounts in column (g). See instructions						12,000	

* Check column (e) if the credit assigned is subject to limitations. See instructions.

Column (d) – Taxable year assigned credit was received. Enter the taxable year that the assignee received the assigned credit from the assignor.

Column (e) – Certificate number or agreement number. Enter the certificate number, if applicable. If the assigned credit received is the original, new, or Program 3.0 California Motion Picture and Television Production Credit, enter the California Film Commission (CFC) certificate number used to claim the credit.

If the assigned credit received is the California Competes Tax Credit (CCTC), enter the CCTC committee agreement number used to claim the credit.

Column (f) – Initial assigned credit amount received. Enter the initial assigned credit amount received from the assignor (use the applicable form FTB 3544, Part A, column (g)).

Column (g) – Assigned credit received in 2020 taxable year. Enter the assigned credit amount that the assignee received from the assignor during this taxable year (2020 form FTB 3544, Part A, column (g)).

Column (h) – Assigned credit carryover from prior years. Enter the assigned credit carryover amount from prior years.

Column (i) – Assigned credit available. Add the amounts on column (g) and column (h). Enter the result in column (i). Also, total the amounts in column (i). This is the available assigned credit that the assignee can claim this taxable year.

Column (j) – Assigned credit claimed in 2020 taxable year. This is the assigned credit amount that the assignee claimed in the current taxable year after specific credit limitations. See General Information C, Disclosure of Limitations and Restrictions, for more information.

To figure the amount of assigned credit to claim in the current taxable year, refer to the following:

- Form 100 Tax Booklet or Form 100W Tax Booklet, Specific Line Instructions for tax credits.
- Form 100S Tax Booklet, General Information BB, Tax Credits, and Specific Line Instructions for tax credits.

Total the amounts in column (j).

Note: The total amount of specific credit claimed on the Form 100, Form 100S, Form 100W, Schedule P (100), Alternative Minimum Tax and Credit Limitations - Corporations; Schedule P (100W), Alternative Minimum Tax and Credit Limitations - Water's-Edge Filers; or Schedule C (100S), S Corporation Tax Credits, should include both: (1) the total assigned credit claimed from column (j), and (2) the amount of credit claimed that was generated by the assignee.

Column (k) – Carryover to future years. Subtract column (j) from column (i) and enter the result in column (k). If the assigned credit expires by the end of the current taxable year, no carryover of assigned credit is allowed. Enter "0" in this column.

Total the amounts in column (k). This is the total assigned credit carryover to future years.

EXAMPLE – How to report the assigned credit received and/or claimed.

An assignor (Corporation A) generated an R&D credit of \$20,000 in the 2012 taxable year. Corporation A assigned to an assignee (Corporation B) an R&D credit of \$10,000 in the 2015 taxable year and \$3,000 in the 2020 taxable year. Also, Corporation A generated an R&D credit of \$8,000 in the 2020 taxable year and assigned \$5,000 to Corporation B in the same taxable year. Corporation B claimed \$3,500 of its 2012 credit against its 2020 tax and \$6,000 of its 2012 credit against its 2021 tax. Corporation B should report each assigned credit transaction received and/or claimed separately as follows:

TAXABLE YEAR

2020

(c) Taxable year assigned credit was generated	(d) Taxable year assigned credit was received	(e) Certificate number or agreement number (if applicable)	(f) Initial assigned credit amount received	(g) Assigned credit received in 2020 taxable year	(h) Assigned credit carryover from prior years	(i) Assigned credit available column (g) plus column (h)	(j) Assigned credit claimed in 2020 taxable year	(k) Carryover to future years column (i) minus column (j)
2012	2015		10,000	0	10,000	10,000	3,500	6,500
2012	2020		3,000	3,000	0	3,000	0	3,000
2020	2020		5,000	5,000	0	5,000	0	5,000
Total						18,000	3,500	14,500

TAXABLE YEAR

2021

(c) Taxable year assigned credit was generated	(d) Taxable year assigned credit was received	(e) Certificate number or agreement number (if applicable)	(f) Initial assigned credit amount received	(g) Assigned credit received in 2021 taxable year	(h) Assigned credit carryover from prior years	(i) Assigned credit available column (g) plus column (h)	(j) Assigned credit claimed in 2021 taxable year	(k) Carryover to future years column (i) minus column (j)
2012	2015		10,000	0	6,500	6,500	6,000	500
2012	2020		3,000	0	3,000	3,000	0	3,000
2020	2020		5,000	0	5,000	5,000	0	5,000
Total						14,500	6,000	8,500