
General Information

A Purpose

Use form FTB 3866, Main Street Small Business Tax Credits, to claim a tax credit or a carryover credit for a qualified small business employer that had a net increase in qualified full-time employees, and to determine carryover credit amounts.

Also, use form FTB 3866 to claim pass-through Main Street Small Business Tax Credits received from an S corporation, estate, trust, partnership, or limited liability company (LLC) classified as a partnership.

S corporations, estates, trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3866 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 tentative credit reservation 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 Tentative Credit Reservation

Main Street Small Business Tax Credit II – A qualified small business employer was required to apply for a tentative credit reservation from the CDTFA between November 1, 2021, and November 30, 2021, and obtain a confirmation number. If you did not receive a tentative credit reservation from the CDTFA you cannot claim this credit. For more information, go to cdtfa.ca.gov.

C Limitations

The taxpayer must reduce any wage deduction claimed on their income tax returns by the amount of the Main Street Small Business Tax Credit II allowed for the 2021 taxable year, including any credit carried forward to future years.

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.

The 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).

The credit cannot 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.

D Carryover

If the available credit exceeds the current year tax liability or is limited by tentative minimum tax, the unused credit may be carried over for five 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 (FTB) 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."

Part I – Available Credit – Main Street Small Business Tax Credit II

Complete this part only if you applied for this credit between **November 1, 2021, and November 30, 2021**, and received a tentative credit reservation confirmation number from the CDTFA.

Line 1 – Tentative credit reservation confirmation number

Enter the seven digit confirmation number your business received from the CDTFA, or as reported to you on your Schedule K-1. The confirmation number will begin with the number 3.

If you do not have a confirmation number you cannot claim this credit. If you received more than one confirmation number, you must file a separate form FTB 3866 for each number.

Line 3 – 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. The allocable share of the credit, including the confirmation number, should be included as an attached statement on your Schedule K-1.

Line 5 – Credit claimed

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 241.** Refer to the credit instructions in the tax booklet for your tax return for more information. Attach form FTB 3866 to your income tax return.

Part II – Carryover – Main Street Small Business Tax Credit (Taxable Year 2020)

Complete this part only if you reported a Main Street Small Business Tax Credit carryover on your 2020 timely filed original tax return.

Line 7 – Tentative credit reservation confirmation number

Enter the seven digit confirmation number your business received from the CDTFA or as reported to you on your Schedule K-1. The confirmation number will begin with the number 1.

If you do not have a confirmation number you cannot claim this credit. If you received more than one confirmation number, you must file a separate form FTB 3866 for each number.

Line 8 – Credit carryover from prior year

Enter the credit amount from the 2020 form FTB 3866, line 5. This is the total available credit.

Line 9 – Total credit claimed

This amount may be less than the amount on line 8 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 240.** Refer to the credit instructions in the tax booklet for your tax return for more information. Attach form FTB 3866 to your income tax return.

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. To request this notice by mail, call 800.338.0505 and enter form code **948** when instructed.

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