

General Information

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

A Purpose

Use form FTB 3835, ~~State Historic Rehabilitation Tax Credit~~, to report the credit amount for the current year, the amount to carryover to future years, and any amount recaptured. Also, use this form to claim pass-through credits received from S corporations, estates, trusts, partnerships, or limited liability companies (LLCs).

S corporations, estates, trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3835 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 tax credit allocation 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 Definitions

Certified historic structure means any building, and its structural components, as defined in IRC Section 47(c)(3), that is located in California and listed on the California Register of Historical Resources.

Qualified residence means a taxpayer's principal residence as defined in IRC Section 163(h)(4) that will be owned and occupied by an individual taxpayer who has a modified adjusted gross income of \$200,000 or less. The qualified residence must be the taxpayer's principal residence or what will be the taxpayer's principal residence within two years after the rehabilitation of the residence.

Qualified rehabilitation expenditure means any amount used for the rehabilitation that is chargeable to a capital account per IRC Section 47(c)(2) with the exemption that there is no regard as to whether any portion of the certified historic structure or qualified residence is, or is reasonably expected to be, tax-exempt use property. Qualified rehabilitation expenditures also means expenditures incurred by the taxpayer with respect to a qualified residence for the rehabilitation of the exterior of the building or rehabilitation necessary for the functioning of the home, including, but not limited to, rehabilitation of the electrical, plumbing, or foundation.

C Tax Credit Allocation

~~A taxpayer is required to obtain a tax credit allocation from the CTCAC before January 1, 2027, prior to beginning the qualified rehabilitation,~~ which will include a tax credit allocation confirmation number. If you did not receive a tax credit allocation from the CTCAC you cannot claim this credit. For more information, go to the CTCAC website at treasurer.ca.gov/ctcac.

D 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 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.

This 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).

This credit can reduce regular tax below the tentative minimum tax. Get Schedule P (100, 100W, 540, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

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 eight 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 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".

Tax credit allocation number – Enter the tax credit allocation confirmation number you received from the CTCAC or as reported to you on your Schedule K-1. If you do not have a ~~tentative credit reservation~~ confirmation number you cannot claim this credit. If you received more than one ~~tentative credit reservation~~ confirmation number, you must file a separate form FTB 3835 for each number. If you file more than one FTB 3835 add the credit claimed from all forms and report the total on your current year tax return.

Part I Available Credit

Line 2 – 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. An attached statement to your Schedule K-1 should include the allocable share of the credit. In addition, attach to the form FTB 3835, a statement showing the names and identification numbers of the entities from which the credits were passed through or allocated to you.

Line 3 – Credit carryover from prior years

Enter the amount of credit carryover from prior years on line 3. **Do not** enter any amount for the taxable year 2022.

Line 5a – Credit claimed

Do not include assigned credits claimed on the 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 4 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. Enter the total credit claimed amount on this line and on your current tax return. **Use credit code 243.** Refer to the credit instructions in the tax booklet of your tax return for more information. Attach form FTB 3835 to your income tax return.

Line 5b – 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.

Part II Credit Recapture (Individuals only)**Line 7 – Credit recapture**

If a credit amount was recaptured, the taxpayer would have received notification from CTCAC of the amount and the taxable year of the recapture. See the “Recapture” section of your credit agreement for further details.

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

- Form 100, California Corporation Franchise or Income Tax Return, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, California Corporation Franchise or Income Tax Return - Water's Edge Filers, Schedule J, line 5.
- Form 109, California Exempt Organization Business Income Tax Return, Schedule K, line 4.
- Form 540, California Resident Income Tax Return, line 63.
- Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, line 73.
- Form 541, line 37 and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

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 – 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.