2022 Instructions for Schedule P (100)

Alternative Minimum Tax and Credit Limitations — Corporations

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

Repeal of Net Operating Loss Suspension – For the 2022 taxable year, the net operating loss (NOL) suspension has been repealed. For more information, see California Revenue and Taxation Code (R&TC) Section 24416.23 and get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations.

Repeal of Credit Limitation – For the 2022 taxable year, the credit limitation has been repealed. For more information, see R&TC Section 23036.3.

Homeless Hiring Tax Credit – For taxable years beginning on or after January 1, 2022, and before January 1, 2027, a Homeless Hiring Tax Credit (HHTC) will be available to a qualified taxpayer that hires eligible individuals. The amount of the tax credit will be based on the number of hours the employee works in the taxable year. Employers must obtain a certification of the individual's homeless status from an organization that works with the homeless and must receive a **tentative credit reservation** for that employee. Any credits not used in the taxable year may be carried forward up to three years. For more information, get form FTB 3831, Homeless Hiring Tax Credit or go to **ftb.ca.gov** and search for **hhtc.**

Soundstage Filming Tax Credit – For taxable years beginning on or after January 1, 2022, California R&TC Section 23698(k) allows a fourth film credit, the Soundstage Filming Tax Credit against tax. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information, get form FTB 3541, California Motion Picture and Television Production Credit, form FTB 3551, Sale of Credit Attributable to an Independent Film, go to **ftb.ca.gov** and search for **motion picture**, or go to the CFC website at **film.ca.gov** and search for **soundstage filming tax credit.**

State Historic Rehabilitation Tax Credit – For taxable years beginning on or after January 1, 2021, a State Historic Rehabilitation Tax Credit is available to qualified taxpayers that received a tax credit allocation from the California Tax Credit Allocation Committee (CTCAC). The credit is for the rehabilitation of certified historic structures and for individual taxpayers, a qualified residence. Any credits not used in the taxable year may be carried forward up to eight years. Taxpayers should apply for the tax credit reservation with CTCAC and have received a tax credit allocation confirmation number from CTCAC prior to claiming the State Historic Rehabilitation Tax Credit on form FTB 3835. The credit was not funded, and **cannot** be claimed, for tax year 2021. For more information, get form FTB 3835, State Historic Rehabilitation Tax Credit, or go to the California Office of Historic Preservation website at **ohp.parks.ca.gov** and search **shrtc.**

High Road Cannabis Tax Credit – For taxable years beginning on or after January 1, 2023, and before January 1, 2028, a High Road Cannabis Tax Credit (HRCTC) will be available to a qualified taxpayer that is a licensed commercial cannabis business that meets specified criteria. The HRCTC is allowed in an amount equal to 25% of the total amount of the qualified taxpayer's qualified expenditures in the taxable year not to exceed $250,000 per taxable year. Any credits not used in the taxable year may be carried forward up to eight years. A qualified taxpayer must request a tentative credit reservation from the Franchise Tax Board (FTB) during the month of July for each taxable year or within 30 days of the start of their taxable year if the qualified taxpayer's taxable year begins after July. For more information, go to **ftb.ca.gov** and search for **hrctc**.

College Access Tax Credit – The sunset date for the College Access Tax Credit is extended until taxable years beginning before January 1, 2028. For more information, get form FTB 3592, College Access Tax Credit.

Important 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), California Adjustments – Residents, or Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents, 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 R&TC in the instructions. Taxpayers should not consider the instructions as authoritative law.

NOL Carrybacks

For taxable years beginning on or after January 1, 2019, NOL carrybacks are **not** allowed.

Credit Assignment

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**.

California law conforms to federal law regarding:

- Large banks' bad-debt losses deduction, which is limited to the actual losses rather than contributions to a reserve for bad debts.

California law does not conform to federal law regarding:

- The federal Tax Cuts and Jobs Act (TCJA) signed into law on December 22, 2017, made changes to the IRC. In general, California R&TC **does not** conform to the changes. California taxpayers continue to follow the IRC as of the specified date of January 1, 2015, with modifications. The following is a non-exhaustive list of the TCJA changes:
  - The repeal of the corporate Alternative Minimum Tax (AMT).
  - The modifications to the NOL provisions.
  - The modifications to the AMT credit.

These lists are not intended to be all-inclusive of the federal and state conformities and differences.

General Information

Unless stated otherwise, the term "corporation" as used in Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations, and in these instructions, includes banks, financial corporations, partnerships or limited liability companies classified as corporations, and exempt organizations other than exempt trusts, but not S corporations.

California tax laws give special treatment to some types of income and allow special deductions and credits for some types of expenses. Corporations that benefit from these laws may have to pay AMT in addition to the minimum franchise tax. The AMT rate for C corporations is 6.65%.

Use Schedule P (100) to calculate AMT and to figure credits that are limited by the Tentative Minimum Tax (TMT) or that may reduce AMT.

See IRC Sections 55 through 59 for more information on figuring AMT. Note that R&TC Sections 23455, 23456, 23457, and 23459 modify IRC Sections 55 through 59.

Who Must File

- Corporations should file Schedule P (100) if the sum of: AMT adjustments, preference items, loss denials, other items as specified under IRC Section 59, and state net income exceeds $40,000.
- Exempt organizations, other than exempt trusts with unrelated business income, should file Schedule P (100) if the sum of: AMT adjustments, preference items, loss denials, items specified under IRC Section 59, and state net unrelated business taxable income exceeds $40,000.
- Exempt trusts should use Schedule P (541), Alternative Minimum Tax and Credit Limitations — Fiduciaries.

In addition, if the corporation claims credits that are limited by TMT (Part I, line 17) or that reduce the AMT (Part I, line 19), the corporation must file Schedule P (100).

Members of a Combined Report. Alternative minimum taxable income (AMTI) and Adjusted Current Earnings (ACE) are apportioned and allocated to California and to each taxpayer in the same manner as net income for purposes of regular tax. A separate AMT calculation is required for **each** member of a combined report. Complete a separate Schedule P (100) for **each** member included in the combined report. Attach the Schedule P (100) for each member in the combined report **behind** the combined Schedule P (100) for all members. See instructions for Part I, line 4b, line 5a, line 5b, line 5e, line 7b, line 9, and line 10.

Short Period Tax Return. For a short-period tax return, use the formula in IRC Section 443(d) to determine the AMTI and AMT.

Credit for Prior Year AMT. If the corporation paid AMT for 2021 or has a carryover of credit for prior year AMT and has no AMT liability for 2022, the corporation may use this credit in 2022 to reduce its regular tax liability. Complete Part III to figure this credit.

Specific Line Instructions

Part I – Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation

Line 1 – Net income (loss) after state adjustments
Enter the amount from Form 100, California Corporation Franchise or Income Tax Return, line 17 or Form 109, Exempt Organization Business Income Tax Return, the lesser of line 1 or line 2. If the corporation filed a Schedule R, Apportionment and Allocation of Income, with the tax return, enter the amount from Schedule R, line 1c.

Line 2a – Depreciation of tangible property placed in service after 1986 and before 1999
Do not include depreciation adjustments attributable to a tax shelter farm activity or a passive activity on this line. Instead, include the adjustment on line 2g or line 2h.

Refigure the depreciation as follows:

- For property other than real property and property on which the straight-line method was used, use the 150% declining balance method, switching to straight-line for the first taxable year in which that method will give a higher depreciation deduction. Use the same life classes as provided in federal Pub. 946, How To Depreciate Property.
- For personal property having no asset depreciation range (ADR) class life, use 12 years.
- For residential rental and nonresidential real property, use the straight-line method over 40 years.

Determine the depreciation adjustment by subtracting the recomputed depreciation from the California depreciation on form FTB 3885, Corporation Depreciation and Amortization. Enter the difference on this line.

If the corporation elected to depreciate a grapevine that was replanted in a vineyard as a result of phylloxera or Pierce's disease infestation over five years instead of 20 years for regular tax, it must depreciate the grapevine over ten years for AMT.

Depreciation that is capitalized to inventory under the uniform capitalization rules must be refigured using the rules described above.

Include on line 2a any differences between regular and AMT depreciation (e.g., IRC Section 179 depreciation differences).

Line 2b – Amortization of certified pollution control facilities placed in service after 1986
For any certified pollution control facility placed in service in California after 1986 and before 1999, the five-year depreciation method available for such facilities for regular tax purposes must be replaced for AMT purposes by the alternative depreciation system (ADS) specified under IRC Section 168(g) (straight-line method, without regard to salvage value). A facility placed in service after December 31, 1998, is depreciated using the IRC Section 168 straight-line method. For more information, see IRC Section 56(a)(5).

Line 2c – Amortization of mining exploration and development costs incurred after 1987
If the corporation elected the optional ten-year write-off under IRC Section 59(e) for all assets in this category, skip this line.

With respect to each mine or other natural deposit, (other than an oil, gas, or geothermal well) refigure the expenses before the 30% reduction under IRC Section 291(b) by amortizing them over ten years beginning with the year in which the expenses were paid or incurred. Figure the adjustment by subtracting the refigured amount from the deduction taken under IRC Section 616(a) or 617(a) after the 30% reduction. Enter the amount on this line. If a loss resulted with respect to those expenses, see IRC Section 56(a)(2)(B).

Line 2d – Basis adjustments in determining gain or loss from sale or exchange of property
If the corporation disposed of property during the year, refigure the gain or loss from such sale taking into account the AMT adjustments on line 2a through line 2c. Enter the difference between the gain or loss reported for regular tax and the recomputed gain or loss. If the recomputed gain is less, or the loss is more, enter the difference as a negative amount. Otherwise, enter a positive amount.

Line 2e – Long-term contracts entered into after February 28, 1986
If the corporation entered into a long-term contract after February 28, 1986, determine the taxable income from the contract under the percentage of completion method of accounting as modified by IRC Section 460(b) and R&TC Section 24673.2 using AMT adjustments and tax preference items.

Determine the difference between that result and the amount determined for the contract in figuring the regular tax and enter the difference on this line. If the refigured taxable income is less than the result when determining the regular tax, enter the difference as a negative amount.

California conforms to IRC Section 460(b)(2). This section requires the taxpayer to "look-back" to previous years during which the contract work for certain contracts was in progress. The taxpayer must compute interest on the difference between the tax that was actually paid and the tax that would have been paid if the taxpayer had known the actual contract prices and costs that would finally result.

Get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the "look-back method."

Line 2f – Installment sales of certain property
For regular tax purposes, corporations may use the installment method of accounting for sales of certain property. For AMT, corporations may not determine income from dispositions of inventory or other property described in IRC Section 1221(a)(1) using the installment method, except for certain dispositions of timeshares or residential lots, if the corporation elected to pay interest under IRC Section 453(l)(2)(B) (R&TC Section 24667).

If the corporation used the installment method for regular tax purposes, but was required for AMT purposes to report the entire gain in the year of disposition, the corporation may have adjustments with respect to those dispositions. Enter on this line as a negative amount the current year income the corporation reported for regular tax.

Farmers that received payments for a taxable year beginning on or after January 1, 1997, for qualified installment sales made in taxable years beginning on or after January 1, 1988, **do not** need to make an adjustment on this line.

Line 2g – Tax shelter farm activities (personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, **do not** include them on any other line of this schedule.

Complete this line only if the corporation has a gain or loss from a tax shelter farm activity, as defined in IRC Section 58(a)(2), that is not a passive activity. If the tax shelter farm activity is a passive activity, the corporation must include the gain or loss with its other passive activities on line 2h.

Refigure all gains and losses reported for regular tax purposes from tax shelter farm activities using the AMT adjustments and tax preference items.

Figure the tax shelter farm activity gain or loss for AMT using the same rules the corporation used for regular tax except:

- **Do not** take any refigured loss unless the corporation is insolvent. For more information, see IRC Section 58(c)(1).
- **Do not** offset gains from other tax shelter activities with any refigured loss.

Instead, suspend and carry over the loss to future taxable years until one of the following applies:

- The corporation has a gain in a future taxable year from that same tax shelter farm activity.
- The corporation disposes of the activity.

Enter on this line the difference between the AMT tax shelter farm activity gain or loss and the regular tax shelter farm activity gain or loss.

Line 2h – Passive activities (closely held corporations and personal service corporations only)

Caution: To avoid duplication, if the corporation included AMT adjustments or tax preference items on this line, **do not** include them on any other line of this schedule.

For AMT purposes, complete a second form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure the adjustments. Corporations may enter two kinds of adjustments on this line:

Regular Passive Activities. Refigure passive activity gains and losses for AMT by taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses that apply to the passive activity.

Tax Shelter Farm Activities That Are Passive Activities. Refigure any gain or loss from a tax shelter farm activity that is a passive activity by taking into account all AMT adjustments, tax preference items, and AMT prior year unallowed losses. If the amount is a gain, it may be included on form FTB 3802, and it may be used to offset AMT losses from other passive activities. However, if it is a loss, it must be suspended and carried forward indefinitely until the corporation has a gain in a subsequent year from that same activity or it disposes of the activity. The AMT loss carryover is the refigured AMT loss.

If, at the end of the taxable year, the corporation's liabilities exceed the fair market value of the corporation's assets (insolvency), increase the passive activity loss allowed by that excess (but not more than the total loss). For more information, see IRC Section 58(c)(1).

Line 2i – Certain loss limitations
Refigure the allowable losses from at-risk activities and basis limitations applicable to partnerships, taking into account the AMT adjustments and tax preference items. See IRC Sections 59(h), 465, and 704(d). If the refigured loss is more than the loss reported for purposes of the regular tax, enter on this line as a negative amount the difference between the loss reported on the tax return for purposes of the regular tax and the refigured loss.

Line 2k – Merchant marine capital construction funds
Amounts deposited in these funds are not deductible for AMT. Earnings on these funds are not excludable from gross income for AMT. If the corporation deducted these amounts or excluded them from income for regular tax, add them back on line 2k.

Tax Preference Items

Line 3a – Depletion
In the case of mines, wells, and other natural deposits, enter the amount by which the deduction for depletion under IRC Section 611 is more than the adjusted basis of the property at the end of the corporation's taxable year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

California conforms to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. However, the California depletion costs may continue to be different from the federal amounts because of prior differences in law and differences in basis.

See IRC Section 291(a)(2) for reduction in the amount allowable as a deduction in the case of iron ore and coal.

Line 3b – Intangible drilling costs
If the corporation elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

Enter the amount by which excess intangible drilling costs exceed 65% of net income from oil, gas, and geothermal properties.

Figure excess intangible drilling costs as follows: From the intangible drilling and development costs allowable under IRC Section 263(c) or 291(b) (except costs in drilling a nonproductive well), subtract the amount that would have been allowable if these costs had been capitalized and either amortized over 120 months starting when production began or treated according to an election made under IRC Section 57(b)(2).

Net income from oil, gas, and geothermal properties is gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 3b amount separately for oil and gas properties that are not geothermal deposits and for oil and gas properties that are geothermal deposits.

California conforms to the limited federal repeal of intangible drilling costs preferences for independent producers. California also conforms to the limit on the benefit of the exclusion of the preference for intangible drilling costs of 40% of AMTI. Also, note that the intangible drilling costs amounts may differ from federal amounts because of prior differences in the law.

Line 4b – Apportioned pre-adjustment AMTI
For taxpayers required to apportion their income, pre-adjustment AMTI is apportioned and allocated to California in the same manner as net income for purposes of the regular tax. This may be done by transferring the amount from line 4a to Schedule R, line 1c. Refigure the Schedule R taking into account any AMT adjustments, then transfer the refigured net income from Schedule R, line 35 to Schedule P (100), line 4b.

For combined reports, each taxpayer's pre-adjustment AMTI is the sum of (1) that corporation's apportioned share of combined business pre-adjustment AMTI and (2) any of that corporation's nonbusiness California source pre-adjustment AMTI. For additional guidance in making these computations, get FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report.

Line 5a – ACE
California's ACE adjustment generally follows the federal ACE adjustment rules in IRC Section 56(g) **as of the specified date of January 1, 2015, with modifications**.

If this schedule is for a regulated investment company or a real estate investment trust, skip this line.

The ACE is the pre-adjustment AMTI from line 4a with additional adjustments. To compute the California ACE, use the ACE worksheet included in these instructions and take into account the modifications of R&TC Sections 23456(e) and (f), if applicable. For example:

Taxes. Taxes on, according to, or measured by income are not deductible from earnings and profits (E&P). Foreign taxes on, according to, or measured by income are not deductible even though a foreign tax credit is not taken for federal purposes.

Depreciation and Amortization. For property placed in service on or after January 1, 1987, and before January 1, 1990, the amount allowable as depreciation or amortization must be determined by using the state AMTI depreciable basis as of the close of the taxable year beginning before January 1, 1990, and applying IRC Section 168(g). For property placed in service in taxable years beginning on or after January 1, 1990, and before January 1, 1998, use the ADS described in IRC Section 168(g). For property placed in service in taxable years beginning on or after January 1, 1998, the ACE depreciation is the same as the AMT depreciation. Therefore, no ACE depreciation adjustment is necessary.

Dividends. Dividends deductible for regular California tax purposes are deductible from E&P.

The provision of IRC Section 56(g)(4)(C)(ii), for 100% dividend, does not apply.

The provisions of IRC Sections 56(g)(4)(C)(iii) and (iv), for dividends from IRC Section 936 companies and certain dividends received by certain cooperatives, do not apply.

Certain Amortization Provisions. IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under IRC Section 173 (R&TC Section 24364) and organizational expenditures under IRC Section 248 (R&TC Section 24407) do not apply to expenditures paid or incurred in taxable years beginning on or after January 1, 1990, for E&P calculations.

Interest Income. For entities not subject to the minimum franchise tax, interest income included in E&P must not exceed the amount of interest income included for regular tax purposes.

Appropriate adjustments must be made to limit deductions from ACE for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425.

Line 5b – Apportioned ACE
For apportioning taxpayers and members of a combined report, ACE is apportioned and allocated to California in the same manner as net income for purposes of the regular tax and AMTI (FTB Legal Ruling 94-3). The method described in the instructions for line 4b may be used to compute the California ACE.

Line 5e – Excess of AMTI increases over AMTI reductions from prior year ACE adjustments
For combined reports, each taxpayer corporation enters the excess of its prior year accumulated positive California ACE adjustments over its prior years accumulated negative California ACE adjustments.

Line 7a – Reduction for disaster loss deduction
If a disaster loss deduction is claimed in 2022, enter the amount on this line.

Any remaining disaster loss incurred in 2022 (NOL attributable to a qualified disaster loss) must be carried forward. Get form FTB 3805Q for more information.

Line 7b – AMT net operating loss deduction
The AMT NOL is the NOL determined for regular tax except for the following:

1. For any taxable year beginning before 1988, reduce the NOL amount by any preference items attributable to the deferred tax that has not been paid.
2. In the case of a loss year beginning after 1987, the NOL determined for regular tax for such year must be:
   (a) Reduced by the positive AMT adjustments and increased by the negative AMT adjustments.
   (b) Reduced by the tax preference items (but only to the extent they increased the NOL as determined for regular tax).
3. Reduce the AMT NOL by any expired losses.
4. The AMT NOL may not offset more than 90% of the AMTI, Part I, line 6. Enter on line 7b the smaller of the AMT NOL or 90% of the amount on line 6.

Taxpayers that are members of a unitary group filing a combined report must separately compute the NOL carryover and application of the NOL carryover for each corporation in the group (R&TC Section 25108).

The amount carried over for AMT is likely to differ from the amount (if any) that is carried over for regular tax; therefore, it is essential that the corporation retain adequate records for both AMT and regular tax.

If the corporation had a loss from a business activity within a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area, or Targeted Tax Area, get FTB 3805Z Booklet; FTB 3807 Booklet; or FTB 3809 Booklet.

Line 9 and Line 10 – The $40,000 exemption and the $150,000 limitation apply to each corporation included in the combined report that has a filing requirement in California, to the extent that each corporation has AMTI.

Line 16 – Banks and financial corporations
Corporations with negative or zero taxable income on Form 100, line 22, enter -0-.

Line 18 – Regular tax before credits
For installment obligations subject to IRC Section 453(l)(2)(B) (Timeshares and Residential Lots) and IRC Section 453A (Nondealer dispositions greater than $150,000), **do not** include tax increases for interest on the deferred tax liability.

Line 19 – AMT
If line 17 is more than zero, and if the corporation has credits or credit carryovers, continue to Part II. Otherwise, stop here and enter the amount from line 19 on Form 100, line 29 or Form 109, line 13.

Part II – Credits that Reduce Tax

Complete Part II only if the corporation has tax credits.

Use Part II to determine the following:
- The amount of credit that may be used to offset tax.
- The tax that may be offset.
- The amount of credit, if any, that may be carried over to future years.
- The order in which to claim credits, if the corporation has more than one credit to claim.

Credits are applied against the tax on a separate entity basis. Unless otherwise provided by statutory authority, specific credit(s) are only available to the corporation that incurred the expense that generated the credits.

Before the corporation completes Part II:
- Complete Form 100 through line 23.
- Figure the amount of credit(s) using a schedule or the credit form identified in the Credit Table included in these instructions. Be sure to attach the credit form or schedule to the tax return, if applicable.

To complete Part II:
- Complete line 1 through line 3 to figure the amount of excess tax the corporation may offset by credits.
- Identify in which section(s) of Part II the corporation may take tax credit(s). Credits **without** carryover provisions are listed on Schedule P (100) in Section A1 and may be taken only in that section. Credits **with** carryover provisions are listed on the Credit Table included in these instructions. The table identifies the section(s) of Part II in which the corporation may take these tax credits.
- If the corporation has credit(s) in Section B, be sure to complete line 10 in addition to the line(s) for the corporation's credit(s).
- Complete column (a) through column (d) for each line on which the corporation is taking a credit. See "Column Instructions" below for more information.
- Once the corporation has completed Part II, see "How to Claim Credits" on the next page.

Column Instructions – In column:
(a) Enter the amount of credit available to offset tax.
(b) Figure the amount of credit the corporation is able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line.
(c) Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line.
(d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a).

Section A – Credits that reduce excess regular tax

Section A Instructions

Line 3 – Subtract line 2 from line 1. If the amount is zero or less, continue to Question 1. If the amount is greater than zero, go to the Section A1 instructions.

1. Does the Credit Table show that the corporation may take the credit **only** in Section A1 or A2?

   Yes **Do not** take the credit this year. Go to Question 2.

   No Go to Section B to figure the amount of credit the corporation may take this year. Then continue to Section C if the corporation's credit is listed in that section.

2. Does the credit have carryover provisions?

   Yes Enter the credit code, credit name, and credit amount in column (a) in the section indicated by the table. Enter -0- in column (b). Enter the credit amount in column (d). This is the amount of the credit the corporation may carry over and use in future years.

   No **Do not** take the credit this year or in future years.

Section A1 Instructions

Line 4 – If the corporation has the credit listed in this section, complete column (a) through column (c).

Section A2 Instructions

The credit for prior year AMT has to be applied before any credits that can reduce the regular tax below the TMT in accordance with R&TC Section 23036(c).

Line 5 through Line 9 – Follow the Credit Table Instructions on the next page to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Generally, it is to the corporation's advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, the corporation may want to apply credits with no limitation on the carryover first if that is more advantageous.

Corporations may use these credits to reduce regular tax but not below TMT. The corporation may be able to carry them over to future years, if applicable. The credits that do not have shading in column (d) can be carried over to future years, if applicable, after reducing the regular tax down to TMT.

Section B – Credits that may reduce regular tax below TMT

Corporations may use these credits to reduce the regular tax below TMT. Corporations may also carryover to future taxable years any credits remaining after reducing the regular tax down to the minimum franchise tax, if applicable. But, if the corporation has a tax balance and can continue to use the credit in Section C, apply the carryover in Section C.

Section B Instructions

Line 11 through Line 14 – Follow the Credit Table Instructions on the next page to find out in which section to claim the credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Section C – Credits that may reduce AMT

If the corporation has AMT, the corporation may reduce AMT using credit carryover from either the Solar Energy, Commercial Solar Energy, or EZ Hiring & Sales or Use Tax after reducing the regular tax down to the minimum franchise tax (if applicable). Corporations may carryover to future taxable years any credits remaining after reducing the AMT to zero.

The Board of Equalization ruled in the *Appeal of NASSCO Holdings, Inc.,* 2010-SBE-001, November 17, 2010, that a corporate taxpayer may use EZ credits and/or the Manufacturer's Investment Credit (MIC) to reduce AMT. For more information, go to **ftb.ca.gov** and search for **notice 2011-02**. However, the MIC carryover has expired. Therefore, corporate taxpayers can no longer use MIC carryover to offset against AMT.

Section C Instructions

Lines 16a, 16b, and 17 – If the corporation has any of the credits listed in this section, complete column (a) through column (d) for each credit in the order listed.

How to Claim Credits

Claim credits by transferring them to Form 100 or Form 109 as follows:

Credits on line 4 through line 14

Form 100 – If the corporation claims only one or two credits, enter the name, code, and amount of the credit from column (b) on Form 100, line 24 and line 25.

If the corporation has any other credits to claim, add the amounts from column (b) for those credits. Enter the total on Form 100, line 26.

Form 109 – If the organization claims only one to three credits, enter the name, code, and amount of the credit from column (b) on Form 109, Schedule B, line 1 through line 3.

If the organization claims more than three credits, see Form 109, Schedule B instructions.

Part III – Credit for Prior Year AMT

Use this part to figure the 2022 credit for prior year AMT if the corporation paid AMT for 2021 or had an AMT credit carryover from 2021.

For members of a unitary group filing a combined report, compute the credit for prior year AMT for each entity in the current year's group.

Line 1 – Enter the AMT from the 2021 Schedule P (100), Part I, line 19. If this amount was reduced by any credits from Part II, Section C, use the AMT from the 2021 Schedule P (100), Section C, line 18.

Line 2 – Enter the credit for prior year AMT carryover from the 2021 Schedule P (100), Part II, line 9, column (d).

(Continued on next page)

Credit Table Instructions. To use the table:

1. Find the corporation's credit(s) listed in the table.
2. See which sections are identified in the columns under "Offset Tax in Section."
3. Take the credit only in sections the table identifies for the corporation's credit.
4. Complete each section before going to the next section.

Credit Table

Code	Current Credits	Form	Offset Tax in Section
233	California Competes Tax	FTB 3531	B
223	California Motion Picture and Television Production	FTB 3541	B
235	College Access Tax	FTB 3592	B
205	Disabled Access for Eligible Small Businesses	FTB 3548	A2
204	Donated Agricultural Products Transportation	FTB 3547	A2
203	Enhanced Oil Recovery	FTB 3546	A2
244	Homeless Hiring Tax	FTB 3831	A2
172	Low-Income Housing	FTB 3521	B
213	Natural Heritage Preservation	FTB 3503	B
236	New Advanced Strategic Aircraft	N/A	B
237	New California Motion Picture and Television Production	FTB 3541	B
238	New Donated Fresh Fruits or Vegetables	FTB 3814	A2
234	New Employment	FTB 3554	A2
188	Prior Year Alternative Minimum Tax	N/A	A2
162	Prison Inmate Labor	FTB 3507	A1
239	Program 3.0 California Motion Picture and Television Production	FTB 3541	B
183	Research	FTB 3523	B
245	Soundstage Filming Tax	FTB 3541	B
243	State Historic Rehabilitation Tax	FTB 3835	B

Code	Repealed Credits with Carryover or Recapture Provisions	Form	Offset Tax in Section
175	Agricultural Products	FTB 3540	A2
196	Commercial Solar Electric System	FTB 3540	B
181	Commercial Solar Energy	FTB 3540	B C
209	Community Development Financial Institutions Investment	FTB 3540	A2
202	Contribution of Computer Software	FTB 3540	A2
224	Donated Fresh Fruits or Vegetables	FTB 3540	A2
190	Employer Childcare Contribution	FTB 3540	A2
189	Employer Childcare Program	FTB 3540	A2
 191 192 193	Employer Ridesharing Large Small Transit Passes	FTB 3540	A2
182	Energy Conservation	FTB 3540	A2
176	Enterprise Zone Hiring	FTB 3805Z	B C
176	Enterprise Zone Sales or Use Tax	FTB 3805Z	B C
218	Environmental Tax	FTB 3540	A2
207	Farmworker Housing – Construction	FTB 3540	A2
198	Local Agency Military Base Recovery Area Hiring	FTB 3807	A2
198	Local Agency Military Base Recovery Area Sales or Use Tax	FTB 3807	A2
160	Low-Emission Vehicles	FTB 3540	A2
240	Main Street Small Business Tax	FTB 3540	A2
241	Main Street Small Business Tax II	FTB 3540	A2
211	Manufacturing Enhancement Area Hiring	FTB 3808	A2
220	New Jobs	FTB 3540	A2
185	Orphan Drug	FTB 3540	B
174	Recycling Equipment	FTB 3540	A2
171	Ridesharing	FTB 3540	A2
200	Salmon & Steelhead Trout Habitat Restoration	FTB 3540	A2
180	Solar Energy	FTB 3540	B C
179	Solar Pump	FTB 3540	A2
210	Targeted Tax Area Hiring	FTB 3809	B
210	Targeted Tax Area Sales or Use Tax	FTB 3809	B
201	Technological Property Contribution	FTB 3540	A2

Adjusted Current Earnings (ACE) Worksheet

1 Pre-adjustment AMTI. Enter the amount from Schedule P (100), line 4a, or Schedule P (100W), line 4a.			1	
2 ACE depreciation adjustment:				
a AMT depreciation		2a		
b ACE depreciation:				
(1) Post-1998 property	2b(1)			
(2) Post-1990, pre-1998 property	2b(2)			
(3) Post 1987, pre-1990 property	2b(3)			
(4) Post-1981, pre-1987 property	2b(4)			
(5) Property described in IRC Sections 168(f)(1) through (4)	2b(5)			
(6) Other property	2b(6)			
(7) Total ACE depreciation. Add lines 2b(1) through 2b(6).		2b(7)		
c ACE depreciation adjustment. Subtract line 2b(7) from line 2a			2c	
3 Inclusion in ACE of items included in earnings and profits (E&P):				
a Tax-exempt interest income		3a		
b Death benefits from life insurance contracts		3b		
c All other distributions from life insurance contracts (including surrenders)		3c		
d Inside buildup of undistributed income in life insurance contracts		3d		
e Other items (see Treas. Reg. Sections 1.56(g)-1(c)(6)(iii) through (ix) for a partial list)		3e		
f Total increase to ACE from inclusion in ACE of items included in E&P. Add lines 3a through 3e			3f	
4 Disallowance of items not deductible from E&P:				
a Allowable deduction to a credit union		4a		
b Other items (see Treas. Reg. Sections 1.56(g)-1(d)(3)(i) and (ii) for a partial list)		4b		
c Total increase to ACE because of disallowance of items not deductible from E&P. Add lines 4a and 4b			4c	
5 Other adjustments based on rules for figuring E&P:				
a Intangible drilling costs		5a		
b Circulation expenditures		5b		
c Organizational expenditures		5c		
d LIFO inventory adjustments		5d		
e Installment sales		5e		
f Total other E&P adjustments. Combine lines 5a through 5e			5f	
6 Disallowance of loss on exchange of debt pools			6	
7 Acquisition expenses of life insurance companies for qualified foreign contracts			7	
8 Depletion			8	
9 Basis adjustments in determining gain or loss from sale or exchange of pre-1994 property			9	
10 Interest income			10	
11 Interest expense			11	
12 **Adjusted current earnings.** Combine lines 1, 2c, 3f, 4c, and 5f through 11. Enter the result here and on Schedule P (100), line 5a, or Schedule P (100W), line 5a			12	

Adjusted Current Earnings (ACE) Worksheet

Treatment of Certain Ownership Changes

If a corporation with a net unrealized built-in loss (within the meaning of IRC Section 382(h)) undergoes an ownership change (within the meaning of IRC Section 382(g) and Treas. Reg. Section 1.56(g)-1(k)(2)), refigure the adjusted basis of each asset of the corporation (immediately after the ownership change). The new adjusted basis of each asset is its proportionate share (based on respective fair market values) of the fair market value of the corporation's assets (determined under IRC Section 382(h)) immediately before the ownership change.

To determine if the corporation has a net unrealized built-in loss immediately before an ownership change, use the aggregate adjusted basis of its assets used for figuring its ACE. Also, use these new adjusted bases for all future ACE calculations (such as depreciation and gain or loss on disposition of an asset).

Line 2 – ACE Depreciation Adjustment

Line 2a – AMT depreciation
Generally, the amount entered on this line is the depreciation the corporation claimed for the regular tax on form FTB 3885, line 16, modified by Schedule P (100/100W), line 2a.

Line 2b(1) – Post-1998 property
For property placed in service on or after January 1, 1998, ACE depreciation is the same as the depreciation allowable for AMTI. There is no ACE depreciation adjustment for this property. Enter the same amount allowable for AMTI. See R&TC Section 23456(f)(4), for more information.

Line 2b(2) – Post-1990, pre-1998 property
For property placed in service on or after January 1, 1990, and prior to January 1, 1998, use the straight-line method in accordance with the alternative depreciation system of IRC Section 168(g). See R&TC Section 23456(f)(3), for more information.

Line 2b(3) – Post-1987, pre-1990 property
For property placed in service on or after January 1, 1987, and prior to January 1, 1990, depreciation is determined by the following:

- Using the adjusted basis of the property (as determined for purposes of computing AMT) as of the close of the last taxable year beginning before January 1, 1990.
- Utilizing the straight-line method over the remainder of the recovery period applicable to the property under the alternative depreciation system of IRC Section 168(g).

Line 2b(4) – Post 1981, pre-1987 property
For property placed in service on or after January 1, 1981, and prior to January 1, 1987, depreciation allowable for ACE is computed using the straight-line method. See R&TC Section 23456(f)(1), for more information.

Line 2b(5) – Property described in IRC Sections 168(f)(1) through (4)
For this property, use the regular tax depreciation, regardless of when the property was placed in service.

Line 2b(5) takes priority over lines 2b(1), 2b(2), 2b(3), and 2b(4). For property that is described in IRC Sections 168(f)(1) through (4), use line 2b(5) instead of the line 2b(1), 2b(2), 2b(3), or 2b(4) that would otherwise apply.

There is no California modification related to IRC Section 56(g)(4)(A)(v) Special Rule for Certain Property.

Line 2b(6) – Other property
Use the regular tax depreciation for (a) property placed in service before 1981 and (b) property placed in service after 1980, in a tax year that began before 1990, that is excluded from Modified Accelerated Cost Recovery System (MACRS) by IRC Section 168(f)(5)(A)(i) or original Accelerated Cost Recovery System (ACRS) by IRC Section 168(e)(4), as in effect before the Tax Reform Act of 1986.

There is no California modification related to Treas. Reg. Section 1.56(g)-1(b)(5). It applies to property not subject to ACRS (property placed in service Dec. 31, 1980 - Jan. 1, 1990) and any property placed in service before January 1, 1981. Depreciation is determined in the same manner as used in computing taxable income.

Line 2c – ACE depreciation adjustment
Subtract line 2b(7) from line 2a and enter the result on line 2c. If line 2b(7) exceeds line 2a, enter the difference as a negative amount.

Line 3 – Inclusion in ACE of Items Included in Earnings and Profits (E&P)

There is no California modification related to IRC Section 56(g)(4)(B).

In general, any income item that is not taken into account in determining the corporation's pre-adjustment AMTI but is taken into account in determining its E&P must be included in ACE. Any such income item can be reduced by all items related to that income item that would be deductible when figuring pre-adjustment AMTI if the income items to which they relate were included in the corporation's pre-adjustment AMTI for the tax year. Examples of these income items and the adjustments that relate to them include:

- Interest income from tax-exempt obligations excluded under IRC Section 103 minus any costs incurred in carrying these tax-exempt obligations and
- Proceeds of life insurance contracts excluded under IRC Section 101 minus the basis in the contract for purposes of ACE.

An income item is considered taken into account without regard to the timing of its inclusion in a corporation's pre-adjustment AMTI or its E&P. Only income items that are permanently excluded from pre-adjustment AMTI are included in ACE. An income item will not be considered taken into account merely because the proceeds from that item might eventually be reflected in the pre-adjustment AMTI of another taxpayer (for example, that of a shareholder) on the liquidation or disposal of a business.

Exceptions: Do not make an adjustment for the following:

- Any income from discharge of indebtedness excluded from gross income under IRC Section 108 (or the corresponding provision of prior law).
- For an insurance company taxed under IRC Section 831(b), any amount not included in gross investment income (as defined in IRC Section 834(b)).
- Any special subsidy payment for prescription drug plans excluded from gross income under IRC Section 139A.
- Any qualified shipping income excluded under IRC Section 1357.
- Tax-exempt interest on certain housing bonds issued after July 30, 2008, excluded under IRC Section 57(a)(5)(C)(iii).
- Tax-exempt interest on certain private activity bonds issued in 2009 and 2010. Special rules apply to refunding bonds. See IRC Section 56(g)(4)(B)(iv).

Line 3a – Tax-exempt interest income
There is no modification to IRC Section 56(g)(4)(B), however there is a federal/California difference relating to IRC Section 103. California does not conform to the federal treatment of specifically excluding from gross income the interest on any state or local bond. California's exclusion is limited to obligations of California and its political subdivisions. The adjustment only relates to California and its political subdivisions. For more information, see R&TC Section 24272 and Cal. Code Regs. tit. 18, section 24271(e)(2).

Line 3b – Death benefits from life insurance contracts
California generally conforms to the federal treatment of specifically excluding from gross income amounts of certain death benefits. California modifies IRC Section 101 relating to certain death benefits with state-specific provisions. For more information, see R&TC Sections 24302 and 24305.

Line 3d – Inside build up of undistributed income in life insurance contracts
Include in ACE the income on life insurance contracts (as determined under IRC Section 7702(g)) for the tax year minus the part of any premium attributable to insurance coverage.

Line 3e – Other items
Do not include any adjustment related to the E&P effects of any charitable contribution.

Qualified Lessee Construction Allowances. For qualified lessee construction allowances for short-term leases under IRC Section 110, California conforms to the federal treatment with modifications in R&TC Section 24309.5.

Recovery of Tax Benefit Items. For recovery of tax benefit items under IRC Section 111, California conforms to the federal treatment of the recovery of tax benefit items. See R&TC Section 24310, for more information.

Banking Institutions. For treatment of transactions in which federal financial assistance is provided under IRC Section 597, California does not conform. California has a franchise tax on banks and financial corporations in lieu of other taxes. For more information, see R&TC Sections 23039, 23181, and Cal Code Regs. tit. 18, section 23183.

Line 4 – Disallowance of Items Not Deductible From E&P

Generally, no deduction is allowed when figuring ACE for items not taken into account (see below) in figuring E&P for the tax year. These amounts increase ACE if they are deductible in figuring pre-adjustment AMTI (that is, they would be positive adjustments).

An item is considered taken into account without regard to the timing of its deductibility in figuring pre-adjustment AMTI or E&P. Therefore, only deduction items that are permanently disallowed in figuring E&P are disallowed in figuring ACE.

Items for which no adjustment is necessary. Generally, no deduction is allowed for an item in figuring ACE if the item is not deductible in figuring pre-adjustment AMTI (even if the item is deductible in figuring E&P). The only exceptions to this general rule are the related reductions to an income item described in the second sentence of the instructions for line 3 above. Deductions that are not allowed in figuring ACE include:

- Capital losses that exceed capital gains.
- Bribes, fines, and penalties disallowed under IRC Section 162.
- Charitable contributions that exceed the limitations of IRC Section 170.
- Meals and entertainment expenses that exceed the limitations of IRC Section 274.
- Federal taxes disallowed under IRC Section 275.
- Golden parachute payments that exceed the limitation of IRC Section 280G.

Line 4a – Allowable deduction to a credit union

For each taxable year beginning on or after January 1, 1990, a deduction is allowed for amounts allowable as a deduction to a credit union for purposes of the regular tax under R&TC Section 24405. Also see R&TC Section 23456(g)(1)(A)(ii).

Line 4b – Other items

Do not include any adjustment related to the E&P effects of any charitable contribution.

Line 5 – Other Adjustments Based on Rules for Figuring E&P

Line 5a – Intangible drilling costs

Except as noted below, in figuring ACE, determine the deduction for intangible drilling costs under IRC Section 312(n)(2)(A).

Subtract the ACE expense (if any) from the AMT expense (used to figure Schedule P (100/100W), line 3b) and enter the result on line 5a. If the ACE expense exceeds the AMT amount, enter the result as a negative amount.

Exception. The above rule does not apply to amounts paid or incurred for any oil or gas well by corporations that are independent producers (that is, not integrated oil companies as defined in IRC Section 291(b)(4)). If this exception applies, do not enter an amount on line 5a for oil and gas wells.

Lines 5b and 5c

Note: There is a California modification needed under R&TC Section 23456(g)(2). IRC Section 56(g)(4)(D)(ii) was modified to specify that circulation expenditures under IRC Section 173 (R&TC Section 24364) and organizational expenditures under IRC Section 248 (R&TC Section 24407) do not apply to expenditures paid or incurred in taxable years beginning on or after January 1, 1990, for E&P calculations.

Line 5b – Circulation expenditures

When figuring ACE, the current year deduction for circulation expenditures under IRC Section 173 does not apply. Therefore, treat circulation expenditures for ACE using the case law that existed before IRC Section 173 was enacted.

Subtract the ACE expense (if any) from the regular tax expense (for a personal holding company, from the AMT expense used to figure amortization of circulation expenditures) and enter the result on line 5b. If the ACE expense exceeds the regular tax amount (for a personal holding company, the AMT amount), enter the result as a negative amount.

Do not make this adjustment for expenditures for which the corporation elected the optional 3-year write-off under IRC Section 59(e) for the regular tax.

Line 5c – Organizational expenditures

When figuring ACE, the amortization provisions of IRC Section 248 do not apply. Therefore, charge all organizational expenditures to a capital account and do not take them into account when figuring ACE until the corporation is sold or otherwise disposed of. Enter on line 5c all amortization deductions for organizational expenditures that were taken for the regular tax during the tax year.

Line 5d – LIFO inventory adjustments

The LIFO inventory adjustments provided in IRC Section 312(n)(4) apply in figuring ACE. See Treas. Reg. Section 1.56(g)-1(f)(3).

Line 5e – Installment sales

For any installment sale in a tax year that began after 1989, a corporation generally cannot use the installment method to figure ACE. However, it may use the installment method for the applicable percentage (as determined under IRC Section 453A) of the gain from any installment sale to which IRC Section 453A(a)(1) applies.

Subtract the installment sale income reported for AMT from the ACE income from the sales and enter the result on line 5e. If the ACE income from the sales is less than the AMT amount, enter the difference as a negative amount.

Line 6 – Disallowance of Loss on Exchange of Debt Pools

When figuring ACE, a corporation may not recognize any loss on the exchange of any pool of debt obligations for any other pool of debt obligations having substantially the same effective interest rates and maturities. Add back (that is, enter as a positive adjustment) on line 6 any such loss to the extent recognized for the regular tax.

Line 7 – Acquisition Expenses of Life Insurance Companies for Qualified Foreign Contracts

For ACE, acquisition expenses of life insurance companies for qualified foreign contracts (as defined in IRC Section 807(e)(4) without regard to the treatment of reinsurance contract rules of IRC Section 848(e)(5)) must be capitalized and amortized by applying the treatment generally required under generally accepted accounting principles (and as if this rule applied to such contracts for all applicable tax years).

Subtract the ACE expense (if any) from the regular tax expense and enter the result on line 7. If the ACE expense is more than the regular tax expense, enter the result as a negative amount.

Line 8 – Depletion

When figuring ACE, the allowance for depletion for any property placed in service in a tax year that began after 1989 generally must be determined under the cost depletion method.

Subtract the ACE expense (if any) from the AMT expense (used to figure Schedule P (100/100W), line 3a) and enter the result on line 8 of the worksheet. If the ACE expense is more than the AMT amount, enter the result as a negative amount.

Exception. Independent oil and gas producers and royalty owners that figured their regular tax depletion deduction under IRC Section 613A(c) do not have an adjustment for ACE purposes.

Line 9 – Basis Adjustments in Determining Gain or Loss From Sale or Exchange of Pre-1994 Property

If, during the tax year, the corporation disposed of property for which it is making (or previously made) any of the ACE adjustments, refigure the property's adjusted basis for ACE. Then refigure the property's gain or loss.

Enter the difference between the AMT gain or loss (used to figure Schedule P (100/100W), line 2d) and the ACE gain or loss. Enter the difference as a negative amount if any of the following apply:

- The ACE gain is less than the AMT gain.
- The ACE loss is more than the AMT loss.
- The corporation had an ACE loss and an AMT gain.

Line 10 – Interest Income

If a corporation is subject to the corporate income tax rather than the franchise tax, the amount of interest income included in ACE may not exceed the amount included for purposes of the regular tax. For more information, see R&TC Section 23456(g)(3).

Line 11 – Interest Expense

Appropriate adjustments must be made to limit deductions from ACE for interest expense in accordance with the provisions of R&TC Sections 24344 and 24425. [R&TC Section 23456(g)(4)].