

2020 Main Street Small Business Tax Credit

3866

Attach to your California tax return.

Name(s) as shown on your California tax return	<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> CA Corporation no. <input type="checkbox"/> FEIN
	California Secretary of State (SOS) file number
Name of taxpayer generating the credit. See instructions.	<input type="checkbox"/> SSN or ITIN <input type="checkbox"/> CA Corporation no. <input type="checkbox"/> FEIN
	California Secretary of State (SOS) file number
Tentative Credit Reservation Confirmation Number	

Available Credit

1	Enter the allocated credit amount listed on the California Department of Tax and Fee Administration tentative credit reservation.	<input checked="" type="radio"/> 1 \$	00
2	Pass through credit from Schedule K-1 (100S, 541, 565 or 568). See instructions.	<input checked="" type="radio"/> 2 \$	00
3	Total available credit. Add lines 1 and 2.	<input checked="" type="radio"/> 3 \$	00
4	Total credit claimed. See Instructions.	<input checked="" type="radio"/> 4 \$	00
5	Credit carryover to 2021. Subtract line 4 from line 3.	<input checked="" type="radio"/> 5 \$	00

What's New

Main Street Small Business Tax Credit – For the taxable year beginning on or after January 1, 2020, and before January 1, 2021, a Main Street Small Business Tax Credit is available to a qualified small business employer that received a tentative tax credit reservation from the California Department of Tax and Fee Administration (CDTFA). The credit is equal to \$1,000 for each net increase in qualified employees. The credit cannot exceed \$100,000 for any qualified small business employer. A qualified small business employer, among other requirements, must have met the following requirements:

- As of December 31, 2019, employed a total of 100 or fewer employees.
- Had a 50% decrease in gross receipts from April 1, 2020, through June 30, 2020, compared to the gross receipts from April 1, 2019, through June 30, 2019.

The Main Street Small Business Tax Credit must be claimed on a timely filed original tax return. The taxpayer cannot be included, required to file as, or authorized to be included in a combined report under California Revenue and Taxation Code Sections 25101, 25110, or 25101.15.

Taxpayers made an irrevocable election to apply the credit to either sales and use tax, or income tax when they applied for the credit. Only use this form if you elected to apply this credit to income tax.

For more information, go to ftb.ca.gov and search for **main street small business tax credit**.

Purpose

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

Also, use form FTB 3866 to claim a pass-through Main Street Small Business Tax Credit 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.

General Information

A Tentative Credit Reservation

An employer was required to obtain a tentative credit reservation from the CDTFA between December 1, 2020, and January 15, 2021, which included a tentative credit reservation 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.

B 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 allowed for the 2020 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.

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 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.

C 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 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”.

Tentative credit reservation confirmation number – Enter the tentative credit reservation confirmation number your business received from the CDTFA 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 3866 for each number.

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

Line 4 – Credit claimed This amount may be less than the amount on line 3 if your credit is limited by your tax liability. For more information, see General Information B, 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.