

2025

Disabled Access Credit for Eligible Small Businesses

3548

Attach to your California tax return.

Name(s) as shown on your California tax return

☐ SSN or ITIN ☐ CA Corporation number ☐ FEIN

Address of facility (number and street)

California Secretary of State file number

City

State ZIP code

1 Eligible access expenditures. See instructions	1		00
2 Maximum amount of eligible access expenditures	2	\$250	00
3 Enter the smaller of line 1 or line 2	3		00
4 Current year credit. Multiply line 3 by 50% (.50).	4		00
5 Pass-through Disabled Access Credit(s) from Schedule K-1 (100S, 541, 565, or 568). See instructions.	5		00
6 Total current year Disabled Access Credit. Add line 4 and line 5, but do not enter more than \$125	6		00
7 Credit carryover from prior year	7		00
8 Total available Disabled Access Credit. Add line 6 and line 7.	8		00
9 a Credit claimed. Enter the amount of the credit claimed on the current year tax return. See instructions. (Do not include any assigned credit claimed on form FTB 3544, Part B).	9a		00
b Total credit assigned. Enter the total amount from form FTB 3544, Part A, column (g). If you are not a corporation, enter -0-. See instructions	9b		00
c Credit amount to be elected as refundable in future years. See instructions.	9c		00
10 Credit carryover available for future years. Add lines 9a, 9b, and 9c, subtract the result from line 8	10		00

General Information

California allows a Disabled Access Credit that is similar to the federal Disabled Access Credit under Internal Revenue Code (IRC) Section 44, with exceptions. Unless specifically identified otherwise, references in these instructions are to the IRC as of **January 1, 2025**, and to the California Revenue and Taxation Code (R&TC).

Credit Limitation – For taxable years beginning on or after January 1, 2024, and before January 1, 2027, there is a \$5,000,000 limitation on the application of business credits. The total of all business credits including the carryover of any business credit for the taxable year may not reduce the “net tax”, for personal income filers, or “tax”, for corporate filers, by more than \$5,000,000. Business credits should be applied against “net tax” before other credits. For taxpayers included in a combined report, the limitation is applied at the group level.

For each taxable year of the limitation, taxpayers may make an irrevocable election to receive an annual refundable credit amount for the credits disallowed due to the limitation. Taxpayers may claim 20% of this refundable credit in each year of a five-year refundable period. The refundable period begins the third taxable year after the taxable year in which the election is made. To make this irrevocable election, complete form FTB 3870, Election for Refundable Credit, and submit it with an original, timely filed return.

S corporations may **not** elect to make credits taken at the entity level refundable.

If a taxpayer does not choose to make the election outlined above, business credits disallowed due to the limitation may be carried over. The carryover period for disallowed credit is extended by the number of taxable years the credit was not allowed. For more information, refer to R&TC Sections 17039.4, 17039.5, 23036.4 and 23036.5 and get form FTB 3870.

A Purpose

Eligible small businesses use form FTB 3548, Disabled Access Credit for Eligible Small Businesses, to figure a credit for expenditures to provide access to disabled individuals. Also, use this form to claim pass-through Disabled Access Credits received from S corporations, estates, trusts, partnerships, or limited liability companies (LLCs) classified as partnerships.

S corporations, estates, trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3548 to figure the amount of credit to pass 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. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568), Share of Income, Deductions, Credits, etc.

B Description

The amount of California credit allowed to an eligible small business is 50% (.50) of the qualified expenditures that do not exceed \$250 per taxable year. The maximum credit per eligible small business per taxable year is \$125.

C California and Federal Differences

The federal Disabled Access Credit under IRC Section 44 and the California Disabled Access Credit under R&TC Sections 17053.42 and 23642 are generally the same, except:

- California bases the credit on 50% (.50) of the eligible access expenditures up to \$250. Federal bases the credit on 50% (.50) of the eligible access expenditures that exceed \$250 up to a maximum of \$10,250.
- California allows a carryover of the credit until it is exhausted. The federal credit is one of the general business credits subject to the limitations imposed by IRC Section 38.

D Qualifications

To qualify for the Disabled Access Credit, you must be an **eligible small business** that complies with the federal Americans with Disabilities Act of 1990 (Public Law 101-336) and pay or incur eligible access expenditures for taxable years beginning on or after January 1, 1996.

E Definitions

Eligible small business is any business or person that meets both of the following requirements:

- Had gross receipts for the preceding taxable year that did not exceed \$1 million, or if gross receipts exceeded \$1 million, employed no more than 30 full-time employees during the preceding taxable year.
- Elects to claim the Disabled Access Credit for the taxable year by filing form FTB 3548.

For purposes of the definition of an eligible small business:

- Gross receipts are reduced by returns and allowances made during the taxable year.
- An employee is considered full-time if employed at least 30 hours per week for 20 or more calendar weeks in the taxable year.
- Generally, all members of the same controlled group and all persons under common control are considered to be one person. See IRC Section 44(d)(2)(A).

Eligible access expenditures are the amounts the eligible small business pays or incurs to comply with applicable requirements under the Americans with Disabilities Act of 1990. Eligible access expenditures include amounts paid or incurred to:

1. Remove architectural, communication, physical, or transportation barriers that prevent a business from being accessible to, or usable by individuals with disabilities, but only in connection with a facility first placed in service before November 6, 1990 (the effective date of the Americans with Disabilities Act of 1990).
2. Provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals.
3. Provide qualified readers, taped texts, and other methods of making visual materials available to individuals with visual impairments.
4. Acquire or modify equipment or devices for individuals with disabilities.
5. Provide other similar services, modifications, materials, or equipment.

The expenditures must be reasonable and necessary to accomplish the above purposes. See IRC Section 44(c) for further details.

Disability for an individual (as defined by the Americans with Disabilities Act of 1990) means:

1. A physical or mental impairment that substantially limits one or more of the major life activities of that individual.
2. A record of an impairment described in 1 above, or
3. Being regarded as having an impairment described in 1 above.

F Limitations

For taxable years beginning on or after January 1, 2024, and before January 1, 2027, there is a \$5,000,000 limitation on the application of business credits, including carryover. For taxpayers included in a combined report, the limitation is applied at the group level.

The amount of credit generated for any taxable year is limited to \$125. This limitation applies at the entity level (for S corporations) as well as to each shareholder. S corporations may claim only 1/3 of the credit (not to exceed \$41.67) 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 carryover. S corporations can pass through 100% of the credit (not to exceed the \$125 limitation) to their shareholders.

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to 1/3 and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. For more information, get Schedule C (100S), S Corporation Tax Credits.

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 credit amount received from the disregarded entity that can be utilized 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.

For more information on SMLLC, get Form 568, Limited Liability Company Tax Booklet.

If the disregarded entity reports a loss, the taxpayer may not claim the credit this year but can carry over the credit amount received from the disregarded entity to succeeding years.

This credit cannot reduce the minimum franchise tax (corporations and S corporations), the annual tax (limited partnerships, limited liability partnerships, and LLCs classified as partnerships), 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.

This credit is taken in lieu of any deduction or credit otherwise allowable for the same eligible access expenditures. Any deduction allowed for these same expenditures must be reduced by the amount of credit claimed and/or assigned to an affiliated corporation for the current taxable year (the amount shown on line 9a and 9b).

Taxpayers that claim this credit cannot increase the basis of the property, with respect to the eligible access expenditures paid or incurred in connection with such property, by the amount of credit claimed and/or assigned to an affiliated corporation for the current taxable year (the amount shown on line 9a and line 9b).

This credit is not refundable.

G 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**.

H Carryover

If the available credit exceeds the current year tax liability, the unused credit can be carried over to succeeding years until exhausted. Apply the carryover to the earliest taxable year. In no event can this credit be carried back and applied against a prior year's tax.

Specific Line Instructions

Line 1 – Eligible access expenditures

Enter the total eligible access expenditures paid or incurred during the current taxable year.

Line 5 – Pass-through Disabled Access Credit

If you received more than one pass-through credit from S corporations, estates, trusts, partnerships, or LLCs classified as partnerships, add the amounts and enter the total. Attach a schedule showing the names and identification numbers of the entities from which the credits were passed through to you.

Line 9a – Credit claimed

Do not include assigned credits claimed on 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 8 if your credit is limited by your tax liability. For more information, see General Information F, Limitations, and refer to the credit instructions in your tax booklet. Use credit code **205** when you claim this credit.

Line 9b – 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.

Line 9c – Credit amount to be elected as refundable in future years

You may elect to make credits that are disallowed due to the \$5,000,000 credit limitation refundable in future years. If you make this election on form FTB 3870, enter the amount of credit that would have otherwise been available to reduce tax in this tax year but for the \$5,000,000 credit limitation. Do not include credit limited by your tax.

You may not elect to have a partial amount of your disallowed credit be refundable. If you elect to make the amount of this credit that is disallowed due to the \$5,000,000 credit limitation refundable, you must make the same election for all other credits you claimed this year that were also disallowed due to the \$5,000,000 credit limitation. If you enter a value on this line, you must also enter the same amount on form FTB 3870 line 1, column (c). Attach your completed form FTB 3870 to your original, timely filed tax return.

Line 10 - Credit carryover available for future years

Do not include any amount you will be electing as a refundable credit on form FTB 3870.

Credit limited by your tax liability cannot be included in an election for refundable credit. These amounts would not have otherwise been able to be claimed, regardless of the \$5,000,000 credit limitation and therefore are not eligible for an election to be made refundable. They can, however, be carried over for future years. Include any such amounts here.

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