2026 Instructions for Form FTB 3822

Eligible Transmission Project Tax Credit

What's New

Eligible Transmission Project Tax Credit – For taxable years beginning on or after January 1, 2026, and before January 1, 2036, the Eligible Transmission Project Tax Credit (ETPTC) is available to a qualified taxpayer in an amount equal to 20% of the qualified expenditures, related to an eligible transmission project, paid or incurred by the qualified taxpayer during the taxable year. The credit amount cannot exceed $20,000,000 per qualified taxpayer per taxable year. Unused credits may be carried forward up to eight years.

For more information, see California Revenue and Taxation Code (R&TC) Sections 17053.40 or 23640.

General Information

Credit Limitation – For taxable years beginning on or after January 1, 2024, and before January 1, 202~~7~~, 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

Use form FTB 3822, Eligible Transmission Project Tax Credit, to calculate and report allowable credit for a qualified taxpayer.

Also, shareholders, beneficiaries, partners, or members use form FTB 3822 to claim ETPTC received as pass-through credit from an S corporation, estate, trust, partnership, or limited liability company (LLC) classified as a partnership.

Pass-through entities (PTE) including S corporations, estates, trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3822 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 for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568), Share of Income, Deductions, Credits, etc.

B Definitions

Bank – means the California Infrastructure and Economic Development Bank.

Eligible transmission project – means a project receiving financial assistance under the Accelerator Revolving Fund Program approved by the bank as defined in Section 63049.71 of the Government Code.

Qualified taxpayer – means a participating party as defined in the Government Code, which is any person, company, corporation, association, state, or municipal governmental entity, partnership, firm, or other entity or group of entities, whether organized for profit or not for profit, engaged in business or operations within the state and that applies for financing from the bank in conjunction with a sponsor for the purpose of implementing an eligible transmission project and includes an eligible applicant, as defined in Chapter 1 of Division 50 of the Public Resources Code.

Qualified expenditures – means costs paid or incurred for planning, design, engineering, permitting, construction, and equipment directly related to the eligible transmission project or qualified wages paid or incurred to employees of a qualified taxpayer that perform services directly related to the eligible transmission project.

Qualified wages – means wages subject to wage withholding under Division 6 of the Unemployment Insurance Code.

C Limitations

For taxable years beginning on or after January 1, 2024, and before January 1, 202~~7~~, 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 ETPTC is equal to 20% of total qualified expenditures. The maximum amount of credit per taxable year is $20,000,000. You can claim the nonrefundable credit for taxable years beginning on or after January 1, 2026, and before January 1, 2036.

Any deduction or credit otherwise allowed for any qualified expenditure must be reduced by the amount of ETPTC allowed.

If the ETPTC is claimed, the taxpayer cannot earn a return on equity for the eligible transmission project for the portion of the project for which the credit is claimed.

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 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 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.

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.

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

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 tentative minimum tax. Get Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

This credit is not refundable.

D 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**.

E Carryover

If the available credit exceeds the current year tax liability, the unused credit may be carried over for eight taxable years or until the credit is exhausted, whichever occurs first.

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 Credit Computation

Line 1 – Qualified expenditures other than qualified wages
Enter qualified expenditures from planning, design, engineering, permitting, construction, and equipment that are directly related to the eligible transmission project.

Line 2 – Qualified wage expenditures
Enter qualified wages paid or incurred to employees of the qualified taxpayer that perform services directly related to the eligible transmission project.

Line 6 – 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. A statement attached to your Schedule K-1 should include the allocable share of the credit. In addition, attach a statement to form FTB 3822 showing the names and identification numbers of the entities from which the credits were passed through or allocated to you.

Line 7 – Credit carryover from prior year(s)
Not applicable for the 2026 taxable year.

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 C, Limitations, and refer to the credit instructions in your tax booklet. Enter the total ETPTC amount claimed on line 9a and on your current year tax return. If you are required to complete more than one form FTB 3822 in a taxable year, enter the sum of credit claimed on line 9a from all forms FTB 3822 on your current year tax return.

Use credit code **249**. Refer to the credit instructions in the tax booklet for your tax return for more information.

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 in 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.

Franchise Tax Board Privacy Notice on Collection

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