

2006 Joint Strike Fighter Credits

Attach to your California tax return. Name(s) as shown on return		SSN/ITIN, California corporation, or entity identification (ID) number
	Secretary of State file number	FEIN

Part I Section A — Wage Credit Carryover Used

- 1 Enter the total credit carryover from prior year(s) from 2006 form FTB 3534,
Part I, Section B, line 6, column (b). **1** _____
- 2 Enter the amount of credit carryover deduction claimed on 2006 tax return, form FTB 3534,
Part I, Section B, line 6, column (c). **Caution:** Your credit may be limited. **2** _____
- 3 Enter the total credit carryover available for future years. Subtract line 2 from line 1 **3** _____

Section B — Credit Carryover Use and Periods. See instructions.**8-Year Carryover Period**

	(a) Year	(b) Prior year(s) carryover amount	(c) Amount used in 2006	(d) Credit carryover to future years
1	2001			
2	2002			
3	2003			
4	2004			
5	2005			
6	Total			

Part II Joint Strike Fighter Property Credit Carryover. See instructions before completing.

Section A — Credit Carryover Used. See specific line instructions.

- 1** Enter credit carryover from prior year(s) from 2006 form FTB 3534, Part II, Section B, line 6, column (b) **1** _____
- 2** Enter the amount of credit carryover deduction claimed on 2006 tax return, form FTB 3534, Part II, Section B, line 6, column (c). **Caution:** Your credit may be limited. See instructions **2** _____
- 3** Enter the amount of credit carryover available for future years. Subtract line 2 from line 1 **3** _____

Section B — Credit Use and Carryover Periods. See instructions.

8-Year Carryover Period

(a) Year	(b) Prior year(s) carryover amount	(c) Amount used in 2006	(d) Credit carryover to future years
1 2001			
2 2002			
3 2003			
4 2004			
5 2005			
6 Total			

Section C — Credit Recapture. See instructions.

(a) Property description	(b) Recapture code	(c) Credit recapture amount
1		
2 Total recapture amount. Add the amounts in column (c). See instructions	2	

Instructions for Form FTB 3534

Joint Strike Fighter (JSF) Credits

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and to the California Revenue and Taxation Code (R&TC).

What's New

Expiration of the Joint Strike Fighter Credits

The Joint Strike Fighter Credits (JSFC) are expired. The credits were allowed for each taxable year beginning on January 1, 2001, and before January 1, 2006. The credit carryover is allowed for up to eight taxable years succeeding the taxable year for which the credits are generated or until the credits are exhausted, whichever comes first.

Beginning January 1, 2007, the credit recapture will no longer be in effect and form FTB 3534 will be obsolete. Taxpayers will use form FTB 3540, Credit Carryover Summary, to compute the JSF Credit carryover.

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. 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 regarding California and federal law, please visit our Website at www.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 or 540NR), and the Business Entity tax booklets.

Note, 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 California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

Pass-Through Entities

For purposes of these instructions, the term "pass-through entity" refers to an S corporation, estate, trust, partnership, and limited liability company (LLC). References to "partnerships" include LLCs classified as partnerships.

A Purpose

Use form FTB 3534, Joint Strike Fighter Credits, to compute and claim Joint Strike Fighter (JSF) Credits Carryovers for certain wages paid in connection with a contract to construct all or a portion of a JSF and for qualified costs paid or incurred by qualified taxpayers for acquiring, constructing, or reconstructing qualified property used to manufacture a product for ultimate use in a JSF.

In addition, use this form to report any credit recapture for wages and property.

Part I — JSF Wage Credit Carryover

B Credit Carryover and Limitation

Any part of the JSF Wage Credit exceeding the tax liability in the taxable year may generally be carried over for the maximum of eight years, or until exhausted, whichever comes first. In no event can the credit be carried back and applied against a prior year's tax.

Specific Instructions

Part I — Wage Credit Carryover Line Instructions

Section A — Wage Credit Carryover Used

Line 3 — Enter the amount of carryover available to future years (less any expired credits). Subtract line 2 from line 1. Amount should match Part I, Section B, line 6 (d).

Section B — Credit Use and Carryover Periods

Lines 1, 2, 3, 4, and 5, column (b) — Enter the prior year amounts (if any) from your 2005 form FTB 3534, Part I, Section B, column (d).

Lines 1, 2, 3, 4, and 5, column (c) — Subtract the amount in column (c) from the amount in column (b). Enter the result in column (d).

Line 6, column (c) — Add the amounts in column (c). Enter the result in Part I, Section B, line 6, column (c).

Note: The total amount in column (c) should equal the amount on Part I, Section A, line 2.

Line 6, column (d) — Add the amounts in column (d). Enter the result in Part I, Section B, line 6, column (d).

Part II — JSF Property Credit Carryover

A Credit Carryover and Limitation

Any part of the JSF Property Credit exceeding the tax liability in the taxable year may generally be carried over for a maximum of eight taxable years, or until exhausted, whichever comes first. In no event can the credit be carried back and applied against a prior year's tax.

B Credit Recapture

If within one year from the date the property is first placed in service in California, the qualified property for which the JSF Property Credit was allowed is:

- Removed from California;
- Used primarily for a nonqualifying purpose;
- Disposed of to an unrelated party as defined in IRC Sections 267, 318, or 707; or
- Acquired by a lessee (or acquired by a party related to the lessee) that is being leased by such lessee; then the JSF Property Credit must be recaptured. The credit is recaptured by adding the amount of credit previously claimed to the qualified taxpayer's tax liability for the taxable year in which the recapture event occurs. Any JSF Property Credit carryover should first be reduced to the full extent before adding any recaptured credit to the current year tax liability. Any recapture amount remaining after the reduction of the carryover should be added to tax.

If the recapture event occurs in the same taxable year in which the qualified property is first placed in service, then no JSF Property Credit can be claimed for that property.

For more information on the JSF Credits, refer to R&TC Sections 17053.36 and 17053.37 for Personal Income Tax Law and Sections 23636 and 23637 for Corporation Tax Law.

Specific Instructions

Part II — JSF Property Credit Line Instructions

Section A — Property Credit Carryover Used

Line 1 — Enter the total credit carryover from prior year(s) from 2006 form FTB 3534, Part II, Section B, line 6, column (b).

Line 2 — Enter the amount of credit carryover deduction claimed on 2006 tax return from form FTB 3534, Part II, Section B, line 6, column (c).

Line 3 — Enter the amount of carryover available to future years (less any expired credits). Subtract line 2 from line 1. Amount should match Part II, Section B, line 6 (d).

Section B Credit Use and Carryover Periods

Lines 1, 2, 3, 4, and 5, column (b) — Enter the prior year amounts (if any) from your 2005 form FTB 3534, Part II, Section B, column (e).

Lines 1, 2, 3, 4, and 5, column (d) — Subtract the amount in column (c) from the amount in column (b). Enter the result in column (d).

Line 5, column (d) — Subtract the amount in column (c) from the amount in column (b). Enter the result in column (d).

Line 5, column (c) — Add the amounts in column (c). Enter the result in Part II, Section B, line 6, column (c). **Note:** The total amount in column (c) should equal the amount on Part II, Section A, line 7.

Line 5, column (d) – Add the amounts in column (d). Enter the result in Part II, Section B, line 6, column (d). **Note:** The total amount in column (d) should equal the amount on Part II, Section A, line 3.

Section C Credit Recapture

Any JSF Property Credit amounts previously claimed must be added back to your tax liability if any of the events listed below have occurred within one year of the date the qualified property was placed in service in California. The recapture codes listed to the left of each event that caused recapture of the JSF Property Credit should be used to complete Section C, line 1, column (b), for each item of qualified property for which the credit must be recaptured.

Recapture Code	Event Causing Recapture
1	Qualified property is physically moved out of California.
2	Qualified property is primarily used in a non-qualified activity. See Part II, A, Qualified Property, for more information on qualified activities.
3	Qualified property is sold or otherwise transferred to an unrelated party as defined in IRC Section 267, 318, or 707.
4	Qualified leased property is acquired by the lessee-user (or party related to the lessee-user) who claimed the JSF Property Credit for such leased property prior to acquiring the property.

Line 1, column (a) – List each item of qualified property that caused recapture.

Line 1, column (b) – Enter the recapture reason code from the list in the previous column that corresponds to the event that caused recapture of the JSF Property Credit.

Line 1, column (c) – Enter the amount of recapture for each item of property entered in column (a).

Any JSF Property Credit carryover should first be reduced to the full extent before adding any recaptured credit to the current year tax liability. Any recapture amount remaining after the reduction of the carryover should be added to tax and reported here (Section C, line 1, column (c)). See the instructions for line 2 below for where to report the recapture amount(s) on your California tax return.

Line 2, column (c) – Add the amounts in column (c). Enter the total here and on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5;
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 23. See note following;
- Form 100W, Schedule J, line 5;
- Form 109, Schedule K, line 4;
- Form 540, line 33;
- Form 540NR, line 41;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Schedule K (565), line 22 and Schedule K-1 (565), line 22; or
- Schedule K (568), line 22 and Schedule K-1 (568), line 22.

Indicate that you included the JSF Property Credit recapture on the tax return by writing “FTB 3534” in the space to the left of the amount on the schedule or form.

Shareholders, beneficiaries, partners, and members of S corporations, estates, trusts, and partnerships must recapture the portion of the JSF Property Credit that was previously claimed. S corporations, estates, trusts, and partnerships must show the recapture amount for each shareholder, beneficiary, partner, or member on Schedules K-1 (100S, 541, 565, or 568) as provided above.

Note: For an S corporation, the recapture amount for the shareholder(s) will differ from the amount recaptured by the S corporation on Form 100S, Schedule J, line 5, since S corporations can only claim 1/3 of the JSF Property Credit.

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications from our Website at www.ftb.ca.gov.

Information about other state agencies can be accessed through the State Agency Index located on the California State Website at www.ca.gov.

By phone – To order California tax forms and publications, call our automated telephone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call (800) 338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

In person – Many post offices provide free California tax booklets during the filing season. Most libraries have forms and schedules for you to photocopy (a nominal fee may apply). **Note:** Employees at libraries and post offices cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307