

Instructions for 2019 Schedule 500CR

Credit Computation Schedule for Corporations

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* Credits marked with an asterisk require supporting documentation that must be submitted with the tax return.

General Information

Complete Schedule 500CR if you are claiming one or more of the credits listed in the Table of Contents above. Credits marked with an asterisk (*) require supporting documentation with the return in order to claim the credit. When claiming a credit that requires documentation, you will need to attach a PDF of the documentation when filing electronically. If you are filing by paper and claiming a credit that requires documentation, the information must be enclosed with the return. Missing enclosures may cause delays in processing the return and may cause a credit to be disallowed.

Many Virginia tax credits may not be claimed on your return until after you have submitted an application and have been notified in writing that you are allowed to claim the credit. If your return is due and you have not yet been notified, you have the option to either:

- Pay at least 90% of your tax liability by the return due date and file your return on extension after receiving notification, or
- File your return by the due date without claiming the credit, and file an amended return after you have received notification.

If the total of your nonrefundable credits exceeds the balance of the maximum nonrefundable credit available, the following rules will ensure that you receive the maximum benefit of your credits:

- Nonrefundable credits without a carryover provision are claimed first.
- Carryover credits must be fully used before any 2019 credits (current year credits) are allowed.
- To maximize allowable credit, carryover credits may be claimed in their order of expiration, regardless of the order shown on Schedule 500CR.

Information for PTE Owners

Form PTE, Virginia Pass-Through Credit Allocation, must be filed with the Tax Credit Unit to allocate certain tax credits to owners before they can be claimed by the owners on their Virginia Income Tax Returns. See Form PTE for a list of those credit types. Form PTE must be filed with the Tax Credit Unit by the pass-through entity within 30 days of certification of the credit but at least 90 days prior to the participants filing their income tax returns. See Form PTE for more information about allocating credits to participants.

Neighborhood Assistance Act Tax Credit

The Virginia Neighborhood Assistance Tax Act provides tax credits to businesses that donate money, marketable securities, property, limited professional services, and contracting services directly to pre-approved Neighborhood Assistance Program organizations whose primary function is to provide educational or other qualified services for the benefit of low income families. Licensed veterinarians, physicians, dentists, nurses, nurse practitioners, physician assistants, optometrists, dental hygienists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, physical therapists, chiropractors, pharmacists, and physician specialists or mediators who donate their services for an approved organization may be eligible for tax credits. In addition, a trust or a fiduciary for a trust, may receive a tax credit for a donation made to an approved organization. The amount of credit attributable to a partnership or S corporation must be allocated to the partners and shareholders in proportion to their ownership or interest in the partnership or S corporation. Any unused tax credits may be carried forward for the next 5 taxable years. For a list of approved organizations or additional information, write to: **Virginia Department of Social Services, Neighborhood Assistance Program, 801 E. Main Street, Richmond, VA 23219-3301** or the **Virginia Department of Education, 23rd Floor, P.O. Box 2120, Richmond, VA 23218-2120, ATTN: Neighborhood Assistance Tax Credit Program for Education.**

* Enterprise Zone Act Tax Credit

Businesses located within an Enterprise Zone that have initiated the use of the Enterprise Zone General Income Tax Credit or have a signed agreement with the Commonwealth regarding the use of such credits in place by July 1, 2005, may be eligible based on job creation to take a credit against the tax due on zone taxable income in an amount equal to 80% of the tax due for the first year and 60% of the tax due for the second through the tenth years. Excess general tax credit, if any, may not be carried forward. Credits are authorized through fiscal year 2019.

In addition, businesses located within an Enterprise Zone that have initiated the use of the Zone Investment Tax Credit or have a signed agreement with the Commonwealth regarding the use of credits in place by July 1, 2005, may be eligible for a credit against zone taxable income. The investment credit can be carried forward until the full amount is used. Credits are authorized through fiscal year 2019. If the annual tax credit requested exceeds the annual appropriation, the Virginia Department of Housing and Community Development (DHCD) will issue a proportionate amount to each qualified business firm requesting the credits.

To claim the Enterprise Zone Credits, businesses qualified by DHCD must complete Enterprise Zone Credit **Form 301**, and transfer the computed amount to the applicable line(s) on Schedule 500CR. Enclose **Form 301**, and Schedule 500CR with your return. For application forms and specific information, write to: **Virginia Department of Housing and**

Community Development, Community Revitalization Office, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219, call (804) 371-7030, or visit www.dhcd.virginia.gov.

* Conservation Tillage Equipment Tax Credit

A corporation purchasing and using conservation tillage equipment for the purpose of agricultural production may take a tax credit equaling 25% of conservation tillage equipment expenditures (but not to exceed \$4,000 or the total amount of tax owed, whichever is less) in the year of purchase. The term "conservation tillage equipment" means a planter, drill, or other equipment used to reduce soil compaction including guidance systems to control traffic patterns that are designed to minimize disturbance of the soil in planting crops, including planters, drills or other equipment designed to reduce soil compaction which may be attached to equipment already owned by the taxpayer. If the credit amount exceeds the taxpayer's liability for the taxable year, the amount that exceeds the tax liability may be carried over to the next 5 taxable years. The credit must be allocated to individual partners and shareholders in proportion to their ownership or interest in the partnership or S corporation.

Enclose a statement with your return showing the conservation tillage equipment purchase date, a description of the equipment, and the credit computation when claiming this credit.

* Biodiesel and Green Diesel Fuels Tax Credit

Beginning on January 1, 2008, a credit is available for Virginia biodiesel and green diesel fuel producers who produce up to 2 million gallons of fuel per year. This credit is only available during the first 3 years of production. Taxpayers may claim a nonrefundable credit against their tax liability for the production of these fuels. To claim the tax credit, enclose a copy of the certificate from the Department.

Form BFC is used to apply to the Department for a Biodiesel Fuels Credit after the Department of Mines, Minerals and Energy has certified that you have satisfied all of the requirements of *Va. Code* § 58.1-439.12:02.

The amount of the credit is \$0.01 per gallon, not to exceed \$5,000 annually. Any credit not used for the taxable year may be carried over to the next 3 taxable years. The amount of the credit allowed cannot exceed the tax liability for the taxable year in which the credit is being claimed.

The credit may be transferred to another taxpayer. The transfer of the credit must be completed before the end of a taxable year in order to use the credit for that taxable year. Enclose the letter of certification from the Virginia Department of Taxation authorizing the credit with your return. For more information, write to: **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715, or call (804) 786-2992.**

* Precision Fertilizer and Pesticide Application Equipment Tax Credit

Any corporation engaged in agricultural production for market that has in place a nutrient management plan approved by the local Soil and Water Conservation District by the required tax return filing date may claim a tax credit equaling 25% of all expenditures made by such corporation for the purchase of equipment. The amount of the tax credit cannot exceed \$3,750 or the total amount of the tax imposed by this chapter, whichever is less, in the year of purchase. If the credit amount exceeds the taxpayer's tax liability for such taxable year, the amount which exceeds the tax liability may be carried over for credit against the income taxes of such individual in the next 5 taxable years until the total amount of the tax credit has been taken.

The equipment shall be from one of the following categories:

1. Spray systems for pesticides and liquid fertilizers;
2. Pneumatic fertilizer applicators;
3. Monitors, computer regulators, and height adjustable booms for sprayers and liquid fertilizer applicators;
4. Manure applicators;
5. Tramline adapters;
6. Starter fertilizer banding and in-furrow attachments for planters; and
7. Variable rate application equipment using spatial positioning systems.

The amount of any credit attributable to the purchase of equipment certified by the Virginia Soil and Water Conservation Board as providing more precise pesticide and fertilizer application by a partnership or electing small business corporation (S corporation) must be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

Enclose a statement with your return showing purchase date, description and credit computation when claiming this credit.

Recyclable Materials Processing Equipment Tax Credit

Recyclable Materials Processing Equipment Tax Credit:

For taxable years beginning on or after January 1, 1999, and before January 1, 2020, an income tax credit may be claimed for purchases made during the taxable year for machinery and equipment used predominantly in or on the premises of manufacturing facilities or plant units which manufacture, process, compound or produce items of tangible personal property from recyclable materials within the Commonwealth for sale. For the purpose of determining "purchase price paid," the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The credit is 20% of such expenditures and cannot exceed 40% of the taxpayer's Virginia income tax liability for the year, computed prior to computing the

credit. Any amount unused this year may be carried forward for the next 10 taxable years.

The total amount of credit approved for any fiscal year may not exceed \$2 million. If the amount of tax credits approved under this section by the Department of Taxation for any fiscal year exceeds \$2 million, the Department will apportion the credits by dividing \$2 million by the total amount of tax credits so approved, to determine the percentage of otherwise allowed tax credits each taxpayer will receive.

The Virginia Department of Environmental Quality (DEQ) administers the certification of all recycling machinery and equipment. To allow adequate time for the recycling material and equipment to be certified by DEQ, submit a completed Form DEQ 50-11S to DEQ by March 1. Submit your credit application, including the certification you receive from DEQ, to the Department of Taxation by June 1, using Form RMC. Submitting a late application will disqualify you from the credit. All approved applicants filing a timely Form RMC will be notified of the allowable credit by September 1.

For additional information on how to qualify for certification, contact the **Department of Environmental Quality, Equipment Certification Officer, P.O. Box 1105, Richmond, VA 23218** or call **(804) 698-4145**.

All applications, Forms RMC, must be submitted to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. For form assistance, contact the Tax Credit Unit at the address above or call **(804) 786-2992**.

Alternative Recycling Credit (Expired – Only Carryover Allowed): The 1998 General Assembly passed legislation creating an alternative recycling tax credit for corporations investing at least \$350 million in Virginia before January 1, 2003. Any unused credit may be carried forward for the next 20 years. A qualified taxpayer may claim either the Recyclable Materials Processing Equipment Credit or the Alternative Recycling Credit but not both. The maximum amount of the Alternative Recycling Credit carryover that may be claimed is 60% of the Virginia income tax liability. If claiming this alternative credit, enter the carryover from prior year(s) in Part 7 on Line B of Schedule 500CR and 60% of the corporation income tax on Line D of Part 7 of Schedule 500CR.

* Clean-Fuel Vehicle and Vehicle Emissions Testing Equipment Tax Credits

The Clean-Fuel Vehicle Credit is no longer allowed on the Virginia return. Only carryover credits from prior years are allowed. Previously, taxpayers were permitted to claim the Clean-Fuel Vehicle Credit based on the federal deduction allowed under IRC § 179A or the federal credit allowed under IRC § 30. Since both of these federal provisions have been repealed, taxpayers may no longer claim the Virginia Clean-Fuel Vehicle Credit.

The Vehicle Emissions Testing Equipment Tax Credit is 20% of the purchase or lease price paid during the taxable year

for equipment certified by the Department of Environmental Quality (DEQ) for vehicle emissions testing within a locality that is required by law to implement an enhanced vehicle emissions inspection program or within any locality adjacent to those localities required to implement the program.

The Department of Taxation does not require you to submit a specific tax form to claim the Vehicle Emissions Testing Equipment Tax Credit. Instead, enclose a copy of your Air Check Virginia Station Participation and Services Agreement or a copy of the Northern Virginia Analyzer Equipment Certification with the Schedule 500CR. For a copy of your service agreement, contact Opus Inspection at **(703) 822-7587**. Only expenses listed in the agreement, or dynamometers purchased or leased separately are eligible. You may obtain a copy of the Analyzer Equipment Certification by accessing the Forms webpage of the Air Check Virginia website: <http://www.deq.virginia.gov/Programs/AirCheckVirginia/Forms.aspx>.

You should retain documentation to support your claim for the tax credit because an audit may be conducted to verify any credit claimed under these provisions.

Major Business Facility Job Tax Credit

Individuals, estates, trusts, corporations, banks, insurance companies, and telecommunications companies may claim a Virginia tax credit if the taxpayer creates at least 50 new full-time jobs in connection with the establishment or expansion of a major business facility or if the company is engaged in a qualifying industry in Virginia and creates at least 50 new full-time jobs in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Economic Development Partnership), the threshold is reduced from 50 to 25. Credits will be recaptured proportionately if employment decreases during the 5 years following the initial credit year.

Qualifying industries include: (1) manufacturing or mining; (2) agriculture, forestry or fishing; and (3) transportation and telecommunications companies. A major business facility includes a headquarters or portion of such a facility located in Virginia, where the majority of the company's financial, personnel, legal, or planning functions are handled either on a regional or national basis. A major business facility shall also include facilities located in Virginia that perform a central management or administrative function for other establishments of the same enterprise such as general management, accounting, computing, tabulating, data processing, purchasing, transportation or shipping, engineering and systems planning, advertising, legal, financial, and research and development.

This nonrefundable credit is equal to \$1,000 per qualifying new job in excess of the 50/25 job threshold and is spread over 2 years for taxpayers whose initial credit year begins on or after January 1, 2009. The credit only applies to facilities where an announcement to expand or establish such a facility was made on or after January 1, 1994. The credit must be claimed beginning with the taxable year following

the year in which the facility is established or expanded, or the new qualifying jobs are added.

Any amount unused this year may be carried forward for the next 10 taxable years. Credits will be recaptured proportionately if employment decreases during the 5 years following the initial credit year. If employment decreases below the threshold, the entire credit will be recaptured.

All pass-through entities must complete Form PTE at least 60 days before the participants file their income tax return. If the participants' income tax return is due before the Form 502 is filed, they must file an amended return to claim the credit or file for an extension.

Taxpayers may qualify for the Major Business Facility Job Tax Credit even if they have also received an Enterprise Zone Job Creation Grant. However, qualified business firms are not eligible to receive both an Enterprise Zone Job Creation Grant and a Major Business Facility Job Tax Credit for the same jobs.

To apply for this credit, complete **Form 304**. All applications must be submitted to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715, 90 days prior to the due date of your return**. A letter will be sent to certify the credit. To claim the credit you must complete Schedule 500CR, Section 1, Part 9.

Clean-Fuel Vehicle and Advanced Cellulosic Job Creation Tax Credit

The Clean-Fuel Vehicle and Advanced Cellulosic Biofuels Job Creation Tax Credit **expired on December 31, 2014**, for new jobs created. Thus, no new job positions created after that date qualify for the credit. Any unused credit may be carried forward for up to 5 years. The Clean-Fuel Vehicle Job Creation Tax Credit will not be allowed for jobs for which the taxpayer claims the Major Business Facility Job Tax Credit.

Historic Rehabilitation Tax Credit

Individuals, estates, partnerships, trusts, or corporations, incurring eligible expenses in the rehabilitation of a certified historic structure are entitled to claim a credit against individual income tax, fiduciary income tax, corporation income tax, the bank franchise tax, and taxes imposed against insurance companies and utility companies. The credit is equal to 25% of eligible rehabilitation expenses, and final certification must be submitted within 1 year of the completed work. To qualify, the cost of the rehabilitation must equal at least 50% (25% if the building is an owner occupied residence) of the assessed value of the building for local real estate tax purposes in the year preceding the start of the rehabilitation. Unused credits may be carried forward for 10 years. For taxable years beginning on and after January 1, 2017, the amount of the Historic Rehabilitation Tax Credit that may be claimed by each taxpayer, including carryover amounts, cannot exceed \$5 million for any taxable year. The rehabilitation work must be certified by the Virginia

Department of Historic Resources as consistent with the Secretary of the Interior's Standards for Rehabilitation. Certification of buildings and rehabilitations are issued by the Department of Historic Resources. The request for certification of the completed project must be submitted within 1 year of the completed work. Any unused credit may be carried forward for 10 years. Applications for participation in the program may be obtained by contacting the **Virginia Department of Historic Resources, 2801 Kensington Avenue, Richmond, VA 23221**, calling **(804) 482-6446**, or visiting www.dhr.virginia.gov/tax-credits/.

Worker Retraining Tax Credit

The Worker Retraining Tax Credit sunset date has been advanced from January 1, 2022, to January 1, 2019. For taxable years beginning on and after January 1, 2019, taxpayers will no longer be able to earn the Worker Retraining Tax Credit. Credits earned in prior taxable years may be carried forward for 3 years.

Worker Training Tax Credit

For taxable years beginning on and after January 1, 2019, but before July 1, 2022, businesses may claim the Worker Training Tax Credit for the training costs of providing eligible worker training to qualified employees. The credit is 35% of expenses incurred by the business during the taxable year for eligible worker training, subject to certain limitations. If the recipient of the training is a qualified employee, the credit may not exceed \$500 per qualified employee annually. If the recipient of the training is a non-highly compensated worker, the credit may not exceed \$1,000 per non-highly compensated worker annually.

"Eligible worker training" means the training of a qualified employee or non-highly compensated worker in the form of:

- credit or noncredit courses at any institution recognized on the Eligible Training Provider List that results in the qualified employee or non-highly compensated worker receiving a workforce credential; or
- instruction or training that is part of an apprenticeship agreement approved by the Commissioner of Labor and Industry.

For more information regarding the Eligible Training Provider List, see the Virginia Workforce Connection website, at www.vawc.virginia.gov.

For taxable years beginning on or after January 1, 2019, but prior to January 1, 2022, businesses primarily engaged in manufacturing may also claim the Worker Training Tax Credit on the basis of manufacturing-related orientation, instruction, and training programs for students in grades 6 through 12. The credit is equal to 35% of direct costs incurred during the taxable year in connection with the program, not to exceed \$2,000.

Before claiming the credit on their income tax return, employers and businesses must apply for certification of the amount of allowable credit using **Form WTC**, Worker Training Tax Credit Application, by April 1 of the year following the

year in which the training expenses or orientation, instruction, and training program expenses were paid or incurred. All approved employers and businesses filing a timely **Form WTC** will be notified of their allowable credit by June 30 of the calendar year following the year in which the expenses were incurred. The maximum Worker Training Credits granted to all employers and businesses is limited to \$1 million annually. If the total credits approved exceed this amount, each will be prorated. This credit is nonrefundable but excess credit may be carried over for up to the next 3 taxable years. To claim this credit, complete Section 1, Part 28 of Schedule 500CR. For information on pre-approved apprenticeship programs, contact the **Virginia Department of Labor and Industry at (804) 786-1035**. For information on approved orientation, instruction, and training programs for manufacturers, contact the **Virginia Department of Education, Office of Career, Technical, and Adult Education, P.O. Box 2120, Richmond, VA 23218-2120**, call **(804) 225-2052**, or email cte@doe.virginia.gov.

*** Waste Motor Oil Burning Equipment Tax Credit**

A business that operates a facility in Virginia which accepts waste motor oil from the public is allowed a tax credit equal to 50% of the purchase price paid for equipment for the taxable year provided that the equipment is used exclusively for burning waste motor oil at the business facility. The total credit allowed to any taxpayer in any taxable year is limited to \$5,000. Taxpayers successfully applying for the equipment certification with the Virginia Department of Environmental Quality by filing Form DEQ 50-12 will receive a statement from that agency certifying that the equipment is used for burning waste motor oil. To claim the tax credit, enclose a copy of DEQ Form 50-12 and receipts, invoices or other documentation to confirm the purchase price paid. For additional information concerning equipment qualifying for the credit or to apply for tax credit certification, write to: **Virginia Department of Environmental Quality, Attention: Equipment Certification Officer, P.O. Box 1105, Richmond, VA 23218**, or call **(804) 698-4145**.

Riparian Forest Buffer Protection for Waterways Tax Credit

Individuals and corporations may qualify for an income tax credit of 25% of the value of the timber on an area designated as a riparian buffer for a waterway. The credit may not exceed \$17,500 or the total amount of tax, whichever is less. To apply for this credit, file Department of Forestry (DOF) Form 18.8 with DOF or apply online at www.dof.virginia.gov. If you are approved for this credit, DOF will send you a Tax Credit Certificate.

A riparian buffer is land adjacent to a waterway on which timber may be harvested. In order to receive the credit, the owner of such land must refrain from harvesting more than 50% of such timber. The buffer must be at least 35 feet wide and no more than 300 feet. There must be a Stewardship Plan and annual certification of compliance for each tract. The buffer must remain in place for at least 15 years. The land that is the subject of this credit cannot be the subject

of this credit again for 15 years after it was first taken. The credit may be carried over for the succeeding 5 taxable years. For more information, write to: **Virginia Department of Forestry, 900 Natural Resources Drive, Suite 800, Charlottesville, VA 22903**, or call **(434) 977-6555**.

Land Preservation Tax Credit

This tax credit is for taxpayers that convey land or interest in land located in Virginia to a public or private agency eligible to hold such land or interests for conservation or preservation purposes. The conveyance must be in perpetuity.

Credits for conveyances made in 2007 and thereafter are equal to 40% of the land's fair market value. All fair market valuations must be substantiated by a "qualified appraisal" and prepared by a "qualified appraiser," as those terms are defined under applicable federal law and regulations governing charitable contributions. Beginning with Calendar Year 2015, the maximum amount of credits that may be issued in a calendar year may not exceed \$75 million. For Taxable Years 2009, 2010, and 2011, the total amount of credit per taxpayer per taxable year was limited to \$50,000 or the total tax liability, whichever was less. For Taxable Years 2012, 2013, and 2014, the credit limit per taxpayer per taxable year was \$100,000. For Taxable Years 2015 and thereafter, the credit is limited to \$20,000 per taxpayer per taxable year. However, for any fee simple donation of land conveyed to the Commonwealth on or after January 1, 2015, the amount of the credit claimed is subject a higher limitation of \$100,000 per taxpayer for each taxable year, provided that no part of the charitable contributions deduction under IRC § 170 related to such fee simple donation is allowable by reason of a sale or exchange of property. For taxpayers affected by the credit reductions for taxable years 2009, 2010, 2011, and 2015 and thereafter, an additional 3-year carryforward will be added to the credit. Any unused credit not affected by the usage limits will retain the original carryforward periods (10 years for donations originating on or after January 1, 2007).

Any taxpayer holding a Land Preservation Tax Credit that originated on or after January 1, 2002, may transfer unused but otherwise allowable credit for use by another taxpayer on Virginia income tax returns. Transfers and pass-through allocations derived from donations recorded on or after January 1, 2007, are generally subject to a fee. See Schedule A of Form LPC-1 or Form LPC-2 for further information.

A subtraction is allowed for any gain or income recognized by a taxpayer on the application of a Land Preservation Tax Credit against a Virginia income tax liability, to the extent the gain is included in and not otherwise subtracted from federal taxable income. The transfer of the credit and its application against a tax liability shall not create gain or loss for the transferor or the transferee.

Before claiming the credit, complete and file **Form LPC-1** and/or **Form LPC-2** with the Department of Taxation at least 90 days before filing your income tax return. For land or an interest in land conveyed before January 1, 2020, no credit will be allowed unless a completed credit

application with regard to such conveyance has been filed with the Department of Taxation by December 31 of the 3rd year following the calendar year of the conveyance. For a conveyance made on or after January 1, 2020, no credit will be allowed unless a completed credit application with regard to such conveyance has been filed with the Department by December 31 of the 2nd year following the calendar year of the conveyance. Additionally, applicants filing for tax credits of \$1 million or more must apply to the Department of Conservation and Recreation to receive verification of the conservation value. The Department of Taxation will issue a letter acknowledging the amount of the credit. For assistance, contact the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **(804) 786-2992**.

*** Virginia Coal Employment and Production Incentive Tax Credit**

For taxable years beginning on and after January 1, 2001, every electricity generator in the Commonwealth will be allowed a credit against their corporation income tax or modified net income tax of an electric cooperative for coal mined in Virginia. The credit is at the rate of \$3 per ton for each ton purchased and consumed by the electricity generator provided the coal was mined in Virginia. The credit is available in the year the purchased coal mined in Virginia is consumed by the electric generator. This credit is nonrefundable, and electricity generators that originally earned the credit may carry forward amounts of credit for up to 10 taxable years or until the full amount is used, whichever is sooner. In order to receive this credit, the cogenerator must include certification by the seller that the coal was mined in Virginia.

The credit may be allocated between the electricity generator and any person with an economic interest in coal. The allocation of the credit may be provided in the contract between the parties for the sale of the coal. The parties may amend an allocation with a written instrument prior to December 31 of the year that the coal was purchased. All contracts and written instruments are subject to audit by the Department.

Credits allocated to persons with an economic interest in coal may be used against any tax imposed by the Commonwealth. However, effective for credits earned on or after July 1, 2016, persons with an economic interest in coal that receive an allocation of credits may no longer receive refunds of such credits and may not carry forward unused amounts of credits for use in future taxable years.

Community of Opportunity Tax Credit

The Community of Opportunity Tax Credit may be claimed by landlords with qualified housing units located in census tracts with poverty rates of less than 10% in the Richmond and Virginia Beach-Norfolk-Newport News Metropolitan Statistical Areas who participate in the Housing Choice Voucher program.

The amount of tax credit for an eligible property will be equal to 10% of the fair market value of the rent for the unit and will be prorated when units are qualified for less than the full taxable year. Prorations will be based on full calendar months. A landlord may receive tax credits on 1 or more units within the same taxable year. Credits taken for any one taxable year cannot exceed the tax liability for that year. Credits not taken for the year for which they are allocated may be carried forward, but cannot be carried forward for more than 5 years.

Should eligible applications received by the March 1 deadline exceed the annual appropriation, tax credits will be prorated based on the total amount of qualified requests received and the total amount of credits available.

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) must be allocated to the individual partners, members, or shareholders in proportion to their ownership or interest in such business entity. The pass-through entity must assume responsibility for distributing credits in this manner.

For additional information, please write to: **Virginia Department of Housing and Community Development, Main Street Centre, 600 East Main Street, Suite 300, Richmond VA 23219**, or call **(804) 371-7000**.

Green Job Creation Tax Credit

For taxable years beginning on or after January 1, 2010, but before January 1, 2025, a credit may be claimed for each new "green job" that is created in Virginia. The amount of the credit is \$500 for each position that is created and that has an annual salary of \$50,000 or more. The tax credit may be claimed in the first taxable year in which the job has been filled for at least one year, and for the 4 succeeding taxable years in which the job is continuously filled.

The tax credit is for up to 350 green jobs per taxpayer. Any unused credits may be carried over for 5 taxable years. Any taxpayer claiming a green jobs tax credit may also qualify for benefits under the Enterprise Zone Grant Program. Taxpayers that claim the Green Job Creation Tax Credit are not allowed to claim a Major Business Facility Jobs Tax Credit or a federal tax credit for investments in clean energy manufacturing facilities that fosters the creation of the same job.

To apply for this credit, complete **Form GJC**. All applications must be submitted to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, 90 days prior to the due date of your return. A letter will be sent to certify the credit. To claim the credit you must complete Schedule 500CR, Section 1, Part 18.

Farm Wineries and Vineyards Tax Credit

An individual and corporation income tax credit is available for Virginia farm wineries and vineyards in an amount equal to 25% of the cost of all qualified capital expenditures made in connection with the establishment of new Virginia farm wineries and vineyards and capital improvements made to existing Virginia farm wineries and vineyards.

The total amount of tax credits available for a calendar year cannot exceed \$250,000. If applications for this credit exceed \$250,000, the Department will allocate the credits on a pro rata basis. Any credit amounts that exceed a taxpayer's liability can be carried forward for 10 years. Any expenses claimed as a federal deduction under IRC § 179 may not be included in the calculation of this credit.

The business must apply for the credit by April 1st using **Form FWV**. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit. For assistance contact the Tax Credit Unit at **(804) 786-2992**.

International Trade Facility Tax Credit

For taxable years beginning on and after January 1, 2011, but before January 1, 2022, an income tax credit is allowed for either capital investment in an international trade facility or increasing jobs related to an international trade facility. Taxpayers can elect to claim either credit, but cannot claim both credits in the same taxable year. The amount of the credit is equal to \$3,500 per new qualified full-time employee that results from increased qualified trade activities by the taxpayer or 2% of the amount of capital investment made by the taxpayer to facilitate the increased eligible trade activities.

No more than \$1.25 million in tax credits can be issued in any fiscal year. If the amount of tax credits requested exceeds \$1.25 million, the credits will be allocated proportionately among all qualified taxpayers. The Department will determine the credit amount for the taxable year and provide a written certification to each taxpayer. The amount of the credit will be limited to 50% of the taxpayer's tax liability for the taxable year. Any unused credit amount can be carried forward for 10 years.

The business must apply by April 1st using **Form ITF**. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit. For assistance, contact the Tax Credit Unit at **(804) 786-2992**.

Port Volume Increase Tax Credit

For taxable years beginning on or after January 1, 2011, but before January 1, 2022, a taxpayer that is an agricultural entity, manufacturing-related entity (manufacturer or distributor of manufactured goods), or mineral and gas entity that uses Virginia maritime port facilities and increases its port cargo volume through these facilities may be eligible for an income tax credit.

To qualify for the credit, a taxpayer generally must increase its port cargo volume at Virginia port facilities in a single calendar year by 5% over its base year port cargo volume.

Base year port cargo volume is equal to the total amount of net tons of noncontainerized cargo, 20-foot equivalent units (TEUs) of cargo, or units of roll-on/roll-off cargo actually transported by way of a waterborne ship or vehicle through a port facility during the 2018 calendar year or the first calendar year in which it meets the requirements of 75 tons of noncontainerized cargo, 10 loaded TEUs or 10 units of roll-on/roll-off cargo. Base year cargo volume must be recalculated each calendar year after the initial base year. The amount of the credit is generally equal to \$50 for each TEU, unit of roll-on/roll-off cargo, or 16 net tons of noncontainerized cargo above the base year port cargo volume.

However, a qualifying major facility may apply for a credit equal to \$50 for each TEU unit of roll-on/roll-off cargo, or 16 net tons of noncontainerized cargo transported through a port facility during the major facility's first calendar year.

Any taxpayer claiming this credit must first submit an application to the Virginia Port Authority by March 1 of the calendar year after the taxable year in which the increase in port cargo volume occurs. The maximum amount of tax credits is capped at \$3.2 million for each calendar year. If, on March 15 of each year, the cumulative amount of tax credits requested by qualifying taxpayers for the prior year exceeds \$3.2 million, the credits will be prorated among the qualifying taxpayers who requested the credit. A qualifying taxpayer is generally not permitted to receive more than \$250,000 each calendar year. However, if on March 15 of each year the \$3.2 million credit amount is not fully allocated among qualifying taxpayers, those taxpayers who have already been allocated a credit for the prior year will receive a pro rata share of the remaining credit amount.

Any taxpayer holding a Port Volume Increase Tax Credit issued in taxable years beginning on and after January 1, 2018, but before January 1, 2022, may transfer unused but otherwise allowable credits to another taxpayer for use on the Virginia income tax return. The transferred credits may be retroactively applied from the date the credits were originally issued, and the transferee may file an amended return to claim the transferred credit for a prior tax year. However, this provision does not extend the statute of limitations for filing an amended return. Port Volume Increase Tax Credits are only transferable within one calendar year of the original credit holder earning the credits. A taxpayer who transfers any amount of Port Volume Increase Tax Credits must complete and submit **Form PVT** to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. For more information about credit transfers, call the **Tax Credit Unit** at **(804) 786-2992**

For more information, write to: **Virginia Port Authority, 600 World Trade Center, Norfolk, VA 23510**, or call **(855) 771-3990**.

Barge and Rail Usage Tax Credit

For taxable years beginning on and after January 1, 2011, but before January 1, 2022, a business may receive an income tax credit for the usage of barge and rail to move

cargo containers throughout the Commonwealth rather than using trucks or other motor vehicles on the Commonwealth's highways.

The amount of the credit is \$25 per 20-foot equivalent unit (TEU) or 16 tons of noncontainerized cargo or 1 unit of roll-on/roll-off cargo moved by barge or rail. To receive this credit, an international trade facility is required to apply to the Department. No more than \$500,000 in tax credits can be issued in any fiscal year. The Department will determine the allowable credit amount for the taxable year and provide a written certification of the credit amount to each taxpayer. Taxpayers can claim this credit against the individual income tax, the corporate income tax, the tax on estates and trusts, the bank franchise tax, the insurance premiums tax, and the tax on public service corporations. Any unused tax credits may be carried over for 5 taxable years.

The business must apply by April 1st using **Form BRU**. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit.

For assistance contact the Tax Credit Unit at **(804) 786-2992**.

Livable Home Tax Credit

Effective for taxable years beginning on and after January 1, 2011, licensed contractors may be eligible for an income tax credit of up to \$5,000 for the purchase/construction of a new accessible residence or up to 50% of the cost of retrofitting activities on an existing residence not to exceed \$5,000. Any tax credit that exceeds the eligible licensed contractor's tax liability may be carried forward for up to 7 years. If the total amount of tax credits issued under this program exceeds \$1 million in a fiscal year, Virginia Department of Housing and Community Development (DHCD) will prorate the amount of credits among the eligible applicants. The existing cap of \$1 million for credits earned each year is divided, reserving one-half for the purchase or construction of a new residence and the other half for the renovation of an existing residence. Any portion of the \$500,000 reserved for one activity that is not used will be allocated to the remaining balance of tax credits authorized for the other activity. Licensed contractors must obtain pre-approval before claiming the credit on their income tax returns. Applications are to be filed with the DHCD by January 31 of the year following the year in which the purchase/construction or retrofitting was completed. Documentation must be submitted with the application. For more information, write to: **Virginia Department of Housing and Community Development, Special Needs Housing, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219**, call **(804) 371-7124**, or email **hsnh@dhcd.virginia.gov**.

All pass-through entities distributing this credit to its owner(s), shareholders, partners or members must give each a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits. This credit must be allocated

among owners in proportion to each owner's percentage of ownership or participation in the pass-through entity.

Research and Development Expenses Tax Credit

A refundable individual and corporate income tax credit is allowed for qualified research and development expenses for taxable years beginning on or after January 1, 2011, but before January 1, 2025. The tax credit is equal to:

- (i) 15% of the first \$300,000 in Virginia qualified research and development expenses, or
- (ii) 20% of the first \$300,000 of Virginia qualified research and development expenses if the research was conducted in conjunction with a Virginia public or private college or university, to the extent the expenses exceed a base amount.

There is a cap on the total amount of credits allowed in any fiscal year. If the total amount of approved tax credits is less than the credit cap amount, the Department will allocate the remaining amount to the taxpayers already approved for the tax credit on a pro rata basis. If the total amount of approved credits exceeds the credit cap amount, the Department will allocate credits on a pro rata basis. For taxable years beginning on and after January 1, 2016, but before January 1, 2021, the maximum annual amount of tax credits that may be issued for each fiscal year is \$7 million.

Taxpayers may elect to determine the credit using a simplified method. Under the simplified method, the credit is equal to 10% of the difference of:

- (i) the Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year; and
- (ii) 50% of the average Virginia qualified research and development expenses paid or incurred by the taxpayer for the 3 taxable years immediately preceding the taxable year for which the credit is being determined.

If a taxpayer electing to use the simplified method did not pay or incur Virginia qualified research and development expenses in any 1 of the 3 taxable years immediately preceding the taxable year for which the credit is being determined, the credit is equal to 5% of the Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year. Using such method, a taxpayer may claim up to \$45,000 of credits for a taxable year, or \$60,000 of credits for a taxable year if the Virginia qualified research was conducted in conjunction with a Virginia public or private college or university.

No taxpayer with Virginia qualified research and development expenses in excess of \$5 million may claim both the Research and Development Expenses Tax Credit and the Major Research and Development Expenses Tax Credit for the same taxable year.

To claim this tax credit, a taxpayer must apply by September 1st using **Form RDC** and the applicable schedules. Taxpayers electing to use the primary method to determine the proposed credit amount must complete

Section 1 – Primary Credit Calculation. Taxpayers electing to use the simplified method to determine the proposed credit amount must complete Section 2 – Alternative Simplified Credit Calculation. Submitting a late application will disqualify you for the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit in order to be claimed on your tax return. A letter will be sent to certify the credit.

The amount of the credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company (LLC) must be allocated to the individual partners, shareholders, or members in proportion to their ownership interests in such entities or in accordance with a written agreement using Form PTE within 30 days after the credit is granted unless the partnership, limited liability company, or electing small business corporation (S corporation) elects for such credits not to be so allocated but to be received and claimed at the entity level by the partnership, limited liability company, or electing small business corporation (S corporation).

The Department requires taxpayers applying for the credit to provide information including:

- (i) the number of full-time employees employed by the taxpayer in the Commonwealth during the taxable year for which the credit is sought;
- (ii) the taxpayer's sector or sectors according to the 2012 edition of the North American Industry Classification System (NAICS) as published by the United States Census Bureau;
- (iii) a brief description of the area, discipline, or field of Virginia qualified research performed by the taxpayer;
- (iv) the total gross receipts or anticipated total gross receipts of the taxpayer for the taxable year for which the credit is sought; and
- (v) whether the Virginia qualified research was conducted in conjunction with a Virginia public or private college or university.

Any taxpayer that is allowed a Research and Development Expenses Tax Credit is not allowed to use the same expenses as the basis for claiming any other Virginia tax credit. Research and development expenses that are paid or incurred for research conducted in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos do not qualify for the credit. However, if a taxpayer engages in research in Virginia on human cells or tissue derived from induced abortions from stem cells obtained from human embryos, it may receive a nonrefundable credit for other Virginia qualified research and development expenses. Accordingly, if you conducted embryonic stem cell research in Virginia, this credit is nonrefundable and you must enter the amount of credit granted on Schedule 500CR, Section 1, Part 24. If you did not conduct embryonic stem cell research in Virginia, this credit is refundable and you must enter the amount of credit granted on Schedule 500CR, Section 3, Part 3.

Major Research and Development Expenses Tax Credit

For taxable years beginning on or after January 1, 2016, but before January 1, 2025, a taxpayer with Virginia qualified research and development expenses for the taxable year in excess of \$5 million may claim a nonrefundable tax credit against the tax levied pursuant to Va. Code § 58.1-320 or 58.1-400 in an amount equal to 10% of the difference between (i) the Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year and (ii) 50% of the average Virginia qualified research and development expenses paid or incurred by the taxpayer for the 3 taxable years immediately preceding the taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia qualified research and development expenses in any 1 of the 3 taxable years immediately preceding the taxable year for which the credit is being determined, the tax credit is equal to 5% of the Virginia qualified research and development expenses paid or incurred by the taxpayer during the relevant taxable year.

For taxable years beginning on and after January 1, 2016, but before January 1, 2021, no more than \$20 million in tax credits may be issued in any fiscal year. If the approved applications for the tax credits exceed \$20 million for any taxable year, the credits will be allocated proportionately among all qualified taxpayers.

No taxpayer is permitted to claim credits in excess of 75% of the income tax imposed on the taxpayer for the taxable year. Any credit not usable for the taxable year for which the credit was first allowed may be carried over for credit against the income taxes of the taxpayer in the next 10 succeeding taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

Any taxpayer who claims the tax credit for Virginia qualified research and development expenses is not allowed to use such expenses as the basis for claiming any other credit provided under the Code of Virginia.

Applications for the tax credit must be received by the Department no later than September 1 of the calendar year following the close of the taxable year in which the expenses were paid or incurred. To apply, the business must file **Form MRD** and the applicable schedules. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit.

No taxpayer with Virginia qualified research and development expenses in excess of \$5 million may claim both the Research and Development Expenses Tax Credit and the Major Research and Development Expenses Tax Credit for the same taxable year.

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) must be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership interests in the entities or in accordance with a written agreement entered into by individual partners, members, or shareholders.

No tax credit is allowed for any expenses that are paid for or incurred by a taxpayer for research conducted in the Commonwealth on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos. The foregoing provision does not apply to research conducted using stem cells other than embryonic stem cells.

Education Improvement Scholarships Tax Credit

For taxable years beginning on or after January 1, 2014, but before January 1, 2028, an income tax credit may be claimed for monetary or marketable securities donations made to scholarship foundations included on an approved list published by the Virginia Department of Education. Credits may be earned during taxable years beginning on or after January 1, 2013, but before January 1, 2028. Tax credits earned during the taxable year must be claimed beginning with the taxable year during which they were earned. The credit is equal to 65% of the monetary or marketable securities donation made to the scholarship foundation. The credit can be claimed against the individual income tax, corporate income tax, bank franchise tax, insurance premiums license tax, or tax on public service corporations. For individuals, the minimum value of any monetary or marketable securities donation eligible for a tax credit is \$500 in a taxable year, and the maximum value of monetary or marketable securities donations eligible for tax credits is the first \$125,000 in value of donations made in a taxable year. Limitations on the minimum and maximum values of donations eligible for tax credits in a taxable year do not apply to donations made by any business entity, including a sole proprietorship.

Tax credits will be awarded to taxpayers on a first-come, first-served basis in accordance with procedures established by the Virginia Department of Education. The total amount of credits available in any fiscal year is capped at \$25 million. Any unused tax credits may be carried over for the next 5 succeeding taxable years or until the total amount of credit has been taken, whichever is sooner. For additional information on how to qualify for certification, contact the **Virginia Department of Education, 23rd Floor, P.O. Box 2120, Richmond, VA 23218-2120, ATTN: Scholarships Tax Credits Program** or email tax.credits@doe.virginia.gov.

Food Crop Donation Tax Credit

For taxable years beginning on or after January 1, 2016, but before January 1, 2022, any person engaged in the business of farming as defined under 26 C.F.R. § 1.175-3 that donates food crops grown by the person in the Commonwealth to a nonprofit food bank may claim an individual or corporate income tax credit for the taxable year of the donation. The amount of the credit is equal to 30% of the fair market value of such crops. No taxpayer is permitted to claim more than \$5,000 in credits for a taxable year. Any unused credit amount may be carried forward for 5 years.

The credit is only allowed if:

- (i) the use of the donated food crops by the donee nonprofit food bank is related to providing food to the needy;

- (ii) the donated food crops are not transferred for use outside the Commonwealth or used by the donee nonprofit food bank as consideration for services performed or personal property purchased; and
- (iii) the donated food crops, if sold by the donee nonprofit food bank, are sold to the needy, other nonprofit food banks, or organizations that intend to use the food crops to provide food to the needy.

No more than \$250,000 in tax credits may be issued in any fiscal year.

The business must apply for the credit by February 1 using **Form FCD-1**. Submitting a late application will disqualify you from the credit. All applications must be sent to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**. This credit requires certification from the Tax Credit Unit to be claimed on your tax return. A letter will be sent to certify the credit.

*** Coalfield Employment Enhancement Tax Credit**

For taxable years beginning on or after January 1, 2018, but before January 1, 2023, a tax credit may be earned by individuals, estates, trusts, and corporations who have an economic ownership interest in coal mined in Virginia. The credit is based on the quantity of metallurgical coal sold or methane gas produced and employment levels. If the number of coal mining jobs for the year the credit is earned is less than in the previous year, the maximum earned credit is reduced by an employment factor. The allowable credit must be computed on **Forms 306 and 306B** and reported on the return filed for the taxable year in which the credit is claimed. Forms 306 and 306B with completed schedules must be enclosed with the tax return when filed. See the instructions for Forms 306 and 306B for additional enclosure requirements and information. The allowable credits may be claimed in the 3rd taxable year following the taxable year in which the credit was earned and allowed. Therefore, only credits earned and reported on your 2016 Form 306 may be claimed on your Taxable Year 2019 return. This credit may not be claimed for any ton of coal for which the Virginia Coal Employment and Production Incentive Tax Credit is claimed.

Motion Picture Production Tax Credit

Qualifying motion picture production companies are eligible to receive a series of refundable individual and corporate income tax credits for taxable years beginning on and after January 1, 2011, but prior to January 1, 2027.

Base-Income Tax Credit: The base credit available is 15% of all qualifying expenses (including wages), with a bonus of 5% if the production is filmed in an economically distressed area of the Commonwealth, making the total base credit available up to 20% of qualifying expenses.

Additional Virginia Resident Credit: The production company is allowed an additional credit of 10% to 20% of the total aggregate payroll for Virginia residents employed in connection with the motion picture production. For companies that spend at least \$250,000 in total production costs in the Commonwealth, but not more than \$1 million, the credit will equal 10% of the total Virginia resident aggregate payroll.

For companies that spend over \$1 million in total production costs in the Commonwealth, the credit will equal 20% of the total aggregate Virginia resident payroll.

Additional Virginia Resident First-Time Industry Employee Credit: In addition to the above outlined credits, companies may claim a credit of 10% of their total aggregate payroll for Virginia residents who are employed as first-time actors or first-time members of a production crew in connection with a production in Virginia.

The aggregate amount of all motion picture credits to be issued is capped at \$6.5 million per fiscal year. To qualify for this credit, production companies must submit an initial application to the Virginia Film Office (“VFO”) at least 30 days prior to production and must enter into a Memorandum of Understanding. After production is complete, the production company must submit documentation to the VFO and will be issued a certification letter. A taxpayer may only claim this credit after receiving the certification letter from the VFO. For more information, contact: **Virginia Film Office, 901 E. Cary Street, Suite 900, Richmond, VA 23219**, or call **(800) 854-6233**.

Credits available through the Virginia Motion Picture Production Tax Credit are offered in addition to other Virginia production incentives. For additional information regarding all available funding assistance for Virginia productions, refer to the Virginia Film Office’s website **FilmVirginia.org**.

*** Agricultural Best Management Practices (BMP) Tax Credit**

This refundable credit is available to individuals or corporations engaged in agricultural production for market who have in place a soil conservation plan approved by the local Soil and Water Conservation District (SWCD). The credit is 25% of the first \$70,000 expended for agricultural best management practices approved by the local SWCD. The maximum credit is \$17,500. Any taxpayer claiming the Agricultural Best Management Practices Tax Credit may not claim any other Virginia tax credit for costs related to the same practices. The credit must be allocated to individual partners and shareholders in proportion to their ownership or interest in the partnership or S corporation. Enclose a copy of the tax credit approval letter from the local Soil and Water Conservation District.

For more information about eligible BMPs, contact your local **Virginia Soil and Water Conservation District Office**.