

2016 VIRGINIA SCHEDULE CR INSTRUCTIONS

For use with Forms 760, 760PY, 763 and 765

General Information

• For information or to obtain forms, visit www.tax.virginia.gov or call 804-367-8031.

• Tenemos servicios disponible en Español.

WHEN TO COMPLETE SCHEDULE CR

Complete Schedule CR if claiming one or more of the following credits:

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GENERAL INSTRUCTIONS

Each section of Schedule CR notes the carryover period, if any, that applies to the credit. As a general rule, the maximum nonrefundable credit available is the amount on Schedule CR, Section 1, Part 1, Line 1A, reduced by the other credits claimed, regardless of the order on Schedule CR. There are 5 refundable credits: Virginia Coal Employment and Production Incentive Tax Credit, Coalfield Employment Enhancement Tax Credit (computed on Form 306), Motion Picture Production Tax Credit, Agricultural Best Management Practices Tax Credit and Research and Development Expenses Tax Credit. These refundable credits are reported in Section 3 of Schedule CR. The combined total of nonrefundable and refundable credits is entered on Form 760, Line 27; Form 760PY, Line 27; or Form 763, Line 27.

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:

- First claim any nonrefundable credits without carryforward provisions (such as the credit for political contributions);

- Next, claim any carryover credits from prior years (in expiration order);
- Then, use any current year credits in the order of their carryover provision;
- Finally, report any unused credits as carryovers for succeeding taxable years to the extent allowed by law.

Partners of a partnership, shareholders of an S corporation, and members of a limited liability company may claim the amount of credit passed through to them by the partnership, S corporation, or limited liability company. Generally, distributions of a credit by a partnership, S corporation, or limited liability company to its partners, shareholders, or members are in proportion to their ownership or interest in the partnership, S corporation, or limited liability company. Any partnership, S corporation, or limited liability company distributing a credit to its partners, shareholders, or members must issue each owner a Schedule VK-1.

MAXIMUM NONREFUNDABLE CREDITS

The total nonrefundable credits claimed on Schedule CR may not exceed the amount of tax shown on your return less the total amount reported for the spouse tax

adjustment, credit for tax paid to another state, and credit for low-income individuals or Virginia Earned Income Credit.

CREDIT DESCRIPTIONS

Trust Beneficiary Accumulation Distribution Credit

If only claiming the credit set forth under *Va. Code* § 58.1-370 on Schedule CR, enter the amount of this credit on Form 760, Line 27; Form 760PY, Line 27; or Form 763, Line 27. Write "Trust Beneficiary Accumulation Distribution Credit" to the left of the entry box. If you are claiming other credits on Schedule CR, add the amount of this credit to the total on Schedule CR, Section 2, Line 1A. **A schedule showing the credit computation must be attached to your return.**

Enterprise Zone Act 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 claim a credit against the tax due on zone taxable income in an amount of 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. Such credits are authorized through the 2019 fiscal year.

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 such 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. Such credits are authorized through the 2019 fiscal year.

If the annual tax credit requested exceeds the annual appropriation, the Virginia Department of Housing and Community Development will issue a proportionate amount to each qualified business firm requesting the credits. To claim this credit, complete Form 301 and attach to Schedule CR.

For qualification forms and additional information, contact: **Virginia Department of Housing and Community Development, Community Revitalization Office, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219**, or call **804-371-7030**.

Neighborhood Assistance Act Credit

The Virginia Neighborhood Assistance Act provides tax credits to individuals and businesses that make qualified donations 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. Individuals may receive a

credit for a donation of money or marketable securities to an eligible organization. Businesses may receive a credit for a donation of money, marketable securities, property, limited professional services or contracting services. Licensed veterinarians, physicians, dentists, nurses, nurse practitioners, physician assistants, chiropractors, optometrists, dental hygienists, pharmacists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, physical therapists, physician specialists, or mediators who donate their services for an approved organization may be eligible for credits. 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, contact the **Virginia Department of Social Services, Neighborhood Assistance Program, 801 E. Main Street, Richmond, VA 23219-3301** or the **Virginia Department of Education, 21st Floor, P.O. Box 2120, Richmond, VA 23218-2120, Attn: Neighborhood Assistance Tax Credit Program for Education**.

Recyclable Materials Processing Equipment 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 purposes 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 tax year may not exceed \$2 million. If the amount of tax credits approved under this section by the Department of Taxation for any taxable year exceeds \$2 million, the Department shall 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 shall 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. Since the due date for individual income tax returns is May 1, most claimants will need to file the tax return on extension or amend the original return to claim the credit.

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, 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**.

Conservation Tillage Equipment Credit

This credit may be claimed by individuals who purchase conservation tillage equipment for the purpose of agricultural production. The tax credit is 25% of conservation tillage equipment expenditures made or \$4,000, whichever is less. 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.

If the amount of such credit 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.

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

Precision Fertilizer and Pesticide Application Equipment Credit

Any individual 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 individual for the purchase of equipment. The amount of the tax credit shall not exceed \$3,750 or the total amount of the tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit 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.

Qualifying equipment shall be divided into the following categories:

1. Sprayers 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. Tramlane adapters; and
6. Starter fertilizer banding attachments for planters.

Clean-Fuel Vehicle and Vehicle Emissions Testing Equipment 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 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 within any locality adjacent to those localities required to implement the program.

Attach a copy of the Virginia Air Check Station Participation and Services Agreement. For a copy of this agreement, contact Opus Inspection at 703-822-7587. Only expenses listed in the agreement, or dynamometers purchased or leased separately are eligible. 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. You are not required to submit a specific form for the Emissions Testing Equipment Credit.

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, and the company is engaged in a qualifying industry 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 new full-time jobs. Credits will be recaptured proportionately if employment decreases during the 5 years following the initial credit year.

This nonrefundable credit is equal to \$1,000 per qualifying new job in excess of the 50/25 job threshold in enterprise zones or economically distressed areas. This credit is spread ratably 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 ratably beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. Unused credits may be carried forward for the next 10 taxable years. A qualified business firm receiving an Enterprise Zone Job Creation Grant under Va. Code § 59.1-547 shall not be eligible to receive a Major Business Facility Job Tax Credit for any job used to qualify for the Enterprise Zone Job Creation Grant.

To apply for this credit, complete **Form 304**. All applications must be submitted to the **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 this credit, complete Section 1, Part 9 of Schedule CR.

Foreign Source Retirement Income Tax Credit

A credit is available to Virginia residents who paid income tax to a foreign country on pension or retirement income derived from past employment in a foreign country, provided that such income is included in Virginia taxable income for the taxable year. For purposes of computing the credit, the foreign currency must be converted to U.S. dollars using the prevailing exchange rate that most nearly reflects the value of the currency at the time the taxes were actually paid to the foreign country. *If you filed separately in the foreign country, but are filing jointly in Virginia, enter only the Virginia taxable income attributable to the filer whose income was taxed by the foreign country.* For the purposes of this credit, United States territories are considered foreign countries. Any foreign country that does not qualify for the federal tax credit (under IRC § 901(j)) does not qualify for this Virginia credit. To claim this credit, complete Schedule CR and attach a copy of the return filed in the foreign country or other proof of tax payment to the foreign country.

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. To qualify for this credit, 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. 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. 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 certification may be obtained by contacting the **Virginia Department of Historic Resources, 2801 Kensington Avenue, Richmond, VA 23221, 804-367-2323**, or visiting **www.dhr.virginia.gov**.

Day-Care Facility Investment Tax Credit

This credit expired December 31, 2013, and no credits may be claimed for taxable years beginning after that date. Only carryover credits from prior years are allowed. For additional information, contact the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

Qualified Equity and Subordinated Debt Investments Tax Credit

Taxpayers making a "qualified investment" in the form of equity or subordinated debt in a "qualified business" may be eligible for this credit. Businesses may apply for designation as a qualified business using **Form QBA**. The qualification is **valid** only for the calendar year of the application. Therefore, the business needs to reapply each year for qualification. To qualify, the business must meet the following criteria: (1) have annual gross revenues of no more than \$3 million in its most recent fiscal year, (2) have its principal office or facility in the Commonwealth, (3) be engaged in business primarily in or having substantially all of its production in the Commonwealth and (4) have not obtained during its existence more than \$3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments (not including commercial loans from chartered banking or savings and loan institutions).

Taxpayers may claim a credit equal to 50% of the qualified business investments made during the taxable year. For the 2014 taxable year, the total amount of credit approved may not exceed \$5 million. One-half of this amount must be allocated to commercialization investments and the other half is available for all other qualifying investments. If credit applications for either half exceed the allowed amount, the credits for that half will be prorated. However, if credit applications for either half are less than the allowed amount, the balance will be available for allocation to the other type of credit. The total amount of credit that may be used per taxpayer per taxable year may not exceed \$50,000. This credit is nonrefundable; however, any unused tax credits may be carried forward for the next 15 years. Equity and debt investments held in connection with a qualified business investment must be held by the investor for at least 3 full calendar years following the calendar year for which the credit is allocated, except in certain instances. If the holding period is not met, the unused credit amount

will be forfeited, and an assessment will be issued for the amount used to which shall be added interest, computed at the rate of 1% per month, compounded monthly from the date the tax credits were claimed.

Taxpayers cannot receive a grant from the Small Business Investment Grant Fund and claim the Qualified Equity and Subordinated Debt Investments Tax Credit for the same investment.

This credit requires **pre-approval** by the **Department of Taxation**. Investors must apply to the Department by April 1 of the year following the year the investment was made using **Form EDC**. **Taxpayers filing Form EDC after April 1 will be denied this credit**. All approved investors filing a timely **Form EDC** will be notified of the allowable credit by June 30. Since the tax return of most individuals is due May 1, most investors will need to file a return on extension or amend their original return to claim the credit.

Pass-Through Entities must file **Form PTE** with the Department of Taxation at least 60 days before filing their income tax return. A copy of the certification letter from the Department is a required attachment to **Form PTE**.

Visit the Department's website at www.tax.virginia.gov to obtain **Form QBA**, **Form EDC** and **Form PTE**. Information on the application process is also available from the **Virginia Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

Worker Retraining Tax Credit

This credit allows an employer to claim a tax credit for the training costs of providing eligible worker retraining to qualified employees. "Eligible worker retraining" includes noncredit courses that are approved by the Virginia Economic Development Partnership (VEDP) and that are provided by any of the Commonwealth's community colleges or a private school. Eligible worker retraining programs also include courses (both credit and noncredit) undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council. The credit is 30% of all expenditures paid or incurred by the employer during the taxable year, subject to certain limitations. For taxable years beginning prior to January 1, 2013, if the eligible worker retraining consists of courses conducted at a private school, the credit cannot exceed \$100 per qualified employee annually. For taxable years beginning on or after January 1, 2013, if the eligible worker retraining consists of courses conducted at a private school, the credit cannot exceed \$200 per qualified employee annually, or \$300 per qualified employee annually if the eligible training includes retraining in a STEM or STEAM discipline. A STEM or STEAM discipline is defined as a science, technology, engineering, mathematics or applied mathematics related discipline, as determined by DBA, and includes a health care related discipline.

Employers must apply for certification of the amount of allowable credit using **Form WRC**, Worker Retraining Tax Credit, by April 1 of the year following the year in which the training expenses were paid or incurred, before claiming the credit on their income tax return. All approved businesses filing a timely **Form WRC** will be notified of their allowable credit by June 30. The maximum Worker Retraining Credits granted to all employers is limited to \$2,500,000 annually. If the total credits approved exceed this amount, each will be prorated. The credit is allowable against individual income tax, fiduciary income tax, corporation income tax and the bank franchise tax. The credit is also allowable against taxes imposed upon insurance companies and utility companies (under Va. Code §§ 58.1-2500 et seq. and 58.1-2620 et seq.). This credit is nonrefundable, but excess credit may be carried forward for the next 3 taxable years. To claim this credit, complete Section 1, Part 16 of Schedule CR. For information on pre-approved apprenticeship programs, contact the **Virginia Department of Labor and Industry at 804-225-4362**. For information on noncredit course approval, contact: **Virginia Economic Development Partnership, 901 East Byrd Street, Richmond, VA 23219** or call **(804) 786-2382**.

Waste Motor Oil Burning Equipment Credit

A business that operates a business facility in Virginia that accepts waste motor oil from the public is allowed a tax credit equal to 50% of the purchase price paid for equipment during the taxable year, provided that the equipment is used exclusively for burning waste motor oil at the business facility. The total credit allowed per taxpayer per taxable year is limited to \$5,000. Taxpayers successfully applying for equipment certification with the 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. For additional information concerning equipment qualifying for this credit or to apply for tax credit certification, contact: **Virginia Department of Environmental Quality, Attention: Equipment Certification Officer, P.O. Box 1105, Richmond, VA 23218**, or call **804-698-4145**.

Long-Term Care Insurance Tax Credit

This credit expired December 31, 2013, and no credits may be claimed for taxable years beginning after that date. Only carryover credits from prior years are allowed. For more information, contact: **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

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.

Form BFC is used to apply to the Virginia Department of Taxation for a Biodiesel and Green Diesel Fuels Tax Credit after the Department of Mines, Minerals, and Energy has certified that you have satisfied all 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 tax year the credit is being claimed.

The amount of the credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company must be allocated to the individual partners, shareholders, or members in proportion to their ownership or interest within the business entity using **Form PTE**.

The credit may be transferred to another taxpayer. The transfer of the credit must be completed before the end of a tax year in order to use the credit for that tax year. For more information, contact: **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

Livable Home Tax Credit

Individuals or licensed contractors may be eligible for an income tax credit of up to \$5,000 for the purchase or 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 individual's or 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. Individuals or licensed contractors must obtain pre-approval before claiming the credit on their income tax returns. Applications are to be filed with the DHCD by February 28 of the year following the year in which the purchase/construction or retrofitting was completed. Documentation must be submitted with the application. Enter any carryforward amount of the Livable Home Tax Credit in Section 1, Part 20, Line B of Schedule CR. For more information, contact: **Virginia Department of Housing and Community Development, Special Needs Housing, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219**, or call **804-371-7124**.

Riparian Forest Buffer Protection for Waterways Tax Credit

Individuals, trusts and corporations may qualify for an income tax credit of 25% of the value of the timber on land 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 179 with DOF or apply online at **www.dof.virginia.gov**.

A riparian buffer is a wooded area of 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 the timber from tracts designated as riparian buffers. The buffer must be at least 35 feet wide and no more than 300 feet. There must also be a Forest 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, contact: **Virginia Department of Forestry, 900 Natural Resources Dr., 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 the taxable years 2012, 2013 and 2014, the credit limit per taxpayer per taxable year was \$100,000. For the taxable years 2015 and 2016 the credit limit per taxpayer per taxable year is \$20,000. For the tax year 2017 and thereafter the credit will be limited to \$50,000 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 shall not exceed \$100,000 for each taxable year, provided that no part of the charitable contributions deduction under § 170 of the Internal Revenue Code related to such fee simple donation is allowable by reason of a sale or exchange of property. For taxpayers affected by the 2009 and 2010 usage limit, an additional 2-year carryforward will be added to the credit. For taxpayers affected by the 2011 usage limit, 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 (5 years for donations originating prior to January 1, 2007 and 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 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 adjusted gross 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. 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**.

Community of Opportunity Tax Credit

The Community of Opportunity Tax Credit provides Virginia income tax credits to landlords with qualified housing units located in census tracts with poverty rates of less than 10% in the Richmond Metropolitan Statistical Area who participate in the Housing Choice Voucher program.

The amount of tax credit for an eligible property is equal to 10% of the annual fair market rent for that specific unit and prorated when units are qualified for less than the full tax year. Prorations are 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 tax 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. If the annual appropriation for tax credits is not fully allocated based on qualified applications received by the March 1 deadline, the remaining balance will be allocated on a first-come, first-served basis. Unused balances will not be allocated more than 3 years after the taxable year in which they were first made available.

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation)

shall be allocated to the individual partners, members, or shareholders in proportion to their ownership or interest in such business entity. The landlord must assume responsibility for distributing credits in this manner.

For additional information, please contact: **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 Jobs Creation Credit

For taxable years beginning on and after January 1, 2010, but before January 1, 2018, a \$500 income tax credit is allowed for the creation of green jobs paying an annual salary in excess of \$50,000. Each taxpayer is allowed a credit for up to 350 new green jobs. In order to qualify for the tax credits, the taxpayer must have created the green job and filled it during the taxable year in which the credit is claimed. The credit is allowed for the taxable year in which the job has been filled for at least 1 year and for each of the 4 succeeding taxable years, provided that the job is continuously filled during the respective taxable year. Any unused tax credits may be carried over for 5 taxable years.

To apply for this credit, complete and file **Form GJC** with the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**. **All applications must be submitted at least 90 days prior to the due date of your return.** Approved applicants will receive a letter from the Department certifying their credit. **To claim the credit you must complete Section 1, Part 24 of Schedule CR.**

For assistance, contact the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

Farm Wineries and Vineyards Tax Credit

For taxable years beginning on and after January 1, 2011, an individual and corporate 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 of Taxation 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. Taxpayers cannot claim both this credit and a federal deduction for the same expenses under IRC § 179.

The business must apply 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 **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

International Trade Facility Tax Credit

For taxable years beginning on or after January 1, 2011, but before January 1, 2022, an income tax credit is allowed for either increasing jobs related to an international trade facility or capital investment in 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 Virginia Department of Taxation 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 **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715** or call **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, a manufacturing-related entity (manufacturer or distributor of manufactured goods) or a mineral and gas entity that uses Virginia maritime port facilities and increases its port cargo volume through these facilities may be eligible to claim this tax credit.

To qualify for the credit, a taxpayer must generally 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 or 20-foot equivalent units (TEUs) or units of roll-on/roll-off cargo actually transported by way of a waterborne ship or vehicle through a port facility during the 2015 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 are allowed a pro rata share of the remaining credit amount. Any unused tax credits may be carried over for 5 taxable years.

For more information, contact: **Virginia Port Authority, 600 World Trade Center, Norfolk, VA 23510**, or call **800-446-8098**.

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.

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, 2022. 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.

For taxable years beginning on or after January 1, 2016, 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. 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.

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 of Taxation 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. The maximum annual amount of tax credits that may be issued is \$7 million.

No taxpayer may claim both the Research and Development Expenses Tax Credit and the Major Research and Development Expenses Tax Credit for the same taxable year.

The business must apply by July 1st using Form RDC. Taxpayers electing to use the primary method 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 or interest in the business entity using Form PTE within 30 days after the credit is granted.

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 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 or from stem cells obtained from human embryos, it may receive a nonrefundable credit for other Virginia qualified research and development expenses. If the amount of nonrefundable credit that a taxpayer is allowed to claim exceeds the taxpayer's tax liability for the taxable year, then the excess amount of credit will not be refunded to the taxpayer and cannot be carried over to future taxable years.

If you did not conduct embryonic stem cell research in Virginia, then the tax credit is refundable. Enter the amount of the credit that is allowed on Schedule CR, Section 3, Part 4, Line 4A.

If you did conduct embryonic stem cell research in Virginia, then the tax credit is nonrefundable. Enter the amount of the credit that is allowed on Schedule CR, Section 1, Part 30.

Telework Expenses Tax Credit

The Telework Expenses Tax Credit is an individual and corporate income tax credit for employers who (1) incur eligible telework expenses pursuant to a telework agreement or (2) conduct telework assessments. This credit is equal to the amount of expenses incurred during the January 1, 2012 to January 1, 2017 calendar years and must be for eligible telework expenses incurred during the calendar year that ends during the taxable year. The amount of the credit cannot exceed \$50,000 per year for each employer.

To qualify for a credit for eligible telework expenses incurred pursuant to a telework agreement, the employer must enter into a signed telework agreement with the teleworking employee on or after July 1, 2012, but before January 1, 2017. This telework agreement must be in accordance with policies set by the Department of Rail and Public Transportation (DRPT). Such policies are available on the Telework!VA website at

www.teleworkva.org. The maximum amount of expenses that can be used in determining the amount of this portion of the credit is \$1,200 per employee.

The portion of the credit for telework assessment expenses is equal to the costs of preparing an assessment, not to exceed \$20,000. This portion of the credit can only be claimed once by an employer.

Taxpayers may claim this credit for taxable years beginning on or after January 1, 2012, but before January 1, 2017. The aggregate amount of tax credits that will be issued is capped at \$1 million annually. If credit applications exceed the \$1 million cap, credits will be allocated on a pro rata basis.

The amount of credit claimed cannot exceed the tax liability of the taxpayer. There is no carryforward of any unused credit. Accordingly, even if a taxpayer is granted a credit amount, he or she must have sufficient tax liability in order to claim the full credit amount. If the amount of credit granted exceeds the taxpayer's tax liability, he or she may only claim the credit up to the amount of his tax liability for the taxable year. To be eligible for this credit, the employer is not allowed to deduct the qualified expenses in any taxable year. If these expenses are deducted for federal purposes, they will need to be included as an addition on the Virginia return. Taxpayers are not eligible for this tax credit if any other income tax credit is claimed for the same expenses.

To qualify for the credit, the employer cannot claim another Virginia income tax credit on the jobs, wages or other expenses for the same employee.

Taxpayers are required to apply to the Department of Taxation to reserve a portion of the credit. The reservation application must be filed between September 1 and October 31 of the year preceding the taxable year for which the tax credit is earned. The Department of Taxation will provide tentative approval by December 31. If the applications for the credit exceed the cap, the credits will be allocated to taxpayers on a pro rata basis. To be eligible to claim the credit, a Telework Expenses Tax Credit Confirmation Application must be filed by April 1 of the year following the calendar year that the eligible expenses were incurred.

Information on the application process is available from the **Virginia Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715**, or call **804-786-2992**.

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 in 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. Such 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, 21st Floor, P.O. Box 2120, Richmond, VA 23218-2120, Attn: Scholarships Tax Credits Program**.

Major Research and Development Expenses Tax Credit

For taxable years beginning on or after January 1, 2016, but before January 1, 2022, 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 against the individual or corporate income taxes 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 5% of the Virginia qualified research and development expenses paid or incurred by the taxpayer during the relevant taxable year.

No more than \$20 million in tax credits can be issued in any fiscal year. If the approved applications for the tax credits allowed 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 pursuant to this section shall not 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 July 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**. 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 may claim both the Research and Development Expenses Tax Credit and the Major Research and Development Expenses Tax Credit for the same taxable year.

No tax credit shall be 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 shall not apply to research conducted using stem cells other than embryonic stem cells.

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 a credit against the tax levied against the individual or corporate income taxes 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 can 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 can be issued in any fiscal year.

The business must apply for the credit by April 1st using **Form FCD**. 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, 1996, but before January 1, 2017 a tax credit may be earned by individuals, estates, trusts and corporations who have an economic ownership interest in coal mined in Virginia. Credits may be claimed for taxable years beginning on or after January 1, 1999. Compute the allowable credit on **Form 306** and report it on Schedule CR for the taxable year in which the credit is claimed and/or earned.

Virginia Coal Employment and Production Incentive Tax Credit

This credit may be allocated between a qualifying electricity generator and qualifying person with an economic interest in coal. The allocation of this credit may not exceed \$3 per ton. All credits earned on or after January 1, 2006, or prior to July 1, 2016, which are allocated to persons with an economic interest in coal, may be redeemed by the Tax Commissioner if the credits exceed the taxpayer's state tax liability for the applicable taxable year. To claim this credit, you must complete the **Form 306**, **Form 306T** and any applicable attachments.

Motion Picture Production Tax Credit

Qualifying motion picture production companies are eligible to receive a series of refundable individual and corporate income tax credits in the aggregate amount of \$2.5 million for the 2010-2012 biennium and \$5 million for the 2012-2014 biennium. Effective July 1, 2014, (fiscal year 2015), and each fiscal year thereafter, the cap amount increases to \$6.5 million. *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.

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: **The Virginia Film Office, 901 E. Cary St. 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, please refer to the Virginia Film Office's website (<http://FilmVirginia.org>).

Agricultural Best Management Practices (BMP) Tax Credit

This credit is available to qualified taxpayers engaged in agricultural production for market or having equines that create needs for agricultural best management practices to reduce nonpoint source pollutants 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 or the total amount of state income tax obligation of the individual. Effective for taxable years beginning on and after January 1, 2011, this credit is refundable to individual taxpayers. If the amount of the credit exceeds an individual taxpayer's liability for the taxable year, the excess may be refunded by the Tax Commissioner at 100% of face value within 90 days after the filing date of the income tax return on which the individual applies for the refund. The credit is nonrefundable to corporate taxpayers. If the amount of the credit exceeds a corporate taxpayer's liability for the taxable year, the excess may be carried over to the next 5 taxable years.

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

For additional tax return related information visit our website at www.tax.virginia.gov, or call the **Virginia Department of Taxation** at **804-786-2992**.