

Form EDC

Virginia Department of Taxation
Taxpayer Application for Qualified Equity and Subordinated Debt Investments Tax Credit

Tax Year Ending _____, 20____

Submit this form by April 1. Credit must be approved before being claimed on your tax return. See instructions for details.

Name (One name per application)
SSN or FEIN (One SSN per application)
Street Address Phone Number
City, State and ZIP Code Email

Entity Type: (Check one) Individual Partnership LLC S Corporation Trust

If you made a cash investment in a qualifying business in the form of qualified equity or subordinated debt, submit this application with the Virginia Department of Taxation. The Department will determine the allowable credit amount. The credit is equal to 50% of the amount of all qualifying investments made during the taxable year. The aggregate amount of credit that may be claimed per taxpayer per year is limited to the amount of tax or \$50,000, whichever is less. The credit is nonrefundable; however, excess credit may be carried forward for up to fifteen years. The Department of Taxation will prorate the allowable credits if total annual requests exceed \$5 million. Penalties and forfeiture of this credit may apply if the equity investment is held for less than three years following the year the credit is allocated or on any subordinated debt investment that is held for less than three years. IMPORTANT: See instructions for details on when and where to submit the application. No application received after April 1st will be eligible for the credit.

PART I - BUSINESS ENTITY IDENTIFICATION

Complete a section for each qualifying investment. You must have a Department-issued qualified business certification from each qualifying business. Do not include investments in which you or any family members, or any entity affiliated with you, receives or has received compensation from the qualified business in exchange for services provided to the business as an employee, officer, director, manager, independent contractor or otherwise in connection with or within one year before or after the date of investment. Attach additional pages if needed.

1. Name of Qualified Business Entity
2. Certificate Number from Form QBA Provided by The Qualified Business
3. Name and Type of Investment (i.e. equity or subordinated debt)
Date Qualified Investment Made / / Amount of Qualified Investment \$.00
Purchased from

1. Name Of Qualified Business Entity
2. Certificate Number From Form QBA Provided By The Qualified Business
3. Name And Type Of Investment (i.e. equity or subordinated debt)
Date Qualified Investment Made / / Amount Of Qualified Investment \$.00
Purchased From

PART II - TOTAL CREDIT REQUESTED

1. TOTAL QUALIFIED INVESTMENT (including any amounts listed on separate pages) \$.00
2. Multiply Total Qualified Investment (Line 1) Amount By 0.5 (50%) Enter Result Here \$.00
3. Total number of Qualified Investments

PART III - DECLARATION

Under penalty of law, I have read and understand the limitations and restrictions for this credit.

Taxpayer Signature Title
Printed Name Date Phone
Authorized Representative Phone
Address Email

Instructions for Form EDC, Application for Qualified Equity and Subordinated Debt Investment Tax Credit

For the 2010 calendar year, the total amount of credit granted is limited to \$5 million. For all other years, the total amount of credit granted is limited to \$3 million. Beginning in 2009, 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. If credit applications for either half are less than the allowed amount, the balance will be available for allocation to the other type of credits.

See Form QBA for the list of criteria a business must satisfy in order to become a qualified business.

When to Submit Application

Submit Form EDC as soon as possible after receiving all QBA certifications for qualified investments made during the previous taxable year and as soon as possible BEFORE your tax filing deadline. Taxpayers making a qualified investment during a calendar year, **MUST** submit this application and all supporting documentation no later than April 1 of the following year.

For any package received without a postmark, the date received by TAX will be used to determine if the application was received by the filing deadline. Please note: the postmark cannot be handwritten.

What to Attach

Attach the following items:

- A copy of the qualified business certification (issued to the business by Department of Taxation);
- A business entity's statement, on the **business' letterhead**, containing:
 - the investor's name;
 - the investment by amount (list each amount separately);
 - the investment by type (equity or debt);
 - the investment by date (specific to each investment amount); and
 - verification that the investment meets the definition of a qualified investment for purposes of claiming the credit pursuant to *Va. Code* § 58.1-339.4. Title 23 of the *Virginia Administrative Code* (VAC) 10-110-225 et seq. provide regulations on how this credit applies.
- As the holder of this investment, you or any of your family members or any entity affiliated with you, do not and have not received compensation from the qualified business in exchange for services provided to such business as an employee, officer, director, manager, independent contractor or otherwise in connection with or within one year before or after the date of such investment. For the purposes hereof, reimbursement of reasonable expenses incurred shall not be deemed to be compensation.
- The statement provided to investors must be signed by a company officer. For investors affiliated with the QBA, such as Corporate Officer, CFO, etc., the statement should be signed by another member of the company.

Please note: For married investors, the credit cannot be issued jointly. The investment must be made individually and a separate Form EDC and business statement must be provided for each spouse.

Where to Submit Application

Submit Form EDC and attachments to the **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or fax it to **804-367-3021**.

What to Expect from the Department of Taxation

All applicants should receive a letter acknowledging their EDC application. **If you have applied by the April 1 deadline and have not received an acknowledgment letter from us by May 15, please call the Tax Credit Unit at 804-786-2992.** The Virginia Department of Taxation will review all applications for completeness and notify taxpayers of any errors by June 1. If any additional information is needed, it must be provided no later than June 15 in order for the investment to be considered for the tax credit. All eligible taxpayers shall be notified by June 30 as to the allowable credit amount that may be claimed for the qualified investment.

What Does the Taxpayer Need to Do

Upon receiving notification of the allowable credit amount, taxpayers may claim the allowable credit amount on the applicable Virginia income tax return and compute any carryover credit amount.

IMPORTANT

Any business entity filing Form EDC should be registered with the Department of Taxation before completing the form. If you are a business entity and are not registered, please complete Form R-1.

Taxpayers who do not receive notification of allowable credit amounts before their Virginia income tax return due date may file during the extension period or file their regular return without the credit and then file an amended tax return after receipt of notification of the allowable credit amount to claim the tax credit.

Required Investor Holding Period

Equity and/or subordinated debt received in connection with a qualified business investment must be held by the taxpayer for at least three calendar years following the calendar year for which the credit is allocated except in any of the following situations: the liquidation of the qualified business issuing the equity; a merger, consolidation or other acquisition of the business with or by a party not affiliated with the business; or death of the taxpayer.

Penalty for Not Meeting the Required Holding Period

If the required holding period is not met, the taxpayer must forfeit the unused credit amount and will be assessed for the credit utilized, to which shall be added interest, computed at the rate of one percent per month, compounded monthly from the date the tax credits were claimed.

Pass-Through Entities

Each pass-through entity must File **Form PTE** with the Department of Taxation within 60 days after the credit is granted. This information should be sent to: **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **804-786-2800**. **Please do not do both.**

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.

Where To Get Help

Write the **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or call **804-786-2992**. To order forms or a copy of regulations call **804-440-2541**. Visit **www.tax.virginia.gov** to obtain most Virginia income tax forms and additional tax information. Forms are also available from your local Commissioner of the Revenue, Director of Finance or Director of Tax Administration.

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