

# 1999 VIRGINIA SCHEDULE CR INSTRUCTIONS

For use with Forms 760, 760PY and 763

## General Information

### When To Complete Schedule CR

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

- Credit for Income Tax Paid to Another State
- Trust Beneficiary Accumulation Distribution Credit (See Part II, Line 8 Instructions)
- Enterprise Zone Act Credit
- Neighborhood Assistance Act Credit
- Recyclable Materials Processing Equipment Credit
- Conservation Tillage Equipment Credit
- Fertilizer and Pesticide Application Equipment Credit
- Rent Reduction Program Credit
- Vehicle Emissions Testing Equipment Credit, Clean-Fuel Vehicle and Certain Refueling Property Credits
- Major Business Facility Job Tax Credit
- Foreign Source Retirement Income Tax Credit
- Historic Rehabilitation Tax Credit
- Day-Care Facility Investment Tax Credit
- Low-Income Housing Credit
- Agricultural Best Management Practices Tax Credit
- Coal-Field Employment Enhancement Tax Credit
- Qualified Equity and Subordinated Debt Investments Tax Credit
- Worker Retraining Tax Credit
- Waste Motor Oil Burning Equipment Credit
- Credit for Employers Hiring Recipients of Temporary Assistance to Needy Families (TANF)
- Credit for Employers of Disabled Individuals

### Claiming A Credit From A Partnership, S Corporation Or Limited Liability Company

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. Distributions of a credit by a partnership, S corporation or limited liability company to its partners, shareholders and members are to be in proportion to their ownership or interest in the partnership, S corporation or limited liability company.

### General Instructions

The "Credits From Schedule CR" section in your tax return instruction book provides an overview of each credit. 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, line 1, reduced by other credits claimed, regardless of order on Schedule CR. There are two refundable credits: Coalfield Employment Enhancement Tax Credit (computed on Form 306); and the Real Property Improvement Tax Credit component of the Enterprise Zone Credit (computed on Form 301). These refundable credits are reported in sections XXII and XXIII of Schedule CR. The combined total of nonrefundable and refundable credits is entered on Form 760, line 18(e); Form 760PY, line 18(e); or Form 763, line 19(d).

Complete Schedule CR if you qualify for a credit. If the total of your nonrefundable credits is larger than the balance of maximum nonrefundable credit available, follow the rules below to ensure that you receive the maximum benefit of your credits:

- claim nonrefundable credits without a carryforward provision (such as credit for income tax paid to another state) first;
- claim carryover credits from prior years next (in expiration order);
- utilize current year credits in the order of their carryover provision next; and then
- report any unused credits as carryovers for succeeding taxable years to the extent allowed by law.

To obtain forms, call (804) 236-2760, (804) 236-2761 or 1-888-268-2829 (toll free outside the Richmond area); or visit our Web site at <http://www.tax.state.va.us>. For information or assistance completing your forms, call (804) 367-8031.

# Line Instructions for Virginia Schedule CR Parts I, II and XI

## PART I MAXIMUM SCHEDULE CR CREDITS

### LINE 1

The total credits claimed on Schedule CR may not exceed the amount of tax shown on your return. This is the amount on line 16 of Form 760 or Form 760PY. If using Form 763, enter the amount from line 18.

## PART II CREDIT FOR TAX PAID TO ANOTHER STATE

### Reminder

With the exception of the Foreign Source Retirement Income Tax Credit (Part XI), Virginia does not allow credit for income tax paid to any city or county, the federal government, or foreign government. No credit is allowable for franchise tax, license tax, excise tax, unincorporated business tax, occupation tax or any tax characterized as such even though it is based on earned or business income or if the other state's legislation does not allow an income tax or commuter tax. Additional information is in the instruction books for Forms 760, 760PY and 763.

### Trust Beneficiary Accumulation Credit Special Rule

If you qualify for a trust beneficiary accumulation credit (Section 58.1-370, Code of Virginia), see the instructions for Part II, line 8 on page 3.

### LINE 2

#### QUALIFYING TAXABLE INCOME REPORTED TO THE OTHER STATE

Read the qualifying income section and the specific instructions for residents and nonresidents below to ensure that you enter the correct amount on this line, then enter the taxable income on which the tax in the other state is based.

#### Qualifying Income

To be qualified, the income on this line must be included as taxable income on both the Virginia return and the other state's return and it must be derived from earned or business income or gain on the sale of a principal residence (to the extent included in federal adjusted gross income). In some states, the tax is computed on total taxable income (from all sources) and then reduced by an allocation percentage. In these cases, you must multiply the total taxable income shown on the other state's return by the allocation percentage in order to determine the amount of income to enter on this line. Other restrictions that are based on your residency status follow.

### Virginia Residents (Form 760 and Form 760PY)

**Form 760 filers:** If you were taxed as a nonresident of another state, enter the amount of qualifying taxable income that is derived from sources in the other state on line 2. The only exception to this rule involves income on which you were taxed as a nonresident of Arizona, California, District of Columbia or Oregon. This income does not qualify for credit on the Virginia resident return. Instead, claim the credit on the nonresident income tax return of the other state.

### Shareholders

If you are a Virginia resident who is a shareholder in an S corporation that paid income tax to a state which imposes an income tax on the S corporation and the fiscal year of the S corporation ended while you were a Virginia resident, enter on line 2 your share of the income subject to tax, as shown on the corporation income tax return filed with the other state. If the S corporation fiscal year ended during the portion of the year that you were a nonresident of Virginia, you are not eligible for this credit with respect to income from the S corporation that has been excluded from your Virginia income.

**Form 760PY filers:** If you were taxed as a nonresident of another state, enter on line 2 the qualifying taxable income on which the tax in the other state was based for the income received while you were a Virginia resident. This is the income received while you were a Virginia resident and on which the tax was actually based on the other state's return. If you are taxed as an actual resident by a state other than your state of legal domicile, usually, you can claim credit on the individual income tax return filed in the state of your legal domicile.

### Virginia Nonresidents (Form 763 filers)

As a general rule, Virginia will not allow taxpayers filing nonresident individual income tax returns (Form 763) to claim credit for tax paid to another state. The only exception to this rule involves income taxes paid to Arizona, California, District of Columbia or Oregon. Nonresidents of Virginia who are residents of Arizona, California, District of Columbia, or Oregon, enter the amount of qualifying taxable income that is from Virginia sources. A nonresident shareholder in an S Corporation may not claim a credit for tax paid by the corporation to any other state.

### LINE 3

#### VIRGINIA TAXABLE INCOME

**Form 760 and Form 760PY filers:** Enter the Virginia taxable income from line 15 of Form 760 or Form 760PY. If you filed a joint return in the other state and you are using Filing Status 4 on your Virginia return, use the total from columns A and B on line 15.

**Form 763 filers:** Enter the amount from line 17.

### LINE 4

#### QUALIFYING TAX PAID TO THE OTHER STATE

Enter on line 4 the amount of qualifying income tax liability to

another state and enter the name of the state in the place provided. See the additional instructions below before completing this line.

- Do not enter the state income tax withheld.
- Do not include any city, local or federal tax.

**Form 760 filers:** Enter on line 4 the total income tax paid to another state while you were a Virginia resident.

**Form 760PY filers:** Enter on line 4 the portion of the other state's income tax paid while a resident of Virginia.

**Form 763 filers:** Enter on line 4 the total income tax paid to the state in which you filed as a domiciliary resident.

### Shareholders

If claiming credit for your share of income tax paid by an S corporation to another state, enter your applicable share of the total income tax paid to another state by the S corporation on line 4. Attach a statement from the S corporation to support this amount and the amount claimed on line 2. A copy of the income tax return from the other state is not required in this case.

### LINE 5 VIRGINIA INCOME TAX

**Form 760 or Form 760PY filers:** Enter the amount from Form 760 or Form 760PY, line 16. If you filed a joint return in the other state and you are using Filing Status 4 on your Virginia return, use the total from columns A and B on line 16.

**Form 763 filers:** Enter the amount from Form 763, line 18.

### LINE 6 INCOME PERCENTAGE

Using the line number references below, compute the percentage to one decimal place. (For example, .3163 becomes 31.6%). If the result is greater than 100%, enter 100%. If the income from the other state is from Kentucky, Maryland, North Carolina or West Virginia, see "Special computation involving states bordering Virginia" below to determine the amount to enter on line 6.

**Form 760 or Form 760PY filers:** Divide line 2 by line 3.

**Form 763 filers:** Divide line 3 by line 2.

**Special computation involving states bordering Virginia:** You qualify for a special computation of the out-of-state tax credit for income tax paid to a state which borders Virginia if:

1. You are required to file an individual income tax return with Virginia and only one other state.
2. The other state for which you are claiming a credit is one of the following states which borders Virginia: Kentucky, Maryland, North Carolina or West Virginia.
3. Your only income from the border state was earned income from wages and salaries (generally wages and salaries for which you received a Form

W-2 or Form 1099, etc.) or business income reported on federal Schedule C.

4. Your Virginia taxable income is equal to or more than the taxable income on the tax return filed with the other state.

If you meet all four qualifications, enter 100% on line 6 and write "BORDERS VA" in the margin beside the entry.

### LINE 7

**Form 760 and Form 760PY filers:** Multiply line 6 by line 5.

**Form 763 filers:** Multiply line 6 by line 4.

### LINE 8 CREDIT

**Form 760 or Form 760PY filers:** Enter the lesser of line 4 or line 7. See "What to Attach" on page 4 of Schedule CR.

**Form 763 filers:** Enter the lesser of line 5 or line 7. See "What to Attach" on page 4 of Schedule CR.

If claiming the trust beneficiary accumulation credit (Section 58.1-370, *Code of Virginia*), include this credit on Part II, line 8, and write "Trust beneficiary accumulation distribution credit included" and the credit amount to the left of the entry box. If this is the only credit claimed, instead of completing Schedule CR, you may claim the credit on the Schedule CR credit line of your return and write "Trust beneficiary accumulation distribution credit" in the margin to the left of the entry box.

---

## PART XI FOREIGN SOURCE RETIREMENT INCOME TAX CREDIT

### LINE 49 QUALIFYING TAXABLE INCOME

Enter the taxable income on which the tax in the foreign country was based. The foreign currency must be converted to United States dollars using the prevailing rate of exchange that most nearly reflects the value of the foreign currency at the time the taxes were actually paid to the foreign country. Attach a schedule showing your computations.

### LINE 50 VIRGINIA TAXABLE INCOME

Enter the Virginia taxable income from line 15 of Form 760 or Form 760PY. If you filed a joint return in the other country and you are using Filing Status 4 on your Virginia return, use the total from columns A and B, line 15.

### LINE 51 QUALIFYING TAX PAID TO THE FOREIGN COUNTRY

Enter the amount of tax paid to the foreign country and the name of the foreign country in the spaces provided. Form 760PY filers must enter the portion of the foreign country's tax that was paid while a resident of Virginia. The foreign currency must be converted to United States dollars using the prevailing rate of exchange that most nearly reflects the value of the foreign currency at the time the taxes were actually paid to the foreign country. Attach a schedule showing your computations.

**LINE 52****VIRGINIA INCOME TAX**

Enter the amount from Form 760 or Form 760PY, line 16. If you filed a joint return in the country and you are using Filing Status 4 on your Virginia return, use the total from columns A and B, line 16.

**LINE 53****INCOME PERCENTAGE**

Divide line 49 by line 50. Compute the percentage to one decimal place (For example, .3163 becomes 31.6%). If the result is greater than 100%, enter 100%.

**LINE 54**

Multiply line 52 by line 53.

**LINE 55****CREDIT**

Enter the lesser of line 51 or line 54, not to exceed the balance of maximum Schedule CR credit available. Attach a copy of the return filed in the foreign country.