

2013 VIRGINIA SCHEDULE CR INSTRUCTIONS

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

To obtain forms, visit www.tax.virginia.gov
or call 804-440-2541.
For information or assistance, 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 five 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 23; Form 760PY, Line 25; or Form 763, Line 25.

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 23; Form 760PY, Line 25; or Form 763, Line 25. 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 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 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 fiscal Year 2019.

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

An income tax credit is allowed for transporting cargo containers by barge and rail rather than by trucks or other motor vehicles on the Commonwealth's highways. The amount of the credit is \$25 per 20-foot equivalent unit or 16 tons of noncontainerized cargo moved by barge or rail rather than by trucks or other motor vehicles on Virginia's highways. Containers for which this credit is claimed must result from a diversion of shipments from the highways. To receive a credit, an international trade facility is required to apply to the Virginia Department of Taxation. No more than \$1.5 million 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.

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

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 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 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**.

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 but 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 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 any biennium thereafter.

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: **Virginia Film Office, 901 East Byrd Street, Richmond, VA 23219-4048**, 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. The credit is still non-refundable to corporate taxpayers. Individual taxpayers who had a carryforward amount from credits claimed in the 2006, 2007, 2008, 2009, or 2010 taxable years are permitted to claim that carryforward amount on their 2011 income tax returns and will receive a refund for any excess amount of the carryforward. Individual taxpayers who had a carryforward amount from credits claimed prior to 2006 are not permitted to claim that carryforward amount on their 2011 return. If a pass-through entity (PTE) distributes this credit to an individual partner, shareholder, or member, the amount of the Agricultural Best Management Practices Tax Credit listed on the individual's Schedule VK-1 is refundable and should be claimed in Section 3, Part 3 of the Schedule CR. Any amount distributed by a PTE to a corporate partner, shareholder, or member is non-refundable. 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**.

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, 2016. The tax credit is equal to (i) 15% of the first \$167,000 in Virginia qualified research and development expenses, or (ii) 20% of the first \$175,000 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 \$5 million cap on the total amount of credits allowed in any fiscal year. If the total amount of approved tax credits is less than the \$5 million limit, the Department of Taxation will allocate the remaining amount to the taxpayers already approved for the tax credits for the taxable year for 15% of the second \$167,000 in Virginia qualified research expenses or 20% of the second \$175,000 in Virginia qualified research expenses if the research was conducted in conjunction with a Virginia public college or university to the extent the expenses exceed the Virginia base amount, on a pro rata basis.

The business must apply by April 1st using **Form RDC**. 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. If the taxpayer conducts research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos, then the credit for the approved research and development expenses will not be allowed to be refunded to the taxpayer.

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 Line 4A under Section 3, Part 4 of the Schedule CR.

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 in Section 1, Part 30 of the Schedule CR.