Virginia Form EDC

Taxpayer Application for the 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/FEIN (One 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 to the Department. 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 15 years. The Department 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 3 years following the year the credit is allocated or on any subordinated debt investment that is held for less than 3 years. **IMPORTANT:** See the 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 this 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 1 year before or after the date of such investment. Enclose 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

   Will this investment be claimed as a subtraction for the Venture Capital Account Investment Fund or the subtraction for Certified Virginia Real Estate Investment Trusts? ☐ Yes ☐ No

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

   Will this investment be claimed as a subtraction for the Venture Capital Account Investment Fund or the subtraction for Certified Virginia Real Estate Investment Trusts? ☐ Yes ☐ No

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	Date	Title
Printed Name		Phone Number
Authorized Representative		Phone Number
Address	Email	

Instructions for Form EDC
Taxpayer Application for Qualified Equity and Subordinated Debt Investments Tax Credit

Under *Va. Code* § 58.1-339.4 (E), the Qualified Equity and Subordinated Debt Investments Tax Credit is capped at $5 million annually. Of the amount of available credit, 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.

Investments do not qualify for the credit if the same investment was used to claim the Venture Capital Investment subtraction or the Virginia Real Estate Investment Trust subtraction.

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

When to Submit This Application

Submit Form EDC as soon as possible after receiving all of your Form 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 application received without a postmark, the date received by the Department will be used to determine if the application was received by the filing deadline. **Note:** the postmark cannot be handwritten.

What to Enclose

Enclose the following items:

- A copy of the qualified business certification (issued to the business by the Department);
- 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);
  - 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 (spouse, children, grandchildren, parents, spouse's parents, or grandparents) or any entity directly or indirectly 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 qualified business, such as the Corporate Officer, CFO, etc., the statement should be signed by another member of the company.

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 This Application

Submit Form EDC and any enclosures to the **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or fax it to **(804) 774-3902**.

What to Expect from the Department

If the Department needs additional information, the agency will contact you by May 1 and you will have until May 15 to respond. If you have not received acknowledgment of your application by May 31, call **(804) 786-2992**.

The Department will issue the credit by June 30. If you have not received your credit certification by July 15, call **(804) 786-2992**.

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 before completing the form. If you are a business entity and are not registered, please complete Form R-1.

If the tax return upon which this credit will be claimed is due on or before May 1, you may need to either submit an extension payment for any tax due or file an amended return once you have received the credit certification.

Required Investor Holding Period

- Equity received in connection with a qualified business investment must be held by the taxpayer for at least 3 full calendar years following the calendar year for which a tax credit is allocated.
- Subordinated debt received in connection with a qualified business investment must be held by the taxpayer for at least 3 years from the date of issuance.
- Holding Period Exception – Liquidation of the qualified business issuing such equity; the merger, consolidation or other acquisition of such business; with or by a party not affiliated with such business or the 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 1% 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 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) 774-3902**. **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 to the **Virginia 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 the regulations call **(804) 367-8031.** 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.