

WEST VIRGINIA TAX CREDITS

The purpose of this publication is to provide a brief overview of West Virginia's current tax credits generally available for investments made on or after January 1, 2003. This publication is a source of general information, not a substitute for tax statutes or regulations. A list of tax credit forms and schedules is on the last page of this publication.

ECONOMIC DEVELOPMENT CREDITS AVAILABLE ON OR AFTER 1/1/2003

ECONOMIC OPPORTUNITY TAX CREDIT (WV/EOTC-A) (SCHEDULE EOTC-1) (SCHEDULE EOTC-PIT)

The Economic Opportunity Tax Credit is available to qualified businesses that make a qualified investment (on or after January 1, 2003) in a new or expanded business in West Virginia and, as a result of this investment, create at least twenty (20) new jobs. *Qualified businesses include only those engaged in the activities of manufacturing, information processing, warehousing, non-retail goods distribution, qualified research and development, the relocation of a corporate headquarters, or destination-oriented recreation and tourism.*

A qualified business creating at least 20 new jobs within three tax years is allowed a credit equal to 20% of its qualified investment. This percentage increases with the number of new jobs created. A business creating at least 280 new jobs is allowed a credit equal to 25% of its qualified investment, and a business creating at least 520 new jobs can claim 30% of its qualified investment. For projects having qualified investment of \$20 million or more that are constructed using construction labor and mechanics numbering 75 or more employees or equivalent employees, who are paid an average wage of at least prevailing wage; the new jobs percentage for the 20 to 520 employee range is increased by 5 percentage points.

<u>IF NEW WEST VIRGINIA JOBS TOTAL AT LEAST:</u>	<u>THE APPLICABLE PERCENTAGE IS:</u>
520	30%
280	25%
20	20%
15 Corporate headquarters relocation only	10%
10 Small business credit (see below)	10%

The Economic Opportunity Tax Credit is pro-rated over a 10-year period at a rate of 10% per year. For example, a Credit of \$200,000 attributable to \$1 million of qualified investment made in 2003 is applied at a rate of \$20,000 per year for the 2003-2012 period.

The calculation of qualified investment is determined by multiplying the net cost of eligible property by its applicable useful life percentage based on the projected actual economic useful life of the asset. The following percentages apply:

IF USEFUL LIFE IS:

THE APPLICABLE PERCENTAGE IS:

Less than 4 years	0%
4 years or more but less than 6 years	33 1/3%
6 years or more but less than 8 years	66 2/3%
8 years or more	100%

For example, if a Taxpayer purchases a machine for \$25,000, for use in a new industrial facility, which has a useful life of 6 years, the qualified investment is equal to \$16,666.66. The \$25,000 investment is multiplied by the applicable useful life percentage of 66 2/3% to arrive at \$16,666.66 in qualified investment.

The credit can offset a portion of the tax attributable to qualified investment for the Business and Occupation Tax [electric power generation taxes only], Business Franchise Tax, Corporation Net Income Tax, and Personal Income Tax [tax on flow through business profits only], in the order stated.

- If the annual median compensation paid by the Taxpayer to qualified new employees exceeds the statewide average non-farm payroll wage, as determined annually by the West Virginia Bureau of Employment Programs, then the Taxpayer may use the available credit to offset up to 100% of each of the above taxes attributable to qualified investment.
- All other qualified Taxpayers may use the available credit to offset up to 80% of each of the above taxes attributable to qualified investment.

The amount of tax attributable to qualified investment is generally determined by use of a payroll factor. The Taxpayer multiplies total tax liability by a fraction, the numerator of which is the compensation paid to the employees hired as a result of the new qualified investment, and the denominator of which is the compensation paid to all West Virginia employees of the Taxpayer. The result of this computation is tax attributable to qualified investment.

Excess credit remaining after application of the credit against current year taxes may be carried forward for up to twelve years following the year of initial credit claim attributable to the placement of qualified investment into service. The year of initial credit claim is either the tax year qualified investment was first placed into service, or, at the election of the Taxpayer, the next succeeding tax year.

All Taxpayers wishing to qualify for the Economic Opportunity Tax Credit must file an application for such credit (Form WV/EOTC-A). This application is due by no later than

the due date of the Taxpayer's Annual State Income Tax Return (corporate or personal) for the tax year the investment was placed into service or use, including lawful extensions of time to file. Any taxpayer failing to timely file the credit application form will automatically lose up to 50% of the value of any Economic Opportunity Tax Credit sought for the time periods during which the failure to file the application continues. Note that one application (Form WV/EOTC-A) must be filed for each year during which qualified investment is placed in service or use.

Taxpayers must also complete and file Schedule EOTC-1 when claiming this credit on annual tax returns. Taxpayers claiming the Economic Opportunity Tax Credit against the West Virginia personal income tax must complete and file Schedule EOTC-PIT when claiming this credit against personal income tax liabilities on an annual return.

ECONOMIC OPPORTUNITY TAX CREDIT FOR CORPORATE HEADQUARTERS RELOCATION (WV/EOTC-A) (SCHEDULE EOTC-1) (SCHEDULE EOTC-PIT)

A Taxpayer that moves its corporate headquarters to West Virginia from a location outside of West Virginia may be entitled to an Economic Opportunity Tax Credit, if the relocation creates at least fifteen (15) new West Virginia jobs. If the relocation creates at least 15, but less than 20 new jobs, then the amount of credit is equal to 10% of the Taxpayer's adjusted qualified investment. The "adjusted qualified investment" means the qualified investment of the Taxpayer in real and tangible personal property purchased for the corporate headquarters, plus the cost of the reasonable and necessary expenses incurred by the taxpayer to relocate the corporate headquarters from its out of state location to West Virginia. Generally, the credit may be used to offset tax liabilities in the same manner as described above for the general Economic Opportunity Tax Credit. The only significant difference concerns a slightly different application against the Corporation Net Income Tax. Taxpayers must complete and file both Application Form WV/EOTC-A no later than due date of the Taxpayer's Annual State Income Tax Return (corporate or personal) for the tax year the investment was placed into service or use, including lawful extensions of time to file, and Schedule EOTC-1 when claiming this credit on an annual return.

ECONOMIC OPPORTUNITY TAX CREDIT FOR "SMALL BUSINESS" (WV/EOTC-A) (SCHEDULE EOTC-1) (SCHEDULE EOTC-PIT)

Certain small businesses may also be entitled to an Economic Opportunity Tax Credit. The term "small business" means a business or a controlled group of foreign and domestic affiliated businesses with annual gross sales of not more than \$7,000,000. Beginning on January 1, 2004, the maximum gross sales qualification is increased each year by a percentage reflecting the cost of living increase for the prior year. This constraint must be met by the small business only during the year qualified investment is first placed into service or use.

The following is a summary of the applicable inflation adjusted small business credit constraint by tax year:

<u>Year</u>	<u>Gross Sales</u>
2003	\$7,000,000

An eligible small business taxpayer is allowed a credit in the manner described above for the general Economic Opportunity Tax Credit, except that the small business must create at least 10 new West Virginia jobs within twelve months, rather than 20 new jobs. If the qualified small business creates at least 10 qualified new jobs, the small business may receive a credit equal to 10% of its qualified investment. Taxpayers must file both Application Form WV/EOTC-A no later than the due date of the Taxpayer's Annual State Income Tax Return (corporate or personal) for the tax year the investment was placed into service or use, including lawful extensions of time to file, and Schedule EOTC-1 when claiming this credit against annual tax liabilities on an annual return. Taxpayers claiming the Economic Opportunity Tax Credit For "Small Business" against the West Virginia personal income tax must complete and file Schedule EOTC-PIT when claiming this credit against personal income tax liabilities on an annual return.

MANUFACTURING INVESTMENT TAX CREDIT (WV/MITC-A) (SCHEDULE MITC-1)

Manufacturers that make qualified investments for industrial expansion or industrial revitalization in West Virginia may be eligible for the Manufacturing Investment Tax Credit. The term "manufacturing" means any business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two or thirty-three. Eligible investments include real property and improvements thereto and tangible personal property constructed or purchased for use as a part of a new or expanded business of a qualified industrial taxpayer. Eligible investments may also include replaced or refurbished buildings, equipment, machinery and other tangible personal property used in the operation of a qualified facility located in West Virginia. Eligible investment may also include real or tangible personal property acquired by written lease for a primary term of ten years or longer, if used as a component part of a new, expanded or revitalized industrial facility. The credit is equal to 5% of the taxpayer's qualified investment pro-rated over a ten-year period at a rate of 10% per year. The calculation of qualified investment for this credit is similar to that required for the Economic Opportunity Tax Credit.

$$\text{Qualified Investment} \times 5\% = \text{Total Credit}$$

$$\text{Total Credit} \div 10 = \text{Annual Credit}$$

Annual credit is the amount of credit that can be applied in each taxable year for 10 years

All Taxpayers wishing to qualify for the Manufacturing Investment Tax Credit must file an application for such credit (Form WV/MITC-A) on or before the due date of the personal income tax return or corporation net income tax return filed for the tax year the

investment was placed in service or use, including lawful extensions of time to file. Any taxpayer failing to timely file the credit application form will automatically lose up to 50% of the value of any Manufacturing Investment Tax Credit sought for the time period in question. Note that one application (Form WV/MITC-A) must be filed for each year during which qualified investment is placed in service or use.

Manufacturing Investment Tax Credit may be used to offset up to 50% of the Taxpayer's annual liability for Business Franchise Tax, Severance Tax and Corporation Net Income Tax for a period of 10 years. Any portion of a particular year's annual credit that remains after application against these taxes for the taxable year is forfeited. Taxpayers must complete and file Schedule MITC-1 when claiming this credit.

INDUSTRIAL EXPANSION AND INDUSTRIAL REVITALIZATION CREDIT FOR ELECTRIC POWER PRODUCERS (SCHEDULE I)

Electric power generation companies that make eligible investment(s) for industrial expansion or industrial revitalization within West Virginia may be eligible for the Industrial Expansion and Revitalization Credit. Eligible investments for industrial expansion include real property and improvements thereto and tangible personal property constructed or purchased for use as a part of a new or expanded electric power generation facility. Eligible investments for industrial revitalization include replaced or refurbished facilities, equipment, machinery and other tangible personal property used in the operation of an electric power generation facility located in West Virginia. Eligible investment may also include real or tangible personal property acquired by written lease for a primary term of ten years or longer, if used as a component part of a new, expanded or revitalized electric power generation facility. The credit is equal to 10% of the taxpayer's qualified investment. The calculation of qualified investment for this credit is similar to that required for the Economic Opportunity Tax Credit. Industrial Expansion and Revitalization Credit may be used to offset up to 50% of the Taxpayer's annual liability for Business and Occupation Tax, Severance Tax and Business Franchise Tax for a period of 10 years. Any portion of a particular year's annual credit that remains after application against these taxes for the taxable year is forfeited. Taxpayers must complete and file Schedule I when claiming this credit.

STRATEGIC RESEARCH AND DEVELOPMENT TAX CREDIT (WV/SRDTC-A) (SCHEDULE SRDTC-1)

Businesses engaged in qualified research and development activities within West Virginia may be eligible for the Strategic Research and Development Tax Credit. The credit equals the higher of 3% of all qualified expenses and qualified investment, or 10% of the excess of qualified expenses and qualified investment for the taxable year over the average for a base period. The base period is generally the three-year period prior to the taxable year.

Research and Development includes, but is not limited to, design, refinement and testing of prototypes of new or improved products, and of manufacturing processes

before commercial sales relating thereto have begun. Research and development does **not** include market research; sales research; efficiency surveys; consumer surveys; product market testing; product testing by product consumers; quality control testing; management studies; advertising; promotions; the acquisition of another's patent, model, production or process or investigation or evaluation of the value or investment potential related thereto; research in connection with literary or historical topics or similar activities; research in social sciences, economics, humanities or psychology and other non-technical activities; and the providing of sales services or other services.

The credit is available for eligible investments made in depreciable property for qualified research projects and in qualified research expenses. Investment in land does not qualify for the credit. The calculation of qualified investment is determined by multiplying the cost of eligible property by its applicable useful life percentage based on the projected actual useful life of the property. The following percentages apply:

<u>IF USEFUL LIFE IS:</u>	<u>THE APPLICABLE PERCENTAGE IS:</u>
Less than 4 years	33 1/3%
4 years or more but less than 6 years	66 2/3%
6 years or more	100%

In addition to investments in buildings and depreciable tangible personal property, qualified research expenses may also be included in the Strategic Research and Development Tax Credit base. "Qualified research and development expenses" include 100% of qualified in-house research expenses and 65% of contract research expenses for qualified research allocated to the State and incurred by an eligible Taxpayer. Qualified research expenses do not include any expenses that must be capitalized and depreciated for federal income tax purposes, or any expenses incurred for the purposes of ascertaining the existence, location, extent or quality of any deposit of a natural resource.

All Taxpayers wishing to qualify for the Strategic Research and Development Tax Credit must first file an application for credit certification (Form WV/SRDTC-A) with the Tax Commissioner. No tax credit may be claimed until the Tax Commissioner affirmatively certifies the project. The application must set forth a written research and development program plan generally describing the nature of the research and development to be undertaken and the projected timeframe for the project. The application for credit certification is due by no later than the due date, including lawful extensions of time to file, of the Taxpayer's Annual State Income Tax Return for the tax year in which the qualified research and development activity occurred. Any taxpayer failing to timely file the credit application form will automatically lose 100% of the value of any Strategic Research and Development Tax Credit sought for the time periods during which the failure to file the application continues. Note that one application (Form WV/SRDTC-A) must be filed for each separate project undertaken. The Tax Commissioner may require the filing of separate yearly applications for certifications.

Strategic Research and Development Tax Credit may be used to offset up to 100% of the Taxpayer's annual liability for Business Franchise Tax, Corporation Net Income Tax, and Personal Income Tax [tax on flow through business profits only] in the order stated. Excess credit may be carried forward for a period not to exceed 10 tax years. Taxpayers claiming the Strategic Research and Development Tax Credit must complete and file Schedule SRDTC-1 when claiming this credit against tax liabilities on an annual return.

COAL LOADING FACILITIES CREDIT (SCHEDULE C)

This credit is available to taxpayers subject to Business Franchise Tax and Severance Tax, that purchase real or personal property, or a combination thereof, for the purpose of building or constructing a new or expanded coal loading facility or Taxpayers that revitalize an existing coal loading facility. A coal loading facility that will qualify for the credit is limited to any building or structure specifically designed and solely used to transfer coal from a coal processing or preparation facility, or from a coal storage facility, or both, or from any means of rail or barge transportation used to move coal, including such land as is directly associated with and solely used for the coal loading facility. This credit is available for investment in such property only when the property is to be used in the transfer of coal to any means of rail or barge transportation and is specifically ***not available*** for investment in property to be used in the transfer of coal (or other material) to any other form of transportation. The calculation and application of credit is similar to the calculations and applications for the Industrial Expansion and Revitalization Credit. For example, the credit is equal to 10% of calculated qualified investment and is applied over a 10-year period to offset up to 50% of annual tax liability for Business Franchise Tax, Business and Occupation Tax and Severance Tax. Taxpayers must complete and file Schedule C to claim this credit.

ADDITIONAL INFORMATION

CREDIT RECAPTURE PROVISIONS

There are special recapture provisions for the Industrial Expansion and Revitalization Credit (11-13D), Coal Loading Facilities Credit (11-13E), Economic Opportunity Tax Credit (11-13Q), the Strategic Research and Development Tax Credit (11-13R) and the Manufacturing Investment Tax Credit (11-13S). Credit recapture may occur when the actual useful life of qualified investment property or the period of actual use of qualified investment property within West Virginia falls short of the projected useful life applicable percentage category used in the original credit calculations. Credit attributable to property that ceases to be used in West Virginia prior to the end of its categorized useful life must be recalculated for all tax years according to the actual useful life or period of use in West Virginia.

EXAMPLE

Company A invests \$10 million in equipment with a designated useful life of 8 years in 2003.

Investment in assets is determined to be “qualified” based on useful life of the particular asset according to a percentage multiplier table as follows:

<u>IF USEFUL LIFE IS:</u>	<u>THE APPLICABLE PERCENTAGE IS:</u>
Less than 4 years	0%
4 years or more but less than 6 years	33 1/3%
6 years or more but less than 8 years	66 2/3%
8 years or more	100%

Company A's Manufacturing Investment Tax Credit is equal to 5 percent of its qualified investment. Because all of Company A's investment is in capital assets that have useful lives of 8 years, 100% of its \$10 million investment is qualified investment. Thus, the credit for Company A is calculated to equal \$500,000 or \$50,000 per year for 10 years.

$$(\$10M \times 100\%) \times 5\% = \$500,000 \text{ Total Credit}$$

$$\$500,000 \text{ Total Credit} \div 10 \text{ Years} = \$50,000 \text{ Per Year Annual Credit}$$

However, Company A moves this equipment to New York in 2008. Therefore, the equipment's useful life or actual period of use in West Virginia is reduced to only 5 years. The corresponding credit is reduced according to the above table from \$500,000 to \$166,667, or \$16,667 per year for 10 years.

$$(\$10M \times 33 \frac{1}{3}) \times 5\% = \$166,666.67 \text{ Total Credit}$$

$$\$166,667 \text{ (Rounded)} \div 10 \text{ years} = \$16,667 \text{ Per Year Annual Credit}$$

A reconciliation statement for 2003 through 2008 reflecting an over-utilization of credit must accordingly be filed with payment of any additional tax, interest and penalties owed.

Additional recapture provisions exist for the Economic Opportunity Tax Credit whenever the taxpayer fails to maintain the required number of new jobs upon which the credit is based. Except for the “Small Business” version of the Economic Opportunity Tax Credit, recapture generally occurs immediately after the Taxpayer's jobs re-determination year (the second tax year following the tax year when qualified investment was first placed into use or service). Job levels are determined on an annual basis for 10 years for the “Small Business” version of the Economic Opportunity Tax Credit. If the actual number of new jobs falls below the projected new job threshold, then the taxpayer must file amended returns with the payment of any additional tax, interest and penalties owed

due to an over-utilization of credit. A Recapture Tax may apply whenever the number of new jobs falls below a minimum threshold (set forth in the table below) subsequent to the initial re-determination period.

<u>IF NEW WEST VIRGINIA JOBS TOTAL AT LEAST:</u>	<u>THE APPLICABLE PERCENTAGE IS:</u>
520	30%
280	25%
20	20%
15 Corporate headquarters relocation only	10%
10 Small business credit (see below)	10%

ENVIRONMENTAL CREDITS

WEST VIRGINIA ALTERNATIVE-FUEL MOTOR VEHICLES CREDIT (SCHEDULE WV/AFMV-1)

A Taxpayer becomes eligible for this credit by buying, converting, or retrofitting a motor vehicle to operate on alternative fuel such as compressed natural gas, liquefied natural gas, liquefied petroleum, methanol, ethanol, coal-derived liquid fuels, electricity, or fuel mixtures containing at least 85% alcohol. If the conversion is a requirement under federal or state law, policy, or regulation, credit cannot be claimed for that required conversion. The maximum credit is determined using vehicle weight, and a maximum annual credit can be claimed based on conversion of a maximum of not more than five vehicles total per year. Credit must be claimed over a three-year period, 1/3rd each year. The credit cannot be more than the actual cost of converting or retrofitting a vehicle, nor more than the difference between the cost of a new alternative fuel vehicle and a comparably equipped vehicle that uses traditional fuel. The motor vehicle must have a valid West Virginia registration. The credit can be applied against Corporation Net Income Tax or Personal Income Tax and, cannot be carried forward or back to another tax year.

WEST VIRGINIA ENVIRONMENTAL AGRICULTURAL EQUIPMENT CREDIT (SCHEDULE WV/AG-1)

Taxpayers purchasing and installing qualified agricultural equipment for use in agricultural operations can claim the Environmental Agricultural Equipment credit. For purposes of the credit, agricultural operations means only the commercial production of food, fiber, or woodland products (not timbering activity) by means of cultivation, tillage of the soil or by the conduct of animal, livestock, dairy, apiary, equine, or poultry husbandry, aqua-cultural activity, horticultural activity, or any other plant or animal production activity and all farm practices related, usual or incidental to the operations. Production is classified as "commercial production" if the producer has annual sales of at least \$1,000 of agricultural products by the producer. Agricultural equipment and structures that qualify for this credit include the following:

- Advanced technology pesticide and fertilizer application equipment
- Conservation tillage equipment
- Dead poultry composting facility
- Mortality incinerator
- Nutrient management system
- Stream-bank and shoreline protection system
- Stream channel stabilization system
- Stream crossing or access plan
- Waste management system
- Waste storage facility
- Waste treatment lagoon

Proof of entitlement to the credit is required and consists of proof of purchase and installation of qualified equipment, and written certification by the Commissioner of Agriculture that each item purchased is in fact qualified agricultural equipment. The amount of credit is 25 percent of the price of all certified expenditures, and may not exceed \$2,500 or the total amount of the Taxpayer's liability under either the Corporation Net Income or Personal Income Tax. The excess may be carried over and applied as a credit in each of the next five years unless used sooner. Carried forward credit must be claimed before applying any new credit. Agricultural equipment credit may be used by only one business entity, may not be assigned and is limited to the tax liability attributable to agricultural operations within West Virginia.

EMPLOYMENT CREDITS

WEST VIRGINIA MILITARY INCENTIVE CREDIT (FORMERLY VETERANS EMPLOYMENT CREDIT) (SCHEDULE J)

The purpose of the West Virginia Military Incentive Program Act of 1991 is to encourage the employment of members of the National Guard and reserve forces, disadvantaged Vietnam era and Korean conflict veterans and disabled veterans generally. For economically disadvantaged veterans hired, the credit available to the employer is 30% of the first \$5,000 in wages or compensation actually paid the employee. For disabled veterans, the credit is the percentage of disability multiplied by the first \$5,000 in wages. For members of the National Guard and reserve forces, the credit is 25% of the first \$5,000 in wages. The veteran must have been certified as eligible by the West Virginia Department of Employment Security and have been employed for a continuous period of one year. Taxpayers must complete and file Schedule J to claim this credit.

NATURAL GAS JOBS RETENTION ACT CREDIT (SCHEDULE WV/NGRET-1)

The Natural Gas Jobs Retention Act provides a credit of \$1,000 per qualified full-time employee for businesses subject to the natural gas storage provisions of the Business and Occupation Tax. A full-time employee is defined as one who works on a work site or is on paid vacation leave or other paid leave at least (1,500) fifteen hundred hours

per year. The number of jobs required for a business to receive the credit must be at least 60 percent of the number of jobs existing with the business as of January 1, 1996. A qualified jobs-ratio is calculated by using a total of pre-existing jobs and new jobs divided by those jobs existing on January 1, 1996. The amount of credit may not exceed the Business and Occupation Tax attributable to the natural gas storage activity, and may not be taken against any other component of Business and Occupation Tax liability. The credit may not be carried forward or back to another tax year.

OTHER CREDITS

WEST VIRGINIA CAPITAL COMPANY CREDIT (SCHEDULE CCP)

The purpose of the West Virginia Capital Company Act is to increase the availability of development capital to encourage and assist in the creation, development and expansion of businesses based in West Virginia. The West Virginia Economic Development Authority must first certify all qualified West Virginia Capital Companies. Any investor, including individuals, partnerships and corporations, that makes a capital investment in a qualified West Virginia Capital Company may claim a tax credit equal to 50% of the investment. The total amount of tax credits authorized for a single qualified capital company may not exceed \$2 million, and the total credits authorized for all capital companies may not exceed an annually set statutory total for any West Virginia fiscal year. The total credit allotment for Fiscal Year 2002-2003 is \$3 million. The credit is claimed for the taxable year in which the investment is made. The amount of the credit that exceeds the tax liabilities may be carried forward for up to 15 years.

The capital company credit may be applied only after the application of all other allowable tax credits. The credit may be used to offset Business and Occupation Tax, Severance Tax, Telecommunication Tax, Business Franchise Tax, Corporation Net Income Tax and Personal Income Tax. Taxpayers that qualify for this credit will receive certification from the capital company authorizing the amount of the credit available. A true copy of that certification must be attached to the tax return. The credit for investments made by a partnership or S-corporation may be divided pursuant to election of partners or shareholders, as specified in the West Virginia Capital Company's application to the West Virginia Economic Development Authority. Taxpayers must file Schedule CCP when claiming this credit.

TELEPHONE UTILITIES RATE REDUCTION CREDIT (SCHEDULE K)

Taxpayers that provide telephone service at special reduced rates to certain low-income residential customers are eligible to claim this credit. The West Virginia Public Service Commission will certify the amount of the revenue deficiency resulting from the provision of the service. The amount of the credit is the cost of providing the service to qualified customers, less any reimbursement received through any other means. The Public Service Commission must certify the level of revenue deficiency, and a copy of the certification order must be attached to the return on which the credit is claimed. The credit is first claimed against the West Virginia Telecommunications Tax, then against

the West Virginia Corporation Net Income Tax liability. Any portion of remaining credit may be carried over to the next year's Telecommunications Tax liability, and is applied before any other credits for that year. There is no provision for carryover for Corporation Net Income Tax. In no event may the total credit claimed exceed 100% of the certified revenue deficiency.

ELECTRIC AND GAS UTILITIES RATE REDUCTION CREDIT (SCHEDULE L)

Public utilities that provide electric and gas utility service at special reduced rates to low income residential customers for the billing months of December through April are eligible to claim the credit. The West Virginia Public Service Commission will determine the revenue deficiency resulting from the reduced rates, and certify the amount of allowable credit. The credit is first claimed against the West Virginia Business and Occupation Tax liability, then against West Virginia Corporation Net Income Tax liability. Any portion of credit remaining may be carried over to the next year's Business and Occupation Tax liability and is applied before any other credit for that year. There is no provision for carryover for the Corporation Net Income Tax.

NONFAMILY ADOPTION CREDIT (SCHEDULE WV/NFA-1)

This is a one-time credit that may be applied to Personal Income Tax upon the adoption of a child or children by the taxpayer(s). The child or children cannot be related to the taxpayer(s) by blood or marriage. The credit for each adoption is two thousand dollars (\$2,000), and may be taken in the year of the adoption of each non-family child. The child must be under the age of eighteen years at the time of adoption. This credit may, at the option of the taxpayer, be taken over a period of three years.

NEIGHBORHOOD INVESTMENT PROGRAM CREDIT (SCHEDULE WV/NIPA-2)

The West Virginia Neighborhood Investment Program Act provides credit to individuals and private sector businesses that make eligible contributions to community based nonprofit organizations that establish projects to assist neighborhoods and local communities. These projects provide services such as health care, counseling, emergency assistance, crime prevention, education, housing, job training, and physical and environmental improvements. Project eligibility is determined pursuant to the filing of an application with the West Virginia Development Office and the Neighborhood Investment Advisory Board by one of two approaches.

1. Qualification based on contributions destined for a certified economically disadvantaged area, or
2. Qualification by need (regardless of location.)

Eligible contributions include cash, tangible personal or real property (at fair market value) and contributions of in kind professional services (at 75 percent of fair market value.) The maximum credit that can be taken by any taxpayer is \$100,000 per taxable

year, for eligible contributions to one or more certified project plans. Total maximum credit that can be allowed by the West Virginia Development Office during any fiscal year is \$2 million. The minimum contribution of a taxpayer that would qualify for the credit during a year is \$500, and the maximum contribution is \$200,000. To be eligible the taxpayer must be subject to the West Virginia Business Franchise Tax, Corporation Net Income Tax or Personal Income Tax. The amount of credit is 50% of the eligible contribution, and credit may be taken over a five-year period.

HISTORIC REHABILITATED BUILDINGS INVESTMENT CREDIT (SCHEDULE RBIC)

The Historic Rehabilitated Buildings Investment Credit equals ten percent (10%) of the qualified expenditures for the rehabilitation of residential and nonresidential buildings designated by the National Park Service, United States Department of the Interior, as "certified historic structures," and further defined as a "qualified rehabilitated structure." The statute requires that the building or area be located within West Virginia to be eligible for the credit, and rehabilitation expenditures must be reviewed and approved by the West Virginia Department of Culture and History in order to qualify for credit.

The credit may offset up to 100% of the Taxpayer's liability for Personal Income Tax or Corporation Net Income Tax. For tax years beginning on or after March 9, 2002, Taxpayers may transfer, sell or assign any unused tax credits after first obtaining a certificate of approval from the Division of Culture and History to transfer, sell or assign the stated amount of unused tax credit.

There are also carryover provisions for excess credit as follows:

- Corporation Net Income Tax - For years beginning after December 31, 1997, one-year back and twenty years forward.
- Personal Income Tax - For years beginning after December 31, 1997, one-year back and twenty years forward.

Taxpayers must complete and file schedule RBIC when claiming this credit on annual tax returns.

Application procedures for the rehabilitated buildings investments credits are the same as those required in the federal regulations for the Preservation Tax Incentive. The certification process is in three parts. Part I certifies that the building is a historic structure. Part II describes the work to be done, and Part III is the actual certification of the Secretary of the Interior's Standards for Rehabilitation. The reviews are completed at the State Historic Preservation Office then forwarded, with recommendations, to the National Park Service for final determination. Successful certification by the National Park Service of a certified rehabilitation automatically qualifies the applicant for this tax credit.

CREDIT FOR QUALIFIED REHABILITATED RESIDENTIAL BUILDING INVESTMENT (SCHEDULE RBIC-A)

The Credit for Qualified Rehabilitated Residential Building Investment equals twenty percent (20%) of the qualified expenditures for the rehabilitation of residential homesteads designated by the West Virginia Department of Culture and History as "certified historic structures," and further defined as a "qualified rehabilitated structure." The statute requires that the building or area be located within West Virginia to be eligible for the credit, and rehabilitation expenditures must be reviewed and approved by the West Virginia Department of Culture and History in order to qualify for credit.

The credit may offset up to 100% of the Taxpayer's liability for Personal Income Tax. For tax years beginning on or after March 9, 2002, Taxpayers may transfer, sell or assign any unused tax credits after first obtaining a certificate of approval from the Division of Culture and History to transfer, sell or assign the stated amount of unused tax credit.

Carryover provisions for excess credit are as follows:

- Personal Income Tax - For years beginning after December 31, 1999, five years forward.

Taxpayers must complete and file schedule RBIC-A when claiming this credit on annual tax returns.

CREDIT SCHEDULE ORDER FORM

On the following page is a listing of all available tax credit schedules. This page may be used as an order form. Please checkmark the schedules that you are of interest and return to Taxpayer Services. Due to efforts to keep printing and postage costs down, orders are limited to one of each tax credit schedule. The schedules may be photocopied as needed. Schedules and forms can also be downloaded from the Tax Department web site. The address for the West Virginia State Tax Department, alternative ordering information and the Department's Internet address is provided on the last page.

If you have questions concerning the tax credit information contained in this publication or need to order a tax credit schedule please write:

West Virginia State Tax Department
Taxpayer Services Division
P.O. Box 3784
Charleston, WV 25337-3784

Telephone: (304) 558-3333 or toll-free: 1-800-WVA-TAXS (1-800-982-8297)
TDD service for the hearing impaired: 1-800-2TAXTDD (1-800-282-9833)

To order forms or publications through the automated information system call:
(304) 344-2068 or toll-free within West Virginia: 1-800-422-2075
Internet Address: <http://www.state.wv.us/taxdiv>

TAX CREDIT FORM & SCHEDULE ORDER FORM

ECONOMIC DEVELOPMENT CREDITS

- Economic Opportunity Tax Credits (Application Form WV/EOTC-A and Schedules EOTC-1 and EOTC-PIT)
- - 1. General Economic Opportunity Tax Credit
 - 2. Corporate Headquarters Relocation Tax Credit
 - 3. Small Business Credit
- Manufacturing Investment Tax Credit (Application Form WV/MITC-A and Schedule MITC-1)
- Industrial Expansion and Revitalization Credit for Electric Power (Schedule I)
- Industrial Expansion and Revitalization Credit for manufacturers' qualified investment placed in service or use prior to January 1, 2003 (Schedule I)
- Strategic Research and Development Tax Credit (Application Form WV/SRDTC-A and Schedule SRDTC-1)
- Coal Loading Facilities Credit (Schedule C)

ENVIRONMENTAL CREDITS

- West Virginia Alternative-Fuel Motor Vehicles Credit (Schedule WV/AFMV-1)
- West Virginia Environmental Agricultural Equipment Credit (Schedule WV/AG-1)

EMPLOYMENT CREDITS

- West Virginia Military Incentive Credit (Schedule J)
- Natural Gas Jobs Retention Act Credit (Schedule WV/NGRET-1)

OTHER CREDITS

- West Virginia Capital Company (Schedule CCP)
- Telephone Utilities Rate Reduction (Schedule K)
- Electric and Gas Utilities Rate Reduction (Schedule L)
- Non-family Adoption Credit (Schedule WV/NFA-1)
- Neighborhood Investment Program Credit (Schedule WV/NIPA-2)
- Historic Rehabilitated Buildings Investment Credit (Schedule RBIC)
- Residential Historic Rehabilitated Building Qualified Investment Credit (Schedule RBIC-A)