

2010 VIRGINIA SCHEDULE CR INSTRUCTIONS

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

General Information

To obtain forms, call 804-440-2541;
or visit our website: www.tax.virginia.gov
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 these credits:

- Trust Beneficiary Accumulation Distribution
- Enterprise Zone Act
- Neighborhood Assistance Act
- Recyclable Materials Processing Equipment
- Conservation Tillage Equipment
- Fertilizer and Pesticide Application Equipment
- Rent Reduction Program
- Vehicle Emissions Testing Equipment
- Major Business Facility
- Foreign Source Retirement Income
- Historic Rehabilitation
- Day-Care Facility Investment
- Low-Income Housing
- Agricultural Best Management Practices
- Qualified Equity and Subordinated Debt Investments
- Worker Retraining
- Waste Motor Oil Burning Equipment
- Purchase of Long-Term Care Insurance
- Biodiesel and Green Diesel Fuels
- Livable Home (formerly Home Accessibility Credit)
- Riparian Waterway Buffer
- Land Preservation
- Community of Opportunity Tax Credit
- Green Jobs Creation
- Political Contributions
- Coalfield Employment Enhancement
- Virginia Coal Employment and Production Incentive

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

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, Line 1A, reduced by other credits claimed, regardless of order on Schedule CR. There are two refundable credits: Virginia Coal Employment and Production Incentive and Coalfield Employment Enhancement Tax Credit (computed on Form 306). These refundable credits are reported in Sections 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 is larger than the balance of maximum nonrefundable credit available, the following rules will ensure that you receive the maximum benefit of your credits:

- Claim nonrefundable credits without a carryforward provision (such as credit for political contributions) first;
- Claim carryover credits from prior years next (in expiration order);
- Utilize current year credits in the order of their carryover provision next;
- Then report any unused credits as carryovers for succeeding taxable years to the extent allowed by law.

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 spouse tax adjustment, credit for tax paid to another state, and credit for low-income individuals or Virginia earned income credit.

CREDIT DESCRIPTION

Trust Beneficiary Accumulation Distribution

If only claiming the credit set forth under Section 58.1-370, *Code of Virginia* 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 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 take 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 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.

If the annual tax credit requested exceeds the annual appropriation, the Virginia Department of Housing and Community Development (**DHCD**) will issue a proportionate amount to each qualified business firm requesting the credits.

For qualification forms and additional information, contact: Virginia Department of Housing and Community Development, Office of Community Revitalization & Development, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219, or call 804-371-7030.

Neighborhood Assistance Act Tax Credit

The Virginia Neighborhood Assistance Act provides tax credits to businesses that donate money, property, limited professional services and contracting services directly to pre-approved Neighborhood Assistance Program (NAP) organizations whose primary function is to benefit impoverished individuals. Individuals may receive a credit for a donation of cash or marketable securities to an eligible organization. Licensed veterinarians, physicians, dentists, nurses, nurse practitioners, physician assistants, chiropractors, optometrists, dental hygienists, pharmacists, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists and physical therapists who donate their services for an approved clinic may also be eligible for credits. Excess donor credit, if applicable, may be carried forward for the next five taxable years. The amount of credit attributable to a partnership or S corporation shall be allocated to the partners and shareholders in proportion to their ownership or interest in the partnership or S corporation. For a list of approved organizations or additional information, contact: **Virginia Department of Social Services, Neighborhood Assistance Program, 801 E. Main Street, Richmond, VA 23219-3301** or the Virginia Department of

Education, Office of Special Education Data and Finance, 101 N. 14th Street, Richmond, VA 23219.

Recyclable Materials Processing Equipment Credit

For taxable years beginning on or after January 1, 2008 and before January 1, 2015, an income tax credit may be claimed for purchases made during the taxable year for machinery and equipment used exclusively in or on the premises of manufacturing facilities or plant units which manufacture, process, compound or produce items of tangible personal property from recyclable materials within the Commonwealth for sale. For the purposes of determining "purchase price paid", the taxpayer may use the original total capitalized cost of such machinery and equipment, less capitalized interest. The credit is 10% of such expenditures and cannot exceed 40% of the taxpayer's Virginia income tax liability for the year, computed prior to computing the credit. Any amount unused this year may be carried forward for the next ten taxable years.

The Virginia Department of Environmental Quality administers the certification of all recycling machinery and equipment. To claim this credit, you must have received pre-approval from the Department of Environmental Quality certifying the equipment. Attach your certified DEQ Form 50-11S along with purchase receipts and invoices for the equipment purchase to the income tax return in order to receive the credit. For additional information on how to qualify for certification, contact the **Department of Environmental Quality, Equipment Certification Officer, P.O. Box 1105, Richmond, VA 23218 or call 804-698-4145.**

Conservation Tillage Equipment Credit

This credit may be claimed by an individual purchasing and using conservation tillage equipment for the purpose of agricultural production. The tax credit is 25% of conservation tillage equipment expenditures made, or \$4,000, whichever is less. The term conservation tillage equipment means no-tillage planters and drills designed to reduce soil compaction, (including guidance systems to control traffic patterns that are designed to minimize soil disturbance) which may be attached to equipment already owned. Any amount unused this year may be carried over to the next five taxable years.

Attach a statement to your return showing purchase date, description and credit computation when claiming this credit.

Fertilizer and Pesticide Application Equipment Credit

The fertilizer and pesticide application equipment credit is 25% of all expenditures for equipment certified by the Virginia Soil and Water Conservation Board as providing more precise pesticide and fertilizer application, or \$3,750, whichever is less. Qualifying individuals must be engaged in agricultural production for market and have in place a nutrient management plan approved by the local Soil and Water Conservation District. Any unused credit may be carried forward for the next five taxable years.

Rent Reduction Program Credit

Owners of rental property who provide a rent reduction to income eligible tenants who are age 62 or older, are mentally or physically disabled, or have been homeless (i.e. a person who has resided in a domestic violence or homeless shelter) at any time within the twelve months preceding the lease term are eligible to apply for a state income tax credit. The reduced rent must be at least 15% below the market rate. The credit is equal to 50% of the total rent reductions given to eligible tenants during the taxable year. An individual may not claim this credit on any dwelling unit unless this credit for rental reductions was validly claimed on such dwelling unit for all or part of the month of December 1999 and unless the tenant was an occupant of such dwelling unit on December 31, 2005 - no new owner applications are being accepted. Any amount unused in the taxable year in which it was earned may be carried forward for the next five taxable years. Tax credits are only available for reductions offered after the time of application and approval by Virginia Housing Development Authority (VHDA). For additional information, contact: Melissa Waller, **Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, VA 23220-6504, 804-343-5912.**

Vehicle Emissions Testing Equipment and Clean-Fuel Vehicle Credit

An income tax credit may be claimed for purchases, made while you were a Virginia resident, of vehicle emissions testing equipment and clean-fuel vehicles. The credit is 20% of the purchase or lease price paid during the taxable year for equipment certified by the Department of Environmental Quality (DEQ) for vehicle emissions testing within a locality required by law to implement an enhanced vehicle emissions inspection program or, after January 1, 1998, within any locality adjacent to those localities required to implement the program.

Emissions Testing Equipment Credit - You must attach a copy of the letter from DEQ to the equipment vendor certifying that the equipment configuration meets the regulation and equipment specification requirements for use in the enhanced vehicle emissions inspection program. To obtain a copy of this letter, contact your equipment vendor or the **DEQ Northern Virginia Regional Office in Woodbridge at 703-583-3900.** You are not required to submit a specific form for the emissions testing equipment credit.

Clean Fuel Vehicle Credit - You are not required to submit a specific form as part of your tax return to document the purchase of a clean-fuel vehicle. However, you should retain documentation to support your claim for the tax credit as an audit may be conducted to verify any credit claimed under these provisions.

Major Business Facility Job Tax Credit

Individuals, estates, trusts, corporations, banks, insurance companies and telecommunications companies may claim a Virginia tax credit if the taxpayer creates at least 50 new full-time jobs in connection with the establishment or expansion of a major business facility, and the company is engaged in a qualifying industry in Virginia. If a taxpayer is located in an enterprise zone or in an economically distressed area (as defined by the Virginia Department of Economic Development), the threshold is reduced from 50 to 25. Credits will be recaptured proportionately if employment decreases during the five years following the initial credit year.

This nonrefundable credit is equal to \$1,000 per qualifying new job in excess of the 25/50 job threshold in enterprise zones or economically distressed areas. This credit is spread over two years for taxpayers whose credit year begins January 1, 2009 through December 31, 2012. (Please note that for taxpayers whose credit year begins on or after January 1, 2010 the thresholds have been reduced to 50/25 jobs.)

The credit only applies to facilities where an announcement to expand or establish such a facility was made on or after January 1, 1994. The credit must be claimed ratably beginning with the taxable year following the year in which the facility is established or expanded, or the new qualifying jobs are added. Unused credits may be carried forward for the next ten taxable years.

To apply for this credit, complete Form 304. All applications must be submitted to the **Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** 90 days prior to the due date of your return. A letter will be sent to certify the credit. To claim this credit, complete Part 9 of Schedule CR.

Foreign Source Retirement Income Tax Credit

A credit is available to Virginia residents who paid income tax to a foreign country on pension or retirement income derived from past employment in a foreign country provided such income is included in Virginia taxable income for the taxable year. For purposes of computing the credit, the foreign currency must be translated into U.S. dollars using the prevailing exchange rate that most nearly reflects the value of the currency at the time the taxes were actually paid to the foreign country. *If you filed separately in the foreign country, but are filing jointly in Virginia, enter only the Virginia taxable income attributable to the filer whose income was taxed by the foreign country.* For the purposes of this credit, possessions of the U.S. are considered foreign countries. Any foreign country that does not qualify for the federal tax credit [IRC Section 901(j)] does not qualify for this Virginia credit. To claim this credit, complete Schedule CR and attach a copy of the return filed in the foreign country or other proof of tax payment to the foreign country.

Historic Rehabilitation Tax Credit

Individuals, estates, partnerships, trusts or corporations incurring eligible expenses in the rehabilitation of a certified historic structure are entitled to claim a credit against the tax imposed by Sections 58.1-320, 58.1-360, 58.1-400, 58.1-1200, 58.1-2500 or 58.1-2620 of the *Code of Virginia*. The credit is equal to 25% of eligible rehabilitation expenses for projects completed in 2000 and thereafter. To qualify, the cost of the rehabilitation must equal at least 50% (25% if the building is an owner occupied residence) of the assessed value of the building for local real estate tax purposes in the year preceding the start of the rehabilitation. Unused credit may be carried forward for ten years. The rehabilitation work must be certified by the Virginia Department of Historic Resources as consistent with the Secretary of the Interior's Standards for Rehabilitation. Applications for certification may be obtained from the **Virginia Department of Historic Resources, 2801 Kensington Avenue, Richmond, VA 23221, 804-367-2323, or visit www.dhr.virginia.gov**.

Day Care Facility Investment Tax Credit

A credit is allowed in an amount equal to 25% of the expenditures to establish a day-care facility for the children of employees, not to exceed \$25,000. The total credits approved may not exceed \$100,000 in any fiscal year. To be eligible for the credit: (1) the facility must be operated under a license issued by the Virginia Department of Social Services; (2) the building permit application for the facility must be submitted after July 1, 1996; (3) the facility must be used primarily by the children of the taxpayer's employees; and (4) the Tax Commissioner must approve the credit application prior to claiming the credit. To apply, submit a letter of application that specifies the employer's name, location of the facility and certification of items (1)-(3) above. Send the application to: **Virginia Department of Taxation, Tax Credit Administration Unit, P.O. Box 715, Richmond, VA 23218-0715**. Applications are approved in the order received. Approved applicants will receive an approval form from the department. To claim the credit, complete Part 12, of the Schedule CR. All pass-through entities distributing this credit to its owner(s), shareholders, partners or members must give each a Schedule VK1, Owner's Share of Income and Virginia Modifications and Credits. This credit is nonrefundable but excess credit may be carried forward for 3 years. For additional information please call **804-786-2992**.

Low-Income Housing Tax Credit

If you are a Virginia taxpayer and you claimed a low-income housing tax credit on your federal income tax return for housing units placed in service in Virginia on or after January 1, 1998, you may qualify to claim the state low-income housing tax credit. The state credit is a percentage of the federal credit. The Board of Housing and Community Development will not approve any low-income housing credits after June 30, 2010. For additional information, contact the **Department of Housing and Community Development at 804-371-7117**.

Agricultural Best Management Practices 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. 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. Any unused credit may be carried forward for the next five taxable years. For additional information, contact your local **Soil and Water Conservation District Office**.

Qualified Equity and Subordinated Debt Investments Credit

Taxpayers making a "qualified investment" in the form of equity or subordinated debt in a "qualified business" may be eligible for this credit. Businesses may apply for designation as a qualified business using **Form QBA**. The qualification is **valid** only for the calendar year of the application. Therefore, the business needs to reapply each

year for qualification. To qualify, the business must (1) have annual gross revenues of no more than \$3 million in its most recent fiscal year, (2) have its principal office or facility in the Commonwealth, (3) be engaged in business primarily in or having substantially all of its production in the Commonwealth and (4) have not obtained during its existence more than \$3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments (not including commercial loans from chartered banking or savings and loan institutions).

The credit equals 50% of the qualified business investments made during the taxable year. For the 2010 taxable 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. The total amount of credit that may be used per taxpayer per taxable year may not exceed \$50,000. The credit is nonrefundable. Unused credits may be carried forward up to 15 years. Equity and debt investments held in connection with a qualified business investment must be held by the investor for at least three full calendar years following the calendar year for which the credit is allocated except in certain instances. If the holding period is not met, the unused credit amount will be forfeited, and an assessment will be issued for the amount used 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.

This credit requires **pre-approval** by the **Department of Taxation**. Investors must apply to the Department by April 1 of the year following the year the investment was made using **Form EDC. Taxpayers filing Form EDC after April 1 will be denied this credit**. All approved investors filing a timely **Form EDC** will be notified of the allowable credit by June 30. Since the tax return of most individuals is due May 1, most investors will need to file a return on extension or amend their original return to claim the credit.

Pass-Through Entities must file **Form PTE** with the Department of Taxation at least 60 days before filing their income tax return. A copy of the certification letter from the Department of Taxation is a required attachment to **Form PTE**.

Visit our website at **www.tax.virginia.gov** to obtain **Form QBA, Form EDC** and **Form PTE**. Information on the application process is also available from the **Virginia Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715, or call 804-786-2992**.

Worker Retraining Tax Credit

This credit allows an employer to claim a tax credit for the training costs of providing eligible worker retraining to qualified employees. "Eligible worker retraining" includes noncredit courses that are approved by the Department of Business Assistance and that are provided by any of the Commonwealth's community colleges or a private school. Eligible worker retraining programs also include courses (credit, noncredit) undertaken through an apprenticeship agreement approved by the Virginia Apprenticeship Council. The credit is 30% of all training costs through a community college, or up to \$100 annual credit for each employee if incurred at a private school. Employers must apply for certification of the amount of allowable credit using **Form WRC**, Worker Retraining Tax Credit, by April 1 of the year following the year in which the training expenses were paid or incurred, before claiming the credit on their income tax return. All approved businesses filing a timely **Form WRC** will be notified of their allowable credit by June 30. The maximum worker retraining credits granted to all employers is limited to \$2,500,000 annually. If total credits approved exceed this amount, each will be prorated. The credit is allowable against individual income tax, fiduciary income tax, corporation income tax and the bank franchise tax. The credit is also allowable against taxes imposed upon insurance companies and utility companies (under Sections 58.1-2500 et. seq. and Section 58.1-2620 et. seq., *Code of Virginia*). This

credit is nonrefundable, but excess credit may be carried forward for the next three taxable years. To claim this credit, complete Part 16 of Schedule CR. For information on pre-approved apprenticeship programs, contact the **Virginia Department of Labor and Industry at 804-225-4362**. For information on noncredit course approval, contact the **Virginia Department of Business Assistance, P. O. Box 446, Richmond, VA 23218-0446, telephone 804-371-8120**.

Waste Motor Oil Burning Equipment Credit

A business that operates a business facility in Virginia that accepts waste motor oil from the public is allowed a tax credit equal to 50% of the purchase price paid for equipment during the taxable year, provided that the equipment is used exclusively for burning waste motor oil at the business facility. The total credit allowed to any taxpayer in any taxable year of purchase is limited to \$5,000. Taxpayers successfully applying for equipment certification with the Department of Environmental Quality by filing Form DEQ 50-12 will receive a statement from that agency certifying that the equipment is used for burning waste motor oil. For additional information concerning equipment qualifying for this credit or to apply for tax credit certification, contact: **Virginia Department of Environmental Quality, Attention: Equipment Certification Officer, P. O. Box 1105, Richmond, VA 23218, or call 804-698-4145**.

Credit for Purchase of Long-Term Care Insurance

Individuals may claim a credit equal to 15% of the amount paid by the individual during the taxable year in long-term care insurance premiums for long-term care insurance coverage for himself, but the total credits for any policy may not exceed 15% of the amount of premiums paid for the first 12 months of coverage. Any unused credit may be carried forward for the next five taxable years. In order to determine the amount of premiums that may be used as a basis for this credit, the individual must subtract any amount actually included as a deduction on Line 4 of Schedule A of the individual's federal income tax return. In addition, the individual may not claim this credit to the extent the same premiums have been used to claim the Virginia deduction for long-term health care premiums. It may be possible, however, for an individual to claim this credit and the Virginia deduction in the same year. Please see the example below.

This credit is based on the amount paid during the taxable year, even if the months covered by the policy extend into the following taxable year. For example, if an individual purchased a policy on July 1 and paid for 12 months, he would base his credit on the entire payment, even though only six months of the coverage period would fall in the taxable year in which he claimed the credit. If however, the individual made payments on a monthly basis, he would claim a credit in the current taxable year for 6 months of premiums and a credit in the second year for the next six months of premiums in order to reach the allowed total of 12 months. In that case, the individual could also claim a deduction in the second year for the 6 months of premiums that were not used as a basis for the credit. For more information, contact: **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715, or call 804-786-2992**.

Biodiesel Fuels Tax Credit

Beginning on January 1, 2008, a credit is available for Virginia biodiesel and green diesel fuel producers who produce up to two million gallons of fuel per year. This credit is only available during the first three years of production.

Form BFC is used to apply to the Virginia Department of Taxation (TAX) for a Biodiesel Fuels Credit after the Department of Mines, Minerals, and Energy has certified that you have satisfied all the requirements of § 58.1-439.12:02.

The amount of the credit is \$0.01 per gallon, not to exceed \$5,000 annually. Any credit not used for the taxable year may be carried over to the next three taxable years. The amount of the credit allowed cannot exceed the tax liability for the tax year the credit is being claimed.

The amount of the credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company must be allocated to the individual partners, shareholders, or members in proportion to their ownership or interest within the business entity using Form PTE.

The credit may be transferred to another taxpayer. The transfer of the credit must be completed before the end of a tax year in order to use the credit for that tax year. For more information, contact: **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715, or call 804-786-2992**.

Livable Home Tax Credit (formerly Home Accessibility Credit)

Individuals may be eligible for an income tax credit of up to \$2,000 for the purchase of a new accessible residence or up to 50 percent of the cost of retrofitting activities on an existing residence not to exceed \$2,000. Any tax credit that exceeds the eligible individual's tax liability may be carried forward for up to five years. If the total amount of tax credits issued under this program exceeds \$1 million in a fiscal year, Virginia Department of Housing and Community Development (DHCD) will prorate the amount of credits among the eligible applicants. Individuals must obtain pre-approval before claiming the credit on their income tax returns. Applications are to be filed with the DHCD by February 28 of the year following the year in which the purchase or retrofitting was completed. Documentation must be submitted with the application. If you are using a carryforward amount from the Home Accessibility Tax Credit, please enter that amount in Part 20, Line B. For more information, contact: **Virginia Department of Housing and Community Development, Special Needs Housing, Main Street Centre, 600 East Main Street, Suite 300, Richmond, VA 23219, or call 804-371-7124**.

Riparian Forest Buffer Protection for Waterways Tax Credit

Individuals, grantor's trusts and corporations may qualify for an income tax credit of 25% of the value of the timber on an area designated as a riparian buffer for a waterway. The credit may not exceed \$17,500 or the total amount of tax, whichever is less. To apply for this credit, file Department of Forestry (DOF) Form 179 with DOF or apply online at www.dof.virginia.gov.

A riparian buffer is land adjacent to a waterway on which timber may be harvested. In order to receive the credit, the owner of such land must refrain from harvesting more than 50% of such timber. The buffer must be at least 35 feet wide and no more than 300 feet. There must be a Stewardship Plan and annual certification of compliance for each tract. The buffer must remain in place for at least fifteen years. The land that is the subject of this credit cannot be the subject of this credit again for fifteen years after it was first taken. The credit may be carried over for the succeeding five taxable years. For more information contact: **Virginia Department of Forestry, 900 Natural Resources Dr. Suite 800, Charlottesville, VA 22903, 434-977-6555**.

Land Preservation Tax Credit

This tax credit is for taxpayers that convey land or interest in land located in Virginia to a public or private agency eligible to hold such land or interests therein for conservation or preservation purposes. The conveyance must be in perpetuity.

Credits granted prior to 2007 are 50% and the credits granted for 2007 and beyond are 40% of the fair market value, as substantiated by a "qualified appraisal" prepared by a "qualified appraiser", as those terms are defined under applicable federal law and regulations governing charitable contributions. The credit limit for a taxpayer has been \$100,000. However, for taxable years 2009, 2010 and 2011 the total amount of credit that may be used per taxpayer per taxable year may not exceed \$50,000 or the tax liability, whichever is less. For taxpayers affected by the 2009 and 2010 usage limit, an additional 2 year carryforward will be added to the credit. For taxpayers affected by the 2011 usage limit, an additional 3 years carryforward will be added to the credit. Any unused credit not

affected by the carryforward will remain the original carryforward periods (5 years for donations originating prior to January 1, 2007 and 10 years for donations originating on or after January 1, 2007).

Any taxpayer holding a Land Preservation tax credit that originated on or after January 1, 2002, may transfer unused but otherwise allowable credit for use by another taxpayer on Virginia income tax returns. Transfers and pass-through allocations derived from donations recorded on or after January 1, 2007, are subject to a fee. See Schedule A of Form LPC-1 or Form LPC-2 for further information.

If this credit is taken, for the next three years taxpayers cannot take a subtraction for the gain on the sale of land or easements dedicated to open-space use. A subtraction is allowed for any gain or income recognized by a taxpayer on the application of a Land Preservation tax credit against a Virginia income tax liability to the extent the gain is included in and not otherwise subtracted from federal adjusted gross income. The transfer of the credit and its application against a tax liability shall not create gain or loss for the transferor or the transferee.

Before claiming the credit, complete and file Form LPC-1 and/or Form LPC-2 with the Department of Taxation at least 90 days before filing an annual return. Additionally, applicants filing for tax credits of \$1 million or more must apply to the Department of Conservation and Recreation to receive verification of the conservation value. The Department of Taxation will issue a letter acknowledging the amount of the credit. For assistance contact the **Virginia Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715, or call 804-786-2992.**

Community of Opportunity Tax Credit

Community of Opportunity Tax Credit provides Virginia income tax credits to landlords with qualified housing units located in census tracts with poverty rates of less than ten percent in the Richmond Metropolitan Statistical Area (MSA) who participate in the Housing Choice Voucher program.

The amount of tax credit for an eligible property will be based on ten percent of annual Fair Market Rent for that specific unit and prorated when units are qualified for less than the full tax year. Proportions will be based on full calendar months. A landlord may receive tax credits on one or more units within the same tax year. Credits taken for any one tax year cannot exceed the tax liability for that year. Credits not taken for the year for which they are allocated may be carried forward, but cannot be carried forward for more than five years.

Should eligible applications received by the March 1 deadline exceed the annual appropriation, tax credits will be prorated based on the total amount of qualified requests received and the total amount of credits available. If the annual appropriation for tax credits is not fully allocated based on qualified applications received by the March 1 deadline, the remaining balance will be allocated on a first-come first served basis. Unused balances will not be allocated more than three years after the tax year in which they were first made available.

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) shall be allocated to the individual partners, members, or shareholders in proportion to their ownership or interest in such business entity. The landlord must assume responsibility for distributing credits in this manner. No person shall be allowed a tax credit under 58.1-339.9 (Rent reductions tax credit) and the COP tax credit for the rental of the same dwelling unit in a taxable year.

For additional information, please contact: Virginia Department of Housing and Community Development, Main Street Centre, 600 East Main Street, Suite 300, Richmond VA 23219, or call (804) 371-7000.

Green Jobs Creation Credit

For taxable years beginning on and after January 1, 2010, but before January 1, 2015, a \$500 income tax credit is allowed for the creation of "green" jobs paying an annual salary in excess of \$50,000. Each taxpayer is allowed a credit for up to 350 new green jobs. In order to qualify for the tax credits, the taxpayer must have created the green job and filled it during the taxable year in which the credit is claimed. The credit is allowed for the taxable year in which the job has been filled for at least one year and for each of the four succeeding taxable years provided the job is continuously filled during the respective taxable year. Any unused tax credits may be carried over for 5 taxable years.

To apply for this credit, complete **Form GJC**. All applications must be submitted to the **Department of Taxation, Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715, 90 days prior to the due date of your return.** A letter will be sent to certify the credit. To claim the credit you must complete Part 24 of Schedule CR.

For assistance contact the **Virginia Dept. of Taxation, Tax Credit Unit, P. O. Box 715, Richmond VA 23218-0715, or call 804-786-2992.**

Political Contributions Credit

Establishes a tax credit for individuals who make contributions to candidates for state or local political office equal to 50 percent of the amount of the contribution, subject to a \$25 limit for individuals and a \$50 limit for married taxpayers filing jointly.

Coalfield Employment Enhancement Tax Credit

For taxable years beginning on or after January 1, 1996, but before January 1, 2015, 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 tax 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 or after January 1, 2006, or prior to July 1, 2011, 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. You must complete the Form 306, Form 306T and its attachments to claim this credit.

WHAT TO ATTACH

A paper return must be filed when credits are claimed that require forms or other documents to be attached to the return. This year attachments are not required when the Long Term Care Credit is claimed, so returns claiming it can now be filed electronically. Attachments should be included with your return when claiming original or carryover credits. Computation schedules are required for carry forward claims. Missing attachments may cause a credit to be disallowed.

- **Enterprise Zone Act Credit:** Attach Form 301.
- **Recyclable Materials Processing Equipment Credit:** Approved Form 50-11S from the Department of Environmental Quality as well as receipts, invoices or other documentation to confirm purchase price paid.
- **Conservation Tillage Equipment Credit:** Statement showing purchase date, description and credit computation.
- **Fertilizer and Pesticide Application Equipment Credit:** Statement showing purchase date, description and credit computation and statement of approval from the local Soil and Water Conservation District.
- **Vehicle Emissions Testing Equipment Credit:** Copy of the letter from the Department of Environmental Quality (DEQ) to the equipment vendor certifying that the equipment configuration meets the regulation and equipment specification requirements for use in the enhanced vehicle emissions inspection program. A copy of the letter may be obtained from the equipment vendor or the DEQ Northern Virginia Regional office in Woodbridge, Virginia by calling (703) 583-3900.
- **Foreign Source Retirement Income Tax Credit:** Copy of the tax return filed in the other country or other proof of income tax paid to the foreign country and a schedule showing computation of foreign currency converted to United States Dollars.
- **Agricultural Best Management Practices Tax Credit:** Certificate from the Local Soil and Water Conservation District for which the credit is claimed.
- **Waste Motor Oil Burning Equipment Credit:** Approved Form 50-12 from the Department of Environmental Quality, receipts, invoices or other documentation to confirm purchase price paid.
- **Coalfield Employment Enhancement Tax Credit and Virginia Coal Employment and Production Incentive:** Form 306 with completed schedules, if appropriate. See "What to Attach" on the instructions for Form 306 for additional attachment requirements and information.