

Keystone Innovation Zone (KIZ) Tax Credit and Tax Credit Sale

Program Guidelines | May 2010

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Section I – General

A. Introduction

The Keystone Innovation Zone Tax Credit Program is a key component of the Keystone Innovation Zone (KIZ) Program. The KIZ Program, established in 2003, creates designated geographic zones to foster innovation and create entrepreneurial opportunities by aligning the combined resources of educational institutions and the private sector. For-profit business entities 1) located within the geographic boundaries of a particular KIZ, 2) in operation less than 8 years, 3) operating within one of the KIZ targeted industry segments or sectors, 4) and meeting any other requirements as specified by the Department of Community & Economic Development (DCED) may be qualified KIZ Companies and eligible to participate in the KIZ Tax Credit Program. KIZ Tax Credits can be used to offset certain state tax liabilities. With a total pool of up to \$25 million in tax credits available to KIZ Companies annually, the KIZ Tax Credit Program significantly contributes to the ability of young KIZ companies to transition through the stages of growth. This innovative program also provides for a tradability component crucial to young companies that do not yet have a tax liability.

B. Award Calculation

A KIZ Company may claim a tax credit equal to 50% of the increase in that KIZ Company's gross revenues in the immediately preceding taxable year attributable to activities in the KIZ, over the KIZ Company's gross revenues in the second preceding taxable year attributable to its activities in the KIZ. A tax credit for a KIZ Company shall not exceed \$100,000 annually. For the purposes of the KIZ Tax Credit Program, the term "gross revenues" is defined as revenues derived from the sale of goods and services from activities in a KIZ targeted industry, and from operations transacted within the KIZ. Gross revenues may include grants received by the KIZ Company from any source whatsoever (i.e., KIZ, SBIR/STTR, NIH, DOD, etc.). All other forms of income shall not be included as KIZ gross revenues.

- For example, ABC Co. operates entirely in a KIZ and its entire operations are within a targeted industry segment. In year 1, ABC Co.'s gross revenue resulting from activities within the KIZ amounts to \$40,000. In year 2, ABC Co.'s business grows, and their gross revenues from activities within the KIZ amount to \$60,000. In year 3, ABC Co. may apply for a KIZ tax credit of \$10,000 (50% of the \$20,000 increase in gross revenue from year 1 to year 2).

If in year 3, ABC Co.'s gross revenues grow to \$500,000 from activities within the KIZ, the company would be eligible to apply for a maximum KIZ tax credit of \$100,000 in year 4. Their increase from year 2 (\$60,000) to year 3 (\$500,000) is \$440,000; however, 50% of the increase in gross revenues (\$220,000) exceeds the \$100,000 maximum allowable tax credit.

The DCED will adhere to the Commonwealth's Keystone Principals for Growth, Investment and Resource Conservation when awarding KIZ Tax Credits. The total of all KIZ Tax Credits awarded in any given year shall not exceed \$25 million. If the total amount of tax credits approved for any single year is less than \$25 million, the unused portion does not carry over to future years. If the total amount of tax credits approved for any one year exceeds \$25 million, the tax credit for each approved applicant shall be determined as follows:

- Divide each application approved for tax credits for the year by the total of all approved tax credits that year and multiply the quotient by \$25 million to determine the amount of tax credits allocated to each company.

C. Applying for an Award

A for-profit business entity that qualifies as a KIZ Company may file an application with the DCED postmarked on or before September 15 of each year. The application must be complete and contain the forms provided in this document (Appendix A and B including the worksheets), as well as final, signed copies of the two prior years' Pennsylvania tax returns, and also the first page with the signed signature pages of the applicant's Federal return submitted by the applicant to the Pennsylvania Department of Revenue (or the verification forms of electronically filed tax returns). The tax forms and any other supporting documents must clearly highlight where the payroll and property factors are found and be properly entered into the appropriate worksheets. Applicants must verify that they have been or are actively working with the KIZ Coordinator and/or the KIZ partners. Additionally, the applicant must have submitted their online semi-annual KIZ reports in accordance with the KIZ guidelines.

To determine the State Senatorial and Representative District numbers for the KIZ Company enter the company's zip code in the upper right corner of the following internet web address
<http://www.legis.state.pa.us/index.cfm>.

All applications must be submitted by September 15th, contain all required documentation and be completed correctly to be deemed eligible for review and potential award of KIZ tax credits. No time extensions will be granted. In cases of granted federal and/or state tax filing extensions to the KIZ Tax Credit applicant, please note these extensions will not be taken into consideration in the review of the KIZ Tax Credit application. All state and federal filed tax returns must be submitted with this application. Each application will be reviewed as submitted. If applications are deficient or missing required information/documentation, the application will be determined to be ineligible.

DCED will determine if all of the required conditions have been met and, if so, a tax credit certificate based on the award calculations outlined in Section B will be awarded no later than December 15 of each year. Appendix D of these guidelines provides a flow chart detailing the tax credit award process.

D. Sale or Use of Tax Credits

A tax credit approved in accordance with these guidelines must first be applied against the KIZ Company's own tax liability under Articles III (Personal Income Tax), IV (Corporate Net Income Tax), or VI (Capital Stock - Franchise Tax) of the Pennsylvania Tax Reform Code of 1971, for the taxable year during which the tax credit is approved.

A KIZ Company may not carry back or obtain a refund of an unused KIZ Tax Credit or any part of that credit. If the KIZ Company's tax liability is less than the amount of the KIZ Tax Credit, the company may:

1. Carry forward the unused portion of the tax credit for a period not to exceed four additional taxable years (five years total) and use the tax credit to offset an eligible tax liability at some point during those years; or
2. Apply to DCED for approval for the sale, including the transfer or assignment of all or a portion of the approved, unused tax credit to an identified buyer. The KIZ Tax Credit Award Certificate must accompany the KIZ Tax Credit Sale Application.

The application form to apply to DCED for approval to sell the KIZ Tax Credit is included as Appendix C in these guidelines. The buyer must be identified in the application for the sale of the KIZ Tax Credits submitted by the KIZ Company. Use separate applications if tax credits issued on different dates are to be sold or credits from a single award are to be sold to multiple buyers. Sale applications may only be submitted after receipt of the KIZ Tax Credit Award Certification and the KIZ Company has filed its state and federal taxes for the taxable year for which the KIZ Tax Credit is issued.

If a KIZ Company has a tax liability for the tax year in which the KIZ Tax Credit is approved, that approved KIZ Tax Credit must be used against that tax liability. However, in any subsequent year during the lifetime of the unused KIZ Tax Credit, the KIZ Company is not required to use the tax credit from a previous year for the current year's tax liabilities and may sell the tax credit. When the KIZ Company submits an application to sell the KIZ Tax Credit, the company may no longer use that tax credit to offset an eligible tax liability unless the application for the sale is denied by DCED or the application is withdrawn via a written request on company letterhead to DCED by the KIZ Company. A flow chart detailing the KIZ Tax Credit Sale process is located in Appendix E of these guidelines.

E. Tax Credits Awarded to Pennsylvania S Corporations

If the KIZ Company is a Pennsylvania S Corporation, and does not have an eligible tax liability against which the KIZ Tax Credit may be applied, the S Corporation may reassign its KIZ Tax Credits in one of the following ways:

1. The S Corporation may sell its KIZ Tax Credits, or
2. The S Corporation may pass through the KIZ Tax Credits to its shareholder(s). A shareholder of the S Corporation is entitled to a tax credit equal to the product of:
 - a. The unused amount of the KIZ Tax Credit, and
 - b. The percentage of the Pennsylvania S Corporation's distributive income to which the shareholder is entitled.

Since S Corporation shareholders are entitled to a pass-through of unused tax credits, all of its shareholders must agree to a sale of the tax credits. Shareholders must complete Section II of Appendix C and consent to forgo his/her respective share of the pass-through credit. If any shareholder does not consent, that shareholder's portion of the KIZ Tax Credit will not be available for sale.

To pass-through an S Corporation's KIZ Tax Credit, Section II of Appendix C must be completed and submitted to DCED. A pass-through will not occur automatically if an S Corporation does not have an eligible tax liability to which the tax credits may be applied.

Passed-through tax credits for the S Corporation shareholder are in addition to any tax credit to which the shareholder is otherwise entitled. The corporation may not apply to sell or reassign any KIZ Tax Credit being used by a shareholder to offset the shareholder's tax liability.

F. Sale/Pass-Through Approval Process

DCED and the Pennsylvania Department of Revenue strive to complete the approval process in 60 days or less. However, delinquent tax filings, outstanding tax liabilities, and other compliance issues - such as but not limited to submitting an incomplete application, requesting to sell more tax credits than are in fact available for sale, or providing inaccurate account identification numbers - will delay the approval process.

A completed tax return must be filed with the Pennsylvania Department of Revenue for the period in which the credit was awarded before the credit is passed-through (to Pennsylvania S Corporation shareholders only), carried forward, sold or assigned. A copy of this final, signed tax return must be included with the sales application. In addition, the sale or assignment of the restricted tax credit will not be approved if the seller has any unpaid state taxes. Therefore, for clearance to sell tax credits, a seller must have filed all state tax returns due as of the date the seller's records are reviewed by the Pennsylvania Department of Revenue. If the seller has non-filed returns or unpaid liabilities, the sale will be denied.

G. Sale/Pass-Through Application Amendments

To amend information (e.g. amount of credits to be sold, sales price, facilitator commission, account identification number, etc.) contained on the original application submitted to DCED, a written request on company letterhead outlining the required amendments and signed (photocopies or electronic signatures not accepted) by the corporate officer, general partner or limited liability company member who signed the original sales application must be submitted to DCED. (Note: if the signer of the original application is no longer affiliated with the company, then the signature of another corporate officer, general partner or limited liability company member that has authority to bind the applicant is acceptable.) Amendments must be mailed to the address listed in Section I below and must be received prior to the approval of the original sales/pass-through application. Amending an application will delay the approval process.

H. Buyer or Assignee

The buyer or assignee must claim the full amount of the purchased KIZ Tax Credit against certain enumerated tax liabilities in the taxable year in which DCED approves the application for the sale. The approval date of the sale is the later of the date of application, the filing date of the seller's tax return with Department of Revenue for the year the credit was awarded or the date the seller becomes compliant. The buyer or assignee of a KIZ Tax Credit may use that tax credit against any tax liability under Articles III (Personal Income Tax), IV (Corporate Net Income Tax), VI (Capital Stock - Franchise Tax), VII (Bank and Trust Company Shares Tax), VIII (Title Insurance Tax), IX (Insurance Premiums Tax), or XV (Mutual Thrift Institutions Tax) of the Pennsylvania Tax Reform Code of 1971.

Any portion of the tax credit not used by the buyer or assignee in the year of the purchase may not be used in any other tax year. The amount of the purchased tax credit **may not be used to offset more than 75%** of the buyer's or assignee's tax liability in that year. The buyer or assignee may not carry-over, carry back, obtain a refund of, or assign the KIZ Tax Credit. KIZ Tax Credits may be sold or assigned one time after the original KIZ Company applies the KIZ Tax Credit to any of their eligible tax liabilities in the year of the tax credit award. Transfer of KIZ Tax Credits will be closely coordinated between DCED and the Pennsylvania Department of Revenue. Once a KIZ tax Credit Sales / Assignment Application has been approved and the transfer completed it can not be in whole or in part reversed or amended, nor can it be assigned to or shared with, the buyer's / assignee's business partner(s) or family member(s).

I. Submitting an Application

Prospective applicants must submit their application in hard copy via postal mail on the forms included in these guidelines. **(Please use the appropriate checklist at the back of these guidelines to ensure that you have followed all of the necessary processes and included all of the required documents.)** Completed applications, including the original signature of a corporate officer, general partner or limited liability company member that has authority to bind the applicant KIZ Company (no photocopies or electronic signatures will be accepted) and all required attachments, are to be submitted to:

PA Department of Community & Economic Development
Technology Investment Office
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, PA 17120-0225
ATTN: KIZ Tax Credit or KIZ Tax Credit Sale Program (as appropriate)

For specific questions on this program, contact DCED's Technology Investment Office at:
RA-TechInvTaxCredit@state.pa.us.

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APPENDIX A AWARD APPLICATION

This application must postmarked on or before by September 15.

Application Number:
(To be filled in by DCED)

SECTION I

COMPANY NAME:	CONTACT'S NAME:
ADDRESS:	
PHONE NUMBER:	FAX NUMBER:
E-MAIL ADDRESS:	
STATE SENATORIAL DISTRICT #:	STATE REPRESENTATIVE DISTRICT #:
<i>Please use the name and address on record with the Pennsylvania Department of Revenue unless that information has been changed and is no longer valid. Please also be aware that approval or rejection notification will be sent via the US Postal Service to the address listed above. Notification of issues related to the application while in process will be emailed to the address above.</i>	
TAXPAYER IDENTIFICATION (SSN OR BOX NUMBER):	FEDERAL EMPLOYMENT IDENTIFICATION NUMBER (FEIN):
NAIC CODE:	KEYSTONE INNOVATION ZONE IN WHICH THE COMPANY IS LOCATED:
Have you actively worked with the KIZ Coordinator and/or KIZ Partners of the Keystone Innovation Zone in which the Company is located? <input type="checkbox"/> Yes <input type="checkbox"/> No	
HOW MANY KIZ ELIGIBLE DAYS WAS THE COMPANY PHYSICALLY LOCATED IN THE KEYSTONE INNOVATION ZONE IN THE COMPARABLE TAX YEAR*?	
HOW MANY KIZ ELIGIBLE DAYS WAS THE COMPANY PHYSICALLY LOCATED IN THE KEYSTONE INNOVATION ZONE IN THE BASE TAX YEAR***?	
DCED may request a copy of your lease, mortgage, or deed as documentation of the company's operations being physically located within the Keystone Innovation Zone. Can you provide this documentation if requested? <input type="checkbox"/> Yes <input type="checkbox"/> No	

SECTION II

Attach a certification from the KIZ Coordinator (Appendix B) stating that the KIZ Company is located within the geographic boundaries of the KIZ, that the applicant company operates within a targeted industry segment of the KIZ, identifying the targeted industry segment, and stating that the company has been in operation less than 8 years.

SECTION III

The KIZ Company's gross revenues attributable to target industry activities within the KIZ shall be calculated by using the following formula.

For the comparable and base year tax periods used in arriving at the KIZ Tax Credit for a Keystone Innovation Zone Company (applicant), the gross revenue of the applicant shall be apportioned to the KIZ by multiplying the applicant's Pennsylvania gross revenues by a fraction, the numerator of which is the property factor plus the payroll factor and the denominator of which is two, in accordance with the following:

- (1) The property factor is a fraction, the numerator of which is the average value of the applicant's real and tangible personal property owned or rented and used in the KIZ during the tax period and the denominator of which is the average value of all the applicant's real and tangible personal property owned or rented and used in this Commonwealth during the tax period.
 - (i) To determine the property factor refer to 61 Pa. Code Sec.153.28.
- (2) The payroll factor is a fraction, the numerator of which is the total amount paid in the KIZ during the tax period by the applicant for compensation and the denominator of which is the total compensation paid in this Commonwealth during the tax period.
 - (i) Compensation is paid in the KIZ if:
 - a. the person's service is performed entirely within the KIZ; or
 - b. the person's service is performed both within and without the KIZ, but the service performed without the KIZ is incidental to the person's service within the KIZ.

* **Comparable Tax Year:** The tax year prior to the current calendar year. ** **Base Tax Year:** The tax year prior to the Comparable Tax Year.

AWARD APPLICATION

- c. the net profits of the company are paid to the company's owner and are included as part of the owners federal personal tax returns; or
 - d. the company's officers receive compensation indicated on the company's federal tax returns; or
 - e. the company's partners receive guaranteed payments or dividends indicated on the company's federal tax returns; or
 - f. the cost of labor (provided the workers are directly employed by the company).
- (ii) Compensation does not include any individual not employed directly by the KIZ Company including (but not limited too): contracted employees (i.e., employees of a third party entity contracted to perform work at the KIZ company), consultants, independent sales people, etc., are not eligible to be included as part of the payroll.

Comparable Tax Year: The tax year prior to the current calendar year.

Base Tax Year: The tax year prior to the Comparable Tax Year.

Example:

If the Current Calendar Year is = 2010
 Then the Comparable Tax Year is = 2009
 And the Base Tax Year is = 2008

To determine attributable gross revenues for the KIZ Tax Credit complete Parts (A), (B), and (C) plus the accompanying worksheets. All applicants must complete all three sections.

PART A

Gross Revenues of the company for the Comparable Tax Year attributable to targeted industry activities within the KIZ.

Comparable Tax Year		
Property Factor		
Property within KIZ \$ _____ (from Page 11 Line A)		
+		
Property within PA \$ _____ (from Page 10 Line C)		% (Line 1)
Payroll Factor		
Payroll within KIZ \$ _____ (from Page 11 Line B)		
+		
Payroll within PA \$ _____ (from Page 10 Line D)		% (Line 2)
Total [Line 1 + Line 2]		% (Line 3)
KIZ Apportionment		
[From Line 3] _____ % ÷ 2		% (Line 4)
Pennsylvania Gross Revenues in target industry in Comparable Tax Year	\$.00 (Line 5)
Comparable Tax Year's Gross Revenues attributable to the KIZ [Line 4 X Line 5]	\$.00 (Line 6)

Provide only whole dollars on the Appendix A, Section III gross revenue forms and worksheets.

- If the company did not have property **OR** payroll within the KIZ then enter "NA" on the appropriate line.
- If the company did not have property **AND** did not have payroll within the KIZ then the company is ineligible to receive the KIZ Tax Credit.

AWARD APPLICATION

PART B

Gross Revenues of the company for the Base Tax Year attributable to targeted industry activities within the KIZ.

Base Tax Year		
Property Factor		
Property within KIZ \$ _____ (from Page 13 Line G)		
÷		
Property within PA \$ _____ = (from Page 12 Line E) . . .		% (Line 1)
Payroll Factor		
Payroll within KIZ \$ _____ (from Page 13 Line H)		
÷		
Payroll within PA \$ _____ = (from Page 12 Line F) . . .		% (Line 2)
Total [Line 1 + Line 2]		% (Line 3)
KIZ Apportionment		
[From Line 3] _____ % ÷ 2 =		% (Line 4)
Pennsylvania Gross Revenues in target industry in Base Tax Year	\$.00 (Line 5)
Base Tax Year's Gross Revenues attributable to the KIZ [Line 4 X Line 5]	\$.00 (Line 6)

PART C

Identify the Comparable Tax Year		(Line 1)
Identify the Base Tax Year		(Line 2)
Comparable Tax Year		
Gross Revenues of the company attributable to target industry activities in the KIZ for the year in Line 1 [From Part (A) Line 6 Page 8]	\$.00 (Line 3)
Base Tax Year		
Gross Revenues of the company attributable to target industry activities in the KIZ for the year in Line 2 [From Part (B) Line 6 Page 9]	\$.00 (Line 4)
Increase in Gross Revenues [Line 3 – Line 4]	\$.00 (Line 5)
50% of amount on Line 5	\$.00 (Line 6)
Amount of KIZ Tax Credit for which the Company is applying	\$.00 (Line 7)

Note: Line 6 or \$100,000, whichever is less, is the maximum KIZ Tax Credit for which the company may apply on Line 7

Note: If the total for all qualified applications received by DCED exceeds the annual allocation, the amount awarded will be reduced from the amount listed on this application.

AWARD APPLICATION

COMPARABLE YEAR WORKSHEET WITHIN PA

Property Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Annual Rent, Lease, Mortgage				
Property Value Factor	x 8			
Rent, Lease, Mortgage Subtotal				
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				
	÷ 2			
Building & Equipment Subtotal				
Property Factor <i>(Total of all property within the KIZ in PA, Line C)</i>				

Payroll Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Salaries/wages of employees of the company				
Compensation of officers				
Guaranteed payments to partners				
Dividends paid to partners				
Net profits paid to the owner of the company and included as part of the owners federal personal tax returns				
Commissions and fees paid to employees of the company working in the zone				
Cost of labor (provided the workers are directly employed by the company)				
Property Factor <i>(Total of all wages within the KIZ, Line D)</i>				

Please Note: Any individual not employed directly by the KIZ Company including (but not limited too): Contracted employees (i.e., employees of a third party entity contracted to perform work at the KIZ company), Consultants, Independent sales people, etc., are not eligible to be included as part of the payroll.

AWARD APPLICATION

COMPARABLE YEAR WORKSHEET WITHIN KIZ

Property Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Annual Rent, Lease, Mortgage				
Property Value Factor	x 8			
Rent, Lease, Mortgage Subtotal				
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				
	÷ 2			
Building & Equipment Subtotal				
Property Factor <i>(Total of all property within the KIZ in PA, Line A)</i>				

Payroll Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Salaries/wages of employees of the company				
Compensation of officers				
Guaranteed payments to partners				
Dividends paid to partners				
Net profits paid to the owner of the company and included as part of the owners federal personal tax returns				
Commissions and fees paid to employees of the company working in the zone				
Cost of labor (provided the workers are directly employed by the company)				
Property Factor <i>(Total of all wages within the KIZ, Line B)</i>				

Please Note: Any individual not employed directly by the KIZ Company including (but not limited too): Contracted employees (i.e., employees of a third party entity contracted to perform work at the KIZ company), Consultants, Independent sales people, etc., are not eligible to be included as part of the payroll.

AWARD APPLICATION

BASE YEAR WORKSHEET WITHIN PA

Property Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Annual Rent, Lease, Mortgage				
Property Value Factor	x 8			
Rent, Lease, Mortgage Subtotal				
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				
	÷ 2			
Building & Equipment Subtotal				
Property Factor <i>(Total of all property within the KIZ in PA, Line E)</i>				

Payroll Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Salaries/wages of employees of the company				
Compensation of officers				
Guaranteed payments to partners				
Dividends paid to partners				
Net profits paid to the owner of the company and included as part of the owners federal personal tax returns				
Commissions and fees paid to employees of the company working in the zone				
Cost of labor (provided the workers are directly employed by the company)				
Property Factor <i>(Total of all wages within the KIZ, Line F)</i>				

Please Note: Any individual not employed directly by the KIZ Company including (but not limited too): Contracted employees (i.e., employees of a third party entity contracted to perform work at the KIZ company), Consultants, Independent sales people, etc., are not eligible to be included as part of the payroll.

AWARD APPLICATION

BASE YEAR WORKSHEET WITHIN KIZ				
Property Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Annual Rent, Lease, Mortgage				
Property Value Factor	x 8			
Rent, Lease, Mortgage Subtotal				
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				
	÷ 2			
Building & Equipment Subtotal				
Property Factor <i>(Total of all property within the KIZ in PA, Line G)</i>				

Payroll Factor Calculation				
Item	Amount	Document Information		
		Tax Form # or Document Name	Line #	Page #
Salaries/wages of employees of the company				
Compensation of officers				
Guaranteed payments to partners				
Dividends paid to partners				
Net profits paid to the owner of the company and included as part of the owners federal personal tax returns				
Commissions and fees paid to employees of the company working in the zone				
Cost of labor (provided the workers are directly employed by the company)				
Property Factor <i>(Total of all wages within the KIZ, Line H)</i>				

Please Note: Any individual not employed directly by the KIZ Company including (but not limited too): Contracted employees (i.e., employees of a third party entity contracted to perform work at the KIZ company), Consultants, Independent sales people, etc., are not eligible to be included as part of the payroll.

AWARD APPLICATION

SECTION IV

Please attach final, signed copies of the two prior year's Pennsylvania tax returns (including the first page of the Federal return) submitted by the applicant to the Pennsylvania Department of Revenue. Also, provide detailed information on how the payroll & property factors in Section III were derived.

I, the undersigned, do hereby declare and certify that this KIZ Tax Credit application and all the documents accompanying the application are to the best of my knowledge true and correct and that I am a corporate officer, general partner or limited liability company member of the KIZ Company named in Section I of this Application and that I have authority to bind the applicant.

Signature of Company Official	Date
Printed Name	
Printed Title or Affiliation to the KIZ Company	Phone

SECTION V

Were the services of any agent(s) or facilitator(s) used to arrange this prospective KIZ Tax Credit award? Yes No

If the services of any agent(s) or facilitator(s) were used, please identify the name of the agent(s) or facilitator(s) and provide their contact information:

SECTION VI

If you would like to allow DCED's Technology Investment Office to release information concerning the progress of the award of your tax credit to an agent(s) or facilitator(s) please sign and date the "Consent to Release Information" below. Executing the "Consent to Release Information" will serve as your consent to release the tax credit award information to the party identified in this section.

Disclaimer: Third party agents/facilitators are entirely independent of the Department of Community and Economic Development and the Commonwealth of Pennsylvania. Neither the Department of Community and Economic Development nor the Commonwealth of Pennsylvania are affiliated with or endorse or recommend any third party agents/facilitators or the products or services of any third party agents/facilitators. Nor, do the Department of Community and Economic Development and the Commonwealth of Pennsylvania warrant or assume any legal liability or responsibility for the accuracy, completeness or usefulness of any information or service provided by any third party agents/facilitators. Engagement of any third party agents/facilitators is solely between the applicant and the third party agents/facilitators.

Applicant Consent to Release Information

I, _____, on behalf of _____ (the "Applicant") do hereby
(name) (company)

consent to and authorize the Pennsylvania Department of Community and Economic Development Technology Investment Office to disclose to the agent(s) or facilitator(s) listed above in part V any and all information, including tax information, concerning the award of Applicant's Keystone Innovation Zone Tax Credit for the sole purpose of facilitating the completion of the award of the tax credits.

In providing such information, neither the Department of Community and Economic Development nor the Commonwealth of Pennsylvania shall be deemed liable for any act of commission or omission, excluding willful misconduct or gross negligence, nor for any error of judgment or mistake of fact or law.

I fully understand the nature of this consent and authorization, and understand that signing it is not a condition of my eligibility for award of the tax credits and that my authorization shall remain effective from the date of my signature until the completion of the award of the KIZ Tax Credits at which time it will automatically expire. I understand that I may revoke this consent and authorization at any time by written, dated communication except to the extent the person making the disclosure has acted in reliance on it.

I, the undersigned, do hereby declare and certify that I am a corporate officer, general partner or limited liability company member of the below named KIZ Company and that I have authority to bind the below named applicant.

The undersigned has executed this Consent and Authorization to Release Information this ____ day of _____, 20__.

Company Name	Date
Signature of Company Official	
Printed Name	
Printed Title or Affiliation to the KIZ Company	Phone



APPENDIX B KIZ COORDINATOR'S CERTIFICATION

As designated coordinator for the _____ *(Identify the KIZ)* Keystone Innovation Zone, I certify that _____ *(Identify the KIZ Company Applicant)* operates within the geographic boundary of the KIZ. This KIZ Company operates within our designated target industry segment (sector) of _____ *(Identify the designated target industry, including NAICS code)*, and this KIZ Company has been in operation for less than eight (8) years. The KIZ Company has or is presently working with the following KIZ partners:

_____.

The _____ *(Identify the KIZ)* KIZ was designated by the Ben Franklin Technology Development Authority (BFTDA) on _____ *(mm/dd/yy)*. _____ *(Identify the KIZ Company Applicant)* located in the _____ *(Identify the KIZ)* KIZ on _____ *(mm/dd/yy)*. _____ *(Identify the KIZ Company Applicant)* has provided me with documentation demonstrating that it was incorporated on _____ *(mm/dd/yy)* and has registered with the Pennsylvania Department of State to conduct business in the Commonwealth.

Signature of KIZ Coordinator	Date
Printed Name	Phone



APPENDIX C SALES / ASSIGNMENT APPLICATION

	Date Received <i>(To be filled in by DCED)</i>	Application Number: <i>(To be filled in by DCED)</i>
--	---	---

SECTION I

SELLER NAME:	
ADDRESS:	
PHONE NUMBER:	FAX NUMBER:
E-MAIL ADDRESS:	KEYSTONE INNOVATION ZONE IN WHICH THE COMPANY IS LOCATED:
STATE SENATORIAL DISTRICT #:	STATE REPRESENTATIVE DISTRICT #:
<p><i>Please use the name and address on record with the Pennsylvania Department of Revenue unless that information has been changed and is no longer valid. Please also be aware that approval or rejection notification will be sent via the US Postal Service to the address listed above. Notification of issues related to the application while in process will be emailed to the address above.</i></p>	
TAXPAYER IDENTIFICATION (SSN, FEIN OR BOX NUMBER) OF SELLER:	
<p>Attach a copy of the seller's completed Pennsylvania tax return (including the first page of the seller's Federal return) for the period that the credit was awarded and which was filed with the Pennsylvania Department of Revenue</p>	
DATE OF ISSUE OR APPROVAL OF KIZ TAX CREDITS TO BE SOLD: <div style="text-align: center;">12/15/20____</div>	Attach a copy of the KIZ Tax Credit certificate to this application
TOTAL AMOUNT OF ORIGINAL AWARD: <div style="text-align: center;">.00</div>	Please use separate applications if tax credits issued on different dates are to be sold or credits from a single award are to be sold to multiple buyers.
Has any portion of the approved KIZ Tax Credit been used against a tax liability of the applicant? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, how much? \$ <div style="text-align: center;">.00</div>	
Has any portion of the approved KIZ Tax Credit previously been sold? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, how much? \$ <div style="text-align: center;">.00</div>	
AMOUNT OF UNUSED APPROVED KIZ TAX CREDIT FROM THE LISTED ISSUE OR APPROVAL DATE: <div style="text-align: center;">.00</div>	
Is this the amount to be sold or passed-through under this application? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, how much is to be sold or passed-through? \$ <div style="text-align: center;">.00</div>	TOTAL AMOUNT OF KIZ TAX CREDIT TO BE SOLD: \$ <div style="text-align: center;">.00</div>
<p><i>I, the undersigned, do hereby declare and certify that I am a corporate officer, general partner or limited liability company member of the above named KIZ Tax Credit Seller and that I have authority to bind the above named KIZ Tax Credit Seller.</i></p>	
Signature of Company Official	Date
<p>Whenever possible, the signature above should be the same person that was named on the award certificate</p>	
Printed Name <i>(Please note this is the individual that the approval letter will be sent to.)</i>	
Printed Title or Affiliation to the KIZ Company	Phone

Round figures to the nearest whole dollar amount.

SALES / ASSIGNMENT APPLICATION

SECTION III	
KIZ TAX CREDIT BUYER NAME:	
ADDRESS:	
PHONE NUMBER:	FAX NUMBER:
E-MAIL ADDRESS:	
STATE SENATORIAL DISTRICT #:	STATE REPRESENTATIVE DISTRICT #:
<p><i>Please use the name and address on record with the Pennsylvania Department of Revenue unless that information has been changed and is no longer valid. Please also be aware that approval or rejection notification will be sent via the US Postal Service to the address listed above. Notification of issues related to the application while in process will be emailed to the address above.</i></p>	
TAXPAYER IDENTIFICATION (SSN, FEIN OR BOX NUMBER) OF BUYER:	
DOLLAR AMOUNT AGREED UPON TO COMPLETE THE SALE: \$.00	Were the services of any agent(s) or facilitator(s) used to arrange this prospective KIZ Tax Credit sale? <input type="checkbox"/> Yes <input type="checkbox"/> No
IF THE SERVICES OF ANY AGENT(S) OR FACILITATOR(S) WERE USED, PLEASE IDENTIFY THE AGENT(S) OR FACILITATOR(S) AND PROVIDE THEIR CONTACT INFORMATION:	
WHAT, IF ANY, FEE OR COMMISSION WAS, OR IS, BEING PAID TO EACH AGENT(S) OR FACILITATOR(S) LISTED ABOVE? Agent #1 \$ _____ .00 Agent #2 \$ _____ .00 Total Fee \$ _____ .00	
Signature of Buyer	Date
Printed Name	
Printed Title or Affiliation to the Business	Phone

Round figures to the nearest whole dollar.

SALES / ASSIGNMENT APPLICATION

SECTION IV

If you would like to allow the Technology Investment Office to release information concerning the progress of the transfer of your tax credit to the agent(s) or facilitator(s) listed in section III above please sign and date the "Consent to Release Information" below. Executing the "Consent to Release Information" will serve as your consent to release the tax credit transfer information to the party listed above.

Disclaimer: Third party agents/facilitators are entirely independent of the Department of Community and Economic Development and the Commonwealth of Pennsylvania. Neither the Department of Community and Economic Development nor the Commonwealth of Pennsylvania are affiliated with or endorse or recommend any third party agents/facilitators or the products or services of any third party agents/facilitators. Nor, do the Department of Community and Economic Development and the Commonwealth of Pennsylvania warrant or assume any legal liability or responsibility for the accuracy, completeness or usefulness of any information or service provided by any third party agents/facilitators. Engagement of any third party agents/facilitators is solely between the applicant and the third party agents/facilitators.

Seller/Assignor Consent to Release Information

I, _____, on behalf of _____ (the "Seller" or "Assignor")
(name) (company)

do hereby consent to and authorize the Pennsylvania Department of Community and Economic Development Technology Investment Office to disclose to the agent(s) or facilitator(s) listed above in part "III. Information on the KIZ Tax Credit Sale" any and all information, including tax information, concerning the sale or assignment of Seller's or Assignor's Keystone Innovation Zone Tax Credits for the sole purpose of facilitating the completion of the assignment or sale of the tax credits.

In providing such information, neither the Department of Community and Economic Development nor the Commonwealth of Pennsylvania shall be deemed liable for any act of commission or omission, excluding willful misconduct or gross negligence, nor for any error of judgment or mistake of fact or law.

I fully understand the nature of this consent and authorization, and understand that signing it is not a condition of my eligibility for assignment or sale of the tax credits and that my authorization shall remain effective from the date of my signature until the completion of the assignment or sale of the tax credits at which time it will automatically expire. I understand that I may revoke this consent and authorization at any time by written, dated communication except to the extent the person making the disclosure has acted in reliance on it.

I, the undersigned, do hereby declare and certify that I am a corporate officer, general partner or limited liability company member of the above named prospective KIZ Tax Credit Seller and that I have authority to bind the above named prospective KIZ Tax Credit Seller.

The undersigned has executed this Consent and Authorization to Release Information this ____ day of _____, 20__.

Seller or Assignor Company		Date
Signature of Company Official		
Printed Name		
Printed Title or Affiliation to the KIZ Company		Phone

SALES / ASSIGNMENT APPLICATION

Buyer/Assignee Consent to Release Information

I, _____, on behalf of _____ (the "Buyer" or "Assignee")
(name) (company)

do hereby consent to and authorize the Pennsylvania Department of Community and Economic Development Technology Investment Office to disclose to the agent(s) or facilitator(s) listed above in part "III. Information on the KIZ Tax Credit Sale" any and all information, including tax information, concerning the sale or assignment of Buyer's or Assignee's Keystone Innovation Zone Tax Credits for the sole purpose of facilitating the completion of the assignment or sale of the tax credits.

In providing such information, neither the Department of Community and Economic Development nor the Commonwealth of Pennsylvania shall be deemed liable for any act of commission or omission, excluding willful misconduct or gross negligence, nor for any error of judgment or mistake of fact or law.

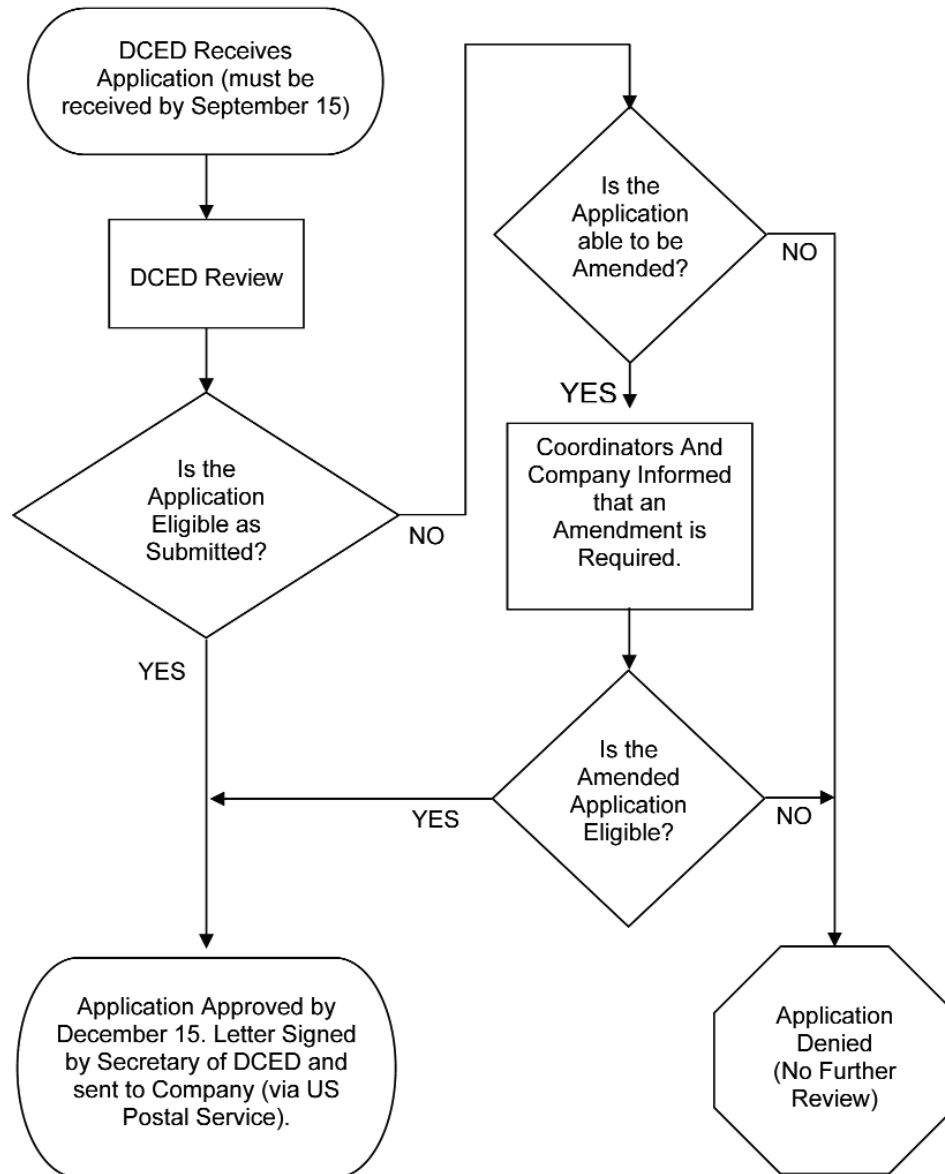
I fully understand the nature of this consent and authorization, and understand that signing it is not a condition of my eligibility for assignment or sale of the tax credits and that my authorization shall remain effective from the date of my signature until the completion of the assignment or sale of the tax credits at which time it will automatically expire. I understand that I may revoke this consent and authorization at any time by written, dated communication except to the extent the person making the disclosure has acted in reliance on it.

I, the undersigned, do hereby declare and certify that I am the prospective KIZ Tax Credit Buyer or if applicable the corporate officer, general partner or limited liability company member of the above named prospective KIZ Tax Credit Buyer and that I have authority to bind the above named prospective KIZ Tax Credit Buyer.

The undersigned has executed this Consent and Authorization to Release Information this ____ day of _____, 20__.

Buyer or Assignee	Date
Signature of Company Official / Buyer / Assignee	
Printed Name	
Printed Title or Affiliation to Buyer / Assignee	Phone

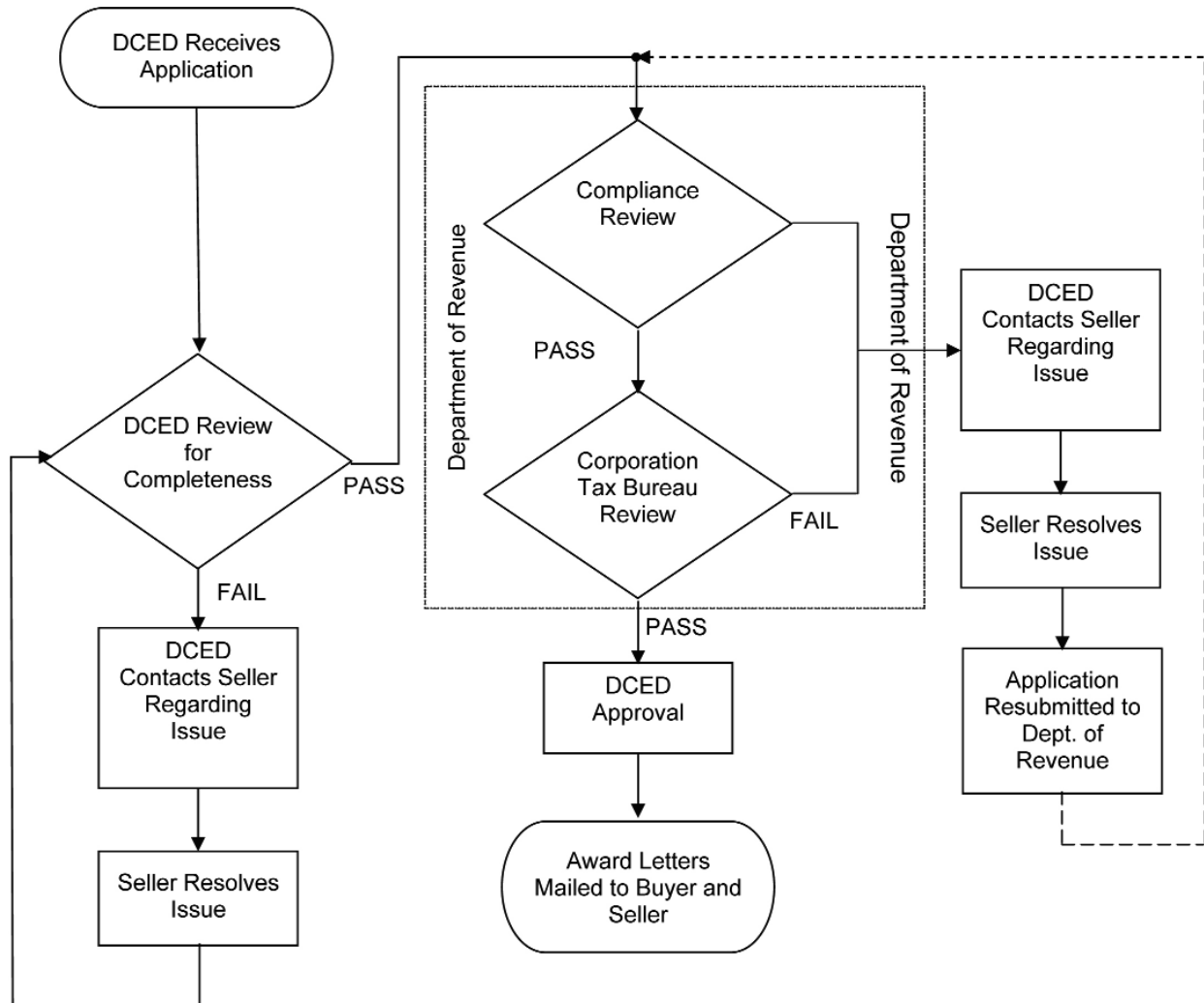
Appendix D: KIZ Tax Credit Award Process Flow Chart



Additional Information

- > Applications must be postmarked on or before September 15 and will be approved or denied no later than December 15.
- > All KIZ Tax Credit inquiries should be emailed to RA-TechInvTaxCredit@state.pa.us.
- > Approval letters will be mailed via the US Postal Service to the address provided on the award application.

Appendix E: KIZ Tax Credit Sale Process Flow Chart



Additional Information

- > A reasonable expectation for turnaround time for an application to complete this process is **60 Days**. Problems with applications will increase the anticipated processing time.
- > All KIZ Tax Credit inquiries should be emailed to RA-TechInvTaxCredit@state.pa.us.
- > Approval letters will be mailed via the US Postal Service to the Buyer and Sellers **only**.

Section III – Definitions

Agent/Facilitator – Some person, business, or organization acting to facilitate the completion of the award or sale of KIZ Tax Credits.

Assignee/Buyer – Taxpayer that is purchasing the KIZ Tax Credit from the KIZ Company originally awarded the tax credits to be sold, transferred or assigned.

Assignor/Seller – KIZ Company to which the KIZ Tax Credits were originally issued or approved, and which may be applying to sell, transfer or assign those credits.

Attributable to target industry activities in the KIZ – Business operations within a targeted industry which are physically conducted within the geographical boundaries of the KIZ.

Certificate – Letter signed by the Secretary of DCED alerting the KIZ Company of its KIZ Tax Credit application approval and award amount.

Base Tax Year – The tax year prior to the Comparable Tax Year.

Comparable Tax Year – The tax year prior to the current calendar year.

Company Operation Begin Date – Corporations incorporated in PA are considered operating on the date of their incorporation. Companies incorporated outside PA but working in PA are determined to be operating beginning the date of the fiscal period in which the Certificate of Authority was issued by the Department of State or the date PA activity began, whichever date is earlier. All corporations are required to file annual tax returns with Pennsylvania's Department of Revenue even though no business activity was conducted during the taxable year.

DCED – The Pennsylvania Department of Community and Economic Development.

Gross Revenues – For the purposes of the KIZ Tax Credit Program, gross revenues are defined as revenue derived from the sale of goods and services from activities in a targeted industry and from operations transacted within the KIZ. Gross revenues may also include grants received by the KIZ Company from any source whatsoever (i.e., KIZ, SBIR/STTR, NIH, DOD, etc.). All other forms of income shall not be included in gross revenues. (this includes revenues generated from the sales of tax credits).

Industry Sector/Targeted Industry – An industry specifically identified for entrepreneurial development (e.g. information technology, life sciences, advanced materials, finance/service sectors, advanced manufacturing, agricultural, nanotechnology, etc.) in the KIZ's application for designation to the Ben Franklin Technology Development Authority.

KIZ Company – A for-profit business entity which is all of the following:

1. located within the defined geography of a particular KIZ,
2. has been in operation for less than 8 years and,
3. falls within one of the targeted industry segments (or sectors) identified by the KIZ partnership, and
4. meeting other requirements as specified by the DCED.

KIZ Eligible Days – The total number of days that the KIZ company was physically in the zone and operating in a targeted sector.

Section IV – Checklists

Use this Checklist to Ensure that Your Company's KIZ Tax Credit Award Application is Complete

Please note applications must be postmarked on or before September 15th. Applications that are deficient or are missing requested information will be determined to be incomplete and ineligible. No time extensions will be approved.

Appendix A

Section I

- 1 Contact information (company name, address, etc.) is complete and accurate.
- 2 State Senatorial and Representative District information is complete and accurate.
- 3 Taxpayer ID or Federal Employment ID number is complete and accurate.
- 4 NAICs Code is accurate.
- 5 All other information in Section I is complete and accurate.

Section III

- 6 The worksheets are complete and accurate.
- 7 Parts A, B and C have been completed accurately (from the information on the worksheets).

Section IV

- 8 Signature of the company official is an original signature (not a photocopy, fax, etc.)
- 9 All other contact information is complete and accurate.

Section V

- 10 All requested information is completed (please put N/A on lines not used).

Appendix B

- 11 Appendix B must be completed by the KIZ Coordinator.

Before sending the application to DCED

- 12 We have submitted our online semi-annual KIZ reports in accordance with the KIZ guidelines.
- 13 We have included an original copy of Appendix A, Sections I, II, III, IV and V.
- 14 We have included the Worksheets.
- 15 We have included an original copy of Appendix B.
- 16 We have included signed copies of the PA Tax Returns that we filed for the base and comparable year. (A copy of the verification form that the tax returns were filed electronically may be used in place of the signature.)
- 17 We have included copies of the First page and signed signature pages of the Federal Tax Returns that we filed for the base and comparable year. (A copy of the verification form that the tax returns were filed electronically may be used in place of the signature.)
- 18 We have included copies of any other documents referenced on the worksheets.

Use this Checklist to Ensure that Your Company's KIZ Tax Credit Sales Application is Complete

Appendix C

Section I

- 1 Contact information (company name, address, etc.) is complete and accurate.
- 2 State Senatorial and Representative District information is complete and accurate.
- 3 Taxpayer ID or Federal Employment ID number is complete and accurate.
- 4 The date of issue is accurate.
- 5 The original, portion sold, and unused amounts are accurate.
- 6 The amount to be sold/passed-through is accurate.
- 8 Signature of the company official is an original signature (not a photocopy, fax, etc.)
- 9 All other contact information is complete and accurate.

Section II

- 11 All shareholder information is complete and accurate.
- 12 An original signature of each shareholder approving the sale or requesting a pass-through is included on the form.

Section III

- 13 Contact information (company name, address, etc.) is complete and accurate.
- 14 State Senatorial and Representative District information is complete and accurate.
- 15 Taxpayer ID or Federal Employment ID number is complete and accurate.
- 16 Signature of the company official is provided.
- 17 The amount of the purchase price is included (if applicable).
- 18 All information regarding the services of an Agent is complete and accurate (including fee charged).
- 19 We have included signed copies of the PA tax returns and the first page of the federal tax returns that we filed for the tax year of the date of issue of the KIZ Tax Credit. (A copy of the verification form that the tax returns were filed electronically may be used in place of the signature.)

Section III

- 20 We have included a copy of the KIZ Tax Credit Award Certificate for the date of issue of the KIZ Tax Credit.
- 21 We have included copies of any of the buyer and/or seller's consent forms (if applicable).