

## Keystone Innovation Zone Tax Credit

On February 12, 2004, Governor Edward G. Rendell signed Act 12 of 2004 (Act). Section 3701 (et. Seq.) of the Act provides for the award of up to \$25 million annually in Keystone Innovation Zone (KIZ) Tax Credits to eligible KIZ Companies. To be eligible, a company must be a for-profit entity located within the geography of a KIZ, be less than eight years of age, and fall within one of the targeted industry segments adopted by the KIZ. Currently there are 29 designated Keystone Innovation Zones located throughout the Commonwealth.

This innovative program, created for early-stage KIZ Companies, awards tax credits based on the growth of the company's annual revenues. If the KIZ Company does not have Pennsylvania tax liability, this program provides the mechanism for the assignment or sale of the credits, providing much needed capital to enhance the growth of their businesses. The sale of the KIZ tax credits has generated working capital for many small companies that participate in the KIZ Tax Credit Assignment Program.

### **KIZ Tax Credit Awards**

The first KIZ Tax Credits were awarded on December 15, 2006. At that time, only 10 Keystone Innovation Zones contained companies that were eligible to apply for this credit. Of the 76 companies that applied for KIZ Tax Credits, 72 were awarded tax credits for a total of \$5,358,123.02. Table 1 provides a listing of awarded KIZ Tax Credits during this first year of the program.

**TABLE 1 (List of companies awarded credits, location, amount of award)**

<b>Company</b>	<b>Keystone Innovation Zone</b>	<b>Amount of Tax Credit Awarded</b>
Applied Technology, LLC	Greater Johnstown	\$100,000.00
Conference Archives, Inc.	Greater Johnstown	\$100,000.00
In-Shore Technologies, Inc.	Greater Johnstown	\$100,000.00
Integrated Systems Management Group, Ltd.	Greater Johnstown	\$34,688.00
Integrated Technologies & Services International	Greater Johnstown	\$74,352.00
MDR Global Systems, LLC	Greater Johnstown	\$100,000.00
Shrift Small Business Network Consulting, LLC	Greater Johnstown	\$53,336.65
The Informedx Group, LLC	Greater Johnstown	\$100,000.00
Agentase, LLC	Greater Oakland	\$100,000.00
Biosafe, Inc.	Greater Oakland	\$100,000.00
College Prowler, Inc.	Greater Oakland	\$100,000.00
Crystalplex Corporation	Greater Oakland	\$5,062.50
Energy Technology Partners, LLC	Greater Oakland	\$99,472.50
Fluorous Technologies, Inc.	Greater Oakland	\$100,000.00
Immunetrics, Inc.	Greater Oakland	\$100,000.00
InspectTech Systems, Inc.	Greater Oakland	\$48,049.50

PinMed, Inc.	Greater Oakland	\$2,806.00
Plextronics, Inc.	Greater Oakland (UPARC)	\$100,000.00
Automation Systems Interconnect, Inc.	Harrisburg Market	\$68,371.00
Bit Leap, LLC	Harrisburg Market	\$18,562.00
Express Dynamics	Harrisburg Market	\$100,000.00
S E Moulding, Inc.	Harrisburg Market	\$100,000.00
Tex Visions, LLC	Harrisburg Market	\$100,000.00
Z - Band, Inc.	Harrisburg Market	\$33,901.00
ATR of PA, Inc.	I-99 Innovation Corridor	\$100,000.00
Chemcut Holdings LLC	I-99 Innovation Corridor	\$100,000.00
Chromatography Associates	I-99 Innovation Corridor	\$1,441.00
Diapedia, LLC	I-99 Innovation Corridor	\$100,000.00
Dosebustars USA, Inc.	I-99 Innovation Corridor	\$100,000.00
Envelope Machine Parts, Inc.	I-99 Innovation Corridor	\$100,000.00
Geospatial Data Analysis (GDA) Corp.	I-99 Innovation Corridor	\$13,475.50
Indigo Biosciences, LLC	I-99 Innovation Corridor	\$65,588.00
Ionsoft, Inc.	I-99 Innovation Corridor	\$100,000.00
LCM Technologies, Inc.	I-99 Innovation Corridor	\$74,416.50
Micromechatronics, Inc.	I-99 Innovation Corridor	\$82,895.00
Nanohorizons, Inc.	I-99 Innovation Corridor	\$100,000.00
Price Corporation	I-99 Innovation Corridor	\$29,037.00
Quantum Bio, Inc.	I-99 Innovation Corridor	\$57,379.00
Schoolwires, Inc.	I-99 Innovation Corridor	\$100,000.00
SDR Holdings LLC	I-99 Innovation Corridor	\$100,000.00
Seeger and Hosband Assembly Services, Inc.	I-99 Innovation Corridor	\$100,000.00
Soft Genetics, LLC	I-99 Innovation Corridor	\$100,000.00
Virtual Office Systems, Inc.	I-99 Innovation Corridor	\$100,000.00
BlackOut Design Inc.	Lackawanna County	\$13,980.50
Iron-Tree Networks	Lackawanna County (Downtown Scranton)	\$100,000.00
Paperless Practice, Inc.	Lackawanna County (Scranton)	\$32,084.00
TMG Health, Inc.	Lackawanna County (Scranton)	\$100,000.00
Innerlink, Inc.	Lancaster	\$100,000.00
Iron Compass Map Company	Lancaster	\$93,892.00
Education Technology Services, LLC	Luzerne County	\$100,000.00
Elinfonet.com, LLC	Luzerne County	\$19,982.00
Imaging Partners, Inc.	Luzerne County	\$100,000.00
KBJ Holdings, LLC	Luzerne County	\$100,000.00
Solid Cactus, Inc.	Luzerne County	\$100,000.00
Susquehanna Properties Management, Inc.	Luzerne County	\$100,000.00
Synergistic Networks, Inc.	Luzerne County	\$100,000.00
Talent Clearing House, Inc.	Luzerne County	\$14,219.25
Next Generation Computer Consulting	Luzerne County - Hazleton	\$22,609.00
Marie Gray, PhD, N.C.P., BCETS	Luzerne County - Twin Stacks	\$9,690.00
BabyAge.com, Inc.	Luzerne County KIZ	\$100,000.00
Megaphase, LLC	Pocono Mountains	\$100,000.00

Right Reason Technologies, LLC	Pocono Mountains	\$100,000.00
Ecotech Marine, LLC	South Bethlehem	\$2,273.00
Gatechange Technologies, Inc.	South Bethlehem	\$50,332.50
Knowledge Management Ventures, Inc.	South Bethlehem	\$73,156.00
Avid Radiopharmaceuticals, Inc.	University City	\$100,000.00
CIRA Discovery Sciences, Inc.	University City	\$22,000.00
Infrascan, Inc.	University City	\$100,000.00
Integral Molecular, Inc.	University City	\$100,000.00
PolyMedix, Inc.	University City	\$19,471.62
Recovery Networks	University City	\$21,600.00
The eSource Group	University City	\$100,000.00
<b>Total</b>	<b>72</b>	<b>\$5,358,123.02</b>

### KIZ Tax Credit Assignment Program

As of December 31, 2007, 69 transfers of 2006 KIZ Tax Credit Awards have been approved totaling \$4,499,724. These awards must be utilized by the buyer/assignee during the year of purchase or the tax credit will be lost. TABLE 2 below lists the transfer of Tax Credits awarded in 2006.

**TABLE 2- All Companies that acquired KIZ Tax Credits from 2006 Awards**  
**\*Please note that instances where a buyer/assignee acquired more than one credit transaction the number and amount transferred has been subtotaled.**

Buyer/Assignee	Amount of Tax Credit to be Sold/Assigned
<b>Armstrong Telephone Company- North</b>	<b>\$5,000.00</b>
<b>Armstrong Telephone Company- PA</b>	<b>\$26,000.00</b>
Armstrong Utilities, Inc.	\$94,795.00
Armstrong Utilities, Inc.	\$89,361.00
Armstrong Utilities, Inc.	\$78,514.00
Armstrong Utilities, Inc.	\$95,000.00
Armstrong Utilities, Inc.	\$73,587.50
Armstrong Utilities, Inc.	\$32,084.00
Armstrong Utilities, Inc.	\$13,980.00
Armstrong Utilities, Inc.	\$16,919.00
Armstrong Utilities, Inc.	\$100,000.00
<b>Armstrong Utilities, Inc. Total</b>	<b>\$594,240.50</b>
<b>Armstrong World Industries, Inc.</b>	<b>\$100,000.00</b>
<b>Dmitrey Varlyguin</b>	<b>\$1,592.50</b>
<b>Dru Sedwick</b>	<b>\$20,000</b>
E. Scott Urdang	\$99,472.50
E. Scott Urdang	\$99,393.00
<b>E. Scott Urdang Total</b>	<b>\$198,865.50</b>
<b>Guardian Protection Services</b>	<b>\$50,000.00</b>
Herb Sachs	\$48,049.50
Herb Sachs	\$100,000.00
<b>Herb Sachs Total</b>	<b>\$148,049.50</b>

James W. Swistock	\$65,000.00
Jay L. Sedwick	\$19,982.00
Jay L. Sedwick	\$14,219.25
<b>Jay L. Sedwick Total</b>	<b>\$34,201.25</b>
Keith Sachs	\$64,000.00
Keith Sachs	\$100,000.00
<b>Keith Sachs Total</b>	<b>\$164,000.00</b>
Kirby J. Campbell	\$100,000.00
Kirby J. Campbell	\$20,000.00
<b>Kirby J. Campbell Total</b>	<b>\$120,000.00</b>
<b>Lackawanna Casualty Company</b>	<b>\$99,880.00</b>
<b>Michael J. Corless</b>	<b>\$35,000.00</b>
Pfizer, Inc.	\$53,336.65
Pfizer, Inc.	\$100,000.00
Pfizer, Inc.	\$100,000.00
<b>Pfizer, Inc. Total</b>	<b>\$253,336.65</b>
PNC Financial Services Group, Inc.	\$100,000.00
PNC Financial Services Group, Inc.	\$31,629.00
PNC Financial Services Group, Inc.	\$60,146.00
PNC Financial Services Group, Inc.	\$100,000.00
PNC Financial Services Group, Inc.	\$10,225.00
PNC Financial Services Group, Inc.	\$73,156.00
PNC Financial Services Group, Inc.	\$93,000.00
PNC Financial Services Group, Inc.	\$17,941.00
<b>PNC Financial Services Group, Inc. Total</b>	<b>\$486,097.00</b>
Respironics, Inc.	\$99,926.00
Respironics, Inc.	\$100,000.00
Respironics, Inc.	\$5,062.00
Respironics, Inc.	\$28,981.00
Respironics, Inc.	\$18,562.00
Respironics, Inc.	\$100,000.00
Respironics, Inc.	\$9,690.00
Respironics, Inc.	\$85,000.00
Respironics, Inc.	\$100,000.00
Respironics, Inc.	\$22,000.00
<b>Respironics, Inc. Total</b>	<b>\$569,221</b>
S&T Bank	\$74,352.00
S&T Bank	\$100,000.00
S&T Bank	\$99,500.00
S&T Bank	\$29,037.00
S&T Bank	\$100,000.00
S&T Bank	\$100,000.00
S&T Bank	\$82,895.00
S&T Bank	\$57,379.00
S&T Bank	\$100,000.00
S&T Bank	\$99,500.00
S&T Bank	\$96,000.00
S&T Bank	\$100,000.00
S&T Bank	\$100,000.00
S&T Bank	\$100,000.00
S&T Bank	\$65,588.00
S&T Bank	\$93,000.00
S&T Bank	\$100,000.00

<b>S&amp;T Bank Total</b>	<b>\$1,497,251.00</b>
<b>Stephanie Hulina</b>	<b>\$1,657.50</b>
<b>Trudy Sedwick</b>	<b>\$5,166.25</b>
<b>William C. Stewart</b>	<b>\$25,166.25</b>
<b>Total- 69</b>	<b>\$4,499,724.90</b>

### Summary

In the first year of the KIZ Tax Credit Program over \$5.3 million in tax credits were awarded to Pennsylvania KIZ Companies. Many of these tax credits were sold through the assignment provision of the KIZ Tax Credit Program. These assignments provided young Pennsylvania companies with a substantial amount of working capital that was utilized to meet their pressing needs, including covering capital expenditures, expansion of their workforce, operational expenses, and even to make companies more attractive to venture investment. In 2008, five new KIZs will become "tax credit eligible zones" and the increase of new companies eligible to apply for KIZ Tax Credits will result in rapid growth of the program. Over the next two years, by 2009, all 29 of the currently designated zones will become "tax credit eligible" providing the benefits of this program to hundreds of Pennsylvania KIZ Companies.