

KEYSTONE INNOVATION ZONE TAX CREDITS

ENABLING TECH COMPANIES TO GROW



Net Driven
Scranton, PA

Keystone Innovation Zone (KIZ) Tax Credits are used to offset certain tax liabilities and to accelerate the growth of KIZ companies who:

- ✓ have been in operation for less than eight years
- ✓ are located within the boundaries of a KIZ
- ✓ operate within one or more of the targeted industry sectors of a KIZ
- ✓ create/develop unique proprietary technology

Note: Companies must also be compliant on KIZ Force. For more information regarding company reporting, please reach out to your KIZ Coordinator at dced.pa.gov/KIZcontacts.

HOW TO APPLY

A for-profit business entity that qualifies as a KIZ Company must file an application through DCED's Electronic Single Application (ESA at esa.dced.state.pa.us) on or before **September 15** of each year. Upload in ESA with the following:

- **KIZ Tax Credit Excel Worksheet**
- **first page and signed signature pages** of the applicant's PA and federal tax returns for the base and comparable years (2014 and 2015)
- **signed KIZ Coordinators Certificate**
- **all documents verifying the completed Excel Worksheet** (i.e. RCT 101, RCT 106, financial statements, etc.)

APPLICATION TIMELINE

September 15: All tax credit applications must be submitted online by midnight.

September 16–December 14: DCED reviews all applications. (During this time, an application may be amended by the applicant.)

December 15: Award letters are mailed to KIZ companies and tax credit applications are forwarded to the Dept. of Revenue to be credited to the applicant's account.

KEYSTONE INNOVATION ZONE TAX CREDITS



Colorfin
Kutztown, PA

TERMS & USE

A KIZ company may claim a tax credit equal to 50 percent of the increase in their gross revenue in the immediately preceding taxable year attributable to activities in the KIZ over the company's gross revenue attributable to activities in the KIZ in the second preceding taxable year. A tax credit for a KIZ company shall not exceed \$100,000 annually.

$(\text{Second Year Revenue} - \text{First Year Revenue}) \times 50\% = \text{Tax Credits}^*$

**Please note that other factors may affect the total of tax credits awarded.*

USING KIZ TAX CREDITS

Tax credits must be applied against your company's tax liability in the taxable year in which the tax credits are approved. If your company's tax liability is less than the amount of the KIZ Tax Credit, you may do one of the following:

- carry forward the unused portion of a tax credit up to four years
- pass unused tax credits to the owner of the LLC or S-Corp to apply to their personal liability
- apply for DCED approval to sell all or a portion of the remaining tax credits to an identified buyer (Section F of the KIZ Tax Credit Guidelines)

If you sell any or all of your tax credits, you are required to pay taxes on the sale of those credits. Your company may not carry back or obtain a refund of an unused KIZ Tax Credit.

For more information about the KIZ Tax Credit and to view the 2016 Annual Report, visit dced.pa.gov/kiz.