



pennsylvania
DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT

KEYSTONE INNOVATION ZONE TAX CREDIT PROGRAM

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Office of Technology & Innovation

BACKGROUND

Keystone Innovation Zones improve and encourage Pennsylvania's research and development efforts, technology commercialization and entrepreneurship programs.

Created in 2003 – “Knowledge Neighborhoods” include

- 28 Keystone Innovation Zones
- 92 Academic Partners
- 800+ Companies
- \$135,000,000 Tax Credits Awarded

ELIGIBILITY

A Keystone Innovation Zone Company (KIZ Company) is a for profit business entity which is all of the following:

- Located within a Keystone Innovation Zone
- Has been in operation for less than eight years
- Creates/develops unique proprietary technology
- Falls within one of the targeted industry segments:

Advanced Materials/Diversified Manufacturing

Business Services

Life Science

High Technology

KIZ FORCE

KIZ Force has been upgraded and migrated to the Cloud. As a result, everyone will need new login credentials. Three emails will be sent.

1. An email will be generated from the system notifying each user that they will soon receive an email with new login.
2. Email will be sent with new login credentials.
3. Follow up email: New credentials have been sent. If you have not seen this message and have not logged in, please notify us.
4. Must use a modern, up-to-date browser such as more recent versions of Google Chrome, Mozilla Firefox or Microsoft Internet Explorer.

KIZ FORCE

KIZ Force – continued

4. Must use a modern, up-to-date browser such as more recent versions of Google Chrome, Mozilla Firefox or Microsoft Internet Explorer.
 - Google Chrome™, most recent stable version
 - Mozilla® Firefox®, most recent stable versions
 - Microsoft® Internet Explorer® versions 9, 10, and 11
 - Apple®Safari® versions 5.x, 6.x and 7.x on Mac OSX

For **all** browsers, enable JavaScript, cookies and TLS 1.2. If TLS 1.2 is not available, enable TLS 1.1. If your browser does not meet these requirements, you will not be able to login after July 22, 2017.

KIZ FORCE

Two Reporting Periods

First half fiscal year: July 1 through December 31

Reporting window: December 15 through January 15

Second half fiscal year: January 1 through June 30

Reporting window: June 15 through July 15 (will be extended to 7/30/17)

Reports

- Reports will now contain more required fields that must be completed.
- “Projected Annual Revenue” field has been replaced with “Six Month Projected Revenue
- System will send two reminders during the reporting period

APPLICATION PROCESS

File through DCED's Electronic Single Application (ESA)

Applications are due on or before **September 15th** each year

Required documentation:

1. Completed application through ESA
2. Completed KIZ Tax Credit Excel Worksheet to be uploaded in ESA
3. Completed KIZ Coordinator's Certificate
4. First page along with the signed signature pages of the applicant's PA and Federal tax returns for the base and comparable years
5. All documents verifying the completed Excel spreadsheet (i.e. RCT 101, RCT106, financial statements, etc.)

Incomplete applications will no longer be reviewed

APPLICATION PROCESS

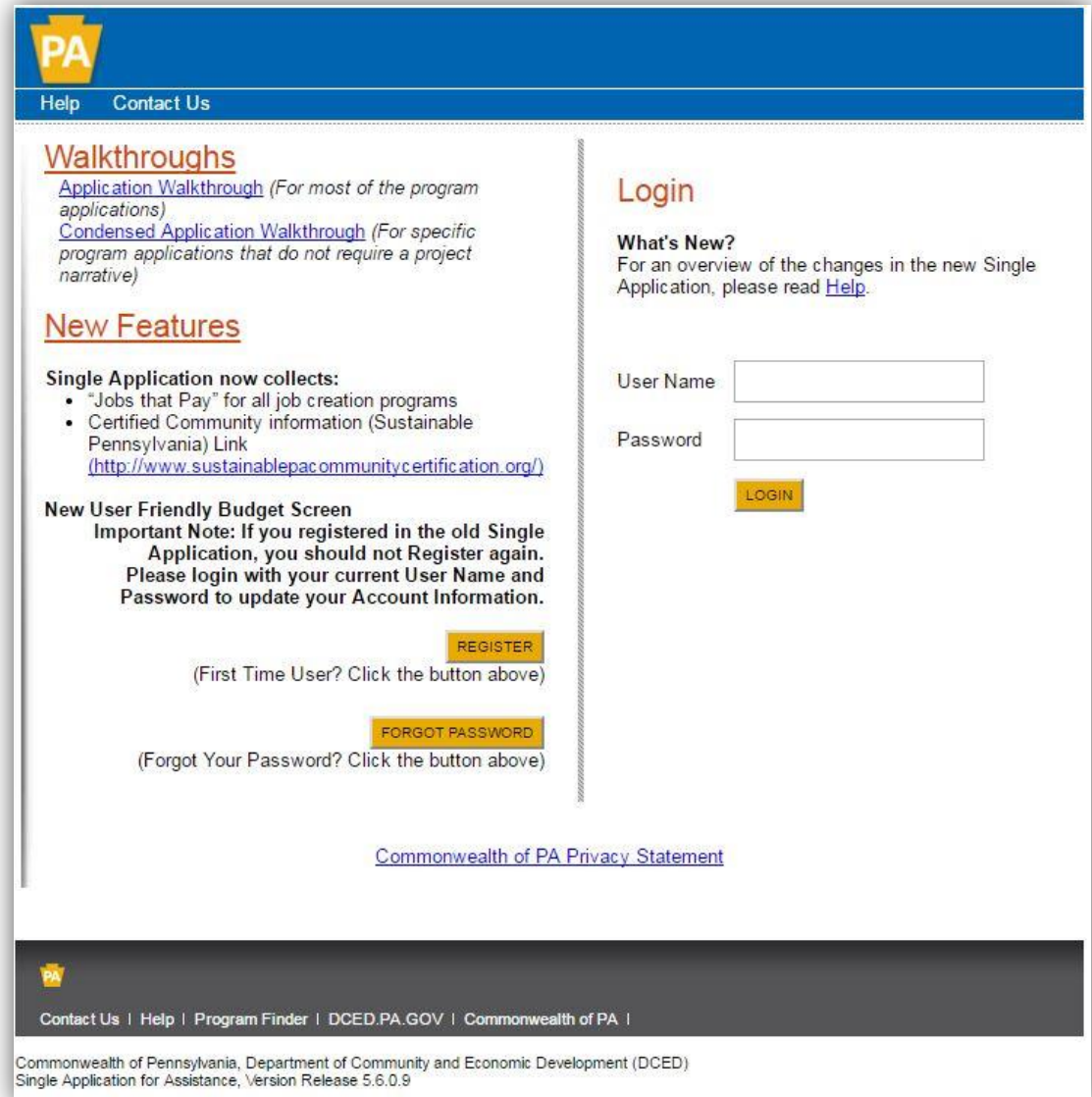
Capitol Stock / Foreign Franchise Tax Phase Out

- Eliminated for tax years beginning January 1, 2016 and after
- Companies this will affect:
 - **Single Member LLC's**
 - **Multi Member LLC's (partnerships)**
 - **PA S Corporations**
- Entities will need to submit a copy of their **PA-20S / PA-65** (Information Return) with their KIZ application

NAVIGATING ESA

Getting Started

- Dced.pa.gov/kiz → Apply
- New users need to register with a username and password
 - Cannot use an existing username or e-mail address
 - Cannot use a symbol in username – no e-mail addresses
 - If possible, use company name for user name and NOT personal name



The screenshot shows the homepage of the Single Application for Assistance (ESA) website. The header features the PA logo and navigation links for 'Help' and 'Contact Us'. The main content area is divided into two columns. The left column contains sections for 'Walkthroughs' (with links for 'Application Walkthrough' and 'Condensed Application Walkthrough'), 'New Features' (describing updates to the Single Application and a new user-friendly budget screen), and a 'REGISTER' button with a note for first-time users. The right column has a 'Login' section with a 'What's New?' announcement, input fields for 'User Name' and 'Password', and a 'LOGIN' button. At the bottom, there is a 'Commonwealth of PA Privacy Statement' link and a footer with contact information and version details.

PA Help Contact Us

Walkthroughs
[Application Walkthrough](#) (For most of the program applications)
[Condensed Application Walkthrough](#) (For specific program applications that do not require a project narrative)

New Features
Single Application now collects:

- "Jobs that Pay" for all job creation programs
- Certified Community information (Sustainable Pennsylvania) Link (<http://www.sustainablepacommunitycertification.org/>)

New User Friendly Budget Screen
Important Note: If you registered in the old Single Application, you should not Register again. Please login with your current User Name and Password to update your Account Information.

REGISTER
(First Time User? Click the button above)

FORGOT PASSWORD
(Forgot Your Password? Click the button above)

[Commonwealth of PA Privacy Statement](#)

PA Login

What's New?
For an overview of the changes in the new Single Application, please read [Help](#).

User Name

Password

LOGIN

Contact Us | Help | Program Finder | DCED.PA.GOV | Commonwealth of PA |


Commonwealth of Pennsylvania, Department of Community and Economic Development (DCED)
Single Application for Assistance, Version Release 5.6.0.9

NAVIGATING ESA

Getting Started

- Certify that you are eligible to submit an application on behalf of the company
- Upload KIZ Coordinator's Certificate


Agency: Pennsylvania Department of Community and Economic Development
Company:
Program: KIZ Tax Credit Program
[Program Fact Sheet](#) [Program Guidelines](#)
Web Application #: 8077764


 **REVIEW INFORMATION BELOW**

- BEFORE YOU CAN APPLY FOR KIZ TAX CREDIT PROGRAM, YOU MUST COMPLETE THE PRE-APPLICATION REQUIREMENTS SECTION BELOW.

Program Requirements

By checking this box, I certify that I am authorized to submit this Application by virtue of my status as one of the following: 1) a fulltime employee of the Company; 2) the Certified Public Accountant of the Company; or 3) the KIZ Coordinator for the Company.

☐ 

Upload the Official KIZ Coordinator's Certificate signed by your KIZ Coordinator? 

Upload Files
Click "Browse" to select a file. You can attach files up to a total size of 1.5MB.

File 1 No file chosen

If you have any questions regarding the above requirements please contact:
Technology & Innovation Office
717-787-4147
Ra-TechInvTaxCredit@state.pa.us

[Continue](#)

NAVIGATING ESA

Company Information

To copy your Registration information into the application, click the "Use Account Information" button below.

USE ACCOUNT INFORMATION

Company Entity Type:

<input type="radio"/> Limited Liability Partnership	<input type="radio"/> Partnership
<input type="radio"/> Government	<input type="radio"/> Non-Profit Corporation
<input type="radio"/> Sole Proprietorship	<input type="radio"/> Limited Liability Company
<input type="radio"/> S Corporation	<input type="radio"/> C Corporation

Company Name:

NAICS Code

FEIN:

(xxxxxxxx)

CEO:

CEO Title:

SAP Vendor #:

(xxxxxx or xxxxxx-xxx)

Contact Name:

Contact Title:

Phone: Ext.

(xxx-xxx-xxxx)

Fax:

E-mail:

Mailing Address:

City:

State: PA ▼

Zip Code:

NAICS Code can be
found on your [KIZ](#)
Coordinators Certificate
– only enter first 4 digits

NAVIGATING ESA

Project Site Location(s)

To add Project Site Locations, please see the [Project Overview](#) section.

Site 1

Address:

City:

State:

PA

Zip Code:

County:

-- Select County --

Municipality:

-- Select Municipality --

PA House:

PA Senate:

U.S. House:

Current Employees:

Jobs To Be Created:

Jobs that Pay:

Created

Retained

Jobs that Pay

Jobs that Pay is Part Of Governor Wolf's initiative to improve Pennsylvania's overall job climate and job growth through partnering with the private sector to encourage the creation and retention of jobs that pay at least 80% of the annual average wage in the county where the jobs are located. (See current county listings). Job creation and retention will help ensure that businesses and communities provide employment opportunities for all of the state's residents, improve the local tax base, and achieve prosperity and a higher quality of life for families and communities.

NOTE: Jobs that Pay required data by the Department is for reporting purposes only and will **NOT** be used as a criteria for awarding loans, loan guarantees, grants or tax credits.

Please enter the
physical location
of your business
on this page

Figures are required!
please be as accurate as
possible

NAVIGATING ESA

Project Narrative

Adequate answers to the Project Narrative questions below are required; a minimum of 100 characters has been established for each answer. Uploaded attachments or mailed documents are no longer permitted in this section of the application. If a more detailed narrative is required for the Program selected, instructions will either be provided in the Program Addenda section or the Program Guidelines.

What do you plan to accomplish with this project? ♦

Identify the problem(s) that need to be resolved.

Character Count: 0/1000 characters

How do you plan to accomplish it? ♦

Include expected outcomes that are measurable, obtainable, clear and understandable, and valid. Examples of measurable outcomes include jobs created or retained, people trained, land or building acquired, housing units renovated or built, etc.

Character Count: 0/1000 characters

How do you plan to use the funds? ♦

Should include specific use of funds and reflect the budget provided with the application.

Character Count: 0/1000 characters

NAVIGATING ESA

Program Budget

- Revamped for 2017 application
- New site will only have “other” category listed
- Required field

Program Budget
Please see the [Help](#) section for details on how to complete the Program Budget.

Funding Sources **Spreadsheet** Basis of Cost

Budget Spreadsheet +
The first column indicates the amount of funding you are requesting from DCED. To add, edit, or remove the spreadsheet columns, please see the [Funding Sources](#) tab. After completing the budget, please complete the [Basis of Cost](#) tab. Included is a Budget Narrative where you can provide a more detailed description of specific line items.

	KIZ Tax Credit Program	Total
- Acquisition	0	0
Land	0	0
Buildings	0	0
- General Construction	0	0
New Construction	0	0
Renovations	0	0
- Infrastructure / Site Preparation	0	0
Roads/Streets	0	0
Parking	0	0
Water/Sewer	0	0
Utilities	0	0
Demolition	0	0
Excavation/Grading	0	0
Environmental Cleanup	0	0
- Machinery & Equipment	0	0
New Equipment Purchase	0	0
Used Equipment Purchase	0	0
Upgrade Existing	0	0
Installation/Building Modification	0	0
Vehicles	0	0
- Working Capital	0	0
Working Capital	0	0
- Operating Costs	0	0
Salary/Fringe Benefits	0	0
Training/Technical Assistance	0	0
Consumable Supplies	0	0
Travel	0	0

AWARD CALCULATION

A company may claim a tax credit equal to **50%** of the increase in their gross revenue in the immediately preceding taxable year ATTRIBUTABLE to KIZ eligible activities in the zone *over* the KIZ company's gross revenues in the second preceding taxable year ATTRIBUTABLE to its activities in the KIZ.

(Second Year Revenue – First Year Revenue) x 50% = Eligible Tax Credit

****A tax credit for a KIZ shall not exceed \$100,000****

AWARD CALCULATION

Gross Revenue Calculations

Revenues derived from the sale of goods and services from activities in a KIZ targeted industry and from operations transacted within the KIZ

- Gross Revenue may include **grants** from KIZ, Small Business Innovation Research/Small Business Technology Transfer, National Institute of Health, and Department of Defense funds
- Ineligible Revenues:
 1. Rent collected
 2. Sales of tax credits
 3. Loans
 4. Funds from investors

- Companies with single location in KIZ will **NO LONGER** need to complete apportionment factors

Gross Revenues for the Base Tax Year			
Tax Form # or Current Name	Line #	Page #	
Total gross revenues for the Base Year			

Reminder!

State revenues if your company was not located in the KIZ for the entire taxable year

Reminder!
prorate revenues if your
company was not located
within the KIZ for the entire
taxable year

AWARD CALCULATION

Apportionment Worksheet (Property and Payroll Factor)

- Companies with multiple locations in Pennsylvania

Property Factor Calculation

value of property owned by the taxpayer and used by the taxpayer **OR**
property rented to the taxpayer and used by the taxpayer in the KIZ
during the tax period

value of property owned by the taxpayer and used by the taxpayer **OR**
property rented to the taxpayer and used by the taxpayer in PA during
the tax period

AWARD CALCULATION

Property Factor Calculation

Reminder!

You must complete these sections prior to entering an amount

Property Factor Calculation				
Item	Document Information			Amount
	Tax Form # or Document Name	Line #	Page #	
Annual Rent, Lease, Mortgage				
				\$0
Property Value Factor				x 8
Rent, Lease, Mortgage Subtotal				\$0
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				\$0
				÷ 2
Building & Equipment Subtotal				\$0
Property Factor (Total of All Property) Within the KIZ			(Line A)	\$0

AWARD CALCULATION

Property Factor Documentation

Form 1065 Department of the Treasury Internal Revenue Service		U.S. Return of Partnership Income For calendar year 2015, or tax year beginning _____, 2015, ending _____, 20____ ▶ Information about Form 1065 and its separate instructions is at www.irs.gov/form1065 .		OMB No. 1545-0123 2015	
A Principal business activity		Name of partnership		D Employer identification number	
B Principal product or service		Type or Print Number, street, and room or suite no. If a P.O. box, see the instructions.		E Date business started	
C Business code number		City or town, state or province, country, and ZIP or foreign postal code		F Total assets (see the instructions) \$ _____	

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
 (6) ☐ Technical termination - also check (1) or (2)

H Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ _____

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____

J Check if Schedules C and M-3 are attached ☐

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a Gross receipts or sales	1a			
	b Returns and allowances	1b			
	c Balance. Subtract line 1b from line 1a				1c
	2 Cost of goods sold (attach Form 1125-A)				2
	3 Gross profit. Subtract line 2 from line 1c				3
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)				4
	5 Net farm profit (loss) (attach Schedule F (Form 1040))				5
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)				6
	7 Other income (loss) (attach statement)				7
	8 Total income (loss). Combine lines 3 through 7				8
	9 Salaries and wages (other than to partners) (less employment credits)				9
	10 Guaranteed payments to partners				10
	11 Repairs and maintenance				11
12 Bad debts				12	
13 Rent				13	

AWARD CALCULATION

Property Factor Documentation

Form 1065 (2015) Page **5**

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16i **1**

2 Analysis by partner type:

	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other
a General partners						
b Limited partners						

Schedule L **Balance Sheets per Books**

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash				
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach statement)				
7a Loans to partners (or persons related to partners)				
b Mortgage and real estate loans				
8 Other investments (attach statement)				
9a Buildings and other depreciable assets				
b Less accumulated depreciation				
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach statement)				
14 Total assets				

AWARD CALCULATION

Payroll Factor Calculation

Total Amount of compensation paid in the KIZ during the tax period by the applicant

Total amount of compensation paid in PA during the tax period by the applicant

Ineligible Forms of Compensation

1. Contracted employees
2. Consultants
3. Independent sales people

AWARD CALCULATION

Payroll Factor Calculation

Payroll Factor Calculation				
Item	Document Information			Amount
	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)				
Payroll Factor (Total of All Wages) Within the KIZ			(Line B)	\$0

Most common forms of
compensation

AWARD CALCULATION

Payroll Factor Documentation

Form 1065 Department of the Treasury Internal Revenue Service		U.S. Return of Partnership Income For calendar year 2015, or tax year beginning _____, 2015, ending _____, 20____ ► Information about Form 1065 and its separate instructions is at www.irs.gov/form1065 .		OMB No. 1545-0123 2015
A Principal business activity	Type or Print	Name of partnership	D Employer identification number	
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see the instructions.	E Date business started	
C Business code number		City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see the instructions) \$ _____	
G Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return (6) <input type="checkbox"/> Technical termination - also check (1) or (2)				
H Check accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ► _____				
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ► _____				
J Check if Schedules C and M-3 are attached <input type="checkbox"/>				
Caution. Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.				
Income	1a Gross receipts or sales	1a		
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a		1c	
	2 Cost of goods sold (attach Form 1125-A)		2	
	3 Gross profit. Subtract line 2 from line 1c		3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)		4	
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	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6	
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	8 Total income (loss). Combine lines 3 through 7		8	
	9 Salaries and wages (other than to partners) (less employment credits)		9	
	10 Guaranteed payments to partners		10	
	11 Repairs and maintenance		11	
12 Bad debts		12		
13 Rent		13		

COMMON MISTAKES

- Incorrect KIZ Coordinator Certificate (wrong year)
- Failure to prorate revenues for companies not located within a KIZ for an entire calendar year
- Aged out of program before year end and did not prorate revenue
- Lack of response when requesting follow-up information
- Acquired during application process and no longer qualify

SALE OR ASSIGNMENT OF KIZ TAX CREDITS

Introduction

- Must first be applied against the companies tax liability in the tax year the credit was approved
- Cannot carry back or request a refund for an unused KIZ Tax Credit
- Companies may carry forward a credit for up to 4 additional taxable years or apply to DCED to sell the credit

SALE OR ASSIGNMENT OF KIZ TAX CREDITS

Sales Application

- Must identify a buyer prior to submitting an application
- Seller needs to be tax compliant with the Department of Revenue
- 60 day targeted turnaround for completion
- If a revised application is required, the 60 day clock begins again
- Approval letters will be mailed to the buyer and seller when the sale has been completed
- If no longer subject to CS/FF, companies **MUST** submit a PA-20S / PA-65 prior to selling a credit

SALE OF R&D TAX CREDITS

Introduction

- Available to businesses incurring qualified expenses for R&D in Pennsylvania
- The **Department of Revenue** administers the approval of R&D tax credits
- Must first be applied to the entity's corporate tax liability in the year the credit was awarded
- Can be applied to
- the following PA state taxes:
 1. Capital Stock / Foreign Franchise Tax
 2. Corporate Net Income Tax
 3. Personal Income Tax

SALE OF R&D TAX CREDITS

Sales Application

- Seller must be tax compliant with the Department of Revenue
- Application may only be filed with DCED after state tax returns are filed
- Credits may only be sold or assigned ONCE
- Buyer must claim the credit in the taxable year it was approved by DCED
- 90 day targeted turnaround for completion
- If an application is rejected, a new application will need to be submitted and the 90 day clock will begin again

MORE INFORMATION

Keystone Innovation Tax Credit Program

Dced.pa.gov/kiz

Research & Development Sales and Assignment Program

Dced.pa.gov/rd