

RURAL JOBS AND INVESTMENT TAX CREDIT

PROGRAM 1

Program Guidelines | September 2020



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Section I – Statement of Purpose

The **Rural Jobs and Investment Tax Credit Program** (“Program”) authorized under the Tax Reform Code of 1971 is an investment tool designed to offer rural business owners access to capital for business development in rural areas. The capital is sourced to Rural Growth Funds, designated to receive up to \$50 million dollars in capital contributions from investors.

Tax Credits awarded within this program are leveraged by rural growth funds to incentivize Business Firms to contribute capital. Six million (\$6 million) in aggregate tax credits may be awarded per year over five years in the program.

The Commonwealth of Pennsylvania is using this investment tool to attract and retain rural businesses to the commonwealth, create family sustaining jobs, and to stimulate economic growth in rural businesses.

Section II – Rural Growth Fund Designation

A. Eligibility

Applicants (or Affiliates of the Applicant) must:

1. Be a licensed rural business investment company under the Consolidated Farm and Rural Development Act or a small business investment company under the Small Business Investment Act.
2. Have invested at least \$100 million in nonpublic companies located in rural areas of the commonwealth or other states.
3. Have at least one principal who has been an officer or employee of the Applicant for at least four years prior to the date of application under this Program
4. Be registered to do business in the commonwealth and subject to Bank and Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax (excluding unauthorized, domestic/foreign marine), Mutual Thrift Tax, Surplus Lines Tax, and Retaliatory Tax.

*If applying as an affiliate of the applicant, the affiliate must be an entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another entity. For the purposes of this part, an entity is “controlled by” another entity if the controlling person holds, directly or indirectly, the majority voting or ownership interest in the controlled entity or has control over the day-to-day operations of the controlled entity by contract or by law.

B. Application

Applicants seeking designation as a Rural Growth Fund shall furnish the following information:

1. Total investment authority sought by the applicant.
2. Documentation verifying the following:
 - a. The Applicant or Affiliate of the Applicant is licensed as a rural business investment company or as a small business investment company.

- b. The Applicant or Affiliates, as of the date of this application, have invested at least \$100M in nonpublic companies located in rural areas of the commonwealth or in other states.
 - i. For purposes of this program, the Applicant shall demonstrate historical investment activity for the past 10 years (e.g., 2009 to 2019) including, but not limited to, investment size and any additional information deemed to be appropriate by the Department.
 - ii. The transaction record should be supported, ideally, by historic investment reports relating to a pooled vehicle established for the benefit of third-party investors. The Applicant should also be able to produce relevant financial reports audited by a nationally recognized accounting firm.
- c. An estimate of the number of jobs created or retained in the commonwealth that will result from the Applicant's rural growth investments.
- d. At least one principal has been an officer or employee of the Applicant or Affiliate of the Applicant for at least four years prior to the date of application under this Program.
- e. A 10-year business plan which predicts state and local tax revenue to be generated by prospective Rural Growth Investments. The plan must be prepared by an independent nationally recognized third-party independent economic forecasting firm utilizing a dynamic forecasting model.
- f. A signed affidavit from each investor stating the amount of credit eligible capital contributions each business firm commits to make.
- h. The Applicant shall provide a minimum of five (5) references consisting of 2-3 investors (preferably governmental entities) and 2-3 portfolio company representatives.
- h. A non-refundable application fee of \$500 made payable to the Department at the time of application. The check shall be made out to the "Department of Community & Economic Development".

C. Review and Approval Process

A decision to approve or disapprove an application will be made within 60 days of receipt of the application by the Department.

Applications received on the same day are treated as if they were received simultaneously. Applications are deemed to be received based on the date/time stamp generated by the Department.

If an application is approved to be a Rural Growth Fund, the Applicant will be informed of the amount of its investment authority under the Program and the amount of credit-eligible capital contributions to each Business Firm which submitted the required affidavit. The allocation of investment authority is made by the order in which the approved application is received by the Department.

If requests for investment authority exceed \$50 million, the Department will reduce the investment authority and credit-eligible capital contributions for each approved application proportionally based upon the amount of investment authority sought in each approved application.

The Department will provide approval notifications to the approved Fund's via email. The recipient must immediately provide acknowledgement to the Department that the notification was received. This acknowledgement will start the clock for the Fund's Requirements as set forth in Section IV (Fund Requirements).

Approval notifications will include:

1. Amount of the Rural Growth Fund's investment authority.
2. Amount of credit-eligible contribution authority allocated to each business firm that submitted an affidavit.

At least 60% of a growth fund's investment authority shall be comprised of credit-eligible capital contributions.

If the Department disapproves an application, an Applicant may resubmit the application within 30 days after receipt of a notice of disapproval.

Applications must be submitted in hard copy and emailed to the following:

Diane Sterthous, Venture Capital Advisor
PA Department of Community and Economic Development
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

(717) 787-4147
dsterthous@pa.gov

Section III – Business Firm Contributions

Designated Rural Growth Funds are authorized to receive both capital contributions and credit-eligible capital contributions from Business Firms.

Business Firms eligible to make Credit-Eligible Capital Contributions to designated rural growth funds must:

1. Be registered to do business in the commonwealth.
2. Be subject to the taxes imposed under Article VII, VIII, IX or XV of the Tax Reform Code of 1971, the tax under Article XVI of The Insurance Company Law of 1921, or amounts imposed under Section 212 of The Insurance Department Act of 1921, and any other retaliatory tax imposed on a business firm in this commonwealth.
3. Be in state tax compliance with the laws and regulations of the commonwealth to the satisfaction of the Pennsylvania Department of Revenue.

Section IV – Fund Requirements

Upon receipt of approval from the Department, the Rural Growth Fund, must within 60 days:

1. Collect the credit-eligible capital contributions from each Business Firm.
2. Collect one or more investments of cash that, when combined with the credit-eligible capital contributions, equal the Rural Growth Fund's investment authority. At least 10% of the Rural Growth Fund's investment authority shall be comprised of equity investments contributed, by affiliates of the Rural Growth Fund, including employees, officers, and directors of the affiliates.

Within 65 days of the Department approval, the Rural Growth Fund must provide sufficient documentation to the Department which proves that the amounts specified in (1) and (2) above have been collected. Documentation may include but is not limited to: canceled checks, wire transfer confirmation, bank statements, and/or fee structure breakdown. Additionally, the Rural Growth Fund must also submit a completed Credit-Eligible Capital Contribution Request Form (Appendix B) for approval for each Business Firm.

1. The Department may not approve more than \$30 million in credit-eligible capital contributions. Credit-eligible capital contributions will be issued in the order in which they are received. If credit-eligible contribution requests exceed \$30 million and are received on the same day, the Department will prorate the contributions proportionally based upon the amount of investment authority sought in the Rural Growth Fund's application for each approved application, as necessary.
2. The Rural Growth Fund shall maintain full and accurate records with respect to the receipt of contributions from investors and expenditure of those contributions. These records shall be maintained until the Rural Growth Fund successfully applies to exit from the Program.
3. If the credit-eligible capital contribution is approved, the Department will issue an approval letter indicating the approved contribution amount. Business Firms must provide this letter with their subsequent tax credit application.

Prior to the closing date, the applicant must certify that it shall not discriminate against any employee or against any applicant for employment because of race, religion, color, handicap, national origin, age or sex; and the applicant and its principals must be current in payment of all state and local taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are in full compliance with the terms thereof.

A. Failure to Meet Fund Requirements

If the Rural Growth Fund fails to comply with the Fund Requirements described above its approval and designation as a Rural Growth Fund shall be revoked. The investment authority and credit-eligible capital contributions shall be reallocated according Section IX of these Guidelines.

The investment authority may be revoked by the Department for any of the following reasons:

1. The Rural Growth Fund does not comply with post-approval requirements as set forth herein
2. The Rural Growth Fund fails to invest 100% of its investment authority
3. The Rural Growth Fund investment portfolio lacks proper exposure (i.e., the Rural Growth Fund must be concentrated entirely in PA-domiciled rural growth businesses, including a minimum of 25% in manufacturing-oriented companies)
4. The Rural Growth Fund portfolio matures too early. The Rural Growth Fund shall operate, at a minimum, until the 7th anniversary of the closing date. Portfolio companies may be sold as long as the Rural Growth Fund reinvests sale proceeds, exclusive of profits, in rural growth businesses within 12 months of sale. Incremental proceeds received (not limited to dividends, partial sale proceeds, escrows) will be deemed compliant so long as they are reinvested by the end of the following calendar year. After the 6th anniversary of closing, the Rural Growth Fund is not required to reinvest capital.
5. The Rural Growth Fund, before exiting the program, makes a distribution such that the second requirement above is violated.
6. The Rural Growth Fund invests more than 20% of its investment authority, exclusive of receipts or redeemed rural growth investments, in the same rural business, including amounts invested in affiliates of the rural business.
7. The Rural Growth Fund makes an investment in a company deemed to have a prior affiliation with the Rural Growth Fund i.e., promoting conflict of interest.

Under certain conditions, the Rural Growth Fund may appeal the revocation.

B. Post Approval Fund Requirements

Department staff will monitor the activities of the Rural Growth Fund to ensure that the conditions of the Fund investment are being observed and met. The Department will have full authority to take all actions necessary to protect and preserve its investment, including but not limited to appropriate legal action when required or direct referral for audit by the Pennsylvania Auditor General.

The Rural Growth Fund shall maintain full and accurate records with respect to the Program and shall ensure adequate control over the records of all related parties. Staff shall have access to such records and be able to inspect all relevant records at reasonable times and places. Upon request, the Rural Growth Fund must furnish all data, reports, contracts, documents and other relevant information, as may be requested in the investment documents.

If, after the closing date, it is determined that the application contained material misrepresentations, or that Rural Growth Fund monies were used for ineligible activities or activities not permitted under the terms of the Program, the Rural Growth Fund's investment authority will be immediately terminated, and the Department may cancel or demand immediate recompense of any and all funds deferred in connection with the tax credits. In addition, the matter may be referred to the appropriate authorities for criminal investigation.

C. Prohibition

Neither a Rural Growth Fund nor any Business Firm that invests in the Rural Growth Fund shall be an affiliate of or have a pecuniary interest in a rural business that receives a rural growth investment from the Rural Growth Fund prior to the rural growth fund's initial rural growth investment in the rural business.

D. Revocation of Investment Authority

If a tax credit certificate is revoked under the circumstances described in Section VIII of these Guidelines, the associated investment authority shall be revoked and reallocated according to Section IX of these Guidelines.

E. Reallocation of Investment Authority

1. If a Rural Growth Fund fails to meet the Fund Requirements under Section IV, its investment authority will be reallocated on a pro-rata basis to Rural Growth Funds which were awarded less than the requested investment authority in their applications.
2. If investment authority remains after reallocation in paragraph (1), the Department may award to new applicants.

Section V – Reporting Requirements

A. Initial Report

Each Rural Growth Fund shall submit a report to the Department on or before the fifth business day after the second anniversary of the closing date. The report shall provide documentation as to its rural growth investments and include the following:

1. A bank statement evidencing each rural growth investment.
2. A completed Investment Report (Appendix A) for each rural growth investment, detailing: name, location, size, and industry of each underlying Rural Business including original rationale used in determining Rural Business classification.
3. A copy of the commitment letter or summary of the terms and conditions of each rural growth investment offered to and accepted by the rural business.
4. Any other information required by the Department.

The Department may request additional documentation necessary to confirm that all supplied information is true and accurate.

B. Annual Report

No later than March 1 of each year following the Closing Date, the Rural Growth Fund shall update the documentation in Appendix A regarding:

1. The number of jobs created and retained by each rural business. The number of jobs created and retained shall be calculated as follows:
 - The number of jobs created by a rural business is calculated each year by subtracting the number of full-time equivalent employee positions in this commonwealth at the time of the initial rural growth investment in the rural business from the monthly average of those employment positions for that year. If the number calculated is less than zero, the number shall be reported as zero. The monthly average of full-time equivalent employee positions for a year is calculated by adding together the number of full-time equivalent employee positions existing on the last day of each month of the year and dividing by 12.
 - The number of jobs retained by a rural business is calculated each year based on the monthly average of full-time equivalent employee positions for that year. The monthly average of full-time equivalent employee positions for a year is calculated by adding together the number of full-time equivalent employee positions existing on the last day of each month of the year and dividing by 12. The reported number of jobs retained for a year may not exceed the number reported on the annual report under this subsection. The rural growth fund shall reduce the number of jobs retained for a year if the employment at the rural business drops below the number reported on the annual report.
2. The average hourly wage of the jobs reported paragraph (1).
3. List any rural growth investments that were sold or repaid during the previous calendar year. Please include the name of the Rural Business that received the rural growth investment, total capital returned to the Rural Growth Fund, and date the rural growth investment was sold or repaid.
4. An updated Appendix A for any new rural growth investments made during the previous calendar year
5. Any other information required by the Department.

C. Rural Business Report

No later than March 1 of each year following the submission of the Initial Report, each Rural Business that receives a rural growth investment shall submit the following information (Appendix D):

1. The number of jobs existing at the Rural Business prior to the rural growth investment
2. The number of new jobs created as a result of the rural growth investment.
3. The number of jobs retained as a result of the rural growth investment.

Failure by the Rural Business to submit the report may result in the reduction of investment authority or credit-eligible capital contribution authority of the Rural Growth Fund.

The Rural Business report will be analyzed by Department staff in consultation with the Department of Revenue to determine the number of jobs created and retained per the methodology described in the statute and these guidelines.

Section VI – Rural Jobs and Investment Tax Credit

The total allocation of tax credit certificates that may be awarded for this Program is \$30 million dollars. The Department may not issue tax credit certificates that would exceed \$6 million dollars in utilization in any fiscal year, excluding carried forward tax credits or amounts reallocated under Section IX of these Guidelines.

To qualify for a tax credit, credit-eligible capital contributions made by an Business Firm to a Rural Growth Fund must be used by the Rural Growth Fund for rural growth investments in a rural business.

Business Firms that made credit eligible contributions must submit the Rural Jobs and Investment Tax Credit Application (Appendix C) no later than February 1st for credit-eligible capital contributions approved in the preceding calendar year.

The amount of tax credits awarded to a Business Firm shall not exceed the amount of the credit-eligible capital contribution under the annual fiscal \$6 million-dollar program cap.

The Department will authorize the Pennsylvania Department of Revenue to perform a State Tax Compliance Clearance. Should an applicant for tax credit be found to be out of compliance, notices will be sent to the applicant with instructions on how to rectify any compliance issues. The applicant must resolve non-compliance issues within 21 days in order to be eligible for the tax credit.

Tax credit applicants must complete the Department of Revenue's online tax clearance form found here: <https://expressforms.pa.gov/apps/pa/revenue/Tax-Credit-Economic-Development-Clearance>

The Department will review and process applications within 30 business days of receipt. If approved, tax credit certificates will be awarded by April 1. If the Business Firm fails to rectify their compliance issue within 21 days, the application will be rejected, and the Business Firm must reapply for tax credits.

Tax credit applications can be mailed to:

Department of Community & Economic Development
Office of Business Financing – Tax Credit Division
Rural Jobs and Investment Tax Credit
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, Pennsylvania 17120-0225

Section VII – Use of Tax Credits

(Administered by the PA Department of Revenue)

Upon receipt of the tax credit certificate, the Department will notify the Department of Revenue that the Business Firm has been awarded a tax credit within the Program.

A. Tax Credit Certificate

Claiming Tax Credit

Business firms may apply the credit against the following:

1. Bank and Trust Company Shares Tax
2. Title Insurance Company Shares Tax
3. Insurance Premiums Tax (excluding unauthorized, domestic/foreign marine)
4. Mutual Thrift Tax
5. Surplus Lines Tax
6. Retaliatory Tax

Tax credit certificates issued in the Program will contain the effective date and expiration date of the credits.

B. Terms of Use

A completed tax report must be filed for the period in which the tax credit was approved before the tax credit may be passed through, carried forward, or assigned to an affiliated entity. The tax credit is non-refundable. The tax credit may be used to offset 100% of the entities liability or 100% of the shareholder, member or partner's liability if the entity is a pass-through entity. Tax credits passed through must be in proportion to the pro-rata share of ownership in the pass-through entity.

C. Credit Utilization

To utilize this tax credit, please return the tax credit certificate and claim form to the Department of Revenue. Do not include the claim form with any tax report.

The claim form and tax credit certificate must be emailed to the Department of Revenue, Office of Economic Development: ra-btftrevkoz@pa.gov. Utilization questions may be directed to 717-772-3896.

D. Carry Forward Provision

The tax credit may be carried over and applied for not more than five succeeding taxable years or until the expiration date on the tax credit certificate.

Each time the tax credit is carried over to a succeeding taxable year, the tax credit shall be reduced by the amount used as a tax credit during the immediately preceding taxable year.

E. Tax Credit Assignments

A completed tax report must be filed for the period in which the tax credit was approved before the tax credit may be assigned to an affiliate. In addition, an assignment will not be approved if the business firm holding the tax credit has any unpaid state taxes, non-filed or incomplete state tax reports and returns as of the date the Department of Revenue is asked to review the business firm's records as part of the process to approve the assignment.

F. Assigned Credits to Affiliates

Tax credits assigned to affiliates may be passed through or carried forward for the term of the tax credit as specified on the tax credit certificate but may not be re-assigned. Tax credits may not be carried back for a liability that was incurred prior to the assignment.

The tax credits assigned to affiliates are applied to the assignees account for the tax period open as of the date the business firm's report is filed for the period in which the tax credit is approved for assignment. Tax period open refers to the current tax year open, regardless as to when the taxpayer files a tax return for the tax period.

The amount of the tax credit that an assignee may use against any one Qualified Tax Liability may not exceed 100% of the Qualified Tax Liability for the taxable year.

G. Prohibition

Neither a Rural Growth Fund nor any Business Firm that invests in the Rural Growth Fund shall be an affiliate of or have a pecuniary interest in a rural business that receives a rural growth investment from the Rural Growth Fund prior to the Rural Growth Fund's initial rural growth investment in the rural business.

Section VIII – Revocation of Tax Credit Certificate

The Department shall revoke the tax credit certificate(s) if any of the following occur before the Rural Growth Fund exits the Program:

1. The Rural Growth Fund to which the credit-eligible capital contribution was made does not invest all its investment authority in rural growth investments in the commonwealth within three years of the closing date.
2. The Rural Growth Fund to which the credit-eligible capital contribution was made does not invest at least 25% of its investment authority in rural businesses engaged in manufacturing within three years of the closing date.
3. The Rural Growth Fund fails to maintain rural growth investments totaling 100% of its investment authority until the seventh anniversary of the closing date. A rural growth investment is “maintained” even if the rural growth investment is sold or repaid as long as the Rural Growth Fund reinvests an amount equal to the capital returned or recovered by the Rural Growth Fund from the original rural growth investment, exclusive of any profits realized, in other rural growth investments in this commonwealth within 12 months of the receipt of the capital. Amounts received periodically by a Rural Growth Fund shall be treated as continually invested in rural growth investments if the amounts are reinvested in one or more rural growth investments by the end of the following calendar year. A Rural Growth Fund is not required to reinvest capital returned from rural growth investments after the sixth anniversary of the closing date.
4. The Rural Growth Fund makes a distribution or payment that results in the fund having less than 100% of its investment authority in rural growth investments in Pennsylvania or available for investment in rural businesses and held in cash or market securities.
5. The Rural Growth Fund invests more than 20% of its investment authority, exclusive of receipts or redeemed rural growth investments, in the same rural business, including amounts invested in affiliates of the rural business.
6. The Rural Growth Fund makes a rural growth investment in a rural business that, directly or indirectly through an affiliate, owns, has the right to acquire an ownership interest, makes a loan to, or makes an investment in the Rural Growth Fund, an affiliate of the Rural Growth Fund, or a Business Firm in the Rural Growth Fund. This does not apply to investments in publicly traded securities by a rural business or an owner or affiliate of a rural business.

The Department will notify the Rural Growth Fund of the pending tax credit certificate revocation. The Rural Growth Fund will have 90 days from the date of notification to correct any violation. If the violation has been corrected to the satisfaction of the Department, the tax credit certificate(s) will not be revoked.

Section IX – Reallocation of Tax Credit Certificates

If the tax credit certificates are revoked under Section VIII of these Guidelines, the Department will reallocate the corresponding investment authority on a pro-rata basis to Rural Growth Funds which were awarded less than the requested investment authority in their applications.

If investment authority remains after reallocation described above, the Department may award the remaining investment authority allocation to new applicants.

Section X – Exiting the Program

The Rural Growth Fund may apply to the Department to exit the Program after the seventh anniversary of the closing date (Appendix E).

The Rural Growth Fund shall calculate the State repayment amount in its application for exit and if the product is greater than the Rural Growth Fund's credit-eligible capital contributions, the State repayment amount shall equal zero.

The Department will respond within thirty (30) days of receipt of application and confirm the State repayment amount.

If the Rural Growth Fund owes a State repayment amount, the Rural Growth Fund may not make a distribution or payment in excess of the investment authority until the Rural Growth Fund remits the State repayment amount to the Department.

If no tax credit certificates have been revoked and no notices of revocation remain uncured by the Rural Growth Fund, it shall be considered sufficient evidence to approve the exit from the Program.

If the request to exit the Program is denied, the Department will provide notice to the Rural Growth Fund.

Section XI – Program Requirements

A. Conflict of Interest Provision

An officer, director, or employee of a Rural Growth Fund and/or Business Firm who is a party to or has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant and may not vote on action of the applicant concerning the project, nor participate in the deliberations of the applicant concerning the project.

B. Project Records

The Rural Growth Fund and/or Business Firm must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The program office requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the program office, the Rural Growth Fund and/or Business Firm must furnish all data, reports, contracts, documents, and other information relevant to the project.

Section XII – Program Inquiries/Contact Information

Program inquiries should be directed to:

Department of Community & Economic Development
Office of Business Financing – Tax Credit Division
Rural Jobs and Investment Tax Credit
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, Pennsylvania 17120-0225

Phone: (717) 214-5422

Section XIII – Rural Jobs and Investment Tax Credit Definitions

Affiliate – An entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another entity. For the purposes of this part, an entity is “controlled by” another entity if the controlling person holds, directly or indirectly, the majority voting or ownership interest in the controlled entity or has control over the day-to-day operations of the controlled entity by contract or by law.

Business Firm – An entity authorized to do business in this commonwealth and subject to taxes imposed under Article VII, VIII, IX or XV, the tax under Article XVI of the act of May 17, 1921 (P.L. 682 No.284), known as The Insurance Company Law of 1921, or amounts imposed under section 212 of the act of May 17, 1921 (P.L. 789, No.285), known as The Insurance Department Act of 1921.

Closing Date – The date on which a rural growth fund has collected all of the amounts specified by Section 1825-G of Article XVII-G of the Tax Reform Code of 1971, as further described in Section IV of these Guidelines.

Consolidated Farm and Rural Development Act – The Consolidated Farm and Rural Development Act of 1961 (P.L. 87-128, 75 Stat. 307).

Credit-eligible Capital Contribution – An investment of cash by a business firm in a rural growth fund that equals amount specified on a tax credit certificate issued by the department under Section 1829-G of Article XVII-G of the Tax Reform Code of 1971. The investment shall purchase an equity interest in the rural growth fund or purchase, at par value or premium, a debt instrument that has a maturity date at least five years from the closing date.

Department – The Department of Community and Economic Development.

Full-time Equivalent Employee – The quotient obtained by dividing the total number of hours for which employees were compensated for employment over the preceding 12-month period by 2,080

Investment Authority – The amount stated on the notice issued under section 1824-G of Article XVII-G of the Tax Reform Code of 1971, as further described in Section II of these Guidelines, approving the rural growth fund.

Jobs Created – Full-time equivalent employee positions that:

1. Are created by the rural business
2. Are currently located in this commonwealth
3. Were not located in this commonwealth at the time of the rural growth investment in the rural business
4. Pay at least 150% of the Federal or State minimum wage, whichever is greater

Jobs Retained – Full-time equivalent employee positions that:

1. Are located in this commonwealth
2. Existed before the initial rural growth investment in the rural business
3. Pay at least 150% of the Federal or State minimum wage, whichever is greater
4. Would have been lost or moved out of this commonwealth had a rural growth investment not been made, as certified in writing by an executive officer of the rural business and approved by the Department.

Principal Business Operations – The place or places where at least 60% of a rural business' employees work or where employees that are paid at least 60% of the business' payroll work. An out-of-state business that has agreed to relocate employees or an in-State business that has agreed to hire employees using the proceeds of a rural growth investment to establish principal business operations in a rural area in this commonwealth shall be deemed to have the principal business operations in this new location if the business satisfies this definition within 180 days after receiving the rural growth investment, unless the department agrees to a later date.

Qualified Tax Liability – The liability for taxes imposed under Article VII, VIII, IX or XV, the tax under Article XVI of the act of May 17, 1921 (P.L. 682 No. 284), known as The Insurance Company Law of 1921, or amounts imposed under section 212 of the act of May 17, 1921 (P.L. 789, No. 285), known as The Insurance Department Act of 1921, and any other retaliatory tax imposed on a business firm in this commonwealth.

Rural Area – Either of the following:

1. An area of the commonwealth that is not in:
 - a. A city with a population of more than 50,000 according to the latest decennial census of the United States
 - b. An urbanized area contiguous and adjacent to a city that has a population of more than 50,000 inhabitants
2. An area determined to be rural in character by the under-secretary of agriculture for rural development within the United States Department of Agriculture

Rural Business – A business that, at the time of the initial rural growth investment in the business by a rural growth fund, meets the following conditions:

1. Has fewer than 150 employees and not more than \$15,000,000 in net income as determined by generally accepted accounting principles for the preceding calendar year.
2. Has principal business operations in one or more rural areas in the commonwealth.
3. Is engaged in industries related to manufacturing, plant sciences, services or technology or, if not engaged in those industries, the Department makes a determination that the investment will be highly beneficial to the economic growth of this commonwealth.

Rural Business Investment Company – A company that— (A) has been granted final approval by the Secretary of Agriculture under section 384D(e) of the Consolidated Farm and Rural Development Act; and (B) has entered into a participation agreement with the Secretary of Agriculture.

Rural Growth Fund – An entity approved by the Department under section 1824-G of Article XVII-G of the Tax Reform Code of 1971.

Rural Growth Investment – A capital or equity investment in a rural business or any loan to a rural business with a stated maturity at least one year after the date of issuance. A secured loan or a revolving line of credit provided to a rural business is a rural growth investment only if the growth fund obtains an affidavit from the president or chief executive officer or equivalent position of the rural business attesting that the rural business sought and was denied similar financing from a commercial bank.

Small Business Investment Act – The Small Business Investment Act of 1958 (P.L. 85-699, 72 Stat. 689).

Small Business Investment Company – A company approved by the Small Business Administration to operate under the provisions of the Small Business Investment Act and issued a license as provided in section 301 of Small Business Investment Act.

State Repayment Amount – The amount by which the rural growth fund's credit-eligible capital contributions exceed the product obtained by multiplying \$30,000 by the aggregate number of jobs created and jobs retained reported in annual reports under section 1827-G(b).

Tax Credit – The Rural Jobs and Investment Tax Credit provided under Part II of Article XVII-G of the Tax Reform Code of 1971.

Section XIV – Supplemental Information

Appendix A – Rural Growth Fund Initial Report

Appendix B – Credit- Eligible Contribution Request Form

Appendix C – Rural Jobs and Investment Tax Credit Application

Appendix D – Rural Business Report

Appendix E – Rural Growth Fund Exit Application

Appendix F – Business Firm Tax Credit Compliance Form



RURAL JOBS INVESTMENT TAX CREDIT INITIAL REPORT

APPENDIX A

Please update the general information by no later than March 1 for the prior calendar year. Add a Portfolio Company (see *Rural Business Information* below) for each Pennsylvania Portfolio Company that you have invested in. *This includes investments that you have exited.*

RURAL GROWTH FUND INFORMATION

1. REPORT DATE:		2. REPORTING PERIOD:	
3. FUND NAME:			
4. REPORTING CONTACT:			
5. CONTACT EMAIL:		6. CONTACT PHONE:	
7. TOTAL INVESTMENT AUTHORITY:		8. TOTAL CAPITAL INVESTED TO DATE:	
		9. TOTAL CAPITAL INVESTED IN PA COMPANIES:	
10. TOTAL PORTFOLIO COMPANIES:	11. ACTIVE COMPANIES*:	12. EXITED COMPANIES**:	*Companies still operating in the Portfolio **Companies sold, shut down, etc.
13. TOTAL PA PORTFOLIO COMPANIES:	14. PA ACTIVE COMPANIES*:	15. PA EXITED COMPANIES**:	
16. ACTIVE PA PORTFOLIO COMPANIES: (Employees at <u>first investment</u> in companies listed under * above)		17. EXITED PA PORTFOLIO COMPANIES: (Employees at <u>first investment</u> in companies listed under ** above)	
18. ACTIVE PA PORTFOLIO COMPANIES: (PA Employees <u>currently</u> at companies listed under * above)		19. EXITED PA PORTFOLIO COMPANIES: (PA Employees <u>currently (or at time of exit/move)</u> at companies listed under ** above)	

RURAL BUSINESS INFORMATION (Please complete for each PA based portfolio company.)

1. COMPANY NAME:		2. ADDRESS:	
3. WEBSITE:		4. WOMAN OR MINORITY OWNED?	
5. CURRENT PORTFOLIO STATUS? IF EXITED, PROVIDE DATE OF EXIT.			
6. NAME OF COMPANY CEO OR BEST CONTACT:		7. TITLE:	
8. EMAIL:		9. PHONE:	
10. TOTAL INVESTMENT FROM <u>YOUR</u> FUND TO DATE:		11. DATE OF <u>YOUR</u> FIRST INVESTMENT:	
12. COMPANY MOVE TO PA FROM <u>YOUR</u> INVESTMENT (Y/N):			
13. OTHER FINANCING RECEIVED AFTER YOUR 1ST INVESTMENT:			
14. OTHER INVESTORS (IF KNOWN):			
15. PENNSYLVANIA EMPLOYEES AT FIRST INVESTMENT:		16. MEDIAN WAGE/SALARY OF PA EMPLOYEES (IF KNOWN):	
17. NET INCOME OF RURAL BUSINESS AT FIRST RURAL GROWTH INVESTMENT:		18. RURAL BUSINESS' INDUSTRY SECTOR:	

TAX VERIFICATION INFORMATION

1. Provide a copy of the **Rural Business' federal tax return** for the tax year that includes the date of investment by the Rural Growth Fund.
2. Provide a copy of the **Rural Business' Annual Withholding Reconciliation Statement (REV-1667)** for the year that includes the date of investment by the Rural Growth Fund.
3. If applicable, provide a copy of the **Determination Letter** as issued by the Department confirming that the business is considered a Rural Business.
4. **If the Rural Business does not provide the required tax documentation, they must sign and date the confidentiality clause below allowing the Department to verify the information with the Department of Revenue.**

By executing the Rural Jobs and Investment Tax Credit Annual Report, I am authorizing the Pennsylvania Department of Community and Economic Development to request access to and review my company's and its affiliates' state tax returns as it pertains to the rural business's net income and employment information and waives confidentiality under Pennsylvania law and authorize release of this information. Executing the Rural Jobs and Investment Tax Credit Annual Report, authorizes the Pennsylvania Department of Revenue to release the tax returns and tax return information by any means possible, including but not limited to by phone discussions, mail, facsimile, e-mail or other electronic means with the Department of Community and Economic Development.

Signature

Name

Title

Date



CREDIT-ELIGIBLE CAPITAL CONTRIBUTION REQUEST FORM

APPENDIX B

GENERAL INFORMATION

1. NAME OF BUSINESS FIRM:	
2. CONTACT NAME:	
3. ADDRESS:	
4. PHONE NUMBER:	5. EMAIL ADDRESS:
6. FEIN:	7. REVENUE ID:
8. NAME OF THE RURAL GROWTH FUND TO WHICH THE CONTRIBUTION WAS MADE:	
9. AMOUNT OF CREDIT-ELIGIBLE CAPITAL CONTRIBUTION:	
10. CLOSING DATE OF THE RURAL GROWTH FUND:	11. DATE CONTRIBUTION WAS TRANSFERRED TO THE RURAL GROWTH FUND:
12. DESCRIBE THE TYPE OF INVESTMENT MADE TO THE RURAL GROWTH FUND: <i>i.e. amount of equity interest the investment purchased in the Rural Growth Fund, type of debt instrument purchased (if applicable), Maturity date of debt instrument (if applicable)</i>	
13. PROVIDE A COPY OF THE CANCELED CHECK OR WIRE-TRANSFER CONFIRMATION INDICATING THE CONTRIBUTION WAS MADE TO THE RURAL GROWTH FUND.	



RURAL JOBS AND INVESTMENT TAX CREDIT APPLICATION

APPENDIX C

GENERAL INFORMATION	
1. NAME OF BUSINESS FIRM:	
2. CONTACT NAME:	
3. ADDRESS:	
4. PHONE NUMBER:	5. EMAIL ADDRESS:
6. FEIN:	7. REVENUE ID:
8. NAME OF RURAL GROWTH FUND THE CREDIT-ELIGIBLE CAPITAL CONTRIBUTION WAS MADE TO:	
ATTACH A COPY OF THE SIGNED CREDIT-ELIGIBLE CAPITAL CONTRIBUTION APPROVAL LETTER AS ISSUED BY THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT.	



RURAL JOBS & INVESTMENT TAX CREDIT BUSINESS REPORT

APPENDIX D

GENERAL INFORMATION		
1. NAME OF RURAL BUSINESS:		2. CONTACT NAME:
3. ADDRESS		4. PHONE NUMBER:
		5. EMAIL ADDRESS:
		6. FEIN:
7. NAME OF RURAL GROWTH FUND FROM WHICH THE RURAL BUSINESS RECEIVED A RURAL GROWTH INVESTMENT:		
8. DATE RURAL GROWTH INVESTMENT WAS RECEIVED:		9. TYPE OF RURAL GROWTH INVESTMENT:
10. NUMBER OF FULL TIME EQUIVALENT POSITIONS AT THE RURAL BUSINESS PRIOR TO THE RURAL GROWTH INVESTMENT:	11. NUMBER OF NEW JOBS CREATED AS A RESULT OF THE RURAL GROWTH INVESTMENT:	12. NUMBER OF JOBS RETAINED AS A RESULT OF THE RURAL GROWTH INVESTMENT:
13. DESCRIPTION OF THE NEW JOBS CREATED AS A RESULT OF THE RURAL GROWTH INVESTMENT:		
14. DESCRIPTION OF THE JOBS RETAINED AS A RESULT OF THE RURAL GROWTH INVESTMENT:		

RURAL BUSINESS AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA

COUNT OF: _____

The undersigned, being duly sworn, deposes and says:

1. I am the _____ of _____ Rural Business Name (the "Rural Business")
2. The Rural Business has created the number of jobs indicated on Appendix D which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Attachment D is true, correct and complete as of the date hereof.
3. The Rural Business has retained the number of jobs indicated on Appendix D, which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Attachment A is true, correct and complete as of the date hereof.
4. The jobs created and retained as listed on Appendix D pay at least 150% of the Federal or State minimum wage (whichever is greater) which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Attachment A is true, correct and complete as of the date hereof.
5. The number of retained jobs as listed on Appendix D would have been lost or moved out of this commonwealth had a Rural Growth Investment not been made.
6. This Affidavit has been given by the undersigned, individually and on behalf of the Rural Business, to the Department of Community and Economic Development (the "Department") for the purpose of verifying Rural Jobs and Investment Tax Credit program eligibility, and the undersigned expressly recognizes and acknowledges that this Affidavit is being relied on by the Commonwealth in connection with awarding tax credits.
7. Under penalties of perjury, I declare that the information contained in this Affidavit, Appendix D, and any accompanying documentation is, to the best of my knowledge, true, correct and complete as of the date hereof.

Signature_____
Name of Signatory

SWORN TO AND SUBSCRIBED BEFORE ME THIS _____ DAY of _____, 20____.

Notary Public

MY COMMISSION EXPIRES:



RURAL JOBS & INVESTMENT TAX CREDIT EXIT APPLICATION

APPENDIX E

GENERAL INFORMATION

1. NAME OF RURAL GROWTH FUND:	
2. CONTACT NAME:	3. CONTACT TITLE:
4. PHONE NUMBER:	5. EMAIL ADDRESS:
6. FEIN:	7. CLOSING FUND DATE:
8. LIST THE NAMES OF ALL THE RURAL BUSINESSES TO WHICH THE RURAL GROWTH FUND MADE A RURAL GROWTH INVESTMENT: <i>(include: date of investment, industry sector, amount of investment, when investment was sold or repaid, amount received from repayment)</i>	
9. LIST ANY DISTRIBUTIONS OR PAYMENTS MADE FROM THE RURAL GROWTH FUND TO ANY INVESTORS, PARTNERS, AND/OR AFFILIATES:	
10. STATE REPAYMENT CALCULATION: Line 1: Total Aggregate Number of Jobs Created and Retained Line 2: Job Value: Multiply <i>Line 1</i> X \$30,000 Line 3: Job Value Subtotal Line 4: Amount of Approved Credit-Eligible Capital Contributions If Line 3 is greater than Line 4 – please enter zero on line 5 If Line 4 is greater than Line 3 – please subtract the Job Value subtotal from the Amount of Credit Eligible Capital Contributions and enter the amount on line 5. Line 5: State Repayment Amount	

RURAL GROWTH FUND AFFIDAVIT

The undersigned, being duly sworn, deposes and says:

1. I am the _____ of _____ Rural Growth Fund Name (the "Fund")
2. The Fund in which credit-eligible capital contributions were made has invested 100% of its corresponding investment authority in rural growth investments in this commonwealth within three years of the closing date, which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Appendix E is true, correct and complete as of the date hereof.
3. The Fund has invested at least 25% of its investment authority in rural businesses engaged in manufacturing in the commonwealth within three years of the closing date, which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Appendix E is true, correct and complete as of the date hereof.
4. The Fund has maintained rural growth investments equal to 100% of its investment authority until the seventh anniversary of the closing date, which is incorporated herein by reference and made a part of hereof, and the undersigned certifies that the information contained in Appendix E is true, correct and complete as of the date hereof.
5. The Fund has not made any distributions or payments which would result in the Fund having less than 100% of its investment authority invested in rural growth investments in this commonwealth or available for investment in rural growth investments.
6. The Fund has not made a rural growth investment in a rural business that directly or indirectly through an affiliate owns, has the right to acquire an ownership interest, makes a loan to or makes an investment in the rural growth fund, an affiliate of the rural growth fund or an investor in the rural growth fund.
7. This Affidavit has been given by the undersigned, individually and on behalf of the Fund, to the Department for the purpose of inducing the Department to approve the Fund's exit from the Rural Jobs and Investment Tax Credit Program, and the undersigned expressly recognizes and acknowledges that this Affidavit is being relied on by the Commonwealth in connection with tax credit awards.
8. Under penalties of perjury, I declare that the information contained in this Affidavit, Appendix E, and any accompanying documentation is, to the best of my knowledge, true, correct and complete as of the date hereof.

Signature

Name of Signatory

SWORN TO AND SUBSCRIBED BEFORE ME THIS _____ DAY of _____, 20____.

Notary Public

MY COMMISSION EXPIRES:



TAX COMPLIANCE

Rural Jobs & Investment Tax Credit

APPENDIX F

SECTION I: GENERAL INFORMATION

All tax credit and incentive programs require applicants to be in state tax compliance with the laws and regulations of the commonwealth as determined by the Department of Revenue.

The two issues for determination are entity tax compliance and ownership tax compliance for entity owners with a 20% or greater share of ownership. Failure to comply to the satisfaction of the department will result in disqualification from the program.

To submit an electronic compliance clearance form, users are required to proceed to <https://paebrprod.powerappsportals.us/EBR/DOR/Tax-Credit-Economic-Development-Clearance/>.

Contact ra-rvtaxcredits@pa.gov or call 717-772-3896 with any questions concerning the clearance form.