



# Virginia Qualified Equity and Subordinated Debt Investment Credit

## How to Qualify

This credit is available to individual and fiduciary taxpayers making a qualified investment in the form of equity or subordinated debt in a pre-qualified small business venture. As a general rule, businesses must file **Form QBA\*** by December 31 of the year that they request qualification. **The business must reapply each year to maintain qualification. Investors must file Form EDC\* by April 1 of the year following the investment to apply for their credit. Submitting a late application will disqualify you for the credit. Send your application to Virginia Tax, Tax Credit Unit, PO Box 715, Richmond, VA 23218-0715. Investors will be notified of the amount of their authorized credit by June 30.**

## Qualified Business

**A qualified business means a business which:**

- › Has annual gross revenues of no more than \$3 million in its most recent fiscal year
- › Has its principal office or facility in Virginia
- › Is engaged in business primarily in or does substantially all of its production in Virginia
- › Has not obtained during its existence more than \$3 million in aggregate gross cash proceeds from the issuance of its equity or debt investments (not including commercial loans from chartered banking or savings and loan institutions)
- › Is primarily engaged, or is primarily organized to engage, in the fields of advanced computing, advanced materials, advanced manufacturing, agricultural technologies, biotechnology, electronic device technology, energy, environmental technology, information technology, medical device technology, nanotechnology, or any similar technology-related field determined by regulation by Virginia Tax to fall under the purview of this section.

## How Much is the Credit?

The credit is equal to 50% of the qualified business investments made during the taxable year. If total annual requests for the credit exceed \$5 million for the tax year, the Department of Taxation will prorate the credit for each taxpayer.

The credit a taxpayer may claim per taxable year may not exceed the credit authorized by Virginia Tax, \$50,000, or the income tax liability on that year's return, whichever is less. The credit is nonrefundable. Unused credits may be carried forward up to 15 years.

This credit may be allocated among owners in proportion to each owner's percentage of ownership or interest in the pass-through entity, or as the owners mutually agree, or as provided in the partnership agreement or other entity document using **Form PTE\*** within 30 days after the credit is granted but at least 90 days before filing an income tax return.

## How to Claim the Credit

Complete **Schedule CR, Part XV**, to claim this credit. **Note: Since the authorization of these credits is not completed until June 30 each year, taxpayers with a May 1 due date will need to file for an extension or file an amended return to claim this credit.**

\*Note: Please make sure the applicable tax year of the qualifying investment is indicated on all forms filed with Virginia Department of Taxation  
Reference: **Va. Code § 58.1-339.4**

