ADMINISTRATIVE NOTICE 96-29R

Subject: **WEST VIRGINIA CAPITAL COMPANY TAX CREDIT -- Credit not available until investor's taxable year in which the West Virginia Economic Development Authority designates a capital base as qualified and issues the capital company notice of the qualification and a certificate of tax credit. Investors may not carry this credit back to a prior taxable year.**

This Administrative Notice is a revision of ADMINISTRATIVE NOTICE 96-29, which was issued by the Tax Commissioner on October 30, 1996. The suffix "R" designates a revised Administrative Notice. The provisions of Administrative Notice 96-29 are hereby declared void. Administrative Notice 96-29 is superseded and replaced by the provisions of this Administrative Notice 96-29R.

The policy announced in this Administrative Notice is identical to the policy announced in Administrative Notice 96-29, except for the effective date. Administrative Notice 96-29R shall be effective for taxable years beginning on or after January 1, 1997.

The West Virginia capital company tax credit is available to an investor who makes a capital investment in a West Virginia capital company beginning with the **taxable year** of the investor **in which the investment is made** in the qualified capital company. W. Va. Code § 5E-1-8(d). The Tax Commissioner has determined that **the investment** eligible for this credit is **made in the taxable year** of the investor in which the West Virginia Economic Development Authority designates as qualified a capital base or an increase to the capital base of the West Virginia capital company and issues to that company notice of the qualification and a certificate of tax credit as provided in W. Va. Code § 5E-1-7(h).

EXAMPLE: Investor A is a calendar year taxpayer. Investor A makes an investment on December 14, 1997, in a West Virginia capital company which is deposited in the company's escrow account as provided in W. Va. Code § 5E-1-7(h). On January 31, 1998, the West Virginia Economic Development Authority designates as qualified the capital base or an increase to the capital base of the capital company. On February 5, 1998, the

Authority issues to the capital company notice of such qualification and a certificate of tax credit. Investor A may begin claiming the allowable credit for investment in a qualified capital company against its tax liabilities for Investor A's 1998 tax year as provided in W. Va. Code § 5E-1-8 (1993). No credit may be carried back. Any unused credit may be carried forward until used or forfeited as provided in W. Va. Code § 5E-1-8(d).

If Investor A, instead of being a calendar year taxpayer, has a taxable year that begins the first day of February, the credit allowable would first be applied against Investor A's taxes for the taxable year that begins February 1, 1998 and ends January 31, 1999. No credit may be applied against Investor A's taxes for the taxable year ending January 31, 1998.

Issued December 23, 1996

James H. Paige III
Secretary of Tax and Revenue,
Tax Commissioner

For additional information, please write or call:

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