

WEST VIRGINIA STATE TAX DEPARTMENT
Administrative Notice 2004-26

SUBJECT: ECONOMIC OPPORTUNITY TAX CREDIT -- Small Business Economic Opportunity Tax Credit (Small Business Credit) - Notice of Inflation Adjustments for Tax Years Beginning in 2005

A "**small business**" may claim the small business economic opportunity tax credit allowed under W. Va. Code § 11-13Q-10, when its qualified investment in real or tangible personal property purchased or leased for business expansion in this State, as defined in W. Va. Code § 11-13Q-8, results in such small business hiring new employees to fill at least ten (10) "**new jobs**" it created in this State as a direct result of the purchase or lease of such qualified investment property.

The law defined "**small business**," as of June 11, 2002, to mean a business which has annual gross receipts of not more than seven million dollars (including the gross receipts of any affiliates in its controlled group) W. Va. Code § 11-13Q-10(a) (emphasis added).

"**New job**" was defined by incorporating the definition of "**new job**" in subsection 11-13Q-3(b)(15).

Dollar amounts stated in the definition of "**small business**" are subject to annual adjustment for inflation. This adjustment is determined by the Tax Commissioner using the methodology described in subsection 11-13Q-10(a)(1) through (4). The 2005 inflation adjustment factor is based on the percentage by which the Consumer Price Index (CPI) for calendar year 2004 exceeds the CPI for calendar year 2002. For this purpose, the CPI for any calendar year is the average of the Federal Consumer Price Index for the twelve-month period ending on August 31st of such calendar year (W. Va. Code § 11-13Q-10(a)(2)). The CPI for 2004 is 186.958 and the CPI for 2002 is 178.675. Based on these figures, the inflation adjustment factor, for purposes of W. Va. Code § 11-13Q-10, for tax years beginning in calendar year 2005, is 1.0463579124.

Accordingly, for tax years beginning during calendar year 2005:

"**Small business**" means a business which has annual gross receipts of not more than seven million three hundred twenty four thousand five hundred dollars (\$7,324,500). The inflation increase is rounded to the lowest multiple of fifty dollars under W. Va. Code § 11-13Q-10(a)(4)

A summary of the applicable inflation-adjusted Small Business Credit criteria, by calendar year, for tax years beginning in such years, follows:

CRITERIA

YEAR	GROSS RECEIPTS
2003	\$7,000,000
2004	\$7,159,600
2005	\$7,324,500

Notice of this determination will be filed in the West Virginia Register.

Issued: December 17, 2004

Dale Steager
Acting State Tax Commissioner

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