The purpose of the Industrial Expansion or Revitalization Credit is to encourage the establishment of new industry, the expansion of existing industry, and the growth and revitalization of industrial facilities in West Virginia.

**TAXPAYERS ELIGIBLE FOR INDUSTRIAL EXPANSION OR REVITALIZATION TAX CREDIT**

1. New Entitlement – Only electric power producers may earn new (or additional) Industrial Expansion and Revitalization Tax Credit attributable to qualified investment placed in use or service after December 31, 2002. Electric power producers should use Schedule I-EPP to report qualified investment and calculate and claim the Industrial Expansion and Revitalization Tax Credit.

2. Preexisting credit entitlement is preserved – Manufacturers that are entitled to the Industrial Expansion and Revitalization Tax Credit attributable to qualified investment placed in service or use prior to January 1, 2003, may continue to apply and utilize the credit until the original ten-year entitlement has been exhausted or otherwise terminated. Taxpayers entitled to such credit would include electric power producers, manufacturers who produce their own goods, and contract manufacturers (who produce goods for others which they do not own). Food processors are not classified as manufacturers for purposes of this pre - 1/1/03 credit entitlement. Taxpayers entitled to pre - 1/1/03 credit other than electric power producers, should use Schedule I to claim their Industrial Expansion and Revitalization Tax Credit. Electric power producers entitled to pre - 1/1/03 credit, should use Schedule I-EPP to claim their Industrial Expansion and Revitalization Tax Credit.

**AMOUNT OF CREDIT**

The tax credit shall be limited to 10% (1% for each of ten consecutive years) of the total qualified investment for industrial expansion or revitalization. The amount of credit employed in any given year shall not reduce the taxpayer’s Business and Occupation Tax (§11-13) and Business Franchise Tax (§11-23) liability by more than 50%. Any unused credit for a particular year is forfeited.

**PROPERTY PURCHASED FOR INDUSTRIAL EXPANSION OR REVITALIZATION**

Property purchased for industrial expansion or revitalization is defined as all real property and improvements thereto and new tangible personal property, but only if such property is constructed or purchased for use as a component part of a new, expanded, or ongoing industrial facility of an industrial taxpayer. Tangible personal property is included within the above definition only if depreciation or amortization, in lieu of depreciation, is allowable in determining federal personal or corporation net income tax. The property must have a useful life of four years or more. Useful life is defined as the period over which the asset may reasonably be expected to be useful in the taxpayer’s business.

**LEASING OF PROPERTY**

The leasing of property for a term of ten years or longer, if used as a component part of a new, expanded, or ongoing industrial facility is considered property purchased for industrial expansion or revitalization. Lease renewals, subleases or assignments shall not be considered, however.

**INELEGIBLE PROPERTY**

Property purchased for industrial expansion or revitalization does not include the following:

1. Motor vehicles licensed by the Department of Motor Vehicles;
2. Airplanes;
3. Off-premise transportation equipment;
4. Property located or primarily used outside of West Virginia;
5. Property acquired incident to the purchase of the stock or assets of an industrial taxpayer which was or had been used by the seller in his industrial business in West Virginia, or which has been previously designated property purchased for industrial expansion or property purchased for industrial revitalization or property purchased for eligible research and development projects and used to qualify for the credit for industrial expansion. Property which has been previously designated as qualified property placed in service for the Business Investment and Jobs Expansion Credit is likewise disqualified.
6. Property purchased for industrial revitalization prior to July 1, 1981.
7. Property not directly attributable to the industrial expansion.

**NET COST**

Net Cost is the net monetary consideration provided for acquisition of title and/or ownership to the subject property. Net cost shall not include the value of any property given in trade or exchange for such new property purchased for industrial expansion. If property is damaged or destroyed by fire, flood, storm or other casualty, or is stolen, then the cost of replacement property does not include any insurance proceeds received in compensation for the loss.

In the case of leased property purchased for a period of ten years or longer, net cost shall be the rent reserved for the primary term of the lease, not to exceed 20 years. Lease renewals, subleases or assignments shall not be considered.

In the case of self-constructed property, the cost thereof is the amount of property charged to the capital account for purposes of depreciation.
PROPERTY PURCHASED FOR MULTIPLE BUSINESS USES

If property is purchased for multiple business use including use as a component part of a new, expanded, or ongoing industrial facility of an industrial taxpayer together with some other business or occupation not qualifying (for example, retail selling), the use of the property in the qualified activity and non qualified activity must be thoroughly supported and explained by separate documents submitted with the application, and the amount of credit arising from that property must be based on cost allocated to the qualified activity.

ELIGIBLE INVESTMENT

To determine the amount of eligible investment for the industrial expansion credit, the net cost of each property purchased is multiplied by the applicable percentage shown below according to the useful life of the property.

<table>
<thead>
<tr>
<th>If useful life is:</th>
<th>The applicable percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 years or more but less than 6 years</td>
<td>33 1/3%</td>
</tr>
<tr>
<td>6 years or more but less than 8 years</td>
<td>66 2/3%</td>
</tr>
<tr>
<td>8 years or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

EXAMPLE If a taxpayer purchases for $25,000 after July 25, 1999, a machine for use in a new, expanded, or ongoing portion of its industrial facility, which has a useful life of 6 years, the eligible investment is equal to $16,666.66. The eligible investment is calculated by multiplying the cost of the equipment, $25,000, times the applicable percentage according to the useful life, 66 2/3%, to arrive at $16,666.66. The credit is equal to 10% of the eligible investment or $1,666.67. This credit must be claimed over a period of 10 years at a rate of 10% ($166.67) per year.

CREDIT RECAPTURE

Credit attributable to property that ceases to be used in this State prior to the end of its categorized useful life must be recalculated for all tax years according to actual useful life. For example, Company A invests $10 million in equipment with a designated useful life of 8 years in 1999. The credit for Company A is calculated to equal $1,000,000 or $100,000 per year for 10 years. However, Company A moves this equipment to New York in 2004, and therefore the equipment’s actual useful life in West Virginia is reduced to only 5 years. The corresponding credit is reduced according to the above formula from $1,000,000 to $333,333 or $33,333 per year for 10 years. A reconciliation statement for the 1999 through 2004 period reflecting an over utilization of credit must then be submitted with payment of any additional tax, interest and penalties owed.

COMPUTATION OF INDUSTRIAL EXPANSION CREDIT

Computation of Eligible Investment:

Column 1. Enter the net costs of the property in Column (1) on the appropriate line determined by the life of the property.

Col. 2 & 3 Multiply the net costs in Column (1) by the applicable percentages in Column (2). Enter the results in Column 3.

Line 4. Add the figures in Column (3) and enter on Line 4. This is the taxpayer’s eligible investment.

Computation of Potential Current Annual Credit:

Line 5. To determine the taxpayer’s total potential current annual credit, which can be taken over a period of ten years, multiply the total eligible investment (Line 4) by 10%. Enter the result on Line 5.

Computation of Current Annual Credit:

Line 6. To determine the taxpayer’s annual credit earned during the current taxable year, multiply the total potential credit on Line 5 by 10%. Enter on Line 6. Forfeited if not used.

Credit From Previous Years:

Line 7. Enter any annual Industrial Expansion or Revitalization Credit from prior year(s). For eligible investments for multiple year(s), a worksheet must be provided showing the computation.

Computation of Total Annual Credit:

Line 8. To determine the total amount of credit available in the current taxable year, add the credit earned during the current year shown on Line 6 to the amounts available from previous years shown on Line 7. Enter the total on Line 8.

Line 9a Enter total of pre-credit Business and Occupation
liability.

Line 9b Enter sum of Business Investment and Jobs Expansion Credit (Super Credit), Economic Opportunity Credit, Research and Development Project Credit, Residential Housing Development Project Credit and Coal Loading Facilities Credit, if any, applied against your Business and Occupation Tax liability.

Line 9c Subtract Line 9b from Line 9a.

Line 9d Enter 50% of Line 9a.

Line 9e Enter sum of Research and Development Project Credit and Residential Housing Development Credit, if any, applied against your Business and Occupation Tax liability.

Line 9f Subtract Line 9e from Line 9d.

Line 9g Enter the lesser of Line 8, or Line 9c, or Line 9f. This represents the maximum Industrial Expansion or Revitalization Credit available against your Business and Occupation Tax liability.

Line 10 Total credit claimed (Line 9g, enter on line 2b)