

VCI TRANSFERABILITY STEPS + FAQs

VENTURE CAPITAL INVESTMENT TAX CREDIT

THE VCI PROGRAM CONSISTS OF 5 STEPS

- 1) Company applies to the IEDC to become a Qualified Indiana Business (QIB) to receive a QIB Approval Letter before accepting investments utilizing the VCI tax-credit or a Fund applies to the IEDC to become a Qualified Indiana Investment Fund to receive a QIIF Approval Letter before accepting investments utilizing the VCI tax-credit
- 2) Investor submits a Qualified Capital Investment (QCI) application to the IEDC for approval prior to providing the QIB or the QIIF the qualified capital investment
- 3) Investor provides the capital to the QIB or the QIIF only after receiving the QCI Approval Letter
- 4) Investor submits documentation to the IEDC to receive a Certification Letter
- 5) Investor may claim or transfer the VCI Tax Credits (VCI TC)

Step 1

Entity applies to the IEDC to become a Qualified Indiana Business (QIB) or a Qualified Indiana Investment Fund (QIIF) to receive a QIB or QIIF Approval Letter before accepting investments utilizing the VCI Tax Credit

- » Company or Fund submits on-line application
- » IEDC VCI Review Team processes the application and renders a decision to the applicant
- » QIB or QIIF Approval Letter, or Declination email, is sent to the applicant
- » If approved, the QIB or QIIF may now have potential investors submit QCI Applications

Step 2

Investor submits a Qualified Capital Investment (QCI) application to the IEDC for approval prior to providing the QIB or QIIF the qualified capital investment

- » Investor submits on-line application
- » IEDC VCI Review Team processes the application and renders a decision to the applicant
- » QCI Approval Letter, or Declination email, is sent to the applicant
- » Copy of QCI approval is also sent to the QIB or QIIF

Step 3

Investor provides the capital to the QIB or QIIF only after receiving the QCI Approval Letter

Step 4

Investor submits required documentation to the IEDC to receive a Certification Letter

- » Investor submits documents via email
- » IEDC VCI Review Team processes the submitted documents to determine if qualified
- » VCI Tax Credit Certification Letter, or
- » Declination email, is sent to the investor

Step 5

Investor may submit the Certification Letter with the IN tax return to claim credits

– OR –

Investor may transfer credit

Procedure for Requesting Transfer of VCI Tax Credits:

Assignor/Original investor and Assignee/Buyer must jointly complete the Indiana Venture Capital

Investment (VCI) Tax-Credit (TC) Assignment Form (AF)

- » Parties submit AF and supporting documents to the IEDC on-line
- » IEDC confirms receipt of AF via email
- » IEDC VCI Review Team confirms accuracy of AF
- » IEDC issues Certification Letters to parties

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FAQS

1) Is there an IEDC/State supported Clearinghouse or Exchange?

No. The IEDC/State has not set up or engaged a third-party to match Assignors/Assignees. The IEDC/State does not endorse or recommend any third-party Clearinghouses or Exchanges and does not assist in matching parties.

2) Does the IEDC require the engagement of a CPA, Attorney, Tax Accountant, or other licensed professional?

No. Assignors/Assignees are not required by the IEDC/State to engage a licensed or professional third-party.

Assignors/Assignees are free to engage any professional or third-party at their own expense.

3) What documents are required for approval of an assignment?

- » VCI Tax Credit Assignment Form.
- » Copy of the Assignor's original tax credit Certification Letter.
- » Unexecuted copy of the assignment agreement or purchase agreement between the Assignor/Assignee.

4) Where are the required documents located?

VCI Tax Credit Assignment Form is located on the VCI webpage at iedc.in.gov/incentives/venture-capital-investment-tax-credit

Other documents are provided by the Assignor/Assignee.

5) Does IEDC require the assignment agreement or purchase agreement between the Assignor/Assignee to be drafted by a licensed professional or on a form prescribed by the IEDC?

No. Assignors/Assignees are not required by the IEDC/State to engage a licensed or professional third-party. Assignors/Assignees are free to engage any professional or third-party at their own expense. IEDC will accept any reasonable draft as long as the information contained in such document matches the information contained in the Assignment Form and meets program requirements.

6) What are the program requirements for transferability?

Program requirements are contained in the VCI Tax Credit Assignment Form.

7) Does the IEDC/State charge any Fees for assigning VCI TCs?

No. There is no cost to assign or purchase VCI tax credits.

8) When is the VCI Tax Credit Assignment Form due to the State?

Prior to the actual transaction being executed. Assignments are not processed after-the-fact.

9) Must I receive a reply from the State before I assign or purchase the TC?

The IEDC strongly recommends both parties wait for the IEDC to process the request before finalizing the transaction to ensure the Assignor will receive a revised Certification Letter and the Assignee will receive their respective Certification Letter. IEDC is not responsible for a transaction that is consummated prior to receiving IEDC approval.

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10) How long does it take to assign the TCs?

Upon receipt of all required documentation, IEDC is currently estimating up to three weeks to process the Assignment and send Certification Letters.

11) How long can the VCI TCs be claimed?

VCI Tax Credits expire 5 years after the year in which the original investment earned the tax credit, regardless of when the credit is assigned.

12) How do I claim the VCI TCs?

The taxpayer must include the Certification Letter provided by the IEDC to the IN Dept. of Revenue along with their respective tax return filing in order to claim the VCI TC for that year.

13) Are the TCs refundable?

No. Unused or unclaimed VCI TCs will expire 5 years after the year in which the original investment earned the tax credit, regardless of when the credit is assigned. The State does not provide cash for VCI TCs.

14) How much may I sell the VCI TCs for? Or, may I sell the VCI TC for a premium?

As provided by Indiana Code § 6-3.1-24-12(c) (5), the Assignor may not receive value in connection with an assignment that exceeds the value of the part of the credit being assigned. This policy requires the value of the Tax Credit to be its face value, and not some other calculated price based on its perceived value to the Assignor and/or the Assignee.

15) May the Assignor sell or the Assignee purchase VCI TCs in exchange for goods or services?

No. VCI TCs may only be assigned to another taxpayer in exchange for currency. This can include forms of currency that are not in United States Dollars (USD); however, if the taxpayer is assigning credits in exchange for currency that is not USD the Assignor and the Assignee may be asked to confirm that the value of the currency conforms with the requirements of I.C. 6-3.1-24-12(c)(5).

16) Is there a minimum amount of VCI TCs that I may assign?

Yes. I.C. 6-3.1-24-12(c)(1) prohibits the assignment of less than ten thousand dollars (\$10,000) in tax credit. The IEDC requires the minimum amount established by this provision to come from a single Certification Letter with a corresponding unique PIN number. Multiple Certification Letters/PIN numbers may not be combined to meet the minimum assignment amount threshold.

17) Is there a maximum amount of TCs that I may assign?

No. Assignor may sell all or part of their VCI TC as long as it meets the minimum amount (see above FAQ).

18) Do I have to assign all of my TCs to the same party?

No. Assignor may sell all or part of their VCI TC to multiple parties as long as each transaction meets the minimum amount (see above FAQ).

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19) Is there a certain date by which I must assign my unused VCI TC?

No. However, VCI TCs will expire 5 years after the year in which the original investment earned the tax credit, regardless of when the credit is assigned.

20) Is there a certain date by which I must purchase the VCI TC?

No. However, VCI TCs will expire 5 years after the year in which the original investment earned the tax credit, regardless of when the credit is assigned.

21) Any restrictions on who may purchase the TC?

No. Any individual or entity may be the Assignee. Keep in mind the VCI TC can only be applied against an IN tax liability.

22) As the Assignee, may I assign the VCI TC to another party in another transaction or assignment?

No. Once a particular credit or credits are assigned, the assignee may not assign all or part of the credit or credits to another person or entity, per I.C. 6-3.1-24-12(c)(4).

23) As the Assignee, do I have any legal exposure for repayment of the VCI TC or for any claw back?

No. Unless the IEDC/DOR/State discovers the Assignee participates in a transaction with knowledge that it violates Indiana Code.

24) Any restrictions on who may sell their VCI TC?

Yes. Any investor who received a Certification Letter for an investment provided to a QIB on or after July 1, 2020, and before July 1, 2029, may assign the VCI TC as long as it meets the minimum amount (see above FAQ). Any investment provided to a QIB prior to July 1, 2020 may not assign the VCI TC.