

WEST VIRGINIA STATE TAX DEPARTMENT
SCHEDULE MITC-1
CREDIT FOR MANUFACTURING INVESTMENT



BUSINESS NAME _____

IDENTIFICATION NUMBER _____

TAX PERIOD TO

MM DD YYYY MM DD YYYY

COMPUTATION OF ELIGIBLE INVESTMENT

| | (Column 1) | (Column 2) | (Column 3) |
|--|-------------------|-------------------|----------------------------------|
| | Net Cost | Percentage | Allowable Cost Investment |
| 1. Expansion or Revitalization property with useful life of 4 years or more but less than 6 years. | \$ _____ | 33 1/3% | \$ _____ |
| 2. Expansion or Revitalization property with useful life of 6 years or more but less than 8 years. | \$ _____ | 66 2/3% | \$ _____ |
| 3. Expansion or Revitalization property with useful life of 8 years or more. | \$ _____ | 100% | \$ _____ |
| 4. Total Eligible Expansion or Revitalization Investment | | | \$ _____ |
| 5. Total Potential Manufacturing Investment Tax Credit (5% of Line 4) | | | \$ _____ |
| 6. Available Annual Manufacturing Investment Tax Credit (10% of Line 5) (Forfeited if not used) | | | \$ _____ |
| 7. Available Annual Manufacturing Investment Tax Credit* from prior years (incomplete information will result in the disallowance of the credit) | | | |

Reference Period
(# of years prior to current tax period)

| | Tax Period Ending | Original Available Annual Credit | Adjustments** | Net Available Annual Credit |
|---|-------------------|----------------------------------|---------------|-----------------------------|
| 9 | _____ | _____ | _____ | _____ |
| 8 | _____ | _____ | _____ | _____ |
| 7 | _____ | _____ | _____ | _____ |
| 6 | _____ | _____ | _____ | _____ |
| 5 | _____ | _____ | _____ | _____ |
| 4 | _____ | _____ | _____ | _____ |
| 3 | _____ | _____ | _____ | _____ |
| 2 | _____ | _____ | _____ | _____ |
| 1 | _____ | _____ | _____ | _____ |

Total

*Entitlement to Manufacturing Investment Tax Credit was first available for investment placed in service or use on or after January 1, 2003.
**Adjustments, including the disposal of property or machinery before the originally stated useful life, may also result in the recapture of credit previously claimed. See the instructions for the credit recapture provisions.

| | |
|--|----------|
| 8. Total available Annual Manufacturing Investment Tax Credit (Line 6 plus Line 7) | \$ _____ |
| 9. Credit Offset Factor (If the current tax year began on or after January 1, 2009 then enter 0.6, otherwise enter 0.5) | \$ _____ |
| 10. a) Total Severance Tax..... | \$ _____ |
| b) Amount of Other Credits Used to Offset Severance Tax..... | \$ _____ |
| c) Adjusted Severance Tax (Subtract the amount on line 10b from the amount on line 10a and enter here)..... | \$ _____ |
| d) Severance Tax Manufacturing Investment Tax Credit Offset Limit (Multiply the amount on line 10a by the value on line 9)..... | \$ _____ |
| e) Amount of W. VA. Code §11-13D Credits Used to Offset Severance Tax..... | \$ _____ |
| f) Severance Tax Limit of Manufacturing Investment Tax Credit (Subtract the amount on line 10e from the amount on line 10d. Enter zero, if the amount on line 10e is greater than the amount on line 10d)..... | \$ _____ |
| g) Severance Tax Manufacturing Investment Tax Credit (Enter the lesser of the values on lines 8, 10c and line 10f here and on the tax return)..... | \$ _____ |

11. Available Annual Manufacturing Investment Tax Credit Adjusted for Severance Tax Claim
(Subtract the amount on line 10g from the amount on line 8) \$ _____
12. a) Total Business Franchise Tax..... \$ _____
 b) Amount of Other Credits Used to Offset Business Franchise Tax..... \$ _____
 c) Adjusted Business Franchise Tax (Subtract the amount on line 12b from the amount on line 12a and enter here)..... \$ _____
 d) Business Franchise Tax Manufacturing Investment Tax Credit Offset Limit (Multiply the amount on line 12a by the value on line 9)..... \$ _____
 e) Amount of W. Va. Code §11-13D Credits Used to Offset Business Franchise Tax..... \$ _____
 f) Business Franchise Tax Limit of Manufacturing Investment Tax Credit (Subtract the amount on line 12e from the amount on line 12d. Enter zero, if the amount on line 12e is greater than the amount on line 12d)..... \$ _____
 g) Business Franchise Tax Manufacturing Investment Tax Credit (Enter the lesser of the values on lines 11, 12c and line 12f here and on the tax return)..... \$ _____
13. Available Annual Manufacturing Investment Tax Credit Adjusted for Business Franchise Tax Claim
(Subtract the amount on line 12g from the amount on line 11)..... \$ _____
14. a) Total Corporation Net Income Tax..... \$ _____
 b) Amount of Other Credits Used to Offset Corporation Net Income Tax..... \$ _____
 c) Adjusted Corporation Net Income Tax (Subtract the amount on line 14b from the amount on line 14a and enter here)..... \$ _____
 d) Corporation Net Income Tax Manufacturing Investment Tax Credit Offset Limit (Multiply the amount on line 14a by the value on line 9)..... \$ _____
 e) Amount of W. Va. Code §11-13D Credits Used to Offset Corporation Net Income Tax..... \$ _____
 f) Corporation Net Income Tax Limit of Manufacturing Investment Tax Credit (Subtract the amount on line 14e from the amount on line 14d. Enter zero, if the amount on line 14e is greater than the amount on line 14d)..... \$ _____
 g) Corporation Net Income Tax Manufacturing Investment Tax Credit (Enter the lesser of the values on lines 13, 14c and line 14f here and on the tax return)..... \$ _____

Note that the sum of credit claimed on Lines 10g, 12g, and 14g may not exceed the amount on line 8. the total annual credit available. The W. Va. Code §11-13D credits amounts to be entered on Lines 10e, 12e, and 14e include the Industrial Expansion and revitalization credit, Research and Development Credit, Residential Housing Development Credit, Aerospace Industrial Facility Credit). Unused annual credit forfeited.

Under penalties of perjury, I declare that I have examined this credit claim form (including accompanying schedules and statements) and to the best of my knowledge it is true, and complete.

| | | | |
|---|---------------------------------|-------|------------------|
| Signature of Taxpayer | Name of Taxpayer: Type or Print | Title | Date |
| Person to Contact Concerning this Return | | | Telephone Number |
| Signature of Preparer other than Taxpayer | Address | Title | Date |

| DESCRIPTION AND LOCATION OF ITEM (LIST EACH ITEM SEPARATELY) | PURPOSE | DATE ACQUIRED | DATE PLACED IN SERVICE | NET COST/USEFUL LIFE (YEARS) | | |
|---|---------|---------------|------------------------|---|---|---|
| | | | | 4 OR MORE BUT LESS THAN 6 | 6 OR MORE BUT LESS THAN 8 | 8 OR MORE |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| TOTAL | | | | | | |
| Business Name _____ Tax Period _____ Identification Number _____ | | | | Enter amount on Page 1, Col. 1, Line 1 Schedule MITC-1 | Enter amount on Page 1, Col. 1, Line 2 Schedule MITC-1 | Enter amount on Page 1, Col. 1, Line 3 Schedule MITC-1 |

MANUFACTURING INVESTMENT TAX CREDIT

The purpose of the Manufacturing Investment Tax 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.

ELIGIBLE TAXPAYERS

Eligibility for the Manufacturing Investment Tax Credit is limited to taxpayers with manufacturing facilities within West Virginia. The term, "Manufacturing," means any business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two, or thirty-three.

AMOUNT OF CREDIT

The tax credit shall be limited to 5% of the total qualified investment for industrial expansion or revitalization. The tax credit is applied and prorated over 10 consecutive years at a rate of 1/2% for each year. The amount of credit applied in any given year cannot reduce the taxpayer's liability for Business Franchise Tax (W. Va. Code §§11-23-1 *et seq.*), Severance Tax (W. Va. Code §§11-13A-1 *et seq.*) and Corporation Net Income Tax (W. Va. §§11-24-1 *et seq.*) by more than 60% (50% for tax years that began before January 1, 2009). Any unused credit for a particular year is forfeited.

PROPERTY PURCHASED FOR MANUFACTURING INVESTMENT

Property purchased for manufacturing investment is defined as real property improvements to realty, and tangible personal property, constructed or purchased on or after January 1, 2003, for use as a component part of a new, expanded, or revitalized industrial facility. Only tangible personal property with respect to which depreciation or amortization, in lieu of depreciation, is allowable in determining the federal income tax liability of the industrial taxpayer, that has a useful life, at the time the property is placed in service or use in West Virginia of 4 years or more will qualify for credit. Useful life is actual economic useful life, the period over which the asset may reasonably be expected to be actively useful in the Taxpayer's business.

LEASING OF PROPERTY

Leased property used as a component part of a new or expanded, industrial facility is considered property purchased for manufacturing investment if the property is newly acquired on or after January 1, 2003, the lease term is at least 10 years, and the rent to be paid over the primary term of the lease is quantifiable. However, lease renewals, subleases or assignments do not qualify.

INELIGIBLE PROPERTY

Purchases of the following property will not qualify for the Manufacturing Investment Tax Credit:

1. Property placed into service prior to January 1, 2003;
2. Motor vehicles licensed by the Department of Motor Vehicles;
3. Airplanes;
4. Off-premise transportation equipment;
5. Property primarily used outside of West Virginia;
6. 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 property in which investment was previously the basis of a tax credit taken under the business investment and jobs expansion tax credit (supercredit), industrial expansion and revitalization tax credit, research and development tax credit, small business tax credit, corporate headquarters relocation tax credit, economic opportunity tax credit, strategic research and development tax credit, manufacturing investment credit or any other tax credit allowable under current or former provisions of Chapter 11 of the West Virginia Code.
7. Repair costs including materials used in the repair, unless for federal income tax purposes, the cost of the repair must be capitalized and not expensed;
8. Property not directly attributable to the creation or expansion of a manufacturing facility.
9. Property acquired from certain persons or entities related to the credit claimant.
10. Certain property having a carryover or referred federal tax basis, based on certain Internal Revenue Code provisions.

COST OF QUALIFIED INVESTMENT PROPERTY

Net cost of qualified property is the monetary consideration provided for acquisition of title or for lease or ownership of the subject property. Net cost does not include the value of property given in trade or exchange for property purchased for manufacturing investment.

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 acquired for a period of 10 years or longer, up to 20 years, cost is 100% of the rent to be paid over the primary term of the lease, not to exceed 20 years. Lease renewals, options, and some subleases and assignments cannot be considered. Leases for which the amount of rent to be paid over the primary term cannot be quantified will not qualify for purposes of the credit.

In the case of self-constructed property, the cost of self-constructed property is the amount charged to the capital account for purposes of depreciation.

PROPERTY PURCHASED FOR MULTIPLE BUSINESS USES

In the case of property purchased and used partly as a component of a new, expanded, or revitalized industrial facility and used partly in some other business or activity not eligible for credit (for example, in retail selling), the cost of the property is apportioned between the qualified and nonqualified activities, and the amount apportioned to the new or expanded or revitalized industrial facility is considered qualified investment. The use of the property in the qualified activity and nonqualified activity, respectively, must be thoroughly supported and explained by documents submitted with the application, and the amount of credit arising from investment in the multiple use property must be based on cost allocated to the qualified activity.

ELIGIBLE INVESTMENT

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

If useful life is: The applicable percentage is:

4 years or more but less than 6 years 33 1/3%
6 years or more but less than 8 years 66 2/3%
8 years or more 100 %

EXAMPLE

On February 10, 2003, a Taxpayer purchases a machine at a cost of \$25,000 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 \$16,666.67.

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 \$16,666.67.

$(\$25,000 \times 66 \frac{2}{3}\% = \$16,666.67)$

The credit attributable to the asset is equal to 5% of the eligible investment or \$833.33, $(5\% \times \$16,666.67 = \$833.33)$.

This credit must be claimed over a period of 10 years at a rate of 10% (\$83.33) per year.

CREDIT RECAPTURE

Credit attributable to property that ceases to be used in West Virginia prior to the end of the categorized useful life of the property must be recalculated for all tax years for which the credit based on that asset was applied, according to actual useful life. For example, Company A invests \$10 million in equipment with an assumed useful life of 8 years in 2003.

$(\$10M \times 100\% \text{ applicable percentage}) \times 5\% = \$500,000$

The credit for Company A is calculated to equal \$500,000 or \$50,000 per year for 10 years.

$(\$500,000) \div 10 \text{ years} = \$50,000 \text{ credit available each year.}$

Company A moves this equipment to New York in 2008. 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 \$500,000 to \$166,667 or \$16,667 per year for 10 years.

$((\$10M \times 33\frac{1}{3}\% \text{ applicable percentage}) \times 5\% = \$166,666.67)$

$\$166,666.67 \div 10 \text{ years} = \$16,666.67 \text{ credit available each year}$

A reconciliation statement for the 2003 through 2008 period reflecting an over utilization of credit must then be submitted with payment of any additional tax, interest and penalties owed.

COMPUTATION OF MANUFACTURING INVESTMENT TAX 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 5%. 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 Manufacturing Investment Tax Credit from prior year(s). For eligible investments for multiple year(s), a worksheet must be provided showing the computation. [Reminder: The Manufacturing Investment Tax Credit is first available on or after January 1, 2003. The value on this line is \$0 in 2003].

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 9. Credit Offset Factor – Enter 0.6 (i.e., 60%) if the current tax year began on or after January 1, 2009, otherwise enter 0.5 (i.e., 50%).
- Line 10a. Enter total pre-credit Severance Tax liability.
- Line 10b. Enter sum of Business Investment and Jobs Expansion Credit (Super Credit), Industrial Expansion and Revitalization Credit, Research and Development Project Credit, Residential Housing Development Project Credit and Coal Loading Facilities Credit, if any, applied against your Severance Tax liability.
- Line 10c. Subtract Line 10b from 10a.
- Line 10d. Severance Tax Manufacturing Investment Tax Credit Limit – Multiply the amount on line 10a by the Credit Offset Factor from Line 9.
- Line 10e. Enter sum of Industrial Expansion and Revitalization Credit, Research and Development Project Credit and Residential Housing Development Credit, if any, applied against your Severance Tax liability.
- Line 10f. Subtract Line 10e from Line 10d.
- Line 10g. Enter the lesser of Line 8, or Line 10c, or Line 10f. This represents the maximum Manufacturing Investment Tax Credit available against your Severance Tax liability. Also enter this amount on the Severance Tax return.
- Line 11. Annual Manufacturing Investment Tax Credit adjusted for Severance Tax Claim – Subtract the amount on line 10g from the amount on line 8.
- Line 12a. Enter total pre-credit Business Franchise Tax liability.
- Line 12b. Enter sum of all other credits, if any, applied against your Business Franchise Tax liability.
- Line 12c. Subtract Line 12b from 12a.
- Line 12d. Business Franchise Tax Manufacturing Investment Tax Credit Limit – Multiply the amount on line 12a by the Credit Offset Factor from Line 9.

- Line 12e. Enter sum of Industrial Expansion and Revitalization Credit, Research and Development Project Credit, Residential Housing Development Credit, and Aerospace Industrial Facility Credit if any, applied against your Business Franchise Tax liability.
- Line 12f. Subtract Line 12e from Line 12d.
- Line 12g. Enter the lesser of Line 11, or Line 12c, or Line 12f. This represents the maximum Manufacturing Investment Tax Credit available against your Business Franchise Tax liability. Also, enter this amount on the Tax Recap Schedule of the tax return.
- Line 13. Annual Manufacturing Investment Tax Credit adjusted for Business Franchise Tax Claim – Subtract the amount on line 12g from the amount on line 11.
- Line 14a. Enter total pre-credit Corporation Net Income Tax liability.
- Line 14b. Enter sum of all other credits, if any, applied against your Corporation Net Income Tax liability.
- Line 14c. Subtract Line 14b from 14a.
- Line 14d. Corporation Net Income Tax Manufacturing Investment Tax Credit Limit – Multiply the amount on line 14a by the Credit Offset Factor from Line 9.
- Line 14e. Enter sum of Industrial Expansion and Revitalization Credit, Research and Development Project Credit, Residential Housing Development Credit, and Aerospace Industrial Facility Credit if any, applied against your Corporation Net Income Tax liability.
- Line 14f. Subtract Line 14e from Line 14d.
- Line 14g. Enter the lesser of Line 13, or Line 14c, or Line 14f. This represents the maximum Manufacturing Investment Tax Credit available against your Corporation Net Income Tax liability. Also, enter this amount on the Tax Recap Schedule of the tax return.