

## I. INTRODUCTION

This Grand Jury conducted an extensive investigation into a sophisticated scam to steal Pennsylvania tax credits. We learned that the Commonwealth operates several programs designed to encourage economic development by providing tax credits to certain new businesses. But – enabled by insufficient government oversight – dishonest business people were able to exploit the system to the tune of millions of taxpayer dollars.

We discovered twenty different shell companies that were set up, by the same two individuals, so as to appear to be conducting research and development. In reality, the companies were nothing but paper and mail drops. They had no actual employees, offices, products, or customers. Yet they qualified for over \$10 million dollars of tax credits under the Pennsylvania Research and Development (R&D) and Keystone Innovation Zone (KIZ) programs. These tax credits, we discovered, do not simply reduce the tax liability of the qualifying businesses; they can also be legally *sold* to other companies, even if those companies would not qualify for the credits themselves.

The masterminds behind the operation were able to sell over \$6 million dollars' worth of those tax credits before the scam was uncovered. That money was ultimately deposited into bank accounts in Hong Kong. It was not used to bolster Pennsylvania's economy; instead, it reduced Pennsylvania tax revenues when the companies who legally purchased the credits applied them against their own tax liability. We reviewed evidence and it is anticipated that a presentment will be issued in the future recommending that criminal charges be filed against those who created the sham businesses in order to generate the undeserved credits.

Beyond criminal charges, we also focused on the systemic deficiencies in the administration of both the R&D and KIZ tax credit programs that enabled the massive deception

to go undetected for years, and that must be addressed in order to prevent such fraud in the future. We heard testimony and obtained evidence from numerous witnesses, including members of law enforcement, tax credit brokers, KIZ coordinators and past and present staff members from the Pennsylvania Department of Community and Economic Development (DCED) and the Pennsylvania Department of Revenue (DOR). The evidence demonstrated that changes must be made so that the true purpose of these programs can be realized. While we were pleased to learn through our investigation that some changes have recently been implemented, we think further steps should be taken to protect the investments of Pennsylvania taxpayers.

We are recommending that the Commonwealth implement the following changes: 1) as in other Pennsylvania tax credit programs, applicants for R&D and KIZ credits should be subject to audit by independent certified accountants; 2) tax credit applications should be verified through such means as in-person interviews, photographic submissions, receipts and other financial records; 3) laws governing the R&D and KIZ tax credit programs should be amended to provide the agencies sufficient time to put teeth into the review process; 4) local "KIZ coordinators" should be trained in their proper role and required to make site visits to ensure that applicants are operating as required by the program, and such site visits should also be required prior to awarding R&D credits; 5) tax brokers, who play an integral role in the tax credit market by matching buyers and sellers, should be required to be licensed, to receive training, and to certify that they will report any suspicious activity rather than participate in it, on pain of perjury, prosecution, or debarment; and 6) that awardees be required to provide an annual breakdown of how the tax credit was used and/or alternatively, if sold, how the funds from such sale were used, and that such information be provided in making future applications.

## II. PENNSYLVANIA TAX CREDITS

Each year the Commonwealth makes numerous types of tax credits available to qualified taxpayers in Pennsylvania in order to try to help stimulate the local economy, generate new jobs, attract and grow businesses, and increase the underlying tax base. Tax credit programs are not unique to Pennsylvania. The federal government and numerous other states offer tax credit incentive programs as well.

Tax credit programs are designed to incentivize taxpayers (companies or individuals) to participate in certain industries, practices and/or activities by reducing the taxpayer's tax liability for engaging in that particular qualifying work. While the Commonwealth does not pay the taxpayer in cash for engaging in such work, the Commonwealth rewards the taxpayer by giving it a credit against its state tax liability. Thus, the revenue generated for the Commonwealth through its taxing system is reduced at least in the short term. Although they cost millions of dollars in tax revenue, tax credit programs are viewed as beneficial to Pennsylvania's economy because they draw new businesses and enterprises into the community, which should increase the tax revenues and the local economy in the long term. These programs are a definitive and calculated trade-off made by the Commonwealth in hopes of providing a greater long term economic benefit to its citizens.

Importantly, with certain tax credit programs there is an additional benefit to the applicant because the credits are actually "transferrable" or "sellable" by the awardee to third parties in exchange for money. Thus, these types of credits are commodities which can lawfully be sold to third parties at a discounted price, thereby providing the original companies with an almost immediate infusion of cash to put back into the business. Theoretically, this is especially beneficial for newer companies trying to get off the ground or obtain stability. We learned that there are at

least six sellable tax credit programs offered by the Commonwealth annually. Three of the six tax credit programs require independent certified public accountants to audit the information provided with credit applications before credits can be awarded, but the R&D and KIZ programs do not require any such review.

The two different Pennsylvania tax credit programs central to the Grand Jury's investigation are: 1) the R&D tax credit program, and 2) the KIZ tax credit program. Importantly, a qualifying taxpayer can apply for and be awarded both types at the same time. All of the companies at issue in our investigation were receiving R&D credits and many of them were receiving KIZ credits as well.

Between the two programs, the Commonwealth of Pennsylvania sets aside a total of \$70 million dollars in annual tax revenue which the Commonwealth willingly foregoes in hopes of spurring greater long term economic development within its borders.

As noted above, both the R&D and KIZ tax credit programs share the same special benefit: these two particular tax credits are "transferable" or "sellable" to third parties in exchange for actual money. Therefore, it can be extremely lucrative to be awarded these types of tax credits as any amount of the credits which are not used against a taxpayer's state tax liability can be sold for cash. Frequently, tax credit "brokers" handle the sale of the credits for both the sellers and the buyers. The brokers receive a sizable commission for advising tax credit applicants, advocating to the departments for credits to be granted, and finding purchasers willing to pay. But these brokers receive no training from the state, nor are they required to be licensed or to report any misconduct they may observe in their dealings.

### III. THE R&D TAX CREDIT PROGRAM

The R&D credit program was adopted in Pennsylvania in 1997 and has been in effect ever since. The governing statutes require DOR to administer the award of tax credits under this program. Between 2003 and 2017, Pennsylvania set aside \$618 million in tax credits for the R&D credit program. Since 2011, the Commonwealth has been allocating \$55 million in R&D tax credits to qualifying applicants annually; of that sum, \$11 million dollars in credit has also been allotted each year specifically for qualifying small businesses. "Small businesses" are defined as companies that have assets of less than \$5 million. Small businesses are entitled to 20% tax credits rather than the 10% for large businesses.<sup>1</sup> All of the 20 fraudulent companies at issue in our investigation were designated as small businesses on their credit applications as a means of enabling them to qualify for a larger tax credit.

The evidence revealed that a single qualifying applicant may be awarded hundreds of thousands of dollars in R&D tax credits annually. The calculation is based on how R&D expenditures are reported on the application. However, the amount of credits awarded must be prorated when there are more "qualified" applicants than credit dollars available – which means legitimate applicants received fewer credits than they should have because of the dollars diverted to fraudulent companies.

Over the years, the Pennsylvania R&D tax credit program has become more popular. It was estimated that in 2013, the program received 747 applications, almost all of which (717) were

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<sup>1</sup> 72 P.S. 8703-B (b)(2) allows a taxpayer designated as a "small business" that incurs Pennsylvania qualified R&D expenses to apply for R&D tax credits by the September 15 deadline. The statute provides that a "small business" taxpayer shall receive a credit for the taxable year in the amount of 20% of the excess of its total Pennsylvania qualified R&D expense for the taxable year over the taxpayer's Pennsylvania base amount, but, a large company would only qualify for 10% of same.

approved. By 2017, the program had received 1344 applications, almost all of which (1288) were approved.

This particular tax credit is available to businesses and/or individuals performing qualified research and development and making related expenditures in Pennsylvania. At all times material to this investigation, in order to qualify for the R&D tax credit in Pennsylvania, applicants were required to submit Form REV-545 R&D, certifying that the taxpayer: 1) was subject to either Personal Income Tax or Corporate Net Income Tax exposure; 2) incurred expenditures for qualified research and development conducted within Pennsylvania; 3) was in compliance with the Commonwealth's tax laws and regulations as determined by the Department of Revenue; and 4) incurred at least two years of prior Pennsylvania R&D expenditures.

The application further required applicants to provide company-specific state and federal identifiers. Moreover, the application required applicants to submit federal 6765 forms and/or *pro forma* 6765 forms and, in the case of small businesses, a balance sheet with a breakdown articulating the qualified Pennsylvania R&D expenditures.<sup>2</sup> Finally, the application required a corporate officer to sign a verification at the bottom of the first page asserting: “[u]nder penalty of perjury, I declare I have examined this return, including any accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.” A copy of an application is attached to this report as Exhibit “A.”

An *application* to apply for R&D tax credits from DOR is due by September 15<sup>th</sup>. DOR only has until December 15<sup>th</sup> of that same year to review all of the applications it receives, identify

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<sup>2</sup> We learned that the *pro forma* 6765 form is a document generated by the applicants asserting what their expenditures would have been had they sought federal R&D tax credits.

the unqualified applicants, identify legitimate applicants, investigate any irregularities of potentially legitimate applicants and award the credits.

We learned that DOR determined who qualified for the credits by relying on the uncorroborated documentation submitted in and with the application. DOR staff members were trained on how to process applications prior to reviewing them. When the applications were received at DOR, a staff member would input the information into the computer system. Other team members within DOR would then sift through each application and compare the information contained in the form against the documents supplied by the applicants, including the balance sheet, the 6765 forms and/or *pro forma* 6765 forms, and Pennsylvania tax returns, to make sure that all the information matched. If so, nothing more was done, and the application for the tax credit would be approved.

DOR staff members also received training on when to reject an application. Staff were advised to reject an application if 1) the applicant did not provide expenditures from prior years, 2) the company was no longer in business, or 3) the application was submitted after September 15<sup>th</sup>. We learned that staff members would contact applicants when pertinent information was missing or unclear to give them an opportunity to correct the deficiency. If the applicant provided the additional information, the credits would be awarded. Unfortunately, we also observed instances in which applications were granted even when they did not meet even this relatively lax standard -- when, for example, unsigned applications were accepted and approved. Based on the testimony we heard and the evidence we saw, it appeared that DOR staff were working diligently to approve as many applicants as possible, even though this could work to the detriment of legitimate applicants.

We learned that there were no requirements that photographic identification be supplied, that in-person interviews or site visits be conducted, or that applicants submit expenditure receipts, account statements or actual day-to-day financial records beyond the applicant's state tax returns and the federal 6765 forms or *pro forma* 6765 forms. Staff members of DOR who reviewed the applications relied almost exclusively, if not exclusively, on the information set forth by the applicant in the application as being true and correct.

#### **IV. THE KIZ TAX CREDIT PROGRAM**

In 2003, the KIZ tax credit program was designed to attract new companies engaged in specified industries to move into or settle in specified geographic areas in Pennsylvania. There are 29 designated KIZ regions in the state. The statute allots \$15 million in tax credits annually for this program. A percentage is not specifically carved out for small businesses with this program as it is with the R&D program.

Where the R&D credit program focuses on expenditures, the KIZ program focuses on the applicant's gross revenues from KIZ-related activities. Specifically, a KIZ credit applicant may be awarded a tax credit equal to 50% of the increase in its gross revenues in the immediately preceding taxable year attributable to its activities in the zone, over the company's gross revenues in the second preceding taxable year attributable to its activities in the zone.

The credits max out at \$100,000 a year, and they are prorated among applicants if total claims exceed the amount available in the pool. Prorating is done so that all of the seemingly qualified applicants receive at least some of the credits for which they apply. We observed instances where KIZ credit awards were prorated because the program was overextended beyond the \$15 million it was allotted. Thus there were times between 2012 and 2017 where legitimate applicants received less in credits because sham companies were being approved for credits.



Essentially, the purpose of the KIZ Tax Credit Program is to encourage young for-profit companies to engage in certain industries in a designated location within the Commonwealth. Specifically, we learned that in order to be awarded this type of tax credit, the applicant must be a for-profit business entity engaged in one of the following fields: advanced materials, diversified manufacturing, business services, life sciences or high technology. In addition, the business must have been in operation less than eight years.

The designated zones were created near the Commonwealth's colleges and universities to align academic resources with the private sector workforce and spur innovation statewide. One of the goals of this specific incentive program is to try to keep graduates of local colleges and universities working in that geographic area after graduation.

KIZ applicants are required to submit forms articulating why they qualify for the credit. They must also supply their federal form 1120 from the past two years to verify the alleged increase in gross revenue. Prior to 2017, applicants were also required to submit relevant past Pennsylvania tax returns. As of 2017, applicants were instead required to attach their "Welcome to Pennsylvania" letter issued by DOR, authorizing the company to do business in the Commonwealth. Also required was a certification from a "KIZ coordinator" verifying that the company was in fact located within the zone. The Grand Jury learned that the staff members of DCED who review the tax credit applications largely assume that the information submitted by the applicant is true and correct. DCED has only 90 days from September 15<sup>th</sup>, the close of the application acceptance date, to review all of the applications it receives. The KIZ credits are awarded on December 15<sup>th</sup>. A KIZ credit application from one of the target companies from our investigation has been attached as Exhibit "B." The applications do not require photographic identification, account statements, or in-person interviews which could help deter fraud.

Similar to the R&D Program, once these credits are awarded to an applicant, the KIZ credit must first be applied to the company's own Pennsylvania tax liability (personal income tax or corporate net income tax). Any unused credits may be applied against the company's tax liability for up to five years from the date that the credit was issued. Alternatively, the credit may be sold or reassigned to another taxpayer. In order to sell these credits, the awardee and the third party buyer must file the requisite paperwork with DCED and seek its permission for the transfer.

We learned that KIZ coordinators are assigned for each of the designated zones. The coordinators are supposed to file certifications to verify that the companies applying for KIZ tax credits are in fact located within their designated KIZ area. Yet, the individuals who are designated as the KIZ coordinators are not interviewed by, employed by, or in any way chosen by representatives of DCED to do the job. Rather, we learned that individuals employed by the local economic development entities representing the KIZ regions, and often hired for another job entirely, get assigned the task of acting as a coordinator too. DCED has policies and procedures available that are supposed to help coordinators fulfill their obligations.

A witness testified that the coordinators are supposed to communicate with the applicant companies, obtain copies of their leases, ensure that metric reports are filed by the companies, and document files with proof that the companies are working in the zone. We heard conflicting testimony regarding whether or not site visits are required before the coordinators sign the certification confirming that the company is actually located within the zone.

When the KIZ tax credit program was first implemented, money was set aside by the Commonwealth to be used by the regional entities helping to administer the KIZ program locally. Some of that funding helped pay the costs of KIZ coordinators' services. However, multiple

witnesses testified that the Commonwealth stopped contributing to the costs associated with the local KIZ engagement programs and coordinators several years ago. The Grand Jury also heard from multiple witnesses that the coordinators just simply did not understand the magnitude of their role in certifying that a KIZ company was in fact where it claimed to be located as a means of protecting against fraud and waste. Rather, it was something that was routinely seen by the coordinators as being less important than the other responsibilities of their jobs.

We also heard from a witness who explained that DCED's KIZ credit application has been flawed since the time it was adapted to an electronic format. The witness explained that DCED used a "one size fits all" electronic application for every program it oversaw. KIZ applicants were required to answer every question on the application, even when questions were not relevant to that particular program. The poor application format made it more difficult to identify questionable applications. We learned that though DCED was aware of the problem, it went unaddressed due to funding constraints.

Moreover, we also heard evidence that applications were not compared with tax information maintained by DOR because there were strict rules prohibiting DOR from sharing it with DCED. We learned that since this scheme came to light, DOR has agreed to perform certain checks at DCED's request.

## **V. THE TAX CREDIT SCAM**

Given the operation of the R&D and KIZ tax credit systems, the fraud we discovered should not, perhaps, be entirely surprising. Our investigation was quite extensive. We obtained thousands of documents comprising 637 exhibits, and heard from numerous witnesses both in and out of government.

The perpetrators were a husband-and-wife team who were originally from Hong Kong, and who returned there once the scheme had been set in motion. The evidence established that Wing Tat Chiu (a.k.a. "Chris Chiu" or "Christopher Wing-Tat Chiu"), and Ivy Hiu-Ying Li (a.k.a. "Ivy Li" and/or "Hiu Yin Li") came from Hong Kong to the United States to study at Michigan State University (MSU) in the late 1990s. Wing Tat Chiu received his Doctorate of Philosophy from MSU in the fall of 1999. Ivy Li obtained her Master's Degree from MSU in the summer semester of 2000. Chiu and Li married in 2000 and remained in the United States thereafter. They became naturalized United States citizens.

Following their graduation, they moved to Pennsylvania and settled in Bucks County. The couple started two Pennsylvania companies: Accu Measurement & Testing, Inc., (AMT) in January of 2004 and EdigitalDataCenter, Inc., (Edigital) in December 2009. Both companies applied for, and were awarded, R&D and KIZ tax credits. Initially, it appears that the applications may have been legitimate. By 2012, however, the couple had apparently realized that they could make money more easily by securing credits illegitimately. Both companies applied for and obtained tax credits between 2012 and 2017. But we were unable to find any evidence suggesting either company actually qualified for those credits. In fact, there was absolutely no evidence of legitimate revenue or expenditures for either company during those years.

We also heard evidence establishing that the couple created 18 other sham entities to obtain more sellable tax credits. The evidence indicates that the duo created numerous false identities to be the faces of the other 18 shell companies in order to further perpetrate their fraud. They tried to continue their scam through 2018 and only stopped because DOR and DCED finally became aware of the fraud and would not permit the additional credits to be transferred.

Most of the time, the scam was perpetrated from afar; Chiu and Li weren't even in the country. The evidence revealed that Chiu went back to Hong Kong in December 2012 and he remained there until June 2016, when he returned to the United States for roughly two months. He traveled back to Hong Kong on August 18, 2016, and he has not returned to the United States since. Li also went back to Hong Kong in December 2012 and remained there until early October 2015, when she returned to the United States for sixteen days. She returned to Hong Kong in late October 2015 and has not returned to the United States since.

By using fake companies and false identities, Chiu and Li applied for and were awarded \$10,645,435 worth of tax credits between 2012 and 2017. The 20 companies did not meet the requisite qualifications to be awarded any of those credits. The evidence revealed that none of the sham companies had any expenditures whatsoever during those years, and the only revenue traced to the companies were the proceeds obtained from selling their tax credits. Yet, during 2012-2017, 62 R&D tax credit applications were submitted to DOR on behalf of those companies and \$8,127,621 in sellable R&D tax credits were awarded to them in return. During that same time period, they also submitted 27 fraudulent KIZ tax credit applications and were awarded \$2,517,814 in sellable KIZ tax credits.

There is absolutely no indication that verification methods such as site visits were conducted on any of the relevant companies before the credits were awarded. Had site visits been conducted, officials would have learned of the fraud much earlier, as not one of the companies was renting actual office space at its supposed location.

The evidence indicated that Chiu and Li were able to sell \$6,365,777 of the \$10,645,435 in credits before their scheme was discovered and stopped. Attached hereto as Exhibit "C" is a breakdown of the credits awarded to the sham companies between 2012 and 2017 and the credits

that were transferred by them before the scam was uncovered. Tax credit brokers were vital to accomplish these sales, which were the essential piece enabling the conspirators to cash in on the system.

The brokers were eager, even if not illegal, participants in the process. We observed multiple instances where brokers engaged DCED and/or DOR staff to push the award of those tax credits as well as the sales of those credits even when red flags were apparent. We saw instances where brokers questioned transactions but never stopped to notify either DCED or DOR about their concerns or to alert them of any potential fraud -- even when they were repeatedly directed to wire the proceeds of tax credit sales directly to offshore accounts in Hong Kong.

The couple regularly pressed brokers for the highest price possible for the sale of their credits, demanded quick payment upon the completion of the sales, and were actively looking for more Pennsylvania tax credit programs in order to expand their scheme. They were even intending to seek tax credits from New Jersey and were asking tax credit brokers for guidance on those programs.

## **VI. THE BROKER PROBLEM**

Tax credit brokers require no specialized training or licensing. They are totally unregulated. Yet they help coordinate massive transactions impacting the economy and community here in Pennsylvania.

We heard evidence that, because they are not required to certify the tax credit applications they help prepare, some brokers believe they have no obligation to make sure that the information contained in the applications is accurate. Such certifications are routinely required for similar professions, such as tax preparers, who must state under penalty of perjury that to the best of their knowledge and belief, the information provided is true and correct. Additionally, because they are

unregulated, tax credit brokers are under no professional obligation to report suspected fraudulent or suspicious behavior.

The Grand Jurors reviewed numerous email conversations between various tax credit brokers and the subjects of this investigation. Among those emails were exchanges in which fraudulent companies referred brokers to other fraudulent companies (all actually operated by Chiu and Li) to sell their credits as well. In a few instances, after the introduction was done, multiple companies would send a group email to the brokers itemizing the hundreds of thousands of dollars of credits available for the broker to sell. When questioned by the brokers about how they were all connected, the response was that they were an "angel network," "co-op," or "joint venture." In multiple instances, the bogus companies asked that proceeds be wired to Hong Kong bank accounts and it was done without hesitation.

Never once through the course of this investigation was evidence found that any of the brokers notified DCED or DOR that large groups of otherwise seemingly unrelated companies were asking for the proceeds from the sales of their Pennsylvania tax credits to be sent to Hong Kong. In fact the converse occurred. Through multiple emails it was revealed that brokers would push the staff at DCED and DOR to approve the various credit applications and transfers.

In one email string from July 2017, two tax brokers were trying to coordinate a transfer of hundreds of thousands of dollars in tax credits for six of the sham entities as a group. One broker wrote that "[...] Something is up with this guy and I am going on record saying we should cease doing business with them...." Another email between the two brokers was prompted in October 2017 because Chiu and Li's representatives had not been in communication with the brokers about two sales which were held up due to compliance issues. One broker wrote: "I feel like he [Daniel Presley] took four of the six sales and him and John Wayne and Joe Blow and Elvis Presley blew

town.” The other responded: “LOL, with Henry Ford (one of the subjects of this investigation) was the driver.” Shortly thereafter, these brokers contacted DCED staff trying to push through the transfer of the outstanding credits – without ever mentioning their concerns that the applications were illicit. At least one of those two credit transfers was denied by the state; however, the emails established that the same brokers contacted “Daniel Presley” again in 2018 and 2019 asking if there were any more credits to sell.

## VII. RECOMMENDATIONS

Based upon the evidence we have obtained and considered, we, the members of the Forty-Second Statewide Investigating Grand Jury, recommend the following legislative or procedural changes:

- A) Other Pennsylvania tax credit programs require an audit of applications by a certified public accountant. Independent audits would likely have prevented most or all of the million-dollar rip-offs we saw. They should be required for R&D and KIZ tax credits.
- B) In reviewing applications, the responsible agencies must do more than simply check the boxes to see whether the attachments match the form. DOR, for example, should interview applicants in person, face-to-face, to confirm that they are duly qualified. Applicants should be required to submit photographic identification along with receipts, account statements and financial records. IP addresses should be verified to ensure that applications are being submitted from businesses operating in Pennsylvania, not elsewhere.
- C) Regulators currently have only 90 days to review R&D and KIZ tax credit applications. That’s not enough time for meaningful review, even if the agencies were disposed to



conduct it. The law should be changed to increase that period so that real checks can be performed.

- D) Local KIZ coordinators are intended to be the eyes and ears on the ground to ensure that applicants are actually producing the economic activity the tax credits are designed to encourage. It appears that the coordinators do not understand their role or the significance of it. Coordinators should be required to conduct unscheduled site visits for each applicant. The certificate they submit should be amended to include a statement, under penalty of perjury, that they have gone to the site and verified that the company is in fact in existence and conducting business there. Unscheduled site visits should also be required for R&D tax credits.
- E) Tax credit brokers play an integral part in the system, but they are currently completely unregulated, and at least some apparently feel free to traffic in credits that are likely fraudulent. Brokers should be required to be licensed by Pennsylvania authorities in order to take part in tax credit transactions, to submit themselves to the jurisdiction of Pennsylvania courts, to undergo appropriate training, and to certify that they will not participate in improper transactions but will instead report irregularities. If they assist businesses in preparing tax credit applications, they should be required to sign the form with a declaration like those required of income tax preparers.
- F) Add an additional reporting requirement wherein the awardees will be required to submit to the relevant Department (either DOR or DCED) proof in the form of an annual breakdown of how the tax credit was used and/or alternatively, if the credit was sold, how the funds from such sale were used. This information breaking down how

the credit or funds were used must also be provided by the tax credit applicant on future tax credit applications seeking an award of credits.

Pennsylvania has made the policy choice to forego millions of dollars in tax revenue in order to stimulate its economy by awarding, and permitting the sale of, tax credits. If the state desires to continue on this path, it is crucial that it provide effective oversight. The ultimate victims of tax credit fraud are the law-abiding taxpayers of Pennsylvania. They should not have to make up the difference out of their own pockets.

**EXHIBIT "A"**



**RESEARCH AND DEVELOPMENT  
TAX CREDIT  
2017 APPLICATION**  
SEE INSTRUCTIONS ON PAGES 3 AND 4  
BEFORE COMPLETING.

ENTITY NAME	REVENUE TO SOCIAL SECURITY NUMBER (SSN)	FEDERAL EMPLOYER IDENTIFICATION NUMBER (FEIN)
STREET ADDRESS	<b>DUE DATE: SEPT. 15, 2017</b> DEPARTMENT USE ONLY POSTMARK DATE	
CITY OR TOWN, STATE AND ZIP CODE		

**CHECK BOX IF A SMALL BUSINESS**  
IF CLAIM IS AS A SMALL BUSINESS WITH TOTAL ASSETS OF LESS THAN \$5 MILLION AT THE BEGINNING OR END OF THE YEAR, SUBMIT A BALANCE SHEET REFLECTING TOTAL ASSETS.

ENTER ENTITY TYPE (SEE INSTRUCTIONS ON PAGE 3.) \_\_\_\_\_ KOZ - SEE PAGE 2.

**CALCULATION OF CREDIT**

1. Pennsylvania-qualified research and development (R&D) expenditures (Complete Page 2.): Use Whole Dollars Annualized

Tax Year Beginning MMDDYYYY	Tax Year Ending MMDDYYYY	Actual	1. \$
_____	_____	\$ _____	_____
2. 50 percent of Line 1 .....			2. \$ _____

3. Prior years' Pennsylvania R&D expenditures (See Instructions on Page 3.):

Tax Year Beginning MMDDYYYY	Tax Year Ending MMDDYYYY	Actual	Annualized
A. _____	_____	\$ _____	A. \$ _____
B. _____	_____	\$ _____	B. \$ _____
C. _____	_____	\$ _____	C. \$ _____
D. _____	_____	\$ _____	D. \$ _____
4. Total of prior years' annualized Pennsylvania R&D expenditures (Sum of A, B, C and D) .....			4. \$ _____
5. Average of prior years' Pennsylvania R&D expenditures (Line 4 divided by number of base years in Line 3 with R&D expenditures) .....			5. \$ _____
CAUTION: Years with zero expenditure MUST NOT be included when averaging.			
6. Line 1 minus the greater of Line 2 or Line 5 .....			6. \$ _____
7. Tentative Pennsylvania R&D credit (Line 6 x 0.1 or 0.2 for large or small company, respectively) .....			7. \$ _____

**SIGNATURE AND VERIFICATION**

Under penalties of perjury, I declare I have examined this return, including any accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. THIS FORM MUST BE SIGNED BY A CORPORATE OFFICER.

SIGNATURE OF COMPANY OFFICER		FAX NUMBER	DATE
PRINT OFFICER'S NAME	TITLE	TELEPHONE NUMBER	EMAIL ADDRESS
NAME OF PREPARER		PREPARER'S ADDRESS	EMAIL ADDRESS
TELEPHONE NUMBER	PREPARER'S PTIN, FEIN OR SSN	DATE	CITY OR TOWN, STATE AND ZIP CODE

**BREAKDOWN OF R&D EXPENDITURES BY LOCATION**

**PART I**

Line 1	Federal R&D Expense	Column 1	Column 2	Column 3	Column 4
Line 2	PA Location	PA-qualified Expenditure	PA Expenditure Located in KOZ	Total Expenditure	Percent of Federal Expense (Percent of Line 1, Column 3)
Line 2	A	\$	\$	\$	%
Line 3	B	\$	\$	\$	%
Line 4	C	\$	\$	\$	%
Line 5	D	\$	\$	\$	%
Line 6	E	\$	\$	\$	%
Line 7	Non-PA Expenditures			\$	%
Line 8	Total	\$		\$	100%

**PART II**

	Address	City	ZIP Code
A.			
B.			
C.			
D.			
E.			

**PART III**

	3rd Party	Contact Name	Employer Name	Telephone Number	Fax Number	Email Address
A.	<input type="checkbox"/>					
B.	<input type="checkbox"/>					
C.	<input type="checkbox"/>					
D.	<input type="checkbox"/>					
E.	<input type="checkbox"/>					

**PENNSYLVANIA RESEARCH AND DEVELOPMENT TAX CREDIT APPLICATION INSTRUCTIONS  
PER ACT 7 of 1997, ACT 46 of 2003, ACT 1.16 of 2006 and Act 84 of 2016**

You may now submit your Research and Development (R&D) Tax Credit Application via email to RA-RVPACORPRD@pa.gov. Please make sure to sign the application.

**Required Information:** Completed and signed Page 1 of the 2016 Research and Development Tax Credit Application, completed Page 2 of the 2016 R&D application, completed Page 2 (all three sections) of REV-545 for each year that was not previously submitted with an application, federal Form 6765 or pro forma 6765, balance sheet for a small business and any applicable partnership information (percentage owned). If this is the first year you are submitting this application you must also include federal Form 6765, or a pro forma 6765, for all previous years, as well as Page 2 (all three sections) of REV-545 for each previous year. This information is required even if zero credit is claimed on Line 7 of the application. If you have filed a REV-545 in a prior year and there is a change in the amount of R&D expenditures (Line 3, a-d on Page 1 of REV-545) between this filing and the prior filing(s), provide a detailed explanation for each change, including supporting documentation.

**NOTE:** Verify the address on Page 1; it will be used to mail the award letter.  
Prior year expenses must be four taxable years immediately preceding the taxable year in which the expense is incurred.

To apply for a PA R&D tax credit, a taxpayer must have qualified PA R&D expenses in the current tax year (Line 1) and in at least one preceding tax year (Line 3). **NOTE: If PA R&D expenditures were incurred in a Keystone Opportunity Zone (KOZ), the taxpayer is not entitled to an R&D credit. If you have questions regarding combining a Keystone Opportunity Zone (KOZ) tax credit and a Research and Development (R&D) tax credit, please call 717-772-3896.**

For purposes of the PA R&D tax credit, a taxpayer is an entity subject to PA personal income tax or corporate net income tax.

Qualified R&D expenses include research expenses incurred for qualified research and development, as defined in Section 41 (b) of the Internal Revenue Code of 1986, conducted within PA.

A 52-53 week filer whose year ends in the first week of January is considered a calendar year filer.

The department will notify applicants of PA R&D tax credit approvals by mailing award letters by Dec. 15th. A taxpayer may apply the approved credit against his/her PA personal income tax or corporate net income tax liability for the tax year in which the credit is approved. Any unused credit may be carried over for up to 15 succeeding taxable years. A taxpayer is not entitled to carry back, obtain a refund of or assign unused PA R&D tax credits awarded on or prior to Dec. 15, 2002.

Effective for awards made Dec. 15, 2003, and after, the taxpayer can apply to the PA Department of Community and Economic Development, DCED, to sell or assign a PA R&D credit if there has been no claim of allowance filed within one year from the date the Department of Revenue approved the credit. Effective for awards made Dec. 15, 2009, and after, the taxpayer no longer has to wait one year before selling or assigning the credit. However, the taxpayer cannot sell or assign credit until the tax return covering the period including the Dec. 15 award date has been filed.

To apply to sell or assign R&D credit, visit [www.dced.pa.gov](http://www.dced.pa.gov) or contact DCED at 717-214-5422 or 400 North St., 4th Fl., Keystone Building, Harrisburg PA 17120-0225. The purchaser or assignee must use the credit in the taxable year in which the purchase or assignment is made, and the credit cannot exceed 75 percent of the tax liability for the taxable year. The purchaser or assignee may not carry over, carry forward, carry back or obtain a refund of the credit.

Effective for awards made Dec. 15, 2006, and after, pass-through entities include limited liability companies and partnerships, therefore the credit can be transferred (passed-through) in writing to shareholders, members or partners in their proportionate share. The shareholder, member or partner must use the credit in the taxable year in which the transfer is made. Also effective for awards made Dec. 15, 2006, and after, the tentative credit on Line 7 is equal to 10 percent for large companies and 20 percent for small companies.

**ENTITY TYPE:** Complete the Entity Type on Page 1 by selecting one of the following categories:

**Individual, LLC, LLP, S corporation, C corporation, Sole proprietorship**

If any tax years on Line 1 or Lines 3A, 3B, 3C or 3D of Page 1 represent a period of less than a full year, (other than for full year 52-53 week filers), the amount(s) of PA R&D expenses must be annualized.

Example: Tax year beginning Jan. 1, 2016, and ending July 31, 2016

Annualized amount = \$1,000,000 x  $\frac{365^*}{212}$  = \$1,721,698

\*Use 366 for leap years that include 29 days in February.

If the taxpayer has two or more consecutive short periods that equal one full tax year, the short periods should be combined as a single tax year on Line 1 and Line 3, a-d on Page 1. Submit only one application.

**Instructions for Page 2, Breakdown of R&D Expenditures by Location**

**PART I, Page 2**

Line 1:

Column 3 - List the Total Qualified Research Expenses from Section A, Section B or Section C of federal Form 6765.

Line 2: Location A

Column 1 - List PA-qualified R&D expenditures for that location.

Column 2 - List PA expenditures located in a KOZ.

Column 3 - List total PA expenditures (sum of Columns 1 and 2).

Column 4 - List percent of federal expense (Line 1, Column 3).

Lines 3 through 6 should be completed for additional PA locations (if more than five locations, make a clean copy of Page 2 to report additional locations).

Line 7:

Column 3 - List total Non-PA R&D expenditures.

Column 4 - List percent of federal expense (Line 1, Column 3).

Line 8:

Column 1 - Total PA-qualified R&D expenditures (this amount should match "Actual" amount on Line 1 of Page 1).

Column 3 - Total R&D expenditures everywhere.

**PART II**

List address for each location (A, B, etc.).

**PART III**

List contact's name, employer's name, telephone number, fax number and email address for each location (A, B, etc.). Check the box if the research was performed by a third party.

**NOTE:** Complete Page 2 of the R&D application even if all expenses were incurred in PA.  
Please carry all totals to the bottom of each column, Part I, Page 2 of the R&D application.

For information on this and other saleable restricted tax credit programs, please visit the Department of Revenue's Online Customer Service Center and/or review Corporation Tax Bulletin 2014-04, both accessible at [www.revenue.pa.gov](http://www.revenue.pa.gov). Questions regarding completion of the application and the calculation of the credit may be directed to 717-705-6225, Option 5, then Option 2.

Do not include this application with the filing of your RCT-101, PA Corporate Net Income Tax Report.

**CAUTION:** You MUST email your REV-545 and any attachments to [ra-rvpacorprd@pa.gov](mailto:ra-rvpacorprd@pa.gov).

**CAUTION:** When emailing, your application with any supporting documentation must be one document in PDF format to ensure timely and accurate processing.

If submitting more than one application, each application must be a separate attachment in your email.

**CHECKLIST:**

Before submitting your application, please review the items below and put an X next to each item after you have verified it is complete. This will help to avoid a delay or denial of your application.

- \_\_\_\_ 1. Page 1 and Page 2 (all three parts) of the REV-545 have been filled out in their entirety.
- \_\_\_\_ 2. Included is a copy of federal Form 6765 or a pro forma copy of federal Form 6765 for each year listed with expenditures. Expenditures are listed under Line 1 and Line 3 on Page 1 of REV-545.\*
- \_\_\_\_ 3. Included is a completed Page 2 of REV-545 for each year listed with expenditures. Expenditures are listed under Line 1 and Line 3 on Page 1 of REV-545.\*
- \_\_\_\_ 4. Included is a written explanation of the difference(s) in R&D expenditures between this year's expenditures and prior filings of REV-545, if applicable. Supporting documentation is also included.
- \_\_\_\_ 5. If filing as a small business, included is a copy of the balance sheet showing total assets less than \$5 million at the beginning or end of the year.

**\*NOTE:** Only provide items 2 and 3 above for years that had changes in expenditures or years for which this information was not already provided in prior filings of REV-545. However, you must always provide this information for the base year expenditures listed on Line 1 of Page 1.

**EXHIBIT "B"**



**COMMUNITY AND ECONOMIC DEVELOPMENT**  
**Single Application for Assistance**

**Application #:** [REDACTED]

**Web App ID #:** [REDACTED]

**E-Signature:** Fred Rodriguez

**Status:** Legal Process Complete

**I. PROFILES**

<b>Name:</b>	[REDACTED]	<b>CEO:</b>	[REDACTED]
<b>CEO Title:</b>	[REDACTED]	<b>Address:</b>	[REDACTED] New Holland Ave
<b>City:</b>	[REDACTED]	<b>State:</b>	PA
<b>Zip:</b>	17603	<b>FEIN:</b>	[REDACTED]
<b>NAICS Code:</b>	5191	<b>Contact Name:</b>	[REDACTED]
<b>Type of organization:</b>	For-Profit Corporation	<b>Phone:</b>	[REDACTED]
<b>Title:</b>	[REDACTED]	<b>SAP Vendor #:</b>	[REDACTED]
<b>Fax:</b>	[REDACTED]	<b>PA Revenue Tax Box No:</b>	[REDACTED]
<b>Email:</b>	[REDACTED]	<b>Internet Access:</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Business Specific Information:**

<b>Current # Full-time Jobs in Pennsylvania:</b>	0	<b>Current # Full-time Jobs Worldwide:</b>	0
<b>Company Ownership:</b>	<input type="checkbox"/> Minority Owned <input type="checkbox"/> Woman Owned <input checked="" type="checkbox"/> N/A	<b>Type of Organization:</b>	C Corporation
<b>Total Sales \$:</b>	\$0.00	<b>Total Export Sales \$:</b>	\$0.00
<b>R&amp;D Investment as % of Revenue:</b>	0.00%	<b>Employee Training Investment as % of Revenue:</b>	0.00%
<b>Ethnicity (Optional):</b>			

<b>Name:</b>	[REDACTED]	<b>CEO:</b>	[REDACTED]
<b>CEO Title:</b>	[REDACTED]	<b>Address:</b>	[REDACTED] New Holland Ave
<b>City:</b>	Lancaster	<b>State:</b>	PA
<b>Zip:</b>	17603	<b>FEIN:</b>	[REDACTED]
<b>NAICS Code:</b>	5191	<b>UC#:</b>	[REDACTED]

<b>Contact Name:</b>	██████████	<b>Title:</b>	██████████
<b>Email:</b>	██████████	<b>Phone:</b>	██████████
<b>Internet Access:</b>	<input checked="" type="radio"/> Yes <input type="radio"/> No	<b>Fax:</b>	

<b>Name:</b>	<b>Address:</b>
<b>City:</b>	<b>State:</b>
<b>Zip:</b>	<b>FEIN:</b>

**II. PROJECT SITE LOCATIONS(S)**

**Site Information: 1**

<b>Address:</b>	██████████ New Holland Ave	<b>City:</b>	Lancaster
<b>State:</b>	PA	<b>Zip:</b>	17603
<b>County:</b>	Lancaster	<b>Municipality:</b>	Lancaster City
<b>PA House:</b>	H096	<b>PA Senate:</b>	S013
<b>US Congressional:</b>	C016	<b>Current Number of Full-time Jobs:</b>	
<b>Full-time Jobs Created:</b>			

**III. PROJECT INFORMATION**

Have you been talking with anyone at the agency about your project?	<input checked="" type="radio"/> Yes <input type="radio"/> No
If yes, please indicate who:	
Project Name (max 60 characters):	KIZ 2014 Application
Is this project related to another previously submitted project?	<input checked="" type="radio"/> Yes <input type="radio"/> No

**IV. TYPE OF ENTERPRISE (Check appropriate box or boxes)**

<input type="checkbox"/> Advanced Technology	<input type="checkbox"/> Export Service
<input type="checkbox"/> Agricultural Processor	<input type="checkbox"/> Food Processing
<input type="checkbox"/> Agricultural Producer	<input type="checkbox"/> Government
<input type="checkbox"/> Authority	<input type="checkbox"/> Healthcare
<input type="checkbox"/> Biotechnology / Life Sciences	<input type="checkbox"/> Hospitality
<input type="checkbox"/> Business / Financial Services	<input type="checkbox"/> Industrial
<input type="checkbox"/> Call Center	<input type="checkbox"/> Manufacturing

<input type="checkbox"/> Child Care Center	<input type="checkbox"/> Mining
<input type="checkbox"/> Commercial	<input type="checkbox"/> Other (specify)
<input type="checkbox"/> Community Development Provider	<input type="checkbox"/> Professional Services
<input type="checkbox"/> Computer & Clerical Operators	<input type="checkbox"/> Recycling
<input type="checkbox"/> Defense Related	<input type="checkbox"/> Regional & National Headquarters
<input type="checkbox"/> Economic Development Provider	<input checked="" type="checkbox"/> Research & Development
<input type="checkbox"/> Educational Facility	<input type="checkbox"/> Retail
<input type="checkbox"/> Emergency Responder	<input type="checkbox"/> Social Services Provider
<input type="checkbox"/> Exempt Facility	<input type="checkbox"/> Tourism Promotion
<input type="checkbox"/> Export Manufacturer	<input type="checkbox"/> Warehouse & Terminal

Please fill in when Other specified.

**V. HOW WILL THE ASSISTANCE BE USED? (Check appropriate box or boxes)**

Type of Financial Assistance:

<input type="checkbox"/> Acquisition	<input checked="" type="checkbox"/> Operating Cost/Working Capital
<input type="checkbox"/> Infrastructure/Site Prep	<input type="checkbox"/> Related Costs
<input type="checkbox"/> Machinery & Equipment	<input type="checkbox"/> Other
<input type="checkbox"/> General Construction	

How Will Assistance be used:

<input checked="" type="checkbox"/> Community Development/Revitalization	<input type="checkbox"/> Export - International (out of USA)
<input type="checkbox"/> Community Services	<input type="checkbox"/> Housing
<input type="checkbox"/> Crime Prevention	<input type="checkbox"/> Planning
<input type="checkbox"/> Economic Development/Revitalization	<input type="checkbox"/> Recreation
<input type="checkbox"/> Education	<input checked="" type="checkbox"/> Tax Credits
<input type="checkbox"/> Environmental	<input type="checkbox"/> Technology Development
<input type="checkbox"/> Export - Domestic (out of PA)	<input type="checkbox"/> Tourism Promotion

Please fill in when Other specified. [Activities/Other]

**VI. GAT DATA (if applicable)**

Project Budget:	
Total Project Cost:	Private Investment:

GAT Project Info:

<b>GAT Contact:</b>	<b>GAT Contact Email:</b>
<b>GAT Project ID #:</b>	<b>Offer Letter Sent Date:</b>
<b>GAT Summary:</b>	

<b>Job Info:</b>	
<b>Total Jobs Created:</b>	<b>Current PA Employment:</b>

<b>Funding Project Assistance:</b>		
<b>Programs</b>	<b>Amount</b>	<b>Fiscal Year</b>

**VII. PROJECT BUDGET**

Include all sources of funds and project costs. (Including monies not financed with agency funds.)

	KIZ Tax Credit Program	Total
Operating Costs/Working Capital	\$100,000.00	
Working Capital	\$100,000.00	\$100,000.00
<b>Total</b>	<b>\$100,000.00</b>	
	<b>Budget Total:</b>	<b>\$100,000.00</b>

<b>Budget Narrative</b>
Apply for the KIZ tax credit to offset tax liabilities and stimulate economy.

**VIII. BASIS OF COSTS**

<input type="checkbox"/> Appraisals	<input type="checkbox"/> Engineer Estimates
<input type="checkbox"/> Bids/Quotations	<input type="checkbox"/> Sales Agreements
<input type="checkbox"/> Contractor Estimates	<input checked="" type="checkbox"/> Budget Justifications

**IX. PROJECT NARRATIVE SUMMARY**

**Identified Problem**  
 Apply for the KIZ tax credit to offset tax liabilities and stimulate economy. Apply for the KIZ tax credit to offset tax liabilities and stimulate economy. Apply for the KIZ tax credit to offset tax liabilities and stimulate economy.

**Project Plan**

Apply for the KIZ tax credit to offset tax liabilities and stimulate economy. Apply for the KIZ tax credit to offset tax liabilities and stimulate economy. Apply for the KIZ tax credit to offset tax liabilities and stimulate economy.

**Use of DCED Funds**

Apply for the KIZ tax credit to offset tax liabilities and stimulate economy. Apply for the KIZ tax credit to offset tax liabilities and stimulate economy. Apply for the KIZ tax credit to offset tax liabilities and stimulate economy.

**MANAGEMENT SECTION**

Responsible Office: Office of Technology Investment  
Responsible Office Director: Collins, Sheri  
Responsible Account Mgr:  
GAT Account Mgr:

**PROGRAM NAME : KIZ Tax Credit Program**

Amd	Recommended Amount	Approved Amount	Start/Loan Closing Date	Status
Original Contract	100,000.00	100,000.00		Legal Process Complete

**PROJECT ADDENDA**

**PROGRAM REQUIREMENTS**

Do you have a KIZ Coordinators Certificate signed by your KIZ Coordinator?  
Yes

If Yes please upload the document here.  
Upload KIZ Coordinator Certification

**Uploaded Documents**

10 KIZ Cert\_Abells.pdf [View](#)

If No You must contact your KIZ Coordinator to get the certificate prior to applying for the KIZ Tax Credit.

Please contact:  
Technology Investment Office  
717-787-4147  
[Pa-TechInvTaxCredit@state.pa.us](mailto:Pa-TechInvTaxCredit@state.pa.us)

## KIZ TAX CREDIT V1

### KIZ Tax Credit Worksheet

1. Please download and complete the attached KIZ Tax Credit Worksheet. Upload the completed worksheet below.  
Download KIZ Tax Credit Worksheet.xls

#### Uploaded Documents

01 Abella KIZ\_Tax\_Credit\_Worksheet\_2014.xlsx [View](#)

**2. Attach a copy of the filed PA Tax return for the Comparable tax year (last years tax return).**  
If documents are too large please include them with your signature page.

#### Uploaded Documents

02 2013 RCT-101.pdf [View](#)

**3. Attach a copy of the filed PA Tax return for the Base tax year (the year prior to the comparable tax year).**  
If documents are too large please include them with your signature page.

#### Uploaded Documents

03 2012 RCT-101.pdf [View](#)

**4. Attach a copy of the signature page (or verification page of electronic filing) of the federal tax return for the Comparable tax year (last years tax return).**  
If documents are too large please include them with your signature page.

#### Uploaded Documents

04 KIZ eSignature Page 2013.pdf [View](#)

**5. Attach a copy of the signature page (or verification page of electronic filing) of the federal tax return for the Base tax year (the year prior to the Comparable tax year).**  
If documents are too large please include them with your signature page.

#### Uploaded Documents

05 2012 1120.pdf [View](#)

**6. All pages of the federal tax return for the Comparable tax year (last years tax return) identified on the KIZ Tax Credit Worksheet.**  
If documents are too large please include them with your signature page.

#### Uploaded Documents

06 2013 1120.pdf [View](#)

**7. All pages of the federal tax return for the Base tax year (the year prior to the Comparable tax year) identified on the KIZ Tax Credit Worksheet.**  
If documents are too large please include them with your signature page.

**Uploaded Documents**

07 2012 1120.pdf [View](#)

**8. All other documents detailed on the KIZ Tax Credit Worksheet for the Comparable tax year (last years tax return):**  
If documents are too large please include them with your signature page.

**Uploaded Documents**

08 2013 1125-A.pdf [View](#)

**9. All other documents detailed on the KIZ Tax Credit Worksheet for the Base tax year (the year prior to the Comparable tax year).**  
If documents are too large please include them with your signature page.

**Uploaded Documents**

09 2012 Statement 1 1120 line 26.pdf [View](#)

**Along with the completed application and signature page, please send one (1) copy of all the documents identified on the KIZ Tax Credit Worksheet to the following address:**

**Pennsylvania Department of Community and Economic Development  
Commonwealth Keystone Building  
Attn: Customer Service Center  
400 North Street, 4th Floor  
Harrisburg, PA 17120-0225**



APPENDIX B  
KIZ COORDINATOR'S  
CERTIFICATION

As designated coordinator for the Northwest Lancaster County Keystone Innovation Zone, I certify that  
(Identify the KIZ)

Abella, Inc. operates within the geographic boundary of the KIZ. This KIZ Company operates within our  
(Identify the KIZ Company Applicant)

designated target industry segment (sector) of 541 B12 - IT and this KIZ  
(Identify the designated target industry, including NAICS code)

Company has been in operation for less than eight (8) years. The KIZ Company has or is presently working with the following KIZ partners:  
NLC

---

The NLC KIZ was designated by the Ben Franklin Technology Development Authority (BFTDA)  
(Identify the KIZ)

on Abella, Inc. located in the NLC  
(Identify the KIZ Company Applicant) (Identify the KIZ)

KIZ on 10/9/2012 Abella, Inc. has provided me with documentation demonstrating that it was  
(Identify the KIZ Company Applicant)

incorporated on 10/9/2012 and has registered with the Pennsylvania Department of State to conduct business in the Commonwealth.  
(Identify the KIZ Company Applicant)

	Date: <u>9/2/14</u>
	Signed:



Gross Revenues for the Comparable Tax Year					
Comparable Tax Year (Comp Year) 2019	Tax Form # or Document Name	Line #	Page #	Amount	
Gross Revenues for the Comp Year	1120	1a	1	\$510,900	(Line 3)
Revenue from Grants (if not included in Gross Revenues in Line 1 above).					(Line 2)
Less revenues from non-KIZ targeted activities					(Line 3)
Subtotal (Lines 1 & 2 minus line 3)				\$510,900	(Line 4)
Less revenues from the sales of tax credits					(Line 5)
Total gross revenues for the Comp Year				\$510,900	(Line 6)
How many days was the Company located in the KIZ Zone in the Comp Year				365	(Line 7)
Are the revenues prorated for the time in the KIZ Zone?				Yes	(Line 8)

Gross Revenues for the Base Tax Year					
Base Tax Year (Base Year) 2012	Tax Form # or Document Name	Line #	Page #	Amount	
Gross Revenues for the Base Year	1120	1a	1	\$189,000	(Line 9)
Revenue from Grants (if not included in Gross Revenues in Line 9 above).					(Line 10)
Less revenues from non-KIZ targeted activities					(Line 11)
Subtotal (Lines 9 & 10 minus line 11)				\$189,000	(Line 12)
Less revenues from the sales of tax credits					(Line 13)
Total gross revenues for the Base Year				\$189,000	(Line 14)
How many days was the Company located in the KIZ Zone in the Base Year				365	(Line 15)
Are the revenues prorated for the time in the KIZ Zone?				yes	(Line 16)

Continue to Comparable Tax Year.

Next Page

Base Tax Year Worksheet (Within the KIZ)				
Property Factor Calculation				
Item	Document Information			Amount
	Tax Form # or Document Name	Line #	Page #	
Annual Rent, Lease, Mortgage	1120	16	1	\$12,900
				\$12,900
Property Value Factor				x 8
Rent, Lease, Mortgage Subtotal				\$103,200
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				\$0
				+ 2
Building & Equipment Subtotal				\$0
Property Factor (Total of All Property) Within the KIZ			(Line E)	\$103,200

Payroll Factor Calculation				
Item	Document Information			Amount
	Tax Form # or Document Name	Line #	Page #	
Salaries/wages of employees of the company				
Compensation of officers	1120	12	1	\$4,530
Guaranteed payments to partners				
Dividends paid to partners	1120	26	1	\$4,380
Net profits paid to the owner of the company and included as part of the owners federal personal tax returns.				
Commissions and fees paid to employees of the company working in the zone				
Cost of labor (provided the workers are directly employed by the company)				
Payroll Factor (Total of All Wages) Within the KIZ			(Line F)	\$8,910

Continue Below

Base Tax Year Worksheet (Within PA)				
Property Factor Calculation				
Item	Document Information			Amount
	Tax Form # or Document Name	Line #	Page #	
Annual Rent, Lease, Mortgage	1120	16	1	\$12,900
				\$12,900
Property Value Factor				x 8
Rent, Lease, Mortgage Subtotal				\$103,200
Buildings, Equipment & Other Depreciable Assets				
Beginning of Year				
End of Year				
Sum				\$0
				+ 2
Building & Equipment Subtotal				\$0
Property Factor (Total of All Property) Within the KIZ			(Line G)	\$103,200

Payroll Factor Calculation				
Item	Document Information			Amount
	Tax Form # or Document Name	Line #	Page #	
Salaries/wages of employees of the company				
Compensation of officers	1120	12	1	\$4,530
Guaranteed payments to partners				

Dividends paid to partners	1120	26	1	\$4,380
Net profits paid to the owner of the company and included as part of the owners federal personal tax returns				
Commissions and fees paid to employees of the company working in the zone				
Cost of labor (provided the workers are directly employed by the company)				
Payroll Factor (Total of All Wages) Within the KIZ			(Line 1)	\$8,910

**Proceed to the Calculation Sheet Tab.**

**Please Note: Your company must have property or payroll expenses in the KIZ in the Comparable AND Base Taxable Years to be eligible for the KIZ Tax Credit.**

[Previous Page](#)

[Next Page](#)

**Part A**

Gross Revenues of the company for the Comparable Tax Year attributable to targeted industry activities within the KIZ.

		2013	
<b>Enter the Comparable Tax Year</b>			
<b>Property Factor</b>			
Property within KIZ (from line A)	\$109,392		
+			
Property within PA (from line C)	\$109,392 =	100.00%	(Line 1)
<b>Payroll Factor</b>			
Payroll within KIZ (from line B)	\$113,117		
+			
Payroll within PA (from line D)	\$113,117 =	100.00%	(Line 2)
<b>Total (Line 1 + Line 2)</b>		200.00%	(Line 3)
<b>KIZ Apportionment</b>			
(From Line 3)	200.00% ÷ 2 =	100.00%	(Line 4)
<b>Pennsylvania Gross Revenues</b>			
In target industry in Comparable Year		\$510,900.00	(Line 5)
Comparable Year's Gross Revenues attributable to the KIZ (Line 5 x Line 4)		\$510,900.00	(Line 6)

**Part B**

Gross Revenues of the company for the Base Tax Year attributable to targeted industry activities within the KIZ.

		2012	
<b>Enter the Base Tax Year</b>			
<b>Property Factor</b>			
Property within KIZ (from line E)	\$103,200		
+			
Property within PA (from line G)	\$103,200 =	100.00%	(Line 7)
<b>Payroll Factor</b>			
Payroll within KIZ (from line F)	\$8,910		
+			
Payroll within PA (from line H)	\$8,910 =	100.00%	(Line 8)
<b>Total (Line 7 + Line 8)</b>		200.00%	(Line 9)
<b>KIZ Apportionment</b>			
(From Line 9)	200.00% ÷ 2 =	100.00%	(Line 10)
<b>Pennsylvania Gross Revenues</b>			

In target industry in Comparable Year	\$189,000.00	(Line 11)
Comparable Year's Gross Revenues attributable to the KIZ (Line 11 x Line 10)	\$189,000.00	(Line 12)

Provide only whole dollars on the Appendix A, Section III gross revenue forms.

**Congratulations, your company may be eligible for the KIZ Tax Credit.**

**Part C**

Comparable Tax Year	2013	(Line 13)
Base Tax Year	2012	(Line 14)
Comparable Tax Year		
Gross Revenues of the company attributable to target industry activities in the KIZ for the year in Line 6	\$510,900.00	(Line 15)
Base Tax Year		
Gross Revenues of the company attributable to target industry activities in the KIZ for the year in Line 12	\$189,000.00	(Line 16)
Increase in Gross Revenues (Line 15 - Line 16)	\$321,900.00	(Line 17)
50% of amount on Line 17	\$160,950.00	(Line 18)
Amount of KIZ Tax Credit for which the Company is applying	\$100,000.00	(Line 19)

**Note: Your company must have property or payroll expenses in the KIZ in the Comparable AND Base Taxable Years to be eligible for the KIZ Tax Credit.**

**Note: Line 6 or \$100,000, whichever is less, is the maximum KIZ Tax Credit for which the company may apply on Line 7.**

**Note: If the total for all qualified applications received by DOED exceeds the annual allocation, the amount awarded will be reduced from the amount listed on this application.**

**Previous Page**

1010013159



RCT-101 (07-13) PAGE 1 OF 6  
PA CORPORATE TAX REPORT 2013

DEPARTMENT USE ONLY

A A=1120 B=1120S C=1120C D=1120F E=1120H F=1085 G=1040 H=Other

STEP A

Tax Year Beginning XX 01012013 Tax Year Ending XX 12312013

STEP B

Amended Report	XX	N	52-53 Week Filer	XX	N	First Report	XX	N
Federal Extension Granted	XX	N	Address Change	XX	N	KOZ/EIP/8DA Credit	XX	N
Regulated Inv. Co.	XX	N	Change Fed Group	XX	N	File Period Change	XX	N



STEP C

Revenue ID	XX	0000000	Parent Corporation EIN
Federal EIN	XX	[REDACTED]	
Business Activity Code	XX	[REDACTED]	
Corporation Name	XX	[REDACTED]	
Address Line 1	XX		
Address Line 2	XX	[REDACTED] HOLLAND AVE	
City	XX	LANCASTER	
State	XX	PA	
ZIP	XX	17603	

USE WHOLE DOLLARS ONLY

STEP E:

STEP D	A. Tax Liability from Tax Report (can not be less than zero)	B. Estimated Payments & Credits on Deposit	C. Restricted Credits	STEP E: Payment Due/Overpayment Calculation: A minus B minus C See instructions
CS/FF	0	0	0	0
LOANS	0	0	0	0
CNI	0	0	0	0
TOTAL	0	0	0	0

STEP F: Transfer/Refund Method (See instructions.)

E-File Opt Out (See instructions.) N

- Transfer: Amount to be credited to the next tax year after offsetting all unpaid liabilities
- Refund: Amount to be refunded after offsetting all unpaid liabilities

STEP G: Corporate Officer (Sign affirmation below)

NAME  
PHONE  
EMAIL



FORM 1022  
BARCODE 0000

I affirm under penalties prescribed by law, this report, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete report. If this report is an amended report, the taxpayer hereby consents to the extension of the assessment period for this tax year to one year from the date of filing of this amended report or three years from the filing of the original report, whichever period last expires, and agrees to retain all required records pertaining to that tax and tax period until the end of the extended assessment period, regardless of any statutory provision providing for a shorter period of retention. For purposes of this extension, an original report filed before the due date is deemed filed on the due date. I am authorized to execute this consent to the extension of the assessment period.

Corporate Officer Signature \_\_\_\_\_ Date \_\_\_\_\_

1010013259

REVENUE ID  
TAX YEAR END  
RCT-101. PAGE 2 OF 6

0000000  
12312013 NAME [REDACTED]  
PA CORPORATE TAX REPORT 20 13

SECTION A: CS/FF

OLDEST PERIOD FIRST	TAX PERIOD BEGINNING	TAX PERIOD ENDING	BOOK INCOME
YEAR 1			
YEAR 2			
YEAR 3			
YEAR 4			
YEAR 5			
YEAR 6			
YEAR 7			
CUR YR	01012013	12312013	-470

Investment in LLC	XX	N
Holding Company	XX	N
Family Farm	XX	N

1010013259



USE WHOLE DOLLARS ONLY

2. TOTAL BOOK INCOME (sum of income for all tax periods up to, but not over 5 years total)	2	-470
3. DIVISOR (In years and in part years rounded to three decimal places) See instructions.	3	1.000
4. Divide Line 2 by Line 3.	4	-470
5. AVERAGE BOOK INCOME - Enter Line 4, or if Line 4 is less than zero enter "0".	5	0
6. Divide Line 5 by 0.095.	6	0
7. Shareholders' equity at the END of the current period	7	48072
8. Shareholders' equity at the BEGINNING of the current period	8	50728
9. If Line 7 is more than twice as great or less than half as much as Line 8, add Lines 7 and 8 and divide by 2. Otherwise enter Line 7.	9	48072
10. NET WORTH - Enter Line 9, or if Line 9 is less than zero enter "0".	10	48072
11. Multiply Line 10 by 0.75.	11	36054
12. Add Lines 8 and 11.	12	36054
13. Divide Line 12 by 2.	13	18027
14. Valuation deduction	14	-160000
15. CAPITAL STOCK VALUE - Line 13 minus Line 14, but not less than zero. If 100% taxable, enter Line 15 on Line 17.	15	0
16. Proportion of taxable assets or apportionment proportion (from Schedule A-1, Line 5)	16	1.000000
17. TAXABLE VALUE - Multiply Line 15 by Line 16. If less than zero, enter "0".	17	0
18. CAPITAL STOCK FOREIGN FRANCHISE TAX - Multiply Line 17 by _____	18	0.00000

Total Beginning of Taxable Year Assets 102933

Total End of Taxable Year Assets 278999



1010013259

1010013359

REVENUE ID  
TAX YEAR END  
RCT-101 PAGE 3 OF 6

0000000  
12312013  
NAME  
PA CORPORATE TAX REPORT 20 13

SECTION B: Bonus Depreciation

- 1. Current year fed. deprec. of 168k prop. 1
  - 2. Current year adj. for dep. of 168k prop. 2
  - 3. Other adjustments 3
- (Attach schedule C-3 if claiming bonus depreciation.)

439  
0  
0

Business Trust	XX	N
Separation Only	XX	N
Single-Member LLC	XX	N
Multi-Member LLC	XX	N
PA S Corporation	XX	N
Taxable Built-In Gains	XX	N

1010013359

USE WHOLE DOLLARS ONLY

SECTION C: CORPORATE NET INCOME TAX

1. Income or loss from federal return on a separate-company basis	1	-470
2. DEDUCTIONS:		
A. Corporate dividends received (from Schedule C-2, Line 8)	2A	0
B. Interest on U.S. securities (GROSS INT minus EXPENSES)	2B	0
C. Curr. yr. addtl. PA deprec. plus adjust. for sale (Attach Schedule C-3.)	2C	188
D. Other (Attach schedule.) See Instructions.	2D	0
TOTAL DEDUCTIONS - Sum of A through D	2	188
3. ADDITIONS:		
A. Taxes imposed on or measured by net income (Attach schedule.)	3A	0
B. Tax preference items (Attach copy of federal Form 4620.)	3B	0
C. Employment incentive payment credit adjustment (Attach Schedule W.)	3C	0
D. Current year bonus depreciation (Attach Schedule C-3.)	3D	0
E. Other (Attach schedule.) See Instructions.	3E	0
TOTAL ADDITIONS - Sum of A through E	3	0
4. Income or loss with Pennsylvania adjustments (Line 1 minus Line 2 plus Line 3)	4	-658
5. Total nonbusiness income or loss	5	0
6. Income or loss to be apportioned (Line 4 minus Line 5)	6	-658
7. Apportionment proportion (from Schedule C-1, Line 5)	7	1.000000
8. Income or loss apportioned to PA (Line 6 times Line 7)	8	-658
9. Nonbusiness income or loss allocated to PA	9	0
10. Taxable income or loss after apportionment (Line 8 plus Line 9)	10	-658
11. Total net operating loss deduction (from RCT-108)	11	0
12. PA taxable income or loss (Line 10 minus Line 11)	12	-658
13. Corporate net income tax (Line 12 times 0.0999; if Line 12 is less than zero, enter "0")	13	0



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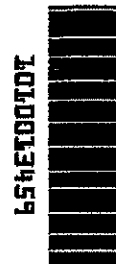
1010013459

REVENUE ID  
TAX YEAR END  
RCT-101 PAGE 4 OF 8

0000000  
12312013 NAME [REDACTED]  
PA CORPORATE TAX REPORT 20 13

SECTION D: LOANS TAX

- 1. Foreign corporations only. Did this corporation have a fiscal officer resident in Pennsylvania? XX N
- 2. Did this corporation have indebtedness outstanding to individual residents and/or partnerships resident in Pennsylvania? XX N
- 3. Did this corporation have indebtedness outstanding held by a trustee, agent or guardian for a resident individual taxable in its own right or by an executor or administrator of an estate wherein the decedent was a resident of Pennsylvania? XX N



List outstanding indebtedness. Attach a separate schedule if additional space is needed.

Interest Amount	Interest Rate	Taxable Value	Taxable Indebtedness	Loans Tax
0	00.000	0	XX	0
0	00.000	0		
0	00.000	0	XX	0

SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax (include Form RCT-102, RCT-105 or RCT-106.)

Three Factor	1A	1B	2A	2B	3A	3B	1C	2C	3C	Single Factor Numerator	4A	Single Factor Denominator	4B	Apportionment Proportion
Property - PA	0	0	0	0	0	0	0.000000	0.000000	0.000000					
Property - Total														
Payroll - PA	0	0	0	0	0	0	0.000000	0.000000	0.000000					
Payroll - Total														
Sales - PA	0	0	0	0	0	0	0.000000	0.000000	0.000000					1.000000
Sales - Total														

SCHEDULE G-1: Apportionment Schedule For Corporate Net Income Tax (include Form RCT-106.) \*

Three Factor	1A	1B	2A	2B	3A	3B	1D	2D	3D	Single Factor Numerator	4A	Single Factor Denominator	4B	Apportionment Proportion
Property - PA	0	0	0	0	0	0	0.000000	0.000000	0.000000					
Property - Total														
Payroll - PA	0	0	0	0	0	0	0.000000	0.000000	0.000000					
Payroll - Total														
Sales - PA	0	0	0	0	0	0	0.000000	0.000000	0.000000					1.000000
Sales - Total														

\* Refer to the instructions in the CT-1 PA Corporation Tax Booklet (REV-1200) found at www.revenue.state.pa.us.



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REVENUE ID 0000000  
TAX YEAR END 12312013 NAME [REDACTED]  
RCT-101 PAGE 5 OF 6 PA CORPORATE TAX REPORT 20 13

SECTION E: CORPORATE STATUS CHANGES

Final Report:	XX	N		
<b>PA Corporations:</b>				
Did you ever transact business anywhere?	XX	N	If yes, enter date all business activity ceased	XX
Did you hold assets anywhere?	XX	N	If yes, enter date of final disposition of assets*	XX
<b>Foreign Corporations:</b>				
Did you ever transact business in PA?	XX	N	If yes, enter date PA business activity ceased	XX
Did you hold assets in PA?	XX	N	If yes, enter date of final disposition of PA assets*	XX

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\*Schedule of Disposition of Assets must be completed and filed with this report.

Has the corporation sold or transferred in bulk 51 percent or more of any class of assets? (See instructions.) XX N  
If yes, enter the following information. (Attach a separate schedule if additional space is needed.)

Purchaser Name XX  
 Address Line 1 XX  
 Address Line 2 XX  
 City XX  
 State XX  
 ZIP XX

SECTION F: GENERAL INFORMATION QUESTIONNAIRE

Describe corporate activity in PA CUSTOMER COMPUTER PROGRAMMING SERVICES  
 Describe corporate activity outside PA  
 Other states in which taxpayer has activity

State of Incorporation XX DE Incorporation Date XX 10012012

1. Does any corporation, individual or other business entity hold all or a majority of the stock of this corporation? XX N  
 2. Does this corporation own all or a majority of stock in other corporations? If yes, complete Schedule X. XX N  
 3. Is this taxpayer a partnership that elects to file federal taxes as a corporation? XX N  
 4. Has the federal government changed taxable income as originally reported for any prior period for which reports of change have not been filed in PA? XX N

If yes: First Period End Date: XX Last Period End Date: XX

Accounting Method - Federal Tax Return

C A = Accrual C = Cash O = Other

Other

Accounting Method - Financial Statements

C A = Accrual C = Cash O = Other

Other



1010013559

1010013659

REVENUE ID 0000000  
TAX YEAR END 12312013 NAME [REDACTED]  
RCT-101 PAGE 6 OF 6 PA CORPORATE TAX REPORT 20 13  
SCHEDULE OF REAL PROPERTY IN PA (Attach a separate schedule if additional space is needed.)

O = Own  
R = Rent

Street Address

City

County

KOZ/KOEZ

XX  
XX  
XX  
XX

1010013659

**CORPORATE OFFICERS**

(See instructions.)

SSN

Last Name

First Name

MI

President/Managing Partner XX  
Vice President XX  
Secretary XX  
Treasurer/Tax Manager XX

**PREPARER'S INFORMATION**

Mail to Preparer XX  
Firm Federal EIN XX  
Firm Name XX  
Address Line 1 XX  
Address Line 2 XX  
City XX  
State XX  
ZIP XX

N

08054

I affirm under penalties prescribed by law, this report, including any accompanying schedules and statements, has been prepared by me and to the best of my knowledge and belief is a true, correct and complete report.	
Tax Preparer's Signature	Date 08/19/14

INDIVIDUAL PREPARER  
PHONE  
EMAIL  
PTIN/SSN



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1010012192



RCT-101 (08-12) PAGE 1 OF 6  
PA CORPORATE TAX REPORT 20 12

DEPARTMENT USE ONLY

A A=1120 B=1120B C=1120C D=1120P E=1120H F=1065 G=1040 H=Other

STEP A

Tax Year Beginning XX 01012012 Tax Year Ending XX 12312012

STEP B

Amended Report	XX	N	52-53 Week Filer	XX	N	First Report	XX	Y
Federal Extension Granted	XX	N	Address Change	XX	N	KOZ/EIP/SDA Credit	XX	N
Regulated Inv. Co.	XX	N	Change Fed Group	XX	N	File Period Change	XX	N

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STEP C

Revenue ID	XX	Parent Corporation EIN
Federal EIN	XX	
Business Activity Code	XX	
Corporation Name	XX	
Address Line 1	XX	
Address Line 2	XX	HOLLAND AVE
City	XX	LANCASTER
State	XX	PA
ZIP	XX	17603

USE WHOLE DOLLARS ONLY

STEP D

A. Tax Liability from Tax Report (can not be less than zero)

B. Estimated Payments & Credits on Deposit

C. Reforested Credits

STEP E: Payment Due/Overpayment Calculation A minus B minus C See instructions

CS/FF	0	0	0	0
LOANS	0	0	0	0
CNI	0	0	0	0
TOTAL	0	0	0	0

STEP F: Transfer/Refund Method: See instructions

E-File Opt Out: See instructions

Y

- Transfer: Amount to be credited to the next tax year after offsetting all unpaid liabilities
- Refund: Amount to be refunded after offsetting all unpaid liabilities

STEP G: Corporate Officer (Sign affirmation below)

NAME  
PHONE  
EMAIL

FORM 1022  
BARCODE 0000

I affirm under penalty provided by law this report, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete report. If this report is an amended report, the taxpayer hereby consents to the extension of the assessment period for this tax year to one year from the date of filing of this amended report or three years from the filing of the original report, whichever period last expires, and agrees to retain all required records pertaining to this tax and tax period until the end of the extended assessment period, regardless of any statutory provision providing for a shorter period of retention. For purposes of this extension, an original report filed before the due date is deemed filed on the due date. I am authorized to execute this consent to the extension of the assessment period.

Corporate Officer Signature \_\_\_\_\_ Date \_\_\_\_\_

1010012292

REVENUE ID  
TAX YEAR END  
RCT-101 PAGE 2 OF 6

12312012 NAME  
PA CORPORATE TAX REPORT 20 12

SECTION A: CS/FF

OLDEST PERIOD	TAX PERIOD	TAX PERIOD	BOOK INCOME
FIRST	BEGINNING	ENDING	

YEAR 1  
YEAR 2  
YEAR 3  
YEAR 4  
YEAR 5  
YEAR 6  
YEAR 7

Investment in LLC XX N  
Holding Company XX N  
Family Firm XX N

1010012292

CUR YR 01012012 12312012 82 USE WHOLE DOLLARS ONLY

- |  |    |          |
|--|----|----------|
| 2. TOTAL BOOK INCOME (sum of income for all tax periods up to, but not over 5 years total)   | 2  | 82       |
| 3. DIMSOR. (In years and in part years rounded to three decimal places) See instructions.  | 3  | 1.000    |
| 4. Divide Line 2 by Line 3.  | 4  | 82       |
| 5. AVERAGE BOOK INCOME - Enter Line 4, or if Line 4 is less than zero enter "0".   | 5  | 82       |
| 6. Divide Line 5 by 0.095.   | 6  | 863      |
| 7. Shareholders' equity at the END of the current period   | 7  | 50082    |
| 8. Shareholders' equity at the BEGINNING of the current period   | 8  | 0        |
| 9. If Line 7 is more than twice as great or less than half as much as Line 8, add Lines 7 and 8 and divide by 2. Otherwise enter Line 7. | 9  | 25041    |
| 10. NET WORTH - Enter Line 9, or if Line 9 is less than zero enter "0".  | 10 | 25041    |
| 11. Multiply Line 10 by 0.75.  | 11 | 18781    |
| 12. Add Lines 8 and 11.  | 12 | 19644    |
| 13. Divide Line 12 by 2.   | 13 | 9822     |
| 14. Valuation deduction  | 14 | -160000  |
| 15. CAPITAL STOCK VALUE - Line 13 less Line 14, but not less than "0". If 100% taxable, enter Line 15 on Line 17.                        | 15 | 0        |
| 16. Proportion of taxable assets or apportionment proportion (from Schedule A-1, Line 5)   | 16 | 1.000000 |
| 17. TAXABLE VALUE - Multiply Line 15 by Line 16, if less than zero, enter "0".   | 17 | 0        |
| 18. CAPITAL STOCK/FOREIGN FRANCHISE TAX - Multiply Line 17 by <u>0.00189</u> .   | 18 | 0        |

Total Beginning of  
Taxable Year Assets 0

Total End of Taxable  
Year Assets 101897



1010012292

1010012392

REVENUE ID  
TAX YEAR END  
RCT-101 PAGE 3 OF 6

12312012 NAME  
PA CORPORATE TAX REPORT 20 12

SECTION B: Bonus Depreciation

- 1. Current year fed. deprec. of 168k prop. 1
  - 2. Current year adj. for disp. of 168k prop. 2
  - 3. Other adjustments 3
- (Attach schedule C-3 if claiming bonus depreciation.)

- Business Trust XX N
- Sototation Only XX N
- Single-Member LLC XX N
- Multi-Member LLC XX N
- PA-S Corporation XX N
- Taxable Built-In Gains XX N



USE WHOLE DOLLARS ONLY

SECTION C: CORPORATE NET INCOME TAX

1. Income or loss from federal return on a separate company basis	1	82
2. DEDUCTIONS:		
A. Corporate dividends received (from Schedule C-2, Line 6)	2A	0
B. Interest on U.S. securities (GROSS INT less EXPENSES)	2B	0
C. Curr. yr. addtl. PA deprec. plus adjust. for sale (attach Schedule C-3)	2C	0
D. Other (attach schedule) See Instructions.	2D	0
TOTAL DEDUCTIONS - Sum of A through D	2	0
3. ADDITIONS:		
A. Taxes imposed on or measured by net income (attach schedule)	3A	0
B. Tax preference items (attach copy of federal Form 4628)	3B	0
C. Employment incentive payment credit adjustment (attach Schedule W)	3C	0
D. Current year bonus depreciation (attach Schedule C-3)	3D	0
E. Other (attach schedule) See Instructions.	3E	0
TOTAL ADDITIONS - Sum of A through E	3	0
4. Income or loss with Pennsylvania adjustments (Line 1 minus Line 2 plus Line 3)	4	82
5. Total nonbusiness income or loss	5	0
6. Income or loss to be apportioned (Line 4 minus Line 5)	6	82
7. Apportionment proportion (from Schedule C-1, Line 5)	7	1.000000
8. Income or loss apportioned to PA (Line 6 times Line 7)	8	82
9. Nonbusiness income or loss allocated to PA	9	0
10. Taxable income or loss after apportionment (Line 8 plus Line 9)	10	82
11. Total net operating loss deduction (from RCT-103)	11	0
12. PA taxable income or loss (Line 10 minus Line 11)	12	82
13. Corporate net income tax (Line 12 times <u>0.0999</u> ; if Line 12 is less than zero, enter "0")	13	8



1010012392

1010012492

REVENUE ID  
TAX YEAR END  
RCT-101 PAGE 4 OF 6

12312012 NAME  
PA CORPORATE TAX REPORT 20 12

SECTION D: LOANS TAX

- 1. Foreign Corporations Only. Did this corporation have a fiscal officer resident in Pennsylvania? XX N
- 2. Did this corporation have indebtedness outstanding to individual residents and/or partnerships resident in Pennsylvania? XX N
- 3. Did this corporation have indebtedness outstanding held by a trustee, agent or guardian for a resident individual taxable in its own right or by an executor or administrator of an estate wherein the decedent was a resident of Pennsylvania? XX N

1010012492

List outstanding indebtedness. Attach a separate schedule if additional space is needed.

Interest Amount	Interest Rate	Taxable Value	Taxable Indebtedness	Loans Tax
0	00.000	0	XX	0
0	00.000	0		
0	00.000	0		XX

SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax (include Form RCT-102, RCT-105 or RCT-106.)

Three Factor				Single Factor			
Property-PA	1A	0	1C	0.000000	Numerator	4A	0
Property-Total	1B	0			Denominator	4B	0
Payroll-PA	2A	0	2C	0.000000			
Payroll-Total	2B	0					
Sales-PA	3A	0	3C	0.000000	Apportionment Proportion	5	1.000000
Sales-Total	3B	0					

SCHEDULE C-1: Apportionment Schedule For Corporate Net Income Tax (include Form RCT-108.)

Three Factor				Single Factor			
Property-PA	1A	0	1C	00.000000	Numerator	4A	0
Property-Total	1B	0			Denominator	4B	0
Payroll-PA	2A	0	2C	00.000000			
Payroll-Total	2B	0					
Sales-PA	3A	0	3C	00.000000	Apportionment Proportion	5	1.000000
Sales-Total	3B	0					



1010012492

1010012592

REVENUE ID  
TAX YEAR END 12312012 NAME [REDACTED]  
RCT-101 PAGE 5 OF 6 PA CORPORATE TAX REPORT 20 12

SECTION E: CORPORATE STATUS CHANGES

Final Report	XX	N		
<b>PA Corporations:</b>				
Did you ever transact business anywhere?	XX	N	If yes, enter date all business activity ceased	XX
Did you hold assets anywhere?	XX	N	If yes, enter date of final disposition of assets*	XX
<b>Foreign Corporations:</b>				
Did you ever transact business in PA?	XX	N	If yes, enter date PA business activity ceased	XX
Did you hold assets in PA?	XX	N	If yes, enter date of final disposition of PA assets*	XX



\*Schedule of Disposition of Assets MUST be completed and filed with the PA Corporate Tax Report.

Has the corporation sold or transferred in bulk 51 percent or more of any class of assets? (See Instructions) XX N  
If yes, enter the following information. (Attach a separate schedule if additional space is needed.)

Purchaser Name XX  
 Address Line 1 XX  
 Address Line 2 XX  
 City XX  
 State XX  
 ZIP XX

SECTION F: GENERAL INFORMATION QUESTIONNAIRE

Describe corporate activity in PA  
Describe corporate activity outside PA  
Other states in which taxpayer has activity

State of Incorporation XX DE Incorporation Date XX 10012012

1. Does any corporation, individual or other business entity hold all or a majority of the stock of this corporation?	XX	N
2. Does this corporation own all or a majority of stock in other corporations? If yes, complete Schedule X.	XX	N
3. Is this taxpayer a partnership that elects to file federal taxes as a corporation?	XX	N
4. Has the federal government changed taxable income as originally reported for any prior period for which reports of change have not been filed in PA?	XX	N

If yes: First Period End Date: XX Last Period End Date: XX

Accounting Method -- Federal Tax Return

A A = Accrual C = Cash O = Other

Other

Accounting Method - Financial Statements

A A = Accrual C = Cash O = Other

Other



1010012592



1010012692

REVENUE ID  
TAX YEAR END 12312012 NAME [REDACTED]  
RCT-101 PAGE 6 OF 6 PA CORPORATE TAX REPORT 20 12  
SCHEDULE OF REAL PROPERTY IN PA (Attach a separate schedule if additional space is needed.)

O = Own  
R = Rent

Street Address

City

County

KOZ/KOEZ

1010012692

XX  
XX  
XX  
XX

**CORPORATE OFFICERS**

(See Instructions.)

SSN

Last Name

First Name

MI

President/Managing Partner XX  
Vice President XX  
Secretary XX  
Treasurer/Tax Manager XX

**PREPARER'S INFORMATION**

Mail to Preparer XX  
Firm Federal EIN XX  
Firm Name XX  
Address Line 1 XX  
Address Line 2 XX  
City XX  
State XX  
ZIP XX

N

I affirm under penalties prescribed by law this report, including any accompanying schedules and statements, has been prepared by me and to the best of my knowledge and belief is a true, correct and complete report.

Tax Preparer's Signature

Date

08/19/14

**INDIVIDUAL PREPARER**

PHONE  
EMAIL  
PTIN/SSN



1010012692

Form **8879-C**

**IRS e-file Signature Authorization for Form 1120**

For calendar year 2013, or tax year beginning \_\_\_\_\_, ending \_\_\_\_\_

Date: (MM-YY)

**2013**

Department of the Treasury  
Internal Revenue Service

Do not send to the IRS. Keep for your records.  
Information about Form 8879-C and its instructions is at [www.irs.gov/form8879](http://www.irs.gov/form8879).

**Part I Tax Return Information (Whole dollars only)**

1 Total income (Form 1120, line 11)	73,644
2 Taxable income (Form 1120, line 30)	4,470
3 Total tax (Form 1120, line 31)	0
4 Amount owed (Form 1120, line 34)	
5 Overpayment (Form 1120, line 35)	

**Part II Declaration and Signature Authorization of Officer (Be sure to get a copy of the corporation's return)**

Under penalties of perjury, I declare that I am an officer of the above corporation and that I have examined a copy of the corporation's 2013 electronic income tax return and accompanying schedules and statements and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that the amounts in Part I above are the amounts shown on the copy of the corporation's electronic income tax return. I consent to allow my electronic return originator (ERO), transmitter, or immediate service provider to send the corporation's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the corporation's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the corporation's electronic income tax return and, if applicable, the corporation's consent to electronic funds withdrawal.

Officer's PIN: check one box only

- I authorize \_\_\_\_\_ to enter my PIN \_\_\_\_\_ as my signature on the corporation's 2013 electronically filed income tax return.
- As an officer of the corporation, I will enter my PIN as my signature on the corporation's 2013 electronically filed income tax return.

Officer's signature: \_\_\_\_\_ Date: **07/16/14** Title: \_\_\_\_\_

**Part III Certification and Authentication**

ERO's EFIN/PIN. Enter your six-digit EFIN followed by your five-digit self-selected PIN.

**20449337531**

I certify that the above numeric entry is my PIN, which is my signature on the 2013 electronically filed income tax return for the corporation indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 3112, IRS e-file Application and Participation, and Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature: \_\_\_\_\_ Date: **07/16/14**

**ERO Must Retain This Form — See Instructions  
Do Not Submit This Form to the IRS Unless Requested To Do So**

For Paperwork Reduction Act Notice, see instructions.

Form **8879-C** (2)

1120 U.S. Corporation Income Tax Return Form 1120-0123 2012

Header section containing filer information, name (LANCASTER), address (ROLLAND AVE, LANCASTER, PA 17609), EIN (33), and total assets (101,897).

Income section table with rows 1a-11. Total income reported as 189,000 on line 11.

Deductions section table with rows 12-29. Total deductions reported as 82 on line 29.

Taxable Income and Payments section table with rows 30-35. Taxable income is 82 on line 30.

Sign Here section containing signature lines for preparer and filer, date (08/19/14), and checkboxes for self-employed and other status.

1120

U.S. Corporation Income Tax Return

OMB No. 1545-0047

Form Department of the Treasury Internal Revenue Service

For calendar year 2013 or tax year beginning ending Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

2013

- A- Check if: 1a Completed return (attach Form 981) 1b Unfiled consolidated return 2 Personal holding co. (attach 981-PH) 3 Personal service corp. (see instructions) 4 Schedule M-3 attached

TYPE OR PRINT Number, street, and room or suite no. If a P.O. box, see instructions: HOLLAND AVE City or town, state, or province, county and ZIP or foreign postal code: LANCASTER PA 17603

Employer identification number Date incorporated: 10/01/2012 Total assets (see instructions): 278,999

E- Check if (1) Initial return (2) Final return (3) Name change (4) Address change

Table with 3 columns: Description, Line Number, Amount. Rows include: 1a Gross receipts or sales (510,900), 1b Returns and allowances, 2 Cost of goods sold, 3 Gross profit, 4 Dividends, 5 Interest, 6 Gross rents, 7 Gross royalties, 8 Capital gain net income, 9 Net gain or (loss) from Form 4797, 10 Other income, 11 Total income (73,644), 12 Compensation of officers (5,530), 13 Salaries and wages, 14 Repairs and maintenance, 15 Bad debts, 16 Rents (13,674), 17 Taxes and licenses (31,292), 18 Interest, 19 Charitable contributions, 20 Depreciation from Form 4562, 21 Depreciation, 22 Advertising (6,580), 23 Pension, profit-sharing, etc., plans, 24 Employee benefit programs, 25 Domestic production activities deduction, 26 Other deductions (See Stmt 1), 27 Total deductions (74,114), 28 Taxable income before net operating loss deduction and special deductions (-470), 29a Net operating loss deduction, 29b Special deductions, 29c Add lines 29a and 29b, 30 Taxable income (-470), 31 Total tax (0), 32 Total payments and refundable credits, 33 Estimated tax penalty, 34 Amount owed, 35 Overpayment, 36 Enter amount from line 35 you want credited to 2014 estimated tax.

Under penalty of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Sign Here Signature of officer Date Title

Paid Preparer Use Only First/Type preparer's name Preparer's signature Date 08/19/14 Check box if self-employed Preparer's name Preparer's address Phone no.

1120

U.S. Corporation Income Tax Return

OMB No. 1545-0047

2012

Form Department of the Treasury Internal Revenue Service

For calendar year 2012 or tax year beginning ending Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

Header section containing: A Check if: 1a Consolidated return, 1b Multiple consolidated return, 2 Personal holding co., 3 Personal service corp., 4 Schedule M-S attached. B Name: HOLLAND AVE, LANCASTER, PA 17603. C Employer identification number, Date incorporated: 10/01/2012, Total assets: 101,897.

Income section table with columns 1a-1b, 1c, 2-11. Line 1a: 189,000. Line 11: 189,000.

Deductions section table with columns 12-28c. Line 12: 4,530. Line 16: 12,900. Line 17: 31,232. Line 22: 2,696. Line 26: 137,560. Line 27: 188,918. Line 28: 82.

Tax, Refundable Credits, and Payments section table with columns 30-36. Line 30: 82. Line 31: 12. Line 34: 12.

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature and Date section. Signature of officer, Date 08/19/14, Preparer's signature, Date 08/19/14, Check if self-employed, PTR.

For Paperwork Reduction Act Notice, see separate instructions. Form 1120 (2012)

# Form 1125-A

## Cost of Goods Sold

OMB No. 1545-0225

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B.  
▶ Information about Form 1125-A, and its instructions is at [www.irs.gov/form1125a](http://www.irs.gov/form1125a).

Name  
[Redacted]

Employer identification number  
[Redacted]

1	Inventory at beginning of year	1	45,772
2	Purchases	2	328,569
3	Cost of labor	3	100,569
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	474,910
7	Inventory at end of year	7	37,654
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	437,256

**9a** Check all methods used for valuing closing inventory:

- (i)  Cost
- (ii)  Lower of cost or market
- (iii)  Other (Specify method used and attach explanation.) ▶

**b** Check if there was a write-down of subnormal goods  Yes  No

**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)  Yes  No

**d** If the LIFO inventory method was used for this tax year, enter the amount of closing inventory computed under LIFO \$

**e** If property is produced or acquired for resale, do the rules of section 263A apply to the entity (see instructions)?  Yes  No

**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation  Yes  No

FYE: 12/31/2012

Federal Statements

8/19/2014 6:19 PM

Page 1

Statement 1 - Form 1120. Page 1. Line 26 - Other Deductions

<u>Description</u>	<u>Amount</u>
COMMISSIONS AND FEES	\$ 4,380
PROFESSIONAL FEES	3,890
UNIVERSAL USER INTRFC RSRCH	39,300
PRODUCT RESEARCH, LAB FEE	64,000
NEW TECHNOLOGY DISCOVERY RSCH	25,990
TOTAL	\$ 137,560

**EXHIBIT "C"**



Summary of Credits Awarded

Company Name	Value 1	Value 2	Value 3	Value 4	Value 5	Value 6	Value 7	Value 8	Value 9	Value 10	Value 11	Value 12
Abella Inc	\$294,400.00	\$300,244.00	\$400,000.00	\$700,000.00	\$100,000.00	\$100,000.00	\$749,265.00	\$79,905.00	\$2,517,814.00	\$62,490.00	\$100,000.00	
Accu Measurement & Testing												
Algorithm LLC	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00
Algorithm Expert Inc												
American Computing Inc												
American High Frequency Trading Company												
American Measurement & Quantitative Methods, Inc	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00
Edgetradecenter Inc	\$94,400.00	\$100,244.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00	\$82,585.00
Global Technology Enterprises Corp / Mastodon, Inc												
Online Store Builder Inc												
RETD	\$198,521.00	\$274,542.00	\$482,108.00	\$1,069,165.00	\$2,227,696.00	\$3,725,589.00	\$8,127,624.00	\$3,127,382.00	\$1,120,929.00	\$3,401,192.00	\$172,895.00	\$221,659.00
Abella Inc			\$44,855.00	\$77,532.00	\$77,524.00	\$17,471.00	\$17,471.00	\$17,471.00	\$17,471.00	\$17,471.00	\$17,471.00	\$17,471.00
Accu Measurement & Testing	\$120,288.00	\$161,473.00	\$159,714.00	\$221,655.00	\$378,328.00	\$279,466.00	\$1,120,929.00	\$3,401,192.00	\$172,895.00	\$221,659.00	\$172,895.00	\$172,895.00
Algorithm LLC		\$23,135.00	\$56,285.00	\$84,288.00	\$68,725.00	\$107,699.00	\$340,192.00	\$340,192.00	\$340,192.00	\$340,192.00	\$340,192.00	\$340,192.00
Algorithm Expert Inc				\$98,844.00	\$47,856.00	\$74,998.00	\$172,895.00	\$172,895.00	\$172,895.00	\$172,895.00	\$172,895.00	\$172,895.00
American Computing Inc				\$40,268.00	\$70,651.00	\$110,720.00	\$240,750.00	\$240,750.00	\$240,750.00	\$240,750.00	\$240,750.00	\$240,750.00
American Financial & Trading Research, Inc				\$31,023.00	\$42,593.00	\$167,134.00	\$240,750.00	\$240,750.00	\$240,750.00	\$240,750.00	\$240,750.00	\$240,750.00
American High Frequency Trading Company				\$60,511.00	\$65,149.00	\$90,195.00	\$215,656.00	\$215,656.00	\$215,656.00	\$215,656.00	\$215,656.00	\$215,656.00
American Measurement & Quantitative Methods, Inc				\$39,584.00	\$67,646.00	\$106,102.00	\$233,312.00	\$233,312.00	\$233,312.00	\$233,312.00	\$233,312.00	\$233,312.00
Big5: Googledatacenter, Inc				\$245,933.00	\$245,933.00	\$384,389.00	\$580,522.00	\$580,522.00	\$580,522.00	\$580,522.00	\$580,522.00	\$580,522.00
Cherry Pick, Inc				\$94,335.00	\$94,335.00	\$148,262.00	\$242,997.00	\$242,997.00	\$242,997.00	\$242,997.00	\$242,997.00	\$242,997.00
Dataworks Analytic, Inc				\$155,253.00	\$155,253.00	\$243,302.00	\$398,555.00	\$398,555.00	\$398,555.00	\$398,555.00	\$398,555.00	\$398,555.00
Edgetradecenter Inc	\$64,868.00	\$97,103.00	\$156,346.00	\$209,186.00	\$167,581.00	\$282,545.00	\$957,571.00	\$957,571.00	\$957,571.00	\$957,571.00	\$957,571.00	\$957,571.00
Global Technology Enterprises Corp / Mastodon, Inc	\$13,573.00	\$42,826.00	\$64,908.00	\$94,429.00	\$145,887.00	\$181,614.00	\$515,037.00	\$515,037.00	\$515,037.00	\$515,037.00	\$515,037.00	\$515,037.00
Online Store Builder Inc				\$69,081.00	\$74,601.00	\$116,912.00	\$260,594.00	\$260,594.00	\$260,594.00	\$260,594.00	\$260,594.00	\$260,594.00
Optionality Digitaldatacenter Inc					\$235,733.00	\$364,493.00	\$600,228.00	\$600,228.00	\$600,228.00	\$600,228.00	\$600,228.00	\$600,228.00
Optionbook Algorithm System Inc				\$71,987.00	\$117,651.00	\$184,205.00	\$301,856.00	\$301,856.00	\$301,856.00	\$301,856.00	\$301,856.00	\$301,856.00
Orange Innovation Inc					\$73,441.00	\$115,094.00	\$280,522.00	\$280,522.00	\$280,522.00	\$280,522.00	\$280,522.00	\$280,522.00
Scientific Software International					\$105,789.00	\$165,789.00	\$271,578.00	\$271,578.00	\$271,578.00	\$271,578.00	\$271,578.00	\$271,578.00
Seaportone Inc					\$94,335.00	\$147,364.00	\$241,699.00	\$241,699.00	\$241,699.00	\$241,699.00	\$241,699.00	\$241,699.00
White Electronic Options and Futures					\$728,735.00	\$357,634.00	\$586,369.00	\$586,369.00	\$586,369.00	\$586,369.00	\$586,369.00	\$586,369.00

Summary Credits Sold

Company Name	Account #	Balance	Current	Previous	Current	Previous	Current	Previous	Current	Previous
<b>KIZ</b>										
Abelia Inc		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Accu Measurement & Testing		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Algorithm LLC		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Algorithm Expert Inc		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
American Computing Inc		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
American High Frequency Trading Company		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
American Measurement & Quantitative Methods, Inc		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Edgitaldatacenter inc		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Global Technology Enterprises Corp / Mastodon, Inc		\$94,400.00	\$99,867.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
Online Score Builder Inc		\$198,521.00	\$324,516.00	\$482,083.00	\$1,069,305.00	\$1,996,605.00	\$0.00	\$4,010,890.00	\$182,585.00	\$182,585.00
<b>R&amp;D</b>										
Abelia Inc		\$44,855.00	\$77,532.00	\$77,532.00	\$77,532.00	\$77,532.00	\$0.00	\$199,911.00	\$199,911.00	\$199,911.00
Accu Measurement & Testing		\$120,288.00	\$161,452.00	\$159,689.00	\$271,655.00	\$178,328.00	\$0.00	\$84,412.00	\$282,373.00	\$282,373.00
Algorithm LLC		\$23,335.00	\$56,285.00	\$56,285.00	\$84,228.00	\$68,725.00	\$0.00	\$362,373.00	\$362,373.00	\$362,373.00
Algorithm Expert Inc		\$49,841.00	\$49,841.00	\$49,841.00	\$49,841.00	\$49,841.00	\$0.00	\$95,698.00	\$95,698.00	\$95,698.00
American Computing Inc		\$40,268.00	\$40,268.00	\$40,268.00	\$40,268.00	\$40,268.00	\$0.00	\$107,082.00	\$107,082.00	\$107,082.00
American Financial & Trading Research, Inc		\$31,023.00	\$31,023.00	\$31,023.00	\$31,023.00	\$31,023.00	\$0.00	\$72,616.00	\$72,616.00	\$72,616.00
American High Frequency Trading Company		\$60,311.00	\$60,311.00	\$60,311.00	\$60,311.00	\$60,311.00	\$0.00	\$125,460.00	\$125,460.00	\$125,460.00
American Measurement & Quantitative Methods, Inc		\$99,564.00	\$99,564.00	\$99,564.00	\$99,564.00	\$99,564.00	\$0.00	\$122,336.00	\$122,336.00	\$122,336.00
Bigfa Googledatacenter, Inc		\$245,993.00	\$245,993.00	\$245,993.00	\$245,993.00	\$245,993.00	\$0.00	\$245,993.00	\$245,993.00	\$245,993.00
Cherry Pick, Inc		\$94,335.00	\$94,335.00	\$94,335.00	\$94,335.00	\$94,335.00	\$0.00	\$94,335.00	\$94,335.00	\$94,335.00
Datworks Analytic, Inc		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Edgitaldatacenter inc		\$64,868.00	\$97,103.00	\$156,346.00	\$209,135.00	\$167,591.00	\$0.00	\$695,026.00	\$695,026.00	\$695,026.00
Global Technology Enterprises Corp / Mastodon, Inc		\$13,373.00	\$42,826.00	\$64,908.00	\$94,429.00	\$0.00	\$0.00	\$73,536.00	\$73,536.00	\$73,536.00
Online Score Builder Inc		\$69,081.00	\$69,081.00	\$69,081.00	\$69,081.00	\$69,081.00	\$0.00	\$139,690.00	\$139,690.00	\$139,690.00
Optionality Digitaldatacenter Inc		\$735,782.00	\$735,782.00	\$735,782.00	\$735,782.00	\$735,782.00	\$0.00	\$735,782.00	\$735,782.00	\$735,782.00
Orphanotic Algorithm System Inc		\$117,651.00	\$117,651.00	\$117,651.00	\$117,651.00	\$117,651.00	\$0.00	\$117,651.00	\$117,651.00	\$117,651.00
Orange Innovations Inc		\$73,441.00	\$73,441.00	\$73,441.00	\$73,441.00	\$73,441.00	\$0.00	\$145,428.00	\$145,428.00	\$145,428.00
Scientific Software International		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Swagymore Inc		\$94,335.00	\$94,335.00	\$94,335.00	\$94,335.00	\$94,335.00	\$0.00	\$94,335.00	\$94,335.00	\$94,335.00
White Electronic Options and Futures		\$228,735.00	\$228,735.00	\$228,735.00	\$228,735.00	\$228,735.00	\$0.00	\$228,735.00	\$228,735.00	\$228,735.00

# RESPONSE

IN THE COURT OF COMMON PLEAS  
DAUPHIN COUNTY, PENNSYLVANIA

IN RE: : SUPREME COURT OF  
PENNSYLVANIA :  
 : 98 M.D. MISC. DKT. 2017  
THE FORTY-SECOND STATEWIDE :  
 : DAUPHIN COUNTY COMMON PLEAS  
INVESTIGATING GRAND JURY : NO. CP-22-M.D.-1249-2017  
 :  
 : NOTICE NO. 21

**COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF REVENUE AND  
COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF COMMUNITY AND  
ECONOMIC DEVELOPMENT RESPONSE TO ORDER ACCEPTING  
INVESTIGATION GRAND JURY REPORT NO. 2 AND DIRECTING FURTHER  
ACTION PRIOR TO THE REPORT BEING MADE PART OF THE PUBLIC RECORD**

AND NOW, this 16<sup>th</sup> day of September, 2019, comes the Commonwealth of Pennsylvania, Department of Revenue, by and through its duly appointed representative, the Honorable C. Daniel Hassell, Secretary of Revenue, and the Commonwealth of Pennsylvania, Department of Community and Economic Development, by and through its duly appointed representative, the Honorable Dennis M. Davin, Secretary of the Department of Community and Economic Development to respond to the above-captioned Grand Jury's findings and recommendations for legislative, executive or administrative action as directed in Paragraph 5 of the Grand Jury's above-captioned Order. The Respondents hereby aver as follows:

**Background and Timeline of Department of Revenue's Actions Prior To Grand Jury No.**

**42 Report**

In September and October of 2017, the Department of Revenue (hereinafter "Revenue") identified a number of inconsistencies in the applications submitted by a business entity for the

Keystone Innovation Zone (hereinafter "KIZ") and Research and Development (hereinafter "R&D") tax credit programs administered by the Commonwealth. Due to the inconsistencies, the applications for the entity in question were suspended from further processing. Meanwhile, Revenue commenced an in-depth review of the entity and its filings.

That review revealed the entity in question was associated with Wing Tat Chiu and Ivy Hui-Ying Li, the perpetrators named in the Grand Jury's report. Revenue's review revealed inconsistencies with other tax credit applications for business entities that were or were suspected to be related to Mr. Chiu and Ms. Li. The internal review involved resources from multiple bureaus within Revenue to further examine the matter. Leveraging the data that was available, Revenue was able to identify patterns and relationships with the companies related to or suspected to be related to Mr. Chiu and Ms. Li. The review uncovered a scheme that appeared to show Mr. Chiu and Ms. Li created sham companies in order to fraudulently obtain and sell tax credits.

Recognizing that law enforcement resources were necessary to further investigate the matter and to ultimately hold the individuals accountable, Revenue made a criminal referral to the Office of Attorney General in October of 2017. That led to the convening of the Grand Jury, which confirmed Revenue's suspicions that Mr. Chiu and Ms. Li used fraudulent companies to obtain and sell tax credits as part of their criminal enterprise.

It should be noted that Revenue's work to identify this suspected fraud and refer the case to the Office of Attorney General helped to prevent the additional sales of the remaining tax credits

awarded to the companies associated with Mr. Chiu and Ms. Li. Moreover, Revenue acted as quickly as possible in referring the matter once it recognized the severity of the facts involved. Its staff also continued to provide information to the Office of Attorney General throughout the course of its investigation of Mr. Chiu and Ms. Li.

As a result of its review of this suspected criminal activity, Revenue also created and implemented revised protocols to combat and prevent future fraudulent activity within the R&D program, which Revenue is responsible for administering. These include the following:

- (i) Mandated electronic filing in order to facilitate review and analysis of applications;<sup>1</sup>
- (ii) Implementation of a risk-based review process that determines applications that require additional examination and requests for further documentation;
- (iii) Creation of a database to monitor companies suspected of fraudulent or questionable activity concerning the sale of credits; and
- (iv) Additional training and protocols related to interaction with suspected entities as well as post-interaction standards.

In addition to these steps, Revenue has other tools available to combat fraud. For instance, in March 2016, Revenue created a Fraud Detection and Analysis Unit. This Unit was designed to identify potential fraudulent refund returns, assist taxpayers who have become victims of identity theft, and work with the Internal Revenue Service, other states, third-party software providers, and the electronic commerce industry to address fraud issues.

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<sup>1</sup> Additionally, Revenue redesigned its application with added fields to establish identity and capture additional evidence of expenses. The effort to redesign the application were underway well in advance of Revenue's awareness of the actions of Mr. Chiu and Ms. Li.

Through the utilization of third-party data analytic tools, Revenue expects to save taxpayers over \$80 million in fraudulent personal income tax refund requests by 2020. It is Revenue's intent to utilize the resources available within its Fraud Detection and Analysis Unit to examine potential cases of fraud in future tax credit applications that are received.

Furthermore, Revenue is in the process of several internal projects that will better position it to detect fraud. Revenue has embarked on a system-wide modernization effort to convert legacy silo tax systems and integrate each into a truly consolidated system. When this objective is completed over the next few years, Revenue will be able to examine a consolidated view of a taxpayer's account, which assists with processing and will allow Revenue to employ additional analytics, reporting and fraud detection tools. Revenue is also in the midst of a significant organizational restructuring. As part of the reorganization, Revenue has placed an emphasis on an improvement in standardized training and the creation of a unitary analytics group, both which will help prevent fraud.

Revenue, the Department of Community and Economic Development (hereinafter "DCED") and other Commonwealth of Pennsylvania agencies administer 29 distinct tax credit programs that can annually allocate approximately \$558 million in credits, refunds, and exemptions.<sup>2</sup> Within these programs, the Commonwealth reviews and processes over 7,471 applications each year. Of these programs, 16 allow for the assignment or sale of tax credits. Annually, Revenue

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<sup>2</sup> Within the 29 credit programs, 23 have statutory limitations which allow for up to approximately \$558 million to be awarded as credits. Additionally, 6 programs are uncapped, and awarded a total of \$92 million in fiscal year 2017-18.

anticipates reviewing approximately 15,000 credit sale transaction requests. Additionally, most credit programs allow for credit carry-forwards or may allow the credit to flow through to an entity owner.

As per statute, most programs are designed to require expedited Commonwealth review of applications for credit awards as well as credit sales. In many cases, submissions to Revenue must be reviewed within a 90-day window, and some require a 60-day review. See, generally, 72 P.S. § 8712-D (90 day review of applications for film credit), 24 P.S. § 20-2003-B(e) (60 day review of applications for education tax credit). All programs require a tax clearance prior to approval. 72 P.S. § 8702-A.1(A).

### **Background and Timeline of Department of Community and Economic Development's**

#### **Actions Prior To Grand Jury No. 42 Report**

As part of the KIZ Tax Credit application process, DCED requires KIZ applicants to submit their federal tax returns and their Pennsylvania tax returns for the past two years in order to verify increased gross revenues. On January 1, 2016, the Pennsylvania capital stock and foreign franchise tax was eliminated, completing a gradual phase-out that began in 2002. Because of this, a number of KIZ applicants were no longer subject to a Pennsylvania tax filing requirement. DCED had used the Pennsylvania tax filings to confirm not only revenues generated but business activity within the KIZ. Concerned about the potential for abuse, DCED initiated a conversation with Revenue in June of 2017 to discuss additional safeguards that could be implemented. As a result of these discussions, DCED instituted a new application requirement. KIZ applicants, who did not have a Pennsylvania tax filing requirement, were now required to submit their "Welcome



to Pennsylvania" letter which is issued by Revenue once businesses register with the Pennsylvania Department of State.

Because of this new safeguard, a business entity requested a copy of its "Welcome to Pennsylvania" letter. This request led to the discovery of a number of inconsistencies in KIZ and R&D applications submitted by this business entity. Because of these inconsistencies, DCED, in consultation with Revenue, suspended further processing of the applications submitted by this business and promptly requested that the local KIZ coordinator perform a site visit to verify that the business was located and operating in a KIZ. The business continued to delay the site visit and eventually withdrew its KIZ application. As part of an extensive review by DCED of the KIZ applications filed by this business, DCED noticed a suspicious similarity between the applications filed by this business and those filed by four other KIZ applicants. Consequently, DCED requested that the local KIZ coordinators perform site visits on these businesses as well. As a result of this additional investigation, DCED denied approval of the KIZ applications filed by these four businesses.

Cognizant that it is a steward of taxpayer funds, DCED is continually evaluating its processes to achieve efficiencies and safeguard tax revenues. As an example, DCED is instituting the following protocols in an effort to prevent fraudulent activity in the KIZ program:

- (i) Mandated yearly site visits by the local KIZ coordinators;
- (ii) Mandated state tax compliance checks to verify complete and timely state tax filings and no outstanding state tax liabilities;

- (iii) Development of a standardized Statement of Work for KIZ coordinators which establishes best practices and procedures for the responsible administration of the KIZ program;
- (iv) Creation of a database to monitor KIZ applicants suspected of fraud or other questionable activity concerning tax credits; and
- (v) Cross-training of DCED personnel to increase efficiency in the review of KIZ applications and to increase the breadth and depth of KIZ knowledge among DCED personnel.

#### **Grand Jury Report Recommendations and Respondents' Responses**

*Recommendation 1 – Other Pennsylvania tax credit programs require an audit of applications by certified public accountants. Independent audits would likely have prevented most or all of the million-dollar rip-offs we saw. They should be required for R&D and KIZ tax credits.*

#### **Revenue Response:**

Revenue concurs with the recommendation of the Grand Jury. A statutory change would be necessary in order to require R&D credit applicants to file audited financial statements with their application.

Small businesses may perceive this requirement as burdensome, especially if they have no other need to obtain audited financial statements. However, requiring and obtaining financial statements reviewed by a certified public accountant would further provide independent corroboration of R&D expenditures as well as substantiate the existence of the entity.

**DCED Response:**

DCED concurs with the recommendation of the Grand Jury. A statutory change would be necessary in order to require KIZ applicants to file audited financial statements with their applications.

DCED agrees with Revenue that requiring and obtaining financial statements reviewed by a certified public accountant would further provide independent corroboration of revenues as well as substantiate the business activity and existence of a KIZ applicant.

However, DCED shares Revenue's concern that small businesses may perceive this requirement as burdensome, especially if they have no other need to obtain audited financial statements. As an alternative to audited financial statements, DCED would support requiring independently reviewed or prepared income statements showing the breakdown of revenue as a supplement to the information provided via tax returns. Requiring income statements, rather than audited financial statements, may be a way of balancing the competing interests of preventing fraudulent activity and operating a program that meets the needs of KIZ businesses.

*Recommendation 2 – In reviewing applications, the responsible agencies must do more than simply check the boxes to see whether the attachments match the form. DOR, for example, should interview applicants in person, face-to-face to confirm that they are duly qualified. Applicants should be required to submit photographic identification along with receipts, account*

statements and financial records. IP addresses should be verified to ensure that applications are being submitted from businesses operating in Pennsylvania, not elsewhere.

**Revenue Response:**

Revenue concurs with the Grand Jury that additional documentation should be reviewed in order to substantiate information provided on the R&D application.

At the time that Revenue became aware of the potential fraud, Revenue's Bureau of Audits, Bureau of Criminal Tax Investigations and the Pass-Through Business Office collaborated on analysis to determine if any other fraud existed in the program. Revenue began coordinating outreach and requesting additional documentation from certain entities that were determined to be of higher risk. This risk assessment and outreach continues today as current year applications are being received.

These efforts are supported by the updated R&D application process that was implemented in time for review of 2018 submissions. The R&D application became paperless in the summer of 2018 and several edits and cross-checks were built into the new online application system. These edits and cross-checks have been used to identify additional information that must be submitted by applicants in order to corroborate information being reported in the application itself.

While Revenue concurs with the substance of the Grand Jury's recommendations, it should be noted that current resource levels prevent Revenue from requesting corroborating documentation from all of the nearly 1,400 applicants given that Revenue only has 90 days to review the applications and award the credits. This would be a challenge even if the review deadline is

extended as proposed in Recommendation 3. Therefore, under these constraints, Revenue will continue to perform risk assessments and leverage the electronic application process to identify individual applicants that merit further review.

**DCED Response:**

DCED concurs with the Grand Jury that additional documentation should be reviewed in order to substantiate information provided on the KIZ application.

DCED is now requiring local KIZ coordinators to perform at least one annual site visit and is encouraging coordinators to perform additional, unscheduled site visits as well. The site visits are reliable means of verifying that an applicant is conducting business operations within a KIZ.

While DCED concurs with the substance of the Grand Jury's recommendations, the current 90-day review window (discussed further below) makes it impossible for DCED to request and review corroborating documentation from nearly 300 KIZ applicants. DCED will continue to request additional documentation from businesses it deems high risk and will work closely with the local KIZ coordinators in due diligence efforts.

Additionally, DCED will collaborate with Revenue to formalize an investigatory process for those instances where DCED suspects fraud. DCED and Revenue could jointly develop a form to be submitted to Revenue by DCED in these instances. DCED is cognizant and respectful of Revenue's duty to maintain taxpayer confidentiality. The development of a formalized mechanism for DCED to report suspected fraud to Revenue for further investigation may be a

way to preserve the inviolability of taxpayer confidentiality while safeguarding the integrity of tax credits issued under the KIZ program.

Recommendation 3 – Regulators currently have only 90 days to review R&D and KIZ tax credit applications. That's not enough time for meaningful review, even if agencies were disposed to conduct it. The law should be changed to increase that period so that real checks can be performed.

**Revenue Response:**

Revenue concurs with the recommendation of the Grand Jury. A statutory change would be necessary in order to allow Revenue greater than 90 days to review and award the R&D credits. Revenue recommends a period of 180 days to conduct a thorough review of the applications and interact with the applicants in order to ensure that the research and development expenditures can be substantiated, that they occurred in Pennsylvania, and that the applicant is indeed compliant with its state tax obligations.

It should be noted that even with an expanded time period to review applications, there is still no appeal mechanism for the applicant if Revenue should erroneously deny a credit. Conversely, there is also no recapture provision currently in statute to allow Revenue to recoup any tax credits within normal tax enforcement statutory time constraints which have been improperly awarded. Increasing the time period for review and consideration in conjunction with amendments that allow for appeal and recapture, will allow Revenue to more efficiently manage programs and comply with the intent of the General Assembly.

**DCED Response:**

DCED concurs with the recommendation of the Grand Jury. A statutory change would be necessary in order to allow DCED greater than 90 days to review and award the KIZ credits.

DCED recommends a period of 120 days to conduct a thorough review of the KIZ applications and interact with the applicants in order to ensure that the KIZ revenues can be substantiated, that revenues were generated in the KIZ, that the applicant is KIZ eligible, and that the applicant is indeed compliant with its state tax obligations. DCED recommends the application deadline be changed to September 1 from September 15 and the KIZ award letters be issued by December 31 rather than December 15.

*Recommendation 4 – Local KIZ coordinators are intended to be the eyes and ears on the ground to ensure that applicants are actually producing the economic activity the tax credits are designed to encourage. It appears that the coordinators do not understand their role or the significance of it. Coordinators should be required to conduct unscheduled site visits for each applicant. The certificate they submit should be amended to include a statement, under penalty of perjury, that they have gone to the site and verified that the company is in fact in existence and conducting business there. Unscheduled site visits should also be required for R&D tax credits.*

**Revenue Response:**

Revenue concurs with the substance of the Grand Jury's recommendation. Revenue will consider unscheduled site visits for those entities that present a higher level of risk, such as first-time applicants or entities that claim amounts that do not correlate to business activity, as one part of an enhanced tax credit review process.

Site visits would be conducted in conjunction with the use of other technologies and data resources available to validate the legitimacy of a business at a particular location. This may include additional measures, such as independent audits, or additional requests for independently verified information.

It should be noted that even if a site visit confirms that an entity does exist, and conducts business at a specific location, these facts would not ensure that the research and development expenses being claimed on the credit application are indeed occurring at that site.

**DCED Response:**

DCED concurs with the substance of the Grand Jury's recommendation. DCED is currently requiring local KIZ coordinators to perform yearly site visits for KIZ applicants and is encouraging coordinators to perform other, unscheduled site visits. DCED has amended the KIZ coordinator certificate (certificate issued on behalf of an applicant by the KIZ coordinator) to include the date on which the coordinator made the site visit. Furthermore, DCED does request the local KIZ coordinator to perform additional site visits for those entities that DCED determines present a higher level of risk.

DCED hosts an annual conference for KIZ coordinators during which DCED provides updates on changes to the program and discusses best practices. KIZ coordinators are given the opportunity to share any concerns and ask questions of DCED staff and fellow coordinators.



Similarly, DCED has bi-annual conference calls with KIZ coordinators to provide a forum to achieve these important objectives.

During the summer months, DCED staff visits many of the KIZs in an outreach effort to connect with the coordinators and to offer tax credit seminars for interested KIZ companies. Upon request by the KIZ coordinator, DCED staff will mentor the coordinator and will accompany the coordinator during a site visit. Coordinators are encouraged to contact DCED with any questions or concerns they may have about the KIZ program.

To assist KIZ coordinators in the execution of their duties under the program, DCED has developed a statement of work detailing the responsibilities of the KIZ coordinator, including but not limited to, certifying eligibility, performing site visits, maintaining verification documentation, maintaining individual accounts for each KIZ company, zone administration duties, and communicating with KIZ companies (application deadlines, assistance with metric reports, and issuance of a compliance certificate). The statement of work is currently being implemented by DCED. DCED intends on completing the implementation by year's end. Each KIZ coordinator will be required to read, acknowledge, and sign the statement of work.

*Recommendation 5 -- Tax credit brokers play an integral part in the system, but they are currently completely unregulated, and at least some apparently feel free to traffic in credits that are likely fraudulent. Brokers should be required to be licensed by Pennsylvania authorities in order to take part in tax credit transactions, to submit themselves to the jurisdiction of Pennsylvania courts, to undergo appropriate training, and to certify that they will not participate*

in improper transactions but will instead report irregularities. If they assist businesses in preparing tax credit applications, they should be required to sign the form with a declaration like those required of income tax preparers.

**Revenue Response:**

Revenue concurs with the recommendation of the Grand Jury. A statutory change would be necessary in order to require brokers to be licensed and regulated. Revenue recommends that these brokers be licensed and regulated by the Department of State. Said licensure may include general competency standards, financial suitability guidelines and background checks.

**DCED Response:**

DCED concurs with the recommendation of the Grand Jury. A statutory change would be necessary in order to require brokers to be licensed and regulated. DCED concurs with Revenue's recommendation that these brokers be licensed and regulated by the Department of State with licensure including general competency standards, financial suitability guidelines and background checks.

Recommendation 6 – Add an additional reporting requirement wherein the awardees will be required to submit to the relevant Department (either DOR or DCED) proof in the form of an annual breakdown of how the tax credit was used and/or alternatively, if the credit was sold, how the funds from such sale were used. This information breaking down how the credit or funds were used must also be provided by the tax credit applicant on future tax credit applications seeking an award of credits.

**Revenue Response:**

Revenue concurs with the substance of the Grand Jury's recommendation. However, while it may not be difficult for an entity to indicate that a credit was applied against a liability (and for Revenue to verify the same), it will be difficult for an entity to accurately substantiate how it spent amounts received on the sale of the credit.

**DCED Response:**

DCED concurs with the substance of the Grand Jury's recommendation. DCED also concurs with Revenue that, while it may not be difficult for an entity to indicate that a credit was applied against a liability (and for Revenue to verify the same), it will be difficult for an entity to accurately substantiate how it spent amounts received on the sale of the credit. DCED suggests amending the KIZ Tax Credit Sales Assignment Application Form to require the entity selling the KIZ tax credit to indicate how it intends to spend the proceeds.