

**In the Court of Common Pleas
Dauphin County, Pennsylvania**

In Re:

Investigating Grand Jury Report

No. 2 of the Forty-Second Statewide

Investigating Grand Jury

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**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**


ORDER ACCEPTING AND FILING
INVESTIGATING GRAND JURY REPORT NO. 2

On August 26, 2019, this Court accepted Investigating Grand Jury Report No. 2, finding that said report, within the scope of the Grand Jury's authority, proposed recommendations for legislative, executive or administrative action in the public interest based upon stated findings, and further finding that said report was based upon facts received in the course of an investigation authorized by the Investigating Grand Jury Act, 42 Pa.C.S. § 4541 *et seq.* and was supported by the preponderance of the evidence. Prior to the report being made public, however, this Court exercised its discretion to permit a response to be submitted pursuant to 42 Pa.C.S. § 4552(e). The time period for submitting a response has now ended. The Court now issues the following Order:

AND NOW, this 23rd day of September, 2019, pursuant to 42 Pa.C.S. § 4552(e), the response of the Pennsylvania Department of Revenue and the Pennsylvania Department of Community and Economic Development to Investigating Grand Jury Report No. 2 shall be attached to the report as part of the report, before the report is made part of the public record.

Investigating Grand Jury Report No. 2, having been accepted by the Court on August 26, 2019 pursuant to 42 Pa.C.S. § 4552(b), along with its addendum and the response of the Pennsylvania Department of Revenue and the Pennsylvania Department of Community and Economic Development, shall be filed as a public record with the Dauphin County Court of Common Pleas pursuant to 42 Pa.C.S. § 4552(b),(e).

BY THE COURT:



THE HONORABLE J. WESLEY OLER, JR.
Supervising Judge
The Forty-Second Statewide Investigating Grand Jury

**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

INVESTIGATING GRAND JURY REPORT NO. 2

We, the members of the Forty-Second Statewide Investigating Grand Jury, duly charged to inquire into offenses against the criminal laws of the Commonwealth of Pennsylvania, have received facts and evidence during the course of an investigation pursuant to Notice of Submission of Investigation No. 21 and have proposed recommendations for legislative, executive or administrative action in the public interest. So finding, with no fewer than twelve concurring, we do hereby adopt this Report for submission to the Supervising Judge.



Foreperson
Forty-Second Statewide Investigating Grand Jury

DATED: August 26, 2019

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.¹ 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

¹ 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.² 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 15th. DOR only has until December 15th of that same year to review all of the applications it receives, identify

² 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 15th. 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 15th, the close of the application acceptance date, to review all of the applications it receives. The KIZ credits are awarded on December 15th. 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 ID/SOCIAL SECURITY NUMBER (SSN)	FEDERAL EMPLOYER IDENTIFICATION NUMBER (FEIN)
STREET ADDRESS	DUE DATE: SEPT. 15, 2017 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

		Column 1	Column 2	Column 3	Column 4
Line 1	Federal R&D Expense			\$	100%
	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 116 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 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. 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.

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 #:

Web App ID #:

E-Signature: Fred
Rodriguez

Status: Legal Process
Complete

I. PROFILES

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

Business Specific Information:

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

Name:		CEO:	
CEO Title:		Address:	New Holland Ave
City:	Lancaster	State:	PA
Zip:	17603	FEIN:	
NAICS Code:	5191	UC#:	

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

Name:	Address:
City:	State:
Zip:	FEIN:

II. PROJECT SITE LOCATIONS(S)

Site Information: 1

Address:		City:	Lancaster
State:	PA	Zip:	17603
County:	Lancaster	Municipality:	Lancaster City
PA House:	H096	PA Senate:	S013
US Congressional:	C016	Current Number of Full-time Jobs:	
Full-time Jobs Created:			

III. PROJECT INFORMATION

Have you been talking with anyone at the agency about your project?	<input 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 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:

GAT Contact:
GAT Project ID #:
GAT Summary:

GAT Contact Email:
Offer Letter Sent Date:

Job Info:

Total Jobs Created:

Current PA Employment:

Funding Project Assistance:

Programs

Amount

Fiscal Year

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
Total	\$100,000.00	
	Budget Total:	\$100,000.00

Budget Narrative

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_Abella.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
Ra-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
Abella, Inc. operates within the geographic boundary of the KIZ. This KIZ Company operates within our
 designated target industry segment (sector) of 541512 - IT and this KIZ
 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)
 on Abella, Inc. located in the NLC
 KIZ on 10/9/2012 has provided me with documentation demonstrating that it was
 incorporated on 10/9/2012 and has registered with the Pennsylvania Department of State to conduct business in the Commonwealth.

Date 9/2/14
 Phone

Gross Revenues for the Comparable Tax Year					
Comparable Tax Year (Comp Year) 2013	Tax Form # or Document Name	Line #	Page #	Amount	
Gross Revenues for the Comp Year	1120	1a	1	\$510,900	(Line 1)
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 owner's 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 H)	\$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.

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[Next Page](#)

Part A

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

Enter the Comparable Tax Year		2013	
Property Factor			
Property within KIZ (from line A)	\$109,392		
+			
Property within PA (from line C)	\$109,392 =	100.00%	(Line 1)
Payroll Factor			
Payroll within KIZ (from line B)	\$113,117		
+			
Payroll within PA (from line D)	\$113,117 =	100.00%	(Line 2)
Total (Line 1 + Line 2)		200.00%	(Line 3)
KIZ Apportionment			
(From Line 3)	200.00% + 2 =	100.00%	(Line 4)
Pennsylvania Gross Revenues			
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.

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

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 DCED 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=1065 G=1040 H=Other

STEP ATax 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/SDA Credit	XX	N
Regulated Inv. Co.	XX	N	Change Fed Group	XX	N	File Period Change	XX	N

1010013159

STEP C

Revenue ID	XX	00000000	Parent Corporation EIN
Federal EIN	XX		
Business Activity Code	XX		
Corporation Name	XX		
Address Line 1	XX		
Address Line 2	XX		
City	XX	HOLLAND AVE	
State	XX	LANCASTER	
ZIP	XX	PA 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. 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 assembled 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

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

1010013259

CUR YR 01012013 12312013 -470

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 6 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	0.00089

Total Beginning of
Taxable Year Assets 102933

Total End of Taxable
Year Assets 278999

1010013259

1010013359

REVENUE ID 0000000
TAX YEAR END 12312013 NAME [REDACTED]
RCT-101 PAGE 3 OF 6 PA CORPORATE TAX REPORT 20 13

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.)

439
0
0

Business Trust	XX	N
Solicitation 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 6)	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 4626.)	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-103)	11	0
12. PA taxable income or loss (Line 10 minus Line 11)	12	-658
13. Corporate net income tax (Line 12 times <u>0.0999</u> ; if Line 12 is less than zero, enter "0")	13	0

1010013359

1010013459

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

00000000
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 |

1010013459

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

Interest Amount	0	Interest Rate	00.0000	Taxable Value	0	Taxable		
	0		00.0000		0	Indebtedness	XX	0
	0		00.0000		0	Loans Tax	XX	0

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	5	1.000000
Sales - Total	3B	0			Proportion		

SCHEDULE C-1: Apportionment Schedule For Corporate Net Income Tax (Include Form RCT-106.) *

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

* 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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1010013559

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

PA Corporations:

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

Foreign Corporations:

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 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 G = Cash O = Other

Other

Accounting Method - Financial Statements

C A = Accrual G = Cash O = Other

Other

1010013559

1010013559

1010013659

REVENUE ID 0000000
TAX YEAR END 12312013

NAME

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

SSN

Last Name

First Name

M

(See instructions.)

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



1010013659

1010012192


RCT-101 (08-12) PAGE 1 OF 6
PA CORPORATE TAX REPORT 2012

DEPARTMENT USE ONLY

A A=1120 B=1120S C=1120C D=1120F 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

1010012192

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. Rerstricted
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 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

1010012292

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

12312012 NAME
PA CORPORATE TAX REPORT 20 12

SECTION A: C8/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

Investment in LLC XX N
Holding Company XX N
Family Farm 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. DMBOR (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 0.005.	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 Line 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	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 [REDACTED]
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.)

<input type="checkbox"/> Business Trust	XX	N
<input type="checkbox"/> Solidation Only	XX	N
<input type="checkbox"/> Single-Member LLC	XX	N
<input type="checkbox"/> Multi-Member LLC	XX	N
PA-S Corporation	XX	N
Taxable Built-In Gains	XX	N

1010012392

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 4626) | 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 [REDACTED]
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		
0	00.000	0	Indebtedness	XX	0
0	00.000	0			
0	00.000	0	Loans Tax	XX	0

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	5	1.000000
Sales-Total	3B	0			Proportion		

SCHEDULE C-1: Apportionment Schedule For Corporate Net Income Tax (Include Form RCT-106.)

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	5	1.000000
Sales-Total	3B	0			Proportion		

1010012492

1010012592

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

SECTION E: CORPORATE STATUS CHANGES

Final Report XX N

PA Corporations:

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

Foreign Corporations:

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

1010012592

1010012692

REVENUE ID

TAX YEAR END

12312012

NAME

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

K02/K0E2

XX

XX

XX

XX

1010012692

CORPORATE OFFICERS

SSN

Last Name

First Name

MI

(See instructions.)

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

OMB No 1545-0041

For calendar year 2013, or tax year beginning _____, ending _____

2013

Do not send to the IRS. Keep for your records.

Information about Form 8879-C and its instructions is at www.irs.gov/form8879a.

Department of the Treasury
Internal Revenue Service

Name of corporation

Employer identification number

Part I Tax Return Information (Whole dollars only)

1	Total income (Form 1120, line 11)	73,644
2	Taxable income (Form 1120, line 30)	-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 intermediate 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 1-888-353-4837 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.

20443337531

do not enter all zeros

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

<h1 style="margin:0;">1120</h1> <p style="margin:0;">Form 1120 Department of the Treasury Internal Revenue Service</p>		<h2 style="margin:0;">U.S. Corporation Income Tax Return</h2> <p style="margin:0;">For calendar year 2012 or tax year beginning 2012, ending 2012 Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.</p>		<p style="margin:0;">OMB No. 1545-0047</p> <h1 style="margin:0;">2012</h1>	
<p>A Check all that apply:</p> <p>1a <input type="checkbox"/> Consolidated return (attach Form 9801)</p> <p>1b <input type="checkbox"/> LIFO reserve consolidated return</p> <p>2 <input type="checkbox"/> Personal holding company (attach Form 941)</p> <p>3 <input type="checkbox"/> Personal service corporation (see instructions)</p> <p>4 <input type="checkbox"/> Schedule M-3 attached</p>		<p>NAME XXXXXXXXXX</p> <p>TYPE OR PRINT XXXXXXXXXX</p> <p>NUMBER, STREET, AND ROOM OR SUITE NO. IF P.O. BOX, SEE INSTRUCTIONS. CITY OR TOWN, STATE, AND ZIP CODE HOLLAND AVE LANCASTER PA 17603</p>		<p>B Employer identification number XXXXXXXXXX</p> <p>C Date incorporated 10/01/2012</p> <p>D Total assets (see instructions) 101,897</p>	
		<p>E Check all that apply:</p> <p><input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> None change <input type="checkbox"/> Address change</p>			
<p>Income</p> <p>1a Gross receipts or sales 189,000</p> <p>1b Returns and allowances</p> <p>2 Cost of goods sold (attach Form 1125-A)</p> <p>3 Gross profit. Subtract line 2 from line 1a</p> <p>4 Dividends (Schedule C, line 18)</p> <p>5 Interest</p> <p>6 Gross rents</p> <p>7 Gross royalties</p> <p>8 Capital gain net income (attach Schedule D (Form 1120))</p> <p>9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)</p> <p>10 Other income (see instructions—attach statement)</p> <p>11 Total income. Add lines 3 through 10 189,000</p>		<p>1a 189,000</p> <p>1b</p> <p>2</p> <p>3 189,000</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11 189,000</p>		<p>1a 189,000</p> <p>2</p> <p>3 189,000</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11 189,000</p>	
<p>Deductions (See instructions for limitations on deductions)</p> <p>12 Compensation of officers (see instructions—attach Form 1125-E)</p> <p>13 Salaries and wages (less employment credits)</p> <p>14 Repairs and maintenance</p> <p>15 Bad debts</p> <p>16 Rents</p> <p>17 Taxes and licenses</p> <p>18 Interest</p> <p>19 Charitable contributions</p> <p>20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)</p> <p>21 Depletion</p> <p>22 Advertising</p> <p>23 Pension, profit-sharing, etc., plans</p> <p>24 Employee benefit programs</p> <p>25 Domestic production activities deduction (attach Form 9803)</p> <p>26 Other deductions (attach statement) SEE STATE 1</p> <p>27 Total deductions. Add lines 12 through 26 137,560</p> <p>28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 188,918</p> <p>29a Net operating loss deduction (see instructions)</p> <p>29b Special deductions (Schedule C, line 20)</p> <p>29c Add lines 29a and 29b 82</p>		<p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16 12,900</p> <p>17 31,232</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22 2,696</p> <p>23</p> <p>24</p> <p>25</p> <p>26 137,560</p> <p>27 188,918</p> <p>28 82</p> <p>29a</p> <p>29b</p> <p>29c 82</p>		<p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16 12,900</p> <p>17 31,232</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22 2,696</p> <p>23</p> <p>24</p> <p>25</p> <p>26 137,560</p> <p>27 188,918</p> <p>28 82</p> <p>29a</p> <p>29b</p> <p>29c 82</p>	
<p>Tax, Refundable Credits, and Payments</p> <p>30 Taxable income. Subtract line 29c from line 28 (see instructions)</p> <p>31 Total tax (Schedule J, Part I, line 11) 12</p> <p>32 Total payments and refundable credits (Schedule J, Part II, line 21)</p> <p>33 Estimated tax penalty (see instructions). Check if Form 2220 is attached</p> <p>34 Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed 12</p> <p>35 Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid</p> <p>36 Enter amount from line 35 you want: Credited to 2013 estimated tax 12</p>		<p>30</p> <p>31 12</p> <p>32</p> <p>33</p> <p>34 12</p> <p>35</p> <p>36 12</p>		<p>30</p> <p>31 12</p> <p>32</p> <p>33</p> <p>34 12</p> <p>35</p> <p>36 12</p>	
<p>Sign Here</p> <p>Signature of officer XXXXXXXXXX Date 08/19/14 Title XXXXXXXXXX</p>		<p>Preparer's signature XXXXXXXXXX Date 08/19/14 Check <input checked="" type="checkbox"/> if self-employed PTIN XXXXXXXXXX</p>		<p>Preparer's name XXXXXXXXXX Firm's name XXXXXXXXXX Firm's address XXXXXXXXXX Phone no XXXXXXXXXX</p>	

For Paperwork Reduction Act Notice, see separate instructions.

Form 1120 (2012)

1120Form
Department of the Treasury
Internal Revenue Service**U.S. Corporation Income Tax Return**For calendar year 2013 or tax year beginning ending
Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

OMB No. 1545-0123

2013

A Check if: 1a Consolidated return (attach Form 990) <input type="checkbox"/> 1b Nonconsolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>	TYPE OR PRINT Name Number, street, and room or suite no. if P.O. box; see instructions HOLLAND AVE City or town, state, or province, country and ZIP or foreign postal code LANCASTER PA 17603	B Employer identification number 	C Date incorporated 10/01/2012
			D Total assets (see instructions) 5 278,999
		E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change	

Income	1a Gross receipts or sales	1a	510,900	1c	510,900
	b Returns and allowances	1b		2	437,256
	c Balance. Subtract line 1b from line 1a			3	73,644
	2 Cost of goods sold (attach Form 1125-A)			4	
	3 Gross profit. Subtract line 2 from line 1c			5	
	4 Dividends (Schedule C, line 18)			6	
	5 Interest			7	
	6 Gross rents			8	
	7 Gross royalties			9	
	8 Capital gain net income (attach Schedule D (Form 1120))			10	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			11	73,644
10 Other income (see instructions—attach statement)			12	5,530	
11 Total income. Add lines 3 through 10			13		
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (see instructions—attach Form 1125-E)			14	
	13 Salaries and wages (see employment credits)			15	
	14 Repairs and maintenance			16	
	15 Bad debts			17	13,674
	16 Rents			18	31,232
	17 Taxes and licenses			19	
	18 Interest			20	439
	19 Charitable contributions			21	
	20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			22	6,580
	21 Depletion			23	
	22 Advertising			24	
	23 Pension, profit-sharing, etc., plans			25	
	24 Employee benefit programs			26	16,659
	25 Domestic production activities deduction (attach Form 9903)			27	74,114
26 Other deductions (attach statement)		See Stmt 1	28	-470	
27 Total deductions. Add lines 12 through 26			29a		
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			29b		
29a Net operating loss deduction (see instructions)			29c		
b Special deductions (Schedule C, line 20)			30	-470	
c Add lines 29a and 29b			31	0	
Tax, Refundable Credits, and Payments	30 Taxable income. Subtract line 29c from line 28 (see instructions)			32	
	31 Total tax (Schedule J, Part I, line 11)			33	
	32 Total payments and refundable credits (Schedule J, Part II, line 21)			34	
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>			35	
	34 Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed			36	
	35 Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid				
	36 Enter amount from line 35 you want credited to 2014 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>				

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.

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No

Signature of officer

Date

Title

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☒ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no.

Form 1120		U.S. Corporation Income Tax Return		OMB No. 1545-0047	
Department of the Treasury Internal Revenue Service		For calendar year 2012 or tax year beginning ending		2012	
1 Check if: <input type="checkbox"/> Consolidated return (attach Form 981) 2 Personal holding co. (attach Form 970) 3 Personal service corp. (see instructions) 4 Schedule M-3 attached		NAME TYPE OR PRINT HOLLAND AVE LANCASTER PA 17603		Employer identification number Date incorporated 10/01/2012	
5 Check if: <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Name change <input type="checkbox"/> Address change		Total assets (see instructions) 101,897			
1a Gross receipts or sales 1a 189,000 b Returns and allowances 1b c Balance. Subtract line 1b from line 1a 1c 189,000 2 Cost of goods sold (attach Form 1125-A) 2 3 Gross profit. Subtract line 2 from line 1c 3 189,000 4 Dividends (Schedule C, line 19) 4 5 Interest 5 6 Gross rents 6 7 Gross royalties 7 8 Capital gain net income (attach Schedule D (Form 1120)) 8 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) 9 10 Other income (see instructions—attach statement) 10 11 Total income. Add lines 3 through 10 11 189,000		12 Compensation of officers (see instructions—attach Form 1125-E) 12 4,530 13 Salaries and wages (less employment credits) 13 14 Repairs and maintenance 14 15 Bad debts 15 16 Rents 16 12,900 17 Taxes and licenses 17 31,232 18 Interest 18 19 Charitable contributions 19 20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) 20 21 Depletion 21 22 Advertising 22 2,696 23 Pension, profit-sharing, etc., plans 23 24 Employee benefit programs 24 25 Domestic production activities deduction (attach Form 8803) 25 26 Other deductions (attach statement) 26 SEE STATE 1 27 Total deductions. Add lines 12 through 26 27 188,918 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 28 82 29a Net operating loss deduction (see instructions) 29a b Special deductions (Schedule C, line 20) 29b c Add lines 29a and 29b 29c		30 Taxable income. Subtract line 29c from line 28 (see instructions) 30 82 31 Total tax (Schedule J, Part I, line 11) 31 12 32 Total payments and refundable credits (Schedule J, Part II, line 21) 32 33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> 33 34 Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed 34 12 35 Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid 35 36 Enter amount from line 35 you want: Credited to 2013 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/> 36	
Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and in 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 of officer _____ Date _____ Title _____		May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Paid Preparer Use Only Print/Type preparer's name _____ Preparer's signature _____ Date 08/19/14 <input checked="" type="checkbox"/> self-employed <input type="checkbox"/> PTIN _____ Firm's name _____ Firm's address _____ Phone no. _____					

For Paperwork Reduction Act Notice, see separate instructions.

Form 1120 (2012)

Form

1125-A

(Rev. December 2012)

Department of the Treasury
Internal Revenue Service**Cost of Goods Sold**▶ 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.

OMB No. 1545-2225

Name

Employer identification number

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 writedown of subnormal goods ▶ ☐**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐**d** If the LIFO inventory method was used for this tax year, enter the amount of closing inventory computed under LIFO

9d

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

For Paperwork Reduction Act Notice, see Instructions.

Form **1125-A** (Rev. 12-2012)

Federal Statements

8/19/2014 6:19 PM

Page 1

FYE: 12/31/2012

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
PRODCUCT RESEARCH, LAB FEE	64,000
NEW TECHNOLOGY DISCOVERY RSCH	25,990
TOTAL	<u>\$ 137,560</u>