



Government of the District of Columbia  
Office of the Chief Financial Officer  
Office of Tax and Revenue



# Qualified High Technology Companies

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## **QUALIFIED HIGH TECHNOLOGY COMPANIES AND TAX BENEFITS**

Pursuant to the New E-Conomy Transformation Act of 2000 (the Act) certain District of Columbia tax benefits are available to Qualified High Technology Companies for tax years beginning after December 31, 2000.

### **A Qualified High Technology Company (QHTC) is one which –**

- a) Is an individual or entity organized for profit;
- b) Maintains an office, headquarters, or base of operations in the District of Columbia;
- c) Has 2 or more employees in the District;
- d) Receives at least 51% of its gross revenue from one or more of certain “permitted” activities (D.C. Code 47-1817.1(5)(A)(iii));
- e) Does not receive 51% or more of its gross revenue from operating a retail store or electronic equipment facility in the District;
- f) Is appropriately registered as a business in the District; and
- g) Is current in all District tax filing requirements and payment obligations.

### **Permitted Activities include —**

- Internet-related services and sales including website design, maintenance, hosting, or operation;
- Internet-related training, consulting, advertising, or promotion services; the development, rental, lease, or sale of Internet-related applications, connectivity, or digital content; or products and services that may be considered e-commerce;
- Information and communication technologies, equipment and systems that involve advanced computer software and hardware, data processing, visualization technologies, or human interface technologies, whether deployed on the Internet or other electronic or digital media;
- Advanced materials and processing technologies that involve the development, modification, or improvement of one or more materials or methods to produce devices and structures with improved performance characteristics or special functional attributes, or to activate, speed up, or otherwise alter chemical, biochemical, or medical processes;
- Engineering, production, biotechnology and defense technologies that involve knowledge-based control systems and architectures; advanced fabrication and design processes, equipment, and tools; or propulsion, navigation, guidance, nautical, aeronautical and astronomical ground and airborne systems, instruments, and equipment; and
- Electronic and photonic devices and components for use in producing electronic, optoelectronic, mechanical equipment and products of electronic distribution with interactive media content.

### **TAX BENEFITS**

The various credits and other tax benefits available to a QHTC are –

#### **Tax Credits for**

- Costs of retraining qualified disadvantaged employees;
- Wages paid to qualified disadvantaged employees;
- Wages paid to qualified employees; and
- QHTC payments for employee relocation costs.

#### **Other Tax Benefits**

- Exemption from sales and use tax;
- Reduction of corporate franchise tax rate;
- Partial exemption from the personal property tax
- Exemption for 5 years from D.C. corporate franchise tax when located in designated high technology development zones;
- Increased deduction for Internal Revenue Code (IRC) section 179 property;
- Deductions for leasehold improvements made by a tenant QHTC;
- Exclusion of capital gains from taxation for qualified assets held more than 5 years; and
- Rollover (deferral) of certain capital gains

### **Claiming QHTC Tax Benefits**

To be eligible to claim a tax credit or any of the other tax benefits available under the Act a claimant must attach to its District corporate franchise tax return (Form D-20) a QHTC-CERT (or FP-31 Personal Property or FR-800A,M Sales and Use Tax where appropriate) certifying in good faith that it meets all of the conditions required of a QHTC. Do not file for certification before January 1 of 2002. If the certification is not made in good faith a penalty may be imposed.

### **TAX CREDITS AVAILABLE TO QHTCS**

#### ***Retraining Costs for Qualified Disadvantaged Employees (refundable credit)***

#### ***Wages Paid to Qualified Disadvantaged Employees (nonrefundable credit)***

#### **I. Who is a Qualified Disadvantaged Employee:**

- a) A District resident and
- b) A recipient of Temporary Assistance for Needy Families (TANF); or
- c) A recipient of TANF in the period immediately preceding employment; or
- d) A person released from incarceration within twenty four months before the date of employment by a QHTC; or
- e) An employee hired, or relocated to the District, after December 31, 2000, and for whom a QHTC is eligible to claim the Welfare to Work Tax Credit or the Work Opportunity Tax Credit under IRC section 51. (Note: these two federal credits expired at the end of 2001. They may or may not be extended.)