



# SMALL BUSINESS CAPITAL COMPANY REPORT FOR INVESTORS

FORM **527-A** 2011

The Small Business Capital Company must file Form 527 before this credit will be allowed.

A copy of this form must be enclosed with the investor's income tax return if the credit is claimed.

This form must be furnished to the investor by January 31st. See instructions for further information.

Social Security Number or Federal Employer Identification Number _____  Name of Investor _____  Address _____  City _____ State _____ Zip _____	Federal Employer Identification Number _____  Name of Small Business Capital Company: _____  Address _____  City _____ State _____ Zip _____  Telephone Number _____
<b>See Tax Credit Moratorium on page 2.</b>	

**PART 1: ESTABLISHING THE SMALL BUSINESS CAPITAL CREDIT FOR INVESTORS FILING ON A FISCAL YEAR BASIS**

(1) Date of Investment	(2) Total Investment in, or in conjunction with, the Small Business Capital Company	(3) Total Credit Available (Column 2 x 20%)	(4) Credit Allowable in 2011 on investments made on or after 1/1/2012

**Total Credit Allowable in 2011** \_\_\_\_\_

Carry the credit claimed this year to Form 511CR. If the entire credit is not being claimed this year, complete Part 2 for the subsequent carryover years.

Under penalties of perjury, I declare I have examined this return, including accompanying statements, and to the best of my knowledge and belief it is true, accurate and complete.

Officer, General Partner or Member of the Small Business Capital Company: \_\_\_\_\_ Date: \_\_\_\_\_

**PART 2: 2011 CREDIT CARRYOVER**

1. Total credit allowable in 2011..... 1.

2. Credits used in prior years:

Year	Amount
(a) 2011	\$ _____
(b) 2012	\$ _____
(c) 2013	\$ _____

Total credits used prior to this year..... 2.

3. Unused credit available (line 1 less line 2) ..... 3.

4. Credit claimed this year, \_\_\_\_\_ (carry to Form 511CR) ..... 4.

5. Unused balance carryover (line 3 less line 4) (three year carryover limit)..... 5.


## INSTRUCTIONS AND GUIDELINES FOR PREPARING SMALL BUSINESS CAPITAL COMPANY REPORT FOR INVESTORS

68 Oklahoma Statutes (OS) Sec. 2357.60-2357.65 and Rule 710:50-15-86

### Tax Credit Moratorium

No credit may be claimed for qualified investments in Oklahoma small business ventures during the period of June 1, 2010 through December 31, 2011. No amount of qualified investment made in a qualified small business capital company which has not been invested in one or more Oklahoma small business ventures prior to June 1, 2010 is eligible for any credit otherwise authorized, and no investment made during the moratorium is eligible for a credit.

**Note:** Credit Carryover - Credits established before June 1, 2010 are eligible to be claimed under normal carryover provisions, if applicable.

### Part 1 – Establishing the Credit

**Column 1:**

List the date(s) the investor invested in, or in conjunction with, the Small Business Capital Company.

**Column 2:**

List the total amount(s) invested in, or in conjunction with, the Small Business Capital Company. Any funds invested in an Oklahoma Small Business Venture shall be subject to the following requirements:

1. The Oklahoma Small Business Venture must issue its equity securities or subordinated debt instruments in exchange for a qualified investment within 30 days of the date as of which the investment occurs;
2. The qualified Small Business Capital Company or any entity making an investment in conjunction with investment by a qualified Small Business Capital Company must reflect the documented qualified investment in the Oklahoma Small Business Venture as an asset in its accounting system;
3. The qualified Small Business Capital Company shall not make a qualified investment in an Oklahoma Small Business Venture in which it has, at any time, more than 50% ownership, whether directly or indirectly, of the voting interest entitled to elect the governing board of any Oklahoma Small Business Venture in which a qualified investment is to be made by the qualified Small Business Capital Company; and
4. Neither the qualified Small Business Capital Company nor the Oklahoma Small Business Venture can enter into any agreement, whether formal or informal, written or unwritten, the purpose of which is to control, directly or indirectly, the return of a specific amount of qualified investment by the Oklahoma Small Business Venture to the qualified Small Business Capital Company or the purpose of which is to cause or require the transfer of such specific amount of qualified investment to any other entity within five years of the date the qualified investment is made available to the Oklahoma Small Business Venture.

**Column 3:**

Compute the total Credit available. Multiply the figure in column 2 by 20%.

**Note:** If a pass-through entity is entitled to the credit, the pass-through entity shall allocate such credit to one or more of the shareholders, partners or members of the pass-through entity, provided the total of all credits allocated shall not exceed the amount of the credit to which the pass-through entity is entitled. The credit may only be claimed for funds borrowed by the pass-through entity to make a qualified investment if a shareholder, partner or member to whom the credit is allocated has an unlimited and continuing legal obligation to repay the borrowed funds but the allocation may not exceed such shareholder's, partner's or member's pro-rata equity share of the pass-through entity even if the taxpayer's legal obligation to repay the borrowed funds is in excess of such amount.

**Column 4:**

List the amount of such credit eligible to be claimed this year. The credit for investments made in a Small Business Capital Company may only be claimed for a taxable year during which such company invests funds in an Oklahoma Small Business Venture and the credit shall be allowed only for the amount of the funds invested in such venture. The credit for investments made in conjunction with the Small Business Capital Company may be claimed in the year in which such investments were made.

**Note:** If a pass-through entity is entitled to the credit, the pass-through entity shall provide to each partner, shareholder or member, documentation showing their share of the "total credit allowable in 2011". Such documentation must be provided with the partner's, shareholder's or member's income tax return when their share of the credit is being claimed.

**INSTRUCTIONS AND GUIDELINES FOR PREPARING  
SMALL BUSINESS CAPITAL COMPANY REPORT FOR INVESTORS**  
68 OS Sec. 2357.60-2357.65 and Rule 710:50-15-86

**Credits**

There shall be allowed a credit equal to 20% of a qualified investment in a qualified Small Business Capital Company which is subsequently invested in an Oklahoma Small Business Venture. The credit may only be claimed in the tax year in which the Small Business Capital Company makes the qualified investment in an Oklahoma Small Business Venture if the funds are used in pursuit of a legitimate business purpose of the Oklahoma Small Business Venture consistent with its organizational instrument, bylaws or other agreement responsible for the governance of the Small Business Venture. If the tax credit exceeds the amount of tax liability, the amount of unused credit may be carried forward for a period not to exceed three years.

There shall also be allowed a credit equal to 20% of the investment in Oklahoma Small Business Ventures in conjunction with qualified investment in such ventures made by a qualified Small Business Capital Company. To qualify for the credit, a qualified investment shall be:

1. Made by a shareholder or partner of a qualified Small Business Capital Company that has made a qualified investment in an Oklahoma small business venture;
2. Invested in the purchase of equity or near-equity in an Oklahoma Small Business Venture;
3. Made under the same terms and conditions as the qualified investment made by the qualified Small Business Capital Company; and
4. Limited to the lesser of:
  - a. 200% of any qualified investment by the taxpayer in the qualified Small Business Capital Company, or
  - b. 200% of any qualified investment made by the qualified Small Business Capital Company in the Oklahoma Small Business Venture.

If the tax credit exceeds the amount of tax liability, the amount of unused credit may be carried forward for a period not to exceed three years.

The credit shall be allowed against income tax imposed by Section 2355 or the bank "in lieu" tax imposed by Section 2370.

No credit will be allowed for qualified investments made prior to January 1, 1998 or from June 1, 2010 to December 31, 2011, nor for the same qualified investment for which a Rural Small Business Capital Credit is claimed under Section 2357.73 or 2357.74.

**Recapture**

The Oklahoma Tax Commission is authorized to recapture the credit if it finds that the transaction does not meet the requirements of the Small Business Capital Formation Incentive Act.

**Reporting Requirement**

The Small Business Capital Company must furnish this form to the investor by January 31st of the year following when the investment becomes eligible for the credit. A copy must be enclosed with the investor's income tax return if the credit is claimed. If the investor is a partnership, S-Corporation or other pass-through entity, such entity must provide to each partner, shareholder or member documentation showing their share of the "total credit allowed in 2011". Such documentation must be provided with the partner's, shareholder's or member's income tax return when their share of the credit is being claimed.

**Part 2 – 2011 Credit Carryover**

The credit not used may be carried over, in order, to each of the three years following the year in which the credit was eligible to be claimed. Complete Part 2 to compute the amount of the 2011 credit carryover to be used in each of the next three subsequent years. Keep a copy of this form to file with your return for each such year in which the 2011 credit carryover is claimed.

**Notice**

**Effective July 1, 2011**

Tax credits transferred or allocated must be reported on Oklahoma Tax Commission Form 569. Failure to file Form 569 will result in the affected credits being denied by the Oklahoma Tax Commission pursuant to 68 OS Sec. 2357.1A-2.