

■ Financing

Financing

■ BOND FINANCING

FAIRFAX COUNTY

Fairfax County Economic Development Authority (FCEDA)

Industrial Revenue Bond Financing

The Fairfax County Economic Development Authority has the legislative authority to issue private activity tax-exempt bonds to finance the acquisition of land, building and new capital equipment for certain businesses and nonprofit organizations located in Fairfax County. These Industrial Revenue Bonds (IRBs) are available to 501(c)(3) nonprofit organizations and small manufacturing businesses that meet the qualifications and restrictions defined in the U.S. Tax Code.

The FCEDA's experience with this type of financing enables applications to be processed in a short period of time, with significant cost savings to the borrower. Any business or organization interested in such financing should first seek counsel from a professional accountant and an attorney.

For more information, contact:

Fairfax County Economic Development Authority
8300 Boone Boulevard, Suite 450
Vienna, VA 22182
Tel: 703-790-0600, TTY: 711; Fax: 703-893-1269
E-mail: info@fceda.org
www.FairfaxCountyEDA.org

VIRGINIA

Virginia Department of Business Assistance— Virginia Small Business Financing Authority (VSBFA)

The Virginia Department of Business Assistance Financial Services Division administers the programs of the Virginia Small Business Financing Authority (VSBFA) which provides financial assistance to Virginia businesses. VSBFA professionals work with businesses, bankers, economic developers and other state agencies to provide direct funding and credit enhancements through a variety of financing programs. Bond financing programs are highlighted in this section. Loan and loan guaranty financing programs are discussed on pages 51-56.

Industrial Development Bonds (IDB) and the Umbrella IDB Program

The VSBFA issues both tax-exempt and taxable IDBs statewide to provide creditworthy businesses with access to long-term, fixed-asset financing at favorable

interest rates and terms. IDBs may be used to finance the acquisition, construction and equipping of manufacturing facilities or qualified “exempt” projects such as solid waste disposal facilities. Taxable bonds (exempt from state income tax only) may also be issued through VSBFA for economic development projects. In addition, VSBFA offers the Umbrella IDB Program, which can provide a cost-effective means for small businesses to access the low-interest, tax-exempt bond market to finance their manufacturing projects. Through the program, IDB projects are brought under an umbrella of standard documentation and uniform credit enhancement. The bonds are sold to the public through VSBFA’s placement agent.

501(c)(3) Tax Exempt Bonds

Organizations certified as 501(c)(3) by the Internal Revenue Service (generally charitable entities) are eligible to apply for bond financing through the VSBFA. 501(c)(3) organizations may use bond proceeds to cover costs associated with the construction or acquisition of land and buildings, and for the purchase of other capital assets including equipment. There is no dollar cap on 501(c)(3) facilities bonds. Lenders set pricing and structure.

For more information, contact:

Virginia Department of Business Assistance
Financial Services Division
707 East Main Street, Suite 300
P.O. Box 446
Richmond, VA 23218-0446
Tel: 804-371-8254, TTY: 711; Fax: 804-225-3384
www.dba.virginia.gov/financing

Fairfax County Economic Development Authority
8300 Boone Boulevard, Suite 450
Vienna, VA 22182
Tel: 703-790-0600, TTY: 711; Fax: 703-893-1269
E-mail: info@fceda.org
www.FairfaxCountyEDA.org

■ EQUITY FINANCING

FAIRFAX COUNTY

Fairfax County Economic Development Authority (FCEDA)

Capital Attraction Program

The Fairfax County Economic Development Authority’s Capital Attraction Program enhances the county’s visibility as a location for entrepreneurs to start and grow their businesses. The program helps grow the county’s market share in the attraction of venture capital with initiatives designed to increase seed and early-stage investments in privately held emerging companies located in Fairfax County. The FCEDA publishes a

fact sheet listing Fairfax County-based venture capital firms, equity investment organizations and selected venture capital events in the mid-Atlantic region.

For more information, contact:

Fairfax County Economic Development Authority
Capital Attraction Program
8300 Boone Boulevard, Suite 450
Vienna, VA 22182
Tel: 703-790-0600, TTY: 711; Fax: 703-893-1269
E-mail: info@fceda.org
www.FairfaxCountyEDA.org

VIRGINIA

Center for Innovative Technology (CIT)

Growth Acceleration Program (GAP)

The Center for Innovative Technology offers up to \$100,000 in GAP funding to early-stage tech companies with a high potential for technology commercialization, rapid growth and downstream private equity financing. Financing comes in the form of convertible notes, with outstanding principal and interest converting to a CIT equity position in the firm at the time of a qualifying financing event. CIT may attach warrants to GAP investments as a function of loan term, interest rate and payment schedule.

In order to qualify for CIT's GAP Fund, the applicant must:

- have headquarters and significant portion of operations located in Virginia, or must agree to relocate to Virginia;
- be involved in one or more of the following sectors: information technology, communications, biotechnology, nanotechnology, materials or sensors;
- have a high-potential prospect for commercialization and follow-on funding;
- have a complete business plan; or
- provide evidence of a one-to-one match for requested GAP funding.

CIT also provides other technical assistance and support to Virginia technology firms. (See page 48 in the Finance section and pages 82-83 in the Services and Resources section for more details.)

Virginia Venture Calendar

The Virginia Venture Calendar (www.cit.org/newsletters.asp) is a monthly electronic newsletter with information on venture capital/equity financing events in the eastern U.S.

For more information, contact:

Center for Innovative Technology
2214 Rock Hill Road, Suite 600
Herndon, VA 20170-4200
Tel: 703-689-3080; TTY: 711; Fax: 703-464-1715
www.cit.org

WASHINGTON, D.C., REGION

Mid-Atlantic Venture Association

The Mid-Atlantic Venture Association (MAVA) sponsors a variety of events designed to promote the interaction between providers of private equity, service providers and entrepreneurs in the mid-Atlantic region.

For more information, contact:

Mid-Atlantic Venture Association
1600 Tysons Boulevard, Suite 575
McLean, VA 22102
Tel: 703-506-9300, TTY: 711; Fax: 506-9300
E-mail: mava@mava.org
www.mava.org

FEDERAL

U.S. Small Business Administration

Small Business Investment Company (SBIC) Program

SBICs—licensed and regulated by the U.S. Small Business Administration—are privately owned and managed investment firms that use their own capital, plus funds borrowed at favorable rates with an SBA guaranty, to make venture capital investments in small businesses. Most SBICs are profit-motivated businesses and provide equity capital, long-term loans, debt-equity investments and management assistance to qualifying small businesses. A directory of licensed SBIC companies can be found on the SBA's Web site at www.sba.gov/inv.

Specialized Small Business Investment Company (SSBIC) Program

SSBICs operate the same way as SBICs. However, SSBICs are entitled to additional government leverage in return for agreeing to invest in, or loan to, small businesses owned by people who are socially or economically disadvantaged.

For more information, contact:

U.S. Small Business Administration
409 3rd Street, SW, Investment Division, 6th Floor
Washington, D.C. 20416
SBA Answer Desk (toll-free): 800-827-5722
SBIC/SSBIC Programs: 202-205-6510
TTY: 800-877-8339
E-mail: sbic@sba.gov
www.sba.gov/inv

■ GRANTS/AWARDS

VIRGINIA

Center for Innovative Technology (CIT)

Federal Proposal Assistance Awards

Funding assistance is available to qualifying companies to help pay for Phase I and II proposal preparation and review for federal Small Business Innovative Research (SBIR), Small Business Technology Transfer Program (STTR) and Advanced Technology Program grants. Qualifying companies are those Virginia companies that lack proposal preparation experience and the necessary financial resources to hire experienced and successful grant writing consultants. This award can also be used to develop commercialization plans and market studies in support of SBIR/STTR projects. There is a \$1,000 maximum award for Phase I, and \$2,000 for Phase II. A 1:2 cash match ratio is required from the company. (See pages 82-83 for additional information on technical business assistance and support programs offered by CIT).

For more information, contact:

Center for Innovative Technology
2214 Rock Hill Road, Suite 600
Herndon, VA 20170
Tel: 703-689-3000, TTY: 711; Fax: 703-464-1719
E-mail: awards@cit.org
www.cit.org/federal_funding-04.asp

Virginia Economic Development Partnership

Governor's Opportunity Fund

The Governor's Opportunity Fund supports economic development projects that create new jobs and investment. Funds can be used for such activities as site acquisition and development, transportation access, training, construction, and build-out of publicly owned buildings. The fund is not a routinely accessed financing mechanism. Grants are made at the discretion of the governor.

For more information, contact:

Virginia Economic Development Partnership—Northern Virginia Office
8300 Boone Boulevard, Suite 450
Vienna, VA 22182
Tel: 703-506-1030; Fax: 703-506-1033
E-mail: mhowley@yesvirginia.org

Virginia Economic Development Partnership
901 East Byrd Street
P.O. Box 798
Richmond, VA 23218-0798
Tel: 804-545-5700, TTY: 711; Fax: 804-545-5701
www.yesvirginia.org

FEDERAL

U.S. Department of Commerce

Advanced Technology Program

The Advanced Technology Program (ATP), administered by the National Institute of Standards and Technology, an agency of the U.S. Department of Commerce, accelerates the development of early-stage, innovative technologies by bridging the gap between research labs and commercial markets with cost-shared funding to industry.

ATP accepts proposals only in response to specific, published solicitations. For-profit companies can conceive, propose, co-fund and execute ATP projects and programs in partnerships with academia, nonprofit organizations and federal labs. Awards are made based on rigorous peer-reviewed competitions. Selection is based on criteria specified in the ATP proposal preparations kit. ATP does not fund product development.

To date, more than half of ATP awards have gone to individual small businesses or to joint ventures led by small businesses. All industries and all fields of science and technology are eligible to compete for ATP awards.

Notices of ATP competitions are published in the Federal Register and posted on the Web sites www.atpnist.gov and www.grants.gov. To be added to the ATP mailing list, call the ATP automated hotline (1-800-ATP-FUND) or fill out an electronic request form available at www.atp.nist.gov/atp/atpform.htm.

For more information, contact:

Advanced Technology Program
National Institute of Standards and Technology
100 Bureau Drive, STOP 4701
Gaithersburg, MD 20899-4701
Toll-free: 800-ATP-FUND (800-287-3863); TTY: 301-975-8295
E-mail: atp@nist.gov
www.atp.nist.gov

U.S. Department of Energy

Inventions and Innovations Program

The U.S. Department of Energy's Inventions and Innovation Program provides financial and technical assistance to individual inventors and small businesses for promising energy-saving concepts and technologies with future commercial market potential. Selected technologies receive grant funding through a competitive process. Assistance is provided at two levels: up to \$50,000 for technologies in early-stage development and up to \$250,000 for technologies approaching the point of prototype development.

For more information, contact:

U.S. Department of Energy—Inventions and Innovation
1000 Independence Avenue, SW
Washington, D.C. 20585-0121
Tel: 202-586-2212; Fax: 202-586-7114
www.eere.energy.gov/inventions

U.S. Small Business Administration

Small Business Innovation and Research Program

The U.S. Small Business Administration (SBA) Small Business Innovation Research (SBIR) Program is designed to increase the participation of small businesses in federal research and development. Federal agencies with research and development budgets greater than \$100 million are required to establish SBIR programs and reserve 2.5 percent of their research and development budget for competitively selected awards to small businesses. Small businesses may submit technical proposals to SBIR solicitations issued by the following participating agencies:

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

The SBIR program consists of three phases, with varying monetary awards. Only American-owned and independently operated, for-profit businesses with 500 or fewer employees are eligible for an SBIR award. The principal researcher involved with an SBIR proposal/award must be employed by the business.

The SBA serves as the coordinating agency for this program. Individual agencies issue solicitations requesting proposals for SBIR funding.

See also Center for Innovative Technology—SBIR/STTR proposal assistance programs, page 48.

Small Business Technology Transfer Program

The Small Business Technology Transfer Program (STTR) is a competitive awards program targeted toward joint venture opportunities between small business and the nation's leading nonprofit research institutions. Each year, five federal departments and agencies are required by STTR to reserve a portion of their research and development (R&D) funds for awards to small business/nonprofit research institution partnerships. The following agencies designate R&D topics and accept proposals:

- Department of Defense
- Department of Energy
- Department of Health and Human Services
- National Aeronautics and Space Administration
- National Science Foundation

Domestic, for-profit businesses with 500 or fewer employees are eligible to participate in the STTR program. The principal researcher need not be employed by the small business participating in an STTR-funded project. Nonprofit research institutions must be based in the U.S. and must be a nonprofit college or university, nonprofit research organization or a federally funded R&D center.

Following submission of proposals, agencies make STTR awards based on small business/nonprofit research institution qualification, degree of innovation and future market potential. Accepted small businesses then begin a three-phase program with varying monetary awards.

The SBA serves as the coordinating agency for the program.

See also *Center for Innovative Technology—SBIR/STTR proposal assistance programs*, page 48.

For more information, contact:

U.S. Small Business Administration
Office of Technology
409 3rd Street, SW
Washington, D.C. 20416
Tel: 202-205-6450; TTY: 800-877-8339
www.sba.gov/sbir

■ LOANS/LOAN GUARANTY

FAIRFAX COUNTY

Community Business Partnership (CBP)

Hispanic Equipment Loan

The Hispanic Equipment Loan Program provides direct loans of \$2,000 to \$10,000 to Hispanic-owned businesses in the Washington metropolitan area for equipment purchase. Repayment period is from six months to two years.

Micro-Loan Program

The CBP's (CBP) Micro-Loan Program provides direct loans to benefit low- to moderate-income individuals in Fairfax County. Loans from \$3,500 to \$25,000 are made to qualified applicants. Loan proceeds can be used to purchase business machines and equipment, hire employees, purchase inventory, pay for marketing expenses and other uses.

Business owners who meet at least one of the following criteria are eligible to apply for direct or guaranteed financing:

- The business owner has low-to-moderate income and is starting or expanding a business in Fairfax County.

- The business owner, regardless of income, is starting or expanding a business in Fairfax County and as a result of the loan, will hire low-to-moderate income individuals from within the county.
- The business owner, regardless of income, is starting or expanding a business in Fairfax County that provides services to low-to-moderate income individuals within the county.

Small Office Home Office Loans

CBP provides technical assistance to applicants seeking a Small Office/Home Office Loan from the U.S. Small Business Administration. See *page 55 for details on this loan program.*

For more information, contact:

Community Business Partnership, Business Finance Center
 7001 Loisdale Road, Suite C
 Springfield, VA 22150
 Tel: 703-768-1440, TTY: 711; Fax: 703-768-0547
 E-mail: pleitch@gmu.edu
www.cbponline.org

VIRGINIA

Business Finance Group, Inc.

Business Finance Group, Inc. (BFG) is a private, nonprofit certified development company of the U.S. Small Business Administration. BFG specializes in assisting small businesses that will create jobs as a result of their expansions.

Through its 504 Loan Program, BFG finances fixed assets for eligible small businesses. Assets that qualify include the purchase of land, machinery and equipment (with at least a 10-year life), and the purchase, construction or renovation of an owner-occupied building or for soft costs (appraisals, environmental studies, construction period interest, and closing costs).

For more information, contact:

Business Finance Group, Inc.
 4165 Chain Bridge Road
 Fairfax, VA 22030
 Tel: 703-352-0504, TTY: 711; Fax: 703-352-9100
www.businessfinancegroup.org

Additional SBA 504 lenders authorized to provide financing in northern Virginia include:

Mid-Atlantic Business Finance Company
 1410 North Crain Highway, Suite B
 Glen Burnie, MD 21061
 Tel: 800-730-0017, TTY: 711; Fax: 410-863-7446
www.mabfc.com

Chesapeake Business Finance Corporation
1101 30th Street, NW, Suite 500
Washington, D.C. 20007
Tel: 202-342-2973, TTY: 711, Fax: 202-342-0389
www.chesapeake504.com

Virginia Department of Business Assistance— Virginia Small Business Financing Authority (VSBFA)

Child Day Care Financing Program

VSBFA provides direct loans at below-market rates to regulated child day care providers for quality enhancement projects or to meet or maintain child care standards. Loan uses include infant care equipment or equipment needed to care for children with special needs; playground improvements; upgrades or minor renovations to kitchens, bathrooms, and plumbing and electrical systems; and vehicles for child day-care centers. Family home providers and child daycare centers are eligible for financing. Family home providers can borrow up to \$5,000 for a term of up to five years. Child day care centers can borrow up to \$50,000 for terms of up to five years.

Small Business Environmental Compliance Assistance Fund (ECAF)

ECAF is an initiative established to assist small businesses and agribusinesses in their voluntary compliance efforts to improve air and water quality, and/or implement Agricultural Best Management Practices (BMPs). This direct loan program can provide for up to \$100,000 in financing at a 3 percent interest rate to finance equipment to comply with the Federal Clean Air Act, equipment to implement voluntary pollution prevention measures, and equipment or structures to implement agricultural BMPs. Terms can be up to 10 years or the life of the equipment.

Loan Guaranty Program

This program is designed to reduce the risk to banks in making loans, thereby increasing the availability of short-term capital for small businesses. Under the program, VSBFA will guarantee up to \$500,000 or 75 percent, whichever is less, of a bank loan. Typical borrowings include revolving lines of credit to finance accounts receivable and inventory, and short-term loans for working capital and fixed-asset purchases such as office or research equipment.

For additional information on other Virginia Department of Business Assistance financial services and business assistance programs, see pages 84-85 in the Services and Resources section and pages 44-45 of the Finance section of this book.

For more information, contact:

Virginia Department of Business Assistance, Financial Services Division
707 East Main Street, Suite 300
P.O. Box 446
Richmond, VA 23218-0446
Tel: 804-371-8254, TTY: 711; Fax: 804-225-3384
www.dba.virginia.gov/financing

Virginia Department of Minority Business Enterprise

Providing Access to Capital for Entrepreneurs (PACE) Program

PACE provides working capital to expand businesses of disadvantaged entrepreneurs who might not otherwise qualify for conventional bank financing.

For more information, contact:

Virginia Department of Minority Business Enterprise
200-202 North 9th Street, 11th Floor
Richmond, VA 23219
Toll-free (VA only): 800-223-0671, TTY: 711; Fax: 804-786-9736
www.dmb.e.virginia.gov

FEDERAL

U.S. Small Business Administration

The U.S. Small Business Administration (SBA) offers a number of financing programs for many different business purposes, such as real estate, expansion, equipment purchases, working capital, inventory, exports and international trade. The majority of SBA financing is delivered through commercial lending institutions, certified development companies or other intermediary lenders.

Most SBA loans are made under the Basic 7(a) Guaranty Program. This program can fund the varied long-term needs of small businesses when necessary financing is unavailable on reasonable terms through normal lending channels. Private lenders, usually banks, make loans that are guaranteed up to 85 percent by the SBA. The borrower makes payments to the lender.

SBA financing programs include:

Basic 7(a) Loan Guaranty Program

The 7(a) Loan Guaranty Program guarantees up to 85 percent of a long-term direct bank loan. To be eligible, a business must be for-profit and qualify as a small business under SBA's size criteria. Proceeds from the loan guaranty may be used for land, buildings, equipment, furniture, leasehold improvements, debt refinancing (under special circumstances) or working capital. The SBA can guarantee up to \$1.5 million—generally between 75 percent and 90 percent of the loan value. Maturities are up to 10 years for working capital and up to 25 years for fixed assets.

7(a) CAPLine Program

The 7(a) CAPLine Program is designed to meet the short-term, cyclical, working-capital needs of small businesses. Loan advances can be made against a borrower's certified level of inventory and accounts receivable.

Defense Loan and Technical Assistance (DELTA) Program

The DELTA Program provides financial and technical assistance to small businesses detrimentally impacted by the closure (or substantial reduction) of a Department of Defense installation (DOD), or the termination (or substantial reduction) of a DOD program on which the small business was a prime contractor, subcontractor or supplier at any tier. A business can also be deemed eligible if it is located in a community that has been detrimentally impacted by these same actions. The goal of the program is to help impacted businesses diversify into the commercial market while remaining part of the defense industrial base.

Section 504 Certified Development Company Program

The Certified Development Company Program makes long-term loans to finance fixed assets—such as land, buildings, machinery and equipment—used to modernize, renovate or restore existing facilities and sites. *For more information, see Business Finance Group and other 504 finance providers on pages 52-53.*

Small Office Home Office (SOHO) Loan Initiative

The SOHO Program provides financial and technical assistance to small and home-based business owners. SOHO loans offer rapid approvals on amounts ranging from \$5,000 up to \$25,000. Loan requests above \$20,000 come with additional requirements. Terms include a seven year repayment period, with no prepayment penalty and minimal paperwork.

Export Working Capital Program

The Export Working Capital Program guarantees up to 90 percent (to a maximum of \$1.5 million) of a commercial loan to qualified small business exporters. Proceeds may be used to finance labor and materials for manufacturing goods for export or to finance foreign accounts receivable.

International Trade (IT) Loan Program

The International Trade Loan Program helps exporters to acquire or modernize facilities or equipment used in the production of goods or services within the U.S. The maximum gross amount (\$2 million) and SBA-guaranteed amount (\$1.5 million) for an IT loan is the same as a regular 7(a) loan. However, there is an exception to the maximum SBA 7(a) guaranty amount to one borrower (including affiliates). The maximum guaranteed amount can go up to \$1.75 million under certain circumstances. SBA can guaranty up to 85 percent of loans of \$150,000 or less, and up to 75 percent of loans above \$150,000.

MicroLoan Program

The MicroLoan Program provides an alternative source of start-up or expansion financing and technical assistance to start-up, newly established and growing small businesses. The maximum loan amount is \$35,000 per business entity. The Enterprise Development Group (affiliated with the Ethiopian Community Development Council in Arlington, VA) administers the MicroLoan Program in northern Virginia.

Pollution Control Loan Program

The Pollution Control Loan Program helps finance the planning, design or installation of a pollution control facility or any related recycling property when a local, state or federal environmental regulatory agency determines it will be useful for pollution control. SBA can guarantee up to \$1.5 million to eligible businesses.

Small Business Energy and Conservation Loan Program

The Small Business Energy and Conservation Loan Program provides financing for small businesses engaged in engineering, manufacturing, distributing, marketing, installing or servicing products or services designed to conserve U.S. energy resources.

Surety Bond Guarantee Program

The Surety Bond Guarantee Program provides small and minority contractors with contracting opportunities for which they could not otherwise compete. By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$100,000 or more. Many state, county, municipal and private-sector contracts also require bonding, but small and minority businesses may not be able to obtain bonds through regular commercial channels. Through this program, the SBA can guarantee bid, performance and payment bonds for contracts up to \$1.25 million for eligible small contractors.

For more information regarding SBA financing options, contact:

U.S. Small Business Administration
Metropolitan D.C. District Office
740 15th Street , NW, Suite 300
P.O. Box 34500
Washington, D.C. 20005
Tel: 202-272-0345
SBA Answer Desk (toll-free): 800-827-5722
TTY: 800-877-8339
www.sba.gov

Fairfax County Economic Development Authority
8300 Boone Boulevard, Suite 450
Vienna, VA 22182
Tel: 703-790-0600, TTY: 711; Fax: 703-893-1269
E-mail: info@fceda.org
www.FairfaxCountyEDA.org

Mason Enterprise Center
George Mason University
4031 University Drive, Suite 200
Fairfax, VA 22030
Tel: 703-277-7700, TTY: 711; Fax: 703-277-7722
www.sbdc.org

Export-Import Bank of the United States

The Export-Import Bank of the United States (Ex-Im Bank) is an independent U.S. government agency that helps finance the overseas sales of U.S. goods and services. Ex-Im Bank's mission is to create jobs through exports. It provides guaranties of working capital loans for U.S. exporters, guaranties the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. It also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes credit and country risks they cannot accept.

For more information, contact:

Export-Import Bank of the United States
811 Vermont Avenue, NW, Room 911
Washington, D.C. 20571
Tel: 202-565-3946; TTY: 800-877-8339; Fax: 202-565-3931
www.exim.gov

Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) provides medium- and long-term loans, loan guarantees and political risk insurance to companies interested in doing business or investing in developing nations and emerging markets. OPIC's Small and Medium Enterprise Department and Small Business Center offers programs especially designed to support the efforts of U.S. small businesses seeking to invest in emerging markets overseas.

For more information, contact:

Overseas Private Investment Corporation
1100 New York Avenue, NW
Washington, D.C. 20527
Tel: 202-336-8400; TTY: 800-877-8339; Fax: 202-408-9859
www.opic.gov

■ Taxes

Taxes

Businesses operating in Fairfax County are subject to various local, state and federal taxes. Not all businesses are subject to all taxes, depending upon such factors as corporate structure, type of business and whether or not the business has paid employees.

■ BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX

FAIRFAX COUNTY

All businesses, including home-based enterprises and self-employed individuals, that are located or operating in Fairfax County and that have annual gross receipts greater than \$10,000 must have a Business, Professional and Occupational License (BPOL) and pay an annual BPOL license tax, based on gross receipts. New businesses must file a BPOL application and pay any taxes due within 75 days of the date the business began in Fairfax County. BPOL renewal applications and taxes must be filed and paid annually by March 1.

Businesses located within the town limits of Clifton, Herndon or Vienna or in the incorporated cities of Fairfax or Falls Church are not subject to Fairfax County’s BPOL tax, but other business license and tax requirements for those jurisdictions may apply.

BPOL Tax Rates

The BPOL tax is based on gross receipts for the prior calendar year, without deductions. For businesses operating less than two years, the BPOL tax is based on estimated gross receipts. Businesses with gross receipts of \$100,000 or less must pay a minimum BPOL tax as follows:

<i>Gross Receipts</i>	<i>License/Fee</i>
\$0 – \$10,000	No license or fee
\$10,001 – \$50,000	\$30 flat fee
\$50,001 – \$100,000	\$50 flat fee

Businesses with gross receipts over \$100,000 are assessed a BPOL tax depending on the type of business:

<i>Business</i>	<i>Tax per \$100 gross receipts</i>
Aircraft Leasing	\$0.04
Amusement Occupations	\$0.26
Builders and Developers	\$0.05
Business, Personal and Repair Services	\$0.19
Consultants	\$0.31
Construction Contractors	\$0.11
Hotels and Motels	\$0.26
Money Lenders	\$0.19
Professional and Specialized Services	\$0.31

Real Estate Brokers	\$0.31
Renting by Owners	\$0.26
Research & Development (R&D):	
Federal R&D prime contractors.....	\$0.03
Other R&D business.....	\$0.31
Retail Merchants.....	\$0.17
Telephone Companies	\$0.24
Wholesale Merchants (<i>based on gross purchases of items purchased for resale</i>)	\$0.04

BPOL Exclusions and Adjustments

Generally, the amount of gross receipts subject to BPOL taxation cannot be reduced. However, Fairfax County does allow certain specific exclusions and adjustments:

- **Software development companies**—Software sales, leases or licensing may be excluded from gross receipts by companies that design, develop or create computer software in Fairfax County.
- **Government computer hardware/software sellers**—The original cost (not resale price) of computer hardware or software sold under contract to a state or federal government entity in the United States within two years of purchase may be deducted from gross receipts.
- **Nonprofits**—Except for unrelated business income, the income of charitable nonprofit organizations may be excluded from gross receipts.
- **Venture capital and investment funds**—Receipts of venture capital and other investment funds (except commissions and fees) are excluded from gross receipts.

For more information, contact:

Fairfax County Department of Tax Administration
 12000 Government Center Parkway, Suite 223
 Fairfax, VA 22035-0029
 Tel: 703-222-8234; TTY: 703-222-7594; Fax: 703-324-3929
www.fairfaxcounty.gov/dta

■ BUSINESS INCOME TAXES

VIRGINIA

All new businesses, regardless of entity type, must file a business tax registration application (Form R-1) with the Virginia Department of Taxation. Other state tax reporting requirements vary by entity type:

Corporations

All corporations registered with the State Corporation Commission must file a corporate income tax return with the Virginia Department of Taxation, with certain exceptions:

- S-corporations (and other “pass-through” entities) are exempt (*see below*).
- Nonprofit corporations that are exempt from federal income tax must file and pay taxes only on non-related business taxable income.
- Banks, trust companies, credit unions, insurance companies and public service corporations (other than railroads, telecommunications companies, electric suppliers, pipeline distribution companies, gas utilities and gas suppliers) pay other taxes in lieu of the corporate income tax.

The Virginia corporate income tax rate is 6 percent of taxable corporate income. For most corporations, taxable income is determined by a three-part formula based on sales, payroll and property factors. Sales factors are double-weighted in this formula, benefiting companies with significant Virginia payroll and property.

If a corporation engages in multi-state business activities and its income is taxable by both Virginia and other states, it pays tax only on the portion of its income derived from Virginia sources.

Virginia allows a number of credits against the corporate income tax, including the Clean-Fuel, Day Care Facility Investment, Major Business Facility Job, Neighborhood Assistance Act, Recycling Equipment and Worker Retraining tax credits.

“Pass-through” Entities

A “pass-through” entity is any entity other than an individual estate or trust that is recognized as a separate entity for federal income tax purposes and the owners of which report their distributive or pro rata shares of the entity’s income, gains, losses, or deductions and credits on their own returns. These include **S-corporations, partnerships** and **limited liability companies (LLCs)**.

Pass-through entities are exempt from Virginia corporate income tax, but they must file an annual Return of Income form.

Each S-corporation shareholder, partner, member of an LLC is taxed at the appropriate individual rate, based on the profit and loss statement reported on the federal income tax return. Other tax requirements may apply.

Sole Proprietorships

Sole proprietorships are exempt from Virginia’s corporate income tax, although other tax and reporting requirements may apply. (For example, sole proprietors generally are required to file quarterly estimated personal income tax returns.) Each sole proprietor is taxed at the appropriate individual rate, based on the profit and loss statement reported on the federal income tax return.

For more information, contact:

Virginia Department of Taxation
 3610 West Broad Street
 Richmond, VA 23230
 Tel: 804-367-8037, TTY: 711; Fax: 804-254-6113
www.tax.virginia.gov

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All businesses except partnerships must file an annual federal income tax return. Partnerships file an informational return. The forms used depend on how the business is organized:

- **Sole proprietorships** file federal income taxes on a Schedule C as part of the proprietor's personal income tax return. A sole proprietor with net earnings of \$400 or more must pay a self-employment tax to cover Social Security and Medicare insurance. The rate is 15.3 percent of taxable earnings. In addition, a sole proprietor is generally required to file quarterly estimated personal income tax returns.
- **Partnerships** file an annual Partnership Return of Income form. Any profit or loss earned by a partnership is distributed or "passed through" to the partners, in proportion to their percentage of ownership. The partners file federal income taxes on a Schedule E as part of their personal income tax returns. Like sole proprietors, partners may be subject to self-employment tax on their personal returns and may be required to make quarterly estimated tax payments.
- **Regular corporations (or C-corporations)** file and pay federal income taxes separately from the owners' taxes. All domestic corporations must file an income tax return whether or not they had taxable income. Most corporations figure their tax by using a tax rate schedule, but in certain cases, a flat rate applies. Regular corporations can retain earnings, and net operating losses can be carried forward or backward.
- **S-corporations** file and pay federal income tax, but are similar to partnerships in that they pass profits or losses through the corporation to the shareholders. An S-corporation cannot retain earnings, nor can net operating losses be carried forward or backward. The shareholders file federal income taxes on a Schedule E as part of their personal income tax returns.
- **Limited liability companies (LLCs)** are comprised of one or more members. Members may be individuals, corporations, other LLCs and foreign entities. The federal government does not recognize an LLC as a classification for federal tax purposes, so such entities must "elect" a classification. However, certain LLC entities are automatically classified as corporations. The business structure and entity classification of the LLC will determine whether the LLC must file as a sole proprietorship, a partnership or a corporation.

For more information on federal business tax requirements, see IRS Publication 584, *Starting a Business and Keeping Records*.

For more information, contact:

U.S. Internal Revenue Service
 Local Taxpayer Assistance Center
 5205 Leesburg Pike, Room 900
 Falls Church, VA 22041
Forms and publications: 800-829-3676
Assistance: 800-TAX-1040
www.irs.gov/business

■ EMPLOYER TAXES

Note: In Publication 15-A, Employer's Supplemental Tax Guide, the Internal Revenue Service (IRS) provides detailed guidelines regarding the nature of the employer-employee relationship, types of employees, and how to distinguish between an employee and an independent contractor. It is an important distinction, because the IRS assesses taxes and penalties if a worker is improperly designated a contractor instead of an employee.

A business is not required to withhold or pay employer taxes for monies paid to an independent contractor, although payments to any one contractor during the year in excess of \$600 must be reported to the IRS using Form 1099.

For employees, however, an employer generally must withhold income taxes and Social Security and Medicare taxes on wages paid. For details, consult IRS Publication 15-A, available online at www.irs.gov/publications/p15a/ar02.html.

Employer Withholding

VIRGINIA

If federal law requires an employer to withhold tax from any payment, Virginia also requires withholding. If required to file withholding returns, an employer must register for withholding tax, file income tax withholding returns and pay the income tax to the Virginia Department of Taxation. Virginia deems amounts withheld as payment in trust for the employee's tax liability. The amount of income tax to be withheld and paid for each employee will vary, depending on the rate of pay, marital status and number of exemptions claimed by the employee on the Virginia Form VA-4.

Employers must file withholding tax returns whether or not there is withholding tax owed. Employers are responsible for timely filing and payment of their incurred withholding liability, as follows:

<i>Withholding Liability for Month</i>	<i>Due</i>
Less than \$100.....	Quarterly
\$100 – \$999.99	Monthly
\$1,000 or more	Semi-weekly

The Virginia individual income tax rate is 2 percent on the first \$3,000 of taxable income, 3 percent on the next \$2,000, 5 percent on the next \$12,000 and 5.75 percent on income above \$17,000.

For more information, contact:

Virginia Department of Taxation
3610 West Broad Street
Richmond, VA 23230
Tel: 804-367-8037, TTY: 711; Fax: 804-254-6113
www.tax.virginia.gov

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Employers with one or more paid employees must withhold federal income tax from the earnings of each employee, as well as Federal Insurance Contribution Act (FICA) taxes (Social Security and Medicare). In addition, the business must pay a matching amount of FICA taxes. Certain types of wages and compensation are not subject to Social Security taxes. The amount of income and FICA taxes to be withheld and paid for each employee will vary, depending on the rate of pay, marital status and number of exemptions claimed by the employee on the Federal Form W-4.

Federal withholding tax returns are filed four times per year. Payments may be made with the quarterly returns if the quarterly tax liability is less than \$2,500. Otherwise, withheld federal income and FICA taxes must be deposited, by electronic funds transfer or into a financial institution that is an authorized depository for federal taxes, on either a monthly or semi-weekly schedule. Businesses reporting \$50,000 or less in payroll taxes during the previous “lookback period” for a given calendar year file monthly; those reporting more than \$50,000 file semi-weekly.

Consult IRS Publication 15-E, *Employer’s Tax Guide*, for detailed guidelines regarding withholding and other tax requirements, the definition of taxable wages and the treatment of special types of employment. Information on withholding taxes also can be found on the IRS business tax Web site at www.irs.gov/business.

For more information, contact:

U.S. Internal Revenue Service
 Local Taxpayer Assistance Center
 5205 Leesburg Pike, Room 900
 Falls Church, VA 22041
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www.irs.gov/business

Unemployment Insurance Taxes

Unemployment Insurance (UI) is a federal-state program jointly financed through federal and state employer payroll taxes. The Federal Unemployment Tax Act (FUTA) authorizes the Internal Revenue Service (IRS) to collect a federal employer tax used to fund state workforce agencies. In Virginia, FUTA taxes fund the Virginia Employment Commission.

VIRGINIA

Generally, employers must register with the Virginia Employment Commission (VEC) and pay unemployment insurance tax if they employ one or more persons for 20 or more weeks during a calendar year, or if they pay wages of \$1,500 or more during a calendar quarter. Only the first \$8,000 of wages earned by each employee during a calendar year is taxed. The employer pays the entire cost.

Each employer's tax rate is computed annually based on the employer's experience rating (which factors in unemployment benefits paid out compared with the employer's taxable payroll over the last four fiscal years) and the condition of the State Unemployment Compensation Trust Fund. The new computed rate takes effect each January 1.

For most Virginia businesses, unemployment insurance tax rates range from 0 percent to 6.2 percent of the first \$8,000 that each employee earns each year. (The tax rate may be zero if an employer has had no benefit charges filed against its VEC account.) New employers pay 2.5 percent for a full fiscal year. Additional charges for fund building and pool cost factors also may be assessed.

For more information, contact:

Virginia Employment Commission
703 East Main Street
Richmond, VA 23219
Tel: 804-786-1485, TTY: 711
Fairfax field office: 703-803-0000; Fax: 703-803-0042
Alexandria field office: 703-813-1300; Fax: 703-813-1380
www.vec.virginia.gov

FEDERAL

Businesses that employ one or more persons for 20 or more weeks during a calendar year or that pay wages of \$1,500 or more during a calendar quarter must file a Federal Unemployment Tax (FUTA) return.

The FUTA tax rate is 6.2 percent of taxable wages. The taxable wage base is the first \$7,000 paid in wages to each employee during a calendar year. Employers who pay the state unemployment tax typically receive an offset credit of up to 5.4 percent, regardless of the rate of tax they pay to the state. Therefore, the net federal tax rate is generally 0.8 percent. This would equate to a maximum of \$56 per employee per year in federal FUTA tax. The employer pays the entire cost.

If an employer's quarterly FUTA tax liability is \$500 or less, the balance may be carried forward to the next quarter. If it is over \$500, the tax must be deposited by electronic funds transfer or into an authorized financial institution. If an employer's tax liability for the entire year is \$500 or less, payment may be made directly to the IRS along with an annual FUTA tax return.

For more information, contact:

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Falls Church, VA 22041
Forms and publications: 800-829-3676
Assistance: 800-TAX-1040
www.irs.gov

■ PROPERTY TAXES

FAIRFAX COUNTY

Personal Property Tax

All businesses in Fairfax County must pay personal property taxes on tangible business personal property and company-owned vehicles. Nonprofit corporations are not necessarily exempt from personal property taxes. Businesses located in the towns of Clifton, Herndon and Vienna are required to file tangible business personal property and motor vehicle registrations with the county.

All personal property (except motor vehicles that already have been reported) must be registered with the Fairfax County Department of Tax Administration by May 1. This includes property that has been fully depreciated or expensed for state and federal tax accounting purposes. The personal property tax bill is due October 5 each year.

The personal property tax rate is \$4.57 per \$100 of assessed value. Assessed values for different types of property are as follows:

Business Personal Property

Tangible business personal property includes furniture, fixtures, computer equipment, tools and machinery. Inventories are not taxed. The tax is not prorated.

- **Business personal property (other than computer equipment)** is assessed at 80 percent of the purchase cost for the first year and declines by 10 percent each year thereafter until it reaches a minimum value of 20 percent the seventh year and thereafter.
- **Computer equipment** depreciates at a faster rate. It is assessed at 50 percent of the original cost the first year, 35 percent the second year, 20 percent the third year, 10 percent the fourth year and 2 percent the fifth year and each year thereafter.

Motor Vehicles

- **Automobiles, trucks and vans** are assessed at the average trade-in value as listed in the National Automobile Dealers Association (NADA) Used Car Guide, published in January of the current tax year. The tax is prorated for the portion of the year a vehicle is located in Fairfax County.
- **Trailers, airplanes, recreational vehicles, motorcycles and boats** are assessed at 60 percent of the original cost the first year, 50 percent the second year, 40 percent the third year, 30 percent the fourth year and 20 percent for the fifth and succeeding years. The tax is not prorated on these vehicles.
- **Certified van pool and handicapped-equipped vehicles, flight simulators, boats, airplanes and some other types of vehicles** are taxed at \$0.01 per \$100 assessed value.

The personal property tax is being phased out for certain private use vehicles in Virginia under the Personal Property Tax Relief Act of 1998. The phase-out does not apply to motor vehicles used for business purposes.

All motor vehicle owners are required to certify the use of the vehicle to be either personal or business. The certification is part of each application for initial and renewal vehicle registration at the Virginia Department of Motor Vehicles. A vehicle is considered to be for business purposes and does not qualify for car tax relief if any of the following apply:

- more than 50 percent of the mileage for the year is used as a business expense for federal income tax purposes or is reimbursed by an employer;
- more than 50 percent of the depreciation associated with the vehicle is deducted as a business expense for federal income tax purposes;
- the cost of the vehicle is expensed pursuant to Section 179 of the Internal Revenue Service Code; or
- the vehicle is leased by an individual and the leasing company pays the tax without reimbursement from the individual.

For more information, contact:

Fairfax County Department of Tax Administration
12000 Government Center Parkway, Suite 223
Fairfax, VA 22035
Tel: 703-222-8234; TTY: 703-222-7594; Fax: 703-324-3929
www.fairfaxcounty.gov/dta

Real Property Tax

Real property in Fairfax County is assessed at 100 percent of its estimated fair market value as of January 1 of each year. *(Note: Real property tax rates can vary from year to year. Check with the Fairfax County Department of Tax Administration for the current rate.)*

Some areas are subject to additional real property taxes, including:

- To fund town services, the towns of Vienna and Herndon levy an additional real property tax of \$0.22 and \$0.25 per \$100 of assessed value, respectively.
- Commercial and industrial property owners in the county's Route 28 Transportation Tax District pay an additional \$0.20 per \$100 of assessed value for planned highway improvements.
- Commercial landowners in the Dulles corridor pay an extra \$0.22 per \$100 assessed value toward construction of a Metrorail extension between the West Falls Church station and Wiehle Avenue in Reston.

Other special tax district rates and service charges also may apply.

Fairfax County grants a tax abatement to property owners who renovate, rehabilitate or replace qualified commercial and industrial properties (within county-designated revitalization districts only) and multifamily properties (throughout the county).

For more information, contact:

Fairfax County Department of Tax Administration
12000 Government Center Parkway, Suite 223
Fairfax, VA 22035
Tel: 703-222-8234; TTY: 703-222-7594; Fax: 703-324-3929
www.fairfaxcounty.gov/dta

■ SALES AND USE TAX

FAIRFAX COUNTY AND VIRGINIA

The sales and use tax is levied on retail sales or leases of equipment, furniture and supplies. The state tax rate is 4 percent and the local tax is an additional 1 percent. The combined 5 percent tax is collected at the point of sale.

Certain purchases are exempt from the sales and use tax, including custom computer software, items used in basic research and development, nonprescription drugs and proprietary medicines, certain advertising materials, certified pollution control devices, items purchased for resale by distributors and items used directly in industrial production.

The state sales tax on food purchases for human consumption at home is 1.5 percent, and the local rate is 1 percent for a combined 2.5 percent tax on such items.

For more information, contact:

Virginia Department of Taxation
3610 West Broad Street
Richmond, VA 23230
Tel: 804-367-8037, TTY: 711; Fax: 804-254-6113
www.tax.virginia.gov

Fairfax County Department of Tax Administration
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Fairfax, VA 22035
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www.fairfaxcounty.gov/dta

■ UTILITY TAXES

FAIRFAX COUNTY

Consumer Utilities Taxes

Fairfax County levies a tax on electric, natural gas and local telephone service as follows:

- **Residential gas and electric:**—8 percent of the first \$50 per bill, up to a maximum tax of \$4 per month. (Gas and electricity for master-metered apartments have a maximum tax of \$4 per dwelling per unit per utility.)
- **Commercial gas**—10 percent of the first \$3,000 per bill, up to a maximum tax of \$300 per month.
- **Commercial electric**—10 percent of the first \$10,000 per bill, up to a maximum tax of \$1,000 per month.
- **Residential telephone**—22.2 percent of the first \$50 per month on local service only.
- **Commercial telephone**—22.2 percent of the first \$1,600 per month on local service only.
- **Cellular telephone**—10 percent of the first \$30 per bill.
- **E-911**—\$3 per month per phone line.

For more information, contact:

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Fairfax, VA 22035
Tel: 703-222-8234; TTY: 703-222-7594; Fax: 703-324-3929
www.fairfaxcounty.gov/dta

VIRGINIA

Utility Consumption Tax

A state consumption tax is levied on kWh (kilowatt hour) usage of electricity and CCF (100 cubic feet) usage for natural gas. The tax appears as a separate entry on monthly electric and gas bills. The tax rates are as follows:

- **Electric:** \$0.00155 per kWh on the first 2,500 kWh consumed; \$0.00099 per kWh on the next 47,500 kWh; and \$0.00075 per kWh for electricity consumption above 50,000 kWh per month.
- **Gas:** \$0.0195 per CCF of natural gas consumed, up to 500 CCF per month.

For more information, contact:

Virginia State Corporation Commission
1300 East Main Street
Richmond, VA 23219
Tel: 804-371-9480; TTY: 804-371-9206; Toll-free (VA only): 800-552-7945
Fax: 804-371-9797
www.scc.virginia.gov