



TECHNOLOGY ZONE PROGRAM

Tax Abatements for Qualified Tech Companies

How Does the Program Work?

Tax abatements for up to five years on business, professional and occupational license (BPOL) taxes are available to qualified companies in the City of Falls Church. Your company may qualify if it:

- (a) generates at least 50 percent of its gross sales receipts from the creation, design and/or research and development of technology hardware or software;
- (b) has more than one full-time employee;
- (c) occupies commercial space in the City;
- (d) is current on any taxes owed the City; and
- (e) submits a Tech Zone Program application within six months of meeting the definition of a qualified technology business.

Within 60 days of your application, the City will determine your company's eligibility for the program. If eligible, abatement of 100 percent of BPOL taxes on gross receipts attributable to qualified primary business functions for three years is possible, followed by two years of abatement of 50 percent of BPOL taxes on qualified business functions. Each year your company is in the program the City's business tax auditor will review your status to continue receiving abatements.

How Much Can My Company Save in Taxes?

Most businesses that qualify for the Tech Zone Program will pay the City's tax rate on gross receipts of \$0.36 per \$100. Here are three examples of projected savings in taxes over five years on eligible business functions for program participants:

EXAMPLE 1: Annual Business Gross Receipts of \$500,000 (Tax rate = \$0.36/\$100)

YEAR OF ELIGIBILITY	TAX ABATEMENT LEVEL	BUSINESS TAX SAVINGS
1	100%	\$1,800
2	100%	\$1,800
3	100%	\$1,800
4	50%	\$900
5	50%	\$900
<i>TOTAL TAX SAVINGS OVER FIVE YEARS</i>		\$7,200

EXAMPLE 2: Annual Business Gross Receipts of \$5 million (Tax rate = \$0.36/\$100)

YEAR OF ELIGIBILITY	TAX ABATEMENT LEVEL	BUSINESS TAX SAVINGS
1	100%	\$18,000
2	100%	\$18,000
3	100%	\$18,000
4	50%	\$9,000
5	50%	\$9,000
<i>TOTAL TAX SAVINGS OVER FIVE YEARS</i>		\$72,000

EXAMPLE 3: Annual Business Gross Receipts of \$25 million (Tax rate = \$0.36/\$100)

YEAR OF ELIGIBILITY	TAX ABATEMENT LEVEL	BUSINESS TAX SAVINGS
1	100%	\$90,000
2	100%	\$90,000
3	100%	\$90,000
4	50%	\$45,000
5	50%	\$45,000
<i>TOTAL TAX SAVINGS OVER FIVE YEARS</i>		\$360,000

It is possible that a different category and rate of City business tax may apply to your company's eligible business functions. Here is a link to the City's tax rates, effective July 1, 2016: <http://www.fallschurchva.gov/DocumentCenter/View/1311>

Other Important Eligibility Information

The City's Tech Zone Program does not extend to home-based businesses. It is restricted to businesses occupying space in non-residential properties in commercially zoned areas of the City. While eligible companies are required to have more than one full-time employee, this may include the company's owner.

Generally, a company's simple use of commercial-off-the-shelf (COTS) products will not qualify as an eligible primary business function for tax abatement, nor will web design work. However, in cases where a business integrates or extends COTS products to provide new capabilities and/or solve new challenges, the Tech Zone Program review committee will have discretion to include those specific activities for program benefits.

The use of computers, telecommunications services, web pages, social networking, or internet sites in a business is insufficient to qualify for the Tech Zone Program. Online accounting, legal, investment and financial service businesses are not eligible for the program.

Existing, licensed companies within the boundaries of the City which meet the criteria set forth in the City's Technology Ordinance (<http://www.choosefallschurch.org/TechZoneOrdinance>) may qualify for the program, as may companies moving into the City. Companies already located in the City that expand into eligible business functions also may qualify.

Once a business has qualified for the Tech Zone Program, the company or its principal owners shall not be entitled to additional years or portions of years of benefits. If a business ceases to be qualified for the program during a year in which tax abatements apply, benefits shall be prorated for the months the business remained qualified.

How Do I Apply for the Tech Zone Program?

Attached is an application form to complete and submit to the City's Economic Development Office (EDO) at City Hall, 300 Park Avenue, Suite 301 East, Falls Church, VA, 22046. For assistance with the form or questions about the Tech Zone Program, please contact the EDO in person, by phone at (703) 248-5491, or email: edo@fallschurchva.gov.

APPROVAL PROCESS

After your completed application is received by the EDO, it will be forwarded by the program administrator (EDO) to the City's Commissioner of Revenue and business tax auditor to:

- 1. verify that the applicant has no unpaid taxes; and**
- 2. review for a preliminary assessment of program eligibility.**

Within 30 days the Commissioner will return the application to the program administrator, who will then forward it promptly to the program review committee, which will make a final determination of eligibility with 30 days. The review committee will be advised by the City's business tax auditor and, as needed, the City's chief technology officer. The applicant will have an opportunity to state a case for program eligibility directly to the review committee. The program administrator will communicate to the applicant a decision on eligibility with 60 days of the EDO's initial receipt of the application.