



## **INSTRUCTIONS FOR SCHEDULE QCGI ELIGIBLE QHTC CAPITAL GAIN INVESTMENT TAX**

Pursuant to DC Code § 47-1817.07(a) for tax years after December 31, 2018, the tax on a capital gain from the sale or exchange of an investment in a DC Qualified High Technology Company (QHTC) shall be at the reduced rate of 3% if:

- (1) The investment was made after March 11, 2015;
- (2) The investment was held by the investor for at least 24 continuous months;
- (3) At the time of the investment, the stock of the QHTC was not publicly traded; and
- (4) The investment is in common or preferred stock of the QHTC.

To determine the total taxes due incorporating the reduced 3% tax rate on QHTC eligible capital gain income, the QHTC eligible capital gain income must be removed from DC taxable income and a tentative tax derived. Then 3% of the eligible QHTC capital gain income is added to the tentative tax to determine the total tax due.

The following steps must be taken:

1. Determine whether there is overall positive net capital gain from all investments using the IRS netting rules for capital gain/loss. Use the federal Form 8949, Sales and Other Dispositions of Capital Assets, federal Schedule D, Capital Gains or Losses, and federal Form 1099-B or Form 1099-S you may have used to report gains or losses on the federal return that you filed. If your net capital gain is zero, or a loss, or if your tentative taxable income is zero or less, STOP HERE. You do not have taxable capital gain from the sale or exchange of an investment in a QHTC that is subject to the 3% tax rate. You do not

have to complete Schedule QCGI. Enter zero on your applicable District return on the line that asks for the amount of capital gain from the sale or exchange of an eligible investment in a QHTC, and enter zero on the line of your applicable return that asks for 3% tax on QHTC eligible capital gains income.

Capital gains or losses amounts reported on your federal tax return are reported on the applicable District of Columbia tax return on the following District tax return lines:

District individual income tax return, form D-40, Line c;

District fiduciary tax return, form D-41, Line 1 (from federal 1041, Line 5);

District corporate business franchise tax return, form D-20, Line 8(a); or

District unincorporated business franchise tax return, form D-30, Line 8(a).

2. If the applicable District tax return line reports positive capital gain income, the next step is to determine the amount of net capital gain from the sale or exchange of an investment in QHTC common or preferred stock subject to the 3% tax rate. In cases where you may not have received Form 1099-B, or you were not required to file federal Form 8949 and/or federal Schedule D with your federal return, you may use those forms to assist you in listing, identifying and computing net capital gain or loss from the investment in QHTC common or preferred stocks subject to the 3% tax rate.

Use federal Form 8949 and federal Form 1099-B or any statement you may have received to complete District Schedule QCGI. List only those investments in QHTC common or preferred stock acquired after March 11, 2015 and held for at least 24 continuous months before disposition on Schedule QCGI. (At the time of

investment, the stock must not have been publicly traded). Add the gains and subtract the losses to derive the total net capital gain. If the result is a loss or zero, STOP. You do not have taxable gain from the sale or exchange of an investment in a QHTC that is subject to the 3% tax rate. Enter zero on your applicable District return on the line that asks for the amount of capital gain from the sale or exchange of an eligible investment in a QHTC, and enter zero on the line of your applicable return that asks for 3% tax on QHTC eligible capital gains income.

3. If there is positive net capital gain income of QHTC eligible investment, complete Line 3 of Schedule QCGI by entering the smaller amount of Line 1 and Line 2. Allocate or apportion this amount by your DC apportionment factor as applicable. Enter this amount on the applicable District return as follows:

District individual income tax return, form D-40, Line 19;

District fiduciary tax return, form D-41, Line 13;

District corporate franchise tax return, D-20, Line 37; or

District unincorporated business franchise tax return, D-30, Line 37.

4. Multiply Line 3 by 3%. Enter amount on Line 4 of Schedule QCGI and on Line 22 of the D-40, Line 16 of the D-41; Line 40 of the D-20; or Line 40 of the D-30.

### **Schedule QCGI Specific Line Instructions**

#### **Line 1 Total Overall Net Capital Gain or Loss as Reported in Your Federal Return**

The total capital gain or loss amount reported on your federal tax return (1040, Schedule 1, Line 13; 1120, Line 8; or 1041, Line 4) are derived from federal Form 8949, "Sales and Other Dispositions of Capital Assets", federal Schedule D, "Capital Gains and Losses", and federal Forms 1099-B and 1099-S. If the total overall net capital gain or loss as reported on your federal and applicable DC

return is zero or less, or your tentative taxable income is zero or less, STOP. Enter zero on Lines 19 and 22 of the D-40; Lines 13 and 16 of the D-41; Lines 37 and 40 of the D-20; or Lines 37 and 40 of the D-30, as applicable. You do not have to fill out Schedule QCGI. You do not have an eligible QHTC capital gain to be taxed at 3%.

If the overall capital gain or loss as reported on your federal and applicable DC return is a gain, then you must determine the amount of net capital gain that is attributable to QHTC eligible capital gains investment. Proceed to Line 2 of Schedule QCGI.

#### **Line 2 Total Realized Net Capital Gain on QHTC Investments Subject to 3% Tax.**

On Schedule QCGI, list all QHTC common or preferred stock investments acquired after March 11, 2015, not publicly traded at the time of investment, and held for at least 24 months before disposition, that were reported on your Federal Form 8949, Part II. Enter the net amount of the total eligible investments on Line 2 of Schedule QCGI. If zero or less, STOP. You do not have QHTC eligible capital gain income to be taxed at 3%. Enter zero on Lines 19 and 22 of the D-40; Lines 13 and 16 of the D-41; Lines 37 and 40 of the D-20; or Lines 37 and 40 of the D-30, as applicable.

#### **Line 3 Enter the smaller of Line 1 and Line 2.**

Enter the smaller amount of Line 1 and Line 2, on Line 3 of Schedule QCGI. Allocate or apportion this amount by your DC apportionment factor as applicable. Enter the same amount on the appropriate line of the applicable District of Columbia return you are filing: for the D-40, enter on Line 19; for the D-41, Line 13; for the D-20, Line 37; or for the D-30, Line 37.

#### **Line 4 Tax on QHTC Eligible Investments.**

Multiply Line 3 by 3% and enter the amount on Line 4 of Schedule QCGI. Enter the same amount on the appropriate line of the applicable District return you are filing: for the D-40, Line 22; for the D-41, Line 16; for the D-20, Line 40; or for the D-30, Line 40.