

NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)

DONOR FACT SHEET

Effective July 1, 2009

INDIVIDUAL DONORS

State tax credits may be available to an individual or married couple making a donation of **cash or marketable securities** directly to an approved Neighborhood Assistance Program (NAP) organization. Only cash or marketable securities are eligible; goods, real estate, services, etc. are not eligible for individual NAP tax credits. The NAP state tax credit for an individual or a married couple is equal to 40 percent of the donation's value. The minimum donation by an individual or a married couple per taxable year must be at least \$500, for a tax credit of \$200. A maximum of \$50,000 in tax credits per taxable year may be imposed on an individual or a married couple if all available credits are allocated (this includes \$4.9 million credits administered by the Department of Education). The donor and the nonprofit organization must maintain sufficient documentation for verification purposes and submit documentation with the Contribution Notification Form E (CNF-E). For cash donations, a copy of the check or checks must be submitted. For donations of marketable securities, a statement from the appropriate brokerage firm or bank listing the donor name, the value of the marketable securities, and date of transfer to the nonprofit organization must be submitted.

BUSINESS DONORS

State tax credits may be issued to any business entity authorized to do business in the Commonwealth of Virginia. The NAP tax credit can be applied against any Virginia state tax due under Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.) of Chapter 3, Chapter 12 (§ 58.1-1200 et seq.), Article 1 (§ 58.1-2500 et seq.) of Chapter 25, or Article 2 (§ 58.1-2620 et seq.) of Chapter 26 of Title 58.1. The flexibility of the Neighborhood Assistance Act allows the donor businesses to participate with a variety of allowable donations. Tax credits may be available to a business making a donation of at least \$1,000 but no more than \$437,500, for a maximum tax credit of \$175,000, **directly** to an approved NAP organization. As authorized in the Act, the applicable tax credit equals 40 percent of the business donation's value.

All pass-through businesses (Sub S, Partnership, LLP, LLC, PC, etc.) **must complete Form PTE** (after receipt of NAP Tax Credit Certificate) and submit it with a copy of the Certificate to the Virginia Department of Taxation. Form PTE can be obtained from the Department of Taxation's website (www.tax.virginia.gov). Click on *Download Forms* and choose Business Forms; under the heading Sales, Withholding, Registration and Other Business Forms click on Business Credits and scroll down to PTE.

Discounted property (a partial donation) and bargain sales are not allowable for NAP donations. All donations must be made without any conditions or expectation of monetary or other benefits from the NAP organization.

ELIGIBLE TYPES OF BUSINESS DONATIONS

- CASH:** Donations must be made by check. For verification purposes, copy of the check(s) must be submitted with the CNF-A.
- STOCK:** The value of stock is the Fair Market Value on the valuation date. Valuation must be determined in accordance with IRS standards. Supporting documentation for donations of stock must be submitted with the CNF-A.
- MERCHANDISE:** The value of new or used merchandise **donated for use by the approved NAP organization** is determined using IRS standards. The amount listed should normally be the same as used for federal tax purposes. (See IRS Publication 561 for additional information on determining value of donations). **Items that have been fully depreciated/expensed have zero value and are not eligible for NAP tax credits. Donated goods must be owned by the donor business.** Supporting documentation for donations of merchandise must be submitted with the CNF-A.
- Exceptions to IRS standards:** The value of merchandise (excluding motor vehicles) donated for the purpose of being **sold, auctioned, or raffled** by the approved NAP organization is the **lesser** of the **actual book cost** of the item **or the proceeds received** by the organization. (The value of a motor vehicle is determined using IRS standards).
- REAL ESTATE:** For donated real estate, documentation must be submitted to the approved NAP organization in accordance with IRS standards. A copy of a current appraisal and recorded deed of transfer for donations of real estate must be submitted with the CNF-A.
- RENT/LEASE FACILITY:** For donated facility leased space, the NAP organization should request a copy of a previous lease for the same space that reports former rental charges, or require verification by a third party realtor or rental agent as to the prevailing square footage rental charge for comparable property. A copy of the lease agreement for donations of leased space must be submitted with the CNF-A.
- HEALTH CARE SERVICES:** Neighborhood Assistance tax credits granted to a clinic or to an organization with a clinic organized in whole or in part for the delivery of health care services without charge may be assigned to the following health care professionals: physicians, pharmacists, dentists, chiropractors, physician assistants, nurse practitioners, optometrists, dental hygienists, nurses, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, and physical therapists who are licensed pursuant to Title 54.1 and who provide health care services without charge within the scope of their licensure. The **value to be used** for donated health care services **must be agreed to by the donating professional and the NAP organization prior to the services being donated.** The **value** of these services **cannot exceed the lesser** of **reasonable and customary charges** for similar services from other providers **or \$125 per hour.** A copy of the Services Contribution Data Sheet or a spreadsheet listing the name of the individual providing the service, type of service provided, job title, date(s) of donation, hourly rate, total hours worked, and total value for services must be submitted with the CNF-B. Certification by the medical professional (on the Services Contribution Data Sheet) must be signed by the donor and attached to each spreadsheet.

PROFESSIONAL SERVICES:

Professional services eligible for NAP tax credits are limited to **accounting, actuarial services, architecture, land surveying, law, dentistry, medicine, optometry, pharmacy, professional engineering and veterinarian**. The **value** of professional services rendered by the proprietor or a partner to an approved NAP organization **must be the lesser of the reasonable cost for similar services from other providers or \$125 per hour**. The business donor and NAP organization **must agree on the value for donated services prior to the services being donated**. A business firm may be allowed tax credits for the time spent by a **salaried employee** who renders professional services to an approved NAP organization. For purposes of determining the amount of tax credit allowed, the **value** of the professional service **is equal to the salary that the employee was actually paid** for the period of time he or she rendered professional services to the approved NAP organization. (Operating overhead and benefit costs are not to be included). All donations of staff time are to occur during the employee's normal work hours. A copy of the Services Contribution Data Sheet or spreadsheet listing the business name, contact person, job title of the individual providing the service, type of service provided, date(s) of donation, hourly rate, total hours worked, and total value for services must be submitted with the CNF-C. The Certification by Business Donor (on the Services Contribution Data Sheet) must be signed by the donor and attached to each spreadsheet.

CONTRACTING SERVICES:

“Contracting Services” is defined as *the provision, by a business firm licensed by the Commonwealth as a contractor under Chapter 11 (§54.1-1100 et seq.) of Title 54.1 of labor or technical advice to aid in the development, construction, renovation, or repair of homes of impoverished people or buildings used by an approved nonprofit organization*. A sole proprietor, partnership, or limited liability company engaged in the business of providing contracting services may be eligible for NAP tax credits based on the time spent by the proprietor or a partner or member, respectively, who renders contracting services to an approved NAP organization. For purposes of determining the amount of the tax credit, the **value** of donated contracting services **is the lesser** of the reasonable cost for similar services from other providers **or \$50 per hour**. The business donor and NAP organization must agree on the value of donated services prior to the services being donated. A business firm may be eligible for a tax credit for the time spent by a **salaried employee** who renders contracting services to an approved NAP organization. For purposes of determining the amount of tax credit allowed, the value of the contracting services **is equal to the salary that the employee was actually paid** for the period of time he or she rendered contracting services to an approved NAP organization. (Operating overhead and benefit costs are not to be included). All donations of staff time are to occur during the employee’s normal work hours. A copy of the Services Contribution Data Sheet or spreadsheet listing the business name, contact person, job title of the individual providing the service, type of service provided, date(s) of donation, hourly rate, total hours worked, and total value for services must be submitted with the CNF-D. The Certification by Business Donor (on the Services Contribution Data Sheet) must be signed by the donor and attached to each spreadsheet.

GENERAL PROVISIONS

- Donors may receive a tax credit if the approved NAP organization has sufficient credits remaining in its allocation.
- Donations must be made directly to the approved NAP organization with no strings attached. A third party donation, such as a designation through another non-profit organization (ie: United Way, JustGive, etc.) is **not** eligible for NAP tax credits.
- Discounted property (partial donations) and bargain sales are not allowable for NAP donations. All donations must be made without any conditions or expectation of monetary or other benefits from the NAP organization.
- Business donors are required to provide copies of supporting documentation for all donations of stock, merchandise, real estate, rent/leased facility, professional services, health care services, and contracting services. **The donor business must own all items at time of donation.** Both the NAP organization and the donor business should retain copies of all supporting donor documentation in their files. Failure to do so may result in a donor's loss of the tax credit.
- All pass-through business entities are required to complete Form PTE (after receipt of NAP Tax Credit Certificate) and submit it and a copy of the Certificate to the Virginia Department of Taxation. Form PTE can be obtained from the Department of Taxation's website (www.tax.virginia.gov). Click on *Download Forms* and choose Business Forms; under the heading *Sales, Withholding, Registration and Other Business Forms*; click on *Business Credits* and then click on *view*. Scroll down to PTE. Failure to send the completed Form PTE and a copy of the Certificate to the Virginia Department of Taxation may result in a donor's loss of the tax credit.
- Determining the effect of making a donation for tax credits on a donor's tax liability is the sole responsibility of the donor. Before making a donation, or when tax-related questions occur, donors are encouraged to seek advice from their tax accountant or other tax advisor.

=====

PROCESSING OF THE "CONTRIBUTION NOTIFICATION FORM" (CNF)

A NAP Contribution Notification Form (CNF) must be jointly prepared by the donor and the NAP organization for submission to the Virginia Department of Social Services. The **donor** must complete Parts I and II and **send the form** and all supporting documentation **to the NAP organization**. Next, the NAP organization must complete Part III, provide proper signature and date, and mail the original CNF and supporting documentation to Virginia Department of Social Services, Neighborhood Assistance Program. The Department of Social Services cannot accept CNFs sent directly from donors.

Upon receipt of the completed CNF and supporting documentation, NAP staff will perform the following tasks to certify reported tax credits for the donor:

- Registering receipt of the CNF and recording of the form's data via data entry.
- Producing and forwarding tax credit certificates to the Commissioner of Social Services or his designee for signature.
- Mailing the Neighborhood Assistance Tax Credit Certificate to the address reported on the donor's CNF. The process generally requires four to six weeks before the donor receives the certificate.