

NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)

PROJECT FACT SHEET

Effective July 1, 2007

INTRODUCTION

The Neighborhood Assistance Program (NAP) was created by the 1981 General Assembly to encourage private sector involvement in the alleviation of poverty in Virginia. The ACT (Neighborhood Assistance Law, Sections 63.2-2000 through 63.2-2006 of the Code of Virginia) creates locally designed and locally implemented private sector solutions to social needs generally resolved only with public sector intervention.

Eligible nonprofit organizations are awarded allocations on a basis of proven operational success and their capacity to serve impoverished people. Each organization is approved for a 12-month period (July 1 - June 30) and must re-apply each year to participate. NAP applications must be received within the Virginia Department of Social Services by the first business day in May, each year.

NAP CERTIFICATE OF APPROVAL

The NAP Certificate of Approval certifies an organization's approval for participation in the program. This certificate may be used as confirmation for prospective donors.

DONATIONS ELIGIBLE FOR TAX CREDITS

Individual Donors:

During an approved period, indicated on the Certificate of Approval, individuals may be eligible for a state tax credit equal to 40 percent of their cash donation. The minimum donation by an individual or a married couple must be at least \$500, for a \$200 tax credit. 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 \$3 million credits administered by the Department of Education). Please note, **only cash donations are eligible**. Individuals can not receive a NAP tax credit for donations of stock, goods, real estate, services, etc. For tax purposes, individuals use a calendar year. Therefore, the minimum cash donation must be met between the period July 1 – December 31 or between January 1 – June 30 to qualify for a NAP tax credit.

Business Donors:

During an approved period, indicated on the Certificate of Approval, donations from a business to your organization may be eligible for a state tax credit equal to 40 percent of the donation value if:

- The entity is a business as described in Section 63.2-2000 of the *Code of Virginia* **or** the donor is a licensed physician, pharmacist, dentist, chiropractor, physician assistant, nurse practitioner, optometrist, dental hygienist, nurse, professional counselor, clinical social worker, clinical psychologist, marriage and family therapist, or physical therapist providing free health care services to a clinic or a patient/client referred by an organization with a health care clinic; and
- The donation value is **AT LEAST \$1,000** and the donor's total donation(s) to NAP organizations during the approval period **DOES NOT EXCEED \$437,500**; and
- Your organization's tax credit balance is more than the amount of credit needed for the contributor.

Value of Business Donations:

The value for donations of checks, stock, merchandise (including inventory), and real estate **to be used by the approved 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).

Exceptions to IRS standards:

The value of merchandise donated to be **sold, auctioned or raffled** is the lesser of the actual book cost of the item or the proceeds received by the approved organization.

For Rent/Lease of Facility: The value assigned for donated rent or lease of property can not exceed the prevailing square footage rental charge for comparable property and must be agreed to by the donor and the NAP organization prior to the lease being signed. The NAP organization is responsible for obtaining documentation verifying reasonable costs for comparable property.

APPLICATION FOR TAX CREDITS

In order for the donor to receive a tax credit, the Tax Credit Certificate and Schedule CR must be attached to the state tax return. If the donation was made by a pass-through business entity (Partnership, Sub S Corp, LLC, etc.), the business donor must complete Form PTE upon receipt of their Tax Credit Certificate and mail the completed form and a copy of their tax credit certificate directly to the Virginia Department of Taxation. A Form PTE will be sent to the donor along with their NAP Tax Credit Certificate.

The application for the Tax Credit Certificate is initiated through your organization by:

- Providing a Donor Packet consisting of:
 - Donor Fact Sheet
 - A Contribution Notification Form (CNF) indicating the appropriate approval period. Please note there are five different CNFs. **CNF-A** accommodates business donations for cash, stock, merchandise, real estate, or rent/lease of facility; **CNF-B** is to be used for 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 provide services, free of charge, **to a clinic or referred by an organization with a health care clinic**; **CNF-C** is to be used for donations of professional services; **CNF-D** is to be used for donations of contracting services; and **CNF-E** must be used for cash donations from individuals.
 - If appropriate, copies of the Certification of Donation Value form, Certification of Proceeds Received form, Services Contribution Data Sheet for Medical Professionals or Professional and Contracting Services.

- Completing the CNF once it is returned from the donor:
 - Check to assure **the donor has completed all parts**. **Confirm that the actual donation dates are within the program approval dates and that all information is accurate and readable**.
 - Confirm that all appropriate documentation has been included. **ATTACH A COPY OF ALL SUPPORTING DOCUMENTATION TO THE CNF**. The Contribution Notification Form (CNF) Reference Sheet lists required documentation for each type of donation.
 - Complete, sign, and date the bottom portion of the CNF. Retain a copy of the CNF and all supporting documentation in your files.

- **Mail THE ORIGINAL CNF WITH SUPPORTING DOCUMENTATION** to the Neighborhood Assistance Program, Office of Community Services, Virginia Department of Social Services, 7 North Eighth Street, 3rd Floor, Richmond, VA 23219. **Faxed copies will not be processed! We must have the CNF form with original signatures**. It usually takes four to six weeks for the Department to issue the Tax Credit Certificate, which will be sent directly to the donor.

SPECIAL SITUATIONS

A record of Certificates issued "against" your tax credit balance will be provided in Quarterly Reports (QR). QRs will be mailed the month after each quarter. The QR will include a list of all donors that have received Tax Credit Certificates in that quarter, the amount of the tax credit, the date of receipt by VDSS, the Tax Credit Certificate number, and **your tax credit balance as of the end of that reporting period.**

Questions about Tax Certificates or NAP Information should be directed, BY THE NAP ORGANIZATION ONLY, to OCS. Please advise your donors that questions about Tax Certificates must be directed to you, **not to OCS.** This will ensure a speedy and accurate answer to any questions and protect your relationship with the donors. If you have questions, please call us at (804) 726-7923 or 726-7924.

In the event there is an error on the Tax Certificate or loss of Tax Certificate, please advise your donors that they must submit a written request to the Virginia Department of Social Services, OCS: 1) to request a reissue, 2) state the reason, 3) provide name, address, date of donation, and organization receiving the donation, 4) identify any necessary correction, and 5) if an error is discovered, return the original Tax Credit Certificate. Reissues may take up to two weeks to process.

Tax Credit Releases are encouraged in the event your organization will not utilize all of the credits designated for the program period. This will enable OCS to redirect the credits and ensure effective utilization of the limited amount available in the full program. Send a memo indicating the amount to be released, the organization name, program year, and ID. The authorized signature listed on the NAP application must be on the release memo or listed in the email address if sent electronically.

Tax Credit Increases may be awarded based on availability of credits. To request an increase, an email or written request (memo) must be sent to OCS stating the amount of tax credit increase desired, the reason for increase, your project ID number, and the fiscal year for which request is sought. The authorized signature listed on the NAP application must be on the increase request or listed in the email address if sent electronically.

ORGANIZATIONS MAY NOT EXCEED THE TAX CREDIT LIMIT LISTED ON THE CERTIFICATE OF APPROVAL WITHOUT A LETTER OF INCREASE FROM THE DEPARTMENT OF SOCIAL SERVICES, OCS. Failure to do this exceeds your legal authority and will result in a return of the CNF.