

Virginia Department of Education
Guidelines for the Neighborhood Assistance Act Tax Credit Program for Education
Effective June 19, 2019

Beginning in 2009, the Virginia General Assembly authorized the Board of Education to adopt guidelines for the administration of the Neighborhood Assistance Tax Credit Program for Education pursuant to §§ 58.1-439.18 through 58.1-439.22, and § 58.1-439.24 of the *Code of Virginia*. Under this tax credit program, individuals or business firms may receive state tax credits for eligible contributions made to neighborhood organizations providing neighborhood assistance in the form of education to low-income persons or eligible students with disabilities.

Consistent with the statutory authority cited above, these guidelines are issued by the Virginia Department of Education (the “Department”) to provide guidance to neighborhood organizations, individuals, and business firms regarding the *Neighborhood Assistance Act Tax Credit Program for Education (NAP)*. These guidelines supersede the Guidelines for the Neighborhood Assistance Act Tax Credit Program for Education adopted on October 16, 2018. These guidelines will be published and posted on the Department’s website at:
http://www.doe.virginia.gov/school_finance/neighborhood_assistance_act/index.shtml.

These guidelines represent the Department’s interpretation of the relevant laws. To the extent there is a question regarding the application of these guidelines, individuals are encouraged to write to the Department and seek a written response to their question.

I. Definitions

Under this Program, definitions are set forth in § 58.1-439.18 of the *Code of Virginia* and further include the following:

“Affiliated entity” means an entity that, directly or indirectly, controls another entity, is controlled by the other entity, or is under common control with the other entity. For purposes of this definition, “control” (including controlled by and under common control with) means the power, directly or indirectly, to direct or cause the direction of the management and policies of such entity whether through ownership or voting securities or by contract or otherwise.

“Approved project” means the education services described in a neighborhood organization’s education proposal to be provided during a specified program year.

"Business firm" means any corporation, partnership, electing small business (Subchapter S) corporation, limited liability company, or sole proprietorship authorized to do business in this Commonwealth subject to tax imposed by 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. "Business firm" also means any trust or fiduciary for a trust subject to tax imposed by Article 6 (§ 58.1-360 et seq.) of Chapter 3.

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“Education proposal” means an application that is submitted to the Department by a neighborhood organization during the designated application period, as set forth in § 58.1-439.20:1 of the *Code of Virginia*, and contains information to support all eligibility criteria and a description of the organization’s education services, in order to receive an allocation of tax credits from the Department for a specified program year.

"Education services" means any of the following provided to low-income persons or eligible students with a disability: (1) scholastic instruction; (2) counseling or supportive services to elementary school, middle school, secondary school, or postsecondary school students or their parents in developing a postsecondary academic or career training plan, including college financing options for such students or their parents; or (3) scholarships (excluding waiver of tuition or program fees).

"Eligible student with a disability" means a student (i) for whom an individualized educational program has been written and finalized in accordance with the federal Individuals with Disabilities Education Act (IDEA), regulations promulgated pursuant to IDEA, and regulations of the Board of Education and (ii) whose family's annual household income is not in excess of 400 percent of the current poverty guidelines, as defined in this subsection below.

"Low-income person" means an individual whose family's annual household income is not in excess of 300 percent of the federal poverty guidelines, as defined in this subsection below. For purposes of these guidelines, “household income” is based on the U.S. Census Bureau’s definition of income, which is used for computing poverty statistics, and the U.S. Census Bureau’s definition of household.

"Neighborhood organization" means any local, regional or statewide organization whose primary function is providing neighborhood assistance and holding a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of §§ 501(c)(3) and 501(c)(4) of the Internal Revenue Code of 1986, as amended from time to time, or any organization defined as a community action agency in the Economic Opportunity Act of 1964 (42 U.S.C. § 2701 et seq.), or any housing authority as defined in § 36-3.

“Organization receiving revenue” means any organization or group receiving revenues from the Applicant Neighborhood organization for the purpose of providing services to low income persons and eligible students with a disability.

"Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

"Program year" means the annual period from July 1 to June 30 during which the maximum amount of tax credits may be granted; the same calendar period as the state fiscal year.

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II. Eligibility requirements for participation in the Neighborhood Assistance Act Tax Credit Program for Education

Eligibility to participate in the *Neighborhood Assistance Act Tax Credit Program for Education* requires meeting the criteria that follow. However, if the Applicant received an allocation of tax credits for fiscal year 2011-2012, then beginning with tax credit allocations for fiscal year 2014-2015 and ending with tax credit allocations for fiscal year 2019-2020, any of its affiliated entities, as defined in subsection I of these guidelines, are exempt from satisfying the criteria.

- A. The Applicant must be a neighborhood organization, as defined in § 58.1-439.18 of the *Code of Virginia*, with at least 50 percent of the persons it serves being low-income persons or eligible students with a disability and use 50 percent or more of its revenues to provide services to such persons in Virginia, as provided in §58.1-439.20:1.B, of the *Code of Virginia*.
- B. The Applicant and each affiliated entity must be able to demonstrate that at least 50 percent of the total of the persons it served during the calendar year, program year, or most recent fiscal year ended are low-income persons or eligible students with a disability.

The Applicant and each affiliated entity must rely on the U.S. Census Bureau's definition of income, which is used for computing poverty statistics, and household, in order to determine that a low-income person's family household income is not excess of 300 percent of the current federal poverty guidelines, or 400 percent if the student is an eligible student with a disability.

In the event that the Applicant or any affiliated entity provides education services to students in prekindergarten through grade 12 and is not able to obtain verification of family income for each child in the school served, then the neighborhood organization is permitted to use the free and reduced price lunch eligibility percentages for the associated school, as provided in the most recent National School Lunch Program Free and Reduced Price Eligibility Report maintained by the Department of Education, in determining the overall income level of the children in the school to be served by the neighborhood organization.

The Free and Reduced Price Eligibility Report for an individual school is only to be used when the neighborhood organization provides education services to classrooms from a Virginia public school and the household income for each student in the class cannot be obtained.

The Free and Reduced Price Eligibility Report for the school division should only be used if the neighborhood organization can verify that the recipients of the education services all attend a particular school division but it is unknown exactly which school each recipient attends. For example, an after-school program may serve several schools within a school division, but students from those schools are transported together to another location. In such cases, the neighborhood organization must obtain the necessary documentation from schools, parents, or third parties that verifies the school division in which the students reside.

- C. The Applicant, each organization receiving revenue, and each affiliated entity must have financial statements for the most recent fiscal year audited, reviewed, or compiled by an independent certified public accountant.

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1. If the total revenue the Applicant, organizations receiving revenue, or affiliated entity will report in their financial statements for the most recent fiscal year ended is greater than \$100,000, then such financial statements must be either audited or reviewed.
2. For the most recent fiscal year ended, if the total revenue the Applicant, organizations receiving revenue or affiliated entity will report in their financial statements is \$100,000 or less, then such financial statements may be compiled, provided that the compilation is by a firm that is independent and the financial statements do not omit substantially all of the disclosures required by the financial reporting framework.

In the event that an Applicant's audit, review or compilation for the most recent fiscal year ended will not be completed by application due date of May 1, the Applicant is allowed an additional thirty days from the due date of the application to submit the completed audit, review or compilation to the Department. The Applicant must include with its application a written statement notifying the Department that it requires the additional thirty days to submit a completed audit, review or compilation. The application and all other application materials are required to be submitted by the May 1 due date in order to be considered timely filed.

- D. The Applicant and each affiliated entity must be able to demonstrate, on a schedule provided by the Department that at least 50 percent of its total revenues were used, or will be used, including any expenditures for teacher salaries, to provide services to low-income persons or eligible students with disabilities
- E. The Applicant's and any affiliated entities' audit, review or compilation must not contain significant financial or operating risk, or areas of concern, that could prevent the Applicant from providing education services in Virginia during the applicable program year.
- F. The Applicant must show that it has been in existence for at least one year by the start of the program year, which begins July 1.

III. Procedure for submitting proposals; termination of approval of a neighborhood organization; appeal procedure

- A. An applicant neighborhood organization wishing to obtain an allocation of tax credits under this program must submit an education proposal as set forth in § 58.1-439.20:1 of the *Code of Virginia*, in a manner prescribed by the Superintendent of Public Instruction. The proposal must provide information to support all eligibility criteria listed above, as well as:
 1. Materials that (i) describe the applicant neighborhood organization's education programs and services that will be supported with an allocation of NAP tax credits, (ii) describe its eligibility as a neighborhood organization, (iii) describe the goals/objectives and outcomes of the education services that were and/or will be provided, (iv) include the estimated amount that will be donated and used to support the proposed education programs and services, and (v) describe plans for

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implementing the program. The Applicant must specify the education service(s) that will be provided directly by the Applicant, and the education service(s) that will be provided through an organization receiving revenue.

2. A copy of an audit or review for the most recent year ended for the Applicant, any affiliated entities, and any organizations receiving revenue, performed by an independent certified public accountant, or, if the total revenues (including the value of all donations) for the Applicant, affiliated entity, or organization receiving revenue were \$100,000 or less for the most recent year ended, a compilation for such year performed by an independent certified public accountant.
3. A copy of the applicant neighborhood organization's current registration approval or extension letter from the Virginia Department of Agriculture and Consumer Affairs (VDACS), or documentation produced from the VDACS charitable organization database, certifying that the organization complies with § 57-48 et seq. of the *Code of Virginia*. In the event that an applicant neighborhood organization has not received the registration approval or extension letter, and the registration on the VDACS charitable organization database has not been updated, the applicant neighborhood organization must provide a copy of the completed annual renewal application.

If the applicant neighborhood organization's VDACS registration is current on the date of its application, but expires prior to July 1, the Department must receive proof of its current registration prior to the last business day in June. If proof of an Applicant's current registration is not received by the last business day in June (i.e., before the beginning of the new program year), the applicant neighborhood organization's name will not be included in the list of approved neighborhood organizations included on the Department's website, and the Applicant will not be considered an approved organization, until proof of the renewed VDACS registration is received by the Department.

The Department may require that an applicant neighborhood organization, or any organization receiving revenue from an applicant neighborhood organization, or any affiliated entity, submit a current federal Form 990, and additional financial and organizational information, if needed.

Pursuant to § 58.1-439.20:1.B. of the *Code of Virginia*, in order for an education proposal to be approved by the Department, the applicant neighborhood organization and any of its affiliates must meet the requirements of the application and these guidelines.

- B. The program year for the implementation of awarded tax credits will be July 1 through June 30 of each year. The application period will start no later than March 15 prior to the beginning of each program year. All applications must be received by the Department of Education no later than the first business day of May prior to the beginning of each program year.

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- C. Those applicants submitting proposals, including all required information, and meeting the eligibility criteria will be notified by the Superintendent of Public Instruction of the approval or disapproval of such proposals by July 1.
- D. The Department of Education will work cooperatively with the Department of Social Services for purposes of ensuring that neighborhood organization proposals are submitted to the proper agency.
- E. When a neighborhood organization submits documentation supporting a donation's tax credit eligibility, the neighborhood organization is affirming its compliance with the policies and procedures outlined in these guidelines. If during the program year an approved neighborhood organization's VDACS registration expires, and its annual registration is mailed or picked up by a commercial delivery service after the expiration date, the neighborhood organization must advise potential donors and the Department of the date of expiration, and that donations received between the expiration date and the date the registration package is mailed or picked up by a commercial delivery service are not eligible for tax credits and will not be reported to the Department.
- F. The Superintendent of Public Instruction may terminate an approved neighborhood organization's eligibility to participate under the *Neighborhood Assistance Act Tax Credit Program for Education* if the Department becomes aware of illegal activities, fraudulent valuation or reporting of contributions, material deviations from the approved proposal, or other actions that are inconsistent with the purpose of the Neighborhood Assistance Act Tax Credit Program.
- G. Any applicant neighborhood organization that disagrees with the disposition of its application, or its termination as an approved neighborhood organization, may appeal to the Superintendent of Public Instruction in writing for reconsideration. Such requests must be made within 30 days of the denial or termination. The Superintendent of Public Instruction will act on the request and render a final decision within 30 days of the request for reconsideration.
- H. Actions of the Superintendent of Public Instruction or the Department of Education relating to the review of neighborhood organization proposals and the allocation of tax credits to proposals shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.). Decisions of the Superintendent of Public Instruction shall be final and not subject to review or appeal.

IV. Allocation of tax credits to approved proposals

- A. The available tax credits as set forth in § 58.1-439.20:1.D. of the *Code of Virginia* will be allocated equitably among the approved proposals submitted by neighborhood organizations pursuant to these guidelines as set forth in § 58.1-439.20:1.B. of the *Code of Virginia*. The methodology for allocating tax credits to approved proposals for each program year is as follows:
 - 1. As part of the application prescribed by the Department, each applicant neighborhood organization must provide the following information: a) the total

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amount of revenues used to provide education services to low-income persons or eligible students with a disability (“education expenses”); and b) the total amount of qualified donations it reasonably expects to receive during the upcoming program year. Expenses unrelated to the education program, including, but not limited to, fundraising expenses, are not considered part of the applicant’s education expenses.

For each approved proposal, the allocation of tax credits, before any proration, will be determined by multiplying the lesser of the amounts in items a) and b) above by 65 percent.

2. Consistent with the limitations set forth in § 58.1-439.20:1.C 2 of the *Code of Virginia*, no final allocation of tax credits for an approved neighborhood organization or a grouping of neighborhood organization affiliates shall exceed \$825,000 in a fiscal year.
 3. Pursuant to § 58.1-439.20:1.B. of the *Code of Virginia*, the Department will allocate at least 10 percent of any increase in the total amount of available tax credits in a program year to neighborhood organizations that did not receive an allocation of tax credits in the preceding program year, in accordance with the allocation method outlined in A.1 above.
 4. If the total amount of allocations, after applying the methodology explained in A.1, exceeds the available amount of tax credits for that program year, then the allocation for each approved proposal will be reduced in proportion to its percentage of the total amount of allocations the approved proposals were slated to receive. This constitutes the final allocation that will be issued to approved neighborhood organizations by July 1. For example, if an allocation of an approved proposal is 10 percent of the total amount of allocations, then that proposal’s final allocation will be equal to 10 percent of the available amount of tax credits for that program year.
 5. If the total amount of allocations, after applying the methodology explained in A.1, is less than the amount of available tax credits, or there are tax credits available after the 30-day appeal period for denied proposals, or all or a portion of a tax credit allocation is released by a neighborhood organization, then the balance of such tax credits will be allocated on a pro rata basis among the approved neighborhood organizations. Pursuant to § 58.1-439.20:1.C.3 of the *Code of Virginia*, the \$825,000 limitation will not apply to a grouping of neighborhood organization affiliates for the reallocation of the balance of such available tax credits.
- B. If the Superintendent of Public Instruction approves a proposal submitted by a neighborhood organization, the organization shall make the allocated tax credit amounts available to business firms and individuals making donations to the approved program. A neighborhood organization shall not assign or transfer an allocation of tax credits to another neighborhood organization without the approval of the Superintendent of Public Instruction. Such action will be deemed program abuse and will be cause for termination of a neighborhood organization’s eligibility to participate in the Neighborhood Assistance Act Tax Credit Program for Education.

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- C. Neighborhood organizations may release all or a portion of their unused tax credit allocation to be reallocated in accordance with § 58.1-439.20:1.C. of the *Code of Virginia*.
- D. Neighborhood organizations that have used 100 percent of their initial allocation of tax credits will be eligible to receive a pro rata distribution of any additional tax credits that become available for reallocation. Upon notice from the Department, a neighborhood organization with an approved proposal may be eligible to receive an additional allocation of tax credits in accordance with § 58.1-439.20:1.C. of the *Code of Virginia* and as follows:
 - 1. The Department, by email, will notify qualified neighborhood organizations that additional tax credits are available for reallocation and the amount of such tax credits that each neighborhood organization is eligible to receive. Any requests for additional tax credits submitted prior to the Department's notice will not be considered.
 - 2. If a neighborhood organization eligible for an additional allocation of tax credits requires more than the prorated amount of reallocated tax credits, the neighborhood organization may request a specific amount of reallocated tax credits based on donations it has received or expects to receive during the program year that will be used to provide education services. All such requests will be accommodated on a pro rata basis if any reallocated tax credits remain after the distributions set forth in subsection D.1 above are fulfilled.
 - 3. Neighborhood organizations capable of using additional tax credits must so indicate to the Department within 20 calendar days from the date of the Department's notice in order to receive an additional allocation of tax credits.
 - 4. A neighborhood organization that received an initial reallocation of additional tax credits and uses 100 percent of the reallocation amount will be eligible to receive an additional amount of tax credits upon notice from the Department that additional tax credits are available.

V. Value of donations

- A. The neighborhood organization with an approved education proposal is responsible for submitting and maintaining documentation as required by the Department of Education to verify the date and value of all donations.
- B. For individual donors, donations shall be eligible for tax credits in an amount up to 65 percent of the value of the monetary (check, payroll deduction, credit card or other online donation) or marketable securities donated. For business firm donors, donations shall be eligible for tax credits in an amount up to 65 percent of the value of the monetary, marketable securities, property, or professional services donated.
- C. For individual and business firm donors, donations of marketable securities shall be valued at fair market value as of the date of the donation. The fair market value of stock is the number of shares times the average of the high and low prices (the mean price per share) on

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the transfer date. The fair value of mutual funds is the net asset value (NAV) per unit at the close of business on the transfer date times the number of units. Mutual funds, unlike other types of securities, only have one value per unit.

D. For business firm donors only:

1. The value of merchandise (other than motor vehicles) donated by business firms to be sold, auctioned, or raffled is the lesser of the actual cost of the item or the proceeds received by the neighborhood organization.
2. The value of a motor vehicle donated by a business firm that is a dealership is the actual dealer cost; but for a business firm that is not in the business of selling motor vehicles, it is the appraised value. (See IRS Publication 561.)
3. For rent/lease of a facility, the value assigned to a donation to a neighborhood organization by a business firm cannot exceed the prevailing square footage rental charge for comparable property and must be agreed to by the donor and the neighborhood organization in advance. The neighborhood organization is responsible for obtaining documentation verifying reasonable costs for comparable property.
4. The value of professional services donated by business firms is as set forth in § 58.1-439.22 of the *Code of Virginia*. For sole proprietorships, partnerships or limited liability companies, the value of professional services rendered by the proprietor or a partner to an approved NAP nonprofit organization must be the lesser of the reasonable cost for similar services from other providers or \$125 per hour. For purposes of determining the amount of tax credit allowed for salaried employees, the value of the professional service is the salary that the employee was actually paid for the period of time professional services were provided (operating overhead and benefit costs are not to be included).
5. No tax credit shall be granted to any business firm for donations to a neighborhood organization providing job training or education for individuals employed by the business firm.
6. No tax credits shall be issued by the Department of Education for donations of contracting services.
7. The value of eligible donations, including real estate, not addressed above shall be such value as determined for federal income tax purposes using the laws and regulations of the United States related to federal income taxes.

VI. Donation qualifications and tax credit process

A. Donations must be made directly to the approved NAP organization.

An online donation made to an approved neighborhood organization using a third-party payment processor or social media is permitted, provided that the neighborhood organization can provide supporting documentation (receipt, financial statement, etc.) with

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the following information: donor's name, the amount of the donation, the date of the donation, and the name of the neighborhood organization receiving the donation.

A donation made from a Deferred Charitable Contribution Plan does not constitute a donation made directly to an approved neighborhood organization and, therefore, is not eligible for a tax credit.

- B. Neighborhood organizations shall grant tax credits to business firms consistent with the minimum amounts and other provisions set forth in § 58.1-439.21 of the *Code of Virginia*. Donations by a business firm must be at least \$616 in a taxable year in order to be eligible for tax credits.

Neighborhood organizations shall grant tax credits to individuals consistent with the minimum and maximum amounts and other provisions set forth in § 58.1-439.24 of the *Code of Virginia*. Donations by an individual must be at least \$500 in a taxable year in order to be eligible for tax credits. Effective for donations made on and after January 1, 2013, the maximum amount of donations by an individual that are eligible for tax credits in a taxable year is \$125,000. The minimum and maximum amount of donations is applied on an individual basis, and no longer pertains to married persons.

- C. The donor and neighborhood organization must complete a certification on a tax credit request (TCR) form prescribed by the Department of Education. The TCR form must identify the date of donation, type of donation, donor name, value of the donation eligible for tax credits, name of the neighborhood organization receiving the donation and the cumulative amount of tax credits that have been requested or issued to the donor in the taxable year.
- D. Tax credits shall only be awarded for donations that meet or exceed the statutorily required minimum values. The required minimum value for donations by individuals is \$500 and the required minimum value for donations by business firms is \$616 in a taxable year. If the donor's first donation to a neighborhood organization in a taxable year meets or exceeds the statutorily required minimum value, other donations cannot be included on the same TCR form. An individual or business firm donor's first donation to a neighborhood organization in a taxable year is less than the statutorily required minimum value, but the donor makes additional donations during the taxable year, making multiple donations each less than the required minimum donation amount but that in total donations to the same neighborhood organization meet or exceed the required minimum donation amount, the donor must report the cumulative donations on the same TCR form prescribed by the Department. The date of the last donation is used as the donation on the tax credit certificate and for deadlines established in G below. After a donor meets or exceeds the required minimum donation amount, the donor can receive additional tax credits for donations that are each less than the minimum donation amount, provided that the donations are all made within the same taxable year and submitted on individual TCR forms.

Tax credits issued for a donation to a neighborhood organization in support of an approved project must be deducted from the available balance of the allocation of tax credits for the program year in which the donation was made. If a donor must include multiple donations

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to the same neighborhood organization less than the required minimum amount on the same TCR form to reach the minimum donation amount, as long as the individual donation dates are in two different program years, but within the same taxable year, the total amount of tax credits will be deducted from the organization's tax credit allocation for the program year in which the date of the last donation that meets or exceeds the required minimum donation amount occurs. If a donor makes the required minimum donation amount for tax credits in a program year, then any tax credits derived from subsequent donations within the same taxable year will be deducted from the organization's tax credit allocation for the program year in which the subsequent donation was made.

E. For taxable years beginning on or after January 1, 2015, an individual or business firm donor may, by written agreement, accept a tax credit percentage less than 65 percent for an eligible donation made to an approved neighborhood organization. The donor and neighborhood organization must agree to the lower tax credit percentage in writing on the applicable TCR form prescribed by the Department, and submit it to the Department along with the certification form. Once the Department has issued tax credits based on the donor's written agreement to accept a reduced tax credit percentage, additional credits cannot be requested for the same donation.

F. Upon receipt and approval of the TCR form, the Department will issue a tax credit certificate in a window envelope with the Commonwealth of Virginia, Department of Education return address. The donor must maintain proper records of the tax credit certificate form and the TCR form.

The Department will issue a corrected certificate if there is information and/or findings that warrant a revised tax credit certificate. In order for a corrected copy of the tax credit certificate to be issued, the donor or the neighborhood organization on behalf of the donor must email the Department the donation amount, donation date, the name of the donor, and an explanation why a corrected copy of the tax credit certificate is being requested.

G. To ensure timely reporting to the Virginia Department of Taxation (TAX), and full utilization of tax credits, beginning with program year 2019-2020, the neighborhood organization must submit each tax credit request form and supporting documentation to the Department of Education within 40 calendar days of the date of donation, and, for program year 2018-2019, within 40 calendar days of the end of the program year. Organizations that use 100 percent of their tax credit allocation before the end of the program year and submit a "wait list" form as prescribed by the Department for one or more qualified donations within 40 calendar days of the date of donation will be eligible for an allocation of additional tax credits if tax credits become available for reallocation. If an organization receives notification of an additional allocation of tax credits, Tax Credit Request (TCR) forms and supporting documentation for donors on the "wait list" must be submitted within 40 calendar days of the date of the notification.

H. If a Virginia tax return is filed before tax credits have been reported to the Virginia Department of Taxation (TAX) by the Department, the tax credits may be questioned by TAX. Tax credits approved by the Department during the same calendar year as the donation will be reported to TAX by January 15 of the following calendar year. Tax credits

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approved by the Department for a donation made in the prior calendar year will be reported to TAX by the 15th of the following month.

When filing a Virginia tax return by U.S. Mail, a copy of the Tax Credit Certificate must be attached. For electronic tax returns in which a copy of the Tax Credit Certificate cannot be attached, TAX will match the return with the current report of approved tax credits submitted by the Department.

VII. Determining date of donation

If not specified in this section, the date of donation is the date used for federal income tax purposes according to IRS regulations

The neighborhood organization with an approved education proposal is responsible for maintaining and submitting documentation as required by the Department of Education to verify the date of all donations.

Monetary:

Checks: The check date, or the date it was hand-delivered or mailed, if later.

Credit Card or Other Online Donation: The date of the charge or electronic funds transfer.

Payroll Deduction: The date of the last payroll deduction included in the tax credit request. All deductions included in the request must be within the same taxable year.

Marketable securities: The transfer date, NOT the settlement date, sale date, or proceeds check date.

Merchandise (other than motor vehicles) donated to be sold, auctioned, or raffled: The date the proceeds are received by the neighborhood organization.

New or used merchandise donated to be used by the neighborhood organization: Date received by the organization.

Motor Vehicles: The date of the transfer to the neighborhood organization.

Real Estate: The date of the transfer to the neighborhood organization.

Professional services: The date such services are rendered.

Donated rent/lease: The first day of use by the neighborhood organization.

VIII. Required Documentation supporting a tax credit-eligible donation

A neighborhood organization is required to obtain proper documentation supporting the tax-credit eligible donation, and submit such documentation with the appropriate form to the Department

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within the timeframe specified. The necessary documentation for each type of donation includes the following:

- A. **Monetary:** A copy of the check(s), charge card transaction(s) or other online donation(s), or payroll deduction record(s) supporting the value and date of donation. An online donation made to an approved neighborhood organization using a third-party payment processor is permitted provided that the neighborhood organization can provide supporting documentation (receipt, financial statement, etc.) with the following information: donor's name, the amount of the donation, the date of the donation, and the name of the neighborhood organization receiving the donation. A distribution from a retirement account payable to the organization must include the donor's name on the check or check stub.

For electronic funds transfers, a statement or donor acknowledgement letter must accompany the bank check or receipt in order to verify the name of the donor.

- B. **Marketable Securities:** A letter from the brokerage firm or a copy of a transaction report from the donor's stock portfolio to show the name of the organization that received the donation, number of units, and, for stocks, the high and low or mean price per share on the transfer date, or, for mutual funds, the net asset value per unit at the close of business on the transfer date. If the brokerage letter does not contain the name of the donor, then the neighborhood organization must submit a copy of the donation acknowledgement letter sent to the donor.

In the event that the securities will be divided between two or more owners, the brokerage form must identify the names of the owners

- C. **Merchandise (other than motor vehicles) donated to be sold, auctioned, or raffled:** Documentation of the cost of the item, the proceeds received by the neighborhood organization, and the date the proceeds were received.
- D. **New or used merchandise donated to be used by the neighborhood organization:** Documentation of the date received by the organization, the cost, and the fair market value. (See IRS Publication 561 for additional information on determining value of donations.)
- E. **Motor Vehicles:** If donated by a dealership, a copy of the invoice listing dealer's actual cost, the Bill of Sale showing the donation was made to the organization, and a copy of the title showing the date of transfer to the organization. If donated by a business firm that is not in the business of selling motor vehicles, a certified appraisal and a copy of the title showing the date of transfer to the organization.
- F. **Real Estate:** A copy of a current appraisal and recorded deed of transfer to support the value and date of donation.
- G. **Rent/lease of facility:** Documentation verifying that the value assigned does not exceed the prevailing square footage rental charge for comparable property and was agreed to by the donor and the neighborhood organization in advance, and documentation supporting the first date of use by the neighborhood organization.

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- H. Professional Services: 1) Documentation that the sole proprietor, partnership, or the limited liability company making the donation is engaged in the business of providing professional services; 2) Documentation of the date the professional services were provided; and 3) Documentation to support that the value assigned does not exceed the limits set forth in § 58.1-439.22 (A) and (B) of the *Code of Virginia*.