

Neighborhood Assistance Program (NAP) Outline

What is the Neighborhood Assistance Program (NAP)?

The Neighborhood Assistance Act created five NAP programs, four (4) of which might be applicable to the efforts of the district and are listed below:

1. Neighborhood Assistance Program (NAP)

- a. An opportunity for business firms to contribute to neighborhood organizations to improve distressed communities, in turn receive up to a 55% tax credit. This program encompasses all approved projects in NAP.
- b. List of eligible activities/uses:
 - i. Affordable housing
 - ii. Community economic development: defined as “activities that revitalize or stabilize distressed areas, through one or more of the following: 1) The construction/rehabilitation of commercial or industrial buildings, 2) the removal/elimination of physical blight, 3) Increased access to job training, employment opportunities, education and community services opportunities, 4) and/or crime prevention within a designated area.
 - iii. Community services
 - iv. Crime prevention
 - v. Education: defined as “scholastic instruction or scholarship assistance for an individual residing in a distressed area, which enables the individual to prepare for better life opportunities”.
 - vi. Job training: defined as “instruction for an individual residing in a distressed area, which enables that individual to acquire vocational skills to become employable or be able to seek a higher grade of employment”.
 - vii. Neighborhood assistance
 - viii. Neighborhood conservation

2. Special Program Priorities (SPP)

- a. This program targets on specific problems and projects that the state has designated as priorities (see SPP section for a list of the priorities) in a distressed area. The tax benefit to a business firm contributing to an approved SPP application would be eligible for up to a 75% tax credit.

3. Neighborhood Partnership Program (NPP)

- a. Based on the Community/Strategic Plan, a neighborhood organization working holistically on multiple projects, form collaborations for success. Business firms commit to the project for five years (up to 75% tax credit) or six years (up to 80% tax credit), with a minimum contribution of \$50,000. The minimum application is \$100,000.

4. Charitable Food Program (CFP)

- a. The following are eligible recipients:
 - i. Nonprofit regional food banks, which maintain an established operation involving the provision of food to nonprofit food pantries, soup kitchens, shelters
 - ii. Feeding centers that provide food packages or meals to people in need of food assistance
 - iii. Nonprofit emergency food providers, which operate food pantries, soup kitchens, food banks
 - iv. Other programs to relieve hunger, food insecurity, and food shortages among needy individuals and families, homeless people, and victims of domestic violence

Each of the four programs allow eligible neighborhood organizations to apply for tax credits benefiting projects that:

- Promote neighborhood participation and collaboration
- Produce outcomes in distressed areas and/or low income population neighborhoods

Regarding NAP, eligible neighborhood organizations hold 501(c)(3) status with the IRS and are able to document that status in the application. The neighborhood organization applies for the funding, serves as the fiscal agent, and otherwise administers the proposed project when funded.

Contributions to NAP

An eligible nonprofit organization applies for tax credits and, if approved, the contributing businesses would receive state tax credits for their contribution. Contributions include cash contribution, equipment and/or supplies contribution, job training, real estate contribution, or technical assistance.

Credits may be used in the year of the contribution and for four years after for a total of five consecutive years. Contributions may be made anywhere within Pennsylvania. Contributions coincide with the state's fiscal year – beginning July 1 and ending on June 30. All contributions must be received by the eligible organization by June 30.

Table 1: Examples of NAP Tax Credits Received by Contributing Business

Contribution Amount	Tax Credit Award (NAP)	Amount Received for Project
\$ 25,000	55%	\$ 13,750
\$ 50,000	55%	\$ 27,500
\$ 75,000	55%	\$ 41,250
\$ 100,000	55%	\$ 55,000

(A detailed discussion of tax benefits for contributing businesses is contained in the NAP application form.)

There is a cap on contributions. For three or less projects, the maximum tax credit a business may receive for all projects combined is \$500,000.

Eligible NAP Contributors

Eligible contributors include business entities authorized to conduct business in Pennsylvania and subject to taxes imposed under the following:

- Corporate Net Income Tax
- Bank & Trust Company Shares Tax
- Title Insurance Company Shares Tax
- Insurance Premiums Tax
- Mutual Thrift Institutions Tax

Pennsylvania S corporations, limited liability companies, partnerships, joint ventures, and business trusts may each pass through tax credits.

NAP Contribution Process for Interested Businesses

- Business provides the eligible nonprofit organization with a letter of commitment on corporate letterhead.
- The donation must be made within the July 1 to June 30 timeframe after the proposed projects receives written approval.
- The business/corporation completes the tax credit application form and submits it with accompanying as proof of the contribution (i.e. photocopies of a cancelled check front and back) to Department of Community and Economic Development (DCED).

How a Business may Use the Tax Credits

- Retaining/Using Tax Credits
 - Complete and submit the application form Application for Tax Credit under the Neighborhood Assistance Act with proof of contribution to DCED. Examples of proof of contribution include copies of the front and back of a cancelled check, invoices for equipment/supplies, an invoice for the cost of job training, proof of donation of real estate or invoices for technical assistance.
 - The form must be submitted to DCED by December 31 which is 180 days (6 months) after the contribution period ends.
 - DCED first approves and then forwards the form to the Department of Revenue for processing.
 - The Department of Revenue notifies the business firm when the tax credits are approved and applied.
- Selling Tax Credits
 - Complete the Application For Tax Credit Under the Neighborhood Assistance Act and submit to DCED for approval; and
 - Complete the Application To Sell or Assign Tax Credits under the Neighborhood Assistance Act and submit to DCED for approval, but only after the business firm has held the approved NAP tax credits for one year.

- Upon receipt of the Application To Sell or Assign Tax Credits Under the Neighborhood Assistance Act, DCED will review and forward the form to The Department of Revenue recommending the sale. The Department of Revenue will review and determine if there are enough tax credits available for the sale. If approved, the Department of Revenue notifies DCED. The business firm will then be notified, by DCED, with an approval memo and an approved Application to Sell or Assign Tax Credits under the Neighborhood Assistance Act.
- Passing Through Tax Credits
 - If the business firm requests to pass through the tax credits, the business firm's tax liabilities must first be satisfied. Only Pennsylvania S corporations, limited liability companies, partnerships, joint ventures, and business trusts may pass through tax credits. The business firm must do the following in order to pass through tax credits:
 - Submit the Application for Tax Credit under the Neighborhood Assistance Act to DCED for approval.
 - After DCED approves the NAP tax credits, the business must send a letter to the Department of Revenue requesting to pass through the credits.
 - The request must include a list of shareholders, members or partners, and the amount of credit to be passed through to each shareholder/member/partner on the firm's business letterhead, signed by an authorized representative.
 - The Department of Revenue approves or disapproves all pass through requests.

NAP Application Checklist

The following is the checklist of items necessary to develop a NAP application:

- Does the application meet the requirements of NAP?
- Completed application on the Single Application System.
- Completed project narrative on the Single Application System.
- Narrative explaining the:
 - Place
 - Problem
 - Project, and
 - Proposed Outcomes
- Was the Community Impact Measures Report completed, including the last page (the list of Contributors)?
- Was data supplied (give references where data was extracted: census track, city code, etc) to support low income, distressed area and the need?
- Were the commitment letters (preferred) or a detailed solicitation plan attached?
- Copy of the IRS 501(c)(3) award letter attached.
- Any job descriptions paid through the NAP project

- • Any agreements, sub contracts, ownership, lease or sale agreements, bids, quotes or cost estimates attached?
- • Are there any zoning or any special requirements needed to complete the project?
- • Is the project budget correct? Does it match with the Budget Justification?
- • Any supporting documents that apply to the data collected? Maps? Charts?
- • Any letters of support for the project.
- • Photos, drawings or project descriptions not included in narrative.