



pennsylvania
DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT

Neighborhood Partnership Program

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Neighborhood Partnership Program

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Goal

A comprehensive partnership between major stakeholders in a community to improve the quality of life in distressed areas



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Incentive

A 70% tax credit for contributions to long-term community development projects.

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Advantages of Giving

- Businesses receive up to a 70% tax credit
- Eligibility for federal charitable tax deduction
- Contributions are kept in the community
- Good publicity for business and community
- Up to 5 years to utilize the tax credit
- Can utilize a maximum of \$350,000 (or \$600,000 if using multiple NAP programs) in credits to any one corporation in a fiscal year
- Minimum of paperwork to claim/use credit
- Stable, healthy communities are good places to do business



SAMPLE COMPUTATIONS FOR BUSINESSES USING THE PENNSYLVANIA NEIGHBORHOOD ASSISTANCE PROGRAM

	<u>No Contribution</u>	<u>Other Contribution</u>	<u>50% NAP Contribution CNI 9.99%</u>	<u>70% NAP Contribution CNI @ 9.99 (NPP Only)</u>
Net Income Before Contribution & CNI Tax	\$220,000	\$220,000	\$220,000	\$220,000
Contribution Made	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Federal Income Before PA CNI Tax	220,000	210,000	210,000	210,000
PA CNI Tax @ 9.99%	<u>21,978</u>	<u>20,979</u>	<u>20,979</u>	<u>20,979</u>
Federal Income After PA CNI Tax	198,022	189,021	189,021	189,021
NAP Credit @ 50% or 70%	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>7,000</u>
Federal Tax Income	198,022	189,021	194,021	196,021
Federal Tax \$50,000 x 15%	7,500	7,500	7,500	7,500
25,000 x 25%	6,250	6,250	6,250	6,250
25,000 x 34%	8,500	8,500	8,500	8,500
Balance x 39%	<u>38,229</u>	<u>34,718</u>	<u>36,668</u>	<u>37,448</u>
Federal Tax	60,479	56,968	58,918	59,698
Cash Required:				
Contribution	0	10,000	10,000	10,000
Total Federal Tax	60,479	56,968	58,918	59,698
PA CNI Tax	<u>21,978</u>	<u>20,979</u>	<u>15,979</u>	<u>13,979</u>
	82,457	87,947	84,897	83,677
Actual Cash Required to Contribute \$10,000	0	5,490	2,440*	1,220*

*PA CNI Tax equal Tax Liability minus the applicable NAP Credit

**CNI – Corporate Net Income

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Differences Between NAP and NPP

■ NAP (regular):

- No project too small
- Contributor (v. Partner)
- Year to-year commitment
- No contribution too small
- Address any one of the service areas
- 50% Credit
- Transform a community
- 150% of poverty level

■ NPP:

- \$100,000 project
- Up to three partners
- 5-year commitment
- \$50,000/partner
- Address most important strategic priority
- Neighborhood Advisory Committee
- Develop collaborations to improve quality of life & sustain community development
- Distressed community

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Required Program Elements

- A cash commitment per project totaling not less than \$100,000/year for at least five years
- If more than one sponsor is involved, the minimum commitment must be at least \$50,000/sponsor
- A Neighborhood Partnership Plan

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Required Program Elements *continued*

- A written agreement between the business sponsor(s) and the nonprofit, to include:
 - Schedule for the distribution of funds
 - Recognition of the sponsor(s) support
 - Circumstances under which the agreement may be modified or terminated
 - A timetable for completion of key project activities
 - Methodology for consulting on the project

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Required Program Elements *continued*

- A Neighborhood Partnership Advisory Committee
- The leveraging of substantial public and/or private resources

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Required Program Elements *continued*

- An annual review of the Plan by the Committee
- A mid-project evaluation (written report)



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Definitions: Business Sponsor

- A business entity authorized to conduct business in the Commonwealth and subject to the following taxes:
 - Corporate net income
 - Capital stock/foreign franchise
 - Bank and trust company shares
 - Title insurance shares
 - Gross premiums
 - Mutual thrift institutions



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Definitions: Community Development Agency

An eligible nonprofit working with a business(es) and a Neighborhood Partnership Committee to improve the social and economic viability and quality of life in a targeted distressed area

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Definitions: Neighborhood Partnership Committee



An advisory group formed to assist with the initial and subsequent planning of a NPP and to provide on-going advice and counsel to the community development agency concerning the conduct of the NPP project.

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Definitions: Neighborhood Partnership Plan

- A plan to revitalize a distressed community or neighborhood over a period of at least five years. It shall include:
 - An inventory of community assets
 - A selection of priority projects
 - A description of how those projects will be carried out
 - A vision of success
 - A description of how progress and outcomes will be measured
 - A description of how development will be sustained following the completion of the NPP project



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Award and Use of Tax Credits

- 70% tax credits awarded cannot exceed \$350,000 per state fiscal year
- Five years to use the credits
- Tax credits will not be issued for activities that are part of a corporation's normal course of business

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Award and Use of Tax Credits *continued*

- In-kind contributions are valued at cost. Personnel shall be valued at the hourly wage or salary plus fringes
- The value of real property contributions shall be based upon two independent appraisals
- A one-page application and documentation of the contribution must be submitted

Computations for Contributions of Property

- The value is determined by considering IRS guidelines
- Two appraisals are needed
- The actual costs of the appraisals may be included in the project costs

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Computations of In-Kind Contributions

- Granted on the net costs of the items
- Invoices showing proof of cost must be submitted

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Computations of Loaned personnel

- Personnel shall be prorated on hourly wages and benefits
- Time sheets are required

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Summary of Benefits:

For Businesses:

- 70% tax credit plus the federal deduction
- Up to 5 years to utilize the credit
- Minimum of paperwork involved
- Good PR

For Communities:

- Community-driven projects
- Healthy communities
- Renewed sense of pride
- Funds stay in the community

For Nonprofits:

- Access to professional expertise, goods & services
- Steady source of unrestricted revenues
- Provides incentive to raise monies