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

<table>
<thead>
<tr>
<th></th>
<th>No Contribution</th>
<th>Other Contribution</th>
<th>50% NAP Contribution</th>
<th>70% NAP Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>CNI 9.99%</td>
<td>CNI @ 9.99% (NPP Only)</td>
</tr>
<tr>
<td>Net Income Before Contribution &amp; CNI Tax</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
</tr>
<tr>
<td>Contribution Made</td>
<td>0</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Federal Income Before PA CNI Tax</td>
<td>220,000</td>
<td>210,000</td>
<td>210,000</td>
<td>210,000</td>
</tr>
<tr>
<td>PA CNI Tax @ 9.99%</td>
<td>21,978</td>
<td>20,979</td>
<td>20,979</td>
<td>20,979</td>
</tr>
<tr>
<td>Federal Income After PA CNI Tax</td>
<td>198,022</td>
<td>189,021</td>
<td>189,021</td>
<td>189,021</td>
</tr>
<tr>
<td>NAP Credit @ 50% or 70%</td>
<td>0</td>
<td>0</td>
<td>5,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Federal Tax Income</td>
<td>198,022</td>
<td>189,021</td>
<td>194,021</td>
<td>196,021</td>
</tr>
<tr>
<td>Federal Tax $50,000 x 15%</td>
<td>7,500</td>
<td>7,500</td>
<td>7,500</td>
<td>7,500</td>
</tr>
<tr>
<td>25,000 x 25%</td>
<td>6,250</td>
<td>6,250</td>
<td>6,250</td>
<td>6,250</td>
</tr>
<tr>
<td>25,000 x 34%</td>
<td>8,500</td>
<td>8,500</td>
<td>8,500</td>
<td>8,500</td>
</tr>
<tr>
<td>Balance x 39%</td>
<td>38,229</td>
<td>34,718</td>
<td>36,668</td>
<td>37,448</td>
</tr>
<tr>
<td>Federal Tax</td>
<td>60,479</td>
<td>56,968</td>
<td>58,918</td>
<td>59,698</td>
</tr>
</tbody>
</table>

**Cash Required:**

|                         |                    |                    |                     |
| Contribution            | 0                  | 10,000             | 10,000              | 10,000              |
| Total Federal Tax       | 60,479             | 56,968             | 58,918              | 59,698              |
| PA CNI Tax              | 21,978             | 20,979             | 15,979              | 13,979              |
|                         | 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

5-10-06
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
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
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
Neighborhood Partnership Program

Required Program Elements continued

- A Neighborhood Partnership Advisory Committee

- The leveraging of substantial public and/or private resources
Required Program Elements continued

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

Definitions: Neighborhood Partnership Plan

A plan to revitalize a distressed community or neighborhood over a period of at least five years. It shall include:
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.
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.
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.
Computations of In-Kind Contributions

- Granted on the net costs of the items
- Invoices showing proof of cost must be submitted
Personnel shall be prorated on hourly wages and benefits.

Time sheets are required.
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