

Frequently Asked Questions about the Neighborhood Assistance Program (NAP)

- 1. What is the Neighborhood Assistance Program (NAP)?***
- 2. How does the Neighborhood Assistance Program (NAP) work?***
- 3. Who qualifies for a Neighborhood Assistance Program (NAP) tax credit?***
- 4. What are the tax credit requirements for an individual donation?***
- 5. I gave my donation through the United Way, how do I get tax credits?***
- 6. How do I know if I need a tax credit for my Virginia State Income Tax return?***
- 7. How do I apply for a tax credit?***
- 8. My tax credit is in my spouse's name and I want the credit in my name. How can I have this changed?***
- 9. I have misplaced or I have not received my tax credit certificate, what do I do?***
- 10. Is there a maximum donation value limit for receiving tax credits?***
- 11. What happens if my tax credits are more than my tax liability?***
- 12. What if I have additional questions or need clarification?***
- 13. How do I report my NAP credits on my Virginia Income Tax Return?***
- 14. What are the tax credit requirements for a Business/Trust donation?***
- 15. What types of donations can a business make in order to receive a tax credit?***
- 16. How do I know if my donation qualifies for a NAP tax credit?***

For questions regarding Attorney Pro Bono NAP tax credits, please contact Carolyn Ross, Legal Aid WorksSM Pro Bono Coordinator, at 540-371-1105 or cross@LegalAidWorks.org .

General NAP Information

1. What is the Neighborhood Assistance Program (NAP)?

The Neighborhood Assistance Program (NAP) was created by the General Assembly in 1981, to encourage businesses, trusts and individuals to make donations to approved 501(c)(3) organizations for the benefit of low-income persons.

Each year, the Virginia General Assembly allocates funding specifically to NAP. The program has \$17 million in tax credits where \$8 million is allocated for the Virginia Department of Social Services (VDSS), to administer for General Human Services organizations and \$9 million is allocated for Department of Education (DOE) to administer for Education organizations.

2. How does the Neighborhood Assistance Program (NAP) work?

Eligible 501(c)(3) non-profit organizations receive an allocation of tax credits from VDSS or the DOE on a basis of proven operational success and their capacity to serve a low-income person or an eligible student with a disability.

Each organization is approved for a 12-month period (July 1 - June 30) and must re-apply each year to participate.

3. Who qualifies for a Neighborhood Assistance Program (NAP) tax credit?

Individuals, Businesses, Trusts, Health Care Providers, Pharmacists, Mediators, and Physician Specialists who make a qualifying donation to a NAP organization.

Remember that a tax credit is far more valuable than a deduction because it reduces your total tax bill dollar for dollar.

Even if you are in a lower federal tax bracket, your tax savings may still be significant. For many middle-class Virginians, the total tax savings generated through a gift to a NAP is likely to be worth nearly as much as the gift amount's cash value.

4. What are the tax credit requirements for an individual donation?

Virginia offers tax credits in exchange for donations to nonprofit organizations serving the truly needy. More than 200 charities have been designated as NAPs. *Donors to NAPs can receive a Virginia tax credit for 65% of the value of their total contribution.*

To be eligible for the 65% Virginia credit, you must contribute a minimum of \$500. A \$500 gift to a NAP is eligible for a \$325 Virginia tax credit. You may donate cash or marketable securities. Gifts of merchandise, services or real estate are not eligible.

Neighborhood Assistance Program (NAP) State tax credits may be available to an individual making a donation of *cash or marketable securities* directly to a NAP organization.

To receive tax credits for your donation, first contact the charitable organization and determine if it has any remaining tax credits to allocate to your gift. If tax credits are still available, fill out the Contribution Notification Form and send it to the organization. The charity will facilitate the transfer of the tax credits to you. After submitting the paperwork, you will receive a tax credit certificate. At tax time, attach the certificate to your return.

The Department of Social Services and the Department of Education manage the transfer of the credits. Each qualifying charity is assigned a set number of credits annually. Your donation might not receive a credit if the charity has already given away its share. But if you receive more tax credits than you need this year, you can carry them forward to future years.

The minimum donation by an individual must be at least \$500. The value of the tax credit is equal **up to** 65% of the donation.*

Example: *\$500 cash donation X 65% = \$325 tax credit to be used on the Virginia State Income Tax Return*

*While the minimum donation for an individual is \$500 to meet the NAP program requirements. The organization is allowed to set a minimum donation value for their donors to qualify for tax credits.

5. I gave my donation through the United Way, how do I get tax credits?

A third party donation, such as a designation through another non-profit like United Way, Just Give, or the Commonwealth of Virginia Campaign (CVC) etc. is not eligible for NAP tax credits.

6. How do I know if I need a tax credit for my Virginia State Income Tax return?

Determining the effect of making a donation for tax credits on a donor's tax liability is the sole responsibility of the donor. Before making a donation, or when tax-related questions occur, donors are encouraged to seek advice from their tax accountant or other tax advisor.

7. How do I apply for a tax credit?

Contact the NAP organization in which you would like to make your donation to determine your eligibility, fill out the appropriate Contribution Notification Form (CNF) and return it back to the approved organization. The NAP organization will forward the CNF to VDSS to have your tax certificate issued. Processing time is generally 4-6 weeks.

8. My tax credit is in my spouse's name and I want the credit in my name. How can I have this changed?

NAP tax credits can be made in only one name. As Nap tax credits are non-transferrable, there can be no changes made to the recipient.

9. I have misplaced or I have not received my tax credit certificate, what do I do?

Contact the NAP organization in which you made your donation to ensure the CNF has been sent to VDSS to have your tax certificate issued. The processing time is 4-6 weeks from the date the CNF is received by VDSS.

Requests for duplicate certificates that have been previously issued must be sent by the donor to NAP staff via fax to (804) 726-7946 or by email to nap@dss.virginia.gov. The request should include the donor's name, donor's address, organization's name, date of donation and amount of donation. Processing time for duplicate certificates is 5-7 business days and will be sent by mail. We are unable to fax or email tax credit certificates.

10. Is there a maximum donation value limit for receiving tax credits?

An individual is limited to a maximum donation value of \$125,000, per year. Currently, there is no maximum donation limit for a business or trust.

11. How do I report my NAP credits on my Virginia Income Tax Return?

Tax Credits are reported on Schedule CR filed with the Virginia Department of Taxation (TAX). Pass-thru entities need to submit Form PTE Virginia Pass-Through Credit Allocation with a copy of the tax credit certificate to TAX. All tax forms can be found on the TAX website, www.tax.virginia.gov.

Please refer all tax related questions to TAX at (804) 786-2992.

12. What happens if my tax credits are more than my tax liability?

Tax credits are non-refundable; however, Neighborhood Assistance Tax Credits that exceed the donor's total Virginia State tax liability may be carried forward for up to five years. The tax credit for the current year is utilized first, prior to using the credit that has been carried forward from a preceding taxable year.

Please contact the Department of Taxation at (804) 786-2992 for additional assistance.

13. What if I have additional questions or need clarification?

Please contact the NAP organization directly to determine eligibility. You may also review the Donor Fact Sheet under the Guidance and Procedures tab for more program details, or you can contact the Department of Social Services by email at nap@dss.virginia.gov.

Business/Trust Donations

14. What are the tax credit requirements for a Business/Trust donation?

Neighborhood Assistance Program (NAP) State tax credits may be available to:

- any business entity authorized to do business in the Commonwealth of Virginia
- to a licensed health care professional donating services to a NAP organization
- a physician specialist who donates specialty medical services
- a licensed pharmacist providing services to a 501(c) (3) clinic referred by an approved NAP organization,
- to a mediator certified pursuant to guidelines promulgated by the Judicial Council of Virginia who provides services at the direction of an approved organization that provides court referred medication services regardless of where the services are delivered or

- to any trust or fiduciary for a trust subject to tax imposed by Article 6 (§ 58.1-360 et seq.) of Chapter 3 of the Code of Virginia.

Tax credits may be available to a business making a donation of at least \$616*. The value of the tax credit is equal **up to** 65% of the donation. **For Example:** $\$616 \text{ donation} \times 65\% = \$400.40 \text{ tax credit to be used on the Virginia State Income Tax Return}$

*While the minimum donation for **Business/Trust** is \$616 to meet the NAP program requirements. The organization is allowed to set a minimum donation value for their donors to qualify for tax credits.

15. What types of donations can a business make in order to receive a tax credit?

- Cash, check or credit card
- Merchandise
- Rent/Lease Facility
- Professional Services
- Pharmaceutical Services
- Physician Specialist Services
- Stock
- Real Estate
- Contracting Services
- Health Care Services
- Mediation Services

16. How do I know if my donation qualifies for a NAP tax credit?

Please consult with the NAP organization in which you want to donate to determine the availability of NAP tax credits. Please be advised each organization has its own criteria for eligibility for NAP tax credits. Your donation must also meet the minimum tax credit donation amounts.

The donation must be made directly to the NAP organization with no strings attached and without any conditions or expectations of monetary other benefits. Discounted property, partial donations or bargain sales are not eligible NAP donations.
