Neighborhood Assistance Tax Credit Program

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Director of Economic Development
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About RHLS
www.rhls.org

• Created in 1973.
• Nonprofit law firm
• Affordable, sustainable housing developments & policy solutions.
• Experts in Low-Income Housing Tax Credits and related programs.
• Clients are leaders in developing innovative models.
A Brief History of NAP

The PA Department of Community and Economic Development’s (DCED) Neighborhood Tax Credit Program has assisted community organizations serving vulnerable Pennsylvanians since 1967.
The NAP’s Beginnings

- Created in 1967 - first in the United States.
- Goal is to “benefit impoverished areas.”
- By 2006, up to 50% of the $18 million in tax credits available were unused.
  - This translated to a loss of $18-24 million in potential annual investment.
- Improvements were needed.
Improving the Credit

- Legislation passed in 2006.
- Key improvements:
  - Increased credit rates.
  - Expanded eligibility for pass-through entities such as S-corporations, partnerships, and limited liability companies.
  - Raised credit limits up to $500,000 for a single project or $1.25 million for 4 or more projects.
  - Permitted sale or transfer of unused credits.
Effects of the Recession

- Program budget slashed in 2009 and 2010 due to economic recession.
- Restored to $18 million in 2011.
- Program now receives twice as many applications as available tax credits!
NAP Timeline

- Announced June-July
- Guidelines
- Activity Period
  - July 1 – Sept. 30 (following year).
  - Contribution period is fiscal year.
Beneficiaries

- “Low-Income households located in a distressed or impoverished area: a person/immediate family for which 12 months preceding application for services:
  - Total income does not exceed 150% of FPL or;
  - Total income does not exceed 80% of AMI or;
  - Total income meets criteria of another government program.
Beneficiaries

- Distressed area must demonstrate, in comparison to county/statewide averages:
  - Persistent unemployment/underemployment
  - Dependence on public assistance
  - Overcrowded, unsanitary, inadequate housing
  - Crime and delinquency
  - School dropouts or low education attainment
  - Vacant/dilapidated properties or blight
  - Other indicators of widespread social problems.
Components of NAP

DCED has four tax credit funding streams available, including NAP, NPP, SPP, EZP. We are only concerned with the first three.
Neighborhood Assistance Program (p.12)

- 55% of amount contributed by a business to a neighborhood organization can be used as tax credit for an approved project.
Neighborhood Partnership Program (p. 19)

- Businesses make a substantial, long-term contribution (min. 5 years) to an approved project in a “Distressed Area.”
- Can include multiple businesses.
- Aim is to develop collaborations for high impact, long-term investment to enhance community quality of life.
- Plan is developed together and must include a written agreement.
Special Program Priorities (SPP)

- Up to 75% tax credit for businesses.
- Addresses DCED Designated Priorities (p.16)
  - Rural communities
  - Diversity
  - Mortgage Foreclosure
  - Weatherization/housing rehabilitation
  - Blight elimination
  - Affordable housing for at-risk/special needs populations.
Developing Your Application

DCED currently receives applications for twice as much tax credit funding that is available.
The “4 P’s”

- Place: describe target area with physical boundaries and relevant demographics.
- Problem: what is the need? Provide statistics.
- Project/Programs: must address the problem identified in the application.
- Proposed Outcomes: identify and describe the anticipated results, impact, and how measured.
### Corporate Net Income Tax Benefit

<table>
<thead>
<tr>
<th></th>
<th>NAP 55% Credit</th>
<th>Corporate Foundation</th>
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<tr>
<td>Contribution</td>
<td>$200,000</td>
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<tr>
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<td>Net Cash Outlay before</td>
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<td>Tax Costs/(Benefits)</td>
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<td>Federal Tax Benefit of</td>
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<td>Contribution X Federal Rate</td>
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<td>Reduction of State Tax Costs</td>
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<td>Cost Per $100</td>
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**TAX ASSUMPTIONS**

Federal Corporate Income Tax Rate: 35%
State Corporate Net Income Tax Rate: 9.99%
Issues to Consider
There is still room for improvement for NAP, even with recent changes.
Issues to Consider

- Underutilized outside largest cities.
- Neighborhood-based format creates challenge for suburban/rural applicants.
- Exception: charitable food banks.
Issues to Consider

- Changes to the Program in 2015
  - Target Area
  - SPP- New Priority

- Affordable Housing & Supportive Services for At-Risk Populations:
  - “Repair, rehabilitate, construct, or preserve” housing,
  - “At-risk” as low-income households including homeless, disabled, suffering from chronic illness, elderly and/or frail.
Helpful Links

- Regional Offices with Interactive Map: [http://dced.pa.gov/dced-regional-offices/](http://dced.pa.gov/dced-regional-offices/)
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