

NEIGHBORHOOD ASSISTANCE PROGRAM

Administrative Workshop

Department of Economic Development
Business & Community Finance

NAP – You're Approved!

- ▶ Solicit donations from MO businesses & individuals with MO business income
- ▶ Qualifying contributions receive a 50% or 70% tax credit
- ▶ As an incentive:
 - Increase levels of giving
 - Expand donor base
 - Donors keep their tax dollars in the community

Your NAP Agreement

Appendix A:

Project Summary & Conditions

- ▶ Project # 2018-xxxx
- ▶ Tax Credit Amount
- ▶ Goals
- ▶ Outcomes
- ▶ Project Period - Timeframe for ALL activities, including fundraising, delivery of services, construction, incurring NAP expenses, etc. All NAP funds must be spent (except audit).

Appendix B:

Property Use & Disposition

Capital Campaigns

- ▶ Retain ownership/lease and provide services for 5 years after the project becomes operational
 - ▶ Includes furnishings and equipment funded by NAP
 - ▶ Repayment of tax credits
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Appendix C: Signature Authorization

- ▶ Submitted by a Board Officer
 - may be revised at any time
- ▶ Signers are authorized by the Board to sign all official NAP documents
 - Tax Credit Applications
 - Quarterly and final reports
 - Project extension requests and budget revisions

Donors and Donations

- ▶ Agree to abide by DED policies and decisions concerning eligible donors and qualifying donations.
 - ▶ No tax credits offered for donations that are not directly used to carry out the project as proposed.
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Records

- ▶ Maintain financial and performance related records
 - **Tax credits** – Tracking method to ensure no one is promised more tax credits than authorized; donor documentation
 - **Outcomes** – Tracking of services and performance
- ▶ Maintained for 5 years after the project period has ended.

Records cont...

- ▶ Project records must be available:
 - For compliance visit
 - At any time during normal business hours for inspection by: DED, Department of Revenue, the State Auditor, or the State Attorney General
 - Permit review, examination, and copies of records.

Amendments and Waivers

- ▶ Amendments to the NAP contract are required for changes in:
 - **Tax Credit Award** – Relinquishing or requesting additional credits
 - **Project Period** – Project extension. Max project period is 3 years
 - Requests must be made in writing

Project Changes

- ▶ Changes **not** requiring a contract amendment:
 - Budget revisions – see forms
 - Program Updates – Board Turnover, Addresses, Project Management, etc.
 - Authorized Signers
- ▶ Forms available online

Contract Compliance

State & Federal Laws

- ▶ Comply with all MO statutes, regulations, and guidelines.
- ▶ Hold harmless the State of MO for losses, damages, expenses, claims, demands, suits, and actions as a result of the Project.

Contract Compliance

State & Federal Laws

- ▶ New hires must be checked through **E-Verify**
 - ensure new employees are authorized to work in the US.
- ▶ Contractors and subcontractors must provide a **sworn affidavit** attesting that all employees are lawfully present in the US.

Fiscal Duties

- ▶ NAP donations
 - Held in an insured MO bank account
 - NAP donations and expenses must be tracked via a separate ledger account if recorded in general accounting system.
 - Verification of in-kind donations must be maintained (invoices, etc.)

Reporting

- ▶ **Quarterly reports – see example**
 - NAP fundraising progress
 - Progress toward meeting targets
 - Used to determine success during project period
 - Due within 15 days of quarter end date
 -
- ▶ **Final Report & Final Budget**
 - Due within 30 days of project period end date

**Reports filled out incorrectly
will not be accepted.**

Total contributions spent on NAP budget expenses to date. As a general rule -should not exceed the \$ amount of contributions received to date.

Contributions Spent may only exceed received if expenses have been incurred and paid by other sources, and will be reimbursed as NAP donations received. You **MUST** note in the Notes section below.

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FUND RAISING PERIOD		QUARTER	
BEGINNING	ENDING	BEGINNING	ENDING
		CONTRIBUTIONS RECEIVED TO DATE	CONTRIBUTIONS SPENT TO DATE

Total \$ received to date for which credits are promised, even if the app. to claim credits has not yet been submitted. Don't include pledges. The amount entered should not exceed the NAP approved budget amount.

Cumulative #'s

Outcomes should match those identified in the project approval, see Appendix A.

OUTCOMES (AS IDENTIFIED IN PROJECT APPROVAL)	ORGANIZATION (AS IDENTIFIED IN PROJECT APPROVAL)	PROJECT APPENDIX A)	ACTUAL # SUCCESSFUL TO DATE
ORGANIZATION	ORGANIZATION	OUTCOME 1	
ORGANIZATION	ORGANIZATION	OUTCOME 2	
ORGANIZATION	ORGANIZATION	OUTCOME 3	
AUTHORIZED SIGNER NAME (PRINT)	AUTHORIZED SIGNER SIGNATURE	DATE	

Print the name of the authorized signer.

Don't forget the signature! Must be signed by an Authorized Signer.

For construction or renovation targets, enter the % of the facility that has been completed by the quarter end. Detail work completed and work remaining in the Project Update box below.

NAP Audit

- ▶ Required for projects using \$25,000 or more in credits.
 - ▶ Must specifically address NAP funds.
 - ▶ Due within 6 months of project period end date.
 - ▶ Must be performed by an independent CPA.
 - ▶ Agreed Upon Procedures – Refer to handout.
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NAP Audit

- ▶ If performed as part of a larger organizational audit, the audit cost must be pro-rated.
 - Only time spent on NAP portion can be funded with NAP donations.
- ▶ Audit can be donated in-kind
 - MUST be completed within 6 months
 - Must be on the NAP budget

Capital Campaign



- ▶ Owned & Acquired property - Certain projects must record a **RESTRICTIVE COVENANT** with the property deed
 - File within 15 days of the property becoming operational
 - Prohibits the sale of the property for 5 yrs
 - Failure to record = a breach of the agreement and repayment of the tax credits.
 - ▶ Engineer/Architect/Consultant Certification

Property Acquisition

- ▶ Property acquisition - must complete deed transfer before the NAP credits can be issued.
- ▶ A **Phase I Environmental Site Assessment** is required **prior** to donation or purchase.
 - Phase I cost can be included on the NAP budget, but clean-up/remediation costs cannot.

MO DNR contact: (573) 751-3176

Funding Certification

- ▶ New construction, large scale renovation, property acquisition
 - All funding must be secured before acquisition or construction.
 - Certain renovation projects may be phased
 - Submit to DED for approval
 - Attach proof of funds raised, secured sources, or letters of commitment.

Property Acquisition

- ▶ Acquisition documents must be submitted to DED within 10 days of closing on the property
 - Deed, Phase I Assessment, Appraisals, etc.
- ▶ Service delivery projects
 - Exempt from site control requirements
 - Environmental assessment recommended

Religious Affiliation

- ▶ Clients cannot be required to attend religious services
 - Alternate, structured activities must be made available
- ▶ NAP tax credits cannot be applied to faith-based activities or facilities primarily used for religious services.

Program Acknowledgement

- ▶ **Service delivery projects** – Reference DED and NAP in brochures, press releases, & publications promoting activities funded with NAP donations.

“Certain project costs have been underwritten by the Missouri Department of Economic Development, Neighborhood Assistance Program.”

Program Acknowledgement

- ▶ **Capital campaign projects** – temporary during construction and permanent once completed

“Acquisition, construction, and/or renovation of this facility was partially underwritten by the Missouri Department of Economic Development, Neighborhood Assistance Program”

Repayment of Tax Credits

- ▶ DED can recapture tax credits if:
 - At mid-point of the project the nonprofit cannot show evidence the remaining credits will be utilized.
 - The agency is unable to complete the NAP project as agreed upon with DED.
 - The agency fails to comply with the provisions of the agreement.

General Contract Requirements

- ▶ The nonprofit holds DED harmless from claims, demands and actions based on the activities performed under the NAP Agreement.
 - ▶ Once signed, the Agreement, the project application, and NAP Guidelines are the binding criteria for the project.
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Accountability Act Report

- ▶ Must submit a Tax Credit Accountability Act Report to **Department of Revenue** annually, for 2 years
 - the title and location of the project
 - time period for completion
 - all geographical areas impacted and
 - new jobs created each month

Tax Credit Accountability

- ▶ 1st report due on the first June 30th that falls AT LEAST 1 year after the first tax credit was issued. (See Handout)
- ▶ Projects also required to report on job creation:
 - Full-time permanent jobs
 - Part-time permanent jobs

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Accountability Act Example

- ▶ FY 2018 Project, Project Period:
July 1, 2017 – June 30, 2018
- ▶ First NAP credit issued on November 1, 2017.
- ▶ 1st report due June 30, 2019.
- ▶ 2nd report due June 30, 2020.

Accountability Act Penalties

- ▶ Failure to report for 6 months starting January 1 of the year after due.
 - Penalty = 2% of credits issued for each month of delinquency, for first six months.
- ▶ Failure to report for more than 6 months:
 - Penalty = 10% of the value of credits issued, for each month delinquent, up to 100% of credits issued.
 - ▶ Fraud - penalty equal to 100% of the credits issued.

Project Help??

- ▶ **Project Questions** – performance, budget, scope, quarterly reports, extensions, etc., contact:
 - Kim Baughman (573) 526-5417
kimberly.baughman@ded.mo.gov
 - Zatuilla Nara (573) 526-0124
zatuilla.nara@ded.mo.gov
 - Madeline Berwanger (573) 751-4539
madeline.berwanger@ded.mo.gov

Tax Credit Application Process

- ▶ Donor makes contribution to project
- ▶ Application for Claiming Tax Credits
 - Donor completes Parts II, III, IV & V and attaches pertinent documentation
 - Part IV may be completed by project director for stock values or amount minus goods or services
 - Project Director completes Parts I & VI
 - Mail original application to NAP

Tax Credit Application Process

▶ The Certificate

- Mailed directly to donor and Dept. of Revenue
- Claim on state tax return using MO-TC
- Offsets the donor's MO state tax liability

Tax Credit Processing

- ▶ Tax credit applications must be received by NAP within one year from donation date.
- ▶ Donor has the tax year the contribution was made plus 5 succeeding tax years to claim the credit on their tax return.

NOTE: NAP credits are **not** transferable or refundable.

Tax Credit Processing

- ▶ Allow 4 weeks for processing tax credit applications.
- ▶ During tax season – **6 week minimum.**
- ▶ Donors are checked through the Department of Revenue for delinquent taxes owed.
- ▶ Credit will be offset by any delinquent taxes.

Tax Credit Processing

- ▶ Projects will receive a quarterly listing (see example) of tax credit applications submitted to DED.
- ▶ Use the report to reconcile your records, make sure DED has received everything sent.
- ▶ **DO NOT** use this listing to complete the quarterly report due to DED.

Tax Credit Application



MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT
APPLICATION FOR CLAIMING TAX CREDITS

BENEFIT NUMBER - OFFICE USE ONLY

This application is to be completed by the taxpayer/donor for which a tax credit will be issued. Instructions for completing this form are on the reverse. Please type or print.

PART I: QUALIFYING PROGRAM

FAMILY DEVELOPMENT ACCOUNT NEIGHBORHOOD ASSISTANCE PROGRAM YOUTH OPPORTUNITIES PROGRAM

PART II: TAXPAYER (DONOR) INFORMATION - See instructions.

TAXPAYER NAME - INDIVIDUAL (INCLUDE SPOUSE INFORMATION IF A JOINT RETURN IS FILED) OR BUSINESS NAME (AS LISTED WITH SECRETARY OF STATE'S OFFICE)

FOR BUSINESSES, LIST A CONTACT PERSON CONTACT EMAIL ADDRESS CONTACT TELEPHONE #

MAILING ADDRESS CITY STATE ZIP CODE

SOCIAL SECURITY NUMBER SPOUSE SOCIAL SECURITY NUMBER BUSINESS FEDERAL ID NUMBER MISSOURI TAX ID NUMBER

TAXES PAID BY:

CALENDAR YEAR OR FISCAL YEAR FROM _____ TO _____

PART III: TAXPAYER ELIGIBILITY - CHOOSE ONLY ONE ELIGIBILITY STATUS

<p>INDIVIDUAL DONOR</p> <p><input type="checkbox"/> INDIVIDUAL - YOP AND FDA ONLY</p> <p><input type="checkbox"/> INDIVIDUAL WITH A FARM OPERATION</p> <p><input type="checkbox"/> INDIVIDUAL REPORTING INCOME FROM MO RENTAL PROPERTY OR ROYALTIES</p> <p><input type="checkbox"/> INDIVIDUAL REPORTING INCOME FROM A SOLE PROPRIETORSHIP</p> <p><input type="checkbox"/> INDIVIDUAL REPORTING INCOME FROM A PARTNERSHIP, S-CORPORATION, OR LIMITED LIABILITY CORP (LLC)</p>	<p>BUSINESS DONOR</p> <p><input type="checkbox"/> CORPORATION</p> <p><input type="checkbox"/> FINANCIAL INSTITUTION</p> <p><input type="checkbox"/> PARTNERSHIP - ATTACH PARTNER NAMES, SOCIAL SECURITY NUMBERS, AND PERCENTS OF OWNERSHIP</p> <p><input type="checkbox"/> S-CORPORATION - ATTACH SHAREHOLDER NAMES, SOCIAL SECURITY NUMBERS, AND PERCENTS OF OWNERSHIP</p> <p><input type="checkbox"/> LIMITED LIABILITY CORP - ATTACH MEMBER NAMES, SOCIAL SECURITY NUMBERS, AND PERCENTS OF OWNERSHIP</p> <p><input type="checkbox"/> INSURANCE COMPANY</p>
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PART IV: TYPE OF CONTRIBUTION AND VALUE

TYPE OF CONTRIBUTION	VALUE	DATE OF CONTRIBUTION MONTH/DAY/YEAR
<input type="checkbox"/> CASH; WERE ANY GOODS AND/OR SERVICES RECEIVED? <input type="checkbox"/> YES <input type="checkbox"/> NO		
<input type="checkbox"/> STOCKS (VALUED BETWEEN HIGH AND LOW ON THE DATE OF TRANSFER FROM DONOR INTO NONPROFIT'S BROKERAGE ACCOUNT)		
<input type="checkbox"/> IN-KIND (VALUED AS LESSER OF COST TO DONOR OR FAIR MARKET VALUE)		
<input type="checkbox"/> WAGES PAID TO PARTICIPATING YOUTH - YOP ONLY		

PART V: TAXPAYER CERTIFICATION AND NOTARIZATION (TO BE SIGNED IN NOTARY'S PRESENCE)

I have examined the above application and confirm, to the best of my knowledge, information, and belief, that the above information is true and correct. Further, if operating as a business in Missouri, I declare that I do not knowingly employ illegal aliens and have complied with federal law (8 U.S.C. 1324A), which requires examination of the appropriate documents to verify employment eligibility. I understand that if found to have employed an illegal alien in Missouri and did not, for that employee, examine the documents required by federal law, that I shall be ineligible for any state-administered or subsidized tax credit, tax abatement, or loan for a period of five years following any such finding.

TAXPAYER SIGNATURE

NOTARY PUBLIC EMBOSSEUR OR BLANK INK RUBBER STAMP SEAL	STATE	COUNTY (OR CITY OF ST. LOUIS)
	SUBSCRIBED AND SWORN BEFORE ME, THIS DAY OF _____ YEAR	USE RUBBER STAMP IN CLEAR AREA BELOW
	NOTARY PUBLIC SIGNATURE	MY COMMISSION EXPIRES:
	NOTARY PUBLIC NAME TYPED OR PRINTED	

PART VI: CONTRIBUTION VERIFICATION BY PROJECT DIRECTOR

APPROVED ORGANIZATION NAME PROJECT NUMBER

I have examined this application and all attachments and believe it to be an accurate description of the contribution received by our organization for the purpose of carrying out the approved project.

PROJECT DIRECTOR NAME PRINTED/TYPED PROJECT DIRECTOR SIGNATURE DATE

THIS FORM MUST BE SUBMITTED TO DED WITHIN 12 MONTHS FROM THE DATE OF DONATION TO QUALIFY FOR A TAX CREDIT.

Scenario

Donors: Andy (SSN: 498-64-5890) and Kim (SSN: 559-60-6485) Nichols make a cash contribution of \$5,000 to your organization on August 10, 2017. They own rental property and file their taxes on a calendar year.

Address: 801 High Street,
Jefferson City, MO 65102

Phone: 573-111-2222

Eligible Contributors

Business Eligibility	Tax Liability Type	Schedule Filed
Corporations	Corporate, Franchise Tax	MO Form 1120
Farm Operation	Individual Income Tax	Federal Form 1040, Schedule F, MO Form 1040
Financial Institution*	Financial Institution Tax	MO Financial Tax Return
Individual partner in a Partnership or shareholder in an S-Corp	Individual Income Tax	Federal Form 1040, MO Form 1040
Individual reporting income from rental property or royalties	Individual Income Tax	Federal Form 1040, Schedule E, MO 1040
Insurance Company	Gross Premium Receipts Tax	MO Insurance Tax Return
Limited Liability Corporation or Partnership	Individual Members Income, Franchise Tax, Fiduciary Tax	MO Form 1120, 1120S or 1065
Partnership	Individual Partners' Income Tax	MO Form 1065
Sole Proprietorship	Individual Income Tax	Federal Form 1040, Schedule C and MO Form 1040
Small Business Corporation (S-Corp)	Individual Shareholders' Income Tax, Franchise Tax	MO Form 1120S
Charitable Organizations**	Income Tax	

*Includes Banks, Credit Inst., Savings & Loan Assoc., Credit Unions, Farmer's Cooperative Credit Assoc., or Building & Loan Assoc.

**Donor must attach a signed, notarized affidavit proving they have other business income to create a Missouri state tax liability

Documentation Requirements

CASH CONTRIBUTIONS - Checks

- ▶ Must be made payable to and endorsed by the NAP organization
- ▶ Check date is date of donation
- ▶ Donor must show funds withdrawn from and cleared his/her account.
- ▶ ALL pages of documentation must show donor name or last 4 digits of account #

Documentation - CHECKS

Traditional Documentation:

- ▶ A copy of the front of the check & donor's bank statement; OR
- ▶ A copy of the front and back of the check, & proof of posting to the donor's bank
 - Bank statement
 - Letter from donor's bank



Documentation - CHECKS

Online Banking Documentation

- ▶ Printout from the donor's financial institution, on-line account access

Must show:

- ▶ Check posted to donor's account
- ▶ Check # and amount of check
- ▶ Post date above/below the front of the check
- ▶ Might show "dda debits"

Documentation - CARDS

CREDIT and DEBIT CARD Donations

Credit Card/Bank statement showing:

- ▶ Donor's name & statement date
- ▶ Last 4 digits of account number
- ▶ Date of charge/debit
- ▶ Recipient organization & amount of charge/debit



Last 4 of account number and/or name should
be on all pages!!

Documentation - PAYROLL

EMPLOYEE PAYROLL DEDUCTIONS:

- ▶ Initial form authorizing the deduction:
 - Timeframe for the deduction
 - Amount for each pay period
 - Total # of pay periods & total to be deducted
 - Employee and employer signatures
- ▶ Copy of the employee's last payroll stub showing all deductions for timeframe



Documentation - PROPERTY

REAL ESTATE CONTRIBUTIONS:

- ▶ Deed filed in the county recorders office
 - Restrictive Covenant (if required)
- ▶ Environmental inspection report (if required)
- ▶ Appraisals
 - Residential property, value > \$25,000 = 2 appraisals
 - Commercial property, value > \$50,000 = 2 appraisals
 - In all other instances, 1 appraisal



Documentation - MATERIALS

EQUIPMENT AND SUPPLIES:

- ▶ Itemized invoice – shows cost to donor or fair market value, whichever is less.
- ▶ Cannot include sales tax and profit margin.
- ▶ The NAP tax credits will be certified for the lower of cost or fair market value.
- ▶ Used equipment invoices must be accompanied by an appraisal of the fair market value of donated item(s).



Documentation - STOCK

PUBLICLY-TRADED STOCKS & BONDS

- ▶ Documentation of the **transfer from the donor to the organization** -
 - From the donor's stockbroker
 - Portfolio/letter with: donor's name, recipient organization, # of shares, type of stock & date of transfer
 - Print historical quote for date of transfer (valued on transfer date)



Documentation - STOCK

STOCKS & BONDS (Continued)

- ▶ Documentation of the **sale of the stocks** or bonds **by the organization**
 - Comes from the organization's stockbroker
 - Trade confirmation to prove the sale of the donated securities
 - Copy of the front of the brokerage check or proof of payment



Tax Credit Application Reminders

- ▶ Tax credit applications
 - Check the NAP box in Part I
 - Before making copies of the form, cross out the “individual box” in Part III
 - Type in your organization name & project number in Part VI
- ▶ If the donor files a joint return, provide husband and wife’s name and both SSN’s.

Application Reminders...

Check donor eligibility

- ▶ Verify in-kind donations
 - Included in the approved budget.
 - In-kind donations **ONLY** qualify if the donor pays taxes on the income they receive from the sale of those same goods, services or materials.
- ▶ Make sure donations occur within the approved project fundraising period.

Application Reminders

- ▶ Ensure donor checks only one taxpayer type in Part III.
- ▶ For s-corps or partnerships
 - Attach individual shareholder/partner names, SSN's, and % of ownership
- ▶ Attach proof of contribution
- ▶ For cash donations - check must be cancelled by the donor's bank
- ▶ All applications must be notarized

Application Reminders

- ▶ The donor, notary & Project Director signatures **MUST** be original.
- ▶ For multiple donations turned in on one tax credit application
 - Ensure donations are within the same taxable period for the donor
 - Within the same fundraising period for the project

Tax Credit Application Help

- ▶ For help with Application for Claiming Credits
 - See back of tax credit application
 - See handouts
- ▶ NAP contacts for tax credit processing:
 - Peggy Robinson (573) 522-2629
peggy.robinson@ded.mo.gov or
 - Madeline Berwanger (573) 751-4539
madeline.berwanger@ded.mo.gov

NEIGHBORHOOD ASSISTANCE PROGRAM

301 W. HIGH STREET, ROOM 770
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