NEIGHBORHOOD ASSISTANCE PROGRAM

Administrative Workshop

Department of Economic Development Business & Community Finance
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
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.
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.)
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.

| FUND RAISING PERIOD | QUARTER
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>BEGINNING</td>
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<tr>
<td>BEGINNING</td>
<td>ENDING</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CONTRIBUTIONS RECEIVED TO DATE</th>
<th>CONTRIBUTIONS SPENT TO DATE</th>
</tr>
</thead>
</table>

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.
<table>
<thead>
<tr>
<th>Outcomes (As Listed/Stated in Project Approval, Per Appendix A)</th>
<th>Actual # Successful to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization's Performance Outcome 1</td>
<td></td>
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<tr>
<td>Organization's Performance Outcome 2</td>
<td></td>
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<tr>
<td>Organization's Performance Outcome 3</td>
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</tbody>
</table>

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.

Print the name of the authorized signer. Don’t forget the signature! Must be signed by an Authorized Signer.

Authorized Signer Name (Print) | Authorized Signer Signature | Date
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.
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.
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
Accountability Act Example

- FY 2018 Project, Project Period: July 1, 2017 – June 30, 2018
- First NAP credit issued on November 1, 2017.
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
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.
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
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

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

*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.
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 #
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
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”
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!!
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
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
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)
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