

Neighborhood Assistance Program (NAP)

State Tax Credit

What is the Neighborhood Assistance Program (NAP)?

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

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.

How does the Neighborhood Assistance Program (NAP) work?

Eligible 501(c)(3) non-profit organizations receive an allocation of tax credits from the VDSS or 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. The application period will start no later than March 15 of each year. All applications must be received by VDSS no later than the first business day of May.

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.

What are the tax credit requirements for an individual donation?

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.

The minimum donation by an individual must be at least \$500*. Tax credits may be offered up to 65 percent of the value of the donation.

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

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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. Tax credits will be denied by the Department of Taxation if the donor exceeds the maximum limit for combined donations made to VDSS and DOE. Currently, there is no maximum donation limit for a business or trust.

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 mediation 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/trust making a donation of at least \$616*. Tax credits may be offered up to 65 percent of the value of the donation.

Example: \$616 donation X 65% = \$400.40 tax credit to be used on the Virginia State Income Tax Return **While the minimum donation for a business/trust is \$616 to meet the NAP program requirements. The minimum donation for an individual is \$500.*

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

- Cash
- Stock
- Merchandise
- Real Estate
- Rent/Lease Facility
- Contracting Services
- Professional Services
- Health Care Services
- Pharmaceutical Services
- Mediation Services
- Physician Specialist Services

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

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

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.

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). Return the completed form to the NAP organization. The NAP organization will submit the CNF to VDSS to have your tax certificate issued.

When will I receive my tax credit certificate?

It may take up to eight weeks for VDSS to review and approve a donation once submitted. The review process may take up to 12-weeks during the months of December, January, February, March, April, May and June. The tax credit certificate is mailed to the donor by the NAP organization.

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

The name listed on the tax credit certificate cannot be changed as NAP tax credits are non-transferrable.

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

Contact the NAP organization to request a copy of the tax certificate.

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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.

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

Tax credits are non-refundable; however, NAP tax credits that exceed the donor's total Virginia State tax liability may be carried forward for up to five years.

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