

Overview of the Neighborhood Assistance Act Program

The Neighborhood Assistance Act (NAA) encourages businesses, firms and individuals who have a Delaware state tax liability to invest in programs serving impoverished neighborhoods and communities or assisting low- and moderate-income families. The NAA is administered by the Delaware State Housing Authority (DSHA) in accordance with Title 30, Chapter 20 of the State Code.

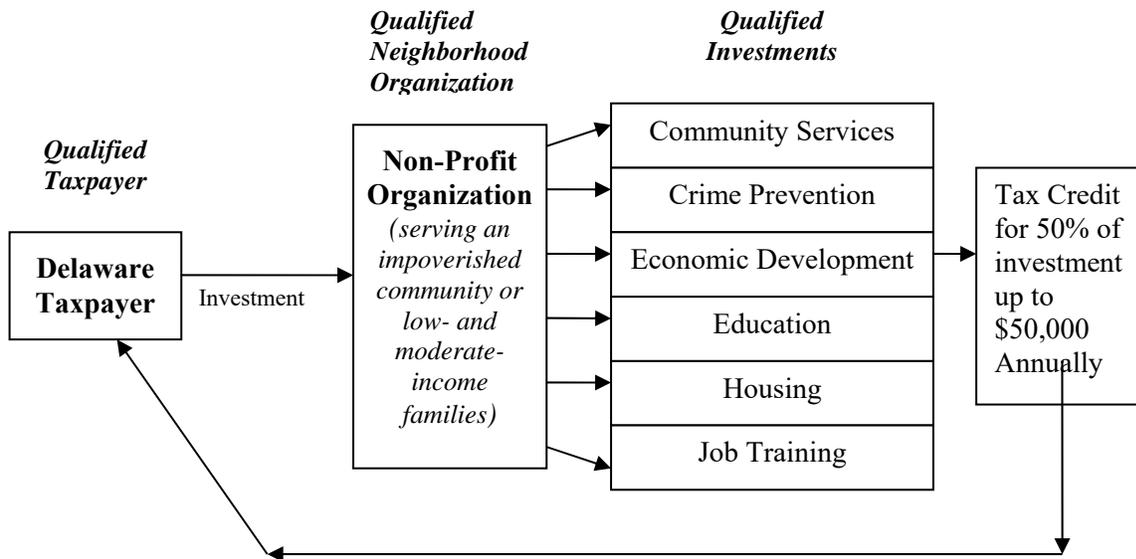
Individuals and businesses paying Delaware income taxes can use the NAA Program to provide valuable assistance to low- and moderate-income communities, while reducing their tax liability. If a business or individual provides qualified services or products to a non-profit neighborhood organization that assists low- and moderate-income families, or contributes money to a neighborhood organization that provides qualified services, the taxpayer may be eligible for a tax credit.

Terms of the NAA tax credit are:

- The NAA tax credit equals 50% of the qualified investment or contribution up to a maximum eligible contribution of \$100,000 annually per taxpayer, resulting in a maximum annual tax credit of \$50,000 per taxpayer.
- Taxpayers are limited to receiving \$100,000 in tax credits over any three-year period.
- The minimum contribution by an individual or family is \$2,500 for a tax credit of \$1,250.
- The minimum contribution by a business is \$10,000 for a tax credit of \$5,000.

Total tax credits available for the State Fiscal Year are \$1,000,000.

Neighborhood Assistance Act Flow Chart



Qualified Taxpayers

The NAA Tax Credit is available to any individual or business paying income tax in Delaware. Taxpayers **cannot** claim the tax credit **and** a charitable tax deduction on the same contribution when filing their Delaware income taxes. However, the contribution may be itemized on the Federal return as a deduction and a credit on the Delaware return. Tax credits are generally more beneficial to taxpayers than tax deductions; however, questions about specific contributions should be discussed with a tax professional. Contributions may be made in incremental amounts throughout the contributor’s tax year, as long as the cumulative total meets or exceeds the minimum NAA contribution required of an individual or business upon application for NAA credits.

Assuming DSHA determines that the contribution has been made for the community purpose detailed in the application, the taxpayer/applicant, the non-profit neighborhood organization and the Delaware Division of Revenue will receive a NAA Tax Credit Award Letter. The Division of Revenue also requires a completed 2001 AC 0809 form signed by the contributor and DSHA. Upon receipt of the 2001 AC 0809 form, the Division of Revenue will issue Form 700 to be filed with the contributor’s Delaware state tax filing. (The Delaware Division of Revenue Form 700 will allow the taxpayer to apply credits to any Delaware tax liability over a period of five years, or until the credits are fully utilized before the five-year deadline.)

Eligible Nonprofit Organizations

An eligible nonprofit organization may be:

- A Qualified Neighborhood Organization or
- A Community Development Corporation or
- A Community-Based Development Organization

A “Neighborhood Organization” as defined by the act would include non-profit affordable housing development organizations, community centers in low-income areas that have educational programs for children or job training programs for adults, organizations that assist low-income communities develop and preserve businesses. All Neighborhood Organizations must hold a ruling from the Internal Revenue Service of the U.S. Department of Treasury (IRS) that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, Section 501(c)(3).

A “Community Development Corporation” or a “Community-Based Development Organization” is a locally-based, resident-controlled, non-profit organization that plans and implements community economic development projects in impoverished areas or for low- and moderate-income people, and that has a ruling from the Internal Revenue Service of the U. S. Department of Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, Section 501(c)(3).

Qualified Activities

Contributions made to neighborhood organizations to implement the following types of programs are considered qualified activities:

- **Community Services** (*any type of counseling, emergency assistance or medical care furnished to individuals or groups in an impoverished area, or for low- and moderate-income families*)
- **Crime Prevention** (*any activity that aids in the reduction of crime in an impoverished area, or for low- and moderate-income families*)
- **Economic Development** (*any activity that aids in business development and ownership in impoverished areas, or for low- and moderate-income families*)
- **Education** (*any type of scholastic instruction to individuals who reside in an impoverished area, or for low- and moderate-income families that enables them to meet educational requirements for job vacancies*)
- **Housing** (*any activity that aids in substantial rehabilitation or new construction of rental or owner-occupied residences for low- and moderate-income families in impoverished areas, or other areas.*)

- **Job Training** (*any type of instruction to individuals who reside in an impoverished area or for low- and moderate-income families that enables them to acquire vocational skills, so that they can become employable or be able to seek a higher grade of employment*)

In addition to making the investment for a qualified activity, the NAA contributions also must be made to benefit people who (1) live in impoverished areas, as determined by tracts also known as Qualified Census Tracts or (2) benefit low- and moderate income families. DSHA defines impoverished areas as:

- (1) Qualified Census Tracts where the family income is less than 50% of the area median family income, as determined by HUD.
- (2) Income restricted multi-family housing communities that serve low- and moderate-income families such as those with financing through the Low Income Housing Tax Credit program, those with subsidized rents through project-based Section 8, those funded through HUD programs for low-income seniors and people with disabilities and those with financing through Rural Development.
- (3) Communities targeted by specific government programs for re-investment, such as the Strong Communities and Enterprise Communities.
- (4) Impoverished areas not identified above may be considered by the DSHA Director upon written request. Low- and moderate-income family means, an individual or family whose total household income **is at or below 80% of the area median family income** as established by the U.S. Department of Housing and Urban Development (HUD). Information about these income limits may be found by using the following link to HUD's website:

<https://www.huduser.gov/portal/datasets/il.html>

Appendix B-1 is a map of identified impoverished areas and Appendix B-2 is a list of qualifying census tracts. Applicants can check their census tract online at <http://www.census.gov>.

Application Process

Step 1

Non-profit organizations interested in participating in the NAA program must complete the Neighborhood Assistance Act Non-Profit Application. The Application requests information about the organization, its eligibility, the type of neighborhood assistance and the impact on the impoverished area or low and moderate-income people. The second section of the application requests a description of the organization and information on the activity's budget, financing, goals, time line and proposed use of contributions. Additional attachments must be included:

- most recent IRS tax return or 990 form (if applicable)
- most recent 3 years audited financial statements (if available)
- organization's by-laws
- list of board of directors
- annual report
- 501(c)(3) certificate.

Step 2

Once the NAA Application is submitted to DSHA, DSHA will acknowledge receipt of the application by sending an e-mail to the applicant. DSHA will review the application to ensure that it meets the following criteria:

- Target population is at or below 80% of median family income.
- Organization receiving the contribution qualifies as a neighborhood organization under the Neighborhood Assistance Act.
- The program or activity being supported benefits low- and moderate-income people, or impoverished areas and is in one of the following categories of assistance:
 - Community Services
 - Crime Prevention
 - Economic Development
 - Education
 - Housing
 - Job Training

After the review of the application, DSHA will provide the applicant with an approval letter. If the application is denied, the letter will explain why the application was denied. Unsuccessful applicants may request a meeting with DSHA to discuss weaknesses in the application.

Step 3

Once a non-profit applicant has received the activity approval letter from DSHA indicating that the proposed activity meets the threshold criteria, the non-profit organization may request access to the NAA Web Portal. After access approval, the non-profit may begin submitting tax credit requests through the NAA Web Portal. Web portal instruction manual will be provided to the non-profit.

The tax credit request must include the following:

- Documentation of the donation/contribution which can include the following:
 - Copies of cancelled checks (front and back showing bank processing);
 - ATM receipts with proof of tax payer, amount, and date;
 - Credit card receipts/statements with proof of tax payer, amount, and date and payee (non-profit);
 - Paypal deposit with proof of tax payer, amount, and date;
 - Stock statements showing transfer out of donor account and to non-profit account & stock price at time of transfer with calculation of total donation;
 - Bank statements showing donor name, payee and amount of donation;
 - Letters in Kind
- A fully completed Division of Revenue 2001AC form.
- DSHA NAA Tax Credit Application which has been fully completed and signed by the taxpayer and the non-profit.

Eligible contributions are those that are made directly from a qualified taxpayer to an approved non-profit organization. Non-Profit organizations that receive contributions from a pass through organization (i.e., United Way) are not eligible to receive NAA tax credits. A tax credit award can only be made in the same calendar year in which the contribution is made.

The Delaware Division of Revenue has researched and clarified eligible donations related to Individual Retirement Accounts (IRAs). The Division of Revenue has determined that transfers from traditional Individual Retirement Accounts (IRAs) directly to NAA non-profits are not considered eligible for the NAA tax credit. Traditional IRA accounts are tax deferred and not taxable until the account holder withdraws funds or takes a distribution. By rolling over these funds from a non-taxed account directly to a NAA non-profit, these funds are not taxable therefore are not eligible for an NAA tax credit. The alternative would be the withdraw of funds from the IRA account and a check sent directly from the donor to the selected non-profit.

A Roth IRA would be an exception to this rule as this type of account is not tax deferred. A direct transfer from this type of account to the NAA non-profit would be acceptable with appropriate documentation from the financial institution indicating the account is a Roth IRA.

Prior to making any NAA donations, DSHA recommends taxpayers consult their financial consultant or the Delaware Division of Revenue.

If tax credits are available for the year and the application meets the threshold criteria, DSHA will send a letter notifying the tax credit applicant (taxpayer) and the Delaware Division of Revenue that the credits have been awarded. If DSHA receives a qualified NAA application and the fiscal year tax credits are fully expended, DSHA will provide the applicant with a denial letter explaining that tax credits are unavailable. Credits are made available to DSHA on July 1 of each year. Credits will be awarded on a first-come, first-served basis.

If the contribution is in the form of land, DSHA must be contacted before beginning the NAA application process. DSHA will inspect and research the property to verify that there are no adverse development conditions, such as environmental issues. Tax credits will be awarded on a first-come-first-served-basis.

Since NAA tax credits are awarded to DSHA as part of the fiscal year budget process, DSHA requests that non-profits who receive and process NAA contributions advise contributors that NAA tax credits are contingent upon a State of Delaware budget appropriation. DSHA will advise approved NAA non-profit organizations after July 1 each year of the approved appropriation and availability of that fiscal year's tax credits.

Assuming an appropriation of \$1,000,000, DSHA will set aside the following amounts:

1. **\$75,000 in credits** for businesses contributing to approved NAA nonprofit organizations.
2. **\$125,000 in credits** for individuals making a contribution of at least \$2,500 but less than \$4,999 to an approved NAA nonprofit organization.
3. **\$200,000 in credits** for qualifying donations to approved NAA nonprofit organizations with less than \$1 million in gross receipts as evidenced by their most recent IRS Form 990.
4. **\$600,000 in credits** for qualifying donations of any size to any approved NAA nonprofit organizations.

Credits in set-asides 1, 2, and 3 not awarded by October 31 each year will be reallocated to set-aside 4 to be awarded until all credits have been depleted.

Step 4

The Division of Revenue upon receipt of the completed Form 2001 AC 0809 will issue Division of Revenue Form 700 directly to the taxpayer. Both Form 2001 AC 0809 and Division of Revenue Form 700 will be filed by the taxpayer with its Delaware state tax return.

Please see Appendix A (Neighborhood Assistance Act Process Flow Chart).

Certification of Neighborhood Assistance Act Tax Credits

Part of the tax credit request includes information about the taxpayer making the contribution and certifies that the contribution has been made to the non-profit neighborhood organization.

Compliance Process Close Out Report

After the contribution has been certified, DSHA will require the non-profit to complete a compliance close out report detailing how the contribution assisted them in completing their program activity goals, as well as a brief summary of the program's budget and goals. It is the non-profits responsibility to ensure contributions received are being used for the intended purpose.

Denial of Neighborhood Assistance Act Tax Credits

If DSHA determines that evidence provided does not indicate that the contribution has been made, or that the non-profit has not applied the contribution to the community purpose detailed in the application, DSHA will issue a Denial of Credits Notice. This notice will indicate the reason for denial. The taxpayer applicant will then have 30 days to provide additional documentation to obtain the approval of credits. Furthermore, if an approved non-profit is not able to verify that the donation received has been used to complete their program activity within 9 months, the non-profit may be denied subsequent NAA activity approvals. Exceptions to the 9-month compliance policy are for non-profits whose approved activities include building housing units and or facilities. DSHA will allow up to a five-year period for the non-profit to complete this type of project. Periodic reporting will be required.

Appeals

DSHA will make decisions regarding the award of NAA tax credits based on the threshold criteria described above and not on a competitive basis. If an application is denied, the denial will be based on either a failure to meet the threshold requirements of the program or due to a lack of available tax credits. An applicant can request a meeting with DSHA staff to review the application and its perceived shortcomings. Following such a meeting, the applicant may make adjustments and re-submit the application.

DSHA Disclaimer

DSHA recommends taxpayers donating to the NAA program consult the Delaware Division of Revenue and/or financial advisor with any questions or to obtain guidance regarding the ramifications of NAA donations with regard to their personal tax situation.

Advisory Committee

The NAA Advisory Committee will be selected by the DSHA Director and serve a two-year term. The committee will meet at least once annually to review the performance of the NAA Program and make recommendations on improvements. Advisory Committee members are expected to be knowledgeable about the program to market the tax credit to taxpayers and non-profit neighborhood organizations. Membership on the Advisory Committee will include people from the business and non-profit sectors, as well as other interested parties.

Glossary of Terms

- (1) **Community Development Corporation and Community-Based Development Organization:** Any locally-based, resident-controlled, non-profit organization that plans and implements community economic development projects in impoverished areas, or for low- and moderate-income people and that holds a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, section 501(c)(3).
- (2) **Community Service:** Any type of counseling, emergency assistance, or medical care furnished to individuals or groups in an impoverished area, or for low- and moderate-income families.
- (3) **Crime Prevention:** Any activity that aids in the reduction of crime in an impoverished area, or to assist low- and moderate-income families.
- (4) **Economic Development:** Any activity that aids in business development and ownership in impoverished areas.
- (5) **Education:** Any type of scholastic instruction to individuals who reside in an impoverished area or for low- and moderate-income families that enables them to meet educational requirements for known job vacancies.
- (6) **Housing:** Any activity that aids in substantial rehabilitation or new construction of rental or owner-occupied residences for low- and moderate-income families in impoverished areas or for other areas.
- (7) **Impoverished Area:** Any clearly defined, economically distressed urban or rural area in Delaware that is certified as such by the Delaware State Housing Authority. Such certification shall be made on the basis of federal census studies and current indices of social and economic conditions.
- (8) **Job Training:** Any type of instruction to individuals who reside in an impoverished area or for low- and moderate-income individuals that enables them to acquire vocational skills, so that they can become employable or be able to seek a higher grade of employment.
- (9) **Low- and Moderate-Income Family:** An individual or family whose total household income is at or below 80% of the **Area Median Family Income** as established by the U.S. Department of Housing and Urban Development (HUD).

- (10) **Neighborhood Assistance:** The furnishing of financial assistance, labor, material and technical advice to aid in the physical, economic and community improvement of any part or all of an impoverished area, or to assist low- and moderate-income families through the provision of community services, crime prevention, economic development, education, housing, and job training.
- (11) **Neighborhood Organization:** Any organization performing neighborhood assistance in an impoverished area or for low- and moderate-income families and holding a ruling from the Internal Revenue Service of the U. S. Department of Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, or any community development corporation or community-based development organization as defined in this section.
- (12) **Person or Persons:** Shall include any individual; any form of company or corporation, which is lawful within Delaware (including limited liability companies and S corporations), any form of partnership, which is lawful within Delaware (including limited liability partnerships); and any trust or estate.
- (13) **Substantial rehabilitation:** Work involving at least two major systems to bring a house up to building code standards.

Marketing

Marketing of the NAA Tax Credits has been identified as critical to the success of the program. Marketing will target individuals and business taxpayers, along with non-profit organizations which already have relationships that could be expanded through use of the NAA tax credit but not limited to these groups. The goal is to make the program widely known in many venues.

Marketing to Businesses

DSHA can provide presentations on the NAA, as applicable. The presentations will focus on special points of interest to businesses for tax payers. DSHA may contact Rotary Clubs, Chambers of Commerce and other business groups and to market the NAA program and recommend each entity to provide this presentation to their membership. In addition, information on NAA may be accessed from DSHA's website at:

http://www.destatehousing.com/OtherPrograms/ot_naa.php

Marketing to Individuals

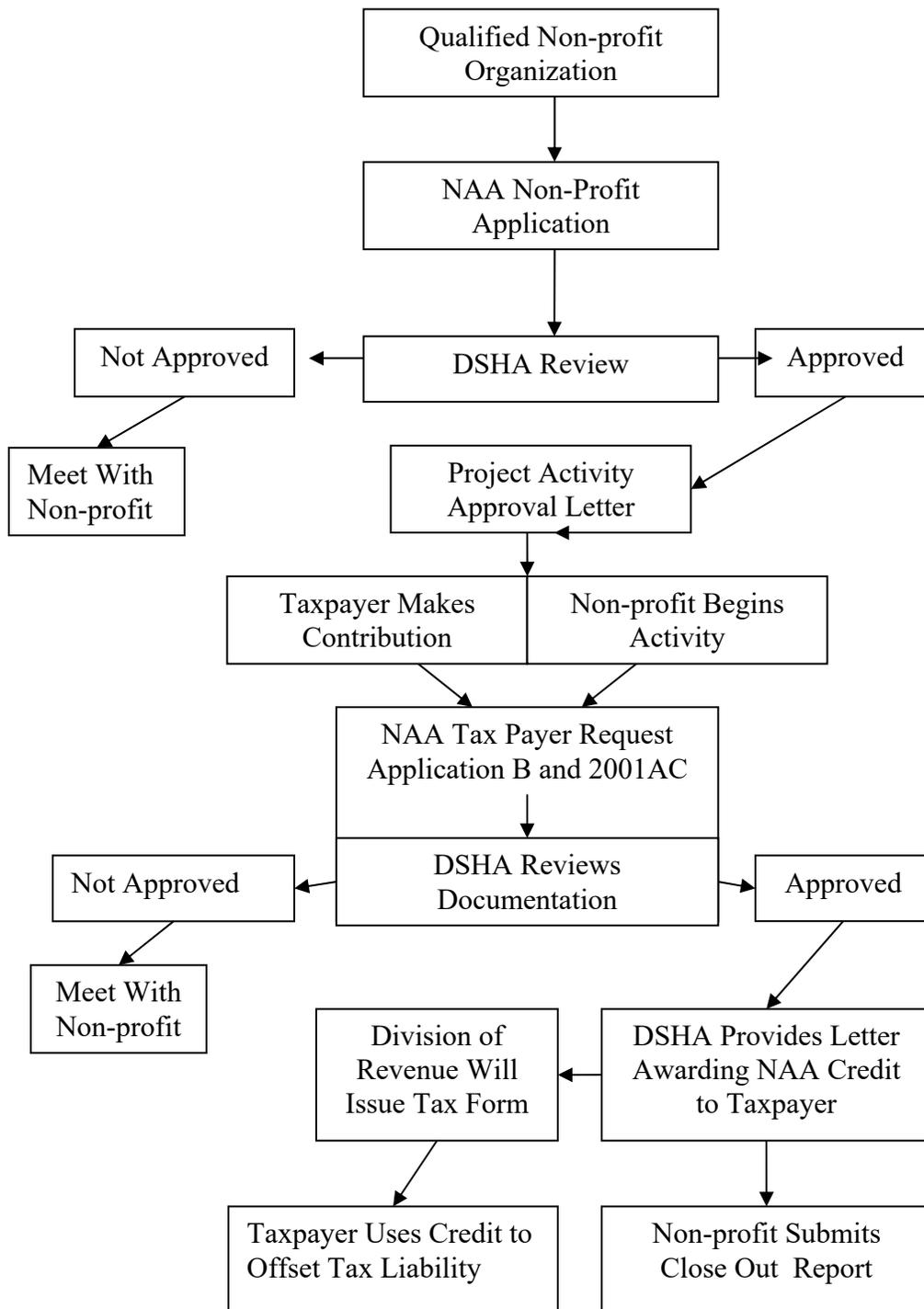
DSHA may disseminate NAA marketing materials in as many venues as possible and discuss the program with interested individuals. DSHA will identify opportunities for marketing the NAA through business conferences and other events.

Marketing to Non-Profits

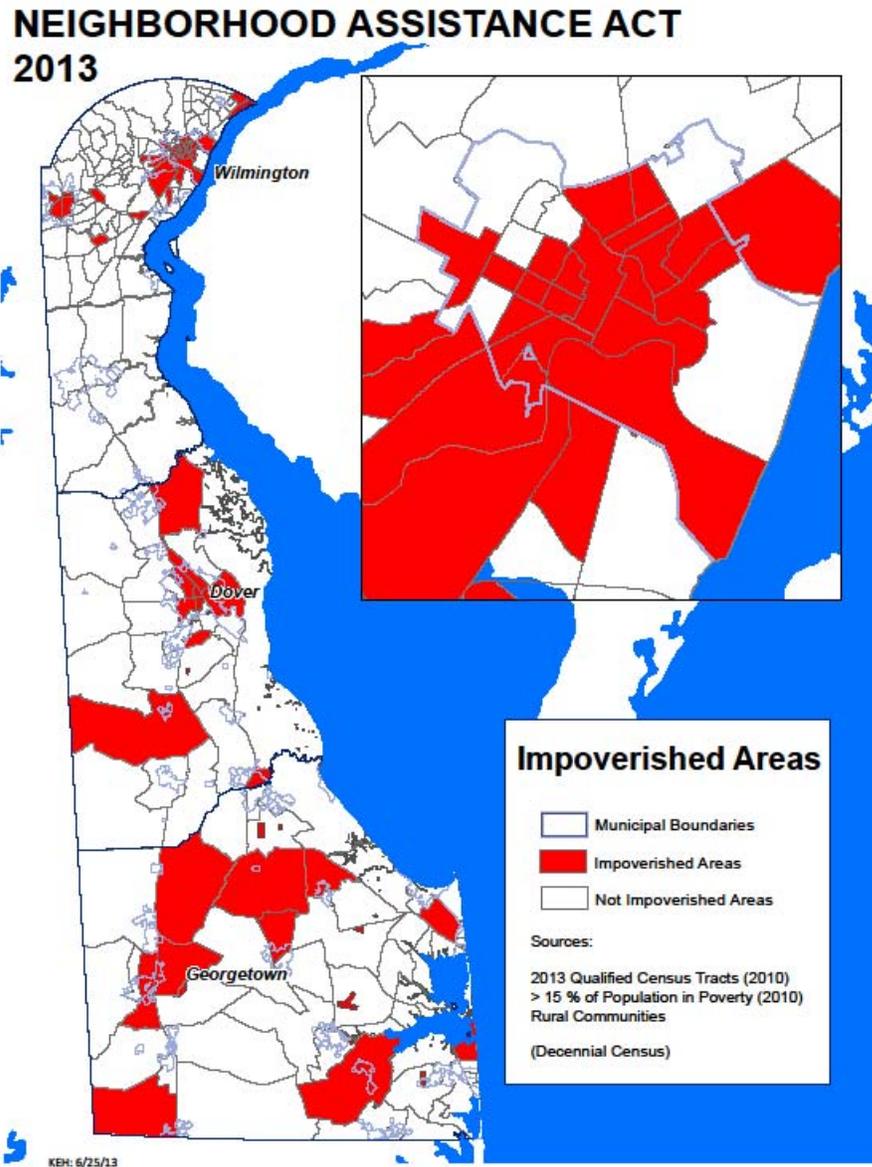
DSHA will provide NAA information to non-profit organizations that are most likely to benefit from the program. DSHA will provide a detailed overview of the program and periodically engage NAA participants in identifying program improvements, in identifying possible contributors and in marketing the program to those contributors. In addition, DSHA will provide technical assistance to non-profit organizations in preparing applications, if needed.

Appendix A

Neighborhood Assistance Act Process Flow Chart



Appendix B-1



Appendix B-2

IMPOVERISHED CENSUS TRACTS – DELAWARE

New Castle County				
3.00	16.00*	27.00	124.00	145.02*
4.00*	19.02*	28.00	125.00	149.03
5.00	21.00*	29.00*	129.00	149.09
6.01*	22.00*	30.02*	140.00	152.00
6.02*	23.00*	101.01*	144.02*	154.00*
9.00*	24.00	101.04	144.03*	160.00
15.00*	26.00*	107.02	145.01*	

Kent County				
402.03	409*	413*	417.02	428
405.01*	410	414*	425	433

Sussex County				
502	504.06*	505.03*	510.03	515
503.02	504.07	508.01	512.01	519
504.03				

* 2013 Qualified Census Tracts

Finding Your Census Tract

1. Go to <http://factfinder2.census.gov/>
2. Click on “street address” under “Address Search” at the lower right side of the page.
3. Enter the street address and click “Go”
4. The census tract of the address you entered will be the fourth line of the result.