VIRGINIA DEPARTMENT OF SOCIAL SERVICES (VDSS)
NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)
DONOR FACT SHEET

Overview:

- The Virginia Department of Social Services (VDSS) administers a program allowing individuals and businesses to receive state tax credits for donations to approved non-profit organizations that provides assistance to low–income persons. Approved neighborhood assistance program (NAP) organizations for the current program year (i.e., July 1 – June 30), and the current Contribution Notification Forms (CNF) are available at the following Web address: http://dss.virginia.gov/community/nap.cgi.

- Prior to making a donation, the donor is responsible for consulting with the NAP organization to ensure the availability of NAP tax credits. NAP tax credits are limited, and availability is based on the annual allocation of credits to a NAP organization**.**

- Qualified donations are eligible for NAP tax credits of not more than 65 percent of the value of the donation.

- A donor may receive tax credits based on a reduced percentage. The donor should complete a Tax Credit Percentage Agreement Form if accepting tax credits for less than 65 percent of the value of the donation. This form is available on the VDSS website at http://dss.virginia.gov/community/nap.cgi.

- Determining the effect of making a donation for tax credits on a donor's tax liability is the sole responsibility of the donor. Donors are encouraged to seek advice from their tax account or other tax advisor before making a donation, or when tax-related questions occur.

Making a Qualified Donation:

- Donations must be made directly to the NAP organization without any conditions or expectations of compensation or other benefits. Discounted property, a partial donation or bargain sales are not allowable donations for NAP tax credits.

- At the discretion of the NAP organization, administrative fees associated with using a third-party payment processor should either be covered by the organization or removed from the donation amount. If the NAP organization does not cover these costs, the tax credit certificate will reflect the donation amount minus the administrative fee.

- A donation made from a Deferred Charitable Contribution Plan is not considered a donation made directly to a NAP organization and, therefore, is not eligible for NAP tax credits. A donation made through a charitable giving fund/donor advised fund is not eligible for NAP tax credits.

Value, Date of Donation, and Required Documentation:

- The reported value of the donation should be net of any goods or services received. If the organization provided the donor any goods or services in return for the amount received, the Fair Market Value (FMV) of the goods or services provided to the donor, including any items purchased through an auction, should be deducted from the total amount received by the organization. Example: A donor purchases an item, with a FMV of $3,000, during a silent auction event for $3,600. The value of the donation that is eligible for tax credits is $600. The organization should attach documentation that shows the FMV of the item, amount of proceeds received, and the date the auction item was sold, and the proceeds were received.

Requirements for monetary and marketable securities/stock donations are listed below.

- ***Monetary***: A copy of the check(s), charge card transaction(s), or payroll deduction records, and the Credit Card Authorization Form, if applicable should be submitted with the CNF.

- ***Marketable Securities/Stock***: A letter from the brokerage firm listing the name of the donor, the name of the NAP organization receiving the gift, the number of shares, the high and low or mean price per share on the transfer date of the stock. The value is the fair market value (the number of shares times the average of the high and low prices, or the mean price per share) on the date of transfer. The date of the donation is the date the stock was transferred from the donor's account to the NAP organization's account.

- Refer to the business section for additional categories for donations not covered in this section.

Completing NAP Contribution Notification Form (CNF):

- An Individual or Trust donor should complete a CNF-E.

- A Business donor, including sole proprietors, should complete the appropriate CNF.
  - CNFA is to be used for business donations of cash, stock, merchandise, real estate or rent/lease of the organization's facility.
  - CNF-B is to be used for donations of Health Care services.
  - CNF-C is to be used for donations Professional Services.
  - CNF-D is to be used for donations of Contracting Services.
  - CNF-H is to be used for donations of Mediation Services, Pharmaceutical Services or Physician Specialist Services.

- The donor should complete Part I and II of the CNF and send the completed form to the NAP organization.
- The NAP organization should review the form for accuracy, complete and sign Part III, submit the CNF and supporting documentation to VDSS for processing.
  - It may take up to eight weeks for VDSS to review and approve a donation once submitted.
- The tax credit certificate is mailed to the donor by the NAP organization.
- Donor information is shared with the Virginia Department of Taxation and the Department of Education (DOE) to track tax credits issued under the Neighborhood Assistance Tax Act.

Instructions for Individual Donors:

- NAP tax credits may be available to an individual for monetary or marketable securities donations.
- The following types of individual donations may qualify for NAP tax credits:

  - ✓ Check
  - ✓ Credit Card
  - ✓ Electronic Funds Transfer
  - ✓ Payroll Deduction
  - ✓ Marketable Securities

- A minimum accumulative donation of at least $500 is required for individuals to be eligible for NAP tax credits. The minimum $500 donation requirement should be met between July 1 and December 31 or January 1 and June 30 to qualify for NAP tax credits. An individual is limited to a maximum donation value of $125,000, equaling $81,250 in tax credits, per taxable 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.

Instructions for Business Donors:

- NAP tax credits may be available to any business entity authorized to do business in the Commonwealth of Virginia; a licensed health care professional donating services to a NAP organization with a health care clinic; a licensed pharmacist providing services to a 501(c) (3) clinic referred by a NAP organization; mediator certified pursuant to guidelines promulgated by the Judicial Council of Virginia who provides services at the direction of a NAP organization that provides court referred mediation services regardless of where the services are delivered; or to a physician specialist providing services to patients who are referred from a NAP organization whose sole purpose is providing specialty medical referral services to patients of participating clinics or federally qualified health centers regardless of where the services are delivered.
- NAP tax credits may be available to a trust or fiduciary for a trust subject to tax imposed by Article 6 (§ 58.1-360 et seq.) of Chapter 3.
- Donations to a NAP organization providing job training or education for individuals employed by the business firm do not qualify for NAP tax credits.
- NAP tax credits may be available to a business making donations with a value of at least $616 in a taxable year.
- NAP tax credits may be available to a trust making a donation with a value of at least $616 in a taxable year.
- The minimum donation requirement should be met between July 1 and December 31 or January 1 and June 30 to qualify for NAP tax credits.
- The following types of business donations may qualify for NAP tax credits:

  - ✓ check
  - ✓ credit card
  - ✓ electronic funds transfer
  - ✓ stock
  - ✓ real estate
  - ✓ rent/lease of the organization's facility
  - ✓ merchandise
  - ✓ professional services
  - ✓ contracting services
  - ✓ health care services
  - ✓ pharmaceutical services
  - ✓ mediation services
  - ✓ physician specialist services

Business Donation Types, Value and Required Documentation:

- ***Real Estate*:** A copy of a current appraisal of the property by a licensed appraiser, completed within the prior six-months, and a copy of the recorded Deed of Transfer to support the value and date of transfer should be submitted with the CNF-A.

  - ✓ The amount listed should normally be the same as used for federal tax purposes. (Refer to IRS Publication 561 for additional information).

- ***Merchandise donated to be sold, auctioned, or raffled: (excludes motor vehicles)*** The value of merchandise donated for the purpose of being sold, auctioned, or raffled by NAP organization is the lesser of the actual business cost of the item or the proceeds received by the organization. The date of the donation is the date the proceeds are received.

- ***New or used merchandise donated to be used by the NAP organization:*** The value of new or used merchandise donated is determined using IRS standards. The amount listed should normally be the same as used for federal tax purposes, which is based on the business cost. Items that have been fully depreciated are not eligible for NAP tax credits. (See IRS Publication 561 for additional information).

  - ✓ ***Documentation for merchandise*** (excludes motor vehicles): A copy of an invoice on company letterhead listing each item donated; the business cost of each item, and the date the merchandise was donated, and a signed copy of the Certification of Donation Value Form should be submitted with the CNF-A. Also, attach a signed copy of the Certification of Proceeds Received Form for merchandise sold, auctioned or raffled.

- ***Motor Vehicle donated by a vehicle dealership:*** A copy of the dealer invoice listing actual business cost, the Bill of Sale showing the donation was made to the NAP organization, a copy of the title showing transfer to the NAP organization after the vehicle has been registered with the Department of Motor Vehicles (DMV), and the Certification of Donation Value Form should be submitted with the CNF-A.

- ***Motor Vehicle donated by a business*:** A copy of the title or registration showing the vehicle was owned by the donor business, a copy of the title showing the transfer to the NAP organization after the vehicle has been registered with the DMV, and the Certification of Donation Value Form verifying the value is the actual/remaining business cost should be submitted with the CNF-A. A motor vehicle that has been fully depreciated is not eligible for NAP tax credits.

- ***Rent Lease of the Organization's Facility*:** A copy of the Rent/Lease agreement between the business property owner and the NAP organization, listing the donation dates and monthly rental rate by square footage based on comparable rate of similar space should be submitted with the CNF-A. The donation of the NAP organization's facility should be for a minimum of six months: July – December or January – June.

  - ✓ For donated facility leased space, the NAP organization should request a copy of a previous lease for the same space that reports former rental charges or require verification from a third-party realtor or rental agent as to the prevailing square footage rental charge for comparable property.

- ***Professional Services*:** Professional services eligible for NAP tax credits are limited to:

  - ✓ Accounting
  - ✓ Actuarial Services
  - ✓ Architecture
  - ✓ Dentistry
  - ✓ Land Surveying
  - ✓ Law
  - ✓ Medicine
  - ✓ Optometry
  - ✓ Pharmacy
  - ✓ Professional Engineering
  - ✓ Veterinarian

  - ✓ ***Professional Services -Hourly Rate for the Owner or Partner:*** The business donor and NAP organization should agree on the value of donated services prior to the services being donated. In sole proprietorships, partnerships or limited liability companies, the value of professional services rendered by the proprietor or a partner or member to a NAP organization should be the lesser of the reasonable cost for similar services from other providers or a $125 per hour.

  - ✓ ***Professional Services - Hourly Rate for an Employee*:** A business firm may be allowed tax credits for the time spent by a salaried employee who renders professional services to a NAP organization. For purposes of determining the amount of tax credit allowed for salaried employees, the value of the professional service is the salary that the employee was actually paid for the period of time professional services were provided (operating overhead and benefit costs are not to be included); not to exceed $125 per hour. All donations of staff time are to occur during the employee's normal work hours.

Contracting Services: Contracting Services is defined as a business firm licensed under Title 54.1 by the Commonwealth of Virginia as a contractor of labor or technical advice to aid in the development, construction, renovation, or repair of homes of low-income persons or buildings used by neighborhood organizations.

  - ✓ ***Contracting Services - Hourly Rate for the Owner or Partner:*** In sole proprietorships, partnerships or limited liability companies, the value of contracting services rendered by the proprietor or a partner or member to a NAP organization should be the lesser of the reasonable cost for similar services from other providers or $50 per hour.

  - ✓ ***Contracting Services - Hourly Rate for an Employee:*** A business firm may be allowed tax credits for the time spent by a salaried employee who renders contracting services to a NAP organization. For purposes of determining the amount of tax credit allowed for salaried employees, the value of the contracting services is the salary that the employee was actually paid for the period of time contracting services were provided (operating overhead and benefit costs are not to be included); not to exceed $50 per hour. All donations of staff time are to occur during the employee's normal work hours.

- ***Health Care Services:*** NAP tax credits may be awarded to the following health care professionals licensed under Title 54.1 who provide health care services, free of charge, within the scope of their licensure to a NAP organization with an on-site health care clinic:

  - ✓ Physicians
  - ✓ Dentists
  - ✓ Physician Assistants
  - ✓ Optometrists
  - ✓ Nurses
  - ✓ Clinical Social Workers
  - ✓ Marriage and Family Therapists
  - ✓ Pharmacists
  - ✓ Chiropractors
  - ✓ Nurse Practitioners
  - ✓ Dental Hygienists
  - ✓ Professional Counselors
  - ✓ Clinical Psychologists
  - ✓ Physical Therapists

  - ✓ ***Hourly Rate for Health Care Services, Mediation Services, Pharmaceutical Services, or Physician Specialist Services:*** The value to be used for donated health care services, mediation services, pharmaceutical services or physician specialist services should be agreed to by the donating professional and the NAP organization prior to the services being donated. The value of these services cannot exceed the lesser of reasonable and customary charges for similar services from other providers or $125 per hour.

- ***Professional Services, Contracting Services, Health Care Services, Mediation Services, Pharmaceutical Services or Physician Special Services:*** A copy of a signed Services Contribution Data Sheet should be submitted with the CNF. A spreadsheet may be submitted as supporting documentation if additional space is required.

Filing a Virginia Tax Return:

When filing a Virginia tax return by U.S. Mail, a copy of the Tax Credit Certificate should be attached. For electronic tax returns in which a copy of the Tax Credit Certificate cannot be attached, the Department of Taxation will match the return with the report of approved tax credits provided monthly by VDSS.

All pass-through businesses (Sub S, Partnership, LLP, LLC, PC, etc.) should complete Form PTE Virginia Pass-Through Credit Allocation (upon receipt of Tax Credit Certificate) and mail or fax the completed form with a copy of the tax credit certificate to the Virginia Department of Taxation. Form PTE Virginia Pass-Through Credit Allocation will be mailed to donors with the NAP Tax Credit Certificate.

Additional Form PTE Virginia Pass-Through Credit Allocation forms can be obtained from the Department of Taxation's website (www.tax.virginia.gov) under the *Forms & Filing* heading, click on *Forms & Instructions. C*lick on *Credits, Subtractions, and Deductions*. Click on *PTE.*