

Neighborhood Assistance Act Program Tax Credit

Conn. Gen. Stat. §§12-631 through 12-638

Description and Applicable Taxes

A tax credit under the Neighborhood Assistance Act (NAA) tax credit program may be earned by business firms that make cash investments of at least \$250 to certain community programs. The cash investments must be made in a community program that is proposed and conducted by a tax exempt or municipal agency and must be approved both by the municipality in which the program is conducted and the Department of Revenue Services (DRS).

This tax credit may be applied against the taxes imposed under:

- Chapter 207 (Insurance Companies and Health Care Centers Taxes);
- Chapter 208 (Corporation Business Tax);
- Chapter 209 (Air Carriers Tax);
- Chapter 210 (Railroad Companies Tax);
- Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
- Chapter 212 (Utility Companies Tax).

Definitions

Business firm means any business entity authorized to do business in Connecticut and subject to the taxes imposed under Chapters 207, 208, 209, 210, 211, 212, or 213a of the Connecticut General Statutes. For purposes of a business entity subject to the provisions of Chapter 213a of the Connecticut General Statutes, the tax credit earned by such entity may be used by the members or partners of such entity that are subject to tax under Chapter 208 of the Connecticut General Statutes.

Investment in child day care facilities services mean the planning, site preparation, construction, renovation, or acquisition of facilities for purposes of establishing a child care facility to be used primarily by children of such business firm's employees. It also includes equipment installed in the facility, including kitchen

appliances, to the extent that the equipment or appliances are necessary in the use of the facility for purposes of child day care. The facility must be properly licensed and operated without profit.

Comprehensive college access loan forgiveness program means a program located in an educational reform district, as defined in section 10-262u of the Connecticut General Statutes, that has established minimum eligibility criteria including, but not limited to, years of enrollment in the educational reform district, grade point average, attendance record and loan forgiveness prerequisite.

Community services are any type of counseling and advice, emergency assistance, or medical care furnished to individuals or groups in the state.

Open space acquisition fund means a fund of any political subdivision of the state or any nonprofit land conservation organization that is used for the purchase of land, interest in land, or permanent conservation restriction on land which is to be permanently preserved as protected open space.

Education is any type of scholastic instruction or scholarship assistance to any person who resides in the state that enables such person to prepare for better opportunities, including teaching services donated according to section 10-21c of the Connecticut General Statutes.

Energy conservation projects are projects to promote energy conservation that are directed toward properties occupied by low-income persons, at least seventy-five per cent of whom are at an income level not exceeding one hundred fifty per cent of the poverty level for the year next preceding the year during which such tax credit is to be granted, or properties owned or occupied by charitable corporations, foundations, trust, or other entities. These projects include, but are not limited to, energy conserving modification or replacement of windows and doors; caulking and weatherstripping; insulation; automatic energy control systems; hot water systems; equipment required to operate variable steam, hydraulic, and ventilating systems; replacement of burners, furnaces, or boilers; electric or mechanical furnace ignition systems; or replacement or modification of lighting fixtures.

Families of low and moderate income mean families meeting the criteria for designation as families of low and moderate income established by the Commissioner of Housing under section 8-39(f) of the Connecticut General Statutes.

Job training means any type of instruction to any person who resides in the state that enables the person to acquire vocational skills to become employable or seek a higher grade of employment, including training offered pursuant to section 10-21b of the Connecticut General Statutes.

Neighborhood means any specific geographic area, urban, interurban, suburban, or rural, which is experiencing problems endangering its existence as a viable and stable neighborhood.

Neighborhood assistance means the furnishing of financial assistance, labor, materials, or technical advice to aid in the physical improvement or rehabilitation of all or any part of a neighborhood.

Tax Credit Amount

A tax credit equal to 100% of the cash invested is available to business firms that invest in energy conservation projects and comprehensive college access loan forgiveness programs.

A tax credit equal to 60% of the cash invested is available to business firms that invest in programs that provide: community-based alcoholism prevention or treatment programs; neighborhood assistance; job training; education; community services; crime prevention; construction or rehabilitation of dwelling units for families of low and moderate income in the state; funding for open space acquisitions; investment in child day care facilities; child care services; and any other program which serves persons at least 75% of whom are at an income level not exceeding 150% of the poverty level for the preceding year.

The NAA tax credit program has several statutory limits which must be observed, including the following:

- The total tax credits under the NAA tax credit program are limited to \$150,000 annually for each business firm. The tax credit for investments in child day care facilities may not exceed \$50,000 per income year for each business firm.
- The minimum contribution on which a tax credit can be granted is \$250.
- Any organization conducting a program or programs eligible to receive contributions under the NAA tax credit program is limited to receiving an aggregate of

\$150,000

of funding for any program or programs for any fiscal year.

- The cap on the total amount of credits that may be granted annually is \$5 million. If the proposals submitted to DRS claim credits in excess of the cap, such credits will be prorated among the approved organizations.
- No business firm will receive both the NAA tax credit and the Housing Program Contribution tax credit for the same cash contribution.
- No business firm may claim the tax credit for investments in child care facilities in an income year that the business firm claims the Human Capital Investment tax credit.

Carryforward and Carryback Limitations

No carryforward is allowed. Any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years (beginning with the earlier of the two years).

How to Apply

Tax-exempt entities and municipal agencies desiring to obtain benefits under the NAA tax credit program must complete Form NAA-01, Connecticut Neighborhood Assistance Act Program Proposal, Parts I, II, and III and submit the form to the municipal agency overseeing the implementation of the proposal. The overseeing municipal agency then completes Part IV of Form NAA-01 and submits the form to DRS on or before July 1 of each year. Prior to submitting Form NAA-01 to DRS, each municipality must hold a public hearing on all program applications. The governing body of the municipality must vote to approve the programs. Copies of the public hearing notice and minutes of the meeting approving the programs must be submitted by municipality with the program proposals on or before July 1 of each year.

Business firms that wish to make cash contributions to qualified community programs can obtain a list of approved programs by September 1 of each year. The business firms are required to complete Form NAA-02, Neighborhood Assistance Act Business Application and submit the form to DRS between September 15 and October 1 of each year. Form NAA-02 must be electronically submitted through a link available on the DRS website. Submissions that are mailed, faxed, hand delivered, or emailed will not be accepted.

Assignment and Transfer

Insurance Companies and Health Care Centers: This credit may be assigned by an insurance company or health care center to an affiliate, provided the affiliate may only apply the assigned credit against its tax liability under Chapter 207 (Insurance Companies and Health Care Centers Taxes).

How to Claim the Tax Credit

DRS issues a Neighborhood Assistance Act program approval letter to business firms that make qualifying contributions. The letter indicates the tax credit amount that may be claimed on the Connecticut Corporation Business Tax Return. The tax credit amount must be entered on Form CT-1120K, Business Tax Credit Summary, and/or Form CT-207K, Insurance/Health Care Tax Credit Schedule.

Where to Get Additional Information

Direct inquiries to:

Connecticut Department of Revenue Services

Neighborhood Assistance Act Program

Attn: Research Unit

450 Columbus Boulevard

Hartford, CT 06103

860-297-5687

Statutory and Regulatory References

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