



## Background on The Bushnell's Neighborhood Assistance Tax Act Problem

Annually, The Bushnell Center for the Performing Arts, a not-for-profit organization, participates in the Neighborhood Assistance Tax Act (NAA) program administered by the State of Connecticut's Department of Revenue Services (DRS). Each year we seek and receive pre-approval for the maximum available tax credits per program. For the last two years, we have been pre-approved to receive \$150,000 in tax credits per program—\$450,000 in the aggregate—to support three distinct programs: **energy efficiency**, which offers a 100% tax credit to participating corporations and **handicap accessibility**, and **education programming for low income individuals**, which each offer a 60% tax credit to participating corporations.

Each year, we make every attempt to maximize donations to each programmatic area. **In 2008, we were successful in securing a total of \$250,000 in donations to support the program and our donors received \$250,000 in tax credits from the DRS.** This, along with our annual pre-approval for an aggregate of \$450,000 in tax credits confirmed our understanding that the NAA program has a \$150,000 programmatic cap, as opposed to a \$150,000 organizational cap.

**In 2009, we were pre-approved for the maximum of \$450,000 in tax credits and leveraged \$400,000 in contributions that we believed would qualify for tax credits based on DRS's prior administration of the program.** NAA tax credits were a powerful incentive to our corporate donors in 2009. Their significant support of this program helped to stabilize our contributed income at a time when all sectors of contributed income are in rapid decline due to the ongoing economic downturn.

We recently learned that the DRS made an error while implementing our tax credits for the Neighborhood Assistance Tax Act in 2008. DRS's prior issuance of \$250,000 in tax credits to The Bushnell in 2008 confirmed our understanding that the program had a programmatic cap of \$150,000 and an aggregate cap of \$450,000. **When we met with the DRS and their legal counsel in December, they informed us that although they erred last year, and although the NAA program as a whole never depletes its allocated funds, the aggregate cap for tax credits through NAA is \$150,000 per not-for-profit organization.** As a result, the DRS issued letters to our corporate donors informing them that they would receive significantly pro-rated tax credits.

The DRS acknowledges the mistake and provided guidance to us. **The solution developed in concert with the DRS requires the passage of a validating act for NAA tax credits granted to Bushnell donors in 2009.** This will allow us to retain our corporate donations above the aggregate limit for this year only, and would prevent us from having to return \$400,000 in critical corporate contributions. The NAA program is currently below its legislatively allocated cap, so there would be no negative fiscal impact to the State.

This year charitable gifts to The Bushnell and all not-for-profit organizations have plummeted—corporate giving has been particularly hard-hit. **Passage of a validating act by the legislature is critical to us, and will be the most significant factor in supplementing or eroding our financial stability in a year of historic financial challenges faced by The Bushnell, the State of Connecticut, and our nation.**

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