



Testimony before the Commerce Committee

**In support of S.B. 323, An Act Increasing The Annual Cap On The Neighborhood Assistance Act Tax Credit Program.**

Jeff Shaw, Director of Public Policy, Connecticut Association of Nonprofits

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Senator Hartley, Representative Perone, Senator Frantz, Representative Camillo and distinguished members of the Commerce Committee, my name is Jeff Shaw, Director of Public Policy, for the Connecticut Association of Nonprofits (CT Nonprofits). With over 500 member organizations, CT Nonprofits is the largest membership organization in the state dedicated exclusively to nonprofits. Our network is more than 500 nonprofit organizations strong with 51,000 employees representing more than \$2.5 billion in annual revenue.

I would like to share my support for S.B. 323, An Act Increasing The Annual Cap On The Neighborhood Assistance Act Tax Credit Program, which will raise the annual cap from five million dollars to ten million dollars. The program is designed to provide funding for municipal and tax exempt nonprofit organizations by providing a tax credit for businesses that make cash contributions to these entities. Over the last four years, the program has been oversubscribed in a number of categories including total number of donations, amount pledged, and original amount of credit before proration, which is reflected in the table below.

**Last Four Years of Neighborhood Assistance Act Program**

<b>Statistic Type/Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Increase/Decrease</b>
Original amount pledge before proration	\$7 million	\$7.1 million	\$7.4 million	\$8.2 million	+ 10.8% ('13-'14) + 4.2% ('12-'13) + 1.4% ('11-'12)
Original amount of credit before proration	\$5.6 million	\$5.8 million	\$6.3 million	7.0 million	+ 11.1% ('13-'14) + 8.6% ('12-'13) + 3.6% ('11-'12)
Total # of donations to approved programs**	\$6.2 million	\$6.1 million	\$5.83 million	\$5.85 million	+ \$850,000** ('14) + \$830,000** ('13) + \$1.1 million** ('12) + \$1.2 million** ('11)
Total # of participating organizations receiving the donation	273	309	313	306	- 2.0% ('13-'14) + 1.3% ('12-'13) + 13.1% ('11-'12)
Total # of approved programs	351	406	420	395	- 5.0% ('13-'14) + 3.4% ('12-'13) + 15.6% ('11-'12)

**\*\* Amount over the cap**

These statistics, along with the increased number of business applications (7% increase) and participating businesses (8.2% increase) from last year, suggest that expanding the annual cap would address demand and encourage further growth of this program. An expansion will encourage even more

businesses to invest in their local communities and show the state's commitment to supporting innovative solutions that address community needs.

According to the Connecticut Council for Philanthropy, Connecticut was ranked 2<sup>nd</sup> in average household income at \$91,371; yet 24<sup>th</sup> in the amount contributed to charity as a percent of Adjusted Gross Income (AGI) [2012 data]. Expanding the annual cap on this program will encourage more individuals, and thus more businesses, to provide additional financial support to nonprofit organizations in more communities throughout the state.

I would also encourage members to add substitute language that extends participant eligibility to limited liability companies (LLCs) and privately held corporations ("S" Corporations). Under current law, up to \$5 million in credits are available only to "C" corporation businesses in support of local nonprofit organizations. This bill should enable "S" corporations, limited liability companies and limited liability partnerships to contribute to community nonprofit programs and facilities in the way now limited to C corporations.

As you are all aware, nonprofit providers continue to face enormous financial challenges, having been forced in many cases to reduce programs, layoff employees, reduce benefit packages and compete against one another for scarce resources in response to underfunding. With the constraints on the state budget and uncertainty with federal funding, the nonprofit community is looking for, and supportive of, new revenue sources as well as new partnerships with the communities we serve to maintain the highest quality services and programs. The Neighborhood Assistance Act is a tool that can help nonprofits achieve these objectives.

The Neighborhood Assistance Tax Credit program started as a bipartisan initiative of this General Assembly over two decades ago. It is my hope that this expansion will enjoy the same bipartisan support as elicited at its inception, as well as spark a new wave of innovation within our state's economy. This proposal will provide new opportunities to address service needs and drive economic growth by making our state an attractive home for forward-thinking individuals and businesses.

Thank you for your time and consideration.