

CT COMMUNITY NONPROFIT ALLIANCE



To: Members of the Finance, Revenue and Bonding Committee

**From: Jeffrey Shaw, Director of Public Policy
CT Community Nonprofit Alliance**

**Re: Finance Revenue and Bonding Public Hearing on S.B. No. 336, An Act Concerning The
Neighborhood Assistance Tax Credit.**

Date: March 9, 2016

Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue, and Bonding Committee,

My name is Jeffrey Shaw and I am the Director of Public Policy at CT Community Nonprofit Alliance. The CT Nonprofit Alliance represents more than 550 community nonprofit organizations and associations across the state and is the largest advocacy organization representing community nonprofits in Connecticut. **Together, our members serve more than 500,000 Connecticut residents each year.**

The Neighborhood Assistance Act 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. Currently, the tax credit is capped at \$5 million dollars per year. However, **Public Act 15-5, Section 446, will increase the annual cap to \$10 million beginning July 1, 2017 (SFY18).**

For 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 – \$5 Million Annual Cap

Statistic Type/Year	2011	2012	2013	2014	Increase/Decrease
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)

*2015 data requested from DRS, but not received as of March 9 at 9:00 a.m.

** Amount over the cap

The oversubscription of the program has shown that **expanding the annual cap would address demand and encourage further growth of this program so more resources will be available to more nonprofit organizations.**

S.B. No. 336, An Act Concerning the Neighborhood Assistance Act, seeks to expand the tax credit allowable under the neighborhood assistance act to include scholarships for admission to certain private, nonprofit schools for grades kindergarten to twelve. While the proposed language is new, the description of 'Community Programs That Qualify for the NAA Tax Credit Program' (IP 2015(13), Pages 1-2), already includes 'Education' (and a variety of examples ranging from adult literacy and life skills, youth development, business skills training, and others) in the list of eligible programs for a tax credit of 60% of the cash invested by approved businesses. It seems scholarships to children for educational purposes already qualifies for the program.

If the NAA is to be modified this year, I 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 (\$10 million in SFY18) in credits are available only to "C" corporation businesses in support of local nonprofit organizations. This **program 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 have heard countless times this session and in previous years, chronic underfunding and mid-term funding reductions (rescissions and deficit modification) for community services is making it almost impossible to do business, let alone engage in expansion or modernization projects. While expanding the Neighborhood Assistance Act does not solve the systemic funding issues, it is a **small but essential resource for nonprofit organizations** in an era of diminishing resources.

The upcoming expansion of the Neighborhood Assistance Act (in SFY18) will **enhance the partnership between nonprofit organizations and the business community while increasing our ability to serve more communities together and make them healthier places to live for all of our citizens.**

Jeffrey Shaw
Director of Public Policy
CT Community Nonprofit Alliance
jshaw@ctnonprofitalliance.org
860.525.5080 x1027