



DATE: Friday, March 17, 2017

TO: Finance, Revenue and Bonding Committee

FROM: Jeff Shaw, Director of Public Policy, The Alliance

RE: S.B. 1012, An Act Concerning The Neighborhood Assistance Tax Credit.

Good afternoon Senator Fonfara, Senator Frantz, Representative Rojas, Representative Davis and distinguished members of the Finance, Revenue and Bonding Committee:

My name is Jeff Shaw, Director of Public Policy at The Alliance. The Alliance is Connecticut's statewide association of community nonprofits, which serve over 500,000 people each year and employ almost 14% of Connecticut's workforce.

I am here to provide testimony on S.B. 1012, An Act Concerning The Neighborhood Assistance Tax Credit, which would 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.

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, the annual cap will increase to \$10 million beginning July 1, 2017 (PA 15-5, Section 446).

Since 2011, the program has been oversubscribed in a number of categories including total number of donations, amount pledged, and original amount of credit before proration. Participation among both businesses and participating organizations has been consistent and the number of approved programs has been large, all contributing to oversubscription of the program.

**Recent History of Neighborhood Assistance Act Program – \$5 Million Annual Cap**

<b>Statistic Type/Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Original amount pledge before proration	\$7 million	\$7.1 million	\$7.4 million	\$8.2 million	\$7.5 million	\$7.2 million
Total # of participating organizations receiving the donation	273	309	313	306	291	304
Total # of approved programs	351	406	420	395	372	387

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

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) are making it increasingly difficult 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 an essential resource for nonprofit organizations in an era of diminishing resources.

The upcoming expansion of the Neighborhood Assistance Act 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. We ask that you protect the increase in the annual cap from \$5 million to \$10 million for this program.

Thank you for your time and consideration.

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