

Neighborhood Assistance Act

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Issue

Summarize Connecticut's Neighborhood Assistance Act (NAA), including (1) programs eligible for assistance, (2) available tax credits, (3) how organizations may apply for NAA assistance, and (4) audit requirements.

Summary

The NAA ([CGS § 12-631 et seq.](#)) provides tax credits to businesses that invest at least \$250 in eligible community programs that tax-exempt organizations or municipal agencies administer. Businesses may receive 100% or 60% of their total investment as [NAA tax credits](#) depending on the type of program they fund, up to \$150,000 per year. To qualify for investment, organizations must submit proposed programs for approval by both their host municipality and the Department of Revenue Services (DRS), which administers the NAA. Nonprofit organizations receiving at least \$25,000 in investments in a year must complete a post-project audit.

Eligible Programs

The following categories of community programs are eligible for investment through the NAA:

1. neighborhood assistance (e.g., financial aid, labor, material, or technical advice for improving or rehabilitating all or part of a neighborhood);
2. job training or education;
3. community services (e.g., counseling and advice, emergency assistance, or medical care);
4. crime prevention;

5. energy conservation programs for properties where 75% of occupants have incomes of no more than 150% of the poverty level or properties owned or occupied by charitable organizations;
6. construction or rehabilitation of low- and moderate-income housing;
7. open space acquisition fund donations;
8. child day care facilities and child care services;
9. community-based alcohol prevention or treatment;
10. certain comprehensive college access loan forgiveness programs; and
11. any other program where at least 75% of the individuals served have incomes of no more than 150% of the poverty level.

Tax Credits

Businesses that invest at least \$250 in approved community programs may earn a tax credit equal to (1) 100% of their contribution for energy conservation programs or certain college access loan forgiveness programs located in an educational reform district ([CGS §10-262u](#)) or (2) 60% of their contribution for all other categories of eligible programs.

NAA tax credits may be applied against the following taxes: insurance companies and health care centers, corporation business, air carriers, railroad companies, community antenna and satellite TV businesses, and utility companies.

Limitations

The total annual NAA tax credit limit per business is \$150,000. (Similarly, \$150,000 is the maximum amount of contributions that a tax-exempt organization or municipal agency may receive for a credit-eligible program or programs in a fiscal year.) NAA tax credits for investment in child day care facilities may not exceed \$50,000 annually and cannot be claimed by a business that has already claimed human capital investment tax credits ([CGS §12-217x](#)). Additionally, a business may not receive both NAA tax credits and housing program tax credits for a singular contribution ([CGS §8-395\(d\)](#)).

DRS may approve up to \$5 million in NAA tax credits annually. If the proposals submitted to DRS claim credits in excess of this cap, then the department must prorate the credits among the approved organizations by November 15 of each year.

Businesses may carry backward unused tax credits for the two immediately preceding calendar or fiscal years until the full credit has been allowed. However, they may not carry unused credits forward.

Application Process

Organizations pursuing funding under the NAA must submit a program [proposal](#) to their host municipality. A municipality seeking NAA assistance must hold a public hearing on the proposals, which are subject to approval by the municipality's legislative body. The municipality must submit a list of approved eligible programs to DRS by July 1. The department must accept late submissions for up to 15 days if the municipality explains its failure to meet the deadline and submits proof that it met the public hearing and approval requirements by July 1.

DRS must make available a [list](#) of approved programs by September 1. Businesses seeking to invest in these programs must [apply](#) to DRS between September 15 and October 1.

Post-Project Audit

Whenever a business invests \$25,000 or more in a program conducted by a nonprofit organization during a single year, the nonprofit must (1) have a post-project audit prepared by a certified public accounting firm and (2) submit the audit to the municipal agency designated to oversee the program's implementation within three months after the program's investment period expires, as specified in the approved proposal ([Conn. Agencies Regs., § 12-638-8](#)). The municipal agency must certify that the nonprofit made program expenditures in accordance with the approved program proposal and submit the audit to DRS for review within one month of receipt.

Additional Information

[The Neighborhood Assistance Act Program tax credit summary](#), available in DRS's Online Guide to Connecticut Business Tax Credits, provides additional information on how to apply and claim the NAA tax credit. For details regarding recently approved NAA business contributions, see the [2019 NAA Program Summary](#).

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