

TAX CREDIT PROGRAM INFORMATION FOR DONORS

New Hampshire businesses have the unique opportunity to invest in community and economic development projects *and* receive a 75% state tax credit for that contribution through the Community Development Investment Program (CDIP) also known as “The Tax Credit Program”.

The Tax Credit Program was approved by the New Hampshire Legislature in 1991 and is administered by the New Hampshire Community Development Finance Authority (CDFFA).

It enables businesses to invest cash, securities, or real property to fund CDFFA-approved economic, community development and workforce housing projects in exchange for a state tax credit that can be applied against the New Hampshire business profits, business enterprise, and/or insurance premium taxes. CDFFA refers to these businesses as “donors”.

The credit is equal to 75% of contributions received for projects. An investment is also eligible for treatment as a federal charitable contribution. Tax credits may be used at any time during a period of five successive years.

A contributing business that makes a \$100,000 cash investment into a CDFFA approved project will receive a state tax credit in the amount of \$75,000. After federal tax benefits are accounted for, the contribution actually costs the company approximately 15% of the \$100,000, or \$15,000. This helps the donor have a big impact in a community by leveraging the tax dollars you would pay to the state and federal government anyway.

TAX CREDIT PROGRAM DETAILS

- 1. Pledges are binding.** Pledges of cash contributions will be acknowledged by a pledge agreement between the donor, the project, and CDFFA. Pledges will be considered binding promises of payment and will be enforceable as such. A donor should pledge only an amount that it is sure it will fulfill. CDFFA will provide the donor with copies of the executed pledge.
- 2. A 75% tax credit.** After we receive a donor’s contribution, their company will be entitled to a state tax credit against the New Hampshire business profits, business enterprise, and/or insurance premium taxes equal to 75% of that contribution.
- 3. CDFFA will invoice the donor.** We will invoice the donor business approximately 30 days before the contribution is due. In order to be eligible for the state tax credit, the donor’s check *must* be made payable to and mailed to CDFFA — *not* to the project that the money is supporting. To ensure rapid processing, donors need to please note on the check the name of the project to which they are contributing — especially if they contribute to multiple projects. CDFFA will provide the donor with tax credit documentation upon receipt of the contribution funds.

4. Processing and timing of tax credits. Once the donor contribution has been received and processed by CDFA, we will issue a federal charitable contribution letter to the donor. Depending on the tax credit year to which the donation has been allocated, we will then issue a state tax credit letter.

5. Donor businesses have 5 years. Donors have up to five (5) successive years to use their tax credits, so if the company has little or no tax liability in the year the state tax credit letter is issued, a portion (or all) of the donor's tax credit(s) can be claimed later in the five-year period.

6. Federal tax benefits. The donor investment is also eligible for treatment as a federal charitable contribution. Contributors are advised to consult their tax accountants.

CDFA'S TAX CREDIT POLICY¹

- ◆ CDFA is bound by an annual \$5 million investment cap – the maximum amount that may be invested in CDFA-approved projects that can be accepted during each state fiscal year (July 1 – June 30) that are eligible for tax credits during that fiscal year.
- ◆ The donor will be required to acknowledge an investment, or pledge of investment, with a pledge agreement between CDFA, the project, and the donor. These agreements shall be binding.
- ◆ The donor relinquishes the right to their contribution once it is made, may place no conditions or terms upon it, and must accept the terms and conditions imposed by CDFA on the project for which the contribution is made.
- ◆ The contribution must be provided to CDFA, not to the project to which it is intended.

¹ CDFA is governed by RSA 162-L, as amended from time to time. CDFA policies are determined based on our interpretation of RSA 162-L, and are subject to change.

APPLICATION OF CDFA TAX CREDITS

- ◆ A donor is limited to using tax credits totaling \$1 million in any given state fiscal year. Any unused portion of a tax credit can be carried forward for no more than five succeeding years.
- ◆ CDFA can control only when tax credits are issued – not when and how they are used. The donor is responsible for filing appropriate and accurate tax returns, using the tax credit letter as its evidence that the credit has been granted by CDFA. The Department of Revenue Administration will receive a list of all tax credits issued for each state fiscal year.
- ◆ The donation is also eligible for treatment as a federal charitable contribution. Donors are advised to consult their tax accountants.

Business Profits Tax. All businesses, except Sec. 501 federally exempt organizations, operating in New Hampshire with gross receipts in excess of \$50,000 are required to file a Business Profits Tax (BPT) return under RSA 77-A.

- ◆ Sec. 501 organizations exempt from BPT include corporations organized under Act of Congress, civic leagues, social welfare organizations, chambers of commerce, real estate boards and other similar federally exempt organizations, contributions to which are generally not tax deductible.
- ◆ The BPT rate is 8.5% effective 7/1/01.
- ◆ CDFA Tax Credits can be applied against Business Profits Tax on the BPT return as follows:
 - NH Form 1120 on Line 7, Credits Allowed*.
 - NH DP-160 Schedule of Business Profits Tax Credits on Line 2*.
 - NH-1120-ES Estimated Corporation Business Tax Quarterly Payments on Line 3a*.

Business Enterprise Tax. All businesses, except Sec. 501(c)(3) federally exempt organizations, operating in the state of New Hampshire with gross receipts in excess of \$150,000 or enterprise value tax base of \$75,000 or more are required to file a Business Enterprise Tax (BET) return. The BET tax is imposed under RSA 77-E.

- ◆ The BET rate is .75% (.0075) of the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid.
- ◆ Business Enterprise Tax (BET) payments may be applied as a tax credit against Business Profits Tax (BPT).
- ◆ CDFA Investment Tax Credits are applied against Business Enterprise Tax on Line 6(a) of the NH Form BET return*.

Insurance Companies. Every insurer pays a tax of 1% to 2% of net premiums, payable to the NH Insurance Department, imposed under RSA 400-A.

- ◆ CDFA Tax Credits are applied against Insurance Premium Tax on Page 3*.
- ◆ Taxpayers may also apply BET tax payments as a credit against their liability under the Insurance Premium Tax to reduce Gross Premiums.

* Based on 2008 NH Department of Revenue Administration and NH Insurance Department Forms.

If you have any questions regarding the impact the tax credits will have on your liability, please contact your tax specialist. For general information, call CDFA at 603-226-2170, or visit CDFA's web site at www.nhcdfa.org.