



Indiana Housing & Community Development Authority

**NAP**



**Neighborhood Assistance Program**

**2019-20 Award Manual**

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## **Section 100: IHCD**

### **Background:**

At IHCD, we believe that growing Indiana's economy starts at home. Everyone can agree that all Hoosiers should have the opportunity to live in safe, affordable, good-quality housing in economically stable communities. That's the heart of IHCD's mission. Our charge is to help communities build upon their assets to create places with ready access to opportunities, goods, and services. We also promote, finance, and support a broad range of housing solutions, from temporary shelters to homeownership.

IHCD's work is done in partnership with developers, lenders, investors, and nonprofit organizations that use our financing to serve low- and moderate-income Hoosiers. We leverage government and private funds to invest in financially sound, well-designed projects that will benefit communities for many years to come. And our investments bear outstanding returns. The activities that we finance help families become more stable, put down roots, and climb the economic ladder. In turn, communities grow and prosper, broadening their tax base, creating new jobs, and maximizing local resources. IHCD's work is truly a vehicle for economic growth, and it all starts at home.

### **Mission Statement:**

To provide housing opportunities, promote self-sufficiency, and strengthen communities.

### **Community Programs Department Overview:**

In 2007, the Governor of the State of Indiana Mitchell E. Daniels, Jr., designated IHCD as the lead agency for the purpose of carrying out State activities for the Community Services Block Grants ("CSBG"), Weatherization ("Wx"), and Energy Assistance Program ("EAP"). IHCD created the Department of Energy Programs in 2011, which was tasked with overseeing the allocation, implementation, and monitoring of the energy programs and Community Services Block Grant funded through the U.S. Department of Energy ("DOE") and the U.S. Department of Health and Human Services ("HHS"). In 2013, these programs were transferred to the Community Programs Department, which also encompasses the Individual Development Account Program. In 2014, The Neighborhood Assistance Program was moved to the Community Programs division.

## Section 200: What is NAP?

The Neighborhood Assistance Program (“NAP”) is a program of the State of Indiana, created by IC 6-3.1-9. This program distributes state tax credits to eligible non-profit organizations, which the non-profit organizations must use to raise funds for their programs and services. Donors that receive state tax credits from an eligible non-profit organization, may receive a reduction of their Indiana income tax liability valued at 50% of the amount of their donation (a \$200 donation receives \$100 in tax credit). The donors must have state tax liability after the application of any other credits which under IC 6-3.1-1-2 must be applied before the NAP tax credit. The donors will receive this tax credit when they file their State tax returns, if eligible.

NAP may offer up to \$2.5 million in State tax credits each State fiscal year for distribution to 501 (c)3 not-for-profit organizations across Indiana. The State fiscal year runs from July 1 to June 30. These organizations must use NAP tax credits as a fundraising tool to help them leverage further contributions from individuals and businesses for eligible activities and services. Indiana Code 6-3.1-9 establishes the Neighbor Assistance Credits and authorizes IHCD to administer it.

An application is released annually for organizations to apply for credits and participate in NAP. Organizations who meet eligibility and reporting requirements may be eligible to receive credits. Once the organization’s application has been approved, then the organization will receive credits according to a formulaic process.

## Section 300: How NAP Works

NAP is administered by IHCD, in partnership with the Indiana Department of Revenue (“IDOR”). At its simplest, IHCD distributes NAP tax credits to eligible organizations, organizations distribute tax credits to donors based on contributions received, and IDOR administers the receipt of those credits by donors/taxpayers.

### Section 301 Program Cycle



1. IHCD accepts and approves applications prior to the start of each state fiscal year (July) from organizations who wish to use NAP tax credits to encourage donations for its eligible activities or services. IHCD determines the eligibility of these organizations, and

distributes tax credits accordingly. Applications are posted to IHCDAs website in April each year. IHCDAs will post a press release announcing the opening of the application; organizations are responsible becoming familiar with the time period that the application is released, checking IHCDAs website for updates, and subscribing to the Neighborhood Assistance Program Updates and Notices newsletter accessed via IHCDAs website <http://www.ihcda.in.gov>.

2. If an organization is deemed eligible and receives tax credits to distribute, the organization must provide donors with confirmation of their contribution for tax purposes, which allows the donor to claim the contribution and receive the tax credit when filing taxes. Confirmation to the donor should be provided by the organization either by letter or a copy of the Donor Contribution Form.



3. Over the course of the program year, the organizations must prepare three reports for submission to IHCDAs. The first two are benchmark reports that include all relevant information pertaining to donors who purchased NAP tax credits. The final is a close-out report due in the fall, after the program year ends, that summarizes how organizations used funds from the tax credits.
4. Each January, IHCDAs compiles information from the benchmark donor reports into a single report that is submitted to IDOR for the upcoming tax season.
5. As donors file their tax returns and claim their tax credits, IDOR will compare the information included in the donor's tax documents to the donor report submitted by IHCDAs to determine the eligibility of the donor to receive the tax credit.

### Section 302 Program Timeline

NAP is a one-year program. Awards will be made in June, credits must be sold between July 1, 2019 and June 5, 2020. The funding from those credits must be spent by September 15<sup>th</sup> 2020, and a close-out report will be due on September 30<sup>th</sup> 2020. However, it should be noted that in order to maintain eligibility for 2020 NAP credits, all allocated credits must actually be sold by March 31, 2020 and be reflected in the 100% Benchmark report.

NAP follows the State of Indiana fiscal schedule, which begins on July 1 and ends on June 30. However IDOR, coordinating with the Internal Revenue Service, has established a tax year that

corresponds with the calendar year. This is why IHEDA requires a benchmark report in early January – to report all prior year donations in time for the tax season.

Applications Open	April 8, 2019
Applications Close	April 29, 2019
Awards Announced	June 3, 2019
Contracts Issued by	June 10, 2019
Returned Contracts Due	June 24, 2019
Start Selling Credits	July 1, 2019
Last Day to Sell Credits for 2019 Taxes	December 31, 2019
60% Benchmark Report Due	January 13, 2020
Last Day to Sell Credits and Keep 2020 Eligibility	March 31, 2020
100% Benchmark Report Due	April 13, 2020
<i>Last Day to Sell Credits After Losing 2020 Eligibility</i>	<i>June 5, 2020</i>
Expenditure Close Out Report Due	September 30, 2020

## Section 400 Eligibility Requirements

To be eligible for NAP credits, an applicant must:

- 1) Be an Indiana Non-Profit organization in good standing with the Indiana Secretary of State. (<https://bsd.sos.in.gov/publicbusinesssearch>)
- 2) Have received a ruling from the U.S. Internal Revenue Service of the United States Department of the Treasury under Internal Revenue Code 501(c)3 and have received a ruling of tax exemption from the Indiana Department of Revenue under IC 6-2.5-5-21.
- 3) Provide one of the following 3 services: a), b), or c)

- a) Neighborhood assistance, job training, or education for individuals not employed by the business firm or person;
  - (1) "Neighborhood assistance" means either:
    - (a) furnishing financial assistance, labor, material, and technical advice to aid in the physical or economic improvement of any part or all of an economically disadvantaged area\*; or
    - (b) furnishing technical advice to promote higher employment in any neighborhood in Indiana
  - (2) "Job training" means any type of instruction to an individual who meets one of the criteria below that enables the individual to acquire vocational skills so that the individual can become employable or be able to seek a higher grade of employment
    - (a) The individual resides in an economically disadvantaged area\* or an economically disadvantaged household\*\*; or
    - (b) The individual is an ex-offender who has completed the individual's criminal sentence or is serving a term of probation or parole;
  - (3) "Education" means any type of scholastic instruction or scholarship assistance to an individual who meets one of the criteria below, that enables the individual to prepare for better life opportunities.
    - (a) The individual resides in an economically disadvantaged area\*; or
    - (b) The individual is an ex-offender who has completed the individual's criminal sentence or is serving a term of probation or parole
  
- b) Community services or crime prevention in an economically disadvantaged area; or
  - i) "Community Services" means any type of the following
    - (1) counseling and advice;
    - (2) emergency assistance;
    - (3) medical care;
    - (4) recreational facilities;
    - (5) housing facilities; or
    - (6) economic development assistance;
  - ii) "Crime prevention" means any activity which aids in the reduction of crime in an economically disadvantaged area or an economically disadvantaged household.
  
- c) Community services, education, or job training services to individuals who are ex-offenders who have completed their criminal sentences or are serving a term of probation or parole

\* "Economically disadvantaged area" means an enterprise zone, or any other federally or locally designated economically disadvantaged area in Indiana.



\*\*"Economically disadvantaged household" means a household with an annual income that is at or below eighty percent (80%) of the area median income or any other federally designated target population.

## Section 500: Application Process

**When:** Applications will be opened in April to organizations that provide eligible community services. **Organizations seeking to apply for NAP credits cannot rely upon receiving a notification directly from IHCD staff regarding the opening of the NAP application period.** Organizations are responsible for becoming familiar with the time period that the NAP application is released, checking IHCD's website for updates, and subscribing to the Neighborhood Assistance Program Updates and Notices newsletter accessed via IHCD's website. **IHCD will NOT accept late applications.**

**Where:** The link to the application will be posted to the IHCD website along with an IHCD press release.

**Who:** A duly appointed representative of an applying organization, applying for the NAP allocation should execute the application. This may be the Executive Director, the CEO, the Treasurer or CFO, or a member of the Board of Directors. The individual must have the authority to sign legal documents on behalf of the organization.

Only one application per organization is permitted.

The person completing the application can represent more than one organization.

*Note: During the application process, the organization will be asked to provide contact information for its organization. IHCD cannot be held responsible if it has been provided inaccurate or out of date contact information. It is the responsibility of the organization to notify IHCD, via the Community Programs Analyst, of any relevant changes in personnel or contact information that occurs during the NAP cycle.*

If an applicant requires assistance, please send an email to [nap@ihcd.in.gov](mailto:nap@ihcd.in.gov).

The Chief Executive Officer and program contact for each organization will receive an email confirmation that contains a copy of the application that it has submitted to IHCD. If the applicant submits inaccurate information or fails to complete the application, the applicant must use the link provided in the email confirmation to update their application. No late submissions or updates submitted after the due date will be accepted.

## Section 501 Allocation Method

IHCDA allocates NAP tax credits on a non-competitive, formula basis. All organizations that pass threshold and eligibility review receive a tax credit allocation. The amount of the tax credit allocation is calculated based on the following formula:

$$\left( \frac{\text{Total Available Credits}}{\text{Total Requested Credits}} \right) = \text{Allocation Percentage} \times \text{Applicant Requested Credits} = \text{Award Amount}$$

According to this formula, the total of all credits requested by all applying organizations is divided by the total available credits (\$2,500,000). This results in the Allocation Percentage. This allocation percentage is then multiplied by the amount requested by each individual organization to determine an individual award amount.

For example: In 2013, 310 organizations requested a total of \$9,846,928.00. The total NAP budget was \$2,500,000 in tax credits. For an organization who applied for the maximum allocation (\$40,000), the equation would look like this:

$$\left( \frac{\$2,500,000}{\$9,846,928} \right) = 25.39\% \times \$40,000 = \$10,155$$

So the organization would receive an allocation of \$20,310, allowing them to raise \$31,008 in contributions.

## Section 502 Restrictions on Funding Requests by New Organizations

An organization that **has participated** in the Neighborhood Assistance Program in any of the three (3) preceding years may apply for a maximum of \$40,000 in NAP tax credits.

An organization that **has not participated** in the Neighborhood Assistance Program in any of the three (3) preceding years may only apply for a maximum of \$15,000 in NAP tax credits.

An organization must apply for a **minimum of \$1,000** in NAP tax credits.

*Note: If an organization applies for an amount greater than that allowed by policy, the request in the application will default to the maximum amount allowed under the allocation method discussed below.*

## **Section 503 Appeals Policy**

An organization that objects to or wishes to appeal an eligibility decision may submit an appeal to the Community Programs Manager, CSBG, IDA, NAP. Appeals must be in writing and addressed and delivered to IHCD's Community Programs Manager for NAP within ten (10) business days of the agency's written notice of the eligibility decision.

Appeals should be addressed to:

**Indiana Housing and Community Development Authority  
Attn: Community Programs Manager, CSBG, IDA, NAP  
30 South Meridian Street, Suite 900  
Indianapolis, IN 46204**

The appeal must include the stated reasons for the organization's objection to the eligibility decision, and reasons must be based solely upon evidence supporting one (1) of the following circumstances:

1. Clear and substantial error or misstated facts which were relied on in making the decision being challenged;
2. Unfair competition or conflict of interest in the decision-making process;
3. An illegal, unethical or improper act; or
4. Extreme mitigating circumstances

The organization will receive written acknowledgement of receipt of the appeal within five (5) business days of its receipt, noting the day the appeal was received. The Community Programs Manager will have ten (10) business days from IHCD's receipt of the written request for appeal to review the file and make a determination.

If the organization is unsatisfied with the Community Programs Manager's decision, the organization may make a final appeal to the Community Programs Director. Appeals must be in writing and addressed and delivered to IHCD's Community Programs Director within ten (10) business days of the agency's receipt of the Community Programs Manager's decision.

The organization will receive written acknowledgement of receipt of the appeal within five (5) business days of its receipt, noting the day the appeal was received. The Community Programs Director will have thirty (30) business days from IHCD's receipt of the written request for appeal to review the file and make a determination. The Community Programs Director's decision is final.

## **Section 600: Tax Credit Award**

**Award announcements will be made by 5:00PM Eastern Time on June 3<sup>rd</sup> 2019.**

The awards will be posted to IHCDAs website and an official notice will be sent to all of IHCDAs listserv.

**Award agreements will be distributed electronically (via email) by June 10<sup>th</sup>, 2019.** The agreement will be emailed to the awardees executive director to e-sign.

**The award agreement must be e-signed by 5:00PM Eastern Time on June 24<sup>th</sup>, 2019.**

If IHCDAs does not receive the e-signed award agreement by that deadline, the organization will lose the credits it was awarded for the current program year. The organization will receive a letter via email indicating that the documents were not executed and submitted in a timely manner and the award was de-allocated.

NAP tax credits may not be sold until the award agreement is e-signed and the organization receives a final copy of the agreement, with IHCDAs signatures, via email. **Even if the agreement is e-signed prior to July 1, the organization must still wait until July 1 to begin selling the NAP tax credits.**

If this is the first time an organization is participating in the NAP program, by July 1<sup>st</sup> it must register on IHCDAsonline.com and email [claims@ihcda.in.gov](mailto:claims@ihcda.in.gov) for an Organization Code. See the NAP Appendix for more information.

## **Section 601 Award Agreement**

This document spells out the terms which bind IHCDAs and the organization to terms relevant to the operation and oversight of NAP tax credits. An attachment to the award agreement will also state the value of the NAP tax credits awarded and important terms for awardees to be aware of, such as the benchmark reports.

## **Section 602 Possible Withdrawal from NAP**

An organization can withdraw from NAP at any time. If the organization chooses not to participate or it withdraws after signing its agreement, it must contact and make the Community Programs Manager aware of its decision to withdraw **before July 1, 2019** or else it will lose its eligibility to receive NAP tax credits in the following NAP cycle. If it signs its agreement and withdraws after July 1, 2019, the organization will not be eligible to receive NAP tax credits in the 2020-2021 NAP cycle.

**If an organization does not sign its agreement, it is automatically considered withdrawn from the 2019 program cycle and loses access to its 2019-2020 credits but keeps its eligibility for the 2020-2021 program cycle.**

## Section 700: 2019-2020 NAP REPORTS

There are three (3) reports due to IHCD in the course of a NAP cycle. In the 2019 program cycle, these reports are:

<u>Report</u>	<u>Reporting Portal</u>	<u>Due Date</u>
60% Benchmark Report	IHCDAOnline.com	Due 5:00pm Eastern Time January 13, 2020
100% Benchmark Report	IHCDAOnline.com	Due 5:00pm Eastern Time April 13, 2020
Expenditure Close-Out Report	Jotform-link received via email and it will be posted on the website	Due 5:00pm Eastern Time September 28, 2020

The website for the benchmark reports can be found at [ihcdaonline.com](http://ihcdaonline.com). If an organization has log-in problems, please email [claims@ihcda.in.gov](mailto:claims@ihcda.in.gov) and communicate its problem. The NAP Program Staff will not be able to assist with log-in problems since it is a technical issue.

### Section 701 Registering on IHCDAOnline.com and Organization Code

First-time users will need to register for an account; please see the NAP Appendix for instructions on how to do so.

The organization code is a requirement for new users to register with their organization and for benchmark reports. New users from returning organizations should ask their colleagues for the organization code; if no one at the agency knows the code, email [claims@ihcda.in.gov](mailto:claims@ihcda.in.gov) and then keep the code in a shared, easily accessible document. New users from organizations new to NAP will need to email [claims@ihcda.in.gov](mailto:claims@ihcda.in.gov) to request an organization code.

Returning users should find their organization code for their benchmark reports once they log in; see the NAP Appendix for instructions on where to find the organization code.

## Section 702 60% Benchmark (First Half) Report

60% Benchmark Report is the first report of the NAP cycle and is about due six (6) months after the award date. It includes all donations received between July 1 and December 31, 2019. This report is electronic, and is submitted via IHCDOnline.com.

This report must reflect a sale of a minimum of 60% of the organization's total tax credit allocation. **If an organization fails to sell at least 60% of its allocation, it will lose eligibility for 2020-2021 NAP credits.** Its remaining credits may also be deallocated, at the discretion of IHCD.

**The report is due at 5:00pm Eastern Time on January 13<sup>th</sup>, 2020.** On January 14<sup>th</sup>, IHCD will email all organizations that missed their 60% benchmark, and allow them to submit any donations they missed in their original submission, or to submit the report in-full if no report was ever submitted. **Organizations have until 5:00pm Eastern Time on January 20<sup>th</sup> to submit additional donor information if they failed to include something in their original report or did not submit a report at all.** This does *not* mean that organizations are made eligible for 2020-2021 credits. This extra time to submit is *only* to honor donor's credits. After January 20<sup>th</sup>, additional reports or donors added to reports will *not* be accepted by IHCD and those donors may not have their credits honored by IDOR.

The 60% benchmark report can be submitted before December 31st, 2019, but this should only be done if an organization has sold ALL (100%) of its credits by then.

## Section 703 100% Benchmark (Second Half) Report

100% Benchmark Report includes all donations received between January 1 and March 31, 2020 and is due roughly nine (9) months from the award date. This report must reflect the sale of 100% of the organization's total credit allocation. **If an organization fails to sell 100% of its allocation, it will lose eligibility for 2020-2021 NAP credits.** The organization will be able to sell its remaining credits until June 5, 2020.

**The report is due at 5:00pm Eastern Time on April 13<sup>th</sup>, 2020.** On April 14<sup>th</sup>, IHCD will email all organizations that missed their 100% benchmark, and allow them to submit any donations they missed in their original submission, or to submit the report in-full if no report was ever submitted. Organizations have until 5:00pm Eastern Time on April 20<sup>th</sup> to submit their donor information. **This does *not* mean that those organizations are made eligible for 2020-2021 credits.** This extra time to submit is only to honor donor's credits. After April 20<sup>th</sup>, additional reports or donors added to reports will *not* be accepted by IHCD and those donors affected may not have their credits honored by IDOR.

## Section 704 Expenditure Close-Out Report

**The final 2019 Close-Out Report is due at 5:00pm Eastern Time on September 30th, 2020.** This report reflects how an organization used the funds it raised from NAP credits. This is a **REQUIRED** part of the process, even though it falls outside the program year.

The report will be completed through the Jotform system used for applications. Grantees will be emailed a link to complete the report in Jotform several weeks before the report is due, and can also find the link on IHCD's website. **Late reports will result in loss of eligibility in the 2021 NAP cycle.**

On October 1st, 2020, IHCD will email organizations that have not submitted their reports. Late reports will continue to be accepted, although those organizations have lost eligibility for the 2021-2022 NAP cycle. **Organizations that do not submit any close-report will lose eligibility for three (3) program cycles: 2021-2022, 2022-2023, and 2023-2024.**

## Section 705 Important Reporting Notes

1. The 100% Benchmark Donor Contribution Report is not required if an organization sold all of its credits in 2019 and reported those sales on the 60% Benchmark Report. It is also not required if an organization had its credit deallocated after the 60% Benchmark Report.
2. Reports may be turned in ahead of the due dates. All reports must be received by 5:00 p.m. Eastern Time on the due date.
3. Reports can only be submitted once. Donor information can be added ahead of time and is saved by the system, but an organization may only hit "Submit Report" once. Once submitted, a report cannot be edited by the organization unless IHCD staff opens it in the system, which is very time consuming. So it's best that organizations wait until they have all the correct donor information entered before hitting "Submit."
4. A best practice for reporting to help ensure mistakes are caught before submitting a benchmark report would be to contact all donors in the weeks before a report is due to double check that their information is correct.
5. The 60% benchmark report can be submitted before December 31<sup>st</sup>, 2019, but this should only be done if an organization has sold ALL (100%) of its credits by then. If credits are sold in 2019 after the 60% benchmark report is submitted, it's difficult to capture those donations in the 60% report and it puts donors' credits at risk for their 2019 taxes.

6. Failure to submit any of these required reports by the established deadline, or to meet the relevant benchmark for the sale of the NAP tax credits, will result in ineligibility for NAP tax credits in the following program cycle and may make it difficult for donors to claim their NAP tax credits.
7. Failure to submit the closeout report due in September 2020 will result in loss of eligibility for three (3) program cycles: 2021-2022, 2022-2023 and 2023-2024.

## **Section 706 Department of Revenue Requirements**

**It is absolutely vital that all benchmark reports reflect the information that will be provided on the donor's tax return.** IDOR relies on these reports to verify a tax filer's (donor) eligibility to use the NAP tax credits.

**If the information reported to IHCD A does not match the information provided on the donor's tax return documents, then IDOR will deny the donor's tax credit.** See Sections 803 and 1100 of this manual for more information.

## **Section 707 Technical Difficulties**

Although IHCD A has put great effort and resources into ensuring the most reliable technology is available to our NAP participants, we understand that issues may arise. If technical issues prevent an NAP organization from submitting the necessary reports by the required dates, please contact IHCD A at [nap@ihcda.in.gov](mailto:nap@ihcda.in.gov) BEFORE any reporting deadlines. If the difficulty relates to IHCD Aonline.com, make sure to email [claims@ihcda.in.gov](mailto:claims@ihcda.in.gov) as well.

## **Section 708 De-allocation**

If an organization fails to sell 60% of their NAP tax credits in the required time period, or otherwise fails to comply with the requirements of the program, then the remaining credits **may** be de-allocated from the organization and re-allocated to other eligible organizations.

On the day following the 60% Benchmark Report due date, IHCD A will generate the report and identify organizations which have failed to meet the benchmark of 60 percent or have not submitted reports. Those organizations with delinquent reports will be contacted and permitted to submit their donor information within one week, to ensure that their donors receive their NAP tax credits and that the benchmark was met.

If IHCD A decides to move forward with Deallocation, those organizations that were identified as having missed their 60% Benchmark the day after it was due will have their remaining unused credits deallocated. They will be notified of their deallocation via email and a letter stating that their original award has been reduced. This is true even if an organization updates its report to



show they did sell 60% or more of their allocation in 2019; the late report keeps them eligible for deallocation.

IHCDA will announce whether or not it is moving forward with deallocation and reallocation by January 20th, 2020.

## **Section 709 Re-allocation**

There is no guarantee of the availability of re-allocated NAP tax credits. However, the NAP program has allowed the re-allocation of unsold NAP tax credits, where necessary.

On the Monday following the 60% Report due date, IHCDA will generate the report and identify organizations who have met the benchmark of 60% and have submitted reports on time. Those that have not met their benchmark, or who only did so after submitting a late report, will be subject to deallocation.

To be eligible for a reallocation of NAP tax credits, an organization must sell 100% of its allocation by December 31st. Organizations that have sold 100% of their allocation and submitted the 60% Benchmark Report on time will be eligible for additional NAP tax credits and will be contacted about receiving additional NAP tax credits. These organizations will be informed of the amount of NAP tax credits available to them and a survey will also be given a time period to confirm/accept the additional NAP tax credits.

Re-allocated tax credits will be divided in equal portions to eligible organizations, and are held to the same requirements as other NAP tax credits. If an organization receives additional NAP tax credits, then these new NAP tax credits must be sold by March 31, 2020 in order to keep eligibility for 2020 NAP credits. These organizations will also receive an amended grant agreement to reflect an increase in the NAP tax credit award amount.

Organizations should not take additional credits if they are unable to sell the credits by March 31, 2019. A re-allocation will require the submission of a new 100% Benchmark Report, indicating that all credits were sold by March 31, 2019.

IHCDA will announce whether or not it is moving forward with deallocation and reallocation by January 20th, 2020.

## **Section 800: Donor Contributions**

Contributions must be reported in the calendar year in which they were made. Similarly, tax credits received may only be used on the tax return for the calendar year in which the associated contribution was made. **So a donation made in 2020 with 2019 NAP credits will be reported on the donor's 2020 tax return.**

If a donor makes several individual contributions, they should be reported as a single donation using the total combined value of the donations and the date of the final contribution.

**No single donor may claim greater than \$25,000 in NAP credits in a single calendar year pursuant to IC-6-3.1-9-3(b).**

The donors must have state tax liability after the application of any other credits which under IC 6-3.1-1-2 must be applied before the NAP tax credit.

## **Section 801 Maximum Contribution**

An individual contribution to an organization, as reported to IHCD for the purpose of NAP, may not exceed 200% of the total value of credits allocated to the organization during a program year. **The sale of tax credits above and beyond the allocated amount to an organization will not be honored by IHCD or the IDOR.**

A donor may only claim up to \$25,000 in total tax credits each calendar year. The offset nature of the tax schedule (January – December) and the NAP cycle (July – June) makes it quite possible for a single donor to purchase far more than the statutory limit in a single tax/calendar year. It is recommended that donors who make significant purchases of tax credits be advised of this statutory limit. **Credits purchased in excess of this limit will not be redeemable**, even if they are purchased between two different program years or from multiple organizations.

## **Section 802 Minimum Contribution**

An individual's reported contribution must be no less than \$100\*. If an individual donor makes several small contributions in the same calendar year that total an amount greater than \$100, they should be reported as a single contribution using the date of the final contribution.

*\*Exception: In the event that an organization has less than \$100 of tax credits remaining, then and only then will a donation of less than \$100 be accepted.*

## **Section 803 Eligible Donors and Contributions**

Eligible donors include any person, business, or organization that has an Indiana tax liability. **Charitable organizations and foundations are not eligible donors.**

Eligible contributions include:

1. Cash
2. Check
3. Credit Card
4. Stock (that has been sold)

5. Donations designated to the recipient through United Way
6. In-Kind Donations (limited to building materials)
7. Property Donations (that will be used for or pertains to current NAP activity)

### Section 803a Contributions from Organizations or Corporations

Organizations and corporations are welcome to make NAP tax credit-eligible contributions. However, additional steps or information may be required when reporting these contributions:

1. If an organization or corporation wishes to claim the credits itself, it must enter its information and the total contribution amount on the electronic report.
2. If an organization or corporation wishes to distribute the credits to its members or shareholders, then the value of the credits must be divided appropriately, and each division must be listed as a separate contribution from the individual who will be claiming the credits.

### Section 803b Contributions from Families or Couples

If a couple files a joint tax return, then only the name and information of the Head of Household should be reported. If a couple files separately, only one person may claim the tax credit and the report should be completed accordingly. If a couple makes a single contribution, files separately, and wishes to divide their credits, the organization should enter their names on the report as separate donors making separate contributions and note this in its records.

### Section 803c Rounding

NAP tax credits must be distributed and reported at 50% of the value of the donation. In the event that a donation must be rounded, it must be rounded up to the nearest cent and reported accordingly.

### Section 803d Stock

Stock must be sold in order to be eligible for NAP tax credits. Due to all stock being sold, the contribution type for stock should also be shown as "cash." The contribution amount that should be used for a stock donation is the amount of funds that the organization actually receives (the value of the stock at the time it was sold minus transaction fees and administration fees.)

### Section 803e United Way Designations

Donations made to the recipient via United Way designations are eligible for NAP tax credits. It is vital that this transaction is documented accurately in the organization's records. The contribution amount that should be used is the amount of funds that the organization actually receives after United Way subtracts any administrative or processing fees. Therefore, the donation amount is almost never exactly 50% of what the donor has contributed. The contribution type should be shown as "cash."

### Section 803f In-Kind Donations

In-kind donations are limited to building materials that are to be utilized on the recipient's NAP activity. **Services (sweat equity), supplies, and equipment are not eligible in-kind donations.** Building materials must be valued at the cost to the donor, not the retail cost. The contribution type should be shown as "property." In addition, an organization cannot exchange NAP tax credits for rental payments or other assistance.

### Section 803g Property

Property must be used for or pertain to the current NAP activity. The value of the property should be obtained by using the current appraisal. Organizations must enter into and keep a copy of the deed conveying the property to them. The contribution type should be shown as "property." The amount of the contribution that applies to the NAP project (the value of the property donated) is the amount that should be entered on the electronic reports. The organization, receiving the donation, should keep documentation of this transaction for their records in the form of a receipt, a thank you letter, or other relevant documents.

### Section 803h Membership Dues

Dues or fees associated with membership into an organization are not eligible to receive NAP tax credits.

### Section 803i Donation Examples

Sherlock Holmes purchases \$100 in NAP credits (a \$200 contribution), which he intends to claim on his Indiana State Tax Return.	Sherlock Holmes should be reported as the donor to IHCDA.
Moriarty Consulting, LLC buys \$1000 in NAP credits (a \$2000 contribution) to offset their Indiana Corporate Tax Liability.	Moriarty Consulting, LLC should be reported as the donor to IHCDA.
Mary and John Watson purchase \$250 in NAP credits (a \$500 contribution.) They intend to file jointly.	Only the head of household (John, in this case) should be reported as the donor to IHCDA.
Baker Street Property Management, LP purchases \$1000 in NAP credits (a \$2000 contribution) which they intend to distribute to their five board members, who will each claim them individually.	Each of the Board Member's information must be collected and reported to IHCDA. Each board member should be reported as an individual donor.

## Section 900: Documentation Requirements

Organizations should recognize contributions either with a letter or a copy of the Donor Contribution Form, a copy of which should be kept for their records. Organizations may also choose to have donors sign the Donor Acknowledgement Form, although it is not a program requirement.

Typically, IHEDA does not require that supporting documentation be submitted along with the reports. However, IHEDA does reserve the right to perform oversight and monitoring on an organization's donation records pertinent to NAP pursuant to IRS Publication 1771.

### Section 901 Records that Should be Kept

Cash or Credit Card Donations	Receipt copies (or letters)
Checks	Copies of the checks
Stock Donations	Copies of stock transaction reports/pages and thank you letters
United Way Designations	Copies of donor designation, documentation of receipt of donation, and/or employer paystubs from the donors
In-Kind Donations	Receipts showing the building material value, and receipts or thank you letters detailing the donation
Property Donations	Copy of the deed, current appraisal, and receipt

### Section 902 Determining Contribution Dates

1. **Cash, Credit/Debit Card** – the day the organization receives cash or the transaction is conducted
2. **Check** – the date shown on the check
3. **Stock** – the date the organization actually receives funds into their account (often times this is called the “settlement date”)
4. **United Way Designations** – the date that the donor contributed funds (often times this is the date of the withdrawal from the donor's paycheck or the date the donor gave funding to United Way)
5. **In-kind** – the date the organization receives the building materials
6. **Property** – the date the deed that transfers the property to organization is executed, the deed must also be recorded.
7. **Multiple Contributions** – Please list only the last contribution date for multiple contributions.

8. **CrowdFunding sites (GoFundMe, Kickstarter, YouCaring)** - Contributions should be recorded as having been made on the date the transaction was completed by the donor.

## **Section 1000: Monitoring Policy**

### On-Site Review

IHCDA may, at the discretion of staff, elect to conduct an on-site review to ensure the appropriate discharge of NAP tax credits and to ensure that the activity fulfills goals and purposes outlined in the organization's initial NAP application.

### Program File Audit

IHCDA may, at the discretion of staff, elect to perform a file/documentation audit either in conjunction with an on-site review, or by requesting documents be submitted to IHCDA within a reasonable period of time. This audit will ensure that organizations are maintaining proper records in accordance with NAP policies and to verify the authenticity of submitted reports.

### Income Documentation

If an organization is performing an eligible activity for an economically disadvantaged household, the organization must retain income documentation demonstrating that the beneficiaries meet the qualifications of an economically disadvantaged household.

### Non-Compliance

Failure to comply with NAP regulations and policies as established by this manual or Indiana Code may result in a de-allocation of awarded credits, ineligibility in the following NAP cycle(s), and/or further penalties at the discretion of IHCDA and as outlined in the award agreement.

### Economically Disadvantaged Area

If an organization is performing an eligible activity in an Economically Disadvantaged Area, such as an Enterprise Zone, the organization must retain documentation demonstrating the location of their activities is in-fact an Enterprise Zone.

## **Section 1100: Reconciling Issues with NAP Tax Credits**

Each January, IHCDA must submit a Donor Contribution Report to the IDOR as documentation for donors who file the tax credits on their taxes. The report summarizes all contributions made for the previous calendar year (January 1-December 31). The report includes the following information:

1. Donor name (as recorded by the organization)
2. Donor Tax ID
3. Donor Address
4. Date of the Contribution
5. Amount of their Maximum Credit amount

The report is submitted in mid-January and uploaded by IDOR. As donors file their taxes, the donors will claim their tax credits. The claim is either accepted or rejected by IDOR.

### **Section 1101 A Rejected Tax Credit**

If the tax credit is rejected, then IDOR will send the donor a letter indicated that the tax credit was rejected, and it is unable to file the credit with the tax return. Tax credits are rejected by IDOR for one of the following reasons:

1. No contribution was included on the Donor Contribution Report.
2. The taxpayer information in the report does not match the information on the donor's tax return.
3. The taxpayer has claimed more than maximum contribution amount of \$25,000.

Most often, the donor will call IDOR. IDOR will refer the donor to the organization that received the contribution or to IHCDA. Reconciliation of most tax credit issues will reside with the organization that received the contribution or IHCDA.

If the donor contacts IHCDA, the Community Programs Analyst will review the Donor Contribution Report generated a week after the 60% Benchmark report to ensure that a contribution was submitted and the report's information matches what the donor thinks should be submitted. If the information is correct on the Donor Contribution Report, then IHCDA will work with IDOR to get the credit uploaded in the system. IHCDA will refer the donor to the organization that received the contribution if the information on the report is missing or incorrect.

If the organization submitted the donor's credit, but a piece of information is incorrect, IHCDA will work with the organization to correct the information and resend it to IDOR. If the

organization did not include a donor at all in their report, IHCDCA will only accept donor additions up to a week after Benchmark Reports are due.

IT IS THE ORGANIZATION'S RESPONSIBILITY TO SUBMIT CORRECT DONOR AND DONATION INFORMATION.

## **Section 1102 How to Reconcile Tax Credit Issues**

To begin the process, the organization must ensure that the donor's tax return matches the amount filed on the report. If the donor's contribution amount listed in its tax return differs from the organization's records, then the donor will need to work with IDOR to update the tax return. If the amount was listed incorrectly on the Donor Contribution Report, then the organization must work with IHCDCA and IDOR to resolve.

### Tax Credit Not Filed by the Organization:

If the NAP tax credit was denied because it was not included in the Donor Contribution Report, then the donor will be referred to the organization where the donation was made. If this happens more than a week of beyond when the relevant benchmark report was due to IHCDCA, IHCDCA will *not* accept information on a new donor.

To help avoid this issue, organizations should review their submitted benchmark reports several times before due dates and for a day or two afterwards.

### Taxpayer Tax Return Does Not Match Report to IHCDCA/IDOR:

A NAP tax credit may be rejected if the taxpayer information contained in the Donor Contribution Report does not match the information filed by the donor on his or her tax return. For example, Jane Doe donated \$200 to ABC Community Group with a tax identification number of 35-1263548. When the report was entered, Janetta R Doe was entered into the system with a tax identification number of 35-1263548 and a donation of \$200. The system will reject the information and require it to be corrected by the organization.

A tax credit may also be rejected if the amount of the credit filed on the tax return does not match the amount of the credit filed in the report. Jane Doe donated \$200 to ABC Community Group with a tax identification number of 35-1263548. When the report was entered, Jane Doe was entered into the system with a tax identification number of 35-1263548 and a donation of \$100. The system will reject the credits because the donation amounts do not match. In this instance, the organization or donor will need to provide the right information to IDOR.



The donor must contact the organization to correct the donor information. The organization must verify that the donor's information matches what was submitted on the tax return. For example, the full name, tax identification number or social security number, and contribution amount must match.

The organization must confirm that the donation was made. The organization will need to upload the donor's updated information into IHCDOnline.com by first emailing [nap@ihcda.in.gov](mailto:nap@ihcda.in.gov) and asking to have the relevant benchmark report opened. Once the donation information has been updated online, the organization must contact IHCD to notify it which information was incorrect in the original report and that the information was updated in IHCDOnline.com. IHCD will need to send an amended Donor Contribution Report to IDOR.

#### Exceeded Maximum Contribution Limit:

The taxpayer has claimed more than \$25,000 in tax credits. Anything over \$25,000 will not be honored by IDOR, so organizations should make very clear to the donors they work with that donors cannot claim more than \$25,000 in a single calendar year, even if it's between two different NAP program years.

#### **Other Common Issues**

1. Names on Donor Contribution Report
2. Donations Made by Corporations on Behalf of Employees
3. Multiple Donations by the Same Person or Same Tax Identification Number

## **Section 1200: IHCD NAP Contact Information**

Please send all questions and comments about the NAP program to the Community Programs NAP Analyst via the following email: [nap@ihcda.in.gov](mailto:nap@ihcda.in.gov).

Anything related to IHCDOnline should be sent to [claims@ihcda.in.gov](mailto:claims@ihcda.in.gov).

If grantee staff need to call talk to someone directly, please call the IHCD front desk to have their call directed to the appropriate staff person: 317-232-7777