



Indiana Housing & Community Development Authority

NAP



Neighborhood Assistance Program

2021-22 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 is 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.

Mission Statement:

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

Section 101 IHCD Contact Information and Additional Resources:

Please send all questions, comments and updated contact information to nap@ihcd.in.gov.

If grantee staff need to talk to someone directly, please call the IHCD front desk to have their call directed to the NAP Program Analyst: 317-232-7777.

Grantees also have access to useful resources on [IHCD's website](#), which can help address many common questions:

- NAP FAQ
- NAP Reporting Instructions

Section 200: What is NAP?

The Neighborhood Assistance Program (“NAP”) is a program of the State of Indiana, created by Indiana Code 6-3.1-9, which authorizes IHCD to administer the program. The purpose of the program is to encourage individuals and businesses to make donations to approved non-profits with projects that improve distressed neighborhoods and the lives of families that live there.

This program allocates state tax credits to eligible non-profit organizations that apply for credits once a year in the spring. If an organization is approved by IHCD, it is awarded a set amount of tax credits, which are then provided to individuals or businesses who donate to the organization. The funding raised from that exchange goes towards the non-profit organization’s programs and services that are described in their NAP application.

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. That means that if they donate \$200 and receive tax credits for their full donation, they can receive a \$100 tax credit, which is applied against their Indiana state tax liability (not their federal tax liability). That tax credit is applied to the tax year in which they made their donation.

IHCD may offer up to a total of \$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.

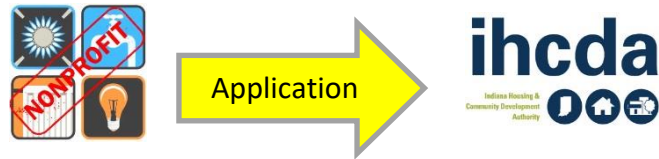
Section 300: How NAP Works

NAP is administered by IHCD, in partnership with the Indiana Department of Revenue (“IDOR”). In the simplest terms, IHCD allocates NAP tax credits to eligible organizations, organizations distribute tax credits to donors based on contributions that donors provide, and then organizations report back to IHCD about the donations they received in exchange for tax credits. IHCD then forwards that information to IDOR, which manages the administration of the tax credits to the donors included in the report.

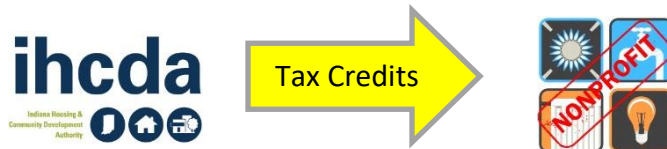
Section 301 Program Cycle

1. IHCD normally posts applications for organizations that want access to NAP credits for their fundraising each March or April. The application is hosted on the Jotform system, and only online applications are accepted. Each year the link to the application will be posted on IHCD’s [NAP webpage](#), and a notice will go out on the NAP Listserv. Interested organizations are responsible for becoming familiar with the application time period, for checking IHCD’s website for

updates and for subscribing to the NAP listserv [here](#) (submit email address, then choose NAP and any other relevant subscription types).



2. The application will generally be open for three weeks for agencies to complete; a formal deadline will be posted to IHCDA’s website once the application goes live, as well as at the top of the application. Once the deadline has passed, IHCDA staff will begin review of applications, focusing on the eligibility of non-profit organizations and their proposed programs or projects.



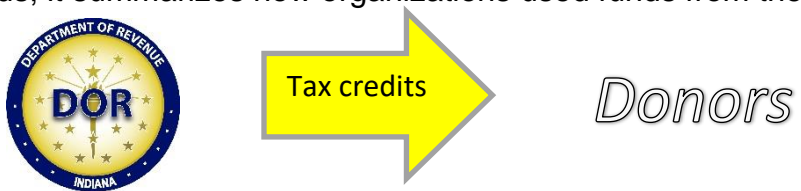
3. Approved organizations will be announced by the end of June via email directly to those organizations as well as in a post on the NAP webpage. Approved organizations will then be sent an award agreement and be given a deadline by which the agreement must be signed. That deadline is generally set for just before the July 1 program year start date.



4. Once the NAP agreement is signed and the program year starts on July 1, organizations can begin distributing their NAP tax credits to donors in exchange for funding contributions; 60% of credits must be distributed by December 31st, and 100% by March 31st. As a part of that process, organizations must provide donors with confirmation of their contribution and their NAP tax credit for tax purposes. That information 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 with a copy of the Donor Contribution Form and whatever other form of confirmation the organization normally provides to donors.



5. Over the course of the program year, the organizations must prepare **three reports** for submission to IHCDA.
 - a) The first two are benchmark reports that include all relevant information pertaining to donors who purchased NAP tax credits. IHCDA uses those reports to ensure the 60% and 100% benchmarks are being met, and to provide donor information to DOR at tax time.
 - b) The final report is a close-out report due in the fall, after the program year ends; it summarizes how organizations used funds from the tax credits.



6. 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 IHCDA 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, and credits must be distributed to donors between July 1, 2021 and June 30, 2022. The funding from those credits must be spent by September 15th, 2022, and a close-out report will be due on September 26th, 2022. However, it should be noted that **in order to maintain full eligibility for the next round of NAP credits, 60% of allocated credits must be distributed by December 31, 2021, and all allocated credits must be distributed by March 31, 2022.**

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 IHCDA requires a benchmark report in early January – to report all prior year donations in time for the tax season.

Applications Open	April 19, 2021
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Applications Close	May 17, 2021
Awards Announced	June 21, 2021
Contracts Issued by	June 25, 2021
Returned Contracts Due	July 1, 2021
Start Distributing Credits	July 1, 2021
Last Day to Distribute Credits for 60% Benchmark	December 31, 2021
60% Benchmark Report Due	January 19, 2022
Last Day to Distribute Credits for 100% Benchmark	March 31, 2022
100% Benchmark Report Due	April 20, 2022
Last Day to Distribute 2020 Credits if Previous Benchmarks were Missed.	June 30, 2022
Expenditure Close Out Report Due	September 26, 2022

IHCDA may, at its discretion, make small changes to the above timeline. If such changes are made, notification will be sent via the NAP listserv and posted to the NAP page on IHCDA’s website.

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
- 3) Have received a ruling of tax exemption from the Indiana Department of Revenue under IC 6-2.5-5-21.

- 4) Agree not to use funds raised from distributing NAP to support inherently religious activities such as worship, religious instruction or promoting religious beliefs as a part of program services. If an organization conducts religious activities, the activities must be offered separately in another time or location from the program supported by NAP funds. Clients must not be discriminated against based on religious belief or be required to attend or participate in religious activities to receive NAP-funded services.
- 5) Have met the benchmark reporting requirements from the last NAP round (if the applicant participated in the last NAP round); in this case, the 2020-2021 round. This means that the applicant must have distributed 60% of their credits by December 31st, 100% of their credits by March 31st, and met reporting deadlines for both. NEW for 2021: if an agency received 2020 credits and failed to meet one of the benchmark reporting deadlines, they may still apply but ONLY up to the maximum credit amount allowed for new agencies.
- 6) Have met the last closeout reporting deadline, if the applicant received NAP credits two program rounds ago; in this case, the 2019-2020 program round, which had a September 2020 closeout report deadline. NEW for 2021: if an agency received 2019 credits and failed to submit the 2019 Closeout Report on time, they may still apply but ONLY up to the maximum credit amount allowed for new agencies.
- 7) Provide a NAP-eligible service, as detailed in the following sections.

Section 401 NAP-Eligible Services

As a part of the NAP Tax Credit Application, agencies will need to choose the service that they provide that makes them eligible for NAP Tax Credits, and that they will spend NAP funds on; NAP funds are NOT allowed to be spent on any other service or activity. If an organization needs to change how they use NAP funds for reasons out of their control, they MUST alert IHEDA staff and receive approval for a new use of funds.

If, as a part of the closeout report or a future monitoring review, it is found that the NAP funds were spent on other, non-approved services, the agency could lose future NAP eligibility indefinitely.

After the service is chosen from a list of pre-determined options in the application, the agency must then describe the service they will provide in detail. It is VERY important that agencies carefully match the NAP service option that best fits their project or program description, and as a part of that description include a clear explanation of how the project/programs falls under the chosen NAP service. If that description does not obviously match the NAP service option they chose, that application may be denied. Examples of combinations that could be denied are as follows:

An organization builds housing units in their community for low-income individuals but labels their NAP-eligible service as “Crime Prevention” rather than “Housing Development,” without mentioning anything related to crime reduction efforts in their program description.

An organization hosts recreational classes for low-income children, including swim lessons in their indoor pool, but labels their NAP-eligible service as “Scholastic Education” rather than “Recreational Facility” without mentioning school participation or achievement in their program description.

Section 402 Services in Economically Disadvantaged Areas

"Economically disadvantaged area" means an enterprise zone, opportunity zone, qualified census tract, or any other federally or locally designated economically disadvantaged area in Indiana.

Based on Indiana Code 6-3.1-9, the following services are only eligible for NAP Tax Credits if they are provided in a Designated Economically Disadvantaged Area:

1. Neighborhood assistance in the form of 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.
 - a. In your application’s project description, clarify if your project/program aims to improve the physical environment or economic condition (or both) of your designated area, and what that improvement would be. Clarify if your project provides financial assistance, labor, material and/or technical advice.
2. Job training (A) that provides individuals with vocation skills so that the individual can become employable or be able to seek a higher grade of employment.
 - a. In your application’s project description, describe the training that is provided in your designated area and the vocational skills it provides.
3. Education, which means any type of scholastic instruction or scholarship assistance that enables the individual to prepare for better life opportunities. Make it clear if your agency uses NAP funds for instructional program costs or for client scholarships.
 - a. In your application’s project description, describe the instruction that your program provides in your designated area and how it enables your clients to prepare for better life opportunities. If your agency provides scholarship assistance, describe how the scholarship assistance can be used and how it enables clients to prepare for better life opportunities.

4. Counseling and advice.
 - a. In your application's project description, identify the location within your designated area where you provide counseling and advice, and describe what changes your program intends to achieve in the life of your clients/community.
5. Emergency assistance
 - a. In your application's project description, explain the assistance that is provided and the types of emergencies it is meant to respond to.
6. Medical care.
 - a. In your application's project description, explain the medical care that your agency provides with NAP funds and how it meets the needs of your low-income designated area.
7. Development and/or management of recreational facilities.
 - a. In your application's project description, describe the facility or facilities that your agency uses NAP funds for and the programming it provides to the local area.
8. Development and/or management of housing facilities.
 - a. In your application's project description, identify the location of the housing facility and the explain the housing services it facility offers to individuals/families in your designated area.
9. Economic development assistance.
 - a. In your application's project description, identify the type of assistance being provided for economic development projects located in your designated area.
10. Crime prevention or reduction activities.
 - a. In your application's project description, explain the activities NAP funds will be used for and how they reduce crime in your area.

The services that NAP funds are used to support must be provided within the boundaries of the designated economically disadvantaged area(s) that the agency applies with. Agencies that only provide those services outside of such an area will be denied tax credits, even if they provide services to low-income individuals in general. The services MUST be provided IN the designated economically disadvantaged area.

It is also not enough for agencies to provide a service in a larger territory that includes one or more designated economically disadvantaged areas; the agency must certify in

their application that they will only use NAP funds to in a designated economically disadvantaged area, and nowhere else. If, as a part of the closeout report or a future monitoring review, it is found that the NAP funds were spent elsewhere, the agency could lose NAP eligibility indefinitely.

Section 403 Services for Economically Disadvantaged Households

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, such as households at or below 125% of the federal poverty guidelines.

The following services must be provided to individuals that reside in economically disadvantaged households:

1. Job training (B) that provides individuals with vocation skills so that the individual can become employable or be able to seek a higher grade of employment.
 - a. In your application's project description, describe the training that is provided and the vocational skills it provides.
2. Crime prevention or reduction (B) activities. Ask for same details as above.
 - a. In your application's project description, explain the activities NAP funds will be used for and how they reduce crime in the household of your clients.

If an agency applies with one of those services, they are committing to only spending NAP funds on services for households with an annual income that is at or below eighty percent (80%) of the area median income, or any other federally designated target population that they identify in their application. NAP funds may NOT be spent on individuals or families that fall outside of those income limits. If, as a part of the closeout report or a future monitoring review, it is found that the NAP funds were spent on individuals with higher incomes, the agency could lose NAP eligibility indefinitely.

Section 404 Other Eligible Services

The following services are eligible for NAP tax credits and are not strictly tied to economically disadvantaged areas or households.

1. Neighborhood assistance in the form of technical advice to promote higher employment in any neighborhood in Indiana.

- a. In your application's project description, describe the advice that your agency provides, who it provides that advice to and how that advice leads to higher employment.
2. Any of the following services provided specifically for individuals who are ex-offenders who have completed their criminal sentences or are serving a term of probation or parole:
- a. Job training
 - i. In your application's project description, describe the training that is provided and the vocational skills it provides
 - b. Education
 - i. In your application's project description, describe the instruction that your program provides and how it enables your clients to prepare for better life opportunities. If your agency provides scholarship assistance, describe how the scholarship assistance can be used and how it enables clients to prepare for better life opportunities.
 - c. Counseling and advice
 - i. In your application's project description, detail the type of advice or counseling your agency provides, and what it ultimately is meant to achieve in the life of your clients or community.
 - d. Emergency assistance
 - i. In your application's project description, explain the assistance that is provided and the types of emergencies it is meant to respond to.
 - e. Medical care
 - i. In your application's project description, explain the medical care that your agency provides with NAP funds and how it meets the needs of your low-income designated area.
 - f. Recreational facilities
 - i. In your application's project description, describe the facility or facilities that your agency uses NAP funds for and the programming it provides to the local area.
 - g. Housing facilities
 - i. In your application's project description, explain the housing services your facility offers.

Section 405 Project Eligibility Documentation

If selected for NAP Credits, organizations should be prepared to keep supporting documentation on the following as proof of their eligibility during a subsequent monitoring:

Income Documentation

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

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 that the location of their activities is in-fact an Enterprise Zone.

Section 500: Application Process

- When: Applications will be opened in March or April to organizations that provide eligible community services. **Organizations seeking to apply for NAP credits cannot rely upon receiving a notification directly from IHEDA 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 IHEDA's [website](#) for updates, and [subscribing](#) to the Neighborhood Assistance Program Updates and Notices newsletter. **IHEDA will NOT accept late applications.**
- Where: The link to the application will be posted to the IHEDA website along with an IHEDA notice to the NAP listserv. **Only online applications will be accepted.**
- Who: An appointed representative of an applying organization must execute the application. This may be the Executive Director, the CEO, the Treasurer, CFO, a member of the Board of Directors, or a staff person, contractor or volunteer with delegated authority from any of the above. **A person completing the application can represent more than one organization.**
- What: The application will include information about the organization, its programming, and overall eligibility. The contact information provided in the application is what IHEDA staff will use to stay in contact with applicants, so it is important that it be correct and up to date. **Any changes in contact information after the application is submitted should be sent to nap@iheda.in.gov.**

At the end of the application, there is a place for an email address to be provided; whichever email address is provided is where confirmation of the application submission

will be sent. 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. If an agency does not receive a copy of the NAP application after submission, they should email nap@ihcda.in.gov to confirm their application was correctly submitted, and if so, ask for a copy of that application. Before contacting IHCDA, please check the inbox for the email address provided at the end of the application.

Only one application per organization is permitted; if a second application is submitted, the first will be automatically deleted.

Section 501 Restrictions on Tax Credit Requests

An organization that **has participated** in the Neighborhood Assistance Program in any of the **two (2) preceding years** (2019-2020 or 2020-2021) may apply for a maximum of \$15,000 in NAP tax credits. \$15,000 of distributed credits translates to \$30,000 in donations.

An organization that **has not participated** in the Neighborhood Assistance Program in any of the **two (2) preceding years** may only apply for a maximum of \$5,000 in NAP tax credits. \$5,000 in distributed credits translates to \$10,000 in donations. NEW for 2021: agencies that failed to meet benchmark reporting requirements for 2020, or the closeout report deadline for 2019 may apply for 2021 NAP tax credits, but only up to \$5,000, unless they secure a waiver from IHCDA.

An organization must apply for a **minimum of \$1,000** in NAP tax credits. \$1,000 distributed credits translate to \$2,000 in donations.

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.

Organizations should also note that if they are unable to distribute 60% of their credits by December 31st and 100% of their credits by March 31st, they may lose eligibility for the next award round. This should be kept in mind when deciding the requested amount of credits in the application.

Section 502 Application Appeals Policy

An organization that objects to or wishes to appeal an eligibility decision may email an appeal to the Community Programs Manager- CSBG, IDA, NAP. within ten (10) business days of the Authority's notice of the eligibility decision.

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 emailed 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 emailed 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 emailed 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 emailed 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 emailed request for appeal to review the file and make a determination. The Community Program Director's decision is final.

Section 503 Allocation Method

IHCD allocates NAP tax credits on a non-competitive, formula basis. All organizations that pass 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 2019, 273 organizations requested a total of \$8,709,686. The total NAP budget was \$2,500,000 in tax credits. For an organization who applied for the maximum allocation (\$40,000 at the time), the equation would look like this:

$$\left(\frac{\$2,500,000}{\$8,709,586} \right) = 28.70\% \times \$40,000 = \$11,480$$

So the organization would receive an allocation of \$11,480, allowing them to raise \$22,960 in contributions.

This means that the award an agency ultimately ends up with is based on what they applied with and the total number of approved applicants, NOT on any judgement IHCD makes on their application.

Section 600: Tax Credit Award

Award announcements will be made by 5:00PM Eastern Time on June 21, 2021.

The awards will be posted to IHCD's website and an official notice will be sent to the NAP Listerv.

Award agreements will be distributed electronically (via email) by June 25, 2021.

The agreement will be emailed to the awardee's executive director to e-sign. After the NAP organization's Executive Director e-signs the contract, the IHCD Designee will e-sign the contract. The NAP organization's E.D. will automatically receive an executed copy of the contract after the IHCD Designee e-signs. NAP Organization should contact their E.D. for a copy of the contract. If the E.D. cannot find a copy, please email nap@ihcda.in.gov.

The award agreement must be e-signed by 5:00PM Eastern Time on July 1, 2021.

If IHCD 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 distributed until the award agreement is e-signed and the organization receives a final copy of the agreement, with IHCD signatures, via email.

Even if the agreement is e-signed prior to July 1, the organization must still wait until July 1 to begin distributing the NAP tax credits.

If this is the first time an organization is participating in the NAP program, it must register in IHCDAOnline in order to fulfill the reporting requirements. Please see the “NAP Reporting Instructions” resource for more information on that process.

Section 601 Award Agreement

NAP Award Agreement spells out terms relevant to the operation and oversight of NAP tax credits, which both IHCDA and the awarded non-profit organization will be held to. 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, 2021** 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, 2021, the organization will not be eligible to receive NAP tax credits in the 2022-2023 NAP cycle.

If an organization does not sign its agreement, it is automatically considered withdrawn from the 2021 program cycle and loses access to its 2021-2022 credits but keeps its eligibility for the 2022-2023 program cycle.

Section 700: Distributing Tax Credits

Once an organization has a finalized NAP award agreement and the program year has begun on July 1, the organization can focus on distributing its allotment of NAP Tax Credits. Each donation must have a corresponding Donor Contribution Form completed for organizations and donors to reference for reporting and tax filing purposes.

Section 701: Eligible Donors

Organizations that have received an allocation of NAP Tax Credits may distribute those tax credits to individuals, couples or business corporations with an Indiana tax liability. **Charitable organizations and foundations are not eligible donors.**

Section 701a Donations from Organizations or Corporations

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

1. If an organization or corporation wishes to claim the credits itself, the organization/corporation's information (including total donation amount) should be entered into the Donor Contribution Form. At tax time, the organization will then claim the tax credit. The organization's owner or stockholders must NOT claim the tax credits on their individual/personal tax returns.
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 in the Donor Contribution Form from the individual who will be claiming the credits. Ex: If Organization Z is splitting \$1,000 credits, from a \$2,000 donation, between 10 stockholders, each stockholder must receive a Donor Contribution Form with a \$200 donation and \$100 credit each.

Section 701b Donations 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 on the Donor Contribution Form.

If a couple files separately, only one person may claim the tax credit and so only their information should be provided on the Donor Contribution Form.

If a couple makes a single contribution, files separately, and wishes to divide their credits, then each individual should receive a Donor Contribution Form, with the donation divided appropriately between them.

Section 701c Donation Examples Based on Donor Type

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	Each of the Board Member's information must be collected and reported to IHCDA.

contribution) which they intend to distribute to their five board members, who will each claim them individually.	Each board member should be reported as an individual donor with a \$400 contribution.
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Section 702 Eligible Contributions

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)
8. Donations from an IRA, including Qualified Charitable Distributions
9. Donations made from donor advised funds/trusts, in SOME cases

Section 702a Multiple Donations

If a donor makes several individual contributions to an organization that are eligible to NAP tax credits, each donation should receive a Donor Contribution Form. But when those amounts are reported to IHCD, they should be reported as a single donation using the total combined value of the donations and the date of the final contribution.

Section 702b Rounding

In the event that a donation must be rounded, it must be rounded up to the nearest cent and reported accordingly.

Section 702c 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 702d 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 to determine the NAP credit 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 702e 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 702f Property

Donated property is eligible for NAP tax credits, but 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 702g Donations from IRAs

Donations from an individual's IRA is an eligible NAP contribution, including Qualified Charitable Distributions. Make sure that the donor's name is on the check.

If the donation made is a Qualified Charitable Distribution, it will not count towards the donor's federal taxable income, but it will also not be eligible for a federal charitable contribution deduction.

Section 702h Donations from 401(k)s

Donations from an individual's 401(k) are eligible for NAP tax credits. Make sure that the donor's name is on the check.

The distribution from the 401(k) that is donated will count towards the donor's federal taxable income, but will also be eligible for a federal charitable contribution deduction.

Section 702i Donations from donor advised funds/trusts

Donations from donor advised funds/trusts are allowed in the following cases:

1. Is the person seeking to claim the credit the actual donor (or one of the actual donors) to the DAF?
 - a. If yes, go to 2.
 - b. If no, no credit is permitted except to the DAF itself.
2. Is the amount donated in excess of the individual's contribution to the DAF?
 - a. If yes, the maximum credit is the contribution less any prior distributions from the DAF by the donor. Go to 3.
 - b. If no, then go to 3.
3. Is the contribution from funds donated to the DAF prior to August 28, 2018?

- a. For purposes of this, treat distributions as first-in, first-out.
 - b. If yes, then the credit is allowable.
 - c. If no, then go to 4.
 - d. If the answer is partially yes and partially no, then yes to the pre-2018 portion and go to 4 for the post-2017 portion.
4. For contributions to the DAF on August 28, 2018 and later, did the taxpayer comply with federal regulations under Section 170 and other federal provisions when the taxpayer can receive a benefit from a contribution?
- a. If yes, permit the credit.
 - b. If no, deny the credit to the donor and allow for the DAF itself.

Section 702j Membership Dues

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

Section 702k When Donations are Larger than Available Credits

Sometimes, the NAP credits that an organization has available are smaller than a donor and their donation could receive. In those cases, the organization can still accept the full donation, but the amount on the Donor Contribution Form should only reflect the amount that will be eligible for a NAP Tax Credit.

For example:

- Organization Y has \$1,000 in NAP Tax credits left, which means only up to \$2,000 in donations would be eligible for a NAP tax credit.
- Organization Y has a Donor who wants to donate \$5,000.
- Organization Y can accept the full \$5,000 donation but must let the donor know that only \$2,000 of the donation would be eligible for NAP tax credits.
- The \$2,000 would result in the Donor getting a \$1,000 Tax credit to the donor.
- In the IHCDOnline Benchmark Report, only the NAP-eligible portion of the donation should be reported; in this example, that would be \$2,000, not \$5,000.

Section 702l 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. In other words, an organization must not promise a donor more NAP Tax Credits than they were allocated by IHCD. **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 \$25,000 limit will not be redeemable**, even if they are purchased between two different program years or from multiple organizations.

Section 702m 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 \$50 of tax credits remaining, then and only then will a donation of less than \$100 be accepted.*

Section 800: Documentation Requirements

Organizations must recognize donations with a copy of the **Donor Contribution Form**; donors should receive a copy of that form while the organization keeps a copy for the NAP records. Organizations may also use any additional donation recognition forms, such a traditional thank you letter; these should be used in addition to the Donor Contribution Form, which is required.

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 801 Records that Should be Kept

In addition to Donor Contribution Forms, organizations should keep the following documentation, based on donation type:

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 802 Determining Contribution Dates

The date of a donation must be identified on the Donor Contribution Form and when reporting the donation to IHCD (and ultimately to IDOR). Please use the following guidelines when identifying the date of donation:

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.

Remember, if a donor makes multiple donations, when reporting the donations to IHCD, the donation amounts should be combined and the date used for should be from the last donation made.

Section 900: NAP Reports to IHCD

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

<u>Report</u>	<u>Report Link</u>	<u>Due Date</u>
60% Benchmark Report	Online.ihcd.in.gov	Due 5:00pm ET January 19, 2022

100% Benchmark Report	Online.ihcda.in.gov	Due 5:00pm ET April 20, 2022
Expenditure Close-Out Report	https://form.jotform.com/IHCDA/2021-nap-closeout-report	Due 5:00pm ET September 26, 2022

The website for the benchmark reports can be found at online.ihcda.in.gov. IHCDA has created a resource called “**NAP Reporting Instructions**” to help agencies navigate the benchmark reporting system; the resource is available on IHCDA’s website. If, after reviewing that resource, an organization has log-in or other benchmark reporting problems in IHCDAOnline or the closeout report in Jotform, please email nap@ihcda.in.gov and communicate the problem.

Section 901 Registering on IHCDAOnline and Organization Code

First-time users will need to register for an account; please see the “NAP Reporting Instructions” document for information on how to do so.

For organizations who have never received funding from IHCDA, as the NAP Primary Contact registers for an IHCDAOnline account, they will need register their organization at the same time. Once that is done, they will need to email claims@ihcda.in.gov to request an organization code and to ensure their organization is properly set-up in IHCDAOnline.

Organizations that have received IHCDA funding in the past (from NAP or any other program) should already have the organization registered in IHCDAOnline. **New users at that organization MUST register for their own personal account** (rather than using a colleague’s log-in information), and then have their account connected to their organization’s files in IHCDAOnline using the Organization Code. New users from returning organizations should ask their colleagues for the organization code; if no one at the agency knows the code, email nap@ihcda.in.gov and then keep the code in a shared, easily accessible document.

Section 902 Entering Donations for 60% and 100% Benchmark Reports

The first two reports due in the NAP program cycle are the 60% and 100% Benchmark reports. Both consist of information about donations made in exchange for NAP Tax Credits.

Organizations must submit a donor's name, SSN, address, date of donation and the amount they *donated* that is eligible for NAP Tax Credits; put simply, the amount entered should be 2x the amount of tax credits that is expected for that donor. If the donor made more than one donation to an organization, the organization should combine all of the amounts into one donation in the Benchmark Reports.

Examples of how donation amounts should be entered into Benchmark Reports:

- Donor A donated \$4,000 to Organization 1. Organization 1 enters \$4,000 as the amount in IHCDAOnline.
- Donor B donated \$200 to Organization 2, in September, then another \$400 to Organization 2 in December. Organization 2 enters \$600 in IHCDAOnline.
- Donor C donated \$60,000 to Organization 3. Only \$50,000 is eligible for NAP credits, so Organization 3 only enters \$50,000 into IHCDAOnline.
- Donor D donated \$10,000 to Organization 4, but Organization 4 only has \$2,000 left in available credits. Organization 4 reports \$4,000 in IHCDAOnline.

In terms of which report to enter a donation into:

- Donations made in exchange for tax credits between July 1 and December 31 **MUST** be reported on the 60% Benchmark (First Half) Report.
- Donations made in exchange for tax credits between January 1 and March 31 **MUST** be reported on the 100% Benchmark (Second Half) Report.
 - Even if an organization doesn't submit its First-Half report until January 19th, a donation made on January 3rd is not eligible to be included in the 60% Benchmark Report; it must be included in the 100% Benchmark report.

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, otherwise they are considered late and the organization may lose eligibility for the next funding round and may have any unused credits deallocated.

HOWEVER, once a report is submitted, the organization cannot edit the benchmark report unless an IHCDA staff person manually reopens it in the system. Therefore, it is extremely important that all information in a submitted report be correct.

Section 903 60% Benchmark (First Half) Report

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

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

The report is due at 5:00pm Eastern Time on January 19, 2022. Any late reports, or incomplete reports that show less than 60% of credits distributed will lead to loss of eligibility for the next program round.

The 60% benchmark report can be submitted before December 31st, but this should only be done if an organization has distributed ALL (100%) of its credits by then. If credits are distributed after the 60% benchmark report is submitted but before December 31, it's difficult to capture those donations in the 60% report and it puts donors' credits at risk for their taxes.

The 60% benchmark report can be submitted before December 31st, 2021, but this should only be done if an organization has distributed ALL (100%) of its credits by then. If the report is submitted before then and the organization has remaining credits, if they are distributed between the report submission and December 31st, it will be difficult for those donors to claim those credits.

Starting with the first Week of December, IHCDA will post a weekly list of agencies who have reached their 60% Benchmark. The list will be located on the NAP web page under the 60% Benchmark Report Heading. Email nap@ihcda.in.gov with any questions about the list.

Section 904 100% Benchmark (Second Half) Report

100% Benchmark Report includes all donations received between January 1 and March 31 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 distribute 100% of its allocation, it may lose eligibility for the next cycle NAP credits.** The organization will be able to distribute its remaining credits until June 30, 2022.

The report is due at 5:00pm Eastern Time on April 20, 2022.

The only time when the 100% Benchmark report is NOT required is if an organization distributed all of its credits by December 31st, reported those in the 60% Benchmark report, and has not received additional credits.

Starting with the first week of March, IHCD A will post a weekly list of agencies who have reached their 100% Benchmark. The list will be located on the NAP web page under the 100% Benchmark Report Heading. Email nap@ihcda.in.gov with any questions about the list.

Section 905 Expenditure Close-Out Report

The final 2020 Close-Out Report is due at 5:00pm Eastern Time on September 26th, 2022. 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. The link for the report is as follows: <https://form.jotform.com/IHCDA/2021-nap-closeout-report>

Late reports may result in loss of eligibility in the 2023-2024 NAP cycle.

On October 1st, 2022, IHCD A 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 closeout report will lose eligibility for three (3) program cycles: 2023-2024, 2024-2025 and 2025-2026.**

Section 906 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.

If you have any tax related questions, please submit those questions by December 31, 2021. IHCD A submits all tax related questions to IDOR, and their responses from can take a few weeks. Therefore, please do not wait until the day of submission to ask tax related questions.

Section 907 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 BEFORE any reporting deadlines.

Please do not wait until the last day to access your report. **If you wait until the last day to access your report and find that you do not have access due to technical issues, this does not guarantee your organization will be excused for a late submission.**

Section 908 De-allocation

If an organization fails to distribute 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, IHEDA will generate the report and identify organizations which have failed to meet the benchmark of 60% or have not submitted reports at all. 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 (NOT to keep their eligibility).

If IHEDA 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 distribute 60% or more of their allocation; the late report keeps them eligible for deallocation.

IHEDA will announce whether or not it is moving forward with deallocation and reallocation by February 1.

Section 909 Re-allocation

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

On the Tuesday following the 60% Report due date, IHEDA 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 distribute 100% of its allocation by December 31st. Organizations that have distributed 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 distributed by March 31, in order to keep eligibility for the next round of 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 distribute the credits by March 31. A re-allocation will require the submission of a new 100% Benchmark Report, indicating that all credits were distributed by March 31.

IHCDA will announce whether or not it is moving forward with deallocation and reallocation by February 1.

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.

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.

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 IHEDA and as outlined in the award agreement.

Section 1100: NAP Tax Credits and Tax Filings

Each January, IHEDA 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 Donation eligible for tax credits

The report is submitted in late 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.

Donors may only claim tax credits the tax return for the calendar year in which the associated donation was made. So, a donation made on January 10, 2022 with 2021 NAP credits will be reported on the donor's 2022 tax return.

Donors will report their NAP tax credits on the Schedule 6 form of their taxes, using code 828.

Section 1101 A Rejected Tax Credit

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

1. No contribution was included on the Donor Contribution Report, so IDOR did not receive any information about the donations to verify the donor's tax return.

2. The taxpayer information in the report to IDOR does not match the information on the donor's tax return.

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

If the donor contacts IHCD, 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 that the report's information matches what the donor thinks should be submitted; that report will include information from the previous program round's 100% Benchmark report as well. If the information is correct on the Donor Contribution Report, then IHCD will work with IDOR to get the credit uploaded in the system.

IHCD 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, IHCD 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, IHCD 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 IHCD 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 IHCD, IHCD 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 IHCD/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 35-1263549 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 online.ihcda.in.gov by first emailing 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 online.ihcda.in.gov. 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 not matching Donor's Tax Return
2. Donations Made by Corporations on Behalf of Employees
3. Multiple Donations by the Same Person or Same Tax Identification Number