



Frequently Asked Questions (FAQs)

Still have questions about how the Tax Credit Program works? We'll try to answer some of the most frequently asked questions by project grantees and businesses alike.

- Which taxes can the CDFA Investment Tax Credit be applied toward?

Credits can be applied against the New Hampshire Business Profits Tax (BPT), Business Enterprise Tax (BET), and Insurance Premium Tax (IPT), individually or in combination, in an amount equal to 75% of the contribution made. As the credit lowers the amount of a business's taxable revenue, it also lowers the amount most donors pay in other taxes. Most CDFA donors pay less than 11 cents on each dollar donated, but each business must consult with its own tax professional to calculate its actual savings.

- Are CDFA tax credits eligible for a federal charitable deduction?

Once a contribution is received, CDFA will send the business a federal charitable contribution letter. But every business's tax situation is different. The donor is responsible for determining if they're eligible for this federal deduction.

- Can I claim CDFA tax credits on my personal tax return?

No. These are state business tax credits that can only be applied to the BPT, BET, and IPT.

- Must a business pay all of its pledge at once?

No. CDFA makes it easy for businesses to fulfill their pledges. After pledging to contribute, the business selects its own date to pay (we'll invoice them approximately 30 days before). This is helpful for businesses that experience seasonal cash-flow concerns or use their liquidity to earn interest on investments. The business donor can also select more than one date to be invoiced and how much of the pledge to pay for each invoice.

- Must a business use all of its tax credits in one year?

No they need not. They may "carry forward" the credits – in full or in part – for up to five years until fully claimed. This is beneficial if the business's profits and tax burden for that year are less than the credit received. Carryback to prior years however is not allowed.

- Can a business purchase tax credits from more than one CDFA project?

Yes they can and several often do.

- Are there limits on the amount of tax credits a business can claim in a single year?

A donor is limited to claiming no more than \$1 million in CDFA tax credits in one fiscal year.

- Is there a lot of paperwork associated with claiming the tax credit?

Not for claiming the credit with the state. There is a single line on each of the three NH business tax forms. The donor just writes the amount of the credit they want to take into this line. CDFA sends all of the important documentation to the DRA for them. To complete their federal taxes, CDFA will send the business a letter acknowledging their payment as a charitable donation.

- Can CDFA accept securities in lieu of a cash donation?

Yes, CDFA accepts donations of stock and securities. The value is based on net proceeds at the time these are sold by CDFA. If net proceeds fall short of the original pledged amount, CDFA will invoice the donor for the difference in cash. Contributors will be contacted if net proceeds from their sale *exceed* the pledged amount.

- Can CDFA accept real property in lieu of a cash donation?

Yes and no. CDFA will accept real property only if a commitment for that property is made at the time of the nonprofit's application (typically, this property is utilized as part of the project, such as building affordable housing on the land). The value is based on a current appraisal. In all other situations, we will not accept a pledge in the form of a property donation.

- My business is headquartered out-of-state. Can I still use CDFA tax credits?

Most definitely. Any business with employees in New Hampshire pays the Business Enterprise Tax against their payroll. The tax obligations for companies that operate in multiple states can become complicated, so a tax credit only applicable in New Hampshire may not seem appealing at first. However, most of the companies that have participated in the CDFA program recognize the value of purchasing tax credits in lieu of making cash contributions to community projects.

- Is CDFA a state agency and does it receive any money from the General Fund?

No. CDFA is not a state agency, staff members are not state employees, and we do not receive an allocation from the state budget to operate the Tax Credit Program. (We receive about 5% in state and federal funds to administer the Community Development Block Grant program, but that's it). We are a "state instrumentality," meaning we have some state authority but operate as a self-sufficient, independent entity. We rely on program funds from the Tax Credit Program to keep us operating.

- What is the impact of the CDFA Tax Credit Program on the state budget?

CDFA is limited to awarding \$5 million in tax credits per fiscal year. As a 75% credit, this means 3.75 million fewer dollars in business tax revenue is collected. The Legislature's goal in establishing the tax credit was to stimulate private investment in community projects and over the years CDFA has demonstrated a great return on investment. Some years, the program has leveraged more than \$23 for every dollar in tax credits claimed.

- There are a couple of figures associated with the program that get confusing. What's the difference between the 75% and the 20% numbers associated with the program?

Let's use a \$10,000 pledge as an example. A business pledging \$10,000 will receive an above-the-line tax credit worth 75% of the donation, or, \$7,500. The business pays the \$10,000 to CDFA. The

credit means the business will pay \$7,500 less in state taxes, but it is still paying \$2,500 of its own money on that \$10,000 pledge.

Once the \$10,000 is received by CDFA, we will retain \$2,000 (20%) in program fees and the remaining \$8,000 will be credited toward your fundraising goal. CDFA has already factored this 20% into your award amount, so you will not be left short of your fundraising goal.

If you are effectively marketing your tax credits, businesses should be pledging far more to your project than contributing cash alone. Although your project receives less money than the figure donated, the larger size of a tax credit pledge should more than make up for the program fee.

- Once I've completed fundraising, when can I receive my funds?

If you've sold all your tax credits, you can go to CLAIMS under MY GRANTS on GMS and request your funds. If your project calls for the purchase of a certain piece of equipment or construction costs, CDFA will need receipts of these charges to affirm contract compliance before reimbursement. In rare cases, CDFA will consider early disbursement of a portion of funds for mission-critical, time-sensitive purchases.

- What happens if I don't sell 100% of my allocated tax credits? Can I still receive funds?

It depends. If you made significant progress toward your goal, CDFA may consider extending the amount of time you have to sell your tax credits. After this extension, the balance of your tax credits will expire and be re-allocated to another project.

You may receive the portion of funds raised through tax credits if you can demonstrate the shortfall can be filled from other financial sources (e.g. a bank loan, charitable grant) and the goals of the project can still be achieved. If your project falls dramatically short of your allocation, and the shortfall cannot be filled, no money will be awarded to your project and the businesses which contributed will select a different CDFA project to apply their donation toward.