

Neighborhood Assistance Act Program Manual



DELAWARE STATE HOUSING AUTHORITY

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Neighborhood Assistance Act (NAA) Program

Overview

The Neighborhood Assistance Act (NAA) encourages businesses and individuals paying Delaware income tax to invest in programs serving impoverished neighborhoods and communities or assisting low- and moderate-income families. The NAA Program is overseen by the Delaware Division of Revenue and administered by the Delaware State Housing Authority (DSHA) in accordance with Title 30, Chapter 20 of the State Code.

Individuals and businesses paying Delaware income taxes may use the NAA Program to provide valuable assistance to low- and moderate-income communities, while reducing their tax liability. If a business or individual provides qualified services or products to a non-profit neighborhood organization that assists low- and moderate-income families, or contributes money to a neighborhood organization that provides qualified services, the taxpayer may be eligible for a tax credit.

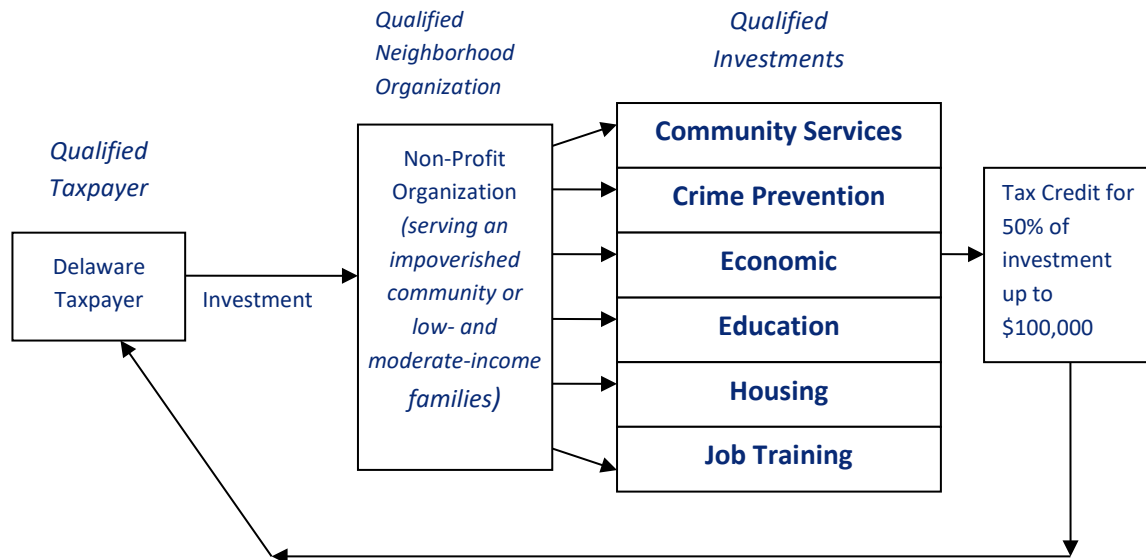
Terms of NAA tax credit:

- *The NAA tax credit equals 50% of the qualified investment or contribution;*
- *Maximum eligible contribution of \$100,000 annually per taxpayer (tax credit of \$50,000 per taxpayer);*
- *Maximum credit of \$100,000 in tax credits over any three-year consecutive period;*
- *Minimum contribution by an individual taxpayer is \$2,500 (tax credit of \$1,250); and*
- *Minimum contribution by a business is \$10,000 (tax credit of \$5,000).*

Annual Amount of Tax Credits for Allocation

The total amount of NAA tax credits is determined by the Legislature and is confirmed by the Governor each year by approving and signing the Annual Fiscal Budget. Any prospective increase in the amount of NAA credits must be determined in the same manner. Currently, the annual allocation is 1 million dollars.

Neighborhood Assistance Act Flow Chart



A Qualified Delaware taxpayer donates an investment (in-kind or cash donation) to a Qualified Non-profit that is considered a Qualified Neighborhood Organization. The Qualified Non-profit has been screened and approved by DSHA and has been determined to meet all NAA guidelines. The donation must be used for the Non-profits approved program falling into the category of one or more of the following: Community Services, Crime Prevention, Economic, Education, Housing or Job Training. Once the taxpayer application is approved by DSHA and the Delaware Division of Revenue, the taxpayer will receive a tax credit for 50% of their investment.

Reminder: The investment (donation) is capped at a maximum of \$100,000 annually (equal to \$50,000 in credits).

Qualified Taxpayers

The NAA Tax Credit is available to any individual or business that has a Delaware tax liability. Taxpayers are not permitted to claim the NAA tax credit and a charitable tax deduction on the same contribution when filing their Delaware income taxes. However, the contribution may be itemized on the Federal return as a deduction and a credit on the Delaware return. Tax credits are generally more beneficial to taxpayers than tax deductions; however, questions about specific contributions should be discussed with a tax professional.

Contributions may be made in incremental amounts throughout the contributor's tax year, as long as the cumulative total meets or exceeds the minimum NAA contribution required of an individual (\$2,500) or business (\$10,000) when submitting the application for NAA credits.

Once DSHA determines the contribution/donation has been made for the non-profit's required community purpose detailed in the application, the taxpayer, the non-profit Neighborhood Organization and the Delaware Division of Revenue will receive a NAA Tax Credit Award Approval Letter from DSHA. The Division of Revenue also requires a completed 2001 AC 0809 form signed by the contributor and DSHA.

Upon receipt of DSHA's NAA approval letter and 2001 AC 0809 form, Division of Revenue will send their approval letter to the donor with instructions to download Form PIT-CRS to be completed and included with the donor's Delaware state tax filing. The current link to Division of Revenue FORM PIT-CRS: https://revenuefiles.delaware.gov/2021/TY21_PIT-CRS_2021-02_PaperInteractive.pdf

Delaware Division of Revenue PIT-CRS form will allow the taxpayer to apply credits to a Delaware tax liability over a period of five (5) years, or until the credits are fully utilized before the five (5)-year deadline. This form is subject to change by the Delaware Division of Revenue.

Eligible Non-profit Organizations – Definitions

An eligible "Non-profit Organization" may be:

- A Qualified Neighborhood Organization; or
- A Community Development Corporation; or
- A Community-Based Development Organization.

"Neighborhood Organization" as defined by the NAA act would include:

- Non-profit affordable housing development organizations;
- Community centers in low-income areas having educational programs for children or job training programs for adults; or
- Organizations assisting low-income communities to develop and preserve businesses.

All Neighborhood Organizations must hold a ruling from the Internal Revenue Service of the U.S. Department of Treasury (IRS) that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, Section 501(c)(3).

A "Community Development Corporation" or a "Community-Based Development Organization" is a locally-based, resident-controlled, non-profit organization that plans and implements community economic development projects in impoverished areas or for low- and moderate-income people, and that has a ruling from the Internal Revenue Service of the U. S. Department of Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, Section 501(c)(3).

Qualified Activities

Contributions made to Neighborhood Organizations to implement the following types of programs are considered qualified activities:

- **Community Services**: Any type of counseling, emergency assistance or medical care furnished to individuals or groups in an impoverished area, or for low- and moderate-income families;
- **Crime Prevention**: Any activity that aids in the reduction of crime in an impoverished area, or for low- and moderate-income families;
- **Economic Development**: Any activity that aids in business development and ownership in impoverished areas, or for low- and moderate-income families;
- **Education**: Any type of scholastic instruction to individuals who reside in an impoverished area, or for low- and moderate-income families that enables them to meet educational requirements for job vacancies;
- **Housing**: Any activity that aids in substantial rehabilitation or new construction of rental or owner-occupied residences for low- and moderate-income families in impoverished areas or other areas; and
- **Job Training**: Any type of instruction to individuals who reside in an impoverished area or for low- and moderate-income families that enables them to acquire vocational skills, so that they can become employable or be able to seek a higher grade of employment.

In addition to making the investment for a qualified activity, the NAA contributions also must be made to benefit people who (1) live in impoverished areas, as determined by tracts also known as Qualified Census Tracts or (2) benefit low- and moderate-income families.

DSHA defines impoverished areas as:

- Qualified Census Tracts where the family income is less than 50% of the area median family income, as determined by HUD;
- Income restricted multi-family housing communities that serve low- and moderate-income families such as those with financing through the Low Income Housing Tax Credit program, those with subsidized rents through project-based Section 8, those funded through HUD programs for low-income seniors and people with disabilities and those with financing through Rural Development;
- Communities targeted by specific government programs for re-investment, such as the Strong Communities and Enterprise Communities; and
- Impoverished areas not identified above may be considered by the DSHA Director upon written request.

****Definition: Low- and moderate-income family means, an individual or family whose total household income is at or below 80% of the area median family income as established by the U.S. Department of Housing and Urban Development (HUD).***

Information about income limits may be found by clicking the following link to HUD's website:
<https://www.huduser.gov/portal/datasets/il.html> or by contacting DSHA.

Appendix B-1 is a map of identified impoverished areas and Appendix B-2 is a list of qualifying Census tracts. Applicants can check their Census tract online at the link noted in the appendix.

Application Process for Non-profits

Non-profit organizations interested in participating in the NAA program must complete all parts of the Neighborhood Assistance Act Non-profit Application on the DSHA website at http://destatehousing.com/OtherPrograms/ot_naa.php.

Section A requests information about the organization, its eligibility, the type of neighborhood assistance and the impact on the impoverished area or low- and moderate-income people. Section B describes the organization and requests information on the activity's budget, financing, goals, timeline and proposed use of contributions. Additional attachments must be included:

- Summary of Program Activity and Proposed Use;
- Budget for Activity;
- Most recent IRS tax return or 990 form (if applicable);
- Most recent 3 years audited financial statements (if available);
- List of Board of Directors;
- Annual Report;
- 501 (c) (3) Certificate; and
- Non-profit Organization By-Laws

When application is completed with all attached documents, the non-profit can submit via e-mail to DSHA's NAA staff. DSHA will acknowledge receipt of the application via return e-mail.

DSHA staff will review the application to ensure it meets the following criteria:

- Target population is at or below 80% of median family income;
- Organization receiving the contribution qualifies as a neighborhood organization under the Neighborhood Assistance Act;
- The program or activity being supported benefits low- and moderate-income people, or impoverished areas/Census tracts and is in one of the following categories of assistance:
 - Community Services;
 - Crime Prevention;
 - Economic Development;
 - Education;
 - Housing; or
 - Job Training.

After the review of the application, DSHA staff will either: (a) provide the applicant with a letter approving the application signed by the Director of Housing Development, or (b) deny the application stating the reason(s). Unsuccessful applicants may request a meeting to discuss application weaknesses.

Non-profit Application Approval:

Once a Non-profit/Applicant has received Program Approval letter from DSHA indicating the proposed activity meets the threshold criteria, the non-profit organization may begin to submit donor applications to reserve credits in the MITAS Web Portal. DSHA staff will set-up the non-profit, program and contact information in the portal, after non-profit application approval. Please Note: Non-profits may submit donations dated after the NAA approval date.

NAA Donor Applications

Non-profits may start uploading/entering donor application data to the online portal only if DSHA has approved the eligible program. Any application donations made before the Non-profit Application approval date will be deemed ineligible.

Eligible contributions are those that are made directly from a qualified taxpayer to an approved non-profit organization. Non-Profit organizations that receive contributions from a pass-through organization (i.e., United Way) are ineligible to receive NAA tax credits. In addition, any organization such as a Donor Advised Fund, which charges a fee to direct the donor's funds or considered a pass through are considered ineligible.

For donation purposes, tax credits are based on a tax year or calendar year. A tax credit award can only be made in the same calendar year in which the contribution is made.

If tax credits are available for the year and the donor application meets the threshold criteria, DSHA will send a letter notifying the tax credit applicant/donor and the Delaware Division of Revenue that the credits have been awarded. If DSHA receives a qualified NAA application and the fiscal year tax credits are fully expended, DSHA will provide the applicant with a denial letter explaining that tax credits are unavailable. ***(At this point, the NAA portal automatically closes once the \$1 million-dollar credit total is reached, thereby no longer allowing application uploads).***

NAA Tax Credit reservations through the web portal are made available for non-profits to enter donor data and upload donor applications on approximately the third week of January of each year. This date is subject to change and all non-profits will be notified prior to the portal opening. This process is to "reserve" credits only. NAA available credits are contingent on the State Budget approval by the Governor. Once the budget is officially approved by July 1st, NAA credits may be officially allocated.

Applications are processed and credits will be awarded on a first-come, first-served basis in accordance with Title 30 requirements.

Prior to making any NAA donation, DSHA highly recommends taxpayers consult their financial consultant and/or the Delaware Division of Revenue.

All NAA applications should be logged on the Application Processing List indicating the submission date, if donor is an Individual or Business/Corporation, Donor, Non-profit, Contribution Amount, Amount of Credit, Dates DSHA & Revenue Award letters are sent/Set-aside and location on Set-aside list.

The uploaded NAA donor application must include three (3) items: 1) DSHA NAA Tax Credit Application signed by the donor and non-profit; 2) Revenue Form 2001AC 0809; and 3) proof of donation payment.

Tax Credit Set-Asides/Appropriations

The current NAA credit appropriation is **\$1,000,000**. DSHA will set aside the following amounts:

- **\$75,000 in credits** for businesses contributing to approved NAA non-profit organizations;
- **\$125,000 in credits** for individuals making a small contribution of at least \$2,500, but less than \$4,999, to an approved NAA non-profit organization;
- **\$200,000 in credits** for qualifying donations to approved small NAA non-profit organizations with less than \$1 million in gross receipts as evidenced by their most recent IRS Form 990; or
- **\$600,000 in credits** for qualifying donations of any size to any approved NAA non-profit organizations referred to as the "General Pool".

NAA Credit Appropriation:	\$1,000,000
Set-Asides:	
• Businesses:	\$ 75,000
• Small Contributions:	\$ 125,000
• Small Non-profits:	\$ 200,000
• General Pool:	\$ 600,000

Donor applications are processed in a first-come/first-served basis and recorded by date on the processing list.

Once NAA applications are reviewed and approved by the Director of Housing Development, DSHA approval letter and 2001AC 0809 are sent to the Division of Revenue. The DSHA approval letter and Form 2001AC 0809 forms are sent to the Division of Revenue. Revenue, in turn, will send their approval letter to the taxpayer with instructions to download the appropriate forms to include with their State tax return.

DSHA NAA Close-out Compliance Letter (also known as the 9-Month Report)

This form provides information about donor making the contribution and certifies that the contribution has been made to the non-profit neighborhood organization. DSHA requests that the non-profit neighborhood organization receiving the contribution complete the Tax Credit Close-Out Report form approximately nine (9) months after receiving DSHA's acknowledgement of the Tax Credit award. The Tax Credit Close-Out Report details specifically how the contribution/donation was used by the Non-profit.

The MITAS portal will e-mail the Non-profit instructing them to download the form from the web portal. The form can be completed and uploaded back into the portal. Failure to complete this form could result in the web portal being locked and the Non-profit prohibited from the NAA portal.

Denial of Neighborhood Assistance Act Tax Credits

If DSHA determines that evidence provided does not indicate that the contribution has been made, or that the non-profit has not applied the contribution to the community purpose detailed in the application, DSHA will issue a Denial of Credits Notice. This notice will indicate the reason for denial. The taxpayer applicant will then have thirty (30) days to provide additional documentation to obtain the approval of credits. Furthermore, if an approved non-profit is not able to verify that the donation received has been used to complete their program activity within nine (9) months, the non-profit may be denied subsequent NAA activity approvals. Exceptions to the nine (9)-month compliance policy are for non-profits whose approved activities include building housing units and or facilities. DSHA will allow up to a five (5)-year period for the non-profit to complete this type of project. Periodic reporting will be required.

Appeals

DSHA will make decisions regarding the award of NAA tax credits based on the threshold criteria described above and not on a competitive basis. If an application is denied, the denial will be based on either a failure to meet the threshold requirements of the program or due to a lack of available tax credits. An applicant can request a meeting with DSHA staff to review the application and its perceived shortcomings. Following such a meeting, the applicant may make any adjustments and re-submit the application.

Advisory Committee

The NAA Advisory Committee will be selected by the DSHA Director and serve a two (2)-year term. The committee will meet at least once annually to review the performance of the NAA Program and make recommendations on improvements. Advisory Committee members are expected to be knowledgeable about the program to market the tax credit to taxpayers and non-profit neighborhood organizations. Membership on the Advisory Committee will include people from the business and non-profit sectors, as well as other interested parties. This information is detailed under Title 30 Section 2004 and the section is below:

A Neighborhood Assistance Act Advisory Council, whose members shall be appointed every two (2) years by the Director of the Delaware State Housing Authority and comprising community development practitioners and representatives of the private and public sectors shall be established. The Neighborhood Assistance Act Advisory Council shall provide guidance and recommendations to the Director of the Delaware State Housing Authority in establishing program priorities and mechanisms for the program to be conducted and determining the impoverished area or areas selected and the estimated amount to be invested in the program or neighborhood organization. The Neighborhood Assistance Act Advisory Council shall assist the Delaware State Housing Authority in establishing and promulgating rules and regulations for the approval or disapproval of proposals by taxpaying-investors and neighborhood organizations.

Glossary of Terms

- (1) ***Community Development Corporation and Community-Based Development Organization:*** Any locally-based, resident-controlled, non-profit organization that plans and implements community economic development projects in impoverished areas, or for low- and moderate-income people and that holds a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, section 501(c)(3).
- (2) ***Community Service:*** Any type of counseling, emergency assistance, or medical care furnished to individuals or groups in an impoverished area, or for low- and moderate-income families.
- (3) ***Crime Prevention:*** Any activity that aids in the reduction of crime in an impoverished area, or to assist low- and moderate-income families.
- (4) ***Economic Development:*** Any activity that aids in business development and ownership in impoverished areas.
- (5) ***Education:*** Any type of scholastic instruction to individuals who reside in an impoverished area or for low- and moderate-income families that enables them to meet educational requirements for known job vacancies.
- (6) ***Housing:*** Any activity that aids in substantial rehabilitation or new construction of rental or owner-occupied residences for low- and moderate-income families in impoverished areas or for other areas.
- (7) ***Impoverished Area:*** Any clearly-defined, economically-distressed urban or rural area in Delaware that is certified as such by the Delaware State Housing Authority. Such certification shall be made on the basis of Federal Census studies and current indices of social and economic conditions.
- (8) ***Job Training:*** Any type of instruction to individuals who reside in an impoverished area or for low- and moderate-income individuals that enables them to acquire vocational skills, so that they can become employable or be able to seek a higher grade of employment.
- (9) ***Low- and Moderate-Income Family:*** An individual or family whose total household income is at or below 80% of the Area Median Family Income as established by the U.S. Department of Housing and Urban Development (HUD).

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- (10) **Neighborhood Assistance:** The furnishing of financial assistance, labor, material and technical advice to aid in the physical, economic and community improvement of any part or all of an impoverished area, or to assist low- and moderate-income families through the provision of community services, crime prevention, economic development, education, housing, and job training.
- (11) **Neighborhood Organization:** Any organization performing neighborhood assistance in an impoverished area or for low- and moderate-income families and holding a ruling from the Internal Revenue Service of the U. S. Department of Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code, or any community development corporation or community-based development organization as defined in this section.
- (12) **Person or Persons:** Shall include any individual; any form of company or corporation, which is lawful within Delaware (including limited liability companies and S corporations), any form of partnership, which is lawful within Delaware (including limited liability partnerships); and any trust or estate.
- (13) **Substantial rehabilitation:** Work involving at least two (2) major systems to bring a house up to building code standards.

Marketing

Marketing of the NAA Tax Credits has been identified as critical to the success of the program. Marketing will target individuals and business taxpayers, along with non-profit organizations, which already have relationships that could be expanded through use of the NAA tax credit, but not limited to these groups. The goal is to make the program widely known in many venues.

Marketing to Businesses

DSHA will develop a short presentation on the NAA, which focuses on special points of interest to businesses. Staff will contact Rotary Clubs, Chambers of Commerce and other business groups and ask them to provide this presentation to their membership. In addition, information on NAA may be accessed from DSHA's website at: http://www.destatehousing.com/OtherPrograms/ot_naa.php

Marketing to Individuals

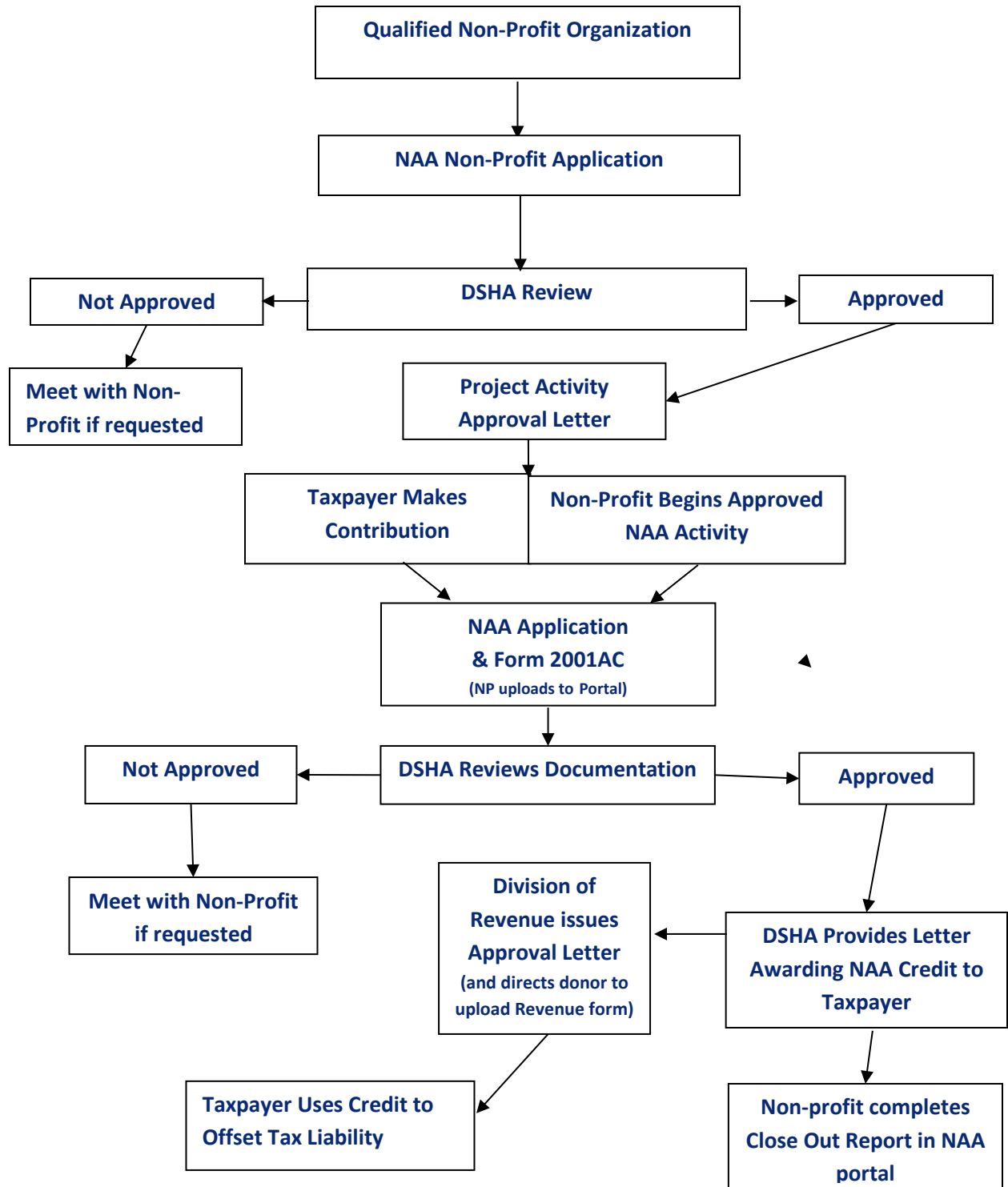
DSHA will disseminate NAA marketing materials in as many venues as possible and discuss the program with interested individuals. DSHA will identify opportunities for marketing the NAA through business conferences and other events.

Marketing to Non-Profits

DSHA will provide NAA information to non-profit organizations that are most likely to benefit from the program. DSHA will provide a detailed overview of the program and periodically engage NAA participants in identifying program improvements, in identifying possible contributors and in marketing the program to those contributors. In addition, DSHA staff will provide technical assistance to non-profit organizations in preparing applications, if needed.

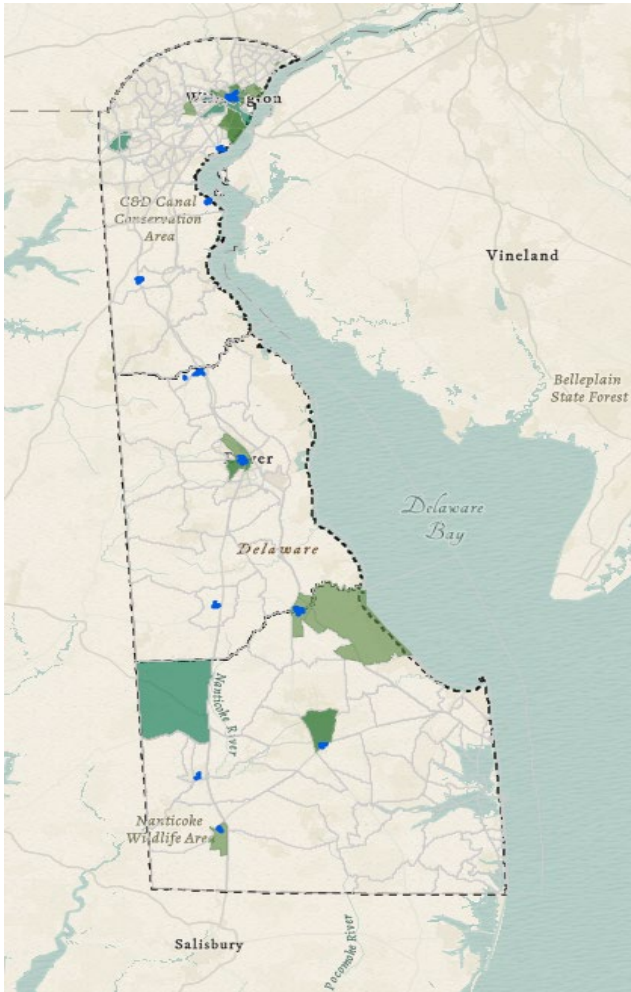
Appendix A

Neighborhood Assistance Act Process Flow Chart



Appendix B-1

NAA Map of Allowable Areas



(Map name: Catalyst Fund Map)

Finding Your Allowable NAA Area on Mapping System

1. Go to **Map online at:** <https://arcg.is/0LXDqi>
2. Enter the address in the top right or zoom in to a specific area. Shaded areas are NAA allowable areas.

Appendix B-2

Allowable Census Tracts – DELAWARE

<i>New Castle County</i>				
2.00	19.02	30.02	123.00	149.03
3.00	21.00	103.00	124.00	151.00
4.00	22.00	105.02	126.00	155.02
5.00	23.00	107.02	129.00	156.00
6.01	24.00	108.00	144.02	158.02
9.00	26.00	116.00	144.03	161.00
14.00	27.00	117.00	145.01	162.00
15.00	28.00	120.00	145.02	163.05
16.00	29.00	121.00	147.03	169.01

<i>Kent County</i>				
402.01	410.00	425.00	432.02	
402.02	413.00	430.00	433	
402.03	414.00	432.00		

<i>Sussex County</i>				
501.01	501.05	505.03	519	
501.03	503.01	518.01		
501.04	505.01	518.02		

Please use the link to the NAA allowable areas at: <https://arcg.is/0LXDqj>

Disclaimer:

Any previously approved NAA Non-profit will retain its status as long as the program/activity benefits a low- to moderate-income resident in Delaware regardless of the updated Census tracts.