

NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)

QUESTIONS MOST FREQUENTLY ASKED BY BUSINESSES

1. WHAT IS THE PROCEDURE FOR CLAIMING THE NAP CREDIT?

- To qualify for the credit, a business must make an eligible contribution to an approved Neighborhood Assistance project in the State of Missouri. If there are any questions concerning the eligibility of a particular agency or project, please check with the Department of Economic Development (DED) before making the contribution. The amount and percent of credits available for each particular project is determined by DED. Since each project has limited credits, and occasionally is subject to certain other restrictions, you are strongly advised to contact the project beforehand to verify your donation will qualify for credit.
- Obtain a current Tax Credit Application either from DED or from the agency that received your contribution. Complete the application and submit the original **to the approved NAP participating organization**. Please read all instructions on the back of the application. Attach the necessary proof of contribution, then sign and notarize the application before sending it to the NAP participating organization.
- The NAP participating organization will review the application for completeness, verify the contribution as described was actually received, sign it and forward it to DED for processing.
- DED will review the application and notify you in writing of the amount of credit allowed. The Department of Revenue will also be notified. Please allow at least 3 - 4 weeks for processing an application. All credits are rounded down to the next lowest dollar amount. **DO NOT CLAIM THE CREDIT ON YOUR TAX RETURN UNTIL YOU HAVE RECEIVED OFFICIAL NOTIFICATION OF CREDIT APPROVAL.** The notification from DED consists of a tax credit certificate for eligibility of credit.
- If your business is a Partnership, S-Corporation, or Limited Liability Company, be sure to inform all partners, shareholders or members of their exact share of the credit as they will use the same benefit number listed on the business certificate.

2. WHICH MISSOURI TAXES MAY BE CREDITED?

The NAP credit may be claimed against the following taxes in this order:

- a) The annual tax on gross premium receipts of insurance companies in Chapter 148, RSMo if applicable;
- b) The tax on banks determined under subdivision (2) of subsection 2 of section 148.030, RSMo if applicable;
- c) The tax on banks determined in subdivision (1) of subsection 2 of section 148.030, RSMo if applicable;
- d) The tax on other financial institutions in chapter 148, RSMo if applicable;
- e) The corporation franchise tax in chapter 147, RSMo if applicable;
- f) The state income tax in chapter 143, RSMo if applicable, and
- g) The annual tax on gross receipts of express companies in chapter 153, RSMo, if applicable.

3. WHEN MAY THE CREDIT BE CLAIMED?

The credit may first be claimed on taxes due for the year the contribution was made and may be extended for five additional tax years until the credit is exhausted. The tax credit is only claimable for the six year period and any credit not claimed in that timeframe will automatically be forfeited. The credit may not be used to offset taxes due for periods prior to the year of contribution.

4. MAY CREDITS BE TRANSFERRED OR SOLD?

No, NAP tax credits are not transferable or sellable.

5. IS THE NAP CREDIT REFUNDABLE?

NAP tax credits are not refundable. Credits earned may only be used to offset actual liabilities. If you have credits in excess of your liabilities, you are allowed an additional 5 years to claim them. After 6 years, any unused credits will be forfeited.

6. HOW MUCH CREDIT MAY AN INDIVIDUAL CLAIM?

The amount of credit an individual may claim in any one year is only limited by his or her total liability; it is not limited to that portion of income that was business-related. On joint returns, both the husband and wife are limited by their individual portion of their total tax liability.

7. WHO IS ELIGIBLE TO RECEIVE THE NAP TAX CREDIT?

The Missouri Neighborhood Assistance Act makes this credit available to any person, firm or corporation with business income in the State of Missouri. Besides corporations, this includes financial institutions, insurance companies, express companies, partnerships and their individual partners, small business corporations (S-corporations) and their individual shareholders, limited liability companies and their individual members, and individuals who either own and operate their own business, own and operate a farm in Missouri, or receive income from royalties or rental property in Missouri.

8. WHAT WILL BE THE AMOUNT OF THE CREDIT?

The amount of credit is generally equal to half of the contribution. For contributions to projects in rural communities of less than 15,000 population, however, the credit may be as high as 70%. The credit percent is set at the time each project is initially approved. DED retains the right to place a final determination on the value of all non-cash donations. (For more information, see the official NAP Rules & Regulations, available from DED.)

9. WHAT KINDS OF CONTRIBUTIONS QUALIFY FOR THE CREDIT?

Contributions of cash, materials, supplies, equipment, technical assistance, professional services, labor, real estate, contract services, vehicles, stocks and bonds may all qualify for the NAP credit. **Although this represents a wide variety**

of contributions, they are not all necessarily allowed on each and every project. In some cases, the nature of a project or specific conditions of NAP approval may prohibit one or more types of contributions listed above. If you wish to contribute something other than cash, you are urged to first contact DED for verification that it will qualify for credit. (Financial institutions and insurance companies are prohibited by law from earning tax credits for investments which are part of their normal course of business.) **Individuals qualify for credit on non-cash donations of labor, goods or services only if they are in that line of business and are normally paid for providing the same.**

10. WHEN MUST THE TAX CREDIT APPLICATION BE SUBMITTED?

Current NAP Rules require the Tax Credit Application be submitted to DED within one year of the date of donation or the right to the credit is forfeited.

11. DOES THE NAP CREDIT APPLY TO WITHHOLDING TAX?

The NAP tax credit may not be used to offset withholding tax. NAP tax credits may only be used to offset income tax, franchise tax, financial institution tax, gross premium receipts tax, and gross receipts tax.

12. HOW DOES THE CREDIT AFFECT MY QUARTERLY ESTIMATED TAX PAYMENT?

Taxpayers who are required to make quarterly payments must anticipate what their tax liability will be, and make quarterly payments in an amount sufficient to defray that liability. If you anticipate taking advantage of the NAP credit, you may take that into account when determining the amount of your estimated payments. The donor would claim the NAP credit on their year-end tax return. You should consult with your individual tax preparer or accountant for specific information.