



TAX CREDIT PROGRAM INFORMATION FOR DONORS

New Hampshire businesses have the unique opportunity to invest in community and economic development projects *and* receive a 75% state tax credit for that contribution through the Community Development Investment Program (CDIP), also known as the CDFA Investment Tax Credit Program.

The Tax Credit Program was approved by the New Hampshire Legislature in 1991 and is administered by the New Hampshire Community Development Finance Authority (CDFA).

It enables businesses to invest cash, securities, or real property to fund CDFA-approved economic, community development, and workforce housing projects in exchange for a state tax credit that can be applied against the New Hampshire business profits tax, business enterprise tax, and/or insurance premium tax. CDFA refers to these businesses as "donors." The tax credit is equal to 75% of their contributions. An investment is also eligible for treatment as a federal charitable contribution. Tax credits may be used at any time during a period of five successive years.

For example, a business which contributes \$10,000 to a CDFA approved project will receive a state tax credit in the amount of \$7,500. After federal tax benefits are accounted for, the contribution actually costs the company approximately 10.9% of the \$10,000, or \$1,089¹. This helps the donor make a big impact in a community by leveraging the tax dollars they would pay to the state and federal government anyway.

¹ Everyone's business tax obligations are different. Consult with your own accountant or tax professional to see what additional benefits you might get from purchasing CDFA tax credits

TAX CREDIT PROGRAM DETAILS

1. Businesses make a binding pledge. Pledges of cash contributions will be acknowledged by a pledge agreement between the donor, the project, and CDFA. Pledges will be considered binding promises of payment and will be enforceable as such. CDFA will provide the donor with copies of the executed pledge.
2. CDFA will invoice the donor. The business can select a date on which it will make its payment; CDFA will invoice them approximately 30 days before the contribution is due. The donor's check must be made payable to and mailed to CDFA — *not* to the project that the money is supporting. To ensure rapid processing, donors need to please note on the check the name of the project to which they are contributing — especially if they contribute to multiple projects. CDFA will provide the donor with tax credit documentation upon receipt of the contribution funds.
3. Businesses will receive a 75% tax credit. After CDFA receives the contribution, the company will be entitled take the state tax credit against the New Hampshire BPT, BET, and/or IPT equal to 75% of that contribution.
4. Processing and timing of tax credits. Once the donor contribution has been received and processed by CDFA, we will issue a federal charitable contribution letter to the donor. Depending on the tax credit year to which the donation has been allocated, we will then issue a state tax credit letter.
5. Donor businesses have 5 years. Donors have up to five successive years to use their tax credits. If the company has little or no tax liability in the year the state tax credit letter is issued, a portion (or all) of the donor's tax credits can be claimed later in the five-year period.

6. Federal tax benefits. The donor investment may be eligible for treatment as a federal charitable contribution. Contributors are advised to consult their tax accountants.

CDFA'S TAX CREDIT POLICY¹

- CDFA is bound by an annual \$5 million investment cap – the maximum amount that may be invested in CDFA-approved projects that can be accepted during each state fiscal year (July 1 – June 30) that are eligible for tax credits during that fiscal year.
- The donor will be required to acknowledge an investment, or pledge of investment, with a pledge agreement between CDFA, the project, and the donor. These agreements shall be binding.
- The donor relinquishes the right to their contribution once it is made, may place no conditions or terms upon it, and must accept the terms and conditions imposed by CDFA on the project for which the contribution is made.
- The contribution must be provided directly to CDFA, not to the project to which it is intended.

¹ CDFA is governed by RSA 162-L, as amended from time to time. CDFA policies are determined based on our interpretation of RSA 162-L, and are subject to change.

APPLICATION OF CDFA TAX CREDITS

- ◆ A donor is limited to using tax credits totaling \$1 million in any given state fiscal year. Any unused portion of a tax credit can be carried forward for no more than five succeeding years.
- ◆ CDFA can control only when tax credits are issued – not when and how they are used. The donor is responsible for filing appropriate and accurate tax returns, using the tax credit letter

as its evidence that the credit has been granted by CDFA. The Department of Revenue Administration will receive a quarterly list of all tax credits issued for each state fiscal year.

- ◆ The donation is also eligible for treatment as a federal charitable contribution. Donors are advised to consult their tax accountants.

BUSINESS PROFITS TAX

All businesses, except Sec. 501 federally exempt organizations, operating in New Hampshire with gross receipts in excess of \$50,000 are required to file a Business Profits Tax (BPT) return under RSA 77-A.

- ◆ Sec. 501 organizations exempt from BPT include corporations organized under Act of Congress, civic leagues, social welfare organizations, chambers of commerce, real estate boards and other similar federally exempt organizations, contributions to which are generally not tax deductible.
- ◆ The BPT rate is currently 8.5%.
- ◆ CDFA Tax Credits can be applied against Business Profits Tax on the BPT return as follows:
 - NH Form 1120 on Line 7, Credits Allowed*
 - NH DP-160 Schedule of Business Profits Tax Credits on Line 2*
 - NH-1120-ES Estimated Corporation Business Tax Quarterly Payments on Line 3a*

BUSINESS ENTERPRISE TAX

All businesses, except Sec. 501(c)(3) federally exempt organizations, operating in the state of New Hampshire with gross receipts in excess of \$150,000 or enterprise value tax base of \$75,000 or more are required to file a Business Enterprise Tax (BET) return. The BET tax is imposed under RSA 77-E.

- ◆ The BET rate is .75% (.0075) of the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid.

- ◆ Business Enterprise Tax (BET) payments may be applied as a tax credit against Business Profits Tax (BPT).
- ◆ CDFA Investment Tax Credits are applied against Business Enterprise Tax on Line 6(a) of the NH Form BET return*.

INSURANCE PREMIUM TAX

Every insurer pays a tax of 1.25% to 2% of net premiums, payable to the NH Insurance Department, as imposed under RSA 400-A.

- ◆ CDFA Tax Credits are applied against Insurance Premium Tax on Page 3*.
- ◆ Taxpayers may also apply BET tax payments as a credit against their liability under the Insurance Premium Tax to reduce Gross Premiums.

* Based on latest NH Department of Revenue Administration and NH Insurance Department forms, which are subject to change.

If you have any questions regarding the impact the tax credits will have on your liability, please contact your tax specialist. For general information, call your portfolio manager or Ted Kuchinski, CFO at CDFA (603-717-9125); or visit CDFA's web site at www.nhcdfa.org.



Tax Credit Benefit Illustration

This spreadsheet offers an example of how using CDFA tax credits can affect the amount of federal and state taxes a donor pays.
For an interactive spreadsheet, go to www.nhcdfa.org/tax-credits/tax-calculator.

	With \$100,000 Contribution	Without Contribution	Net Savings
1. Tax Credit used to pay NH BPT, BET, Insurance Taxes	75000		\$75,000
2. Federal Income Tax			
3. Taxable Income before CDFA Contribution & NH BPT	1000000	1000000	
4. less: Contribution to CDFA (Net of Tax Credit Benefit)	-100000	0	
5. less: NH Business Profit Taxes	-1500	-85000	
6. Adjustments to Taxable Income (3+4+5)	-101500	-85000	
7. Net Federal Taxable Income	898500	915000	
8. Federal Income Tax Rate	34.0%	34.0%	
9. Total Federal Income Tax Liability	305490	311100	5610
10. NH Business Profit Tax			
11. Net New Hampshire Taxable Income	900000	1000000	
12. NH Business Profit Tax Rate	8.5%	8.5%	
13. Total NH BPT Liability	76500	85000	8500
14. Net Savings on a \$100,000 Donation to CDFA Tax Credit Program			\$89,110
15. Net Percentage Cost of Original Contribution			
16. Net Cost of \$100,000 Contribution			\$10,890
17. Net Percentage Cost of Contribution			10.9%

- Notes:*
- a. Line 5: NH BPT net of Tax Credits is equal to line 13 less line 1.
 - b. Line 11: Net NH Taxable Income is equal to line 3 less line 4 in the Federal Income Tax section.
 - c. A 5 year carryforward is allowed if the total amount of the tax credit is not used in the year it is issued.
 - d. For Federal tax purposes there may be limitations that apply to your business.
 - e. Contributors are responsible for consulting with their own tax advisors to determine the impact of contributing to the CDFA tax credits on their fin.



TAX CREDIT PROGRAM NH BUSINESS ENTERPRISE TAX CALCULATOR

Annual NH Payroll	Annual NH Business Enterprise Tax Payment	Estimated NH Employees	Potential contribution
\$250,000	\$1,875	5	\$2,500
\$500,000	\$3,750	10	\$5,000
\$1,000,000	\$7,500	20	\$10,000
\$5,000,000	\$37,500	100	\$50,000
\$10,000,000	\$75,000	200	\$100,000
\$15,000,000	\$112,500	300	\$150,000
\$20,000,000	\$150,000	400	\$200,000
\$25,000,000	\$187,500	500	\$250,000
\$30,000,000	\$225,000	600	\$300,000
\$40,000,000	\$300,000	800	\$400,000
\$45,000,000	\$337,500	900	\$450,000
\$50,000,000	\$375,000	1,000	\$500,000
\$55,000,000	\$412,500	1,100	\$550,000
\$60,000,000	\$450,000	1,200	\$600,000
\$65,000,000	\$487,500	1,300	\$650,000
\$70,000,000	\$525,000	1,400	\$700,000
\$75,000,000	\$562,500	1,500	\$750,000
\$80,000,000	\$600,000	1,600	\$800,000
\$85,000,000	\$637,500	1,700	\$850,000
\$90,000,000	\$675,000	1,800	\$900,000
\$95,000,000	\$712,500	1,900	\$950,000
\$100,000,000	\$750,000	2,000	\$1,000,000
\$200,000,000	\$1,500,000	4,000	\$2,000,000
\$250,000,000	\$1,875,000	5,000	\$2,500,000

The New Hampshire Business Enterprise Tax: All businesses, except Sec. 501(c)(3) federally exempt organizations, operating in the state of New Hampshire with gross receipts in excess of \$100,000 or enterprise value tax base of \$50,000 or more are required to file a Business Enterprise Tax (BET) return. The BET tax is imposed under RSA 77-E.

- ◆ The BET rate is .75% (.0075) of the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid.
- ◆ Business Enterprise Tax (BET) payments may be applied as a tax credit against Business Profits Tax (BPT).

Chart is for illustrative use only and is not an official document of the State of New Hampshire or its Department of Revenue Administration. Payroll estimates based on \$50,000 per employee per year.



TAX OPINION

CDFA has obtained an opinion of counsel which concludes it is more likely than not contributors to CDFA should be eligible for all three of the following tax benefits:

- (1) A contributor is entitled to a credit against New Hampshire Business Profits Tax ("BPT"), Business Enterprise Tax and taxes imposed on insurance companies under NH RSA 400-A, individually or in combination, in an amount equal to 75% of the contribution made. The credit is to be taken for the tax year in which the CDFA actually receives the contribution and is limited to \$1,000,000 in any given tax year, but any excess amount may be carried forward for 5 succeeding years.
- (2) A contributor is entitled to a charitable contribution deduction for federal tax purposes, subject to the same limitations associated with a contribution to any 501(c)(3) organization that qualifies as a public charity.
- (3) With the exception of a contributor who is an individual doing business as a sole proprietor or through a single member limited liability company, a contributor entitled to a charitable deduction for federal tax purposes receives the benefit of that deduction for New Hampshire Business Profits Tax purposes because "gross business profits," the profit base on which the BPT is based, begins with an amount from the federal income tax return that is already reduced by the federal charitable contribution deduction.

CDFA's opinion of counsel is for the benefit of CDFA only and may not be relied upon by any other party. Contributors should consult with their own tax advisor to determine how the tax rules described above will apply in their own particular case.