

VIRGINIA DEPARTMENT OF EDUCATION
NEIGHBORHOOD ASSISTANCE TAX CREDIT PROGRAM FOR EDUCATION
TAX CREDIT REQUEST (TCR) FORM INSTRUCTIONS

I. Overview:

- The Virginia Department of Education (DOE) administers a program allowing individuals and businesses to receive state tax credits for donations to approved nonprofit organizations that provide scholastic instruction or scholastic assistance to low-income persons or eligible students with a disability. Approved neighborhood assistance program (NAP) organizations for the current program year (i.e., July 1 – June 30), and the current Tax Credit Request (TCR) Form, are available at the following Web address:
http://www.doe.virginia.gov/school_finance/neighborhood_assistance_act/index.shtml.
- For donations made on or after July 1, 2012, state tax credits are awarded at the rate of 65 percent of the donation value. Value, date of donation, and required documentation are discussed at the end of this document.
- For donations made on or after January 1, 2015, a donor may elect to receive a tax credit based on a reduced tax credit percentage. If a donor elects to receive a tax credit based on a reduced tax credit percentage, then the donor must complete a Tax Credit Percentage Agreement Form, provided on the DOE website at:
http://www.doe.virginia.gov/school_finance/neighborhood_assistance_act/index.shtml.

II. Reminders:

Donations must be made directly to the approved NAP organization. An online donation made to an approved neighborhood organization using a third-party payment processor is permitted provided that the neighborhood organization can provide supporting documentation (receipt, financial statement, etc.) with the following information: donor's name, the amount of the donation, the date of the donation, and the name of the neighborhood organization receiving the donation.

- Prior to making a donation, the donor is responsible for consulting with the NAP organization to ensure the availability of NAP tax credits. NAP tax credits are limited and availability is based on the annual allocation of credits to an approved NAP organization.
- Determining the effect of making a donation to receive a tax credit against a donor's tax liability is the sole responsibility of the donor. Before making a donation, or when tax-related questions occur, donors are encouraged to seek advice from a tax accountant or other tax advisor.

III. Instructions Specific to Individual Donors:

- NAP tax credits are available to individuals for monetary or marketable securities donations of only.
- Business donations of the following types may qualify for NAP education tax credits:

• Check (Business or Money Order)	• Marketable Securities
• Credit Card	• Payroll Deduction
• Electronic Funds Transfer	

- A minimum aggregate donation of \$500 is required for individuals to be eligible for tax credits.
- NAP credits are also issued by the Department of Social Services (DSS). For donations made on and after January 1, 2013, the maximum aggregate amount of tax credits that may be issued to an individual in a taxable year is \$81,250, which equates to a maximum aggregate amount of donations of \$125,000 in a taxable year, if all tax credits are allocated in a program year. The maximum aggregate amount of donations is only applied on an individual basis, and no longer pertains to married couples. An individual who requests NAP credits must indicate if he or she has received or requested any other NAP credits in the same taxable year.
- Multiple donations less than \$500 that in total equal or exceed \$500 within the same taxable year may be reported on one TCR Form. A donor can receive additional tax credits for donations that are less than \$500, provided that the donor has already made donations equaling \$500 in the same taxable year to the same neighborhood organization.

IV: Instructions Specific to Business Donors:

- State tax credits may be available to any business entity authorized to do business in the Commonwealth of Virginia.
- Business donations of the following types may qualify for NAP education tax credits:

• check (business or money order)	• motor vehicle
• credit card	• professional services
• electronic funds transfer	• real estate
• marketable securities	• merchandise donated for use by the NAP organization
• rent/lease of facility	• merchandise donated to be sold, auctioned, or raffled

- Donations to an approved neighborhood organization providing job training or education for individuals employed by the business firm do not qualify for NAP tax credits.
- NAP tax credits may be available to a business making donations with a value of at least \$616 in a taxable year.
- Multiple donations within the same taxable year that equal or exceed \$616 may be reported on one TCR. A donor may receive additional tax credits for donations that are less than \$616, provided that the donor has already made a donation equaling \$616 in the same taxable year to the same neighborhood organization.
- All pass-through businesses (Sub S, Partnership, LLP, LLC, PC, etc.) must submit a Form 502 VK-1 (Pass-Through Entity Tax Form) with a copy of the tax credit certificate when filing tax returns with the Virginia Department of Taxation. Forms can be obtained from the Department of Taxation at the following Web address: <http://www.tax.virginia.gov/site.cfm?alias=busforms>.

V. Completing the Contribution Notification Form (CNF):

- To request that tax credits be issued by DOE, a TCR Form must be completed and required documentation referenced in the next section must be attached.

- Multiple donations that equal or exceed the minimum donation amount may be included on the same TCR Form, provided they are within the same taxable year. After a donor meets or exceeds the required minimum donation amount, the donor can submit a new TCR Form and receive additional tax credits for donations that are less than the minimum donation amount, provided that all donations are made to the same neighborhood organization and are made within the same taxable year.
- The donor must sign and date the TCR Form, attach required documentation, and send it to the approved NAP nonprofit organization.
- The NAP organization must review the form for accuracy, complete and sign the Certification by NAP Organization section, and mail the original TCR Form and supporting documentation to DOE for processing.
- A tax credit certificate will be mailed directly to the donor and a copy will be provided to the neighborhood organization.

VI. Value, Date of Donation, and Required Documentation:

The date of donation and value of donations of cash and marketable securities, and for donations of other property and professional services by businesses, are generally as determined for federal income tax purposes using the laws and regulations of the United States relating to federal income taxes. DOE requirements are noted below. The value of the donation must be net of any goods or services received.

Monetary: A copy of the check(s), charge card transaction(s), or payroll deduction record(s) must be submitted with the contribution notification form. Based on IRS regulations, the date of donation for a check is either the date the donation was hand delivered or the date it was mailed. However, if a post-dated check is hand delivered or mailed, the date of donation shall be considered the date of the check, not the date of delivery. For credit card transactions and payroll deductions, the date of donation is the date the charge or deduction is made.

Marketable Securities: A letter from the brokerage firm or a copy of a transaction report from the donor's stock portfolio to show the name of the organization that received the donation, number of units, and the high and low or mean price per share on the trade date for stocks, or the net asset value per unit on the trade date for mutual funds. The value of stock is the fair market value (the number of shares times the average of the high and low prices, **or** the mean price per share) on the trade date, and the value of mutual funds is the net asset value per unit at close on the trade. The date of donation is the trade date.

Additional categories for donations by businesses:

Merchandise (other than motor vehicles donated to be sold, auctioned, or raffled: Documentation of the cost of the item, the proceeds received by the neighborhood organization, and the date the proceeds were received must be submitted with the CNF. The value of merchandise is the lesser of the actual cost of the item or the proceeds received by the neighborhood organization. The date of the donation is the date the proceeds are received by the neighborhood organization.

New or used merchandise donated to be used by the NAP organization: Documentation required for federal income tax purposes to support the value and date of donation must be submitted with the CNF. The amount listed should normally be the same as used for federal tax purposes. Items that have been fully depreciated are not eligible for NAP tax credits. (See IRS Publication 561 for

additional information on determining value of donations.)

Motor Vehicles: A copy of the dealer invoice listing actual cost, the Bill of Sale showing the donation was made to the nonprofit organization, and a copy of the title showing transfer to the nonprofit organization must be submitted with the CNF. The value of the vehicle donation is such value as determined for federal income tax purposes. See IRS Publication 561. The date of donation is the date of transfer.

Real Estate: A copy of a current appraisal and recorded deed of transfer to support the value and date of donation must be submitted with the CNF. The amount listed should normally be the same as used for federal tax purposes. (See IRS Publication 561 for additional information on determining value of donations.)

Rent/lease of facility: The following must be submitted with the CNF:
1) Documentation verifying that the value assigned does not exceed the prevailing square footage rental charge for comparable property and was agreed to by the donor and the neighborhood organization in advance. 2) Documentation supporting the first date of use by the neighborhood organization must also be provided and used as the date of donation.

Professional Services: The following must be submitted with the CNF:
1) Documentation that the sole proprietor, partnership, or limited liability company making the donation is engaged in the business of providing professional services.
2) Documentation of the date the professional services were provided (used as the date of the donation).
3) Documentation to support that the value assigned does not exceed the limits set forth in § 58.1-439.22 (A) and (B). For sole proprietorships, partnerships or limited liability companies, the value of professional services rendered by the proprietor or a partner to an approved NAP nonprofit organization must be the lesser of the reasonable cost for similar services from other providers or \$125 per hour. For purposes of determining the amount of tax credit allowed for salaried employees, the value of the professional service is the salary that the employee was actually paid for the period of time professional services were provided (operating overhead and benefit costs are not to be included).