Community Investment Tax Credits: Catalysts for Locally-driven Solutions

By Natalie Rogers, junior policy associate

Community Development Corporations (CDCs) address a wide-range of problems and are well positioned to do the work their community needs and wants. While CDCs have the potential to address local issues in their community, their funding models often limit what they are able to accomplish. **The limitations under the current funding model for CDCs has led 14 states to implement a Community Investment Tax Credit (CITC).**

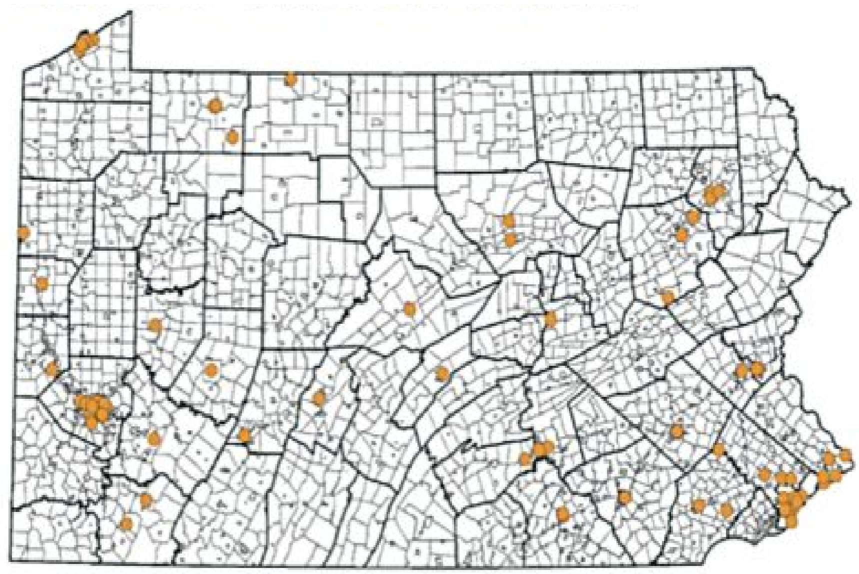
Under these programs, corporate, foundation or individual donors makes direct donations to local community or neighborhood revitalization organizations. The donor receives a tax credit. Community investment Tax Credits can support a broad array of community development initiatives including: Affordable housing, workforce development, small business development and neighborhood revitalization. These programs incentivize investment into community development organizations working to solve local problems.

Two states in particular, Massachusetts and Pennsylvania, have successful CITC programs that can be modeled in other states. In Massachusetts, the CITC provides a 50% tax credit for qualified contributions to a qualified CDC. The donations can come from any taxpayer including an individual, partnership, corporation or a nonprofit. For a CDC to receive a qualified donation under the CITC, it must have a Community Investment Plan that describes the service area, how residents have contributed to the plan, the goals and activities of the plan as well as the evaluation methods. The Community Investment Plan ensures that the community is involved in the process and that solutions are coming from the local level, instead of being top-down.

The Neighborhood Assistance Program (NAP) is Pennsylvania's version of a CITC. Thirty-six million in tax credits is budgeted each year for NAP. The program is broken down into four other subparts: The Neighborhood Partnership Program, Special Priorities Program, Charitable Food Program and the Enterprise Zone Tax Credit. Neighborhood organizations must apply to the program by documenting that they have the capacity to complete the proposed project, confirm their collaborations, demonstrate the need for the project and provide required documentation. Eligible projects must serve distressed areas or support neighborhood conservation in a number of focus areas within community development. Any businesses in the state are then eligible to donate to an eligible project and receive up to a 55% tax credit.

For example in the Lawrenceville neighborhood of Pittsburgh, NAP helped facilitate:

- 36 new neighborhood businesses in two years
- Development of 120 new housing units worth $30 million
- Development of 45,000 square feet of commercial space worth $9 million
- Average $2,900 in real estate tax revenue on previously vacant parcels



2016 NAP Tax Credit Awards in Pennsylvania

Both of these programs have had a huge impact on their state's CDCs. By increasing available funding options for local CDCs, more community problems can be addressed in a way that represents what the community wants and needs. In addition, CDCs are able to better fund meaningful programs for their communities and have an increased capacity to advocate for change at higher levels.

The Neighborhoods & Communities Coalition (NACC) is a group of community development advocates and professionals, local job providers, and investors committed to establishing a source of sustainable support for local nonprofits working to revitalize neighborhoods and rural communities in Michigan.

To join the coalition, contact:
Jessica AcMoody, CEDAM, 517.485.2588 | acmoody@cedamichigan.org or
Maggie DeSantis, BECDD, at 313.477.3155 | mdesantis.becdd@gmail.com

States with a CITC: Massachusetts, Pennsylvania, South Carolina, Delaware, Florida, Indiana, Kansas, Louisiana, Maryland, Missouri, Nebraska, New Jersey, Virginia, and West Virginia