

COMMUNITY INVESTMENT TAX CREDIT PROGRAM

INTRODUCTION

The Community Investment Tax Credit Program (CITC) provides Maryland businesses with a financial incentive to support community projects. Through the program, businesses that make a donation to qualified nonprofit organizations receive valuable State tax credit. Over the past 10 years tax credits have been awarded through the Department of Housing and Community Development (DHCD) to support more than 250 nonprofit projects.

The State authorizes \$1 million in tax credits annually for the CITC Program. From that credit pool each approved organization receives an initial allocation of up to \$50,000. Projects may be eligible for additional credits when the initial allocation is fully committed to businesses. This Directory provides a list of the organizations with DHCD approved projects. It also provides a brief project description and persons to contact for more information or to make a tax credit contribution.

To determine the amount of tax credits currently available for a project, please call the nonprofit contact person listed in the Directory.

BENEFITS

Businesses earn tax credits equal to 50% of the value of their contributions of cash, goods or real estate, and the credits may be claimed in addition to the usual State and Federal deductions for charitable contributions. Thus, the net cost of a contribution could be as low as \$0.27 for each \$1.00 contributed. The actual net cost of a contribution depends on the company's tax bracket. By donating, a business can:

- reduce the tax burdens of its owners
- help a local nonprofit organization make a targeted community impact
- improve its community relations
- increase its visibility
- reduce its Maryland tax liability

PROJECTS

The projects are selected competitively to assure that the sponsoring nonprofit organizations have the necessary capacity, stability, and commitment to carry them out. The projects awarded tax credits operate in or primarily serve residents in Priority Funding Areas throughout the State. These areas include all incorporated municipalities as well as some unincorporated areas in counties.

The projects typically involve activities such as job training and placement, development of affordable housing, literacy training, redevelopment assistance, cultural enrichment and community crime prevention.

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TAX CREDIT ELIGIBILITY

Any entity doing business or operating a trade in Maryland is eligible, provided it is subject to one of the following Maryland taxes:

- ✓ State income tax on individuals or corporations, including c-corporations, sole proprietorships, and pass through entities (i.e. s-corporations, limited liability corporations, and partnerships)
- ✓ Public service company franchise tax
- ✓ Insurance premiums tax

ELIGIBLE CONTRIBUTIONS

Contributions in cash, goods, or real estate between \$500 and \$500,000 in value are eligible.

- ✓ New Goods: If the contribution is new goods, documentation from the business entity of the net cost to the business entity must be provided.
- ✓ Used Goods: If the contribution is used goods, a certification of value from an independent and unrelated third party must be provided, in accordance with IRS standards for charitable contributions.
- ✓ Real Estate: DHCD must authorize the real property donation before the contribution transaction.

INELIGIBLE CONTRIBUTIONS

- ✓ Services: Contributions of services are not eligible for tax credits.

TIMEFRAMES

This Directory highlights CITC projects which carry tax credits that are available for contributions made through December 31, 2007. To determine the amount of tax credits available for a project, please call the nonprofit contact listed in the Directory.

Contributing businesses must begin claiming the tax credits against taxes owed for the year in which the contribution is made, unless they do not owe sufficient taxes that year. If their tax liability for the year is less than the amount of the credits, excess credits may be carried over for up to five years following the year in which the

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contribution is made, until the full credit is used. Credits can not be used retroactively against taxes owed for years prior to the tax year in which the contribution is made.

PROCESS

Minimal paperwork. To receive tax credits business contributors need to complete part of a one-page form provided to them by the nonprofit. The business returns it to the nonprofit receiving the contribution along with the check or, for goods/real estate, documentation of the value of the contribution. The nonprofit will complete and sign the one-page form then submit the certification to DHCD. A copy of the fully executed certification will be returned to the contributor for their tax records. DHCD will supply the list of tax credit recipients and amounts to the appropriate Maryland tax agencies.

FOR MORE INFORMATION

A list of approved projects follows. To learn more about a project or sponsoring nonprofit organization, or the current amount of credits available, please contact the person listed in the Directory. For additional information about the Program, please call the CITC Hotline, 410-514-7280, or email your questions to CITC@dhcd.state.md.us

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