

*Charitable giving is
good business in West Virginia.*

THE NEIGHBORHOOD INVESTMENT PROGRAM (NIP) was established by the West Virginia Legislature in 1996 to increase charitable giving to local non-profit organizations. The program allows 501(c)3 designated charitable organizations to apply for tax credit vouchers. These organizations then distribute the vouchers to businesses and individuals who contribute to the organizations. By donating to approved NIP organizations, contributors can support their communities and earn credits to reduce certain West Virginia taxes.

The West Virginia Legislature sets aside \$2.5 million annually in state tax credits for the NIP. To participate, a 501(c)3 organization must apply to the West Virginia Development Office. Applicants will be evaluated on a number of criteria before being approved by an advisory board. Approved organizations can use the credit as a tool for attracting donations from potential contributors.

Businesses and individuals who contribute to NIP organizations are eligible to receive up to 50 percent of the contributed amount in the form of state tax credits. Donors may use the credits to reduce liability for the following West Virginia taxes:

- **Corporate Net Income Tax**
- **Business Franchise Tax**
- **Personal Income Tax**

A list of approved NIP organizations is available from the West Virginia Development Office.

304.558.2234 | www.wvdo.org/community/nip.html | 800.982.3386

West Virginia Development Office
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0311

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West Virginia

West Virginia
Open for Business!

Neighborhood Investment Program



Neighborhood Investment Program

FREQUENTLY ASKED QUESTIONS

What types of contributions are eligible for tax credit?

Contributions can be in the form of cash, personal property, real estate, stock and in-kind professional services. The minimum eligible donation is \$500.

What types of professional services are eligible for tax credit?

Only services performed by a doctor, lawyer, state licensed architect, accountant or state licensed medical professional (nurse, physician's assistant, etc.) are eligible to be considered for credits. However, these services cannot account for more than 25 percent of the total contribution by an individual. In other words, the person providing the services must also make a cash, property or stock contribution equal to three times his or her in-kind donation. There are other restrictions on the eligibility of professional in-kind donations; contact the West Virginia Development Office for details.

What is the program timeline?

The program is administered according to the state fiscal year, from July 1 to June 30. To be eligible for tax credit, contributions must be made after the organization has been approved.

How does a tax credit differ from a tax deduction?

A tax deduction reduces the amount of total income on which taxes are based. A tax credit is used to reduce total tax liability. Generally, a tax credit is worth substantially more than a tax deduction.

What are the limitations of the credits?

There are three primary limitations on the use of the tax credits:

- ◆ The amount of credit allowable must be taken within a five-year period, beginning with the tax year in which the donation is made.
- ◆ A donor may receive no more than \$100,000 annually in NIP tax credits.
- ◆ A donor cannot use NIP tax credit to reduce total tax liability on any one tax by more than 50 percent annually.

If a donor makes contributions over several years, can the credits overlap?

Yes; however, the limitations described above still apply.

Does the Neighborhood Investment Program adversely affect federal tax deductions for charitable contributions?

No. NIP tax credits do not have any effect on federal tax deductions. In fact, the use of NIP tax credits in conjunction with federal tax deductions greatly reduces the cost of the contribution to the donor.

Potential federal tax savings resulting from a \$10,000 contribution to the NIP are as follows:

Federal Tax Savings	State Tax Savings	Total Savings
*\$1,650	**\$5,000	\$6,650

West Virginia State Tax Department

With federal and state tax savings combined, a \$10,000 contribution to an approved NIP organization could cost as little as \$3,350.

* Federal tax savings are based on the assumption that the contributor is in the 33 percent federal tax bracket and itemizes deductions. Participating organizations are designated 501(c)3 by the IRS, and, as such, contributions are deductible on federal taxes.

** State tax savings of \$5,000 in the form of NIP tax credit may be taken in one year or over a five-year period. (Some limitations apply.)

How are the tax credits reported?

Contributors to a participating organization will receive a tax credit voucher that lists the amount of the contribution (form WV-NIPA-1). Simply attach the voucher along with a program worksheet (form WV-NIPA-2) to the appropriate West Virginia tax form and deduct the tax credit amount from the tax due amount.

For information, please contact taxpayer services, 1-800-982-8297 or email wvtaxaid@tax.state.wv.us