



Neighborhood Revitalization Tax Credit Program

GUIDE DOCUMENT FOR TAX CREDITS FOR BUSINESS ENTITIES

This document provides information about how a business entity will apply to the NJ Department of Community Affairs's Neighborhood Revitalization Tax Credit Program ("NRTC") for tax credits and provide its funds contribution, and how the NRTC Program will review this application and decide on allocating tax credits.

Who can apply?

Business entities that are active in New Jersey and have a state tax liability are eligible to apply for the program's tax credits. This includes corporations that owe corporation business tax and insurance premium tax. This also includes business entities such as partnerships, limited liability companies and S-corporations that owe state gross income tax related to business activity (*please see "Additional Guidance", later in this document*). A business entity will receive a 100% tax credit from NRTC for the amount of its funds contributed via application.

The NRTC Program is authorized to issue \$10,000,000 in tax credits per state fiscal year (July 1 through June 30 of the following calendar year). A business entity may apply to NRTC for a maximum of \$1,000,000 in tax credits per state fiscal year. The minimum amount of tax credits for which an application can be submitted is \$25,000.¹

How and when to apply?

The NRTC Program will provide an application form for the tax credits. It will be made available only in conjunction with the NRTC Qualified Projects Pool, which will contain applications for funding from eligible community-based non-profit organizations, which have been reviewed by NRTC staff and which the Community Affairs Commissioner has accepted as qualified.

The tax credits application form and the Qualified Projects Pool will generally be available in the late fall of the calendar year. These documents will be posted to the NRTC webpage (<http://www.nj.gov/dca/divisions/dhcr/offices/nrtc.html>). E-mail notification will be provided of this availability to business entities that have previously participated with NRTC. A due date for submittal of the tax credits application form will be specified. The application form is a PDF document that is fillable, and requires an original signature.

¹ For business entities applying for the tax credits against a corporation business tax liability, the minimum tax credits liability must be \$50,000, pursuant to requirements from NJ Department of the Treasury.

The tax credits application form allows for entry of up to 10 qualified projects, including the funding designation amount for each project. The business entity must rank the qualified projects in order of preference on the application form. A *minimum* of three qualified projects must be listed. Also, the total funding designation amount can exceed the "total contribution" amount; for example:

Company A lists \$500,000 as its "total contribution". It lists 4 qualified projects as possible recipients for its funds, as follows:

- 1. Non-Profit CDE: \$500,000 (funding designation)*
- 2. Non-Profit GHI: \$500,000*
- 3. Non-Profit MNO: \$500,000*
- 4. Non-Profit WXY: \$250,000*

By doing this, NRTC will be provided more flexibility in processing the application forms, as described below.

Processing of application forms by NRTC

The NRTC Program will process submitted tax credits application forms by business entities as follows:

1. Application forms will be processed as they are received, in the order received. Submit the application form by e-mail (followed by submittal of the signed original, by regular mail or overnight delivery). Funds should not be submitted with an application form.
2. For each application form, the qualified projects that are listed will be considered in the order they are ranked, starting with the first listed qualified project.
3. The funding designation amount that is listed for each qualified project will be allocated in full, unless the amount is greater than the amount required by the qualified project. If this occurs, only the amount that is required will be allocated.
4. A qualified project must be designated at least 50% of its requested funding in order to receive final approval. If a qualified project is designated funding on an application form, but falls short of the 50% funding designation threshold and is thus disqualified, the application form will be revisited, following steps 2 and 3 above.
5. NRTC may, at its discretion, allow a business entity with an application for credits in which 100% of the "total contribution amount" has not been allocated (following steps 2, 3 and 4 above), to allocate the remaining amount to qualified projects still in need of NRTC funds.

If all available credits are allocated before the due date for tax credits applications, NRTC will provide notice that no further applications will be accepted.

Returning to the previous example of Company A, this is how its application form was processed:

- 1. Non-Profit CDE: (\$500,000 designated) It only needed \$200,000 (because of designations from one or more tax credits application forms); the balance of \$300,000 is carried to the next listed qualified project.*
- 2. Non-Profit GHI: (\$500,000 designated) \$0 needed (because of designations from one or more tax credits application forms); the \$300,000 balance is carried to the next listed qualified project.*
- 3. Non-Profit MNO: (\$500,000 designated) The \$300,000 balance is needed and is allocated.*
- 4. Non-Profit WXY: (\$250,000 designated) \$0 is allocated because the "total contribution" has already been allocated in full.*

Funds contribution, credit certificate issuance

After allocation of tax credits has been completed, the NRTC Program will notify a business entity about its funding contribution amount. The contribution must be made by check, payable to "Treasurer, State of New Jersey" (with "NJDC/NRTC Program" in the reference line) and submitted by overnight delivery. A due-date for the contribution check will be specified.

A business entity that is allocated tax credits via NRTC will receive a tax credit certificate, signed by the Commissioner of Community Affairs. This certificate must be filed with the business entity's NJ tax return for the year in which the credits and certificate are issued.

Additional guidance for business entities applying for credits against Gross Income Tax liability

Please note the following language from the NRTC Rules (NJAC 5:47-2.2), as amended in August 2014:

- For a taxpayer applying credit to liability due pursuant to the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq., the credit allowed...shall only be applied to the amount of gross income tax liability for the taxable year that, as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project. For purposes of determining the amount of gross income tax liability to which a credit allowed pursuant to this section may be applied, gross income shall be calculated without the application of exclusions or deductions.

Information about each shareholder/member that would benefit from an allocation of tax credits must be included on the tax credits application form (a page will be provided). If multiple

certificates are issued, they will be mailed to the contact person listed in the application form, for distribution to the indicated shareholders/members.

NJ Form 311 or Form 311-MISC cannot be used for tax filing purposes, regarding gross income tax situations. Instructions will be provided when the tax credit certificates are mailed, with respect to claiming these tax credits for the year in which they were issued.

Please note:

Information that is submitted via a tax credits application form will be kept confidential.

There shall be no refunds of contributed funds if a business entity cannot utilize tax credits issued to it by the NJ Department of Community Affairs, whether in part or in full. There are no carryover provisions for the tax credits.

For additional information, please contact:

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