

**Nebraska Department of Economic Development
COMMUNITY DEVELOPMENT ASSISTANCE ACT (CDAA)**

APPLICATION GUIDELINES

The Community Development Assistance Act enables the Nebraska Department of Economic Development (DED or Department) to distribute a 40% state tax credit to businesses, corporations, insurance firms, financial institutions and individuals that make eligible cash contributions or provide services and materials to approved community betterment projects.

This publication consists of three parts which provide information concerning the submission of an application for the Nebraska Community Development Assistance Act. For all referenced documents, including required reporting forms: <https://opportunity.nebraska.gov/programs/community/cdaa/>.

- I. **Application Overview.**
- II. **Application Form and Application Instructions.** This includes the official application forms and instructions.
- III. **Rules and Regulations Governing the Community Development Assistance Act.** As required by Nebraska Law, the Department filed these rules and regulations with the Revisor of Regulations. Included here is additional information, including: definitions of terms, eligible applicants, proposal content, documentation of chronic economic distress, state priorities, budget, local government review, proposal evaluation and approval, and special priorities.

CDAA program operates on an open cycle. Applications are accepted on an ongoing basis. The Department will typically review and issue a written decision within 45 days of application receipt. Applications received after the depletion of the fiscal year allocation will reviewed at the beginning of the next fiscal year on July 1.

This publication should be carefully reviewed by potential applicants for, and recipients of, CDAA tax credits. Applicants should use the most current application form for consideration of approval. For further information and to submit your application, contact the CDAA Coordinator:

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Community Development Assistance Act (CDAA) Overview

CDAA empowers the Nebraska Department of Economic Development to distribute a 40 percent state tax credit to businesses, corporations, insurance firms, financial institutions, or individuals that make eligible contributions of cash, real estate, and services or materials to approved community betterment projects in areas identified as economically distressed.

A non-profit 501(c)(3) community betterment organization or subdivision of local government may apply to the Department to become qualified for CDAA tax credits. Project or program must address at least one of the listed state priorities to be approved.

Upon approval of a project, the community betterment organization shall notify donors they are eligible for tax credits. The donors then submit a tax credit request form to the Department.

WHAT QUALIFIES?

- Employment training
- Human and medical services
- Physical facility and neighborhood development services
- Recreational and educational activities
- Crime prevention

STATE PRIORITY PROJECTS:

- Substantially contribute to the area's self-help effort by building the capacity of local residents to address locally-defined objectives.
- Result in the provision of essential services to low- and moderate-income persons, who are not adequately being provided for in the affected neighborhood and for which there are no readily available resources (provide a non-duplicative service).
- Tangibly contribute to the development of lasting cooperation and public/private partnership efforts of area organizations and businesses.

WHAT IS THE LIMIT?

No more than \$50,000 in state tax credits can be approved per project, per fiscal year. In most cases, the initial approved amount of tax credits is \$25,000. The project director for an approved project may request that the amount of tax credits involved increase by written request to the CDAA Coordinator.

Subject to legislative changes, the Department may allocate a total of \$350,000 in state tax credits each fiscal year, unless current legislation directs otherwise. There is a maximum \$75,000 available to an approved project. The minimum, eligible contribution amount for tax credits is \$50.

HOW DO I RECEIVE MY TAX CREDITS?

After making an eligible contribution to an approved community betterment project, the business, corporation, insurance company, financial institution, or individual must complete and submit Form CDAA 1 to the Department along with proof of the contribution and appropriate supplemental material as provided. Form CDAA 1 is available from the community betterment organization or the Department and must be signed by the project director. The contributing business or individual will then receive a copy of the completed Form 1099NTC from the Department. To claim these tax credits, the Department of Revenue's Form CDN shall be completed and along with Form 1099NTC attached to the contributor's tax return. E-file software should allow the taxpayer to attach an electronic copy of both forms.

HOW LONG DO I HAVE TO CLAIM A CREDIT?

The nonrefundable tax credit must be claimed on the tax return for the year in which the contribution is made. Any tax credit balance may be carried over and applied against the tax liability for the next five years immediately succeeding the tax year in which the credit was first properly claimed and allowed.

Application Process

- A. **Applications may be submitted anytime.** Applications will be considered for funding during the fiscal year they are received as long as tax credits remain to be allocated. Applications received after the depletion of the fiscal year allocation will reviewed at the beginning of the next fiscal year on July 1. To be considered in the current fiscal year, applications should be received on or before June 1.
- B. **Before beginning the application process, please consult the CDAA Coordinator to see if proposed project or program meets the chronic economic distress criteria threshold.** To be approved, the project or program must address at least one of the listed state priorities as established by the Department:
- i. The program or project substantially contributes to self-help effort by building the capacity of residents of the area to be served in addressing locally defined objectives;

The program or project will result in the provision of essential services to low- and moderate-income persons which are not adequately being provided in the affected neighborhood and for which there are no other readily available resources; or
 - ii. The program or project tangibly contributes to the development of lasting cooperation and partnership efforts of area organizations and businesses.
- C. **Please read Application Instructions before completing the application.** Additional application instructions follow the Application Form. In addition, enclosed you will find the CDAA Rules and Regulations; you should review this material paying particular attention to Section 004 Content of the Application.
- D. **Applications will be inventoried for completeness prior to committee review.** CDAA Coordinator will contact applicants and discuss deficiencies found within applications, allowing Applicant to correct deficiencies, supplement, or resubmit and then have their application reviewed. You must use the Application Form provided. If you choose to reproduce any part of the application, utilize the exact language for table headings. Your responses should be clear and concise.
- E. The Department uses the following criteria to review Applications. The Department notifies Applicant of decision within 45 days of receipt of a complete application.

Scoring Matrix*		Points Possible
Extent of Chronic Economic Distress		15
Program Impact		20
State Priority		5
Demonstrated Capacity		5
Local Resident Involvement		5
Private Sector Contributions		10
*project must meet 20 point threshold		60

COMMUNITY DEVELOPMENT ASSISTANCE ACT

CDAA APPLICATION FORM 08/2018

DED USE ONLY	
Project No. _____	Pts. _____
Approved _____	Denied _____

1	APPLICANT:	
Check only <u>one</u> :		<input type="checkbox"/> Subdivision of Local Government (County, City, Village, or Tribal Authority)
		<input type="checkbox"/> Non-Profit 501(c)(3) Organization
Applicant has checked with the CDAA Coordinator to verify chronic distress eligibility, date:		

APPLICANT INFORMATION	
Chief Elected Official Name and Title:	
Applicant address:	
Day phone:	
Web address:	
Federal ID:	

LOCAL CONTACT INFORMATION	
Name and Title:	
Organization:	
Address: <i>(if different from Applicant)</i>	
Day Phone:	
Email:	

Signature of Applicant/Contact Person: _____ Date: _____

2	PROJECT/PROGRAM TITLE	
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3	PROJECT LOCATION or PROGRAM SERVICE AREA
<i>Select the single most appropriate option below and identify physical address or service area.</i>	
<input type="checkbox"/> PROJECT ADDRESS	
<input type="checkbox"/> PROGRAM SERVICE AREA	

4	QUALIFYING ACTIVITY
<i>From the list of five qualifying activities, select the most appropriate activity that corresponds with your project or program.</i>	
Check only <u>one</u> :	<input type="checkbox"/> Employment Training <input type="checkbox"/> Crime Prevention <input type="checkbox"/> Recreational/Educational Activities <input type="checkbox"/> Human and Medical Services <input type="checkbox"/> Physical Facility and Neighborhood Development Services

5	SUMMARY
<i>Provide a brief narrative describing the project or program for which you are requesting CDAA tax credits. <u>Limit: 250 words.</u></i>	

6 REQUEST FOR CDAA TAX CREDITS	
Enter the INITIAL AMOUNT of CDAA Tax Credits requested:	\$ _____
Do you anticipate requesting additional tax credits for this program/project?	<input type="checkbox"/> Yes <input type="checkbox"/> Not anticipated
<input type="checkbox"/> Year two:	\$ _____
<input type="checkbox"/> Year three:	\$ _____
TOTAL AMOUNT of CDAA Tax Credits requested (<i>max. \$75,000/application</i>):	\$ _____

7 FUNDING SOURCES AND BUDGET

For a project, provide relevant funding sources and budget information to complete the project. For a program, provide relevant information based upon annual needs.

Funding Sources

AMOUNT TO BE RAISED FROM ELIGIBLE CONTRIBUTORS FOR CDAA TAX CREDITS	\$ _____
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Please list all pledges and/or funding sources and their respective level of commitment.

<u>Source</u>	<u>Date Funds to be Received</u>	
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

TOTAL	\$ _____
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Uses of Funds*

Non-Personnel Costs: _____ \$ _____

Personnel Costs: _____ \$ _____

Administrative Overhead: _____ \$ _____

TOTAL PROJECT OR PROGRAM BUDGET:	\$ _____
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Enter appropriate information based on your project OR program. **Non-personnel costs are all costs not related to personnel directly related to implementation of the proposed project, activity, or program (i.e. travel, utilities, supplies, construction, etc.). Please indicate specific breakdown of costs in narrative or attach budget breakdown on additional sheets. **Personnel costs** are all costs directly related to proposed project, activity, or program and should include wages, fringe benefits, social security, etc. Please indicate specific breakdown of costs in narrative or attach budget breakdown on additional sheets. **Administrative overhead** is all personnel and non-personnel costs which are not directly related to the project or activity, but are essential.*

8	STATE PRIORITY
<i>From the three priorities listed below, select <u>all</u> addressed by your program/project.</i>	
<input type="checkbox"/>	Building Self-Help Capacity Substantially contribute to the area's self-help effort by building the capacity of local residents to address locally defined objectives.
<input type="checkbox"/>	Providing a Non-duplicative Essential Service Essential services provided to low- and moderate-income persons not adequately being provided for in the affected neighborhood (or service area) and for which there are no readily available resources.
<input type="checkbox"/>	Enhancing Partnerships Tangibly contribute to the development of lasting cooperation and public/private partnership efforts of area organizations and businesses.

9	IMPACT NARRATIVE
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Following Parts I-IV, provide the following information on a maximum of 10 single-sided sheets of paper.

Submitted materials will be clearly demarcated and in categorical order (A-H).

- A. **Project/Program Objectives:** Describe what services will be provided. Consider the anticipated impact this project/program will offer the community, especially low- and moderate-income persons.
- B. **Current Conditions:** Describe the current chronic economic distress in the impact area (i.e. level of unemployment, per capita income, and population loss). Specifically address how the project/program affects the distress criteria, identifying if this program/project provides a service or other assistance.
- C. **State Priorities:** Describe how the program/project addresses at least one of the following priorities:
 - i. Building self-help capacity. How does the project/program substantially address locally defined objectives?
 - ii. Non-duplicative essential service. How does the project/program provide essential services not otherwise adequately available?
 - iii. Enhance partnerships. How does the project/program tangibly contribute to the development of lasting cooperation and partnership efforts of area organizations and businesses?
- D. **Capacity:** Briefly describe the organization's capacity to implement the proposed project/program, describing any other successful projects and/or programs. How does this project/program fit within the organization's mission and budget?
- E. **Local Resident Involvement and/or Citizen Participation:** How will residents of the affected area be involved in the planning and implementation of the program/project? Specifically note any role of low- and moderate-income persons.
- F. **Compatibility with Community Priorities:** Identify how this project/program meets community needs as identified through a formal or informal planning process (e.g. comprehensive plan or other strategic planning process).
- G. **Timeline and/or Implementation Schedule:** When is the expected completion date of the project? Please include a proposed program/project timeline. If applicable, is the project "shovel-ready"?
- H. **Geographic Boundaries:** Please enclose map(s) indicating (1) actual project location or (2) program service area.

10	REQUIRED ATTACHMENTS
<input type="checkbox"/>	ATTACHMENT 1: Certification of local government review of CDAA Application.
<input type="checkbox"/>	ATTACHMENT 2: Summary of actions/events planned, undertaken, or underway by Applicant or its agent(s) to solicit interest in the tax credits.
<input type="checkbox"/>	ATTACHMENT 3 (Non-Profit Applicants ONLY): Documentation of IRS 501(c)(3) tax-exempt status.

Submit the signed original and an electronic copy of the CDAA Application to the CDAA Coordinator; additional hard copies are not required.

Application Instructions

1. PROJECT APPLICANT

Input eligible applicant and local contact person information. Only those organizations that meet the criteria below are eligible applicants:

Community Betterment Organizations – Any incorporated community betterment organization designated by the Internal Revenue Service as a 501(c)(3) charitable organization, which provides community services in a community development area or a business development corporation organized under the Business Development Corporation Act may apply to the Department to have one or more programs certified for tax credit status. Subdivisions of Local Government (County, City, Village, or Tribal Authority) are also eligible as community betterment organizations.

Chronic Economic Distress: Applicant must check with CDAA Coordinator to verify that program/project is located within or provides services in an area of chronic economic distress. Input the date Applicant verified eligibility with CDAA Coordinator. The Department determines presence of chronic economic distress where conditions in the proposed area exceed state averages in the following three categories:

- a) Unemployment exceeding the state average over the past two years.
- b) Per capita income below the statewide average per capita income
- c) Population loss between the two most recent federal decennial censuses.

2. PROJECT/PROGRAM TITLE

Input title of the project or program.

3. PROJECT LOCATION OR PROGRAM SERVICE AREA

Select the single most appropriate option: (1) project or (2) program. If you are submitting Application for a project, identify the actual legal address (i.e. mailing address). If you are submitting Application for an on-going program, identify service area. If the program serves an entire community or county, input the name of municipality or county. If the program serves a smaller area within a community, input the serviced zip code(s).

4. QUALIFYING ACTIVITY

Activities must occur in areas of chronic economic distress. From the list of five qualifying activities as defined by the legislation creating this program defined to be eligible for tax credits, select the single most appropriate activity that corresponds with your project or program. These activities include, in no particular order: (a) employment training; (b) human and medical services; (c) physical facility and neighborhood development services; (d) recreational and educational services and activities; and (e) crime prevention activities.

5. SUMMARY

Provide a brief narrative describing the project or program for which you are requesting CDAA tax credits. Limit your summary to 250 words.

6. REQUEST FOR CDAA TAX CREDITS

Provide information about your Application for CDAA state income tax credits: (a) enter the amount of CDAA tax credits requested for this current year; (b) identify if you anticipate requesting additional tax credits in the next year or two years; and (c) enter the overall, total amount of state income tax credits requested including this year. Maximum for a single application is \$75,000. DED may award up to \$50,000 in the first year, but most initial awards are \$25,000.

7. FUNDING SOURCES AND BUDGET

Complete information based upon the type of proposal for which you are applying. For a project, provide relevant funding sources and budget information to complete the project. For a program, provide relevant funding sources and budget information based upon annual needs. For all proposals, this must include:

- a) The amount of contributions pledged and/or anticipated from individuals and/or business firms eligible* for CDAA tax credits (see following page) and the sources of other funding for the project or program.
- b) A breakdown of non-personnel, personnel and administrative overhead costs in budget.

ELIGIBLE CONTRIBUTORS FOR CDAA TAX CREDITS:** Any business firm or individual that contributes to approved CDAA projects, or financial institutions purchasing shares of stock in a business development corporation formed to provide debt and equity financing for business development may apply for tax credits. ***Contributions made prior to Department approval of a project or program are not eligible for CDAA tax credits.

8. STATE PRIORITY

From the three priorities listed, select all addressed by your proposal. You must select at least one. In the following section, you will provide additional information about how your proposal addresses those selected.

State Priorities: Each proposal must evidence that it addresses at least one (1) of the following priorities established by the Department:

- a. The project substantially contributes to the area's self-help effort by building the capacity of local residents to address locally defined objectives;
- b. The project will result in the provision of essential services to low and moderate income persons which are not adequately being provided in the affected neighborhood and for which there are no other readily available resources;
- c. The project tangibly contributes to the development of lasting cooperation and partnership efforts of area organizations and businesses.

9. IMPACT NARRATIVE

Based upon your project or program, please address items A-H to the best of your ability on a maximum of 10 single-sided sheets of paper. Following Parts I-IV, attach your clearly demarcated narrative responses to (a) project/program objectives; (b) current conditions; (c) state priorities; (d) capacity; (e) local resident involvement and/or citizen participation; (f) compatibility with community priorities; (g) timeline and/or implementation schedule; and (h) geographic boundaries.

Number all pages at the bottom center. Responses should be clear and concise; do not copy and paste information already provided. You may attach campaign brochures and/or materials, but such materials do not replace narrative.

10. REQUIRED ATTACHMENTS

Attachment 1 – Local Government Review. Each proposal must be reviewed by a subdivision of local government in which the community betterment organization exists. *Provide documentation that local government has reviewed proposal and the program/project is consistent with community planning efforts. This can be a letter of support from a local government official, but should also include reference to how the project fits into the greater community.*

- a. **Subdivision of Local Government:** If the subdivision of local government has adopted a community development plan for an area in which the community betterment organization is providing community assistance or community services, the organization shall submit a copy of the program proposal to the chief executive officer of such subdivision. If the program proposal is not consistent with the adopted community development plan of the local subdivision, the chief executive officer shall so indicate and the proposal shall not be approved by the Department. If the proposed activities are consistent with the adopted community

development plan, but for other reasons they are not viewed as appropriate by the local subdivision, the chief executive officer shall so indicate.

- b. **County Division of Local Government:** If the local subdivision of government does not have an existing community development plan, but such a plan exists on the county level, the program proposal may be submitted to the county for review. Comments shall be forwarded by the county to the Department.
- c. **Governing Board:** If there is no existing community development plan for the area in which the community betterment organization is providing community assistance or community services, a copy of the program proposal shall be submitted to the governing board of the local subdivision for review and comment. Comments shall be forwarded by the local subdivision to the Department.
- d. **Failure to Approve:** The local subdivision shall review the proposal within thirty days from the date of receipt. If the subdivision does not issue its finding concerning the proposal within thirty days after receipt, the proposal shall be deemed approved.

Attachment 2 – Contribution pledges. Show evidence that a demand exists for the requested tax credits. Signed pledges from businesses and/or individuals eligible for tax credits and/or a listing of the pledges made to-date. Please attach appropriate documentation including name of contributor, received and/or expected amount, and form of contribution (cash, in-kind, property, etc.). **IMPORTANT NOTE:** actual contributions by businesses or individuals made prior to Department approval of program/project are not eligible for CDAA tax credits.

Attachment 3 – Certification of IRS 501(c)(3) tax exempt status. Required for Non-Profit Applicants ONLY. Provide verification that the Internal Revenue Service (IRS) recognizes non-profit organization as a 501(c) (3) tax-exempt organization. This may be a copy of the IRS letter on file.

Proposal Evaluation and Approval Process

The Department reviews all applications based on the following criteria:

- a) Extent and severity to which an area is experiencing chronic economic distress;
- b) Extent to which the proposed project/program will reduce chronic economic distress of the area;
- c) Extent to which the proposed project/program addresses the state priorities;
- d) Demonstrated capacity and performance of the community betterment organization to implement the proposed project/program;
- e) The involvement of residents of the affected area in the planning of the proposed project/program and the extent to which they will be involved in its implementation;
- f) Extent to which firm private sector contributions have already been pledged to the proposed project/program;
- g) The Department will evaluate proposals submitted subsequent to the first year based upon prior year's performance, other resources developed, and continued need.

<p>The decision of the Department to approve or disapprove all or any portion of a proposal shall be provided in writing to applicants no later than forty-five (45) days after receipt of the application, along with the approved amount of tax credit. Projects are approved as of the effective date of the contract between the Department and community service organization. Contributions received before the contract effective dates are <u>not eligible</u> for tax credits.</p>

- h) The Department reserves the option to waive any policies and procedures (except those mandated by statute) in addressing enterprise zones. The Department also reserves the option to redirect additional tax credits to this special priority as need may dictate.

Reporting Requirements

Following approval and execution of the CDAA contract between the Department and the Community Betterment Organization, the Department requires submission of reporting. The first report is due within 60 days of contract execution; this report identifies the **Project Director**, or person responsible at the local-level for the day-to-day operation of the CDAA project. Subsequent reporting is due on a semi-annual basis during the contract effective dates. If additional tax credits, extension, or other changes to the contract are determined necessary, the Department may require submission of additional reporting upon submission of such request for consideration.

Limitations on Tax Credits

1. The Department will not authorize more than \$350,000 of tax credits during the fiscal year, unless current legislation directs otherwise. Each fiscal year the Department will authorize Tax Credits for programs or projects in an amount that does not exceed the maximum amount of Tax Credits authorized in the Act.
2. The Department will not authorize more than \$50,000 of tax credits for any single project during any single fiscal year and a maximum of \$75,000 per contract. However, the Department reserves the option to waive any policies and procedures (except those mandated by statute) to redirect additional tax to the target area as identified in section 001.11 of the Rules and Regulations as need may dictate.

Original Contracts for approved projects have a term of twelve months to make use the tax credits. Extensions may be granted upon organization's request and sufficient reasons provided and approved by DED. Requests for additional tax credits may be made in subsequent fiscal years for the same program/project.

Program/projects initially approved within the last five years requesting additional tax credits must clearly demonstrate the need for additional credits, and provide an update on the program/project and proof of pledges from businesses/individuals.

3. The minimum, eligible contribution amount for Tax Credits is \$50.
4. Tax credits will not be given to a business firm whose contributions are granted for activities that are a part of its normal course of business.
5. The credit must be claimed on the tax return for the year in which the contribution is made. Any tax credit balance may be carried over and applied against the business firm's tax liability for the next five (5) years immediately succeeding the tax year in which the credit was first properly claimed and allowed.
6. Contributions made prior to Department approval of Application are not eligible for CDAA tax credits.

VALUATION OF CONTRIBUTIONS

The value of eligible contributions made to Community Betterment Organizations for projects or programs certified for Tax Credit status by the Department will be determined based upon the valuation of charitable contributions for federal income tax established by the United States Internal Revenue Service.

RECEIPT OF TAX CREDITS

If the proposal of a Community Betterment Organization has been approved, the Department of Revenue will grant to eligible contributors up to a 40% tax credit under sections 77-2715 and 77-2734.02 of the state tax code or the Department of Revenue will grant a tax credit against any tax which may be due under sections 44-150, 77-908, 77-909, and 77-3801-77-3807.

Documentation evidencing contributions made to projects or programs certified for Tax Credit status by the Department must be submitted to the Department, along with Form CDAA 1 – Tax Credit Request Form when

requesting a Tax Credit. The referenced document is made available by the Project Director of the Community Betterment Organization and available for download on our website. The Department may request additional documentation, as the facts and circumstances may require (or to substantiate the value of the contribution), but documentation shall generally be as follows:

Cash contribution – Cash contributions may be shown by a photocopy of both sides of the canceled check, or proof of electronic funds transfer which includes documentation from the bank account of origin and destination. Checks must be made payable to the Community Betterment Organization and noted specifically for that project or activity, and electronic funds transfers must be into the Community Betterment Organization's bank account for the project or program certified for Tax Credit Status by the Department.

Contribution of real property – Real property contributions may be shown by the deed and documentation of at least one independent appraisal of the real property by a real property appraiser credentialed under the Nebraska Real Property Appraiser Act, Neb. Rev. Stat. §§76-2201 to 76-2250.

Contribution of Equipment or Supplies – Equipment and supply contributions may be shown by copies of invoices signed by both the contributor and the Community Betterment Organization receiving the equipment or supplies.

Contribution of Services – Service contributions include provision services to a Community Betterment Organization that if not provided, the Community Betterment Organization would have to pay for, or purchase. Service contributions shall be shown by an affidavit submitted by the Individual or Business Firm demonstrating the net cost of the donated services (time spent providing services times the hourly wage plus other benefits paid to personnel providing the services); or (2) documentation of two price quotes obtained by the contributor demonstrating the cost of the services provided.

Contribution of Stock – Stock contributions must be converted into cash before the Community Betterment Organization receives the donation. Stock contributions may be shown as cash contributions as provided in Title 85, Chapter 1C, 008.01A.

Contribution of Agricultural Commodities – Commodity contributions must be accompanied by a dated receipt or other such documentation evidencing the type, quantity (e.g. number of bushels), value, and transfer of the commodity from the contributor to the approved community betterment organization.

Other Contributions – Other contributions may be shown by affidavit (or other signed statement deemed acceptable to the Department) identifying the contribution, the value of the contribution and how the value was determined, along with other information, as may be requested by the Department for the particular situation.

For further information or assistance, contact the CDAA Coordinator.

TITLE 85, NEBRASKA ADMINISTRATIVE CODE, CHAPTER 1C

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

Community Development Assistance Act Rules and Regulations

Issue Date: June 2015

NEBRASKA ADMINISTRATIVE CODE

TITLE 85 NAC 1C

NUMERICAL TABLE OF CONTENTS

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Content of the Application	Neb. Rev. Stat. §13-204, §13-205	004
Evaluation of Application; Certification of Program or Project	Neb. Rev. Stat. §13-202, §13-203, §13-205, §13-206	005
Eligible Contributions	Neb. Rev. Stat. §13-202,	006
Requesting of Tax Credits by Contributors	Neb. Rev. Stat. §13-206	007
Documentation and Valuation of Contributions	Neb. Rev. Stat. §13-206, Neb. Rev. Stat. §13-207	008
Approval and Amount of Tax Credits by the Department	Neb. Rev. Stat. §13-207, §13-208	009
Other Requirements and Limitations	Neb. Rev. Stat. §13-206, §13-207	010
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NEBRASKA ADMINISTRATIVE CODE

TITLE 85 NAC 1C

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Definitions	Neb. Rev. Stat. §13-203	002
Documentation and Valuation of Contributions	Neb. Rev. Stat. §13-206, Neb. Rev. Stat. §13-207	008
Eligible Applicants under the Act	Neb. Rev. Stat. §13-204	003
Eligible Contributions	Neb. Rev. Stat. §13-202,	006
Evaluation of Application; Certification of Program or Project	Neb. Rev. Stat. §13-202, §13-203, §13-205, §13-206	005
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Requesting of Tax Credits by Contributors	Neb. Rev. Stat. §13-206	007
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NEBRASKA ADMINISTRATIVE CODE

Title 85 – Department of Economic Development

Chapter 1C – Community Development Assistance Act Rules and Regulations

001. Scope and Authority.

The Department of Economic Development, under authority of, and in compliance with, Sections 13-201 through 13-208 of the Nebraska Revised Statutes, promulgates the following Community Development Assistance Act Rules and Regulations.

002. Definitions.

002.01 Act. Act shall mean the Community Development Assistance Act;

002.02 Application. Application shall mean the proposal submitted by a Community Betterment Organization seeking to have a program or project certified for Tax Credit status under the Act.

002.03 Area of Chronic Economic Distress. Area of Chronic Economic Distress shall mean an area of the state which meets any of the following conditions: (a) An unemployment rate which exceeds the statewide average unemployment rate; (b) A per capita income below the statewide average per capita income; or (c) A population loss between the two most recent federal decennial censuses.

002.04 Business Firm. Business Firm shall mean any business entity, including a corporation, a fiduciary, a sole proprietorship, a partnership, a limited liability company, a corporation having an election in effect under Chapter 1, subchapter S of the Internal Revenue Code, as defined in Neb. Rev. Stat. §49-801.01, subject to the state income tax imposed by Neb. Rev. Stat. § 77-2715 or Neb. Rev. Stat. §77-2734.02, an insurance company paying premium or related retaliatory taxes in this state pursuant to Neb. Rev. Stat. §44-150 or Neb. Rev. Stat. §77-908, or a financial institution paying the tax imposed pursuant to Neb. Rev. Stat. §§77-3801 to 77-3807.

002.05 Community Assistance. Community Assistance shall mean furnishing financial assistance, labor, material, or technical advice to aid in the physical improvement of any part or all of a Community Development Area.

002.06 Community Betterment Organization. Community Betterment Organization shall mean (a) any organization performing Community Services or offering Community Assistance in a Community Development Area and to which contributions are tax deductible under the provisions of the Internal Revenue Service of the United States Department of the Treasury and (b) a county, city, or village performing Community Services or offering Community Assistance in a Community Development Area.

002.07 Community Development Area. Community Development Area shall mean any village, city, county, unincorporated area of a county, or census tract which has been designated by the Department as an Area of Chronic Economic Distress.

002.08 Community Services. Community Services shall mean any type of the following in a Community Development Area: (a) employment training; (b) human services; (c) medical services; (d) physical facility and neighborhood development services; (e) recreational services or activities; (f) educational services; or (g) crime prevention activities, including, but not limited to, (i) the instruction of any individual in the Community Development Area that enables him or her to acquire vocational skills, (ii) counseling and advice, (iii) emergency services, (iv) community, youth, day care, and senior citizen centers, (v) in-home services, (vi) home improvement services and programs, and (vii) any legal enterprise which aids in the prevention or reduction of crime.

002.09 Department. Department shall mean the Department of Economic Development;

002.10 Director. Director shall mean the Director of Economic Development;

002.11 Individual. Individual shall mean any person subject to the state income tax imposed by Neb. Rev. Stat. § 77-2715.

002.12 Tax Credit. Tax Credit shall mean a credit reducing the amount of tax for which an Individual or Business Firm is liable, as authorized under the Act.

003. Eligible Applicants under the Act.

Any Community Betterment Organization which provides Community Assistance or Community Services in a Community Development Area may submit an Application seeking to have a program or project certified for Tax Credit status under the Act.

004. Content of the Application.

004.01 The Application must include all of the following:

004.01A A description of the project or program to be conducted, including and the Community Assistance or Community Services that will be provided as a result of the project or program.

004.01B A description of the Community Development Area, including the geographical location and boundaries of the Community Development Area.

004.01C Evidence that the program or project addresses at least one (1) of the following priorities established by the Department: (a) the program or project substantially contributes to self-help effort by building the capacity of residents of the area to be served in addressing locally defined objectives; (b) the program or project will result in the provision of essential services to low and moderate income persons which are not adequately being provided in the affected neighborhood and for which there are no other readily available resources; or (c) the program or project tangibly contributes to the development of lasting cooperation and partnership efforts of area organizations and businesses.

004.01D The estimated amount to be required for completion of the program or project, including: (1) a proposed budget for the program or project with information on personnel and administrative overhead costs; (2) the amount of Tax Credits requested for the year of Application; and (3) the amount of contributions pledged and/or anticipated from Individuals or Business Firms eligible for Tax Credits, and other sources of funding for the program or project.

004.01E The annual estimated amount required for an ongoing program, including a proposed annual budget with information on personnel and administrative overhead costs, and the amount of Tax Credits anticipated to be sought in future years.

004.01F A description of the Community Betterment Organization's plans and capacity for implementing the program or project and continuing the program or project.

004.01G Documentation that the Application was reviewed by the appropriate Subdivision of Local Government, including any comments on the Application provided by the Subdivision of Local Government; and information regarding whether the Application is consistent with any community development plan that may exist for the area in which the Community Betterment Organization will provide Community Services or Community Assistance.

004.01H If the Community Betterment Organization is recognized by the Internal Revenue Service of the United States Department of the Treasury as an organization to which contributions are tax deductible, documentation of such recognition.

005. Evaluation of Application; Certification of Program or Project.

005.01 The department will review all applications based on the following criteria:

005.01A Extent and severity to which an area is experiencing chronic economic distress;

005.01B Extent to which the proposed program or project will reduce chronic economic distress of the area;

005.01C Extent to which the proposed program or project addresses the priorities established by the Department;

005.01D Demonstrated capacity and performance of the Community Betterment Organization to execute the proposed program or project;

005.01E The involvement of residents of the affected area in the planning of the proposed program or project and the extent to which they will be involved in its implementation;

005.01F Extent to which private sector contributions have been committed to the proposed program or project, contingent upon approval of the program or project by the Department;

005.01G Proposals submitted subsequent to the first year will be evaluated on performance of the prior year's program or project, other resources developed, and continued need.

005.02 The decision of the Department to approve or disapprove all or any portion of an Application and/or certify a program or project for a designated amount of Tax Credits will be provided in writing within forty-five days of receipt of a complete Application. If the program or project is approved and/or certified for a designated amount of Tax Credits, the Department will prepare and transmit a written agreement to the Community Betterment Organization. The date the written agreement is fully executed by the Community Betterment Organization and the Department will determine the date from which contributions can be made to the approved program or project.

006. Eligible Contributions.

006.01 Eligible Contributions.

Eligible contributions generally include contributions of money, property, or services to, or for the use of, a community betterment organization for a project or program that has been certified for tax credit status by the department.

007. Requesting of Tax Credits by Contributors.

007.01 Form CDAA 1 – Tax Credit Request Form.

After an individual or business firm makes a contribution to a community betterment organization for a project or program that has been certified for tax credit status by the department, such individual or business firm may apply to the department for a tax credit.

Application for a tax credit shall occur by submission to the department, form CDAA 1 – tax credit request form, with documentation evidencing the contribution made to the project or program that was certified for tax credit status by the department.

008. Documentation and Valuation of Contributions.

008.01 Documentation of Contributions.

Documentation evidencing contributions made to projects or programs certified for tax credit status by the department must be submitted to the department, along with form CDAA 1 – tax credit request form when requesting a tax credit. The department may request additional documentation, as the facts and

circumstances may require (or to substantiate the value of the contribution), but documentation shall generally be as follows:

008.01A Cash contribution – Cash contributions may be shown by a photocopy of both sides of the canceled check, or proof of electronic funds transfer which includes documentation from the bank account of origin and destination. Checks must be made payable to the Community Betterment Organization and noted specifically for that project or activity, and electronic funds transfers must be into the Community Betterment Organization’s bank account for the project or program certified for Tax Credit Status by the Department.

008.01B Contribution of real property – Real property contributions may be shown by the deed and documentation of at least one independent appraisal of the real property by a real property appraiser credentialed under the Nebraska Real Property Appraiser Act, Neb. Rev. Stat. §§76-2201 to 76-2250.

008.01C Contribution of Equipment or Supplies – Equipment and supply contributions may be shown by copies of invoices signed by both the contributor and the Community Betterment Organization receiving the equipment or supplies.

008.01D Contribution of Services – Service contributions include provision services to a Community Betterment Organization that if not provided, the Community Betterment Organization would have to pay for, or purchase. Service contributions shall be shown by an affidavit submitted by the Individual or Business Firm demonstrating the net cost of the donated services (time spent providing services times the hourly wage plus other benefits paid to personnel providing the services); or (2) documentation of two price quotes obtained by the contributor demonstrating the cost of the services provided.

008.01E Contribution of Stock – Stock contributions must be converted into cash before the Community Betterment Organization receives the donation. Stock contributions may be shown as cash contributions as provided in 008.01A.

008.01F Other Contributions – Other contributions may be shown by affidavit (or other signed statement deemed acceptable to the Department) identifying the contribution, the value of the contribution and how the value was determined, along with other information, as may be requested by the Department for the particular situation.

008.02 Valuation of Contributions.

The value of eligible contributions made to Community Betterment Organizations for projects or programs certified for Tax Credit status by the Department will be determined based upon the valuation of charitable contributions for federal income tax established by the United States Internal Revenue Service.

008.03 Qualification as Charitable Contribution for Federal Income Tax.

The Act requires that Tax Credits for contributions made to a project or program that was certified for Tax Credit status by the Department be for contributions which may qualify as a charitable contribution deduction on the federal income tax return filed by the Business Firm or Individual making such contributions.

In addition to documentation required by Section 8.01 of these Rules and Regulations, the Department may require documentation from Business Firms or Individuals that demonstrates that contributions made to programs or projects approved and certified by the Department for Tax Credit Status may qualify as a charitable contribution deduction on the federal income tax return filed by the Business Firms or Individuals.

009. Approval and Amount of Tax Credits by the Department.

009.01 After Individuals and Business Firms submit Form CDAA 1 to the Department with adequate documentation of the contribution made to the project or program that was certified for Tax Credit status

by the Department, the Department will transmit information to the Tax Commissioner of the Nebraska Department of Revenue indicating that a Tax Credit is to be allowed. If Tax Credits are allowed for Business Firms pursuant to Neb. Rev. Stat. §44-150 and Neb. Rev. Stat. §77-908, the Department will also transmit such information to the Nebraska Department of Insurance.

010. Other Requirements and Limitations.

010.01 Each fiscal year the Department will authorize Tax Credits for programs or projects in an amount which does not exceed the maximum amount of Tax Credits authorized in the Act.

010.02 The Department will not authorize more than \$50,000 of Tax Credits for any single program or project during any single fiscal year.

010.03 The minimum, eligible contribution amount for Tax Credits is \$50.

010.04 Tax Credits will not be given to a Business Firm or Individual for activities that are a part of its normal course of business.

010.05 The Tax Credit must be claimed on the tax return for the year in which the contribution is made by the Business Firm or Individual. Any Tax Credit balance may be carried over and applied against the Business Firm's or Individual's tax liability for the next five years immediately succeeding the tax year in which the Tax Credit was first allowed.

010.06 No Tax Credits will be given for any contributions received by the Community Betterment Organization prior to the effective date of the written agreement between the Department and Community Betterment Organization.

010.07 The maximum Tax Credit for a Business Firm or Individual will be determined by the Department, but will be no more than forty percent of the total contribution made by the Business Firm or Individual during its taxable year to programs or projects approved and/or certified for Tax Credit status by the Department.

011. Program Guidelines; Other Programmatic Requirements.

011.01 The Department may develop program guidelines to aid the Department in administering the Act.