

## 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 nonprofit organizations, thus increasing the capacity of such organizations to serve low-income residents in highly distressed neighborhoods.

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 \$3 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
- Personal Income Tax

A list of approved NIP organizations is available from the West Virginia Department of Economic Development, Community Advancement and Development.

West Virginia  
**CAD** [www.wvcad.org/nip](http://www.wvcad.org/nip)  
(304) 558-2234  
(800) 982-3386

West Virginia Department of Economic Development  
Community Advancement and Development  
1900 Kanawha Boulevard East  
Building 3, Suite 700  
Charleston, West Virginia 25305



WEST VIRGINIA  
**Neighborhood  
Investment  
Program**





*Parkersburg Area Coalition for the Homeless preparing lunch.*



*Randolph County Children's Advocate Center conducting a forensic interview.*

## 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.

#### Cover photos

*Top: American Red Cross offers Emergency Assistance with house explosion.*

*Bottom: Legal Aid of West Virginia helps families with adoption.*

### 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 certified for participation by the Secretary of Commerce.

### 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 more beneficial to the donor 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 state tax liability by more than 50 percent annually.

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

Yes; however, the limitations described still apply.

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

No. For detailed advice specific to your circumstances, please contact your tax advisor.

### 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.

If filing electronically, please retain the tax credit voucher (WV-NIPA-1) for your records.

For more information, please contact West Virginia Taxpayer Services, (800) 982-8297 or (304) 558-3333, or email [taxhelp@wv.gov](mailto:taxhelp@wv.gov).