

Get More Out of Your Charitable Contributions

Tax Credits

NEIGHBORHOOD ASSISTANCE

The Roseline Group, LLC

*Seek Guidance,
Find Direction*

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There are countless reasons people give to charity every year, from wanting to help out a good cause to not forgetting the help they've received in years past to just plain feeling good about it. Of course, the tax benefits are nice too! In some instances, those tax benefits can be better than you might think.

What is it?...In 1981, Virginia's General Assembly established the Virginia Neighborhood Assistance Program ("VNAP") in an effort to revitalize economically disadvantaged communities within the Commonwealth. This legislation now offers a state tax credit to individuals and businesses for up to sixty-five percent (65%) of a charitable contribution to an approved VNAP organization. Individuals contributing \$500 or more in cash or marketable securities can receive a Virginia tax credit of up to 65% of the contribution, limited to \$50,000 in qualifying credits. The credits can be used to satisfy their Virginia tax liability dollar-for-dollar and any unused credits can be carried forward for up to five taxable years. It is important to note that Virginia tax credits awarded are in addition to any benefit an individual or business may receive on their federal income tax return as a result of a qualified charitable contribution. An individual in the 35% tax bracket would receive a benefit of 35¢/dollar for allowable charitable contributions at the federal level and approximately 4¢/dollar at the Virginia level. Together with a 65¢/dollar tax credit, a charitable contribution could potentially provide a donor with benefits surpassing their initial charitable contribution ($35¢ + 4¢ + 65¢ = \$1.04$)!

Just cash donations?...No, active trade or businesses can donate professional services too, even if those contributions don't qualify for a federal tax deduction. For example, health care services provided by a medical professional to an approved VNAP organization can qualify for up to a 65% state tax credit. The value of the donation is capped at \$125 per hour. Therefore, a physician, who values his services at \$125 per hour or more, could receive \$650 in Virginia tax credits for volunteering an eight-hour day at a qualifying free clinic. Other qualifying professionals are limited to the following fields:

- Accounting
- Pharmacy
- Dentistry
- Architecture
- Veterinarian
- Optometry
- Law
- Actuarial Services
- Prof. Engineering
- Medicine
- Land Surveying

How do I get the credits?...Donations to approved charities do **NOT** automatically qualify for a credit. Donors wishing to receive VNAP credits should visit the Virginia Department of Social Services website for an annual, up-to-date list of local charities allocated VNAP credits. This list may change from year-to-year. Before making a contribution, prospective donors should contact an organization to determine if it still has available credits. Since organizations are allotted a limited amount of credits each year, many tend to run out towards the end of the year. We'd be happy to assist you with any part of the process such as locating organizations with credits and handling the necessary paperwork to secure your Virginia tax credits today. Feel free to give us a call at your earliest convenience.

VNAP TAX CREDITS

Examples

I'M CONSIDERING GIVING TO CHARITY BEFORE YEAR-END

George is in the 35% tax bracket and itemizes his personal deductions. He is considering making a charitable contribution before year-end to help a local non-profit organization he supports. The organization he selected was allocated NAP credits by the Virginia Department of Social Services earlier in the year and still has many of those credits available.

George decides to make a \$10,000 donation to help fund an initiative by the organization to build a child recreational center. In return for his donation, George receives \$6,500 in nonrefundable Virginia income tax credits that can be used to satisfy his Virginia income tax liability on a dollar-for-dollar basis. Because he's in the 35% tax bracket and itemizes his deductions, George claims a charitable deduction for \$10,000 which saves him \$3,500 in Federal income tax. That same deduction benefits George on his Virginia income tax return, saving him approximately 4%, or \$400 in state income taxes.

George has saved \$3,900 in Federal and state taxes **AND** now has \$6,500 in Virginia income tax credits. Unbelievably, he's received a benefit surpassing his \$10,000 donation! Because of this, he's more than happy to give to qualifying VNAP charities again next year.



NAP credits drive donations to organizations in your area that serve low-income individuals. Your donations are critical to their ongoing support

HOW DO CREDITS WORK FOR DONATIONS OF SERVICES?



NAP credits are ideal for professionals who can provide a valuable service to the community. Please consider volunteering today!

Dr. Payne enjoys volunteering once a month at a local clinic that provides free health care to low-income individuals. The local clinic has been allocated NAP credits by the Virginia Department of Social Services this year. During his typical eight hour volunteer day, he sees patients with a wide variety of ailments and provides them health care services within the scope of his medical license as a general practitioner.

Over the course of the year, Dr. Payne volunteers 12 days. Working 8 hours a day, Dr. Payne puts in 96 hours volunteering at the clinic. Even though Dr. Payne cannot claim a charitable contribution on his Federal income tax return for volunteering services, he can still receive a benefit in the form of NAP credits. Since his services are valued in excess of \$125 per hour, Dr. Payne receives \$7,800 (96 hours x \$125 x 65%) in NAP credits from the local clinic.

These credits can be used to offset Dr. Payne's Virginia income tax liability on a dollar-for-dollar basis. If they exceed his liability, the credits can be carried forward for up to five years. Dr. Payne thoroughly enjoys his volunteer work providing medical care at the local clinic, but he also enjoys the tax benefits of the Virginia Neighborhood Assistance tax credits he receives in return for his valuable services to the community.

Still unsure how to navigate the process of securing NAP credits today? Not sure if your donation qualifies? We'd be happy to assist you in any part of the process. Just give us a call.