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Ennis, Houghton, Keeley,
Mulrooney, Plant, Price, Schroeder,
Scott, Viola, West, Williams

DELAWARE STATE SENATE

140th GENERAL ASSEMBLY

SENATE BILL NO.

AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO THE BUSINESS TAX CREDITS
AND DEDUCTIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

1 Section 1. Amend Subchapter I, Chapter 20, Title 30 of the Laws of Delaware, by deleting the subchapter
2 in its entirety.

3 Section 2. Amend Chapter 20, Title 30 of the Laws of Delaware by inserting a new subchapter I as
4 follows:

5 "Subchapter I. Neighborhood Assistance Tax Credit.

6 § 2001. Short title.

7 This subchapter shall be known and may be cited as the 'Neighborhood Assistance Act.'

8 § 2002. Definitions.

9 As used in this subchapter:

10 (1) 'Community services' means any type of counseling and advice, emergency assistance or medical care
11 furnished to individuals of groups in an impoverished area.

(2) 'Impoverished area' means any clearly-defined, economically-distressed, urban or rural area in this State which is certified as such by the Department of Health and Social Services and approved by the Tax Appeal Board. Such certification shall be made on the basis of federal census studies and current indices of social and economic conditions.

(3) 'Neighborhood organization' means any organization performing community services and offering neighborhood assistance in an impoverished area and holding a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code [26 U.S.C. § 1 et. seq.]

(4) 'Community Development Corporation' and 'Community-Based Development Organization' means any locally-based and resident-controlled, non-profit organizations that plan and implement Community Economic Development projects in impoverished areas or for low income people that holds a ruling from the Internal Revenue Service of the United States Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code [26 U.S.C. § 1 et. seq.]

(5) 'Neighborhood assistance' means furnishing financial assistance, labor, material, and technical advice to aid in the physical, economic and community improvement of any part or all of an impoverished area.

(6) 'Business firm' means any business entity authorized to do business in this State and subject to the Delaware corporation income tax.

(7) 'Job training' means any type of instruction to an individual who resides in an impoverished area that enables him or her to acquire vocational skills so that s/he can become employable or be able to seek a higher grade of employment.

(8) 'Education' means any type of scholastic instruction to an individual who resides in an impoverished area that enables him/her to meet educational requirements for known job vacancies.

(9) 'Crime prevention' means any activity that aids in the reduction of crime in an impoverished area.

(10) 'Housing' means any activity that aids in substantial renovation or new construction of rental or owner-occupied residences for low and moderate income families in impoverished areas.

(11) 'Economic development' means any activity that aids in business development and ownership in impoverished areas.

§ 2003. Declaration of Policy.

40 It is declared to be public policy of this State to encourage the investment by business firms in offering
41 neighborhood assistance and providing job training, education, crime prevention and community services, both
42 directly and by contributing to neighborhood organizations, to benefit individuals living in impoverished areas. This
43 public policy further encourages the creation of significant partnerships among community-based development
44 organization, the private sector and the government.

45 § 2004. Qualification for tax credit.

46 For each taxable period beginning on or after January 1, 2000, business firms which contribute to a
47 neighborhood organization, Community Development Corporation, Community-Based Development Organization,
48 or which engages in the activities of providing neighborhood assistance, job training or education for individuals not
49 employed by the business firm, community services, crime prevention, housing, or economic development in an
50 impoverished area shall receive a tax credit as provided in § 2005 of this title if the Director of the Economic
51 Development Office and the Tax Appeal Board annually approve the proposal of each business firm, setting forth
52 the program to be conducted, the impoverished area selected, and the estimated amount to be invested in the
53 program. The Director of the Economic Development Office and the Tax Appeal Board may promulgate rules and
54 regulations for the approval or disapproval of such proposals by business firms.

55 A Neighborhood Assistance Act Advisory Council, comprised of Community Economic Development
56 practitioners and representatives of the private and public sectors, shall be established to provide guidance and
57 recommendations to the Director of the Economic Development Office and the Tax Appeal Board in establishing
58 program priorities and mechanisms for the program to be conducted, determining the impoverished area(s) selected,
59 and the estimated amount to be invested in the program or Community-Based Development Organization. The
60 Neighborhood Assistance Act Advisory Council shall assist the Department of the Department of Health and Social
61 Services and the Tax Appeal Board in establishing and promulgating rules and regulations for the approval or
62 disapproval of proposals by business firms and Community-Based Development Organizations.

63 § 2005. Corporate income tax credit; amount.

64 (a) For purposes of computing taxable income the tax owed under Chapter 19 of this title, relating to the
65 corporation income tax, the Secretary of Finance shall allow a credit equal to fifty percent (50%) of the amount
66 invested by a business firm in a program or in a Community-Based Development Organization, the proposal for
67 which was approved under § 2004 of this title. Such tax credit, however, shall not exceed \$100,000 per business.

(b) Any investment made in a tax year for which the tax credit herein described is claimed by a taxpayer shall not also be eligible for treatment in the same tax year as a charitable contribution deduction for state income tax purposes in calculating Delaware income tax liability.

§ 2006. Limitations on credits.

(a) The aggregate amount of such tax credits approved for all firms shall not exceed \$500,000 in any one fiscal year.

(b) If the total amount of Neighborhood Assistance Tax Credits approved by the Director of the Economic Development Office and the Tax Appeal Board for which taxpayers applied in any year exceeds the amount allocated for those credits, then the Neighborhood Assistance Tax Credits to be received by each application shall be the product of \$500,000 multiplied by a fraction, the numerator of which is the eligible Neighborhood Assistance Tax Credits applied for by the applicant and the denominator is the total of all eligible Neighborhood Assistance Tax Credits applied for by the applicants.

§ 2007. Unused tax credit

(a) Any business firm making contributions, after January 1, 2000, in amounts in excess of the maximum allowable credit permitted under § 2005 of this title, shall be permitted to carry forward the excess contribution as a credit in any of the next 5 years subsequent to the date of the initial grant, subject to the limitation imposed by subsection (b) of this section.

(b) Excess contributions are those contributions that are not available as a credit in the year of the grant because of the limitation imposed by § 2005 of this title. The excess contributions carried over from prior years shall be allowable only after contributions for the current year have been credited, and in no event shall the total credit under this subchapter for any 1 year exceed the limitation imposed by § 2005 of this title."

SYNOPSIS

This bill replaces the existing Neighborhood Assistance Tax Deduction with the Neighborhood Assistance Tax Credit, which gives qualifying firms up to \$100,000 to offset tax liability under the corporations income tax. In addition, the bill expands the scope of qualifying activities to include housing and economic development. It further allows businesses to qualify for credits based on donations to non-profit, tax-exempt community-based economic development organizations or community-based development corporations.

Author: Sen. Henry