



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

IP 2010(22)

25 Sigourney Street Ste 2  
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

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## The Connecticut Neighborhood Assistance Act Tax Credit Program

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**Purpose:** This Informational Publication explains the Connecticut Neighborhood Assistance Act (NAA) Tax Credit Program.

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**Effective Date:** Upon issuance.

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**Statutory Authority:** Conn. Gen. Stat. §12-630aa et. seq., as amended by 2010 Conn. Pub. Acts 188, §§8 – 10.

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**Definitions:** For purposes of the NAA tax credit program:

**Business firm** means any business entity authorized to do business in the state and subject to the tax due under the provisions of Chapter 207, 208, 209, 210, 211, or 212. This definition was amended by 2010 Conn. Pub. Acts 188, §88. As amended, the statute permits health care centers, satellite television companies, and certified competitive video service providers to claim the NAA tax credit. Prior to this amendment, these entities did not fall within the statutory definition of business firm.

**Donation of money to an open space acquisition fund** means money contributed to an open space acquisition fund of any political subdivision of the state or any nonprofit land conservation organization.

The money must be used for the purchase of land, interest in land, or permanent conservation restriction on land to be permanently preserved as protected open space.

**Energy conservation projects** means programs to promote energy conservation that are directed toward properties where at least 75% of occupants are at an income level not exceeding 150% of the poverty level for the year immediately preceding the year

during which the tax credit is to be granted or at properties owned or occupied by charitable corporations, foundations, trusts, or other entities. Such projects include, but are not limited to:

- Energy conserving modification or replacement of windows and doors;
  - Caulking and weather-stripping;
  - Insulation;
  - Automatic energy control systems;
  - Hot water systems;
  - Equipment required to operate variable steam, hydraulic, and ventilating systems;
  - Replacement of burners, furnaces, or boilers;
  - Electrical or mechanical furnace ignition systems; **or**
  - Replacement or modification of lighting fixtures.
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**The Connecticut Neighborhood Assistance Act Tax Credit Program:** The NAA Tax Credit Program provides a tax credit to business firms that make cash investments in qualifying community programs conducted by tax exempt or municipal agencies. The community programs must be approved by both the municipality in which the programs are conducted and by the Department of Revenue Services (DRS).

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**Community Programs That Qualify for the NAA Tax Credit Program:** Listed below are examples of the types of programs that qualify for the NAA tax credit and the amount of the available credit.

A tax credit equal to 100% of the cash invested is available to business firms that invest in energy conservation projects.

A tax credit equal to 60% of the cash invested is available to business firms that invest in programs that provide:

- Neighborhood assistance;
- Job training;
- Education;
- Community services;
- Crime prevention;
- Construction or rehabilitation of dwelling units for families of low and moderate income in the state;
- Donation of money to an open space acquisition fund;
- Child day care facilities;
- Child care services;
- Employment and training programs directed at handicapped persons;
- Employment and training programs for unemployed workers who are 50 years of age or older;
- Education and employment training programs for recipients in the temporary family assistance program;
- Community-based alcoholism prevention or treatment; **or**
- Any other program which serves a group of individuals where at least 75% of the individuals are at an income not exceeding 150% of the poverty level for the year immediately preceding the year during which the tax credit is to be granted.

The total charitable contributions of the contributing business firm must equal or exceed its prior year's charitable contributions in order to be eligible for the tax credit. This requirement does not apply if the contribution is to an approved open space acquisition fund.

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**Obtaining Approval for the NAA Tax Credit Program:** Tax-exempt entities and municipal agencies desiring to obtain benefits under the NAA must complete **Form NAA-01**, *Connecticut Neighborhood Assistance Act Program Proposal*, Parts I, II, and III and submit the form to the

municipal agency overseeing the implementation of the proposal. The overseeing municipal agency then completes Part IV of Form NAA-01 and submits the form to DRS on or before July 1 of each year. Prior to submitting Form NAA-01 to DRS, each municipality must hold a public hearing on all program applications. The governing body of the municipality must vote to approve the programs.

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**Limits on the Amount of Contributions That May Be Made or on the Amount of Tax Credit Available:** The NAA Tax Credit Program has several statutory limits which must be observed, including the following:

- A business firm is limited to receiving \$75,000 in tax credits annually; however, the amount of tax credit allowed any business firm for investments in child day care facilities for any income year may not exceed \$50,000.
- The minimum contribution on which a tax credit can be granted is \$250.
- The total charitable contributions of the business firm must equal or exceed its prior year's contributions unless the contribution is made to an approved open space acquisition fund.
- Any organization conducting a program or programs eligible for funding under the NAA is limited to receiving an aggregate of \$150,000 of funding for any program or programs for any fiscal year.
- The total amount of all tax credits allowed in any fiscal year is \$5 million, which, if exceeded, results in prorating the approved tax credits among the approved organizations.

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**Business Applications Deadlines:** Each business firm requesting a tax credit under the NAA Tax Credit Program must complete a separate **Form NAA-02**, *Connecticut Neighborhood Assistance Act (NAA) Business Application*, for each program it wishes to sponsor. Form NAA-02 must have an original signature and be mailed or hand-delivered to DRS on or after September 15 but not later than October 1 of each year.

**Claiming the Tax Credit:** DRS issues an NAA program approval letter to business firms that make cash investments in qualified community programs. The letter indicates the tax credit amount that may be claimed on the applicable business tax return. The tax credit amount must also be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

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**Carry Back Provisions:** The amount of tax credit that is not taken on the tax return of a business firm for the income year beginning during the calendar year in which the program proposal was approved may be carried back to the two immediately preceding income years (beginning with the earlier of the years). No carry forward is allowed.

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**Obtaining Additional Information:** Direct inquiries to:

Department of Revenue Services  
State of Connecticut  
Research Unit  
25 Sigourney St Ste 2  
Hartford CT 06106

Call: **860-297-5687**

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**Effect on Other Documents: Informational Publication 2008(12)**, *The Connecticut Neighborhood Assistance Act Tax Credit Program*, is superseded and may not be relied upon after the date of issuance of this Publication.

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**Effect of This Document:** An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

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**Related Forms and Publications:** Request the most recent edition of the following forms: **Form NAA-01**, *Neighborhood Assistance Act Program Proposal*, and **Form NAA-02**, *Neighborhood Assistance Act Business Application*.

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**For Further Information:** Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

**TTY, TDD, and Text Telephone users only** may transmit inquiries anytime by calling 860-297-4911.

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**Forms and Publications:** Visit the DRS website at **www.ct.gov/DRS** to download and print Connecticut tax forms and publications.

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**Paperless Filing/Payment Methods (fast, easy, free, and confidential):**

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at **www.ct.gov/TSC** to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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**DRS E-Alerts Service:** Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at **www.ct.gov/DRS** and select *e-alerts* from the left navigation bar.

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