

## Community Development Partnership Act Summary of the Legislation

**Purpose:** The purpose of this act is to “enable local residents and stakeholders to work with and through community development corporations to partner with nonprofit, public and private entities to improve economic opportunities for low and moderate income households and other residents in urban, rural and suburban communities across the state.” The bill achieves this purpose by using state tax credits to leverage private investment in high performing community development organizations.

**Communities will benefit from increased private investment:** Under the legislation, “Community Partners” will receive substantial new private investment as a result of the tax credit. Community partners are community based, nonprofit organizations that DHCD has selected, through a competitive process, to receive an allocation of community investment tax credits. These credits are then used to attract “qualified investments” from corporate or individual taxpayers.

To become a “**community partner**” a nonprofit organization must go through a two-step process. First, the nonprofit organization must become certified as a community development corporation under Chapter 40H, Section 2. This newly enacted law (2010) enables DHCD to certify a Massachusetts nonprofit organization as a CDC if it is genuinely community based and actively engaged in community development work. DHCD is currently developing the regulations and procedures for this certification process and is expected to begin certifying groups in June 2011.

Once a group is certified, it will be able to **apply through a competitive process** administered by DHCD to receive a tax credit allocation. To apply for such an allocation, the organization will need to submit a multi-year business plan that lays out the needs and priorities of the community, how the organization will engage community members to address those needs and priorities, and how it will measure success. DHCD will select the best plans and award them a tax credit allocation.

Tax credit allocations can range from **\$50,000 to \$150,000 per organization** per year and DHCD can award credits for up to three years. These credits will leverage \$100,000 to \$300,000 per year that can be used for a wide variety of activities that expand housing opportunities, create jobs, start and grow local businesses, eliminate blight, build financial assets for low and moderate income families, and otherwise help create communities where people from diverse backgrounds can find economic opportunity. After three years, the organization would have to reapply to receive a subsequent allocation.

**Taxpayers will benefit from a Community Investment Tax Credit:** The bill establishes a community investment tax credit for individual and corporate taxpayers designed to encourage private donations that support community development. The credit is equal to **50% of a “qualified**

**investment**” in a nonprofit organization, or “community partner,” selected by the Department of Housing and Community Development through a competitive process (see below.) A taxpayer may invest in more than one organization, but may not receive more than \$1,000,000 of credits in any single year. Taxpayers must give at least \$1,000 to be eligible. The “qualified investment” must be in the form of a cash donation. Taxpayers may also obtain a federal tax deduction for their donation.

Taxpayers can claim the full credit in the year of their investment and those credits can be rolled over for up to five years.

The total amount of tax credits to be awarded each year can be no more than \$2 million in 2013, \$4 million in 2014 and \$6 million in 2015 and thereafter.

**The bill ensures fairness across the state:** DHCD is required to allocate at least 30 percent of the credits to Gateway Cities and 20% to rural areas. DHCD may also select up to two nonprofit organizations to serve as intermediaries that can solicit donations from taxpayers and re-grant those dollars to eligible community partners. This will help to ensure that smaller organizations and those located in areas with less private philanthropy can fully participate in the program.

**The Department of Housing and Community Development and the Commissioner of Revenue are required to develop regulations and procedures to implement this legislation.**