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Revenue Recognition for Community Investment Tax Credit Income

The Community Investment Tax Credit (CITC) supports community-led economic development initiatives through a strategic, market-based approach that incentivizes private contributions and builds strong local partnerships. It accomplishes this by providing a 50% refundable state tax credit for qualified contributions to selected community development corporations.

How It Works

State-certified Community Development Corporations (CDCs) will develop high quality, multi-year business plans for community improvement and economic development. These plans will detail how local residents and businesses can help to craft the strategy, how it will improve the community and expand opportunity within a comprehensive framework, and how it will leverage federal and private resources. CFOs should review the organization's application for funds to see if the proposed activity is narrower than the business or strategic plan for the entire organization.

The Department of Housing and Community Development will select the strongest plans and provide them with up to $150,000 in State Community Investment Tax Credits per year for three years. The tax credits are equal to 50% of the donation made by a corporation, an individual or a nonprofit institution. The tax credit will be refundable if the donor does not have sufficient tax liability. Therefore, the local CDC will be able to use tax credits to attract up to $300,000 in private donations each year.

Revenue Recognition

Revenue should not be recognized upon the award of tax credits. At this point, revenue is still conditioned on soliciting contributions for which tax credits will be issued to donors. The revenue is recognized when there is an exchange of contributed funds for the tax credits. CDC's will be reporting on the contributions obtained in exchange for tax credits. These should be segregated in either a separate account or another classification (e.g. job code) to enable an efficient YTD tally.

If your organization's application for funds describes the totality of its activities, then these contributions will be unrestricted income. If the donation is directed to a specific activity, then it should be recorded as temporarily restricted income and released from restriction when they are used for the specific purpose.