

**State of Kansas
Community Service Tax Credit
FY2019 Application Guidelines
(For projects starting July 1, 2018
And ending December 31, 2019)**

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www.kansascommerce.gov/1017/Community-Service-Tax-Credit-Program

Updated March 1, 2018
FY2019 APPLICATION

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Potential Applicants:

The Community Service Tax Credit Program is a competitive program offered on an annual basis. If you are considering an application or have decided to submit one, please send an email with the following information to CSP.TaxCredit@ks.gov prior to the deadline for application.

1. Name of organization
2. Location
3. Estimate of tax credit request
4. Year of most recent tax credit award
5. Year of most recent tax credit application
6. 1-paragraph description of project
7. Contact information
8. Statement acknowledging your understanding of the competitive nature of the CSP process
9. Statement acknowledging your understanding that the \$250 application fee is non-refundable and does not guarantee the project will be awarded.

The deadline for submitting an FY2019 application will be August 1, 2018.

INTRODUCTION

The Community Service Program provides an opportunity for private non-profit organizations and public health care entities to improve their ability to undertake major capital campaigns for projects involving children and family services, non-governmental crime prevention, youth apprenticeship and youth technical training and health care. Under this program, the state authorizes specially selected non-profit organizations to offer tax credits to donors making contributions to the approved projects.

The Director of the Business and Community Development Division of the Kansas Department of Commerce is responsible for the program. Due to the strong demand for these credits, organizations awarded credits may receive less than the full amount of credits requested.

HOW DOES IT WORK?

Community service organizations submit applications for review and are awarded by Commerce. **This is a competitive process. Not all applicants will receive tax credit awards.** The proposed projects should be unique or one-time in nature and create a lasting value for the charitable organizations (e.g., capital campaign, major equipment purchase, major renovation, capacity building, not for short-term operations, etc.). Eligible projects must result in the organization becoming more self-sufficient. It is the responsibility of the non-profit organization to solicit donations, complete the necessary paperwork and send the information to the Kansas Department of Commerce for processing. If your organization has not yet been incorporated as a non-profit corporation or foundation, you are not eligible to apply for an allocation of tax credits.

Applications submitted will be reviewed and rated by an agency committee appointed by the Director of the Business and Community Development Division. The non-profit organizations whose applications are approved will receive a credit authorization letter specifying the amount of tax credits available for the project. The non-profit is then authorized to offer tax credits for qualified contributions received between the eighteen (18) month period of July 1, 2018 to Dec. 31, 2019. Contributions can be received no sooner than July 1, 2018. **No organization is eligible to receive an extension beyond Dec. 31, 2019.**

The percentage of credit awarded to the donor (50 percent or 70 percent) is dependent on the location of the charity (not the location of the contributor). Eligible donors may receive a credit equal to 70 percent of the amount contributed if the community service organization is located in a rural community (population of less than 15,000). If the community service organization is located in a larger community, the eligible contributors receive a credit equal to 50 percent of the amount contributed. All Johnson County applicants, regardless of size, are eligible for a 50 percent credit. In some instances, the donor may not have enough tax liability in the year in which the contribution was made to fully utilize the credit. The 1999 amendment provides that the unused portion of the credit will be refunded by the Department of Revenue to the donor.

Successful applicants are required to attend a half-day training session where Commerce and Department of Revenue staff provides information on the various responsibilities and administrative procedures of the program. Program materials will be distributed at that time to assist with administration of the Community Service Program project.

NOTE: A rural community is:

- Any city having a population of fewer than 15,000 located in a county that is not part of a standard metropolitan statistical area as defined by the United States Department of Commerce or its successor agency;
- Any city having a population of fewer than 15,000 located in a county defined as a standard metropolitan statistical area, if a substantial number of persons in the county derive their income from agriculture; and
- Any city in a county defined as a standard metropolitan statistical area which is the only city in its county that has a population that exceeds 15,000.
- The determination of whether a project qualifies as urban or rural is based on the mailing address for where all project interactions (mail, donations, receipts, etc.) will be sent. If the project site is not active and the headquarters will be receiving all project interactions, then the address of the headquarters determines whether the project qualifies as urban or rural.

FY2019 CREDIT ALLOCATION PLAN

The State of Kansas Community Service Program will award tax credits for eligible projects in FY2019. If requests for credits exceed the amount available and all other scoring factors are equal, priority will be given to applicants not previously awarded.

TECHNICAL ASSISTANCE

Normal office hours are 8 a.m. to 5 p.m. please submit questions by email to CSP.TaxCredit@ks.gov

For questions **regarding completion of the Community Service Program Application forms or regarding community service organizations that have approved tax credit allocations**, contact the Kansas Department of Commerce at (785) 296-5298. The mailing address is 1000 S.W. Jackson St., Suite 100, Topeka, KS 66612-1354.

For questions **regarding tax issues or the completion of the appropriate tax forms**, contact the Kansas Department of Revenue, Taxpayer Assistance Bureau at (785) 296-8042. Their mailing address is Kansas Department of Revenue, Taxpayer Assistance Bureau, P.O. Box 12001, Topeka, KS 66612-2001.

WHO QUALIFIES FOR THE CREDIT?

The contribution credit is a tax credit for contributions made by business firms or individuals subject to Kansas income tax, Kansas privilege tax or the premium tax or privilege fees imposed on insurance companies. Any business firm, business entity or individual not subject to Kansas income tax, Kansas privilege tax or the premium tax or privilege fees imposed on insurance companies may contribute and sell, assign, convey or transfer the tax credits earned to a business or individual that is subject to Kansas income tax. Donations must be \$250.00 or greater and the payment should come directly from either the business firm or the individual.

SPECIAL FEATURES OF THE CREDIT

- ◆ Any tax credit issued by an approved organization which exceeds the tax liability of the contributor shall be refunded to the taxpayer (except in the case of a transfer). Credits must be claimed in the year they are issued. Except for transfers, tax credits may not be carried forward.
- ◆ Any tax credits transferred will become **non-refundable** as indicated on the K60 tax form.

Contributing entities not subject to Kansas taxation may transfer a credit to a firm or individual that does have a Kansas tax liability. K.S.A. 79-32,197a addresses the assignability of credits as follows:

Any business firm or business entity not subject to Kansas income, privilege or premiums tax, hereinafter designated the assignor, may sell, assign, convey or otherwise transfer tax credits allowed and earned pursuant to K.S.A. [79-32,196](#), and amendments thereto, for an amount not less than 50% of the value of any such credit. The amount received by the assignor will be taxable income. The excess of the value of such credit over the amount paid by the assignee shall be taxable income of the assignee.

K.S.A. 79-32,195 defines business firm and includes individuals as part of its definition.

WHAT KINDS OF CONTRIBUTIONS QUALIFY?

- ◆ Cash or Check – documented with a copy of the check or a receipt of cash donation
- ◆ Services – documented by payroll records and documentation of the “normal billing rate for non-profits.” Normal billing rates are direct hourly wages without fringe benefits.
- ◆ Stocks & Bonds – documented by the transfer certificate and valued by the stock market price on the day of the transfer.
- ◆ Personal Property – valued at the lesser of its fair market value or cost to the donor and may be inclusive of costs incurred in making the contribution, but shall not include sales tax.
- ◆ Real Estate – only when title thereto is fee simple absolute and is clear of encumbrances. Value is established as the lesser of two current independent appraisals conducted by state licensed appraisers.

NOTE: Non-cash contributions must be directly related to the proposed project and included in the application budget.

WHO MAY APPLY AND ADMINISTER A PROJECT?

- ◆ Any organization performing community services, as defined in Kansas, may submit a proposal provided they meet one or more of the following classifications (city and county governments are not eligible to apply):
- ◆ Organizations holding IRS ruling 501(c)3
- ◆ Organizations incorporated in the State of Kansas or another state as a non-stock, non-profit organization
- ◆ Organizations designed as a community development corporation by the United States government
- ◆ Organizations chartered by the United States Congress
- ◆ City, county, or district hospitals, nursing homes, health departments and medical clinics

ELIGIBLE PROJECTS

Under the Kansas Community Service Program each proposal shall address one of the following areas in order to qualify:

- 1) Community Service
- 2) Non-governmental Crime Prevention
- 3) Health Care Services
- 4) Youth Apprenticeship and Youth Technical Training

1) “**Community Services**” means:

The conduct of activities which meet a demonstrated community need and which are designed to achieve improved educational and social services for Kansas children and their families, and which are coordinated with communities including, but not limited to, social and human service organizations that address causes of poverty through programs and services that assist low income persons in areas of employment, food, housing, emergency assistance and health care.

2) Kansas Community Service Program Regulations define “**crime prevention**” as any non-governmental activity, which aids in the prevention of crime.

3) The term “**health care services**” shall include, but not be limited to, the following:

Services provided by:

- ◆ local health department
- ◆ city, county or district hospitals
- ◆ city or county nursing homes
- ◆ other residential institutions

Preventive health care services offered by a community service organization, including:

- ◆ immunizations
- ◆ pre-natal care
- ◆ home health care services which enable postponement of entry into nursing homes

Community-based services, including:

- ◆ services for persons with a disability
- ◆ mental health services
- ◆ indigent health care
- ◆ physician or health care worker recruitment
- ◆ health education
- ◆ medical services
- ◆ services provided by rural health clinics
- ◆ integration of health care services
- ◆ home health care services
- ◆ services provided by rural health networks

4) Youth apprenticeship and technical training means conduct of activities which are designed to improve the access to and quality of apprenticeship and technical training for youth up to the age of 24, which support an emphasis on rural construction projects as well as the necessary equipment, facilities and supportive mentorship for youth apprenticeships and technical training.

The Division may request any additional information it determines necessary to evaluate a proposal.

SELECTION CRITERIA

All proposals must set forth:

- 1) Project to be conducted
- 2) Why the project is needed
- 3) Estimated amount to be invested in the project
- 4) Define the population that will be impacted
- 5) Plans for implementation of the project

All proposals must set forth the following public benefit impact measurements:

- 1) Estimate of the number of individuals who will benefit from the proposed project
- 2) Identify the population group in the society which will benefit from this project including, but not limited to, women, children, the elderly or teenage mothers. Include historical data on the target group that supports the proposed project.
- 3) Describe the community need that the proposed project will benefit
- 4) Address the impact of the project on the society with projected statistical results

The Kansas Department of Commerce will evaluate all proposals based on the following criteria:

- 1) Capacity to adequately administer the project and manage the fundraising campaign
- 2) Degree to which the area or population to be served has demonstrated a need for the particular project being proposed
- 3) Demonstration that the proposed project is meeting a community need and not primarily providing an organizational enhancement for the applicant
- 4) Ability of the organization to sustain the project over time
- 5) The outlined action plan and readiness to proceed with the project
- 6) Demonstrated community recognition of need and broad-based community support for the project
- 7) Evidence of broad-based support from donors, local government, staff, board members, community members and/or those potentially directly impacted by the proposed project. (A moderate number of letters demonstrating broad-based support is preferable to an excessive collection of form letters. For example, twenty personal letters of support from various audiences in your community would carry more weight than one hundred form letters.)
- 8) Degree to which the applicant has clearly, briefly and adequately completed the application and followed all directions. (Excessively long applications may degrade the overall quality of the proposal and result in a lower rating.)

Additional Rating Criteria Applicable to Renewals:

- 1) Degree to which applicant has fulfilled administrative duties on past projects (if applicable)
- 2) Extent to which previous credit authorization has been utilized and past project(s) accomplished
- 3) Degree to which new proposal demonstrates new and stronger basis for consideration and continued evidence of need

Additional Rating Criteria Applicable to Reapplicants (recently unselected project proposals):

- 1) Degree to which weaknesses in past proposal(s) have been strengthened or corrected
- 2) Demonstration that the need has remained unmet despite reasonable attempts to secure funding for the project and meet need between application years

APPLICATION SUBMITTAL PROCEDURES AND APPROVAL PROCESS

PLEASE READ ALL INSTRUCTIONS CAREFULLY

The proposed project must be submitted electronically via the FY2019 CSP application at the following link: <http://kansascaic.submittable.com/submit/66717> as provided by the Kansas Department of Commerce.

Applications must be submitted by August 1, 2018.

- **Incomplete applications will not be accepted.**
- **No application will be returned.**
- **Awards will be made on or after August 30, 2018 and results of awards will be mailed.**

The following documentation must accompany the application as uploaded attachments:

- 1) Organizations must submit Articles of Incorporation and the bylaws of the organization. If the organization has previously received community service tax credits, note that in the application.
- 2) IRS tax-exempt status notification, if applicable. Nursing homes must submit an IRS tax-exempt status notification. **(Does not apply to hospitals, but please include tax-exempt documentation if a nonprofit foundation will be receiving funds for the project.)**
- 3) A **current** “letter of good standing” from the Kansas Secretary of State. **(Not applicable to hospitals, but nursing homes must submit an IRS tax-exempt status notification.)**
- 4) Minutes of the Board meeting where the Community Service Program application was reviewed and approved.
 - Please highlight or underline that portion of the minutes where the application was reviewed and approved.
 - If minutes are confidential, the part of the board meeting where the application was approved may be submitted noting date of meeting and those attending the board meeting or minutes may be submitted with black line through the minutes that are not pertinent to the community service program application.
 - Conference call board minutes are an acceptable submission noting those participating in the board meeting and the date of the board meeting.
- 5) A **current** list of Board of Directors. A listing of the organization’s current board of directors with addresses and phone numbers where board members may be reached.
- 6) A legible map showing boundaries of the service area or the project location.
- 7) Pledge letters of financial support for the project should be included as part of the application. **These letters need to reflect a specific dollar amount. To receive credit for pledge letters, the letters must be included with the application as an uploaded attachment. Pledges mailed after the application will not be considered part of the application.**

- 8) Other letters of support and cooperation (e.g., multi-county application might include letters from all benefiting counties, related organizations that see the project as complementary to current services, local or county officials, businesses, State and U.S. Representatives, etc.). To receive credit for letters of support, they must be included with the application as an uploaded attachment. Letters mailed after the application will not be considered part of the application.
- 9) Financial audit of the organization. Applicants are required to submit an independent financial audit of the organization for the most recent fiscal year. If the organization has been in existence for less than two (2) years or has less than \$100,000 of annual gross receipts in each of the previous two (2) years, the organization may submit a copy of their current 990 IRS form in lieu of an audit.

Under no circumstances will a project be reviewed or approved if the required documentation does not accompany the proposal. In the interest of fairness to all applicants, all instructions will be rigidly enforced. Any application not adhering to these instructions will be considered incomplete and will not be accepted.

All questions are to be answered completely and concisely.

INSTRUCTIONS

Important - Please Read All Instructions Very Carefully!

1. The most current Community Service Tax Credit online application form will be the only recognized document to be submitted for review.
2. Pledge letters and other letters of support must be submitted with the application.
3. Incomplete applications will not be accepted.
4. The Community Service Tax Credit Program Manager must be in receipt of the \$250.00 non-refundable application fee.

***ALL applications and ALL correspondence** directly related to the Community Service Tax Credit Program must be directed to the Kansas Department of Commerce. Referrals of concerns and questions will be managed by the Program Manager. Local and state officials wishing to express support should do so through a letter of support for the project. Noncompliant applicants may be removed from consideration at the discretion of the Department of Commerce. Questions regarding the application process and Community Service Tax Credit Program can be directed to:

Phone: (785) 296-5298
Fax: (785) 296-3490
Email: CSP.TaxCredit@ks.gov

A review committee will review and rank applications. The decision of the review committee's selection of awardees and awards are final.