

Tompkins County Empire Zone

Zone Capital Credits – COMMUNITY DEVELOPMENT PROJECTS (March 13, 2007)

The Tompkins County Empire Zone has available \$2 million in capital credits to encourage economic activity by offering a 25% tax credit against New York State franchise taxes or personal income taxes for contributions to approved community development projects.

Contributions of money to approved community development projects serving zone residents and businesses may be eligible for Community Development Project Credits. Sponsors of such projects may use the credits to enhance fundraising activities by offering a 25% New York State tax credit for donations. Projects must meet the following requirements and be approved for an allocation of credits:

Basic State Requirements

- The project must be located within the zone boundaries.
- The sponsor must be a not-for-profit entity.
- The projects must be either:
 - A child care project serving the zone community;
 - A community development project in direct support of economic development and business revitalization activities;
 - A business development activity of a local development corporation.
- The project must advance the Tompkins County Empire Zone Development Plan. It must be clearly demonstrated how the project will benefit the zone community, promote the development of new business, and the expansion of existing business.
- Contributions must be in the form of money.
- In general, the project must be used for non-recurring expenses, such as capital projects (i.e., “bricks and mortar” projects).
- Credits may not be used to refinance existing debt, pay operating expenses, taxes or other soft costs).

Tompkins County Requirements

- There will be a minimum of \$5,000 and a maximum of \$300,000 in credits available per project. The Board may consider up to \$500,000 in one request for a project that has a regional impact, provides a unique good or service, and requires an investment in excess of \$5 million.
- Individuals and corporations will be eligible for New York State Income Tax Credits on contributions of \$1,000 or more to approved projects.
- The Board will revoke allocations for those projects that have not started to use the credits within 12 months of the allocation. The Board will revoke all credits not committed within 36 months of the allocation.

Project Approval

- The not-for-profit sponsor of the community development project must submit an application to the local Zone Administrative Board requesting an allocation of credits to support the fundraising goals of the project.
- The Zone Administration Boards approves the project and allocates credits. The zone coordinator forwards the application to the State for approval. **Contributions received prior to State approval are not eligible for credit.**
- Once the State approval has been granted the zone coordinator will notify the sponsoring organization and contributions can be received.

Tompkins County Empire Zone

- Interested not-for-profit organizations should contact the Empire Zone Coordinator, Heather Filiberto, at 273-0005 or heatherf@tcad.org to set up a meeting to discuss the project and obtain an application.

Community Development Project Example

The XYZ Not-for-Profit completes a feasibility study to build a community center on the former gas station site on the corner of Green and Cayuga Streets in the City of Ithaca, a site located within the county's Empire Zone boundaries. XYZ receives a \$2.5 million grant from a private foundation then decides to embark on a \$1 million fundraising campaign for this capital project.

XYZ Not-for-Profit applies to the Empire Zone Administrative Board (ZAB) for capital credits in the amount of \$200,000 (to allocate to \$800,000 in contributions). The ZAB approves the allocation and XYZ is notified they can begin fundraising.

After one year the XYZ has raised \$1.8 million as follows:

- \$950,000 from private foundations
- \$700,000 in individual contributions over \$1,000
- \$150,000 in individual contributions under \$1,000

Donors that gave \$1,000 or more would be eligible to receive a capital credit (i.e. a state income tax credit) equal to 25% of their donation. In this example, the \$700,000 in individual contributions received that were over \$1,000 would be eligible for capital credits totaling \$175,000.

For each eligible donation received, the XYZ Not-for-Profit sent a form to the donor to fill out and return. When the fundraising campaign was complete and the XYZ Not-for-Profit received forms from each donor they would be forwarded to the Empire Zone Coordinator/ZAB. The ZAB would approve them, and forward a project activity report to the State where a credit certificate would be issued and sent to each donor to attach to their NYS income tax filing.

At the end of two years the ZAB would take back any allocated credits that were not used. In this example, \$25,000 could be recaptured and allocated to another project.

In total a \$4.2 million capital project was able to pass on \$175,000 in capital credits to individual contributors.