

HB 2794: To extend the Neighborhood Investment Program Act to July 1, 2026

The Neighborhood Investment Program (NIP) is the only tax incentive for charitable giving in West Virginia.

NIP encourages West Virginia citizens and businesses to donate to projects that support low income citizens. When awarded, the organization can distribute the vouchers to business and individuals who contribute a minimum of \$500 to organizations, receiving up to 50% in tax credit, allowing the donor or corporation to reduce their West Virginia tax liability no more than 50%. The NIP program assists in leveraging private giving to lessen the burden on government.

The NIP has existed for 25 years and will sunset in 2021 if it is not extended this session.

House Bill 2794 extends the Neighborhood Investment Program Act to July 1, 2026, ensuring this important program continues to assist the state's nonprofits.

NIP services hundreds of West Virginia nonprofits and thousands of projects that serve all 55 counties.

Over the past 24 years of the NIP, there have been more than 3,300 projects serving WV's low income population that have been awarded tax credits. Over \$102 million in donations have been generated for certified projects since its inception.

NIP is not a grant program.

The Neighborhood Investment Program is a tax credit program of \$3 million each year, which allows 501(c)3 designated charitable organizations to apply for tax credit vouchers, which began in 1996.

There are no costs to the State for administration of the program.

The organizations pay a 3% fee on the donation, which offsets the administrative costs of NIP. This means the program is completely self-funded and self-sufficient.

Interest in NIP continues to grow yearly, with the program leveraging \$6.5 million on a \$3 million investment by government for a R.O.I of 218%.

The amount of credit requested for 2020 was \$6,598,400. The NIP secures more than \$2 in private donations for every \$1 provided in state charitable incentives.

West Virginia charities are on the front lines of response to the COVID-19 pandemic and are grappling with growing community needs and declining revenues.

The West Virginia Nonprofit Association has conducted a survey that found that 90% of the state's nonprofits have either been unable to hold fundraising events or have had to cancel revenue generating programs, resulting in significant declines in income. The survey further found that responding nonprofits are facing a 300 to 400 percent increase in services and needs of our citizens.

Without the ability to host important revenue generating events, nonprofits are struggling to fill the massive increase in services, supplies and needs. Amidst the significant decline of revenue and fourfold increase in need of services, these charities are on the brink of extinction or running out of funds to serve fellow West Virginians.

Nonprofits and charities have been left behind with the CARES Act and America Rescue Plan stimulus packages.

Under these important pieces of federal legislation, nonprofits and charities been eligible to participate in limited amount of Paycheck Protect Program (PPP), loan forgiveness and EIDL loans to get by. This does not include monies to respond to the increased amount of need created by the pandemic. West Virginia will soon receive at least \$4 billion in direct federal funding for COVID-19 recovery and infrastructure because of the American Rescue Plan recently passed by Congress.

Nearly 70 percent of members of the West Virginia Nonprofit Association are considered small organizations with operating budgets of \$500,000 or less. Many of these organizations struggled to receive PPP because they did not have the experience or the relationships to help them navigate through the application processes when they were working to address community needs.

Nonprofits and charities in West Virginia have not benefited from federal stimulus dollars that have been granted to states. This funding has not been directly awarded to nonprofits that been continuing to serve their neighbors and communities while struggling to keep their doors open.

The continued availability of NIP credits to support charitable giving during state fiscal year 2022 will be critical to the survival of critical services to our citizens, communities, small businesses, and the many organizations serving them.

While the NIP has been in existence for 25 years, the renewal and expansion of the program could be considered a stimulus for struggling nonprofit employers. In light of the massive demand for services and major decline in revenue, the renewal and expansion of the NIP from \$3 Million to \$5 Million would be a modest boost for these organizations to serve more fellow West Virginians and communities as we work through and rebuild after the pandemic.

[According to a new study released by Candid and the Center for Disaster Philanthropy](#), more than one-third of U.S. nonprofits are in jeopardy of closing within two years because of the financial harm inflicted by the COVID-19 pandemic.

Supporting nonprofits supports West Virginia jobs.

In addition to their role in delivering vital programs and services, nonprofits employ more than 77,000 people in West Virginia which represent 14% of private employment in the state. During this pandemic, several nonprofits and foundations have stepped up by supporting local businesses negatively impacted by the pandemic and economic downturn. An investment in nonprofits boosts our economy, local business community, and workforce strength.

The amount of the tax credits available under NIP has not increased in over a decade.

The amount of the available credits within the NIP program has not increased since 2010. With inflation, the value of the available credits has declined hundreds of thousands of dollars. Increasing the amount of the NIP would help restore dollars lost through inflations and help offset a small part of the multi-million dollar decline in revenue experienced by West Virginia nonprofits during the COVID pandemic.

Requests for tax credits within the program from nonprofit organizations have outpaced availability every year since 2000. The NIP also secures more than \$2 in private donations for every \$1 provided in state charitable incentives.

By increasing the allowable tax credit from \$3,000,000 to \$5,000,000, nonprofits across the state will have additional leverage for charitable donations needed during the pandemic and strengthening communities in the recovery process afterward.