

Community Service Program Tax Credit FY2022 Application Guidelines



LETTER FROM
LAURA KELLY, GOVERNOR



Upon taking office in January 2019, I directed my Cabinet secretaries to thoroughly review and streamline the programs and services provided by their respective agencies.

As part of this effort, all of the programs at the Department of Commerce are being evaluated by Secretary Toland and his team. This includes the Community Service Tax Credit Program - CSP for short.

The Commerce team has worked to make this important and impactful program easier for communities to use through a streamlined and more user-friendly application. This approach eliminates unnecessary requirements and provides easy links to information you need. And for the first time, Commerce is providing the methodology and scoring system used to help you understand how we will evaluate your project.

This year, Commerce also has designated \$1 million of the \$4.1 million of CSP credits available for the development of childcare centers. Early childhood education is a priority of my administration, and a priority for businesses across the state. Access to high quality childcare helps increase the availability of workers who might otherwise choose to stay home.

Commerce also has accelerated the review process so applicants know more quickly whether they were approved. My team is moving with a sense of urgency at Commerce, and we want you to do the same in your work to support Kansas communities.

We hope you find these changes to be helpful, and appreciate any feedback you have on how we can further improve the program. Please feel free to email comments or suggestions to Secretary Toland at David.Toland@ks.gov. The Community Service Tax Credit Program is highly competitive and we want to do everything in our power to make the process as simple as possible as you conduct your important work across our state.

Ad Astra per Aspera,

A handwritten signature of Laura Kelly in blue ink. The signature is cursive and reads "Laura Kelly".

Laura Kelly
Governor

FY2022 Application Guidelines

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POTENTIAL APPLICATIONS

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 the program manager at CSP.TaxCredit@ks.gov prior to the deadline for applications.

Please include the following information in your email:

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



CONTACT

DUSTIN GALE

CSP Program Manager

(785) 296-4100

CSP.TaxCredit@ks.gov

Creating Success for Your Community

The Community Service Tax Credit 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 the Kansas Department of 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 lasting value for the charitable organizations (e.g., capital campaign, major equipment purchase, major renovation, capacity building, etc.). Eligible projects must result in the organization becoming more self-sufficient. It is the responsibility of the nonprofit 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 nonprofit 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 Secretary of Commerce. Nonprofit organizations whose applications are approved will receive a credit authorization letter specifying the amount of tax credits available for the project following the completion of a mandatory training session. The nonprofit is then authorized to offer tax credits for qualified contributions received between the eighteen (18) month period of July 1, 2021 to Dec. 31 2022. Contributions can be received no sooner than July 1, 2021. **No organization is eligible to receive an extension beyond Dec. 31, 2022.**

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 in a rural community (population less than 15,000). If the community service organization is in a larger community, eligible contributors receive a credit equal to 50 percent of the amount contributed. All Johnson County applicants, regardless of community 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 the Kansas Department of Commerce and Department of Revenue staff provide 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 Tax Credit Program project.

FY2022

Credit Allocation Plan

The state of Kansas Community Service Tax Credit Program will award \$4.1 million in tax credits for eligible projects in FY2022. \$1 million will be earmarked to address childcare and early childhood development needs for children under five (5) years of age.

If requests for credits exceed the amount available and all other scoring factors are equal, priority will be given to applicants not previously awarded.

The Kansas Department of Commerce will evaluate the credit utilization of every project at the end of twelve (12) months. If, after notice has been provided by Commerce, an organization is unable to provide written evidence that their remaining credits will be utilized, Commerce reserves the right to reduce the amount of tax credits for that project and reallocate those credits to other projects, so they can be utilized before the expiration date.

TECHNICAL ASSISTANCE

For questions regarding completion of the Community Service Tax Credit Program Application forms or regarding community service organizations that have approved tax credit allocations, contact the Kansas Department of Commerce. Questions can be handled by telephone at (785) 296-4100 or submitted by email CSP.TaxCredit@ks.gov. Every effort will be made to return calls or respond to emails within 24 hours or one business day.

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.

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 that 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 K-60 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

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, the address of the headquarters determines whether the project qualifies as urban or rural.



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 – documented with a copy of the check.
- Services – documented by payroll records and documentation of the “normal billing rate for nonprofits.” 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 K.S.A. 79-32,195, 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, nonprofit 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

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

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 SERVICE

“Community Service” means: The conduct of activities which meet a demonstrated community need and are designed to achieve improved educational and social services for Kansas children and their families. The activities 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. Childcare and early childhood development are eligible for those providing services for ages five (5) and under (see page 7 for more information).

2) NON-GOVERNMENTAL CRIME PREVENTION

Kansas Community Service Tax Credit Program regulations define “Crime Prevention” as any non-governmental activity that aids in the prevention of crime.

3) HEALTH CARE SERVICES

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 that 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 YOUTH TECHNICAL TRAINING

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

The Kansas Department of Commerce may request any additional information it determines necessary to evaluate a proposal.



Childcare and Early Childhood Development

1) \$1 MILLION WILL BE EARMARKED TO ADDRESS CHILDCARE AND EARLY CHILDHOOD DEVELOPMENT NEEDS FOR THOSE PROVIDING SERVICES TO THOSE UNDER THE AGE OF FIVE (5).

2) ELIGIBLE FACILITIES AS DEFINED BY KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT LICENSING AND REGULATIONS:

- Licensed Day Care Home (hereinafter known as Family Child Care Home) - A childcare facility in which care is provided for a maximum of 10 children under 16 years of age. (Children under 11 years of age who are related to the provider must be included in the total.)
- Child Care Center - A child care facility in which care and educational activities are provided for 13 or more children, two-weeks to 16 years of age, for more than three hours and less than 24 hours per day including day time, evening and nighttime care, or which provides before-and-after school care for school-age children.

- Preschool - A child care facility that provides learning experiences for children who have not attained the age of eligibility to enter kindergarten and that conducts sessions not exceeding three hours per session; that does not enroll any child more than one session per day; and that does not serve a meal.
- Kansas Head Start and Early Head Start Program - Facility that provides comprehensive early childhood education, health, nutrition and parent involvement services to low-income children and their families.

Note: In-home day care facilities are not eligible at this time.

3) ELIGIBLE PROJECTS:

Center based facilities:

- building renovations
- equipment
- educational materials and tools

All other factors being equal, preference will be given to childcare centers that are co-located with other uses (i.e., industrial parks, public facilities business sites, court houses).

Selection Criteria

ALL PROPOSALS MUST SET FORTH:

1. Organization Overview: 200 Word Limit
2. Project Need/Summary: 550 Word Limit
3. Goals/Timelines: 350 Word Limit
4. Plans and Controls for the Project: 350 Word Limit
5. Organization Funding Capacity: 350 Word Limit
6. Budget Justification: 200 Word Limit

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. PROJECT NEED/SUMMARY: MAXIMUM OF 45 POINTS

- What is the need
- Who is the target community
- Summary of the project
- How does this project address the stated need
- Are there alternative solutions
- What steps were taken to collect input from the community

2. PROJECT PLANNING: MAXIMUM OF 12 POINTS

- An outline of the action plan that includes:
 - Project goals and objectives
 - Project timeline
 - Administrative controls

- Coordination with organizations
- Fiscal controls and audit
- Fundraising plan

3. AGENCY CAPACITY: MAXIMUM OF 10 POINTS

- Ability of the organization to sustain the project over time

4. FUNDRAISING CAPACITY: MAXIMUM OF 35 POINTS

- Capacity to adequately administer the project and manage the fundraising campaign
- Fundraising experience and fundraising plan
- Pledge letters (more letters = higher score)

5. COMMUNITY SUPPORT: MAXIMUM OF 15 POINTS

- Evidence of broad-based support from community members and/or those potentially directly impacted by the proposed project. This could include:
 - Direct beneficiaries
 - Partner agencies
 - Local and state government officials
 - Donors
 - Board members
- 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.

6. OVERALL QUALITY OF APPLICATION: MAXIMUM OF 15 POINTS

- 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.

7. INNOVATION: MAXIMUM OF 10 POINTS

- Innovative solution to solve the need
- Is the project replicable and scalable

8. CONFIDENCE IN PROJECT: MAXIMUM OF 20 POINTS

Application Submittal Procedures and Approval Process

PLEASE READ ALL INSTRUCTIONS CAREFULLY

NOTE: SUBMITTAL PROCEDURES HAVE CHANGED!

APPLICATIONS MUST BE SUBMITTED BY APRIL 30TH, 2021 AT 11:59 P.M.

- Incomplete applications will not be accepted.
- Awards will be made on or after July 1, 2021 and results of awards will be mailed and emailed.

The proposed project must be submitted electronically via the FY2022 CSP application as provided by the Kansas Department of Commerce.

THE FOLLOWING DOCUMENTATION MUST ACCOMPANY THE APPLICATION AS UPLOADED ATTACHMENTS:

1. Articles of Incorporation.
2. Bylaws of the organization.
3. If the organization has previously received community service tax credits, note that in the application.
4. IRS tax-exempt status notification if applicable. Nursing homes must submit an IRS tax-exempt status notification (not applicable to hospitals, but please include tax-exempt documentation if a nonprofit foundation will be receiving funds for the project).
5. A current "letter of good standing" from the Kansas Secretary of State (not applicable to hospitals).
6. Minutes of the board meeting where the Community Service Tax Credit 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. Minutes may be submitted with redaction (black line) through the minutes that are not pertinent to the Community Service Tax Credit Program application.
7. A current list of the organization's board of directors with addresses and phone numbers where board members may be reached.
8. A legible map showing boundaries of the service area or the project location. Available software: <http://mymaps.google.com>.
9. 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 at the time of submission.
10. Other letters showing 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 elected officials, etc.). To receive credit for letters of support, they must be included with the application as an uploaded attachment.

Note: to simplify processes and reduce burdens on applicants, letters from congressional delegates are not scored and will not be considered.
11. 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.
12. Copy of Child Care License (if applicable).
13. Other miscellaneous documents (if applicable).

Instructions

IMPORTANT - PLEASE READ ALL INSTRUCTIONS VERY CAREFULLY!

ALL QUESTIONS ARE TO BE ANSWERED COMPLETELY AND CONCISELY.

- 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 non-refundable application fee ([payable online or by check](#)).

**HAVE QUESTIONS OR NEED HELP?
WE'RE HERE TO HELP!**

Phone: (785) 296-4100
Fax: (785) 296-3490
Email: csp.taxcredit@ks.gov

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.

A review committee will review and rank applications. Final decisions on awards are made by the Secretary of Commerce.

Frequently Asked Questions

1) HOW DO I PAY THE APPLICATION FEE?

[Application fees can be paid online.](#)

Paper checks are also accepted. [Download and complete the Check Fee Payment Form](#) and mail to:

Kansas Department of Commerce
Community Service Tax Credit Program
Attn: Dustin Gale
100 SW Jackson Street, Suite 100
Topeka, Kansas 66612-1354

2) HOW DO I KNOW IF WE ARE ELIGIBLE FOR A 50% OR 70% TAX CREDIT?

Eligible donors may receive a credit equal to 70% 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% of the amount contributed. All Johnson County applicants, regardless of size, are eligible for a 50% credit. Upon approval of the application, the Kansas Department of Commerce will provide a letter that documents the tax credit percentage that an organization is eligible for.

3) IS PERSONNEL/STAFF COST AN ELIGIBLE EXPENSE?

No. Personnel/staff costs are not eligible expenses.

4) WHAT IS THE MAXIMUM AMOUNT OF TAX CREDITS THAT CAN BE APPLIED FOR?

The maximum amount of tax credits is \$250,000. There is no minimum.

5) WHAT IS KANSAS DEPARTMENT OF COMMERCE ROLE IN SOLICITING TAX CREDITS?

It is the responsibility of the nonprofit organization to solicit donations, complete the necessary paperwork and send the information to the Kansas Department of Commerce for processing. Kansas Department of Commerce will provide contact information to potential donors that are interested in donating.

6) WHAT HAPPENS IF AN ORGANIZATION DOESN'T USE ALL OF THEIR ALLOTTED TAX CREDITS?

The Kansas Department of Commerce will evaluate the credit utilization of every project at the end of 12 months. If, after notice has been provided by Commerce, an organization is unable to provide written evidence that their remaining credits will be utilized, Commerce reserves the right to reduce the amount of tax credits for that project and re-allocate those credits to other projects so they can be utilized before the expiration date.

7) WHO IS ELIGIBLE FOR TAX CREDITS?

The tax credit is 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. The minimum amount that can be donated is \$250. There is no maximum amount.

8) ARE THEY REFUNDABLE OR CARRIED FORWARD?

Tax credits that are not transferred are refundable and must be claimed in the year they are issued.

Any credits that are transferred are not eligible for a refund and will be carried forward.

9) HOW DOES THE NEW IRS CHARITABLE CONTRIBUTIONS REGULATIONS AFFECT THE COMMUNITY SERVICE PROGRAM TAX CREDIT PROGRAM?

The new regulations have no impact on the state regulations of CSP. They will only affect how and what you can deduct on the federal side.

[View regulations here.](#)

10) HOW DO I RECEIVE MY TAX CREDIT CERTIFICATE?

Once the Kansas Department of Commerce makes the Community Service Tax Credit award, organizations will have the ability to download a copy of the tax credit certificate through the Kansas Department of Revenue submission website.

