



New Hampshire Community Development Finance Authority
Estimate of Donor's Net Cost of Contributing Through CDFA Tax Credit Program

	With \$100,000 Contribution	Without Contribution	Net Savings	Net Cost of Contribution
I. Tax Credit Contribution	100,000	0		\$100,000
II. Tax Credit used to pay NH BPT, BET, Insurance Taxes	75,000	0	\$75,000	
III. NH Business Profit Tax				
a. Taxable Income before Contribution	500,000	500,000		
b. Less: Deduction for Contribution to CDFA	<u>-100,000</u>	<u>0</u>		
c. Net Taxable Income	400,000	500,000		
d. NH Business Profit Tax Rate	<u>8.5%</u>	<u>8.5%</u>		
e. Total NH BPT Liability	<u>34,000</u>	<u>42,500</u>	8,500	
IV Federal Income Tax				
f. Taxable Income before CDFA Contribution & NH BPT	500,000	500,000		
Deductions to Taxable Income:				
g. Contribution to CDFA (Net of Tax Credit Benefit)	-25,000			
h. NH Business Profit Taxes (line e)	<u>-34,000</u>	<u>-42,500</u>		
i. Adjustments to Taxable Income (lines g+h)	<u>-59,000</u>	<u>-42,500</u>		
j. Net Taxable Income	441,000	457,500		
k. Federal Income Tax Rate	<u>34.0%</u>	<u>34.0%</u>		
l. Total Federal Income Tax Liability	<u>149,940</u>	<u>155,550</u>	5,610	
V. Net Savings on a \$100,000 Donation to CDFA Tax Credit Program (lines II + e + l)				<u>\$89,110</u>
VI. Net Percentage Cost of Original Contribution				
m. Net Cost of \$100,000 Contribution				<u>\$10,890</u>
n. Net Percentage Cost of Contribution				10.9%

Notes: 1. The total contribution to CDFA is allowed as a charitable deduction for purposes of the NH BPT.
2. A 5 year carryforward is allowed if the total amount of the tax credit is not used in the year it is issued.
3. For Federal tax purposes there may be limitations that apply to your business.
4. Contributors are responsible for consulting with their own tax advisors to determine the impact of contributing to the CDFA tax credits on their finances.

Example 1
New Hampshire Community Development Finance Authority
Example of Ways to Use Tax Credits to Pay New Hampshire State Taxes
Donor Pays Both Business Profit Tax & Business Enterprise Tax

The First National Bank of New Hampshire contributed \$20,000 to the Youth Services Organization in 2009 for which they received \$15,000 in tax credits to use against state taxes. That year they earned a profit of \$200,000 and had total payrolls of \$500,000. Their tax liability at the end of 2009 is:

Total Profits	\$200,000
Business Profit Tax Rate	<u>8.5%</u>
BPT Owed	<u>\$ 17,000</u>
Total Payrolls	\$500,000
Business Enterprise Tax	<u>0.75%</u>
BET Owed	<u>\$ 3,750</u>

First National Bank has two options on how to use the \$15,000 of tax credits. They are:

	BPT	BET	Total
Option 1:			
Total Taxes Owed	\$17,000	\$3,750	\$20,750
Apply 100% to BPT	<u>- 15,000</u>	<u>-0</u>	<u>- 15,000</u>
Balance to Pay to State	<u>\$ 2,000</u>	<u>\$3,750</u>	<u>\$ 5,750</u>
Option 2:			
Total Taxes Owed	\$17,000	\$3,750	\$20,750
Apply to BET first and then BPT	<u>- 11,250</u>	<u>- 3,750</u>	<u>- 15,000</u>
Balance to Pay to State	<u>\$ 5,750</u>	<u>\$ 0</u>	<u>\$ 5,750</u>

Example 2
New Hampshire Community Development Finance Authority
Example of Ways to Use Tax Credits to Pay New Hampshire State Taxes
Donor Pays Business Profit Tax, Business Enterprise Tax & Insurance Premium Tax

The Safe Haven Insurance Company contributed \$40,000 to the Community Food Bank in 2009 for which they received \$30,000 in tax credits to use against their state taxes. That year they earned a profit of \$100,000, they had total payrolls of \$1,000,000 and they charged \$5,000,000 in premiums. Their tax liability at the end of 2009 is:

Total Profits	\$100,000
Business Profit Tax Rate	<u>8.5%</u>
BPT Owed	<u>\$ 8,500</u>
Total Payrolls	\$1,000,000
Business Enterprise Tax	<u>0.75%</u>
BET Owed	<u>\$ 7,500</u>
Total Premiums Charged	\$5,000,000
Insurance Premium Tax	<u>1.50%</u>
IPT Owed	<u>\$ 75,000</u>

Safe Haven Insurance has multiple options on how they can use the \$30,000 in tax credits. Two of those options are:

	BPT	BET	IPT	Total
Option 1:				
Total Taxes Owed	\$ 8,500	\$7,500	\$75,000	\$91,000
Apply 100% to IPT	<u>- 0</u>	<u>- 0</u>	<u>- 30,000</u>	<u>- 30,000</u>
Balance to Pay to State	<u>\$ 8,500</u>	<u>\$7,500</u>	<u>\$45,000</u>	<u>\$61,000</u>
Option 2:				
Total Taxes Owed	\$ 8,500	\$7,500	\$75,000	\$91,000
Apply to BPT & BET first, then IPT	<u>- 8,500</u>	<u>- 7,500</u>	<u>- 14,000</u>	<u>- 30,000</u>
Balance to Pay to State	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$61,000</u>	<u>\$61,000</u>