

## **CITC**

### **COMMUNITY INVESTMENT TAX CREDITS**

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#### **FREQUENTLY ASKED QUESTIONS:**

**1. What are community investment tax credits?**

Answer: Community Investment Tax Credits are a different way for worthy non-profits to raise money.

**2. How do tax credits work?**

Answer: The non-profit “sells” the credits to businesses or individuals that pay taxes in the state of Maryland.

**3. What do you mean, “Sells” the credits?**

Answer: An eligible business or individual donates \$500 or more to a non-profit with tax credits and the business gets \$250 in credits off their tax liability.

**4. Don’t you mean a tax deduction?**

Answer: No, a tax deduction reduces the amount of income that is taxed but a tax credit directly reduces the amount of tax that is paid.

**5. So, that means that a tax credit is better than a tax deduction?**

Answer: Yes, now you’re getting the idea!

**6. So, where do these tax credits come from?**

Answer: The Maryland Department of Housing and Community Development (DHCD) awards them to non-profits who apply for credits once every year.

**7. Is this a new program?**

Answer: No, under different names – the program has been around for 10 years.

**8. Has the program been successful?**

Answer: Yes, the CITC program has helped more than 300 Maryland non-profits raise more than \$20 million.

**9. Why haven’t I heard of it before?**

Answer: The state awards only \$1 million in tax credits each year and about half of them go to non-profits who sell \$50,000 or more credits to businesses that buy them every year.

**10. What happens to the other half?**

Answer: Each year the state tries to award credits to new groups so that they can use them to raise money but it's not always easy to sell them.

**11. Why is that?**

Answer: Because the credits require some explaining, like I'm doing now and businesses are wary of things that they don't understand.

**12. So, what's not to understand?**

Answer: You mean you get it!

**13. Let me see: An individual or business gives a non-profit with tax credits \$500 and in return I get \$250 off my business tax bill, right?**

Answer: Right!

**14. And if we give \$1000 we get \$500 off our tax bill and so on right? And, up to \$50,000 for a \$25,000 tax credit, right?**

Answer: Right again, but there's more.

**15. There's more!**

Answer: Yes, because you still get to take the value of the 4500 or \$1,000 up to \$50,000 as a charitable deduction in addition to your tax credit!

**16. Wow! Maryland is a great state!**

Answer: I couldn't agree with you more. I think my work here is done!

**17. Wait, how do I find a non-profit that can sell me tax credits or get more information?**

Answer: I thought you'd never ask. It's easy, just contact Diversified Housing Development

**Diversified Housing Development, Inc.  
8311 Liberty Road  
Windsor Mill, Maryland 21244  
Phone: 410-496-1214**

**Attention: Shavaugn Jackson**