HOUSING PARTNERSHIP NETWORK

HPN Issue Summary

New Markets Tax Credit Program

What is the New Markets Tax Credit Program?

The New Markets Tax Credit (NMTC) program was created with bipartisan support to attract investment capital to communities that are not served by the traditional market. Under the program, investors receive a tax credit for making equity investments in Certified Development Entities (CDEs), which in turn use proceeds to make loans and investments in businesses, real estate projects, and community facilities located in low-income communities.

How do New Markets Tax Credits work?

Qualified CDEs apply to the Community Development Financial Institutions Fund (CDFI Fund) within the Department of Treasury for the authority to offer the tax credits to their investors. The NMTC awards process is very competitive with generally less than a quarter of applicants receiving credit allocation in any given year. A NMTC investor receives a tax credit equal to 39% of the total Qualified Equity Investment (QEI) made in a CDE. The credit is realized over a seven year period, 5% annually for the first three years, and 6% in years four through seven.

Where are New Market Tax Credit investments made?

The investments are made in businesses or economic development projects located in the most distressed communities in the nation. All NMTC investments are required to be made in economically distressed communities. Moreover, more than 72 percent of all NMTC investments have been in communities exhibiting *severe* economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of area median income.

What types of activities are supported by New Market Tax Credits?

The NMTC program supports a wide variety of economic activities including: small businesses, manufacturing facilities, housing, charter schools, health care centers, child care centers, shopping centers, and grocery stores.

What is the impact of the NMTC Program?

Between 2003 and 2012, $31 billion in direct NMTC investments were made in businesses that created approximately 750,000 jobs, at a cost to the federal government of less than $20,000 per job. Between 2003 and 2015, $42 billion in direct NMTC investments were made in businesses and these NMTC investments leveraged nearly $80 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment.

What can Congress do?

The NMTC expires on December 31, 2019. To support NMTC, members of Congress can cosponsor The New Markets Tax Credit Extension Act of 2017 which is HR. 1098 in the House cosponsored by Rep. Tiberi (R-OH) and Rep. Neal (D-MA) and S. 384 in the Senate cosponsored by Senator Blunt (R-MO) and Senator Cardin (D-MD).

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