

New Markets Tax Credits

What Are New Markets Tax Credits?

The Federal New Markets Tax Credit Program was enacted on December 21, 2000 as a part of the Community Renewal Tax Relief Act of 2000 to revitalize Low-Income Communities (LICs). New Markets Tax Credits (NMTCs) are federal tax credits used to assist in the funding of neighborhood changes, job creation, commercial real estate projects, and businesses located in low income census tracts. LICs have difficulty attracting investment, leading to dormant or vacant buildings and businesses, inadequate access to healthcare and education, and lower property values, leading to low-income communities becoming 'distressed' communities.

- ▶ The program is administered by the US Treasury Department through a division called the CDFI Fund, in a unique public/private partnership with Community Development Entities (CDEs).
- ▶ Tax credits are sold by CDEs to NMTC Investors and are taken over 7 years.
- ▶ NMTC proceeds can fund up to the final 20-25% of a project's capital needs (gap finance); the project is responsible for sourcing all other capital.
- ▶ Projects are eligible for the program by being located in a Low-Income Community (based on Census Tract), and the project must demonstrate strong community impacts.
- ▶ NMTC investment is made in the form of a 7-year loan structure.
- ▶ The Project must remain compliant with all NMTC rules during the 7-year period and provide reporting to the CDE on a periodic basis.

Terms To Know

LEVERAGED CAPITAL

QALICB sourced Debt, Grants, Equity, etc.

NMTC

New Markets Tax Credits, 39% of QEI

QALICB

Qualified Active Low Income Community Business - entity that sponsors a project in a LIC

CDE

Community Development Entity - awarded NMTC Authority by CDFI Fund

LOAN A

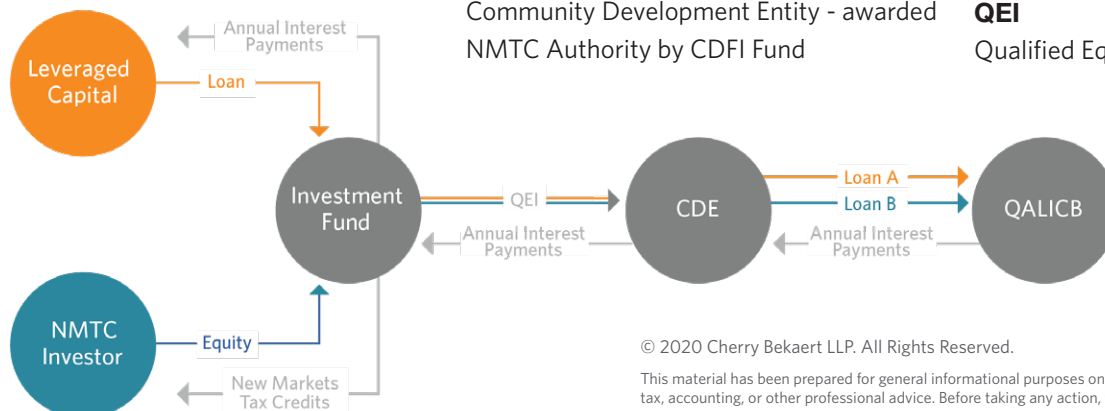
Tracks leveraged capital

LOAN B

Tracks NMTC Investor equity

QEI

Qualified Equity Investment in a CDE



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