

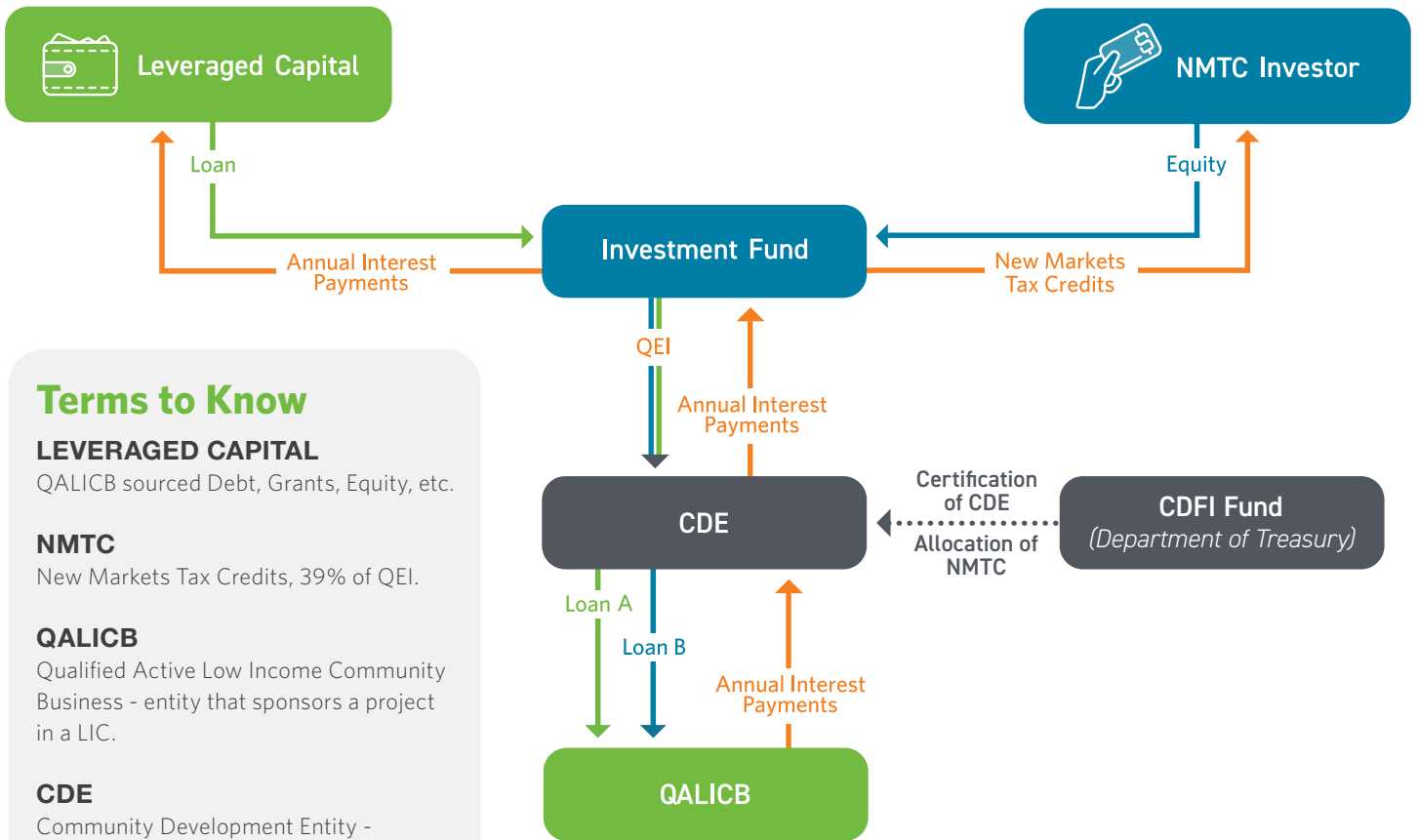


New Markets Tax Credits

What Are New Markets Tax Credits?

The Federal New Markets Tax Credit (NMTC) Program was enacted as a part of the Community Renewal Tax Relief Act of 2000 to revitalize Low-Income Communities (LICs). NMTCs are federal tax credits used to assist in the funding of neighborhood changes, job creation, commercial real estate projects, and new or existing businesses located in low-income census tracts. LICs sometimes have difficulty attracting investments, leading to dormant or vacant buildings and businesses, inadequate access to healthcare and education, and lower property values. NMTCs provide an opportunity for investors to not only invest in these “distressed” communities, but to do so in a way that minimizes investment risks and optimize returns.

- ▶ Through the Community Development Financial Institutions Fund, a division of the Department of Treasury, the federal government grants authority to private Community Development Entities (CDEs) to issue **seven years of federal tax credits to investors in exchange for equity investments.**
- ▶ CDEs use the equity investment received from tax credit investors to issue **low-interest, interest only, subordinated loans (NMTC Loans)** to geographically qualified projects in exchange for certain community impacts.
- ▶ The NMTC Loans can **cover as much as 15%-20% of total project costs.**
- ▶ The CDE and Investor typically sell the NMTC Loans to the project sponsor for a nominal fee, thus the **NMTC capital can be left in the project.**
- ▶ The NMTC Loan may be **subject to cancellation** after the investor exits.



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 Terms to Know.



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About Tax Advantage Group by Cherry Bekaert

Tax Advantage Group by Cherry Bekaert specializes in New Markets Tax Credits, helping non-profit and for-profit organizations access capital and transform communities. In addition to managing \$545 million of NMTC assets, and drafting over \$1 billion in successful NMTC Applications, since 2004 TAG has played an instrumental role in securing funding for over \$1.3 billion for community and economic development projects across the United States.



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