



LEGISLATIVE PRIORITIES

NEW MARKETS TAX CREDIT (NMTC)

The NMTC was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554), as part of a bipartisan effort to stimulate investment and economic growth in low income urban neighborhoods and rural communities that lack access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies. Between 2003 and 2015, \$42 billion in direct NMTC investments were made in businesses and these NMTC investments leveraged over \$80 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment. Between 2003 and 2012, the NMTC generated about 750,000 jobs, at a cost to the federal government of less than \$20,000 per job. By law, all NMTC investments must be made in economically distressed communities. However, 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 the area median. The New Markets Tax Credit generates economic activity, providing a return on investment to the federal government. In 2012, NMTC-financed businesses generated \$984 million in federal tax revenue which more than covered the estimated \$800 million cost of the Credit in terms of lost tax revenue in 2012.

In 2015, Congress enacted the PATH Act (PL 114-113), which extended NMTC for five years (2015-2019) at \$3.5 billion in annual credit authority. Recently, the Community Development Financial Institutions Fund (CDFI) of the Treasury Department awarded a total of \$7 billion in allocations. This will spur an estimated:

- \$14 billion in total investments in economically distressed communities including \$2.8 billion in rural America;
- 166,000 construction jobs;
- \$2.8 billion for investments in rural communities;
- Financing for 139 industrial and commercial facilities;
- Investments for 350 vital community facilities included schools, hospitals and clinics;
- Financial assistance to 38 grocery stores and 84 mixed-use developments; and
- A variety of other projects prioritized by local leaders.

Policy Recommendations for the New Markets Tax Credit (included S.384 NMTC Extension Act by Sens. Blunt and Cardin):

- *Make the NMTC a permanent part of the Internal Revenue Code;*
- *Increase the annual NMTC allocation to \$5 billion annually, indexed to inflation in future years; and*
- *Provide Alternative Minimum Tax (AMT) relief for NMTC investments, thereby ensuring NMTC investors the same consideration under the AMT as is currently provided to investors in many other federal tax credits.*