



November 2, 2009

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FOR IMMEDIATE RELEASE

**NMTC WORKING GROUP RESPONDS TO CDFI FUND'S QUESTIONS
Industry Professionals Weigh-In on 10 Questions: Focus on 'Relatedness
Test'**

Atlanta — Responding to the U.S. Treasury's Department's Community Development Financial Institutions (CDFI) Fund request for comments on the new markets tax credit (NMTC) allocation application, the NMTC Working Group in its most recent letter, offers comments to specific questions asked by the CDFI Fund, focusing particular attention on one of the more important issues on which the Group has been concentrated for several years — the relatedness test.

NMTC Working Group members are active participants in the NMTC industry who have prepared comments on nearly all aspects of the NMTC program since Novogradac & Company LLP launched the group in 2006. "Our goal is to be a strong and active voice in the NMTC industry, to ensure it is as efficient as possible in delivering the greatest amount of subsidy to low-income communities," says Brad Elphick, a partner in Novogradac & Company's Atlanta office.

In its current form, the NMTC allocation application gives priority points to applicants that indicate they will use substantially all of their qualified equity investment (QEIs) to make qualified low-income community investments (QLICIs) in one or more qualified active low-income community businesses (QALICB) in which persons unrelated to the applicant hold the majority interest. While the CDFI Fund is statutorily required to give such priority points, the statute does not identify when "relatedness" should be tested.

To date, the CDFI Fund has established that the test to determine if an entity is related is to be conducted **after** the community development entity (CDE) makes the qualified investment in a low-income community. This prevents most CDEs from making equity investments, the most patient form of capital. It also causes CDEs to structure their investments as debt, which burdens qualified low-income community businesses with additional debt.

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The NMTC Working Group recommends that the CDFI Fund clarify that the entity that claimed priority points for investing in unrelated businesses will be in compliance with its allocation agreement if it is considered an unrelated entity **after** the qualified investment is made but **before** the CDE or sub-CDE makes its initial investment in a qualified business in a low-income community. By testing "relatedness" after the investment is made, the test will determine if the CDE or sub-CDE intends to invest in a qualified business that is related to the CDE prior to the actual investment.

This approach, says Elphick, would allow CDEs to make many more equity investments, the most patient form capital, to qualified businesses as long as the NMTC investor is not related to that business. "The NMTC Working Group believes this is consistent with the intent of the NMTC program," he says.

For more information on the NMTC Working Group, its goals and membership, and to view the letter the Working Group sent to the CDFI Fund, please go to www.novoco.com/new_markets/resources/working_group.php and click on comment letters.

The NMTC Working Group was established to provide a platform for NMTC industry participants to work together to resolve technical and administrative New Markets Tax Credit program issues. Each month, members of the group participate on a conference call. Members participate in discussions and provide input regarding pending action items as agreed to by the members of the group. Novogradac & Company LLP also hosts a NMTC Working Group meeting at a scheduled time at each of its national NMTC conferences. Comments and suggestions are agreed to and submitted in writing directly to the IRS and the CDFI Fund based upon the group discussions.

Novogradac & Company LLP is a national certified public accounting and consulting firm whose headquarters are in San Francisco, Calif., with offices in metro Atlanta, Ga., Washington, D.C. and Kansas City, Mo., as well as in Austin, Texas, Boston, Mass., Dover, Columbus and Cleveland, Ohio, Portland, Ore., New York, N.Y. and Long Beach, Calif. The firm has consulted on thousands of affordable housing, community development and renewable energy projects and maintains client relationships with the leading tax credit sponsors in those industries. Novogradac & Company LLP is consistently ranked by *Accounting Today* and *Inside Public Accounting* as one of the top 100 accounting firms in the nation. For more information on Novogradac & Company LLP, please visit www.novoco.com, send an email to cpas@novoco.com, or call 415.356.8000.

The CDFI Fund was created for the purpose of promoting economic revitalization and community development through investment in and assistance to community development financial institutions (CDFIs). The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994, as a bipartisan initiative. The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated community development entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

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