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FOR IMMEDIATE RELEASE

**TREASURY'S CDFI FUND ASKED TO CLARIFY GUIDANCE ON NMTC
COMPLIANCE AND MONITORING**

**NMTC Working Group Seeks Answers on Meeting Thresholds for Providing Affordable
Housing and the Definition of Substantial Rehabilitation**

San Francisco — In a letter to the U.S. Treasury's Department's Community Development Financial Institutions (CDFI) Fund, the NMTC Working Group has asked the CDFI Fund to further define and clarify issues that surround complying with the New Markets Tax Credit (NMTC) program.

The NMTC Working Group, whose members are active participants in the NMTC industry, has prepared comments on nearly all aspects of the NMTC program since Novogradac & Company LLP launched the group in 2006. This year, the CDFI Fund released an updated version of its Compliance and Monitoring Frequently Asked Questions document (FAQ). "This is an exciting opportunity to comment because it gives the members of the Working Group a chance to let the CDFI Fund hear about its issues and concerns regarding two very important issues," says Brad Elphick, a partner in the Atlanta, Ga. office of Novogradac & Company LLP. "We applaud the CDFI Fund in its efforts to clarify these important issues surrounding the NMTC program. We believe that our comments, if adopted, will provide further clarification so that projects can move forward and begin creating the much needed community impact in low-income communities around the country."

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In its most recent letter, the Working Group seeks to clarify the threshold for meeting the housing affordability and substantial rehabilitation requirements contained in the allocation agreement. To guarantee a more competitive application, applicants checked a box committing that at least 20 percent of all housing developed as a result of its QLICIs would be affordable; this election became a requirement in the applicant's allocation agreement. The Group recommends that the affordability requirement be on an allocation wide basis and that rent restrictions for rental housing be similar to those of the low-income housing tax credit program. The Group also recommends that once the rental units are determined to be affordable the owners should not be required to perform recertifications throughout the compliance period. The Group requests a clarification on the definition of debt-to-income ratio prescribed for for-sale housing units and recommends that the ratio include monthly mortgage costs such as mortgage principal and interest, mortgage insurance premium (when applicable), hazard insurance premium, property taxes, and homeowners' association dues (when applicable).

In its efforts to address concerns on meeting the cost-basis threshold requirement of substantial rehabilitations, the NMTC Working Group in its most recent comment letter recommends that a provision similar to provisions contained in the historic rehabilitation and low-income housing tax credits programs be used. Current guidance could be overly burdensome for many, the Group's letter notes, because it creates two different 24-month periods for meeting the threshold requirement, depending on whether a project's cost is financed directly or is funded through take-out financing.

The Group recommends that the threshold be met at any time during any 24-month period that the qualified low-income community investment is made, rather than in the 24 months following such an investment, as is the case for some projects, or in the 24 months prior to the investment being made, as is the case for other projects. "In order to limit the time period for which costs can be included in determining if the substantial rehabilitation requirement is met, we recommended that costs be limited to those costs incurred during the taxable year in which the qualified low-income investment is made and any 24-month period that begins in and ends within or straddles the taxable year in which the investment is made," says Elphick.

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

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.

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