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FOR IMMEDIATE RELEASE

**WORKING GROUP FINDS NEW MARKETS TAX CREDIT PROGRAM
OUTPERFORMS COMPARABLE CASH GRANT PROGRAM**

**Analysis reveals NMTC Program is More Efficient at Delivering Benefits to Businesses in
Low-Income Communities**

San Francisco, Calif. – Results of an analysis to be released tomorrow by the New Markets Tax Credit Working Group (Working Group) at Novogradac & Company LLP’s New Markets Tax Credit Investors Conference in Chicago, counters a Government Accountability Office (GAO) report that a cash grant program to replace the New Markets Tax Credit (NMTC) program may be more efficient in delivering subsidy to qualified businesses in low-income communities. The GAO had suggested that Congress consider converting the NMTC program to a cash grant program based on the report’s findings.

“The report, ‘Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars and Enhance Revenue,’ is based on analysis that ignores several elements of the NMTC and additional costs of the proposed cash grant program,” says Brad Elphick, who heads up the activities of the Working Group and is a partner in Novogradac & Company LLP’s Metro Atlanta, Ga. office. “Our analysis reveals that the NMTC is more efficient than a comparable cash grant program and as the price paid per credit rises so does the efficiency of the NMTC. At a price of 75 cents per credit, the NMTC is at least 14 percent more efficient than a comparable cash grant program.”

Assuming a \$10 million qualified equity investment in its analysis, the Working Group determines the present value of \$3.9 million in tax credits, which includes a basis adjustment since the NMTC reduces federal income tax basis and is, therefore, a “taxable” credit. The Working Group then takes into account conservative estimates of up-front and on-going costs of administering and monitoring the grant program, and due diligence fees to ensure that the businesses receiving the grant were qualified, all of which resulted in a lower net grant amount. When a conservative 10 percent failure or default rate is factored in the Working Group’s analysis of the cash grant program, the net benefit provided by the cash grant is determined.

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The Working Group's analysis of the NMTC program assumes typical up-front, on-going and back-end fees, which are presumed to be greater in an NMTC transaction because of costs to find investors and negotiate partnership terms not present in a grant program. In addition, fees for asset management are assumed over the seven-year tax credit period as is an exit fee at the end of the seven years. "The analysis reveals that with a conservative estimate of 68 cents per credit, the net benefit provided by the NMTC is greater than that calculated for a comparable cash grant program; at 75 cents, the net benefit increases. Therefore we believe that Congress should consider enhancements to the current NMTC rather than converting it to a cash grant," says Michael Novogradac, managing partner in Novogradac & Company's San Francisco, Calif. office and the Working Group's advisor on industry and governmental affairs. "One statutory enhancement would be to allow the NMTC to offset the alternative minimum tax, one regulatory enhancement would be for the Internal Revenue Service to issue guidance that in certain situations NMTC recapture is proportional to the degree of noncompliance, and not absolute, 100 percent recapture," Novogradac added.

The Working Group's Report "NMTC Program Outperforms Comparable Cash Grant Program" is available for download at www.newmarketscredits.com.

The NMTC Working Group was established by Novogradac & Company LLP to provide a platform for NMTC industry participants to work together to address technical and administrative NMTC program issues in an effort to improve the overall efficiency of the NMTC. Each month, members of the group participate in discussions and provide input regarding action items agreed to by the members of the group. Comments and suggestions, based upon the group discussions, are agreed to and submitted in writing directly to the IRS, CDFI Fund and other organizations. All of the group's comments can be found on its website. The group has also prepared recommended practices and a census tract mapping tool that is available for anyone to use. Novogradac & Company LLP also hosts an NMTC Working Group meeting at each of its national NMTC conferences. For more information about the NMTC Working Group, please visit the group's website www.nmtcworkinggroup.com.

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