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FOR IMMEDIATE RELEASE

**NMTC WORKING GROUP TAKES ISSUE WITH GAO ON ITS RECOMMENDATION TO
CONVERT NMTC PROGRAM TO CASH GRANT PROGRAM**

Industry Professionals Cite Revenue Benefit of Tax Credit System For Federal Government

Atlanta Ga. — The New Markets Tax Credit Working Group (Working Group) in an April 4 letter to the Comptroller General and the Director of Strategic Issues in the Government Accountability Office (GAO), expresses its disagreement with recommendations contained in the GAO's March 2011 and January 2010 reports on the New Markets Tax Credit (NMTC) program.

Those reports, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," most specifically the section titled "Converting the New Markets Tax Credit to a Grant Program May Increase Program Efficiency and Reduce the Overall Cost of the Program," and "New Markets Tax Credit: The Credit Helps Fund a Variety of Projects in Low-Income Communities, but Could be Simplified," recommend that Congress consider converting the NMTC program to a cash grant program with the intention of making additional funds available to businesses. The Working Group maintains that changes to the current tax credit program can accomplish many of the same goals.

The Working Group contends that the GAO's claim that the upfront reductions of 20 to 25 cents that the federal government loses on each \$1 of tax credit could be largely avoided in a grant program is based on a misunderstanding of the tax credit. "This statement contains a major oversight," says Brad Elphick, a partner in the Atlanta office of Novogradac & Company LLP, who heads up the efforts of the Working Group. He explains that the 39 percent NMTC is not entirely claimed at the time the investor makes an equity investment; it is claimed over a period of six years and one day and the investor cannot receive any of its capital back until the end of seven years. "This is one reason the present value of the credits is discounted 75 to 80 cents per dollar of tax credit-in consideration of the time value of money. A typical investor would not be willing to pay \$1 today for \$1 of benefit it will receive six years from today."

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“The current tax credit structure actually benefits the federal government by spreading over seven years the revenue lost due to the tax credit,” says Michael J. Novogradac, the managing partner in Novogradac & Company LLP’s San Francisco office and the Working Group’s advisor on industry and governmental affairs. “If the NMTC program were converted from a tax credit to a grant, the loss of revenue over seven years would be accelerated to the same year in which the grant was made and this would cause significant increases in the short-term cost for the federal government.”

The Working Group submits that if the goal is to eliminate up-front reductions, the GAO could simply suggest making the credits more similar to the theorized cash grant program.

For more information on the NMTC Working Group, its goals and membership, and to view the letter the Working Group sent to the GAO, 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 NMTC 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 an 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, the Community Development Financial Institutions (CDFI) Fund and other governmental agencies based on the group discussions.

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