

Change in the Tax Credit Community Begets Change in the Journal

By Michael J. Novogradac, CPA

I begin my column this month with news that the Novogradac Journal of Tax Credit Housing next month will become the Novogradac Journal of Tax Credits, expanding its coverage to include more news, analysis and commentary on the growing and dynamic tax credit environment.

It has become clear as the weeks, months and years roll on that the distinctive sectors of the tax credit industry are intersecting and connecting. More and more low-income housing tax credit (LIHTC) properties are benefiting from twinning with the renewable energy tax credits (RETCs), new markets tax credit (NMTC) projects are being leveraged with RETCs, historic preservation is being accomplished through the use of historic tax credits (HTCs) employed alongside NMTCs and RETCs, and all of these tax credits are being used to produce employment opportunities and preserve communities.

Aware of this evolving environment and to bring the readers of the Journal of Tax Credit Housing, *NMTC Report* and *Property Compliance Report* information on the growing tax credit industry, we are expanding and renaming our journal and next month will launch the the 80-page, full-color Novogradac Journal of Tax Credits.

Our redesigned and more encompassing publication will continue to cover LIHTCs, LIHTC property compliance and monitoring, LIHTC valuation and market study matters, and tax-exempt housing bonds, but starting next month we are adding coverage of the new markets tax credit, renewable energy tax credits and historic tax credits, as well as HUD rental housing programs. We've packaged it all in a single publication that will feature more columns written by industry experts, more photos of tax credit developments and dealmakers, more Facts & Fig-

ures, more Q&As and more brief news items on people, projects, industry and state specific issues.

I will also be expanding my Washington Wire column to include comments and observations on the additional tax credit and HUD programs that the journal will cover. This month, in a glimpse of things to come, my column will focus on the recent new markets tax credit awards and on legislation introduced last month, a bill that would create jobs and encourage investment in clean energy.

New Markets Tax Credit Program Awards Total \$5 Billion

On October 30, Treasury Secretary Tim Geithner and Community Development Financial Institutions Fund Executive Director Donna Gambrell announced that 99 community development entities (CDEs) had been selected to receive \$5 billion in new markets tax credit allocation authority under the seventh round of the NMTC program. The allocations awarded last week include \$1.5 billion allocated among 24 CDEs authorized by the American Recovery and Reinvestment Act of 2009. These seventh round allocatees are headquartered in 30 states, the District of Columbia and Puerto Rico, but they anticipate making investments in 49 states, as well as the District of Columbia and Puerto Rico. The awardees plan to invest in renewable energy projects, charter schools, health-care facilities, manufacturing companies and retail centers.

As is the case every year, requests for allocations far surpassed the amount of available tax credit allocation. The CDFI Fund received 249 CDEs applied for allocations, requesting a total of approximately \$22.5 billion in allocation authority; the awarding of \$5 billion equals 22 percent of the total amount requested by applicants. Awards ranged

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in size from \$4 million to \$125 million.

As of November 2, more than \$14.4 billion of private-sector capital has been invested through the NMTC program. This figure represents about 55 percent of the \$26 billion in allocation authority awarded to CDEs through the end of October 2009. The data show that more than 85 percent of NMTC allocation authority awarded through Round 5 has been finalized. Only about \$700 million of the \$10 billion in allocation authority awarded in the last two rounds has been finalized to date. This is to be expected, especially since signed and executed allocation agreements are not yet completed on \$5 billion of the \$10 billion awarded in the last two rounds.

Data reported through the end of 2008 shows that \$12.7 billion of NMTC capital has been invested in approximately 2,000 businesses and real estate developments. Geithner said those investments support roughly 200,000 jobs.

Congress created the New Markets Tax Credit program,

part of the Community Renewal Tax Relief Act of 2000, to encourage investment in low-income communities. The program was designed originally to generate \$15 billion in new private sector investments in low-income communities. Congress has authorized an additional \$11 billion since 2000, for total authorized allocations of \$26 billion.

Despite its growing recognition and reputation, the NMTC will sunset at the end of this year unless the program is extended. As we went to press, there was exciting news about an impending package of tax extenders that are being prepared for introduction in the House. The House Ways and Means Committee published a summary of the package, which is being called the Tax Extenders Act of 2009, and included is a one-year extension of the new markets tax credit that would provide \$3.5 billion in tax credit authority through 2010.

The New Markets Tax Credit Coalition, a broad cross-section of the community development industry including local, regional and national community development

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organizations and investors, of which I am an ex-officio director, is urging members of Congress to include language that would allow NMTC investors to offset alternative minimum tax, or AMT. In addition, the coalition is urging Congress to support a \$5 billion NMTC allocation for 2010 to respond to the ongoing demand for tax credits. The New Markets Tax Credit Extension Act of 2009, H.R. 2628 would extend the NMTC for five years and generate more than \$25 billion dollars in new private investment in poor urban and rural communities across the country. If passed, H.R. 2628 would provide \$5 billion dollars in annual NMTC allocation authority and allow an investor to use its NMTCs to offset the alternative minimum tax. I encourage all tax credit professionals to support this effort to extend the NMTC program – economically stable communities are the backbone of our nation and provide the homes and jobs so necessary for a secure future.

Solar Manufacturing Jobs Creation Act

Switching gears, Sen. Robert Menendez, D-N.J. on November 9 introduced S. 2755, the Solar Manufacturing Jobs Creation Act. Supporters say the bi-partisan legislation will provide a tax credit to support solar manufacturing in the United States and encourage more U.S. companies to produce solar equipment, thereby creating jobs and investing in the nation's clean energy economy. The bill is cosponsored by Sens. Debbie Stabenow, D-Mich., Michael Bennet, D-Colo. and Kirsten Gillibrand, D-N.Y. A companion bill in the House, H.R. 4085, is sponsored by Rep. Mike Thompson, D-Calif., and Dave Camp, R-Mich. The bi-partisan House bill has 15 co-sponsors.

In a statement released on November 10, Stabenow said

the bill would provide additional tax credits for solar equipment manufacturers that will “help us win the global race against China and other countries to produce solar technology in the clean energy economy.”

According to the Solar Energy Industry Association, the United States produced more than 40 percent of the world's solar photovoltaic cells a decade ago. In 2008, the U.S. produced only 5 percent of the world's solar cells. The association estimates that the tax credits in this legislation will generate 315,000 new domestic jobs. Currently, a 30 percent investment tax credit (ITC) exists for the investment in or installation of solar power technology. Under the Solar Manufacturing Jobs Creation Act, equipment and facilities used to manufacture solar power technology would be added to the eligible property list for the ITC. These technologies include those used to fabricate solar cells, silicon, evacuated tubes and flat-plate solar collectors. S. 2755 has been referred to the Senate Finance Committee. H.R. 4085 has been referred to the House Energy, and Commerce and House Ways and Means committees.

Looking to the Future

These are just two examples of the kinds of new topics and information that readers of the Novogradac Journal of Tax Credits can expect to learn about in the coming year. We hope you will find the redesigned and expanded Journal speaks to your need for tax credit news, analysis and commentary. We invite you to discover along with us not only the tried and true connections, synergism and opportunities but also to explore and consider with us those that are not so familiar, those that require us to stretch our thinking and challenge our imagination. ❖

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