

July 6, 2005

Sent Via Mail and E-Mail

Matt Josephs
NMTC Program Manager
Community Development Financial Institutions Fund
U.S. Department of Treasury
601 13th Street, N.W., Suite 200 South
Washington, DC 20005

Dear Matt:

As participants in the New Market Tax Credit ("NMTC") industry, we, the undersigned, have joined together to provide the Community Development Financial Institutions Fund (the "CDFI Fund") our comments in response to the Department of Treasury's request for comments on the issue regarding the requirements for a Qualified Active Low-Income Community Business ("QALICB") with respect to targeted populations for purposes of the NMTC Program. We have provided these comments in consensus. For your convenience, we have attached proposed amendments to NMTC Treasury Regulations Section 1.45D-1 regarding targeted populations and have summarized them below:

We have proposed that an entity wishing to serve a targeted population, which would be defined as either (i) an individual whose income is 80 percent or less of area median gross income, or (ii) a member of an identifiable group of individuals, including an Indian tribe, who otherwise lack adequate access to loans or equity investments, can meet the requirements of a QALICB by satisfying one of the following requirements:

1. Sales to targeted populations is at least 50 percent of gross income;
2. At least 40 percent of the employees are of a targeted population; or
3. More than 50 percent of the owners are of a targeted population.

For purposes of lessors of tangible property, if the lessee meets one of the three aforementioned requirements, then the lessor is deemed to be serving a targeted population.

We also proposed a special rule for property located in an Empowerment or Enterprise Zone. Specifically, if 85 percent or more of an entity's property is located in an Empowerment or Enterprise Zone, then the percentages for the first three proposed requirements are reduced to 25 percent, 20 percent and 25 percent, respectively.

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We've also recommended language that allows the investment in a QALICB to remain a qualified low-income community investment if the ownership changes and falls below 50 percent as long as the agreement governing the investment requires the loan to be repaid or the equity investment returned. These repayments would then be subject to the reinvestment rules.

We are excited about the possibility of the New Markets Tax Credit Program being able to reach and benefit more individuals who lack adequate access to loans or equity investments. Thank you in advance for your time and consideration. Please do not hesitate to contact us if you have any questions regarding our comments or if we can be of further assistance.

Yours very truly,

Michael J. Novogradac
Novogradac & Company LLP

Owen P. Gray
Novogradac & Company LLP

Attachments