

New Markets Tax Credit Coalition (NMTCC)

December 10, 2002

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*Community Reinvestment
Fund*

Nancy Andrews
Low Income Investment Fund

Michael Banner
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Self-Help

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Stockton Williams
The Enterprise Foundation

President George W Bush
The President of the United States
Executive Office of the President
First Floor, West Wing
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

I am writing on behalf of the New Markets Tax Credit Coalition to urge that the Administration include an expansion of the New Markets Tax Credit (NMTC) in its stimulus package. The NMTC provides a modest subsidy to attract private capital investors to economic development and business opportunities in poor communities.

We believe that an additional \$2.5 billion in NMTC will provide a much-needed boost to local economies. The cost to the government of this stimulus will be modest. We estimate the federal government's cost of encouraging an additional \$2.5 billion in private investment to be \$42 million over five years and \$700 million over ten.

The NMTC was enacted in December of 2000 as part of the Community Renewal Tax Relief Act. The Credit is designed to increase the flow of private capital into low-income communities – the communities that are often impacted first and most severely in an economic downturn.

The NMTC provides a credit against federal income taxes paid by individuals or corporations that make qualified equity investments in designated Community Development Entities (CDEs). CDEs, which include faith and community-based organizations, use the capital raised with the credit to make community development investments in targeted low-income communities.

Between now and 2007, the NMTC will spur at least \$15 billion in private investments to promote economic development in rural and urban low-income communities. The first round of applications for Credits closed in August 2002. A total of \$2.5 billion in Credits was available.

The response to the allocation application was overwhelming with the Treasury Department's Community Development Financial Institutions (CDFI) Fund receiving applications requesting close to \$26 billion – more than ten times the amount available. This demand for the Credit demonstrates both the need for capital in poor communities as well as the interest amongst private sector investors.

NMTC Letter
December 10, 2002
Page 2

Our nation's low-income rural and urban communities have been the worst hit by the downturn in the economy. These communities need immediate assistance. The CDFI Fund has many qualified allocation applications on hand with the potential to generate increased investment in poor communities if the Credit were made available. These qualified applications include deals and investments that will impact low income communities right now.

For these reasons, we urge you to include an expansion of NMTC in the upcoming stimulus package. I have sent a similar letter to both Paul O'Neil, Secretary, United States Department of Treasury and Peter Fisher, Under Secretary for Domestic Finance.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Rapoza". The signature is fluid and cursive, with the first name being the most prominent.

Robert A. Rapoza