

Dear Colleague:

When Congress returns from the Spring District Work Period, we intend to introduce *The New Markets Tax Credit Extension Act of 2007*. We invite you to co-sponsor this legislation, which will extend the New Markets Tax Credit Program (“the NMTC” or “the Credit”) for five years through 2013.

The NMTC was enacted in December 2000 as part of the Community Renewal Tax Relief Act. The program is administered by the Department of Treasury through the Community Development Financial Institutions Fund. The Credit was designed to stimulate investment and economic growth in low-income urban neighborhoods and rural communities, and offers a seven-year, 39 percent federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDE). CDEs use capital derived from the tax credits to make loans to or investments in businesses and projects in low-income areas.

The original authorizing legislation provided \$15 billion in New Markets Tax Credit authority between 2000 and 2007. In December 2005, Congress provided an additional \$1 billion in Credits targeted to communities in federally-designated “GO Zones” devastated by Hurricane Katrina. In December 2006, Congress passed the Tax Relief and Health Care Act of 2006, which extended the Credit through 2008 with an additional \$3.5 billion in Credit authority. Finally, we offered an amendment to the FY 2008 Budget Resolution to ensure that reserve funds are available to accommodate the extension of this important Credit. The amendment was accepted by unanimous consent.

All indications are that the NMTC is working. NMTC investments in low income communities total over \$7.7 billion, and over 200 CDEs are using the Credit to support a wide variety of community and economic development initiatives including, among others, the financing of charter schools, health care facilities, manufacturing businesses, grocery-anchored retail centers, and numerous other commercial and mixed-use real estate projects. Through FY 2005, the NMTC had generated financing for the construction or rehabilitation of over 43 million square feet of real estate, and had helped to create or retain 72,000 construction jobs and 20,000 full time equivalent jobs in low-income community businesses. The program has also generated remarkable demand: in the first three allocation rounds the average demand was ten times the available credits.

A recent GAO report (www.gao.gov/new.items/d07296.pdf) highlights the effectiveness of the program. An estimated 88 percent of investors said they would not have made the same investment without the New Markets. The total dollar amount and the number of investors are increasing and the report reveals that these investments are working in poorer communities than required by law.

If you would like to cosponsor this legislation please contact Ellen Doneski (Sen. Rockefeller) at 224-6472 or Tucker Shumack (Sen. Snowe) at 224-5344.

More information on NMTC can be found on the website of the CDFI Fund (www.cdfifund.gov), a federal agency under the Department of Treasury that administers the NMTC Program. The CDFI Fund’s mission is to expand the availability of credit, investment capital, and financial services in distressed communities.

Sincerely,

Sen. John D. Rockefeller

Sen. Olympia J. Snowe