

WASHINGTON, D.C. 20220
NOV 02 2005
Mr. Robert A. Rapoza
New Markets Tax Credit Coalition
1250 Eye Street, NW, Suite 902
Washington, DC 20005

Dear Mr. Rapoza:

Thank you for your letter to Secretary Snow regarding the new markets tax credit. Your inquiry has been forwarded to me because it raises questions of tax policy.

As you know, the new markets tax credit (NMTC) provides a tax credit to investors who make qualified equity investments in community development entities, or "CDEs." The CDEs must apply for and receive an allocation of tax credit authority from the Treasury Department and must use substantially all of the proceeds of the qualified equity investments to make qualified low-income community investments. Under current law, \$15 billion of qualified equity investments are authorized on a phased-in basis from 2001 through 2007.

Your letter seeks the support of the Administration for reauthorization of the NMTC program. Your letter proposes: (1) a five-year reauthorization at \$3.5 billion per year, adjusted for inflation; and (2) an amendment to require the Treasury Department to seek diversity in geography to encourage a greater allocation of credits to rural areas and diversity in financing to foster greater small business lending and venture capital investing.

As your letter implicitly recognize,, it will be important to demonstrate and document the positive impact the program is having in low-income communities. As projects are undertaken, there will be a better understanding of the results of the program. We anticipate that the extent of the program's positive impact will be an important factor that Congress will consider in its deliberations whether to extend the program and in Treasury's consideration of its position regarding a possible extension.

Thank you for your interest in this important issue.

Sincerely,

Eric Solomon
Acting Deputy Assistant Secretary (Tax Policy)