

NEW MARKETS TAX CREDIT COALITION

New Markets Tax Credits and Economic Recovery Legislation

Congress should include additional volume for the New Markets Tax Credit in any new legislation to stimulate the economy and alleviate the credit crunch. Specifically, the New Markets Tax Credit Coalition urges Congress to provide for 2008 an additional billion dollars in NMTC volume for qualified applications on hand and to increase the NMTC for 2009 to \$5 billion in credit authority.

According to a recent statement by U.S. Treasury Deputy Secretary Kimmit, thanks to New Markets, some \$12 billion of private-sector capital has been invested in distressed urban and rural communities throughout the country. Through 2007 \$9 billion of capital derived through NMTC has been invested into approximately 2,000 businesses and real estate developments - helping to develop or rehabilitate over 68 million square feet of real estate, create 210,000 construction jobs, and create or maintain 45,000 full time equivalent jobs at businesses in low-income communities.

On October 21, Federal Reserve Chairman Bernanke testified before the House Budget Committee yesterday. According to the *Washington Post*, Mr. Bernanke suggested that Congress consider a stimulus package to make it easier for Americans to get credit. Congress "should consider including measures to help improve access to credit by consumers, home buyers, businesses and other borrowers," Bernanke said. "Such actions might be particularly effective at promoting economic growth and job creation ... *it (the government) could offer tax credits to encourage lending.*"(Emphasis added)

The New Markets Tax Credit has a track record of success in providing the incentives necessary to raise capital for loans and investments in economically distressed urban and rural communities. The capital available through NMTC has provided necessary financing for a wide range of business and community development projects that have helped jump start local economies, create jobs, services and business opportunities.

There is substantial evidence that the NMTC is an effective incentive to encourage private sector investment in low income areas. A recent GAO report indicated that 88% of investors surveyed would not have made the investment in the low income community without the Credit. A total of 69% of the investors indicated that they had not made an investment in a low income community project prior to working with NMTC. Even in these uncertain times, NMTC continues to leverage private sector investments. Over the last 60 days some \$250 million in new qualified investments has been raised through the Credit.

Increasing allocations for 2008 will allow Treasury to make available Credits to qualified applications on hand, thereby providing immediate, additional stimulus. Extending the Credit through 2009 with additional volume will facilitate a continuing flow of loans and investments to communities across the country that are hard hit by the current lack of credit.

Background

The New Markets Tax Credit was enacted in 2000 as part of the Community Renewal Tax Relief Act. The original legislation provided for \$15 billion in Credit volume for 2001-2007. In December 2005, Congress provided an additional \$1 billion in Credits targeted to communities in Gulf States 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. In September the Credit was extended through 2009 at \$3.5 billion in Credit authority in the Emergency Economic Stabilization Act of 2008.

There remains significant demand for the New Markets Tax Credit program. In the 2008 round, over 230 Community Development Entities applied for more than \$21 billion in New Markets Tax Credits. A total of 70 received allocations totaling \$3.5 billion. Allocations for 2008 were not adequate to meet the requests of highly qualified allocation applications.

With qualified NMTC applications in hand, it is possible for the CDFI Fund to make additional allocations within 90 days of enactment. Once NMTC Allocations are made, CDEs have demonstrated the ability to raise and deploy capital in a timely manner with most CDEs financing a project within 30 days of securing capital from a NMTC investor. There is a long and growing pipeline of NMTC projects, so an additional \$1 billion in 2008 allocations from the CDFI Fund will address this backlog and generate vital economic activity in distressed communities.

Increasing allocations from \$3.5 billion to \$5 billion for 2009 means an additional flow of capital to businesses and development projects in economic distress communities thereby accelerating revitalization and economic recovery.

Across America, NMTC investments support a wide variety of projects, ranging from the investment by a faith-based CDE in a new childcare facility on the west side of Chicago, to financing for an Iowa-based manufacturer of truck bodies, to qualified investments in first new supermarket in a low income neighborhood in Washington, DC in 30 years, to new financing for businesses in southeastern Massachusetts, to capital for the creation of a new aerospace facility in rural Oklahoma and to financing to reinvigorate a timber company in Northern Maine. All of these projects demonstrate the capacity of the Credit to leverage private investment, create job and business opportunities, improve services and strengthen local economies.