

NEW MARKETS TAX CREDIT COALITION

January 8, 2008

Hon. Eric Solomon
Assistant Secretary for Tax Policy
Department of the Treasury
Washington, DC

Dear Mr. Secretary:

As the Administration assembles its economic stimulus proposal, we hope you will keep in mind the important role played by the New Markets Tax Credit (‘NMTC) in revitalizing economically distressed urban and rural communities. Because these communities will almost certainly be among the first to feel the effects of the economic downturn, we urge the Administration to include in its economic stimulus package an additional \$1 billion in Credit authority for 2008 and an extension of the NMTC for 2009 and 2010 with annual Credit authority of \$4.5 billion.

As you know, 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.

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 percent of investors surveyed would not have made the investment in the low income community without the Credit.

A total of 69 percent of the investors indicated that they had not made an investment in a low income community project prior to working with NMTC..

According to the Community Development Financial Institutions (CDFI) Fund investor interest in the Credit is increasing. In the last 12 months alone, some \$3 billion investments have been made through the Credit. To date, over \$9.1 billion in investments in some of the poorest communities in the country had been made through the Credit. This amount represents over 75% of total authority available.

Beyond raising equity investments and deploying funds derived from the Credit at a fast clip, a recent survey indicates that the Community Development Entities (CDEs) that administer the program are at work in communities with poverty rates higher than 30 percent and unemployment greater than 1.5 times the national average. This targeting is far beyond the requirements of the law or regulations governing the program.

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 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.

According to the most transaction data available from the CDFI Fund, through FY 2005 the NMTC Program has generated financing for the construction or rehabilitation of over 43 million square feet of real estate, and has helped to create or retain 72,000 construction jobs and 20,000 full time equivalent jobs in businesses in low-income communities.

There remains significant demand for the program. In the 2007 round, over 250 Community Development Entities applied for some \$28 billion in New Markets Tax Credits. A total of 61 received allocations totaling \$3.5 billion. The CDFI Fund has publicly stated that the Credit authority available for 2007 was not adequate to meet the requests of highly qualified allocation applications.

The New Markets Credit is an important tool for revitalization in economically distressed urban and rural communities. We urge the Administration to include additional New Markets Tax Credit authority for 2008 and an extension the Credit for 2009-10 in any economic stimulus it recommends.

Thank you for your attention to this matter.

Best Regards,

Robert A. Rapoza