

NMTC MONTHLY REPORT

A MONTHLY PUBLICATION ON THE NEW MARKETS TAX CREDIT INDUSTRY

November 2005 Volume IV, Issue XI, Published By Novogradac & Company LLP

Industry Continues to Seek Support in Congress for NMTC Extension Legislation

By Alex Ruiz, Staff Writer, Novogradac & Company LLP

On September 29, 2005, two pieces of legislation were introduced to reauthorize the New Markets Tax Credit (NMTC) program. Enacted in 2000, the NMTC was created to stimulate increased investment in low-income communities and is scheduled to sunset in 2007. S. 1800, introduced September 29 by Sen. Olympia Snowe, R-Ky., with Sens. Jay Rockefeller, D-W.V. and Jim Bunning, R-Ky., and H.R. 3957, the New Markets Tax Credit Reauthorization Act of 2005, introduced by Reps. Ron Lewis, R-Ky., and Charles Rangel, D-N.Y., would extend the credit for five additional years — 2008 through 2012 — with an annual credit allocation volume of \$3.5 billion per year, adjusted for inflation.

At a special meeting held in conjunction with Novogradac & Company LLP's New Markets Tax Credit Investors Conference last month in Chicago, Ill., industry participants were encouraged to support this legislation and were updated on the progress made to date on extending the NMTC. Robert Rapoza, president and principal of Rapoza Associates, a Washington, D.C.-based public interest lobbying and government relations firm, chronicled the New Markets Tax Credit Coalition's (NMTCC) vigorous pursuit of support for the measures. Primary among those efforts is communicating with members of Congress and their staffs, as well as facilitating communication between Congress and the NMTC industry.

Call Someone Who Cares

As the *NMTC Monthly Report* went to press, the legislation had nine co-sponsors in the House of Representatives and three co-sponsors in the Senate. Rapoza encouraged investors and other industry participants to contact their Congresspersons and encourage them to support the reauthorization measures. The NMTCC has prepared a list of Congresspersons to target; it is particu-

larly interested in appealing to members of the Senate Finance Committee and the House Ways and Means Committee. The NMTCC's target list and the names of those committee members are available online at www.newmarketstaxcreditcoalition.org.

Rapoza, whose firm manages the NMTCC, a network of 100 CDEs, investors and potential investors, tax experts, accountants and attorneys with a common interest in the NMTC to educate and engage in critical policy discussions on the credit, stressed that the timing for this effort was also important because people don't understand the NMTC and are not as familiar with it as they may be with bonds or the low-income housing tax credit (LIHTC). "The lead time is crucial," he said. "We have been concerned that Congress has not focused on the credit enough. There is not enough background on the credit."

In addition to contacting legislators directly, Rapoza encouraged industry participants to share their deals with the NMTCC. He said the group has solicited, and continues to collect, deal sheets and press clippings that have been very helpful in meetings with Congressional staff to illustrate the end product of the program.

What kind of information should industry participants share? "The more data the better," Rapoza said. "I think it is important to have a good story."

He noted that the standard for measuring the success of the NMTC had changed since the program was enacted five years ago. "The yardstick when the measure was passed was getting investment into low-income communities; the yardsticks are now different," Rapoza said. Today, decision-makers are more focused on measurements of impact and details, such as the cost of financing.

(continued on page two)

Industry Continues to Seek Support

(continued from page one)

Dear Colleague Letters

Despite these challenges, there is a base of support among a few key members of Congress that the coalition and others are optimistic about building on, as illustrated in a pair of 'Dear Colleague' letters circulated last month. At the October 19 meeting, Rapoza said an additional Dear Colleague letter, signed by Lewis and Rangel, was expected to be circulated in the House. As the *NMTC Monthly Report* went to print, the text of that letter was not yet available.

In a letter dated October 13, Snow and Rockefeller extolled the achievements of the NMTC to date. "The New Markets Tax Credit is achieving its goal of stimulating investment in economically distressed communities. CDEs are also working in poorer communities," they wrote. "In fact, 93 percent of CDEs report that they are targeting areas with poverty rates higher than 30 percent and unemployment greater than 1.5 times the national average. These results go far beyond what is required by law. Private CDEs are clearly responding to the opportunity provided by the credit."

In a similar letter dated October 6, Lewis echoed these statements. "In my home state of Kentucky, the NMTC helped establish healthcare businesses in isolated rural communities that currently lack access to adequate services," the letter says.

Other Efforts

Rapoza said the coalition is also working on a briefing with the Treasury Department and the White House. The date for that meeting had not yet been determined, but he said he hoped it would take place some time this fall. In addition, he said at the meeting on October 19 that the NMTCC was planning a briefing for November 7 in Washington, D.C., sponsored by Lewis and Snowe, for several hundred interest groups.

Copies of the New Markets Tax Credit Reauthorization Act of 2005 can be found online at www.newmarketscredits.com. ❖

This article first appeared in the November 2005 issue of Novogradac & Company's NMTC Monthly Report and is reproduced here with the permission of Novogradac & Company LLP. © Novogradac & Company LLP 2005 - All Rights Reserved.

Notice pursuant to IRS regulations: Any U.S. federal tax advice contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any advice expressed in this article is limited to the federal tax issues addressed in it. Additional issues may exist outside the limited scope of any advice provided - any such advice does not consider or provide a conclusion with respect to any additional issues. Taxpayers contemplating undertaking a transaction should seek advice based on their particular circumstances.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.newmarketscredits.com.

NMTC REPORT EDITORIAL BOARD

Publisher

Michael J. Novogradac, CPA

Editor

Jane Bowar Zastrow

Managing Editor / Staff Writer

Alex Ruiz

Technical Editor

Owen P. Gray, CPA

Contributing Editors

Thomas G. Tracy, Esq.
Diana R. Letsinger, CPA

Production

Yan Wu

NMTC REPORT INFORMATION

Address all correspondence and editorial submissions to:

Jane Bowar Zastrow
NMTC Monthly Report
Novogradac & Company LLP
246 First Street, 5th Floor
San Francisco, CA 94105
Telephone: 415.356.8034
E-mail: cpas@novoco.com
Visit us on the web:
www.newmarketscredits.com

Editorial material in this publication is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding the new markets tax credit or any other material covered in this publication can only be obtained from your tax advisor.

No portion of this material may be reprinted without written permission of Novogradac & Company LLP.

© Novogradac & Company LLP,
2005
All rights reserved.