

# NMTC MONTHLY REPORT

A MONTHLY PUBLICATION ON THE NEW MARKETS TAX CREDIT INDUSTRY

January 2007 Volume VI, Issue I, Published By Novogradac & Company LLP

## Congress Extends NMTC Program for One Year

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

On Wednesday, December 20, President George W. Bush signed into law the Tax Relief and Health Care Act of 2006, which includes a one-year extension of the new markets tax credit (NMTC). Just before adjourning last month, the 109th Congress approved H.R. 6111, which passed the House on a 367-45 vote on December 8 and was approved by the Senate on a 79-9 vote on December 9. The bill provides an extension for the NMTC program through 2008, at an estimated cost of \$637 million over five years and \$1.3 billion over 10 years. The measure also modifies the program's regulations in Section 45D of the Internal Revenue Code to ensure that non-metropolitan counties receive a proportional allocation of qualified equity investments.

### History of the Extension Effort

The NMTC Coalition led industry efforts on Capitol Hill to reauthorize the NMTC. In November 2005, the Senate approved its version of tax reconciliation legislation (S. 2020), which contained a provision to extend the NMTC for one year and legislative language to better target the credit to rural areas. However, the version of the tax reconciliation bill that passed the House of Representatives (H.R. 4297) in December 2005 included neither the one-year extension nor the rural language.

In early 2006, Bush signed into law a \$70 billion tax cut package. The main provisions were the two-year extension of the capital gains/dividends tax cut and a one-year "patch" on the alternative minimum tax.

Negotiations on a second tax bill, commonly referred to as the pension bill, also included an extension of the NMTC. Although it was originally hoped that conferees could wrap up negotiations on the pension bill by the end of June, the timetable continued to slip until the very last days of the 109<sup>th</sup> Congress.

The NMTC Coalition counted as key allies in the

NMTC reauthorization a number of lawmakers, including Sens. Olympia Snowe, R-Maine, and John D. Rockefeller IV, D-W.V., and Rep. Howard "Buck" McKeon, R-Calif.

As the 109<sup>th</sup> Congress headed into its last days, Sen. Chuck Grassley, chairman of the Committee on Finance, on Dec. 6 introduced bipartisan legislation to extend expired and expiring tax, health and trade provisions. "The tax extenders are no-brainers," Grassley said in introducing the measure.

### The Future of the NMTC Program

The NMTC program is now set to expire at the end of 2008. Despite the victory of the one-year extension, plans are already being developed for a long-term extension.

"As we turn our sights toward long-term reauthorization of the program in the next Congress, each of us in the NMTC community needs to feel it is our duty to tell the positive story of the NMTC program to members of Congress, especially those in the leadership and those on the House Ways & Means and Senate Finance committees," said Ben Dupuy, a consultant for the Alliance for Economic Development, a group of financial institutions committed to reauthorization of the NMTC program.

"An old saying goes, 'There are two kinds of people in the legislative process: participants and victims.' If the NMTC community continues its thoughtful and aggressive participation in the legislative process, we should expect victory in our goal for long-term reauthorization. That being said, we should only expect victory if we earn it through continued hard work on Capitol Hill and at Treasury."

To that end, the NMTC Coalition plans to regroup early this year and get the reauthorization ball rolling

*(continued on page 2)*

# Congress Extends

(continued from page 1)

anew. "There is a good deal of energy on behalf of our champions in Congress," said Alison Feighan, a partner with Rapoza Associates, a public interest lobbying and government relations firm that advocates for the NMTC Coalition.

Feighan says she expects the next step will be to seek a five-year extension of the credit; any refinements to the program would likely come later and independent of a reauthorization. "We know that our champions want to introduce legislation that mirrors legislation they introduced last year," she said. The New Markets Tax Credit Reauthorization Act of 2005 (H.R. 3957 and S. 1800) was introduced in late September of 2005 by Rep. Ron Lewis, R-Ky., and Snowe. The companion bills garnered 33 cosponsors in the House and 17 in the Senate. ❖

---

*This article first appeared in the January 2007 issue of Novogradac & Company's NMTC Monthly Report and is reproduced here with the permission of Novogradac & Company LLP.*

© Novogradac & Company LLP 2007 - 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](http://www.newmarketscredits.com).*

## NMTC REPORT EDITORIAL BOARD

### **Publisher**

Michael J. Novogradac, CPA

### **Editor**

Jane Bowar Zastrow

### **Managing Editor**

Alex Ruiz

### **Technical Editor**

Owen P. Gray, CPA

### **Staff Writer**

Anne Townsend

### **Production**

Jesse Barredo

## NMTC REPORT INFORMATION

Novogradac & Company LLP  
246 First Street, 5th Floor  
San Francisco, CA 94105  
E-mail: [cpas@novoco.com](mailto:cpas@novoco.com)

Address all correspondence and editorial submissions to:  
Jane Bowar Zastrow  
Telephone: 415.356.8034

Address inquiries regarding advertising opportunities to:  
Junhee Byun  
Telephone: 415.356.8037

Editorial material in this publication is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property valuation 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,  
2007

All rights reserved.  
ISSN 1541-2474