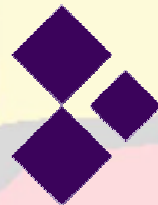
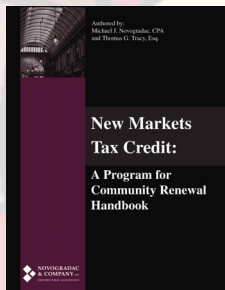


IPED: New Markets Tax Credits

by

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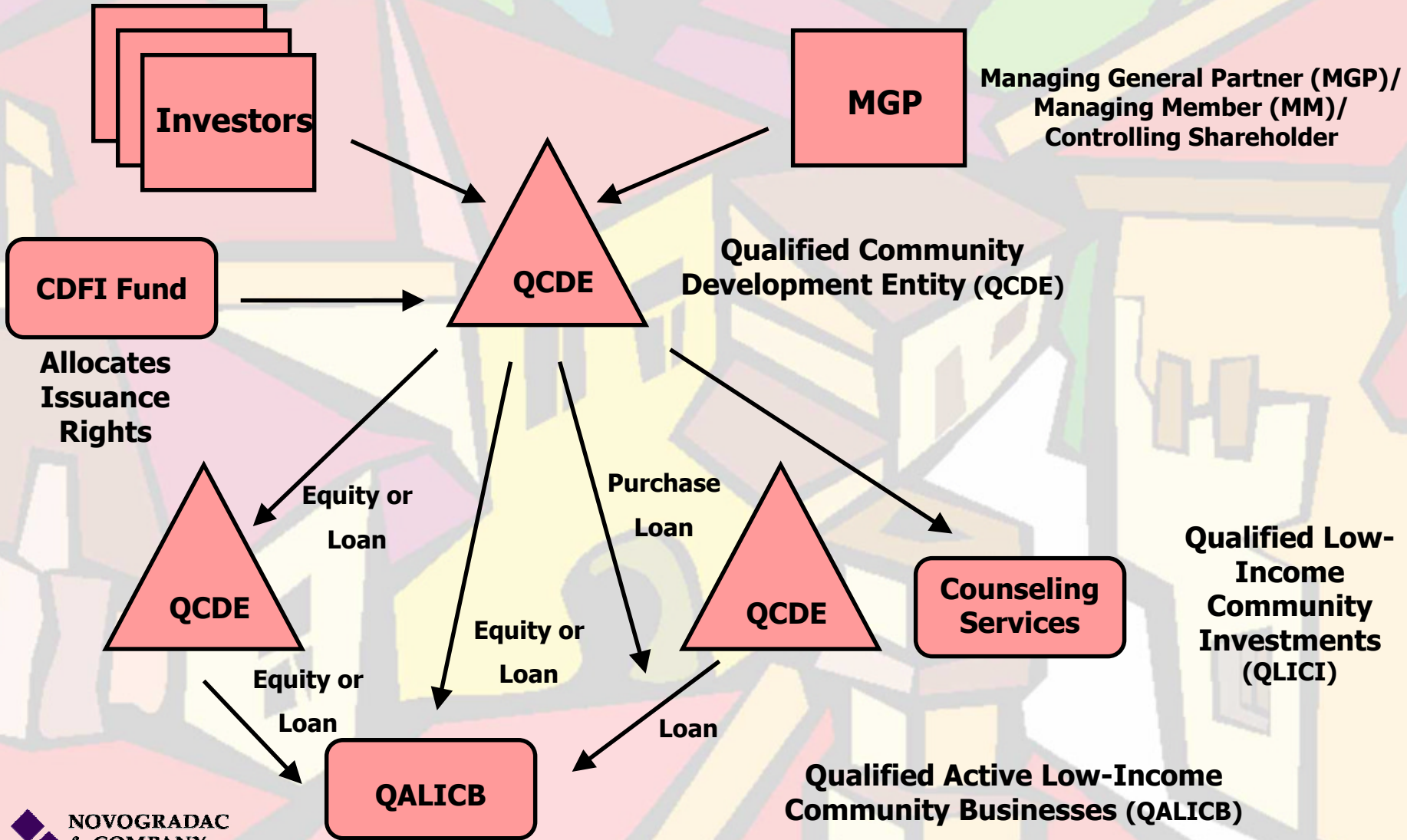


free tax credit resources: www.newmarketscredits.com

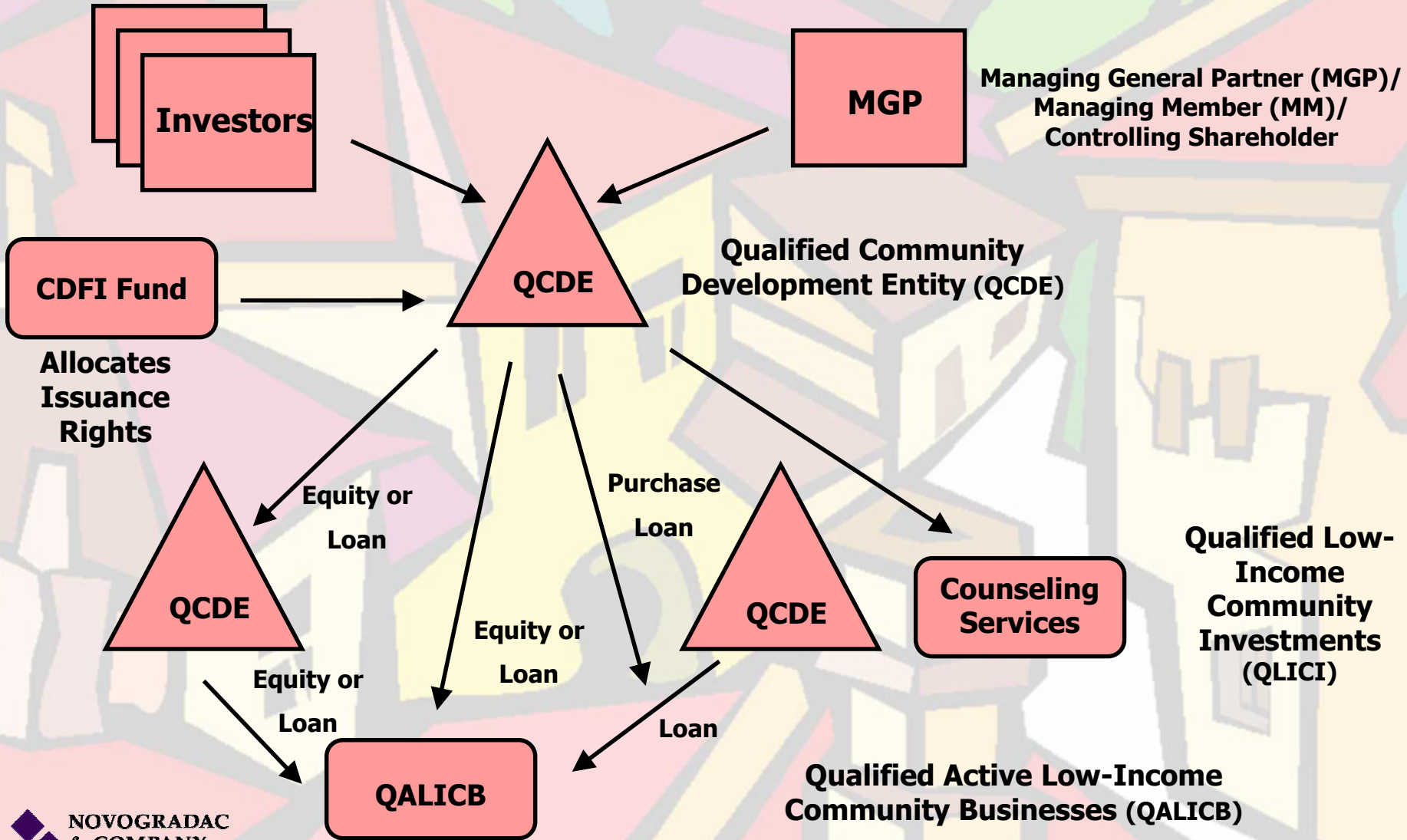
Overview

- Entity Flowchart - Process
- Winners in 2002
- Applications for 2003
- Real Estate and the NMTC
- Combining with other Credits

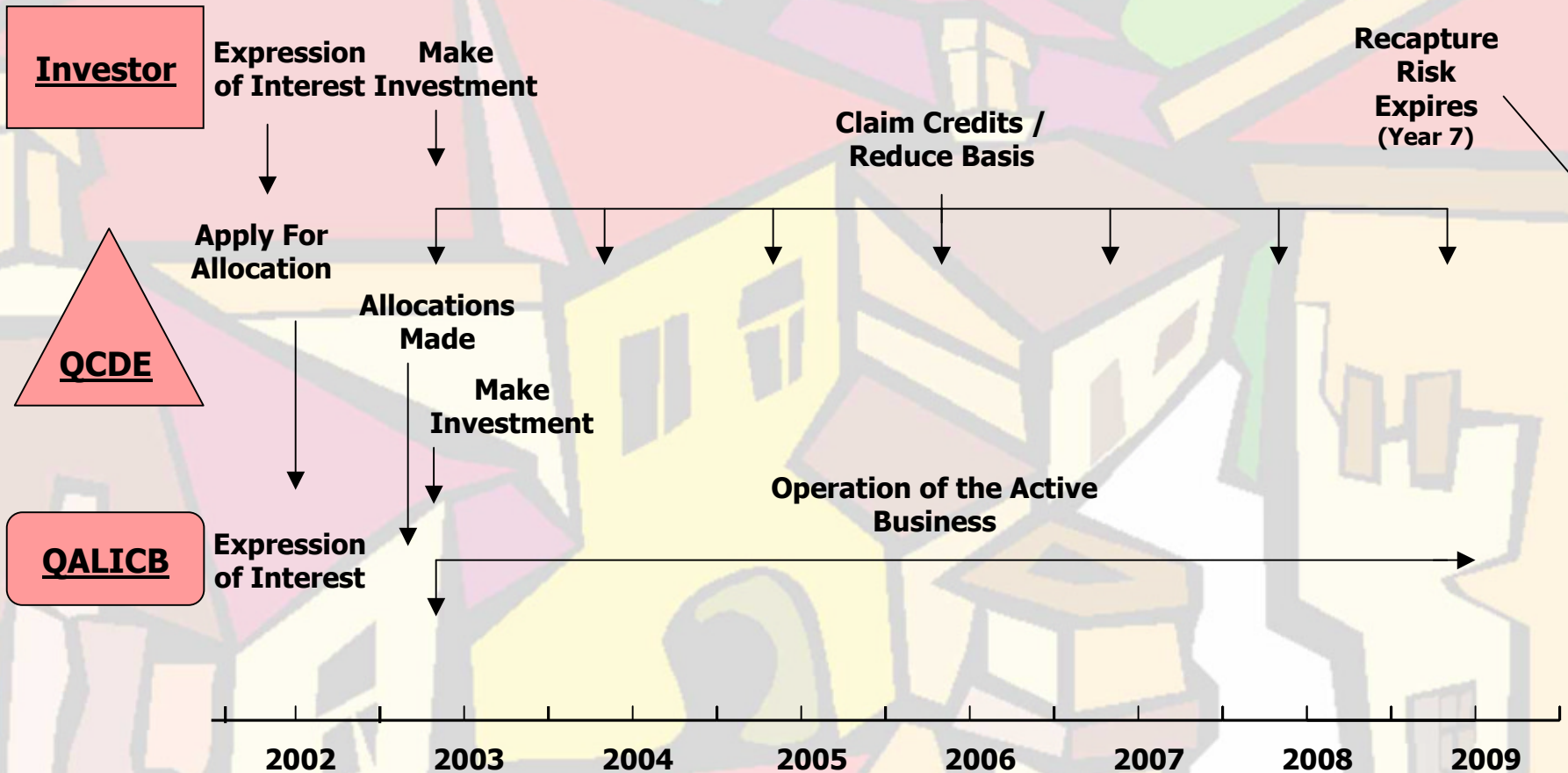
How the NMTC Operates



How the NMTC Operates



New Markets Tax Credit Time Line



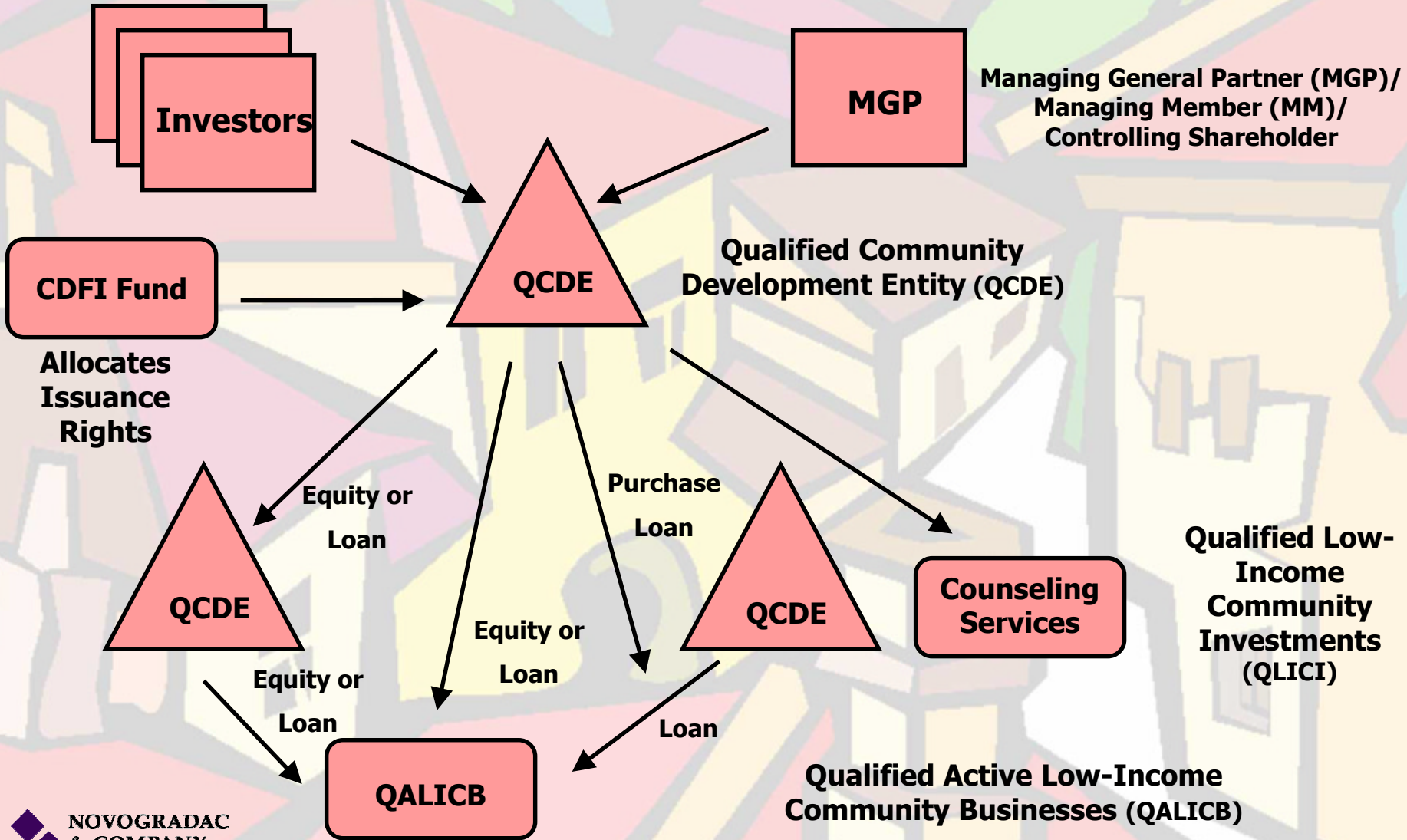
Where We Stand Now: 2002 Winners

- Application Deadline was August 29, 2002
 - Applications Being Reviewed
 - Substantially Oversubscribed
 - 345 Applications
 - \$25.8 billion for \$2.5 billion
- Awards Expected Over Next Few Weeks
 - 50 to 60 Awardees
 - Average Allocation – \$40 to 50 million
 - Allocation Agreement to Be Negotiated

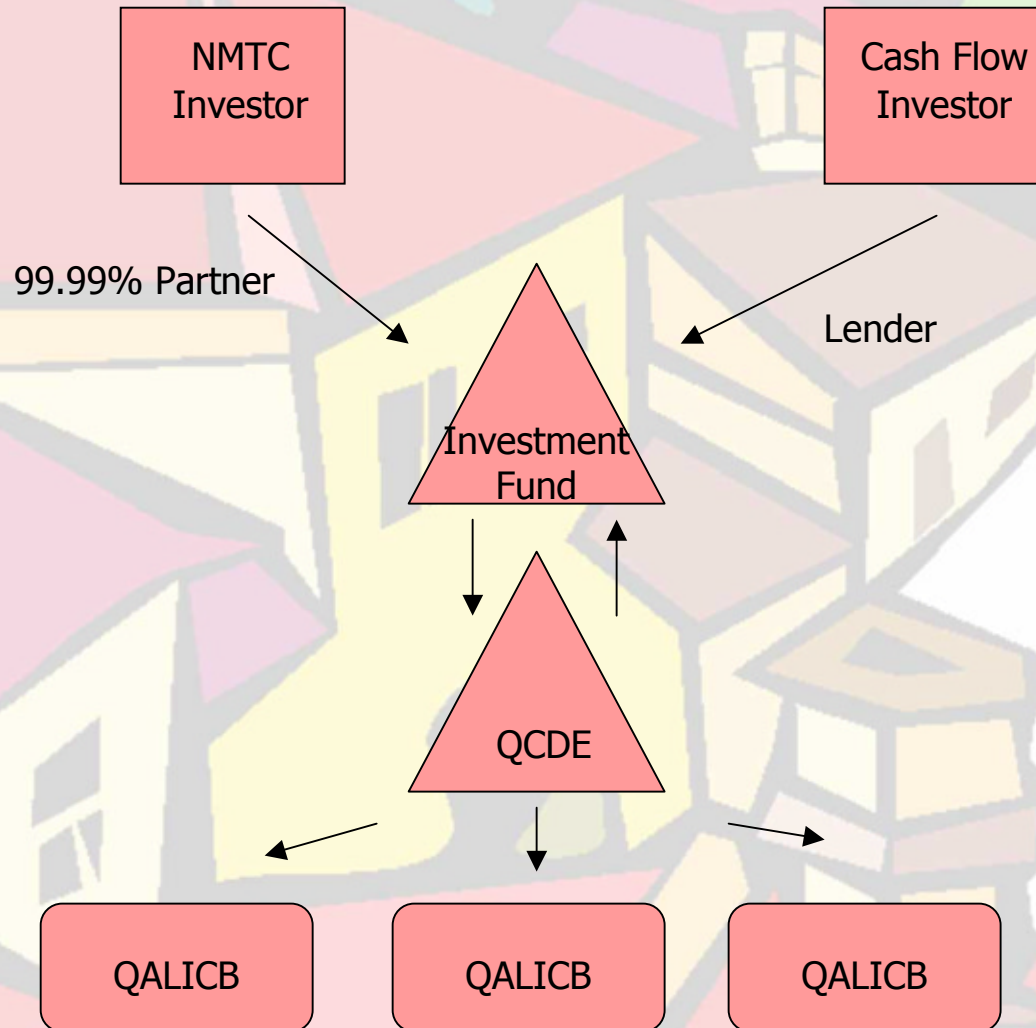
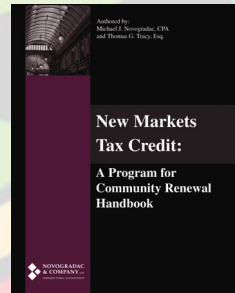
Where We Stand Now: 2003 Applicants

- 1st Application Deadline was August 29, 2002
- Accepted comments on the application
 - February 7, 2003
- Two directions
 - Few changes
 - Major changes

How the NMTC Operates



Leveraging Structure





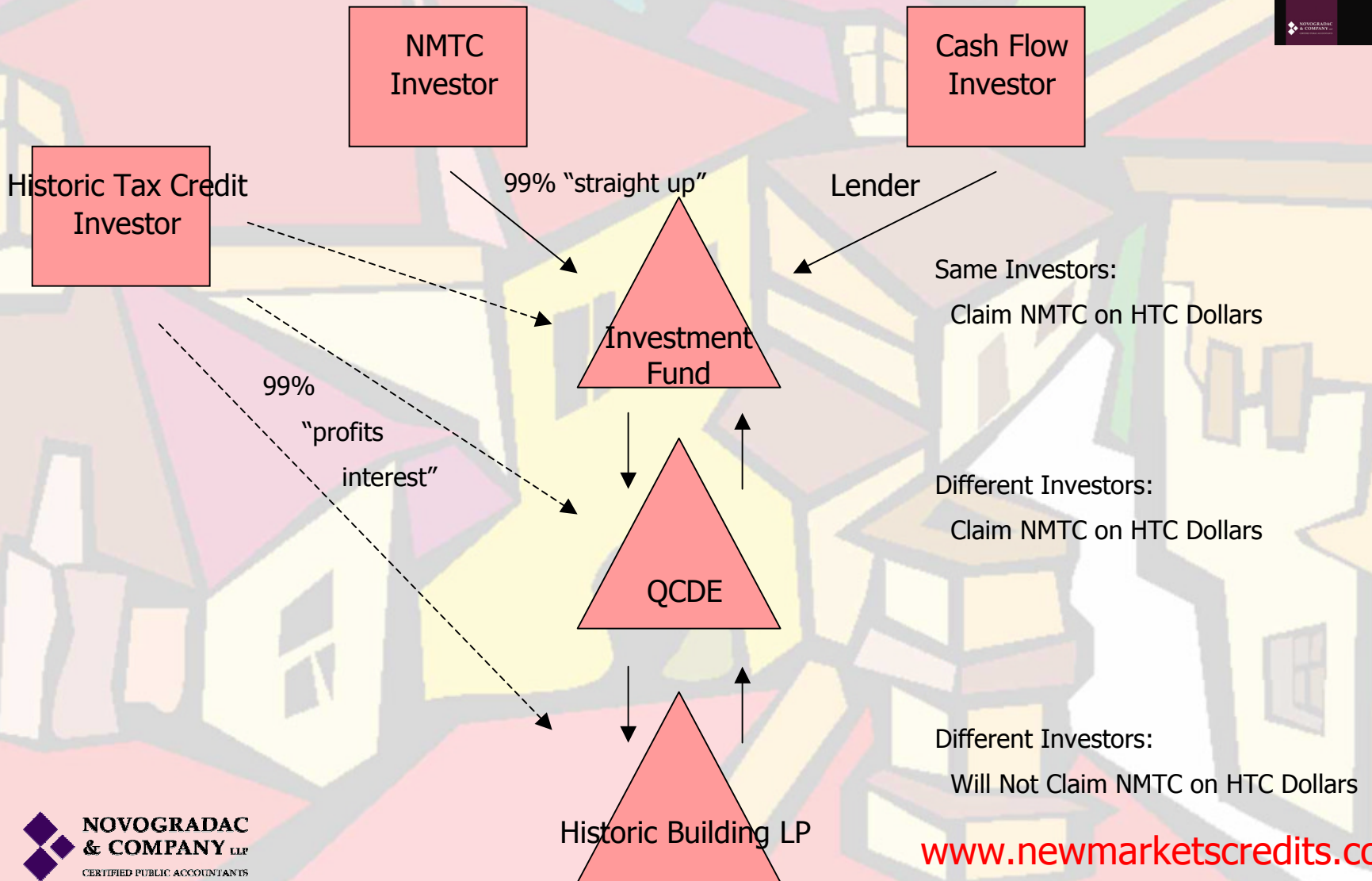
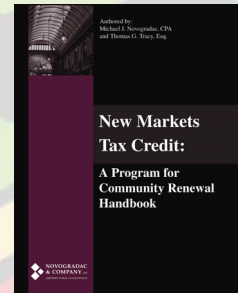
Residential Rental Property

- Qualified Business excludes residential rental property
- Residential rental property:

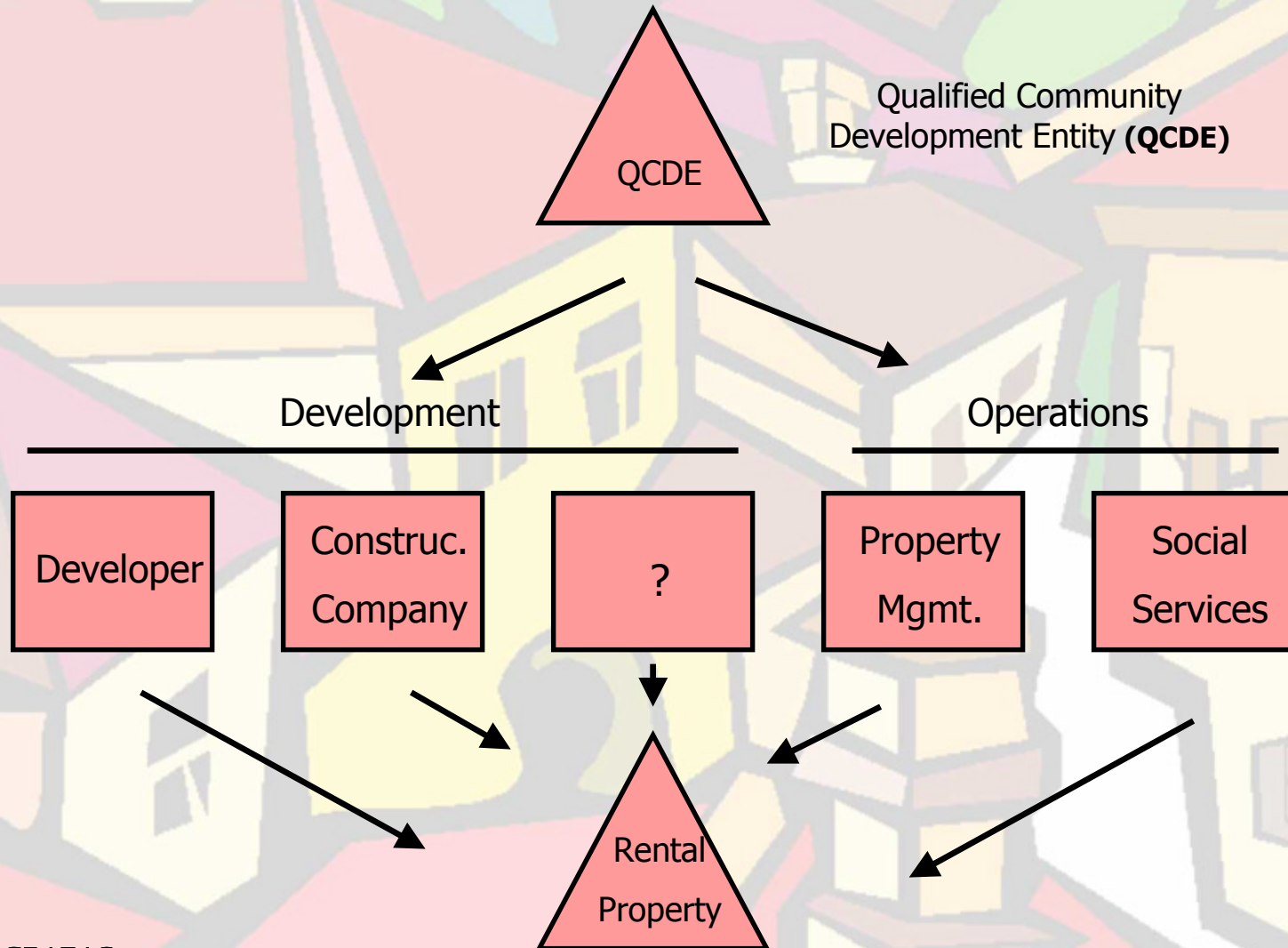
“The term ‘residential rental property’ means any building or structure if 80 percent or more of the gross rental income from such building or structure for the taxable year is rental income from dwelling units.” (Section 168(e)(2))

- For-sale housing

Combining with Historic Credit



Rental Housing and the NMTC



QUESTIONS ???

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NMTC UPDATE

WASHINGTON, D.C. – January 23, 2003 - A partnership may finance the purchase of a qualified equity investment eligible for the new markets tax credit (NMTC) with proceeds of nonrecourse debt of the partnership, according to a revenue ruling released today by the Treasury Department and Internal Revenue Service (IRS). Revenue Ruling 2003-20 says for purposes of determining the NMTC allowable under § 45D, the amount of the qualified equity investment made by a limited liability company (LLC) classified as a partnership includes cash from a nonrecourse loan to the LLC that the LLC invests as equity in a qualified community development entity. [Click here](#) for Rev. Rul. 2003-20.

NMTC NEWS ARCHIVE

On the last day of its 2000 session, Congress created the New Markets Tax Credit program, part of the Community Renewal Tax Relief Act of 2000, to encourage investment in low-income communities. The program is designed to generate \$15 billion in new private sector investments in low-income communities.

Qualified Community Development Entities (CDE) will apply to the CDFI Fund for an award of New Markets Tax Credits. The CDE will then seek taxpayers to make Qualifying Equity Investments in the CDE. The CDE will in turn be required to use substantially all of the qualifying equity investments to make Qualified Low-Income Community Investments in/to Qualified Active Low-Income Businesses (QALICBs) located in Low-Income Communities. The taxpayer will be eligible to claim a tax credit equal to 5 percent of its equity investment in the CDE for each of the first three years and a 6 percent credit for each of the next four years (39 percent in total).

The program is designed to allow the CDE to use its local knowledge and expertise to decide what business to invest in or lend to with the funds it raises with the new markets tax credit. Most businesses located in low-income communities could qualify for loans or equity. Typical firms could include: small technology firms, inner-city shopping centers, manufacturers, retail stores or micro-entrepreneurs. Residential rental property does not qualify as a qualified active low-income business.

UPCOMING EVENTS

New Markets Tax Credit Conference
January 29-31, 2003 ♦ San Diego, CA

NEW PUBLICATION

"Investor Fatigue: NMTC Program Uncertainties Slowing Down Activity"

By Thomas G. Tracy, Hunter Chase & Company

Click above for a free preview of the NMTC Report, Novogradac & Company LLP's newest, and the nation's first monthly, publication dedicated solely to new markets tax credits.

2002 Edition

The New Markets Tax Credit Handbook provides a thorough explanation of the program's structure and crucial terms. Moreover, the handbook describes important statutory requirements, including the requirements of a qualified equity investment and a qualified community development entity. The handbook also discusses credit allocation dates, credit recapture and the allocation process. Finally, The New Markets Tax Credit Handbook points out various issues and

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