NMTC Hot Topics

In this episode of the Tax Credit Tuesday podcast, Michael Novogradac, CPA, and Brad Elphick, CPA, discuss four hot topics in the new markets tax credit (NMTC) community. First, they discuss upcoming qualified equity investment issuance and reporting deadlines for prior allocatees. Second, they talk about recommendations to combine the next two allocation rounds into a single $10 billion allocation round. Third, they discuss what's new and notable with the 2024 NMTC application that was released for public comment. They conclude with important updates in the NMTC Compliance FAQs document.

Summaries of each topic:

Transcript

Introduction

[00:00:15] **Michael Novogradac, CPA**: Hello, I'm Michael Novogradac, and this is Tax Credit Tuesday. This is the March 19th, 2024, podcast. As those of you watching on YouTube can see, I'm joined today by my partner, Brad Elphick. Brad's joining us today from Novogradac's Atlanta Metro office, And Brad does lead Novogradac's New Markets Tax Credit Working Group.

The New Markets Tax Credit Working Group is made up of new markets tax credit participants who work together to help resolve regulatory and administrative issues concerning the new markets tax credit. We provide input directly to the Internal Revenue Service, Treasury Department, CDFI Fund and other agencies based on our group discussions.

In other words, if you're interested in new markets tax credit, you've come to the right place. Now, we're talking today about four hot topics in the new markets tax credit community right now. We also have important action items for you to consider for each of our hot topics. But first, I want to give a bit of background for those of you that are newer to community development tax credits.

Now, the new markets tax credit is a federal tax credit that drives private investment into distressed communities. The new markets tax credit incentivizes individuals and corporations to invest cash as equity in community development entities, or CDEs. Now, CDEs, in turn, make below-market loans and equity investments in businesses that operate in distressed communities across the country.

CDEs are, in essence, financial intermediaries that apply to the Community Development Financial Institutions Fund, or CDFI Fund, for the right to raise capital via the new markets tax credit Incentive. Now, the allocation application process with the CDFI Fund is very competitive. By way of background, with respect to the new markets tax credit, it was first enacted in the year 2000, and it has been extended multiple times.

And the current extension of the new markets tax credit is through the year 2025, and the current authorization level is $5 billion in annual equity investment. As of this month, community development entities have received, cumulatively and collectively, over the life of the incentive, more than $69 billion in qualified equity investments.

And this translates into nearly $70 billion in private investment for businesses operating in and serving low-income communities. Now we do have a lot we want to cover today. We have four hot topics. So, if you're ready, let's get started.

[00:02:57] **Michael Novogradac, CPA**: So, Brad, welcome back to Tax Credit Tuesday.

[00:03:00] **Brad Elphick, CPA**: It's great to be back, and, I will say it's, I'm starting to get recognized on the streets now, having been on the podcast, so many times, so, it's always good to meet our fans at the different conferences.

[00:03:11] **Michael Novogradac, CPA**: Well, at least the street's out in front of our New Markets Tax Credit Conference.

Well, I did go back and check, and this is your 10th appearance on Tax Credit Tuesday. So, I do look forward to you reaching a dozen, and then a baker's dozen, and then other marks of your contributions to the podcast. But thanks for joining us. Now, I know many of our listeners are familiar with you already, given those, nine prior or 10 appearances.

And as I mentioned earlier, you do lead the New Markets Tax Credit Working Group. You're also a frequent contributing author to the Novogradac Journal of Tax Credits, and you also chair Novogradac's annual Fall New Markets Tax Credit Conference, where you can be recognized on the streets. And you work, obviously, extensively with new markets tax credit industry participants.

Maybe you could share a bit more about the particular work you do for clients at Novogradac before we get started and tackle our four hot topics.

[00:04:15] **Brad Elphick, CPA**: Sure, I'd be happy to. Sometimes I get asked if all I do is the New Markets Tax Credit Working Group, but I actually do some other services, provide other services as well.

You know, being an accounting firm, obviously we provide accounting services to our clients. So lots of, audits and tax returns, but we also, our group does a lot of transaction work, so a lot of the financial models you see in these transactions, we prepare as well as, yeah, there's a lot of compliance requirements with this, and so we help our clients with that as well.

QEI Issuance and Reporting Deadlines

[00:04:45] **Michael Novogradac, CPA**: So, thank you for that, and then you also work beyond new markets tax credits with low-income housing tax credits and other tax incentives, but we'll stay focused on new markets tax credits for this podcast. So, we have four hot topics, and I figured we'd start with a reminder. Our first hot topic is a reminder, and this is a reminder for those CDEs that have won prior awards and also applied for an allocation in the most recent round.

And this is also something that if you're not a CDE that fits in this category, it's something for you to be thinking about that you hope to get into this category in the future where you've won an award and then applied in the subsequent round. So, Brad, please remind CDEs about two upcoming important deadlines.

The deadlines are the minimum amount of equity that a CDE must have raised by a certain date, as well as the minimum amount of loans or equity investments the CDEs must have made by a certain date in order to keep their application alive in this most recent round.

[00:05:46] **Brad Elphick, CPA**: Yeah, so the two deadlines are first. The deadline for which the QEIs and the QLICI issuance has to occur by, which is this Thursday, March 21st.

So while that's a reminder, if you're just hearing about it for the first time, it's probably a little too late to try to get transactions closed by that deadline. So the more important, I guess, from a reminder standpoint, is that in addition to closing these transactions, you also have to report these transactions.

And that reporting date is March 28th, so next Thursday. So that's the one that we want to make sure people are aware of, because unfortunately I have heard horror stories where CDEs may work to get the transactions closed by the closing deadline, but not meet the reporting deadline. So that's something that we've been helping our clients with to ensure that they meet that requirement.

And while that is a reminder for CDEs, Mike, as you mentioned, and CDEs who have prior allocation, I think it's also a good reminder for potential projects to know that there is, you know, this deadline that CDEs have every round to, in order to be considered eligible, which is a, you know, obviously you want to be eligible when you're applying.

And so, since this is an eligibility requirement, CDEs are required to meet this deadline to be considered for their application in the most current round to be considered and so potential projects and businesses can look at and go, OK, I know I need to have my project ready and ready to close by, before this deadline.

And each round has this deadline and it's, you know, typically about three to four months once the round opens. So, it just gives our, you know, potential projects and businesses a little sense of the timing in this round and these deadlines do incentivize a lot of transactions to close in a short period of time.

And so it, I know a lot of transactions, I had to turn off my, my Outlook because there were lots of emails coming in about transactions closing this week. So a lot of it does really incentivize a lot of transactions to close and we have been discussing that also in the working group because there's this sense of whether or not the added pressure and burden that these deadlines cause is really getting the intended effect that the CDFI Fund may, may have originally intended. And I think that what the original intent by the CDFI Fund was, if you're going to apply for more allocation, then you should have at least invested some of your prior awards by a certain date and by a certain percentage amount.

And so every year in their notice of allocation availability, they list out what these percentage requirements are for each previous round. And so, for example, if you're not a rural CDE, and you received allocation in the most previous round, then you have to invest at least 20% of that, raise the equity and invest at least 20% of that allocation by this deadline.

And for, as the time that the CFI is allowing, I guess, from when awards are made to when the next round is opening, it's starting to decrease. And so it's starting to put more pressure on getting that 20% of transactions closed by that deadline. And so. CDEs are having to make a choice.

They want to apply because you don't know if you're going to get an award. So most CDEs apply every round, but it adds an additional pressure on applying as well as closing transactions. And so they're choosing transactions that, in some cases may be able to close by that time while putting others a little bit on the back burner to close later.

And so we've been discussing ways to maybe alleviate some of this burden that CDEs are feeling to get transactions closed. And so one of the things that the working group and its members have discussed is, can these percentages be changed? And we've had lots of discussions and we, we like to work on consensus and we haven't reached a consensus yet amongst our members in terms of what the right percentages are.

But it is something that we're continuing to look at to help, one, meet the CDFI Fund's original intent to ensure that investments are happening, but also to ensure that investments are being, can be made into projects that have the greatest need for new markets tax credit financing. So that's something that I imagine that we'll continue to, to discuss within our group and amongst our members.

So, I'm sure there'll be more updates on that as well.

[00:10:19] **Michael Novogradac, CPA**: Great. Thank you for that. And just as a reminder for listeners, again, that's March 21st. That's this Thursday for the QEI issuance. An acronym alert, QEI, or I should say initialism alert, the QEI is qualified equity issuance or qualified equity investment requirement.

And that's the money going into the CDE. And then the QLICI requirement is the Qualified Low Income Community Investment, that's the loan, below-market loan or equity investment that a CDE itself makes in the business. And the QEI reporting and QLICI reporting requirement is March 28th, that's a week from this Thursday.

And of course, if you have any questions, please do reach out to Brad or another Novogradac partner.

[00:11:11] **Brad Elphick, CPA**: And, Mike, just real quick, I forgot to mention, one of the other things that we do in the New Markets Tax Credit Working Group, as I mentioned this, the requirements come out at the same time that a round is opened.

And I mentioned the NOAA or the Notice of Allocation Availability. It lists out the chart of what those requirements are. And we every round prepare a calculator that CDEs can use to plug in the amount of their prior awards to figure out how much has to be invested and issued by each of these deadlines.

So, another tool that I think CDEs have, feel like has been valuable in helping them meet this deadline.

Combining NMTC Allocation Rounds

[00:11:49] **Michael Novogradac, CPA**: Great. Thank you for that. Now let's move on to our topic number two of for today. And I wanted to talk about a recommendation to the CDFI Fund and Treasury Department that was made by the New Markets Tax Credit Working Group, working with the New Markets Tax Credit Coalition and the Partnership for Job Creation.

And this is a recommendation that would accelerate the speed at which new markets tax credit investments are made in distressed communities. And the recommendation is fairly simple. And that is simply to combine the remaining two allocation rounds, the remaining two rounds that are authorized, the 2024 and 2025 rounds, into one round.

So, Brad, if you could discuss how the New Markets Tax Credit Working Group, in concert with the New Markets Tax Credit Coalition and Partnership for Job Creation, developed this proposal and some of the benefits of combining the two remaining rounds into one.

[00:12:45] **Brad Elphick, CPA**: Yeah, so the initial thought was that the timeline for when allocation was being awarded was sometimes between 12 to 14 months between awards.

And over time, that has meant that the start and the opening of these rounds has become later and later as that time has extended. And as, as we were just talking about, the most recent round, calendar year 2023, it actually closed, meaning applications had to be submitted by December of 2023.

So that's just the beginning of that round is starting at the end of 2023, the year for which it was authorized. And so many of us looked at that and said, you know, the really, the intent for this was for this allocation to get out and be invested in these low-income communities for the year for which it was authorized.

And now that timing has lags. Are there ways to speed up the allocation of the new markets tax credit so that it's really being awarded in the year for which it's authorized? And several ideas were thrown around, but really where we kind of all landed as the most likely solution was to combine the remaining allocation rounds.

And you mentioned the next two, the remaining two rounds that currently were authorized through 2025. We're currently in 2023 rounds, so we have 2024 of $5 billion and 2025 of $5 billion. So that's where we are now, but it didn't start that way. We originally--

[00:14:19] **Michael Novogradac, CPA**: No, it did not.

[00:14:20] **Brad Elphick, CPA**: Suggested that they combine, do some kind of combination of the '23, '24, and '25 rounds to be able to allocate that before the end of '25.

To our surprise, the CDFI Fund opened up the 2023 round much sooner than it had in the past, at $5 billion. And so we shifted our focus to combining the remaining two rounds for a $10 billion round. And so we sent a letter to the CDFI Fund highlighting the desire and the benefits that this would provide by getting that cycle more closely aligned to the calendar years for which they're authorized.

And in, in that letter, we highlighted some benefits, including, you know, it would allow the CDFI Fund to more easily administer the program by having less rounds. But ultimately, the true benefit is ensuring that these benefits make it into these communities sooner. As you said, accelerate those investments into these communities.

And that's ultimately, you know, I think what Congress's intent was, is so that there was these $5 billion of investments in these communities, and at the current kind of life cycle of a round, that last round, that 2025 round, wouldn't really get out into, wouldn't be awarded until the end of 2026, so there's really a misalignment there.

And also there's, it really just, you know, gives the industry a lot more certainty in terms of what to expect in terms of timing as well. If they can combine these rounds and acknowledge that they are going to do that and what the plan is. So we sent in our original letter back when it was a recommendation of combining the remaining three rounds.

And I believe that there was a lot of precedent, really, for them to do that. There was some history of the CDFI Fund combining rounds. There was a history of, CDFI Fund opening around even before it was authorized by Congress. There were those days back when, the program was extended retroactively.

So we really felt like there were, this would, you know, have some legs to it and that the CDFI Fund and Treasury would be open to the idea. However, there was some pushback internally within Treasury about their ability to do such. And so while we felt that it was stalled a little bit in our efforts to make this recommendation to, directly to Treasury.

Members of Congress also had a desire to see the same, to see the new markets tax credit life cycle get back on track to what was originally intended. And so we were fortunate in concert, as you mentioned, with the New Markets Tax Credit Coalition and the Partnership for Job Creation to work with the lead sponsors in both the Senate and the House on the current new markets tax credit permanency bills to write a joint letter to Treasury.

And in this joint letter, Sens. Ben Cardin and Steve Daines and then Reps. Claudia Tenney and Terri Sewell wrote a letter essentially suggesting that, hey, this was our original intent. It's not happening currently in terms of the life cycle. We would like to hear how Treasury can get it back on track and get it back to where it should be.

These rounds are being awarded and administered within the calendar year for which they were authorized. That letter was submitted back in September and it, we received a response from Treasury last month and, unfortunately, the response was somewhat vague and noncommittal, to say the least, and I'm probably, you know, I'm probably trying to be very tactful here.

But when you took the whole letter, there was really one sentence that responded to it, and it said, The Treasury Department and the CDFI Fund are working diligently to award the remaining new markets tax credit allocations in a timely manner as intended by the Act. So not a whole lot of insight, unfortunately, into how the CDFI Fund may be able to do that.

Our hope and the continued interaction that we are having with the CDFI Fund that we're expressing is that there is the ability for them to combine the rounds. And we believe that the most likely scenario to do that is to combine the calendar year 2024 and 2025 rounds into a $10 billion dollar round.

And most likely in, you know, based upon some of the arguments that they made to us before, they could open that in January of 2025. And if the CDFI Fund stays kind of on that 12-month cycle from beginning of the application cycle to the award, that would hopefully ensure that awards could be made by the end of 2025, which would meet Congress's intent.

So that obviously has lots of implications. You know, we currently have been dealing with $5 billion rounds. We did have a $7 billion round, you know, several rounds ago. So the industry has worked with higher allocation. And I think that what we have seen is that the appetite for the benefits is strong.

There's much more demand in low-income communities for this below-market financing tool. And there's a strong appetite from investors for the tax credit incentive as well. So I think that, you know, it, it makes sense to be able to handle a $10 billion round by the industry. What that also means for CDEs is that if they do intend to have an open, and open a $10 billion round, if the average award size remains around $50 million or maybe it even goes up a little bit.

Currently they're awarding, you know, on average about a hundred awards when they have a $5 billion round. So you would expect there to be maybe upwards of 200 awards and a $10 billion round. And currently, you know, that, that would obviously mean that the CDFI Fund would have the opportunity to go a lot further down the list to make those awards.

That's all assuming that they stayed at the average award size of $50 million. If I had to guess, and I would imagine that with a $10 billion round, they would provide larger allocations.

[00:20:32] **Michael Novogradac, CPA**: Agreed.

[00:20:32] **Brad Elphick, CPA**: But I don't think that they will double the average award allocation. So I wouldn't expect it, you know, be twice as many awardees.

But I think it would be a considerable amount of a higher percentage of awardees, which, what we've, which would, you know, I don't think that there's much concern about going further down the list either because one of the things that we have seen over the years is that the application scoring has become so tight that there's so little difference between, you know, award number 1 and award number 100 from a scoring perspective that going further down the list doesn't really jeopardize, you know, making awards to, to less than qualified applications.

And so I think there's a lot of. A lot of indicators that we have seen that kind of really justify that the new markets tax credit world would be able to absorb this $10 billion, which I think is really important and don't think that we would have made the suggestion otherwise, if we felt that there was a concern there.

And we've been very appreciative of kind of the collaboration that we've been able to do with the coalition and the partnership for job creation, and really taking kind of a multi-prong approach. So, while we weren't really excited about the response provided by Treasury, we're hopeful that, you know, it is becoming a priority, that we feel that it deserves within our industry.

[00:21:59] **Michael Novogradac, CPA**: Thank you for that. I'm optimistic as well that we'll end up with a combined round, and I agree with you as well, as I was sort of saying in the background, that we'll end up with more than 100, not anywhere near 200, but notably more than 100, as well as notably larger awards. And that'll be good.

And the one thing about when you mentioned kind of the combining the award from on an inflation adjusted basis, obviously, you know, with the higher rates of inflation, the last, you know, 18, 24 months, you know, it is on a real basis and not a doubling.

[00:22:43] **Brad Elphick, CPA**: So, if I could make one more plea to the, if our friends at the CDFI Fund and Treasury are listening and, they are finding a way to maybe combine rounds. One of the things that our group has really emphasized is the more time that the industry has to digest that's what the intent of the CDFI Fund is for the next round, the more that it can prepare and that's just, that's not just in terms of writing an application so much more goes into it, identifying projects, working with community partners.

And if you know that $10 billion is going to be available for application. In order to really highlight the pipeline, I think it will be important for CDEs and potential new applicants to know that as far ahead of time as possible. So that's my plea today.

2024 NMTC Application for Public Comment

[00:23:33] **Michael Novogradac, CPA**: Great, thanks for that. And you're allowed more than one plea. Wanted to move on to our third of our four hot topics. As we've been discussing here, we are right now in the middle of the 2023 new markets tax credit application cycle, and we do expect the award sometime in late summer, early fall of this year.

And if we are collectively successful, and the CDFI Fund combines the rounds, then we would have this $10 billion round opening up. And as you noted, if we do have these combined rounds, many believe it would open up in January or at least early 2025. So all that said, the CDFI Fund is always working on multiple fronts, and they did recently release the 2024 new markets tax credit application for public comment.

And in that release for public comment, the CDFI Fund did highlight which questions changed in the 2023 application. But as you and I have discussed, they highlighted the entire question. They didn't redline the specific changes within each question. Fortunately, you, working with others at Novogradac, on behalf of the New Markets Tax Credit Working Group did do just that.

They didn't redline the changes within the particular questions that did change, and we did circulate that version to the members of the Novogradac New Markets Tax Credit Working Group. But for this podcast, if you could share some of the significant changes that you noticed in the 2024 application.

[00:25:09] **Brad Elphick, CPA**: Yeah, no, I'd be happy to. And you know, the importance of the red line is that words matter in these applications. And so knowing how, you know, even if there's one word or two in a question that changed, I think, knowing our industry and the competency of the applicants that apply for these, they want to really ensure that they understand each of those changes.

And so just a couple of changes to highlight. First of all, the CDFI Fund puts out the application for public comment every three years. So this was expected that they would put it out there and it gives us a little bit of insight into what they're thinking. I wouldn't say that there were any. Significant, you know, changes that would really impact how the program is administered.

But there are some notable changes for sure. The CDFI Fund has the opportunity through the application process to really make a difference, kind of help raise the bar in terms of what applicants are willing to do with their allocation if they were to receive an award. There's the statutory requirement that's in the Internal Revenue Code, but then there's these other commitments that CDEs make through the application process.

And so the CDFI Fund has always tried to find ways to raise that bar, and one of the ways that they do that is by, they have a question that refers to the list of distressed criteria that investments will be, will have. And so when you look at where these investments are being made, the CDFI Fund is asking, are you willing to essentially commit to a certain percentage of these investments to be into these higher distressed areas?

And that's been, you know, something in the application for many rounds now this notion of higher distress. Well, the CDFI Fund is proposing, and again, these are all proposals because the application is out for public comment, is an even higher level of distress that they've called deep distressed, and that is related to communities where poverty may be over 40% AMI, area median income is less than 40%.

Unemployment is at least two times the national average. So these are all higher distress criteria than even the severe distress criteria. And so, this is new component of question 25 in the application, and it's asking, applicants if they're willing to commit a certain percentage, to investing in those areas.

And as we've seen, when you put it out there in the application. Most applicants will typically drive towards that because they believe that it will allow them to score better and have a better chance of, of receiving an allocation. And so, there it, that is a notable change, and we have been, receiving comments from our members already, with praise and concern about some of these changes.

And I'll just mention this one, that there is some concern about what. Where this is in the application, that it's in a scoring question and so forth, if this will push, investments into what some have called unicorn deals. That fits such a narrow, description or narrow, fit these narrow requirements that it really just pushes all of these dollars into these into deals that are in these communities and may jeopardize investments in other communities that are severely distressed, that, and so that is something that we're looking at too in terms of potential response and other ways that the CDFI Fund may be able to attack this.

But those are, you know, so that's one of the kind of ways that we look at these changes and work with our members. Another question that has changed, Question 28 c, just about whether or not there have been any notable changes to key personnel. In the tables, there's no longer table E1, which was prior, was previously the track record of raising capital.

They've now combined the prior year's tables E2 and E3. So that's another change. They've also changed the definition of disadvantaged business, and there are some notable changes there. So I know a lot of, a lot of our members are taking a look at that and understanding what impact that may have on what they had previously considered a disadvantaged business, and what that would mean to, you know, their tables that asked them to break out what percentage of their investments are to disadvantaged businesses, and if the definition now is more narrow, or has changed, you know, does that change their percentages, which may impact their ability to get additional bonus points.

So that, while definitions, you know, maybe you may not appreciate how it may impact, this could have a considerable impact for some. There's been some other minor changes. All of these questions that require narrative response have a character count. Sometimes that character count indicates how important the question is, if they provide you with a lot more character count.

So there have been some changes there and the character counts for certain questions. But those are just a couple of the changes. Again, as you mentioned, we've redlined all of the changes. And the deadline for public comments are due April 23rd. So we're working with our members, this month to start drafting some of those recommendations.

And I'll highlight too that we aren't just responding to the changes in the application document itself. We're also taking the opportunity, as we have in the past, to Comment on ways that we believe that the program could be improved in terms of the way it's administered through the application process, timing, transparency, number of reviewers, and other processes that the CDFI Fund has implemented in ways that we believe that the, the process could be improved and made more efficient.

So we'll be including those comments as well.

Updated Compliance FAQs

[00:31:03] **Michael Novogradac, CPA**: Great, thank you for that, Brad. Thanks for all of your leadership in organizing the New Markets Tax Credit Working Group comment letter. I do want to emphasize what you just said, which is, it's commenting on the changes that the CDFI Fund is proposing, but also commenting on other areas where we would like to see some enhancements to the application and or other areas.

And there's a how the whole review process is conducted in terms of determining awards. So I do want to move now to our final, our fourth of our hot topics. And this has to do with a new compliance requirement. That's important that all CDEs that have received awards are aware of. Now last November, the CDFI Fund updated its Compliance Frequently Asked Questions document.

And the update did revise the fee disclosure requirements for transactions that involve multiple community development entities. So, Brad, if you could share with our listeners what the new multi CDE fee disclosure requirement is, and more importantly, why it's generated so much discussion.

[00:32:13] **Brad Elphick, CPA**: Sure. And it has generated a lot of discussion, that's for sure.

So previously, in a CDE's allocation agreement, that's the contract between the CDE and the CDFI Fund when they receive an award. And within that allocation agreement are certain requirements. And years ago, the CDFI Fund implemented this new requirement that CDEs must provide a fee disclosure of the transaction costs that are incurred and provide that to the borrower or to the investee, the qualified business at the time of original, you know, LOI or letter of intent, and then also on the date of closing.

And so, for years now, CDEs have created their own forms and have been submitting these fee disclosures to the qualified businesses in these transactions. And, you know, without, in the CDFI Fund never had a prescribed format for that fee disclosure. They had some recommendations, but we're essentially leaving it up to CDEs.

Well, as is very common in these, I'd say more common than not, most of these transactions have multiple CDEs. And so a borrower could have a transaction that involved three CDEs and would get three different forms, three different formats, that had different formats, levels of disclosure, different ways of disclosing.

And so I think CDFI Fund recognized and probably from feedback from borrowers that it was hard to compare each of these forms and these fee disclosures. So I'm just guessing that's what the intent of this new requirement is. So that in this new FAQ document, they added for beginning with calendar year 2022 allocatees, so that's the most recent awards that have been made, that in multiple CDE transactions, the CDEs will have to combine their disclosures together.

Of the QALICB fees and transaction costs into one document. And so we looked at that and said, and we had many of our members come to us in the working group and say, hey, if we're all going to have to disclose these together, could you create a form that we could all use. And so we started working and it really what I didn't appreciate the variety of disclosure forms until we started doing this project because it really was apparent that CDEs were doing this all different kinds of ways.

So with lots of input and lots of back and forth discussion, the working group members and us, we came up with a fee disclosure form that would meet this requirement. And we're happy as we're working on seeing deals that are closing for the March 21st deadline.

We're happy to see this form is being widely used now. And I think that, you know, while we were proud of the form that we helped create, we gave it, gave it a lot of flexibility so that CDEs can still make adjustments to it and make it a little bit more unique to the transaction and to the situation.

But I really think it's a, it is going to be a big benefit to the QALICBs to the qualified businesses in the transactions because they're going to be able to see all of the transaction costs and fees in, in it on one single document. So I think that, you know, for all intents and purposes, I think it will be an improvement for the new markets tax credit program.

And we're still making changes to it. It's a living document. The CDFI Fund just released new data points for their AMIS reporting for their TLR report or transaction level report. And we're starting to incorporate some of the language and data point titles into this fee disclosure requirement so that CDEs can then take it and give it to their compliance group and know exactly how to report it within AMIS.

So, it's really kind of a living document that we're continuing to update and I think has become a useful tool and, you know, hopefully we start to see it used more and more in transactions.

[00:36:18] **Michael Novogradac, CPA**: Great. Thank you for your leadership there as well. And there were quite a few initialisms that you used there, some of which you explained in part, and also in the course of this podcast, we've had a variety of initialisms.

I would just say to listeners, if there's one that you're kind of wondering what it stands for, if you just send a tweet and include at Novogradac, I'll respond to what that initialism is. Brad, are there any other hot topics that you wanted to make sure that you mentioned?

[00:36:47] **Brad Elphick, CPA**: Yeah, not necessarily a hot topic, but just a, you know, just to let listeners know where we're focused.

2024 and 2025 are going to, I think, be extremely busy for new markets tax credits in particular. And it's shaping up to be a very active time in Congress as the credit is currently, you know, expected to expire at the end of 2025, along with a lot of other tax credit tax provisions.

And so I know that anytime that we get to this stage of new markets tax credit, since it's not been made permanent yet, there are a lot of efforts made by the working group and others within the industry to help ensure that if there is any new legislation that changes to that legislation are provided to members of Congress ahead of time.

It's with suggested language of what ultimately could be included in potential legislation. So we're, that's something that we're going to be focused and working on as well, is related to that effort to make the new markets tax credit permanent.

Exit

[00:37:52] **Michael Novogradac, CPA**: Great. Thank you for that. And I do want to thank you for joining me for our, for this podcast, Brad.

I know our listeners appreciate it. And please, though, do stick around for the Off-Mike section. As you know, from your prior visits on the podcast, I usually ask guests for some fun off topic advice or recommendations. But this time, I'm going to do something a little bit different than we've done the last few episodes.

So stick around for that. And then also for our listeners, I will share Brad's contact information in today's show notes. So you can contact him directly with any questions that you might have based upon this podcast or outside of this podcast. I'd also encourage you to reach out to Brad if you're interested in joining the New Market Tax Credit Working Group.

I would encourage you to do so. You also can go online to www.nmtcworkinggroup. com for more information about the working group and all that it's doing to improve and enhance the new markets tax credit. The working group I'll note does meet at least once a month, virtually, and we also meet in person at Novogradac's three annual New Markets Tax Credit Conferences.

And our next conference is in Washington, D.C., this June. So we encourage you to join and be great to meet you in person. I'm sure Brad would enjoy meeting you in person as well.

Off-Mike

[00:39:20] **Michael Novogradac, CPA**: Now let's go to our Off-Mike section and regular listeners of the podcast know it's usually where I ask my guest for a tip or recommendation.

But in the last couple of episodes, I've asked my guest to share an industry shout out and I've really enjoyed hearing these shout outs. So I figured I'd do the same thing, for Brad today. So Brad, who, is your industry shout out for the week?

[00:39:49] **Brad Elphick, CPA**: Well, Mike, I was glad to know it wasn't going to be a question about my favorite book because your reading list often intimidates me in terms of what you get through.

So I, I like the shout out a lot better. And I've already mentioned them and you as well in the podcast, but really would like to shout out the New Markets Tax Credit Coalition and the Partnership for Job Creation. We have had a great relationship. We're part of each of those, but just in terms of the advocacy efforts that each is doing on behalf of the new markets tax credit I think has been instrumental in its success. And, you know, we like to say, you know, we collaborate really well with them and supplement a lot of their efforts with what the working group does and provides a very kind of technical expertise to some of these topics beyond, you know, the legislative aspects of things.

And so I want to thank Bob Rapoza and his group that runs the New Markets Tax Credit Coalition. And then Jeff McMillen and Akin Gump, who run the Partnership for Job Creation and look forward to working with both groups, as I said before, as we race to 2025 here and what's expected to be coming down the pike related to all of the tax, you know, legislation that will be impacted.

[00:41:13] **Michael Novogradac, CPA**: That's two great shout outs, obviously. I've enjoyed, I know you have enjoyed as well, working with Bob Rapoza and Paul Anderson, who help run the New Markets Tax Credit Coalition for years and years. And of course, as you noted, Jeff McMillen and Akin Gump who manage the Partnership for Job Creation.

It does actually give us a chance to plug our conference again. It's one of the highlights of our three annual conferences is we do a Washington Wire. And you know, every year we have Bob Rapoza or Paul

Anderson for the New Markets Tax Credit Coalition and Jeff McMillen or someone else from Akin Gump joining us for that Washington Wire session.

And that's obviously from the Partners for Job Creation. So that's a key session at every conference. So please join us and give your own shout out to them in person in June in D.C. At the, at our New Markets Tax Credit Conference. So thank you, Brad. Thank you for joining me on the podcast. And for being such a frequent guest.

[00:42:16] **Brad Elphick, CPA**: Looking forward to being on even more.

[00:42:18] **Michael Novogradac, CPA**: And to our listeners, Mike Novogradac, thanks for listening.

Additional Resources

Email

Brad Elphick

Working Group

NMTC Working Group

Conference

Novogradac 2024 Spring New Markets Tax Credit Conference