COMMITTEE ON FINANCE
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BAUCUS, GRASSLEY CALL FOR MORE INVESTMENT IN LOW-INCOME, RURAL COMMUNITIES

Finance leaders urge Treasury to ensure that rural areas receive a proportional share of funds under New Markets Tax Credit program

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Republican Chuck Grassley (R-Iowa) today urged the Treasury Department to ensure that rural communities receive their due share of investment under the New Markets Tax Credit (NMTC) program. Passed into law as a part of the Community Renewal Tax Relief Act of 2000, the NMTC was enacted to encourage financial institutions to provide capital, credit, and financial services in underserved markets. One of the Senators' long-standing priorities has been to use financing instruments to foster the economic revitalization of low-income communities in rural areas. However, data through fiscal year 2005 shows disproportionately less investment in rural areas. In a letter to the Treasury Department's Community Development Financial Institutions (CDFI) Fund, the Senators urged that CDFI's new regulations ensure that a proportional share of NMTC dollars is delivered to rural communities.

"The New Market Tax Credit program plays a crucial role in spurring economic growth and helping businesses and individuals in rural areas, but it has strayed from its original purpose," said Baucus. **"In 2005, just 10 percent of program funds went to rural, low-income communities. As the CDFI Fund develops new regulations, it should work to ensure that rural areas receive their fair share of investment funds. "**

Grassley said, **"People might forget that 'rural' doesn't mean unpopulated or without development. A lot of Americans live in rural areas. Like city dwellers, rural residents also need access to businesses and affordable housing. It's also important to remember that one economic development project can lead to others and revitalize an entire community. Rural areas deserve a fair shot at revitalization."**

The text of the Senators' letter is below.

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August 3, 2007

Kimberly Reed, Director
Community Development Financial Institutions Fund
Department of Treasury
601 13th Street, NW, Suite 200
Washington, DC 20005

Dear Ms. Reed:

On May 22, 2007, the Community Development Financial Institutions (CDFI) Fund of the Department of Treasury solicited public comments to help the CDFI Fund develop a policy to implement the statutory requirement of the Tax Relief and Health Care Act of 2006 (P.L. 109-432) to ensure that, for purposes of the New Markets Tax Credit (NMTC) program, non-metropolitan counties receive a proportional allocation of Qualified Equity Investments (QEIs). While the comment period closed July 6, 2007, the CDFI Fund offered to receive our comments past this date. Please follow whatever procedures are appropriate to make this document available for public review.

Congress created the NMTC program in 2000 to create a new financing instrument for low-income rural and urban communities. A recent GAO report notes that, to date, NMTC investment totals over $7.7 billion. However, data collected from the CDFI through Fiscal Year 2005 shows only 10.38% of the total NMTC proceeds were invested in rural low-income communities. Therefore, two years ago, the Committee included language to require a proportional allocation of QEIs to non-metropolitan counties which ultimately passed into law as part of the Tax Relief and Health Care Act of 2006 (P.L. 109-432).

It was our intent to direct a greater share of NMTC financing to non-metropolitan communities such that the ultimate beneficiaries are individuals and businesses in rural areas. We recognize that the CDFI Fund does not allocate QEIs to geographic areas but rather allocates credits to CDEs which then issue qualified low-income community investments (QLICIs) in low-income communities. The rule established by the CDFI should ensure a proportional share of dollars as measured through QLICIs is delivered to non-metropolitan communities.

The CDFI solicited comments regarding the proper interpretation of the word proportional. The notice offered a potential definition that would ensure 25% of the allocatees predominantly serve non-metropolitan areas. To achieve true proportionality in the NMTC program, it seems 25% should be treated as a floor, not a ceiling. Congress has created set-asides in other programs, but declined to do so in the NMTC program.

We appreciate your prompt attention in this matter and look forward to working with you to ensure a proportional share of NMTC financing is delivered to rural areas. Please contact [staff] if you have any questions.

Sincerely,

Max Baucus
Chairman

Charles Grassley
Ranking Member

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