



February 3, 2023

Ms. Jodie Harris
Director, Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Recommendations for the timing and process of allocating future NMTC rounds

Dear Ms. Harris:

On behalf of the members of the New Markets Tax Credit (“NMTC”) Working Group, we submit the following comments, considerations, and recommendations for the ongoing and upcoming NMTC Allocation Rounds (**the “Rounds”**) which we believe will increase the effectiveness and efficiency in which the CDFI Fund administers the remaining \$20 billion in NMTC allocation authority currently authorized through 2025 with \$5 billion in annual appropriations as part of the Consolidated Appropriations Act, 2021.

We are mindful and appreciative **of the CDFI Fund’s efforts to provide periodic updates** on its various programs and initiatives, including the NMTC program. With that in mind, and in light of the recent passing of the deadline for submitting an application in the CY 2022 Round, we wanted to communicate our support for dividing the remaining \$15 billion in NMTC allocation currently authorized through 2025 into two Rounds rather than three Rounds, as shown on the attached schedule.

The schedule assumes that the time when a round opens with the release of the Notice of Allocation Availability (NOAA) and the time when awards are announced will both occur in the Fall of each year. This timing is consistent with fall announcement of the CY 2021 awards and the opening of the CY 2023 Round.

The attached schedule presents what the timing of the CY 2022 and the following three allocation rounds (\$5 billion each) may be if they continue as described above (Current Timing) and compares it to what it may look like if the CDFI Fund allocated the remaining \$15 billion of NMTC allocation over two rounds (Proposed Timing) in amounts of \$7.5 billion each after completion of the currently open \$5 billion CY 2022 allocation round. NMTC investors that are members of the NMTC Working Group generally support the combination of the remaining \$15 billion and believe there would be sufficient appetite for the increased amount of tax credits. Also, if more allocation is made available in a high interest rate environment that we are currently experiencing, it would allow CDEs to provide more subsidy to QALICBs that have seen their funding gaps widen as a result of the current economic environment.

The benefits of changing the approach to allocate the remaining \$15 billion over two rounds include, but



are not limited to, the following:

1. Enables the CDFI Fund to shorten the timeline for awarding the remaining \$15 billion in NMTC allocation authority by over a year with awards of the proposed third round being made in the Fall of 2025;
2. Reduces **the CDFI Fund's administration costs by reducing the number of Rounds from** three to two;
3. Opening the last round before the NMTC expires at the end of 2025, supports the need to make the tax credit permanent before 2026;
4. By increasing the amount of allocation available in each of the remaining rounds and keeping the average award size consistent with the most recent allocation rounds, the CDFI Fund also increases the likelihood of additional highly qualified applicants receiving allocation, including BIPOC-led CDEs and CDEs who have not previously received allocation; and
5. Will provide stakeholders with greater predictability regarding timing of allocation rounds and the amount of allocation each round by announcing that the remaining three rounds will be allocated in two rounds.

We strongly encourage the CDFI Fund to consider adopting our proposed changes as soon as possible and announce their intention to allocate the remaining \$15 billion in two rounds instead of three. There is precedent for combining rounds with the most recent combination occurring in 2016 when the CDFI Fund combined the CY 2015 and CY 2016 allocation rounds after the NOAA had already been issued for the CY 2015 round.

We are excited about the positive impact that the NMTC Program continues to have **on the nation's low-income communities and low-income persons**. Every Round the NMTC community continues to see highly impactful projects serving new geographies and new industry sectors creating opportunity and impact for more disadvantaged communities across the nation. We appreciate the opportunity to submit our recommendations related to the timing and process of allocating future NMTC rounds. Thank you in advance for your time and consideration. Please do not hesitate to contact us if you have any questions regarding our comments or if we can be of further assistance.

Yours very truly,
Novogradac & Company LLP

by 
Brad Elphick

cc: Marcia Sigal, Deputy Director for Policy and Programs, CDFI Fund
Christopher Allison, NMTC Program Manager, CDFI Fund