



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE March 2, 2006
CONTACT: Jim Anderson (202) 622-2591

TREASURY NOW ALLOCATING ADDITIONAL \$600 MILLION IN NEW MARKETS TAX CREDITS TO APPLICANTS SERVING THE GULF OPPORTUNITY ZONE

The U.S. Department of the Treasury announced today that it will allocate an additional \$600 million in New Markets Tax Credit (NMTC) authority to help rebuild low-income communities devastated by Hurricane Katrina among qualified pending applicants serving the Gulf Opportunity Zone area who have requested authority in fiscal year (FY) 2006. This additional investment was authorized by the Gulf Opportunity Zone (GO Zone) Act, which the President signed into law on December 21, 2005.

"As part of the GO Zone legislation, Congress provided several important incentives to help rebuild the gulf coast. Today, Treasury is moving quickly to get additional tax credits to the region to encourage investment, rebuilding and job creation. That is a recipe for recovery for the people who live there," Treasury Secretary John Snow said.

Background on 2006 Additional Allocations:

Under Section 101 of the GO Zone legislation, Treasury is authorized to allocate an additional \$300 million in tax credit authority for 2005, \$300 million for 2006, and \$400 million for 2007. Treasury's Community Development Financial Institutions Fund (CDFI Fund) will use the authority granted by the program to combine the 2005 and 2006 amounts and thus will make an additional \$600 million of NMTC allocation authority for specific use in the GO Zone in 2006.

The previously announced 2006 round of the underlying NMTC program, with \$3.5 billion of allocation authority, was originally initiated in the summer of 2005, and applications were due on September 21, 2005.

In light of Hurricane Katrina, on September 9, 2005, (JS-2712) Secretary Snow announced that:

- Treasury's Community Development Financial Institutions Fund (CDFI Fund) would provide NMTC Program allocation application deadline extensions, on a case-by-case basis, to organizations whose principal place of business as of July 15, 2005 was located in counties where FEMA issued a major disaster declaration as a result of Hurricane Katrina. All applications were received by December 12, 2005.
- The CDFI Fund would modify the NMTC Program allocation application so that additional consideration will be given to organizations that commit to target their investment activities to counties where FEMA issued a major disaster declaration as a result of Hurricane Katrina.

Today, Treasury is announcing that for the new authority provided in the GO Zone legislation, the Fund will allocate the first \$600 million in GO Zone authority among Community Development Entities (CDEs) that have applied under the 2006 NMTC allocation round (the fourth round) and that demonstrate a significant mission of redevelopment and recovery in the GO Zone. Because applications for the 2006 round were submitted prior to the passage of the GO Zone legislation, allocations will be made to pending applications in order to most quickly make awards to groups who can deploy investments in the GO Zone.

Only those CDEs with applications currently pending under the 2006 NMTC Program, that demonstrate, through procedures described in an amended 2006 round Notice of Allocation Availability (NOAA), a significant mission of recovery and redevelopment in the GO Zone will be eligible for this new allocation authority. This eligible pool of applicants contains many qualified organizations that have potential for tremendous recovery and redevelopment in the GO Zone. Thus, the CDFI Fund is not accepting new applications for the \$600 million in additional 2005 and 2006 NMTC GO Zone allocation authority. Priority will be given to those CDEs that evidence the strongest mission of recovery and redevelopment in the GO Zone. The procedures the CDFI Fund will use to identify eligible CDEs and to elicit information on their mission of recovery and redevelopment in the GO Zone are available on the CDFI Fund's website at www.cdfifund.gov.

The CDFI Fund expects to announce the 2006 Allocatees, both for the \$3.5 billion of allocation authority under the original NMTC legislation, as well as the \$600 million of special GO Zone allocation authority, in late spring of 2006.

Background on 2007 Additional Allocations:

As authorized under the GO Zone Act, the remaining \$400 million of special GO Zone allocation authority will be made available in the 2007 NMTC allocation round. A NOAA seeking applications for the 2007 round will be issued in the summer of 2006.

Background on NMTC Program:

The NMTC Program attracts private-sector capital investment into the nation's urban and rural low-income areas to help finance community development projects, stimulate economic growth and create jobs. Established by Congress in December of 2000, the NMTC Program permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in investment vehicles known as CDEs. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year period. Substantially all of the taxpayer's investment must in turn be used by the CDE to make qualified investments in low-income communities. Successful applicants are selected only after a competitive application and rigorous review process that is administered by Treasury's CDFI Fund.

The NMTC Program enables CDEs that receive an allocation of NMTCs to attract private-sector capital to support investments in businesses, including operating businesses, commercial real estate and community facilities. To date, \$8 billion has been awarded under the NMTC Program, and of that amount, \$4.1 billion has already been raised in equity from investors. This capital is already being put to use funding businesses in the nation's low-income communities.

The CDFI Fund has conducted three competitive rounds of the NMTC Program, announcing allocations most recently in May 2005.