



NEW MARKETS TAX CREDIT PROGRAM

COMMUNITY

Revitalization by Rewarding Private **INVESTMENT**

Over the past decade, our nation's low-income communities have suffered more than others due to factors such as dormant manufacturing facilities, inadequate education and healthcare services, vacant commercial properties, and lower property values. As a result, many of these communities find it difficult to attract the necessary capital from private investors. The New Markets Tax Credit Program (NMTC Program) helps economically distressed communities attract private investment capital by providing investors with a Federal tax credit. Investments made through the NMTC Program are used to finance businesses and real estate projects, breathing new life into neglected, underserved low-income communities.

HOW DOES THE NMTC PROGRAM WORK?

Through the NMTC Program, the CDFI Fund allocates tax credit authority to Community Development Entities (CDEs) through a competitive application process. CDEs are financial intermediaries through which investment capital flows from an investor to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to investors in exchange for equity in the CDE. With these capital investments, CDEs can make loans and investments to businesses operating in distressed areas that have better rates and terms and more flexible features than the market.

The NMTC Program helps to offset the perceived or real risk of investing in distressed and

low-income communities. In exchange for investing in CDEs, investors claim a tax credit worth 39 percent of their original CDE equity stake, which is claimed over a seven-year period.

In addition to receiving a tax benefit, investors have the advantage of entering new, unsaturated markets before their competitors, thereby increasing their chances of success. The NMTC Program enables investors to gain recognition for supporting the revitalization of America's communities.

The NMTC Program allows CDEs to increase the volume of their lending and investing activities. Equity raised by a CDE through a NMTC award must be:

- Used within a period of 12 months; and
- Invested as loans or equity in qualified active low-income businesses and/or other CDEs; used to purchase qualifying loans originated by other CDEs; or used to provide financial counseling to businesses in low-income communities.

HOW DO COMMUNITIES BENEFIT?

The immediate and positive community effects of the NMTC Program substantiate this innovative program. The NMTC Program has supported a wide range of businesses including manufacturing, food, retail, housing, health, technology, energy, education, and childcare. Communities benefit from the jobs associated with these investments, as well as greater access to public facilities, goods, and services. Since its inception, the NMTC Program has created or retained an estimated 358,800 jobs. It has also supported the construction of 17.1 million square feet of manufacturing space, 49.4 million square feet of office space, and 42.7 million square feet of retail space. In addition, as these communities develop, they become even more attractive to investors, catalyzing a ripple effect that spurs further investments and revitalization.

HOW DO BUSINESSES BENEFIT?

The NMTC Program helps small and medium-sized businesses with access to financing that is flexible and affordable. Investment decisions are made at the community level, and typically 90 to 97 percent of NMTC business and real estate investments involve more favorable terms and conditions than the market typically offers. Terms can include lower interest rates, flexible provisions such as subordinated debt, lower origination fees, higher loan-to-values, lower debt coverage ratios and longer maturity.

To see which CDEs have received NMTC allocation authority, please visit our searchable award database at www.cdfifund.gov/awards.

AN EFFICIENT AND EFFECTIVE USE OF FEDERAL DOLLARS

For every \$1 invested by the Federal government, the NMTC Program generates over \$8 of private investment. The NMTC Program catalyzes investment where it's needed most – over 70 percent of New Markets Tax Credit investments have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments can have a dramatic positive impact.

FIND OUT MORE

Visit our website: www.cdfifund.gov/nmtc

Learn about CDE Certification: www.cdfifund.gov/cde

Call our help desk for support: (202) 653-0421

Email us your questions: cdfihelp@cdfi.treas.gov