Mitchell’s Ice Cream in Cleveland received new markets tax credit equity to help finance the rehabilitation of a historic theater into the company headquarters with a storefront.

NMTC SERVICES

An established leader in the new markets tax credit industry with expert technical knowledge of key transaction structuring, accounting and compliance issues.
About the Firm

Novogradac has advised its clients in closing billions of dollars in new markets tax credit (NMTC) transactions, offering creative solutions that address the complexity of these challenging deals. Clients value Novogradac’s ability to navigate the intricacies of these transactions, a skill attained during decades of working with tax incentives. Guiding clients through the underlying tax, structuring and business issues of the NMTC program, while focusing on their business objectives, is a source of pride and positions Novogradac to provide clients with unparalleled service.

As a leading national certified public accounting and consulting firm, Novogradac assumed a leadership position in the NMTC community when the U.S. Congress created the NMTC program in 2000. Since then, Novogradac has served clients in a thorough, efficient and creative manner.

The firm has dedicated itself to clients’ needs, developing the resources necessary to provide outstanding professional services, consulting on hundreds of NMTC projects and maintaining client relationships with the industry’s leading community development entities.

Knowing the value that clients place on industry relationships and the ability to tap into them, Novogradac maintains close working relationships with the U.S. Treasury Department and its Community Development Financial Institutions (CDFI) Fund, the Internal Revenue Service and the NMTC Coalition. The firm also created the NMTC Working Group, through which industry participants collaborate to review guidance provided by Treasury and the IRS, and resolve technical and administrative NMTC issues.

Founded in 1989 and headquartered in San Francisco, Novogradac serves clients coast to coast from more than 25 offices, providing accounting, valuation, business advisory and general consulting services to publicly and privately held enterprises, governmental entities and community development organizations. The firm maintains clients in a broad range of industries with an emphasis in community development, affordable housing, new markets, historic and renewable energy tax credits.

Photo: Courtesy of Mt. Poso Congeneration Company
Legacy Charter School in Greenville, South Carolina, was part of a $26.9 million renovation to add a new gymnasium, handicap accessibility for the property, a renovated kitchen and the school’s first formal library. NMTC financing played a crucial role.
NMTC Services

Novogradac provides NMTC services to community development entities (CDEs), investors, lenders, developers and business owners. The depth and breadth of experience encompasses:

- Audit, attest and tax services
- Transaction structuring services
- Comprehensive compliance services
- CDE certification application and NMTC allocation application preparation
- Valuation and appraisal services
- Economic impact analysis

Audit, Attest and Tax Services

The firm’s engagement team members assist clients in understanding and applying the Internal Revenue Code (IRC) and generally accepted accounting principles (GAAP). Novogradac professionals have considerable knowledge of audit and taxation principles that affect the NMTC community and have an in-depth understanding of the impacts of transaction terms on the financial statements and tax returns. Novogradac’s specialized knowledge of the NMTC enables the firm to provide CDEs, investment funds and QALICB entities with value-added services in:

- Annual financial statement audits
- Tax return preparation and tax schedules
- Agreed-upon procedures for QALICB qualification
- Tax planning and research for technical issues
- Consulting related to CDE accounting and reporting issues, including application of GAAP for NMTC transactions

Transaction Structuring

Novogradac professionals work closely with clients in structuring and closing NMTC transactions, addressing and resolving complex business and tax issues and providing financial forecasts and agreed-upon procedures required by NMTC investors and lenders. Novogradac transaction structuring services include:

- Financial models and forecasts
- Transaction structuring advisory services
- Agreed-upon procedures at the time of investment
- Post-closing services
Comprehensive Compliance Services

The firm’s NMTC compliance services team provides a broad range of services that cover all aspects of managing an NMTC allocation. Novogradac serves local CDE allocates with one project as well as multi-round national CDEs that provide hundreds of loans and investments throughout the country. Novogradac professionals work closely with clients to tailor services to meet their needs.

Policies and Procedures

CDE allocates are responsible for extensive compliance and reporting requirements. Novogradac can help create an NMTC policies and procedures manual that enables clients to manage their NMTC program effectively and to address key compliance and reporting issues.

Investor Reporting and Monitoring

When closing an NMTC transaction, CDEs are responsible for ongoing reporting to investors. Novogradac can assist in the development of a compliance reporting checklist and calendar summarizing reporting requirements and deadlines as well as the gathering and submission of investor reports to ensure clients maintain compliance.

On-Site Training

On-site training can address the compliance, transaction structuring and reporting issues that an NMTC team may encounter. Novogradac can prepare personnel to meet the challenges and spend several hours with team members, tailoring training to their needs and discussing NMTC compliance and reporting requirements, transaction structuring options and examples, investor negotiation and other NMTC program implementation issues.
Awards Management Information System (AMIS) and IRS Reporting of Qualified Equity Investments (QEIs)

Allocates must meet reporting requirements within 60 days of receiving an investor’s QEI. Novogradac can assist clients in entering the required QEI data in the CDFI Fund’s AMIS system and completing investor notification form 8874A.

Institutional Level Report (ILR) and Transaction Level Report (TLR)

NMTC allocates must submit interim and annual reports to the CDFI Fund via the AMIS online system. Novogradac can assist clients in entering the required data for the ILR and TLR, provide guidance regarding data collection, assist in extracting information from transaction documents and provide checklists/templates to assist clients in gathering the appropriate information.

Substantially-All Agreed Upon Procedures Report

The substantially-all requirement must be satisfied for each QEI for each annual period during the seven-year credit period, and the substantially all test must be performed every six months. Novogradac can assist in creating procedures to determine whether the CDE meets the substantially all requirement, apply those procedures and issue a report in accordance with standards established by the American Institute of Certified Public Accountants.

Operating Income/Cumulative Earnings and Profits Calculation for Redemption Test

A CDE may not redeem a QEI from an investor during the seven-year compliance period without it resulting in a tax credit recapture. IRS regulations provide for a “safe harbor” calculation in determining allowable distributions to partners or members of the CDE. Novogradac can assist in reviewing the operating income calculation for CDEs taxed as partnerships or the cumulative earnings and profits calculation for CDEs taxed as corporations each year and also review the calculation after the end of the year to determine that the redemption test is met for a taxable year.
Other NMTC Compliance Consulting Services

The NMTC program continues to expand and evolve and Novogradac is committed to staying abreast of the latest developments, industry trends, and rules and regulations. Novogradac can assist clients as they develop and implement their NMTC strategy. Novogradac can offer advice on structuring and fee options, exit strategies, investor reporting and initial analysis of a potential transaction. Novogradac recognizes that clients may have many questions as they implement the program and would like to become part of your team as you put your allocation to work.

CDE Certification and NMTC Allocation Applications

Novogradac provides advisory services related to the establishment and certification of a CDE. Novogradac also provides guidance related to entity structuring, CDE governance issues and establishing and maintaining an advisory or governing board to serve the low-income communities and maintain status as a CDE. In addition, Novogradac works extensively with CDEs during the NMTC allocation application process.

Valuation and Appraisal Services

The firm conducts option agreement valuation services, IMPLAN studies and appraisal and real estate market analyses. Novogradac has conducted thousands of appraisals and market studies for unique property types and financing packages with an emphasis in the tax credit world. The firm also offers services related to the analysis of “true debt” in non-conventional tax credit financing structures.

Community Impact Studies

Novogradac provides community impact analysis utilizing IMPLAN (Impact Analysis for Planning) software. New markets tax credit projects are modeled to demonstrate how the investment will impact other businesses in immediate and surrounding communities. The IMPLAN economic analysis will quantify the financial, employment and tax implications required for the NMTC application.
Essex Crossing Site 6 is a 14-story building in New York City’s Lower East Side that will include 100 units of affordable housing for seniors and four floors of community service and commercial space.