



October 4, 2021

Mr. Christopher Allison
NMTC Program Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Comments on the CY 2021 Round

Dear Mr. Allison:

On behalf of the members of the New Markets Tax Credit (“NMTC”) Working Group, we submit the following comments, considerations, and recommendations in connection with the upcoming CY 2021 Round which we believe will increase the effectiveness and efficiency in which applicants can apply for NMTC allocation.

The members of the NMTC Working Group are participants in the NMTC industry who work together to help resolve technical NMTC issues and provide recommendations to make the NMTC incentive even more efficient in delivering benefits to qualified businesses located in low-income communities around the country. Our group includes over 60 organizations that are allocatees, nonprofit and for-profit community development entities (“CDEs”), consultants, investors, accountants and lawyers.

TIMING OF CY 2021 ROUND

We strongly believe and recommend the CY 2021 NMTC application round should be opened as soon as practicable and the deadline should be before the Federal Christmas holiday. Members expressed concerns that the goals of the NMTC incentive could be negatively impacted if timing considerations aren’t incorporated into the upcoming application cycle. Based upon a survey of NMTC Working Group members, 80 percent of those that responded said that if the application is due after the Federal Christmas holiday, it would create an unnecessary burden on their ability to manage deployment of any existing allocation and apply in the CY 2021 NMTC allocation round.

Application deadlines near year-end exacerbate the strain on NMTC activities in several ways. CDEs are typically limited in human and capital resources. Typically, the fourth quarter of the calendar year is the busiest time of the year for CDEs for various reasons including the need to close transactions by year-end, year-end reporting, and holidays that impact the number of available days to complete year-end activities. For the last two application rounds, applications have also been due in the fourth quarter,



further straining CDE and industry capacity at year-end. In our experience, many CDEs incur hundreds of hours working on their applications. Since the timing of the application round is unknown, it makes it very difficult for CDEs and other industry participants to determine proper staffing to handle their existing NMTC activities and requirements as well as the preparation of an application.

While not every applicant has prior allocation to deploy and may be able to better accommodate an application round in the fourth quarter, over the last ten application rounds nearly 50 percent of allocatees were also prior round allocatees. That average increases to over 70 percent when you look at whether the allocatee won in either of the prior two rounds. This high percentage of repeat allocatees supports the notion that many, if not most, applicants are managing deployment of a previous allocation while also intending to apply for more allocation in the next round. Many CDEs find it imperative to apply each round in order to maintain continuity in their NMTC activities that support the low-income communities they serve.

If the CDFI Fund chooses an application deadline that is beyond the Federal Christmas holiday, we recommend that the time period the round is open be longer than in prior rounds to allow for the additional year-end activities. For the prior four rounds, the applications have been due 50-55 days after the issuance date of the Notice of Allocation Availability (NOAA). Due to all the aforementioned reasons, we believe it would be reasonable to allow for more time to complete the application during the end of the year.

In addition to the timing of the application round, we recommend that the QEI/QLICI issuance deadline also be adjusted for all of the same concerns described above. For the CY 2020 round the deadline was January 15th, which was 184 days from the CY 2019 award announcement. In prior rounds the deadline ranged from 228 to 253 days. When CDEs receive a new award, they immediately start making deployment decisions and during the window between award date and NOAA issuance they are doing so based on anticipated but not known investment deadlines. CDEs need as much predictability and leeway as possible to plan their deployment and adjust to the shifting needs of businesses as the COVID crisis' impacts play out. Also, the construction markets are being significantly disrupted, so there will likely be delays in future projects getting construction-ready as a result of that disruption. This will inevitably affect CDEs' timing in deploying CY 2020 allocation. Due to the rounds now being \$5 billion in allocation and the ongoing ripple effects from COVID-19, we believe it is more reasonable to have a window longer than the CY 2020 round and to have a window in line with or longer than the CY 2019 round. We further request that the CDFI Fund announce the QEI/QLICI deployment deadlines associated with the CY 2021 round as soon as possible rather than waiting for the release of the CY 2021 NOAA.

CONSISTENT PROGRAM ROUND CYCLE

While we appreciate being able to make the recommendations and inquiries, we believe that the NMTC incentive is best served by an application process that is stable and transparent. Applicants, including prior awardees, spend a considerable amount of time and money positioning themselves to have a business strategy that they believe will ensure a successful application. Therefore, we recommend that the CDFI Fund release the application on a consistent timeline each year with set application due dates, issuance deadlines and set allocation announcement dates. Tax returns, tax credit pricing, audit plans,

application reviewers, and even economic activity incentivized through the program are adversely affected by fluctuating deadlines. Greater certainty and predictability enhance the effectiveness of the NMTC.

SCORING PROCESS

We request the CDFI Fund provide more information in the Application and/or NOAA related to the scoring process and its preferences. We believe that providing additional quantitative information would allow applicants to better understand the CDFI Fund's allocation priorities and respond appropriately. Although the CDFI Fund has provided TIPS/NOTEs in the Application, they do not adequately explain the CDFI Fund's priorities.

We also recommend a debriefing letter that includes the score received for each section and overall rankings be sent to each applicant rather than only those applicants who don't receive an allocation. We believe that by revealing more details regarding the scoring process to applicants, the administration of the review process will remain manageable for the CDFI Fund while also providing more detailed information to the applicants that will allow them to focus their overall business strategy and application content on the priorities of the CDFI Fund.

We are excited about the positive impact that the New Markets Tax Credit incentive is having on the nation's low-income communities and low-income persons. We appreciate the opportunity to submit our comments on the upcoming CY 2021 Round. 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