Four Things to Set Up CDEs for NMTC Compliance Reporting Success

As the new markets tax credit (NMTC) community concludes a busy period between the award of one round and the applications for another, some community development entities (CDEs) will turn their sights toward NMTC compliance reporting. In this week's podcast, Michael Novogradac, CPA, and Austin Power, CPA, provide an overview of NMTC compliance reporting, why it's valuable to the Community Development Financial Institutions (CDFI) Fund as well as what can happen to CDEs that fall out of compliance. Later, they discuss Power's four pieces of advice for CDEs to set themselves up for compliance reporting success, including being mindful of timeliness and taking advantage of interim certification.

Summaries of each topic:

Transcript

Introduction

[00:00:10] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac, and this is Tax Credit Tuesday. This is the February 21st, 2023, podcast. In today's podcast, we're going to cover new markets tax credit compliance reporting.

Now, we're coming off a busy season in the new market tax credit community. The 2021 round of the new markets tax credit was awarded last October 2022. Applications for the 2022 round were due in January of this year.

Now given those dates, you may be thinking last year was 2022, we're in 2023, so that doesn't really line up with the 2021 awards they made last year and the 2022 round being due in January of 2023. And that is correct. The award cycles are lagging about a year behind the respective calendar years. So the 2020 round was awarded in 2021 and the 2021 round was awarded in October of 2022. And the 2022 round will hopefully be announced later this year in 2023.

I should note that the New Markets Tax Credit Coalition, along with the Novogradac New Markets Tax Credit Working Group, is asking Treasury, the CDFI Fund more particularly, to combine the last three rounds into two rounds so we can get back onto a given year's allocation round is ultimately awarded or at least applied for early in the year in which it applies.

But let's not go down that path. With the busy season period of awards and applications concluded–or at least behind us. I'm not sure it ever gets concluded, I'm sure you'll agree. My guest will agree–community development entities who were awarded new markets tax credits in previous cycles are now turning their focus to new markets tax credit compliance reporting, which does happen on an annual basis.

Now before we dive into today's topic, I think it'd be helpful to our listeners to understand what's involved in new markets tax credit compliance reporting, and why it's so important. What it involves is submitting reports to measure how community development entities are delivering on the goals established when they apply for allocation issuance authority.

Now, I said submitting reports. These reports are submitted to the CDFI Fund, the Community Development Financial Institutions Fund. These reports are important to the fund because it helps the fund better understand the effectiveness of the incentive, and perhaps more significantly from a policy perspective, how it can be further improved.

Now, this topic should be of interest to every community development entity. And that is the entity that receives an allocation or the right to issue tax credit qualifying equity investments. So the topic should be of interest to community development entities, but it should also be of interest to many other players in the new market tax credit space who have an interest in ensuring that the new market tax credit is run effectively. It also, obviously, is of interest to investors in CDEs to make sure that the CDE itself is staying in compliance.

Now today's podcast is going to cover four ways that community development entities, CDEs, can prepare themselves for the upcoming compliance submission period. To do that, I have joining me on today's podcast guest a partner of mine in our Dover, Ohio, office, Austin Power. Austin is one of Novogradac's leading experts on matters of compliance when it comes to new markets tax credits. You may recognize him from some of our new market tax credit compliance workshops that he's led. Also, he does specialize beyond new market tax credit audit, tax and compliance consulting. He also focuses on historic tax credits.

Now in today's episode, Austin and I will start by providing a general overview of new markets tax credit compliance. I guess I probably shouldn't say Austin and I will, I should say I'll ask Austin questions and he'll provide an overview of new markets tax credit compliance. Then we're going to segue into the four ways that Austin suggests community development entities set themselves up for the upcoming new market tax credit compliance season.

Now there's a lot we want to discuss today, so if you're ready, let's get started.

So, Austin, welcome to Tax Credit Tuesday.

[00:04:31] **Austin Power, CPA:** Thanks for having me, Mike. Glad to be here.

NMTC Compliance Overview

[00:04:34] **Michael Novogradac, CPA:** No, happy to have you here. As I mentioned the introduction, I wanted to start with an overview for our listeners about what's involved in new markets tax credit compliance. So if you could share with our listeners what the reporting requirements are that community development entities that have received awards of new market tax credits, what reporting requirements they have under the new market tax credit program.

[00:04:58] **Austin Power, CPA:** Yes, of course. So CDEs, community development entities like you said, are required to submit four different compliance requirements each year. This is done annually through the CDFI Fund's Award Management Information System, which is abbreviated to AMIS, so you'll probably hear me refer to it as AMIS throughout this.

But so the first one is going to be an annual audit of the CDE. This annual audit is only required for the CDE, does not relate to the sub-CDEs that any CDE is going to have within their portfolio so just the allocatee audit. You're also going to have what is called the institution-level report, that is the ILR. This is how the CDFI Fund gathers information on an annual basis about the organization itself, its financial position. You're going to have some IRS compliance questions in there. This report isn't too complicated and doesn't change too much from one year to the next but is important. The third reporting requirement is what is called the transaction level report, or TLR. Tor those who have experience with compliance reporting, this is the report that might give you nightmares,

[00:06:27] **Michael Novogradac, CPA:** So that's why we're having this podcast to try to help alleviate those nightmares.

[00:06:32] **Austin Power, CPA:** Yeah, so the TLR this report is looking to gather specific data about the new market tax credit investments that a CDE has made in the first year that a deal closes that CDE is going to be looking at inputting approximately 200 different data points specific to the investment itself, the borrower, the project, where it's located, everything from the Census track data to the different fees that were charged throughout the process of the closing. The TLR is a lot of information that gets gathered and inputted in any given year.

And then the last piece is the QEI closeout report. So this report is how the CDFI Fund gathers information at the end of the compliance period, really specifically related to the status of the investment, the status of the borrower and ultimately trying to quantify the amount of residual value that the borrower was able to obtain at the end of the compliance period through the unwind process.

[00:07:48] **Michael Novogradac, CPA:** So, thank you for that, Austin. And you did mention the QEI closeout report, which kind of reminded me of a presentation I gave very early in the birth of the new market tax credit, where I read an article entitled "The ABCs of CDEs." And I went through all the various acronyms which we're not going to go through all the acronyms now. But if you could explain to our listeners what a QEI is.

[00:08:15] **Austin Power, CPA:** Yeah. Yeah. So a QEI is a qualified equity investment, so this is the QEI is made from an investor into a subsidiary CDE and then that CDE then takes that QEI and makes, they need to make substantially all of that investment needs to be made in the form of a QLICI, qualified low-income community investment.

[00:08:41] **Michael Novogradac, CPA:** And you even continue it and say the QLICI has to be in QALICB.

[00:08:45] **Austin Power, CPA:** A QALICB, a qualified, active low-income community business. That's right.

[00:08:51] **Michael Novogradac, CPA:** One time I did a Twitter poll on how to pronounce QALICB. Is it "kwal-ick-bee?" But anyway.

[00:08:57] **Austin Power, CPA:** It's alphabet soup at the end.

[00:09:00] **Michael Novogradac, CPA:** And I will just note that the tax credits are claimed on the amount invested in a CDE, which is slightly different than low-income housing tax credits, historic tax credits in the rest, where you invest in an entity and the credits are allocated to you. In general, the new market tax credit is made, is generated by making the equity investment in the CDE.

Why the CDFI Fund Collects the Data

But let's move beyond our temporary foray into new market tax credit basics, so the CDFI Fund collects this data from community development entities. Share with our listeners what the CDFI Fund does with this data that it's collecting and why that what they're doing with it is important.

[00:09:47] **Austin Power, CPA:** Yeah, of course, so ultimately all this data is being compiled by the CDFI Fund to evaluate the effectiveness of the program itself, so the CDFI Fund can use it in a variety of different ways. First, you're going to, they're going to be checking to make sure that any CDE is going to be in compliance with the program itself and then, secondarily, that they're in compliance with the specific requirements of their allocation agreement. This is done mostly through probably the TLR that nightmare of a report. Throughout those data points there are a number of different compliance checks, so if a CDE, when they applied for and received an award of credits, if they said that they would be making loans to operating businesses, the CDFI Fund could easily check their TLR to make sure that indeed they're financing the right types of businesses in the right target areas, that sort of thing.

Secondly, the CDFI Fund could use this information for simply peer analysis comparing two different CDEs against each other, and then, broadly speaking, they can use this data to better understand the different markets being targeted by CDEs within the program. That's what the CDFI Fund might do with it, the Government Accountability Office, or GAO, has used this data in the past to publish reports, making recommendations CDFI Fund on how to improve the program and really looking to compare the impact of the program to its intended purpose, and then lastly, and this isn't news to you, Mike, unlike some other tax credit programs the new market tax credit is not permanent, and with that being said, the program is set to expire at the end of 2025, so what this data can allow for or it can provide advocates of the program with the data approving the program's effectiveness as a community development financing tool.

[00:12:07] **Michael Novogradac, CPA:** No, I think the fact that data's being collected and the fact that it can be used to demonstrate the effectiveness of the new market tax credit serves an example to what the opportunity zones need. Opportunity zones don't have any reporting requirements.

[00:12:21] **Austin Power, CPA:** Exactly.

[00:12:22] **Michael Novogradac, CPA:** And as there's now, it was originally in the bill because of the way in which the opportunity zones were enacted, they had to get stripped out and it's been a struggle to try to get it back into the bill.

And even with the Inflation Reduction Act last year, I understand there was an effort to get reporting for opportunity zones into the bill, but just as it couldn't be in the bill as it was originally enacted because of parliamentary rules, those same rules kept from being part of the Inflation Reduction Act.

Falling Out of Compliance

So we've talked about why the CDFI Fund finds it important to have the data and what they do with it. From the viewpoint of a CDE if they fail to comply. Share with our listeners some of the bad things that happens if they fall out of compliance. I know they all want to comply irrespective of the potential penalties and negative effects, but it's worth reminding them of what they are.

[00:13:15] **Austin Power, CPA:** Of course, so ultimately, in the event a CDE decides to, pass on this compliance reporting they would find themselves in default of the allocation agreement, while it's not going to trigger, say, a tax credit recapture in the eyes of the IRS by being in default of your allocation agreement, a CDE could be penalized through the scoring process of future applications, so any CDE kind of operating within this within this industry, it's pretty important for them to not only get an award for the first time, but for that continued success and growth to be able to apply to future rounds and receive future allocations, so you definitely do not want to have that blemish for anyone looking to apply for the program going forward. You could also again, being in default, you could be potentially ineligible to apply allocation rounds. And in the event probably a more severe event that you're in default, if you have unused allocation, the CDFI Fund could take that away from you and either terminate it entirely or reallocate it to a different CDE who might be able to use it.

[00:14:32] **Michael Novogradac, CPA:** Thanks for that, Austin. That's a good summary of the ways in which failure to comply could affect your relationship with the CDFI Fund. I would just note that your investor, as part of your agreements with investors, you make certain representations and commitments to do certain things, and comes with no surprise, you commit to filing all these documents timely and completely. So if you were to fail here, you also would have consequences with your investor. And I won't go into all the different adverse consequences you have with respect to your ownership interest in the CDE, but I'll say they're not good. So I just wanted the listeners to be aware that not only do you damage your relationship with the CDFI Fund, you also put at risk your ownership interest in management of the individual CDEs due to commitments you've made with investors, and then there's issues also with lenders and all the rest. So I don't want to go into that at length, just to note that there are other bad things that happen as well.

[00:15:33] **Austin Power, CPA:** Great point.

[00:15:34] **Michael Novogradac, CPA:** And, it also could affect your ability to apply for other programs. Just that some entities in the past have applied for new market tax credits and didn't realize that failure to be in compliance with other CDFI programs may have been ineligible to apply for new market tax credits. So a very longwinded way of saying: just do what you're supposed to do.

[00:15:54] **Austin Power, CPA:** Yeah, stay on top of it.

Timeline for NMTC Compliance

[00:15:57] **Michael Novogradac, CPA:** So, now that we've talked about what the fund does with the data, why they want the data, the importance for CDEs to comply with the requirements, what's the timeline for compliance reporting?

[00:16:11] **Austin Power, CPA:** Great question. A CDE has 180 days from the end of their fiscal year to complete the ILR, the TLR and upload their audit completed by an independent CPA firm, so that 180-day mark for a December 31st fiscal yearend is going to fall on June 28th on any given year. I guess potentially fluctuating a day for a leap year in there, but June 28th you don't want to assume it's June 30th. A lot of people think it's six months. It's 180 days. So slight difference there. So the, audit in the ILR those requirements kick in for any CDE that makes a QEI for the first time, that qualified equity investment. The TLR is triggered as soon as a QLICI is closed on. So that's that actually making the investment into to that borrower in that low-income community. For a first-year CDE, you may not have every requirement, you want to make sure that you're not missing, one of those requirements if you've made a QEI for the first time or a QLICI, so that's the 180-day requirement.

That QEI closeout report that I spoke to as the fourth requirement, now this requirement only comes into play when you have when you have investments that have reached the end of their seven-year compliance period, so this QEI closeout report is due 30 days after you certify the TLR. So this, assuming you, you wrap this up in June of the calendar year, you want to make sure this is wrapped up shortly thereafter in the coming weeks. You're only going to need to kind have this reporting requirement in those years that you had investments reach the end of their compliance period. I would note that within AMIS, a new function within AMIS that was AMIS is relatively new. It was rolled out in 2018, there's what is called a reporting schedule and what this schedule will show is a detail of every reporting requirement over the entire life cycle of an allocation. So you're going to see seven years of audits, seven years of ILRs and TLRs and then those kind of QEI closeout reports at the end, and what this reporting schedule is nice. As you're tracking your different reporting requirements one year to the next, you can always go into this schedule and actually see the timestamped, down to the minute, of when you completed that certification. In the event you've thought you've completed your reporting for the year, you can always go in there and you'll see a big green checkbox timestamped with a date that it was completed. So the reporting schedule is always something to look at, and it's going to give you the exact date and time that you need to wrap those different requirements up by.

Four Tips for NMTC Compliance

[00:19:20] **Michael Novogradac, CPA:** Super. Thanks for that, Austin. Let's move now into advice or tips we can share with listeners. So what are the four tips or the four key bits of advice that you would have for CDEs as they approach compliance? And just give them to me briefly then we can go into each one in detail.

[00:19:42] **Austin Power, CPA:** The first tip I would have is to have a team that's familiar with the requirements and how to complete them. The second tip would be don't delay in completing this reporting. Number three, begin thinking about this eventual reporting during the closing process of any new markets project, and number four would be take advantage of what is called interim certification. And we can get into more what that means.

[00:20:12] **Michael Novogradac, CPA:** Let's do that now and we'll start off with your number one. We'll go into the same order. Talk about the importance of having a team that understands compliance. It seems pretty obvious that you would want to have a team that understands how to comply. What more do you have to share on that?

[00:20:30] **Austin Power, CPA:** Yeah. So I think in my experience, CDEs come in all different shapes and sizes, they can be large organizations with a lot of different people or pretty small shops that may only have a handful of individuals who run the entire operation, that being said, there's usually only one or a small group of people who are tasked with the assignment of completing this reporting on an annual basis. And what that does is it creates this expert within the organization who knows how to how to handle this reporting, what to do when they encounter issues the experience that they gain over time.

However, I've seen it a number of times, whenever someone leaves that organization who has all of this institutional knowledge, there's this knowledge void that, that often gets created. And I'd say for any CDE, you definitely want to invest in your reporting team. Maybe try to diversify it or kind of segregate those duties. Maybe spread them out amongst multiple people so if one person leaves it, it doesn't collapse the whole reporting structure that they may have, but invest time and resources to allow them to familiarize themselves with it and work through the questions that, that they may encounter, AMIS is not the most user-friendly platform in the world. It's definitely gotten better since they rolled it out several years ago. But there's always bugs and issues that are encountered. Just really trying to make sure you have the right team in place is going to be important.

[00:22:14] **Michael Novogradac, CPA:** Thank you for that. I agree with everything you said, and I would just amplify the training of your employees and I even say cross-training.

[00:22:22] **Austin Power, CPA:** Yes.

[00:22:23] **Michael Novogradac, CPA:** Have multiple employees involved so that if one isn't there, the other's there and it's serves as a check as well. Usually this happens as part of the actual application process when you're applying for new markets. You want to demonstrate your ability to comply. Clients will also often discuss the fact that they have policies and procedures that are written that are in place. So I amplify ensuring that you're following, the follow–that the positive procedures in place and that they're written. It's a good thing, as you're following your policies and procedures, you'll probably want to be adding to them and modifying them as conditions on the ground change.

And then, of course, what would I be as a Novogradac partner if I didn't also point out that we at Novogradac have webinars, conferences and other resources to help with compliance? And at the end of the podcast Austin will share more information how to get ahold of him, and I'll also include it in the show notes so you can reach out to Austin. Doesn't hurt to have an external review of your compliance.

And another area that I think many clients find valuable is our members of the New Market Tax Credit Working Group. And oftentimes when there are changes to AMIS or other reporting requirements, it ends up becoming something that is surfaced at the New Market Tax Credit Working Group level. So, it's useful to have, to be a member of the New Market Tax Credit Working Group and then to have one of your compliance folks on the monthly calls. It's a way of keeping them current with new market tax credit rules and regulations and policy shifts. And also if someone identifies something that you know has changed your own internal compliance person may not have noticed it yet, but it'll get surfaced at the working group level. And I'll include in the show notes contact information for Brad Elphick and Karen Destorel if you're interested in learning more about becoming a member of the New Market Tax Credit Working Group.

Let's go on to your next tip, Austin and that was to not delay in completing the requirements. That's definitely something a CPA would tell their client. So, for listeners, why it's important to stay on schedule or maybe even a little bit ahead of schedule when it comes to meeting new market tax credit reporting requirements.

[00:24:41] **Austin Power, CPA:** Of course, so like I mentioned, the ILR, it isn't the most complex report each year. It's the TLR that's going to be the headache for many of those in charge of compliance reporting for a CDE. As I said previously, there may be up to 200 data points for any new transaction entered into in any given year for any cycle.

Now that number dramatically reduces to, say, 20, 25 annual update questions. So if you're in the second year and beyond, you're not going to have as much information. But when you think about a large portfolio of new market tax credit investments, it's still quite a bit of information that needs to be gathered and inputted.

So, I would say this is not a report that you want to wait until a couple weeks before the deadline to, to maybe start gathering this information for and digging into to the detail, this is something that you should be planning ahead at least starting a month out. While AMIS has improved the functionality of the platform since it was launched, there's CDEs routinely run into some bugs, some issues with the platform whenever they're uploading information and looking to validate new projects or new transactions. Oftentimes these issues cannot be solved by mere mortals. We have to submit service requests.

And this is you reaching out through AMIS to the CDFI Fund help desk asking them, "Hey, we're running into this issue. Can you please, assist?" That's well and good. The issue is when you're three or four days before the deadline and every CDE is looking to do the same thing and are running into the same issue, you're getting really close. You're flirting with that deadline, now in my experience, if you miss the deadline because of some AMIS issue, as long as you have it documented through a service request that the CDFI Fund is aware and helping you through it, you're not going to say fall into that default category that we, we discussed previously. But why even put yourself into that into that situation? To the extent you can knock out this reporting with weeks before the actual deadline I would definitely recommend that. So do not delay.

[00:27:22] **Michael Novogradac, CPA:** I totally agree with you and you don't want to be relying on that cure period because you never know how that cure period will be applied for a given circumstance. Very good advice.

So, you talked about the third item was to begin planning during the closing process for compliance reporting, and something tells me that if I have roughly 200 data points for transaction-level reporting, maybe the time to begin thinking about collecting all that data is during the closing process?

[00:27:57] **Austin Power, CPA:** Yes. For sure.

[00:27:58] **Michael Novogradac, CPA:** Take the wind out of your sail there?

[00:28:00] **Austin Power, CPA:** No, and I can give some background to it. You certainly want to begin during the closing process. Now, when I started working with the TLR reporting, say 11 years ago it, the data points were probably half of what they were, now that has increased over the years, I'd say primarily from a GAO report that came out at 2014, 2015 where they kind made recommendations to the CDFI Fund to bolster their data collection. So, in some years, we saw 30 to 40 data points get added TLR for every transaction.

That being said, as the number of data points increase CDEs have adjusted with the closing binder you now see what are called multi-CDE reporting agreements. These are agreements where if there's multiple CDEs in the same closing, the same project, all the CDEs are going to enter the same information for certain data points, making sure everyone's got the story straight in terms of outcomes of the project or what are the better rates in terms that a traditional investor may be offering, there's also kind of community outcomes agreements different agreements that are really just there to make sure that the CDEs have as much data in that closing binder as they can to help facilitate this ultimate compliance reporting process. I would say that, and then at the same time not all that information is there, and so if you're thinking about compliance reporting when you're closing or going through that process, or maybe just shortly thereafter, you still have kind of those open lines of communication between other CDEs between the investor and the borrower, that you can begin gathering this information putting it into your spreadsheets and compiling it because it's going to be a whole lot easier to do it right after closing or during the closing process then it would be, say, nine months later when every organization associated with that closing has moved on to the next project.

[00:30:19] **Michael Novogradac, CPA:** So, thank you very much for that. It should make sense to almost take those 200 data points, like you say, collect as many as you can. Even make it a condition to close. Obviously if you need to close, you need to close, you're not going to that hold you up. But it seems like a nice bit of paperwork to have then and there to make it easier for the asset management team.

[00:30:41] **Austin Power, CPA:** Yeah. And then I would also note, Mike, so you have your traditional closing where a potential seven-year loan is being made or a loan that's going to stay in place for the seven years, there are some CDEs out there that operate revolving loan funds. So, the investments they make are going to be more short term. They're not going to have this large closing process a bunch of different parties involved. And those loans, in my experience, doing the compliance reporting for those, you often don't have as many of these templatized agreements, and so working with CDEs, especially during those smaller closings it's going to be really imperative that they kind think about that before they let too much time pass after closing those loans.

[00:31:33] **Michael Novogradac, CPA:** And obviously from the standpoint of the qualified business that's getting the loan or the equity investment, if they haven't gotten the money yet, they're pretty motivated to complete forms.

[00:31:42] **Austin Power, CPA:** Yes, for sure.

[00:31:44] **Michael Novogradac, CPA:** If they got the money, they're not quite as motivated.

So the fourth tip that you had was to take advantage of the ability to do an interim certification. So maybe explain to our listeners what an interim certification is and some of the benefits of that opportunity.

[00:32:04] **Austin Power, CPA:** So the interim certification is a mechanism recently introduced by the CDFI Fund through AMIS, which allows CDEs to validate new transactions throughout the year. They could theoretically close on a deal and within a couple weeks have all that data uploaded into AMIS and have that information validated and so it's all kind of checking out. The interim certification process is closely associated with the application process, and it's a way for the CDFI Fund to make sure that applicants are continuing to remain in compliance because of the lag that you spoke to of the program, the award, the application being a year or more lagging behind.

And I'll put this into for an example here: So, if you were to close a new markets transaction in January of 2022, you wouldn't be completing that final certification until potentially June of 2023. But if you were to say, apply for the most recent application round, the CDFI Fund's going to want to know if you closed a deal and if that deal was done in compliance with an allocation agreement that you had, and so currently, there's actually, for those that applied in the most recent application round, there's currently a deadline of May 11th, so coming up here in, in a few months. So any transaction closed prior to May 4th, 2023, needs to be interim certified by May 11th, 2023. So it's, again, it's a process that I think CDEs should take advantage of continuously, whether or not they've they're part of the application process because you can enter that data in, have it validated and not have to put so much pressure on that 180-day deadline that everyone will ultimately come to.

[00:34:16] **Michael Novogradac, CPA:** And I really liked your point of January of 2022 wouldn't be due until sort of the end of June of 2023 for calendar year for a CDE. And obviously by the time that date comes around that investment, that loan that QLICI is in the distant memory.

[00:34:40] **Austin Power, CPA:** Nobody's thinking about it anymore.

Novogradac Resources

[00:34:42] **Michael Novogradac, CPA:** So, going ahead and inputting it in right after you made it seems like that's a recommended practice, so I'm sure there are some listeners, and I made reference to this potentially in the case earlier in the podcast, they're going to say, this is all great. I appreciate those four tips, but how can you, Austin, on behalf of Novogradac, help me ensure that I'm meeting my compliance obligations? So maybe share with our listeners some of the services that you provide to community development entities with respect to this aspect of compliance.

[00:35:17] **Austin Power, CPA:** Yeah, certainly. So first I'd say it's never too early to reach out, and it's not too late if you are approaching a deadline. So I'd say probably most basic kind of form of service would just be through an hourly consulting engagement, we could review the data that a CDE compiles to make sure that when everything's lined up in a spreadsheet, we can look at each data point to make sure it's broadly making sense, that it's in compliance with their allocation agreement that the data is going to be inputted or uploaded correctly, so just general, high-level review of the data, we can assist with the uploading process into AMIS, oftentimes, CDEs will upload thousands of data points at a time and one or two issues will arise. I think it always arises, but walking them through the process of fixing those small little issues and getting everything uploaded into AMIS accurately, and then lastly, just walking through the certification process. AMIS has changed from year to year and if you're working with someone who isn't familiar with the platform itself, sometimes just having someone on a call or sharing a Zoom screen and kind of walking them through what that certification process looks like is certainly a service we're here to help for, so that's consulting. It can be as short as a few hours to a few days. We're here to help in any way we can.

A more-involved engagement would be through an AUP report, so this agreed-upon procedures report, this is where we would play a definite more hands-on in the gathering of all the data so my team and I could scrub the closing binder. In the event we still need information, we can create questionnaires to send to your borrowers, to send out to anyone who we're still looking for data from, but that AUP report's going to involve us gathering the information, uploading it into the platform and again, walking you through that certification process. So definitely more involved engagement there with the AUP.

[00:37:40] **Michael Novogradac, CPA:** And any listeners that want to learn more about consulting versus AUP or grant procedures, do reach out to Austin. And I would note sometimes investors will layer in their requirements. So, all we're talking about here is the CDFI Fund requirements, but there's all sorts of investor and/or lender requirements that could be kicking in as well.

But there's only so much we can cover on this podcast. So, thank you, Austin. I appreciate you joining on the podcast this week. I know our listeners appreciated your insights about new market tax credit compliance, and I'm sure many will be reaching out to you. And as I noted earlier, I'll include your contact information in the show notes.

Conclusion

And then to our listeners, I'd like to encourage you to tune in next week when we're going to talk about standalone storage and the investment tax credit. Whenever I think of standalone storage, I always think of batteries. And the whole concept of standalone storage and investment tax credit has to do with now being able to claim investment tax credits on storage on a standalone basis. It doesn't have to be associated with the renewable energy generating activity.

My guest next week will be Rob Bryant. He's also a partner our Dover, Ohio, office. We have many partners in Dover, Ohio, office. We're going to talk about how the investment tax credit itself works, how the investment tax credit can now be claimed with respect to standalone storage projects and also the interaction with the Inflation Reduction Act with respect to both the topics, and we'll focus on some of the practical aspects and some of the financial terms that might be unique to standalone storage projects.

I do think if you're active in renewable energy or you're thinking of getting into the field, you'll definitely want to check in. There aren't very many renewable energy developments that won't be looking at some aspect of storage and often standalone storage. So please do join us next week.

And I would note in advance of next week if there are particular questions, feel free to reach out to me on Twitter. Just tweet to @Novogradac any particular questions that you have or send an email to cpas@novoco.com. And if you send them quickly enough you might actually hear your question being answered in the course of the podcast.

Off-Mike Section

So now we're going to turn to our Off-Mike Section, where I get to ask guests some off-topic questions that aren't directly related to tax credits or tax incentives and get their advice and words of wisdom.

So, I have two questions for you, Austin. Oftentimes it's three, but it is busy season, so I'm trying to cut back. So, we're in busy season for CPAs. So, what's your best tip for adjusting to various changes in our profession over time?

[00:40:35] **Austin Power, CPA:** Yeah, so Mike, I think whether it's our profession or any profession out there, when we're thinking about the changes that we've encountered over the last few years I would say just embrace the changes that are outside of our control. We find ourselves today using technology that three years ago would've been completely alien to us. And so being open, embracing those changes, whether it's technology we have now or whatever advances in technology are on the horizon to even just, you know, the people that we work with, our teams, how they work or where they work, if they're working hybrid or remote. If we're abrasive or resistant to these types of changes, I think ultimately we're going to lag or be left behind.

[00:41:23] **Michael Novogradac, CPA:** So I really appreciate that advice and I'd also just suggest lean in to those changes. I actually find one of the features of public accounting is it's always changing, is the laws themselves are always changing. The regulations are always changing. The insights with respect to existing law are ever-expanding. I like to comment that there's never fewer court cases. There's never fewer interpretations for you. There's just interpretations.

[00:41:51] **Austin Power, CPA:** That's right.

[00:41:52] **Michael Novogradac, CPA:** And that's something that I find rejuvenating and a feature of the profession. So I definitely enjoy leaning into that.

So my second, and as I mentioned earlier, my last question is to get a book that you'd recommend to our listeners and why. Our listeners know that during the pandemic, I got back onto reading. I drifted away from reading and I should say reading or listening because I'm a big fan of Kindle and Audible because I, wherever I go, I can always have Kindle on my iPad and Audible with me. So, I'll listen to books on Audible as well as constantly sort reading books on Kindle. So, give me a book. If you want to give me more than one book, you're fine to do that too. But if there's a particular book that you'd recommend to our listeners, please share. And why.

[00:42:47] **Austin Power, CPA:** Yeah. So, Mike, we kind joked before we started recording that most of the books I read geared toward the age 3 to 7 range these days.

But thinking that our listeners of fall outside of that demographic, so a beneficial read that I've that I've come across in the last several years the book "Leaders Eat Last," by Simon Sinek. I came across this author through various TED Talks that I heard him give about leadership and ultimately this book discusses how great leaders create environments where people will naturally work together and pull in the same direction, he speaks to what he calls a "circle of safety." And this is an environment that that will facilitate communication for your team, camaraderie within that team a safe place where those team members can feel free to share ideas or be free to even fail, where they're not going to be punished shunned by making a mistake or coming up with an idea that doesn't work. I thought this might be a beneficial book for anyone maybe in a leadership position now, or potentially aspiring to be in that position in the future.

[00:44:15] **Michael Novogradac, CPA:** Thank you for that tip. I think I'll add that to my Goodreads "want to read" list. And when you mention the concept of giving room to fail, it always reminds me, and I think I've mentioned this before, our listeners may remember this from prior podcasts there was a one vignette where an employee, a senior-level employee had gone out and invested in an activity they thought was going to be really powerful for the company. Ended it up generating like a $2 million loss or $5 million loss. I can't remember the dollar number and was suitably embarrassed. And I shouldn't say suitably. Embarrassed, I should say was embarrassed. Not suitably embarrassed. Was embarrassed and submitted their resignation to their boss. And the boss looked at him and said, "We just spent $2 to $5 million teaching you a lesson. I'm not going to let you then walk out the door and take advantage of that lesson somewhere else." So, I thought that was a great way of looking at it and saying you have to have the opportunity to fail and be safe within that opportunity to fail.

But you mentioned your reading range so I'm sure we have some listeners that have children in that age. So, if I was to put you on the spot and say, is there a book or books that you would say you would say, read these to your kids 3 to 7? Or is there a book at that age range that you would say you've learned some lessons from?

[00:45:49] **Austin Power, CPA:** I have a 3-year-old daughter and she, her favorite movie is the "Lyle, Lyle, Crocodile," which is based on a book series that, you know, goes back long before I was a kid. So for Christmas we got a bunch of the original books and so she's been reading a lot of those, and then I have 7-year-old son who's starting his journey into Harry Potter. So, my wife and I are having fun rereading some of those books with him.

[00:46:24] **Michael Novogradac, CPA:** Good for you. And I'll share for you one of the books that I read to my kids, which has then become something that I've since given to people over the years is "[If You] Give a Pig a Pancake."

[00:46:37] **Austin Power, CPA:** Oh, that's great.

[00:46:38] **Michael Novogradac, CPA:** And have you heard about it?

[00:46:41] **Austin Power, CPA:** I've seen it before. No.

[00:46:44] **Michael Novogradac, CPA:** I mean, it's a great story about how you give a pig a pancake, then they want syrup. You give them syrup, and then they want -- it's a whole book about how one thing leads to another, and it's something I always have to be careful with myself in terms of trying to understand some of the impact of those lessons. But it's a fun book and it was a favorite of my wife's as well.

So thank you very much, Austin. I appreciate you being a guest on the podcast this week. And to our listeners let me say thank you for listening. Have a good week.

Additional Resources

Email

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New Markets Tax Credit Working Group