

New Markets Tax Credit Bulletin

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CDFI Fund Releases Q&A for Allocation Application

Today the Community Development Financial Institutions (CDFI) Fund released a set of [50 Questions and Answers](#) pertaining to the 2010 New Markets Tax Credit (NMTC) Allocation Application. Earlier this month the CDFI Fund announced its Notice of Allocation Availability (NOAA) with \$5 billion available for the 2010 Round of NMTC allocations, and the Application is attached [here](#).

The deadline for submitting completed NMTC allocation applications is June 2, 2010 at 5pm Eastern, and certified CDEs wishing to change their designated service area have until that time to submit their request for such a change.

Applicants that are not yet certified CDEs must submit their application for certification by April 26, 2010.

For the 2010 Round, the Fund does not anticipate allocating more than \$150 million in Credit authority to any one Community Development Entity (CDE) and the Fund will ensure that, as in past years, the 20% rural proportionality is applied to investments made with allocations in 2010.

The Q&A provides new guidance on the so-called related parties test. Under the law, a CDE may receive 5 priority points for committing to invest substantially all of its QEIs in an unrelated business or persons. Previously, the related party test was applied after the investment was made, thereby limiting the ability of CDEs to make equity investments. The guidance revises the standard for qualifying. Now, a CDE will qualify for the points if persons unrelated to the CDE hold a majority interest in the qualified business after the QEI is made, but before the CDE makes the qualified investment. The purpose of this change is to clear the way for a higher level of equity investing.

The deadline for prior NMTC Allocateses to demonstrate their issuance and receipt of funds in-hand from investors for Qualified Equity Investments (QEIs) is 11:59 p.m. Eastern Time on July 21, 2010.

The CDFI Fund is planning to announce its allocation decisions in December 2010.