

Fact Sheet: The New Markets Tax Credit (NMTC) Extension Act

H.R. 1098: Leads: Reed (R-NY) & Neal (D-MA)

S. 384: Leads: Blunt (R-MO) & Cardin (D-MD)

To cosponsor, contact Elise Tollefson with Reed (Elise.Tollefson@mail.house.gov) or Aruna Kalyanam (Aruna.Kalyanam@mail.house.gov) with Neal.

To cosponsor, contact Tracy Henke (Tracy_Henke@blunt.senate.gov) with Blunt or Beth Bell (Beth_Bell@cardin.senate.gov) with Cardin.

Summary

- Provides an indefinite extension of the NMTC, which expires in 2019.
- Provides an increase in the annual NMTC allocation and indexes future allocation to inflation.

History and Purpose

- The NMTC was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554) as part of a bipartisan effort to stimulate investment and economic growth in low income urban and rural communities. By providing a modest tax incentive to private investors, the NMTC increases the flow of capital to businesses and low-income communities.
- NMTC investors receive a tax credit equal to 39 percent of the total Qualified Equity Investment made in a Community Development Entity with the Credit realized over a seven-year period, amounting to 5 percent annually for the first three years and 6 percent in years four through seven. If an investor redeems the NMTC investment before the seven-year term has run its course, all Credits will be recaptured with interest.

Economic Impact

- NMTC investments of \$42 billion have generated \$80 billion total project financing and about 1,000,000 jobs¹, at a cost to the federal government of less than \$20,000 per job.
- More than 72 percent of all NMTC investments have been in communities exhibiting severe economic distress, and in 2017, 23 percent of NMTC projects were in rural areas.
- More than a billion dollars annually goes to community facilities, including nearly 2,000 hospitals, schools, daycare centers, treatment facilities, and other service providers.
- Nearly 1,000 manufacturing and industrial businesses received billions in project financing.
- An independent compliance review recently found that program participants are significantly lowering the cost of capital for borrowers in low-income communities and exceeding statutory and regulatory requirements for the targeting of economic distress.²

For more information on NMTC outcomes and projects by state, visit: nmtccoalition.org/state-fact-sheets

¹ The NMTC Economic Impact Report (2003-2015), NMTC Coalition (December 2017).

² Compliance Review of New Markets Tax Credit Program, Summit Consulting (August 2017).

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