NEW MARKETS TAX CREDIT COALITION

Proposal to Extend the New Markets Tax Credit

The New Markets Tax Credit (NMTC) was extended in the PATH Act of 2015 for five years – 2015-2019- at $3.5 billion in annual credit authority. Bipartisan legislation, the New Markets Tax Credit Extension Act of 2017 (H.R.1098/S. 384), has been introduced in both Houses of Congress that permanently extends the NMTC, provides annual credit authority of $5 billion, with an annual inflation adjustment, and exempts NMTC investments from the Alternative Minimum Tax. The estimated cost of H.R. 1098 and S. 384 is $5 billion over 10 years.

Given the many issues confronting Congress, including the tight $1.5 trillion cap on the cost of the tax package, Congress may not be able to include a permanent extension of the NMTC in comprehensive tax reform legislation. If this is the case, Congress should not consider extending the NMTC an all or nothing proposition.

If appears that the tax bill will include temporary provisions for certain business expenses and that these provisions have five-year authorizations – 2017 to 2022. Lining up the NMTC's authorization with those temporary provisions will extend the Credit through 2022 and cost $1.5 billion over ten years, using JCT's past scoring of the NMTC as a guide. This long-term extension would allow both CDEs and investors the time horizon to achieve greater program efficiencies. Since enactment of the PATH Act, NMTC pricing has improved and CDEs and investors with a little more breathing room have taken on more projects in difficult to develop communities.

Whatever the broad benefits of tax reform to the economy, businesses in communities with high poverty and unemployment will still face significant challenges in securing private sector capital. The NMTC is the most cost-efficient way to deliver billions in financing to manufacturing expansions, new hospitals, daycare centers, business incubators, and other catalytic investments that promote revitalization and foster economic growth.

An additional $10.5 billion in NMTC allocation will:

- Finance $21 billion in total development activity in distressed communities, including:
    - About 75% in areas of severe distress with high unemployment or poverty rates; and
    - About $4.2 billion to businesses and economic development projects in rural America.
- Put 249,000 people back to work in hard-hit urban neighborhoods and declining farming towns; and
- Cost the federal government only $1.5 billion over ten years while generating significant federal tax revenue as well as state and local revenue for municipalities with struggling schools and crumbling infrastructure.

Estimated Ten Year Score Developed Using Past JCT Scores (millions)

Policy Change	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**

1331 G Street, NW, 10th Floor, Washington, DC 20005
202-204-4500 ◆ fax: 202-393-3034 ◆ www.newmarketstaxcreditcoalition.org

$3.5 billion in annual allocation for 2020, 2021, and 2022	0	0	0	-5	-32	-112	-239	-324	-371	-413	-1,496

1331 G Street, NW, 10th Floor, Washington, DC 20005
202-204-4500 ◆ fax: 202-393-3034 ◆ www.newmarketstaxcreditcoalition.org