

## The Case for a Permanent Extension of the New Markets Tax Credit

**The NMTC expires in 2025:** The NMTC was extended for five years at \$5B in annual authority in the Consolidated Appropriations Act, of 2021. The authorization expires in 2025. This is the moment to permanently extend the New Markets Tax Credit.

**Permanent authorization is a better tax policy:** It's time to end this one-foot-on-the-gas, one-foot-on-the-break approach to tax policy. Communities, businesses, investors, and community development practitioners should be able to count on incentives like the NMTC.

**Bipartisan agreement:** The bipartisan NMTC Extension Act of 2021 (H.R. 1321/S. 456)<sup>1</sup> provides a permanent authorization at \$5 billion in annual allocation authority, adjusted for inflation and exception from the Alternative Minimum Tax for NMTC investment. H.R. 1321 has the support of over 120 Representatives (including a majority of the Ways and Means Committee), and S. 456 has 24 Senate cosponsors, including a majority of the Finance Committee. The NMTC is a bipartisan solution for economic development in communities hit hardest by economic downturns and dwindling job opportunities. We should invest in federal programs that work, and the NMTC fits that bill.

**Record of Performance:** In 2021 alone, NMTC financed over 270 businesses and projects; \$3.2 billion in NMTC allocation leveraged some \$6 billion in investment in low-income communities, creating over 33,000 permanent and 19,000 construction jobs; over 30 percent of the activity was in rural and non-metro communities, creating over 13,000 jobs.<sup>2</sup>

**Independent evaluation gives the NMTC high marks:** A 2017 evaluation and NMTC compliance study of the NMTC by Summit Consulting found that program award winners are lowering the cost of capital in low-income communities, targeting areas of deep economic distress, and far exceeding program requirements.

**Increasing cost of capital:** The Federal Reserve's interest rate increases pushed up the cost of commercial credit. Meanwhile, inflation has ballooned the costs of construction and materials used in community development projects. The NMTC can fill those funding gaps by increasing the flow of capital to businesses and low-income communities by providing a modest tax incentive to private investors. The NMTC has proven to be an effective, targeted, and cost-efficient financing tool valued by businesses and communities.

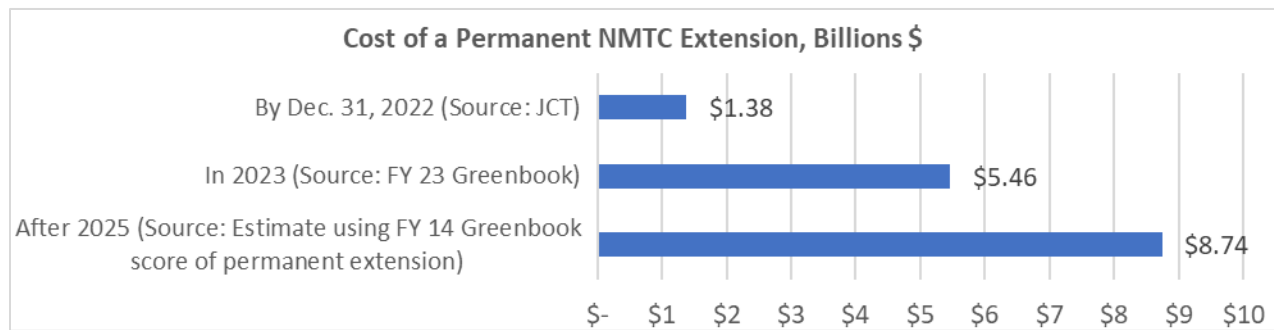
**Relatively low cost of extension:** Congress has an opportunity to make one of the federal government's most successful community development programs permanent at the low, ten-year cost of \$1.38 billion, according to the Joint Committee on Taxation:

NMTC-Permanent Extender	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-26	2022-31
PERMANENT EXTENSION OF NEW MARKETS TAX CREDIT	---	---	---	---	[X]	-12	-61	-204	-422	-680	[X]	-1,380
[X] = Loss of less than \$500,000.												
NOTE: Details may not add to totals due to rounding.												

<sup>1</sup> Cosponsor lists: [nmtccoalition.org/extension-bills](https://nmtccoalition.org/extension-bills)

<sup>2</sup> Source: 2022 NMTC Progress Report: [nmtccoalition.org/progress-report](https://nmtccoalition.org/progress-report)

**If Congress does not act this year, the cost to permanently extend the NMTC will increase dramatically.**



**Impact of a permanent extension (along the lines of the NMTC Extension Act of 2021) through 2031:**

#### **Flexible Capital to Meet Community Needs**

- \$35.8 billion in newly authorized NMTC allocation.
- Total project financing of \$71.3 billion to over 4,300 projects in low-income communities.
  - Includes \$16.8 billion in total project financing to rural America.

#### **Community Facilities and Social Infrastructure**

- Financing for over 2,043 nonprofits, community centers, YMCAs, health clinics, youth programs, vocational training centers, and other community facilities. This activity includes:
  - **Healthcare:** 673 projects expanding access to healthcare for 16.7 million patients, including:
    - 503 new or renovated federally qualified health centers, free clinics, and VA facilities;
  - **Childcare:** 426 childcare centers and youth programs; and
  - **Workforce Training:** 593 vocational training programs and higher education expansions.

#### **Jobs and Opportunity**

- 583k jobs, including 366k permanent, full-time jobs, and 217k construction jobs.
- Over 100k manufacturing jobs at nearly 1,700 manufacturing businesses supported through direct loans, technical assistance, or new industrial space.
- Nearly 2,000 small business loans to disadvantaged businesses.

#### **Other Physical Infrastructure**

- 199 million sq. ft. of new or improved real estate for businesses and social infrastructure.
- 26,741 affordable housing units, most of which are affordable, single-family homes.

#### **Other Benefits of NMTC Permanence**

- Increases certainty for communities and investors;
- Allow the Credit to keep pace with inflation; and
- Diversifies investor market and maintains efficiency during recessions when the NMTC's most needed.

**All at a ten-year cost of \$1.38 billion, a cost per job of under \$3,000!**