NMTC Coalition Legislative Priorities

The NMTC Coalition is asking for six new policies.

# Ask #1: Support a permanent extension of the NMTC by cosponsoring NMTC Extension Act (H.R. 1321/ S. 456)

* **The NMTC is not permanent:** The NMTC was extended for five years at $5B in annual authority last December. It expires in 2025.
* **Permanent tax policy is better tax policy:** It’s time for an end to 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 has the support of 63 Representatives (including a majority of the Ways and Means Committee) and 19 Senators evenly spread across both parties. Existing cosponsors: <https://nmtccoalition.org/extension-bills>
* **Community support**: Last year, over 700 businesses, community leaders, cities, nonprofits, and community development organizations wrote to Congress asking for a permanent extension of the program. <https://nmtccoalition.org/sign-on-letters>
* **Efficiency Gains:** Providing AMT relief for investors would diversify the NMTC investor pool and drive more benefit to low-income communities for each federal dollar.

# Ask #2: Promote greater economic growth in economically distressed rural urban and tribal communities by providing an additional $3 billion in NMTC allocation for investment in child care facilities, clean technology industries, small business incubators, and other infrastructure investments;

* **Many of the goals and priorities in the American Jobs Plan (AJP) align well with the NMTC.** Using the NMTC to finance many of the priorities in the AJP would help the President ensure new and improved infrastructure benefits underserved communities.
* The NMTC has a twenty-year track record of financing daycare centers, community colleges, business incubators, workforce training programs, utility upgrades, schools, healthcare facilities, and other public goods that strengthen communities and generate long-term economic growth.
* Infrastructure stats (through Sept 2020):
  + - Childcare: 420 projects, $5 billion expanded access to childcare
    - Capital for domestic manufacturers: 1,543 projects totaling $12.8 billion
    - Colleges, training, workforce development: 397 projects totaling $8 billion
    - Business incubators: 143 projects totaling $4 billion
    - Schools: 441 schools totaling $7 billion
    - Clean Water: 31 projects totaling $1.1 billion
* **The road to economic recovery will be long and difficult**. While high-growth regions are already rebounding, underserved communities risk being left behind. $3.5 billion in additional New Markets Tax Credit allocation (over three years) will support the economic recovery of hard-hit communities.
* **Past successes at economic stabilization:** During the early stages of the Great Recession, Congress took a variety of actions to help capital-starved communities access the resources they desperately needed, including an additional $1.5 billion in New Markets Tax Credit allocation for 2009 and 2010 to help more communities access financing to keep businesses open and support critical components of the social safety-net. Between 2009 and 2011, the NMTC delivered $23.6 billion to 1,200 businesses, health centers, homeless shelters, and other community facilities, creating 85,000 jobs.
* **Boosting state and local tax revenue:** States and localities face yawning budget gaps that threaten to derail the economic recovery.By stabilizing and revitalizing local economies, the NMTC helps boost tax revenue for state and local governments. Between 2003 and 2015, NMTC investments generated $6.7 billion in state and local tax revenue, including $502 million in 2015 alone.
* **Ability to deploy the funds quickly:** Community development entities (CDEs), investors, and New Markets Tax Credit practitioners have proven they can quickly deliver $7 billion in annual allocation to businesses and revitalization projects. In 2016, the CDFI Fund combined the 2015 and 2016 rounds and awarded $7 billion in allocation to over 100 organizations. It only took CDEs eighteen months to deploy $7 billion to distressed communities.

# Ask #3: Support provisions to establish a set-aside of allocation authority for Indian country

* **Details:** Amend the statute to ensure tribes and Native populations receive a proportional share of NMTC investments based on their share of poverty. This provision would target at least 5 percent of NMTC allocation for investments in Indian Country. H.R. 2, the Moving Forward Act passed by the House in 2020, included similar provisions. If the American Jobs Plan moves through Budget Reconciliation (and set-asides are impossible due to the rules of the Reconciliation process), we suggest increasing NMTC allocation by at least 5 percent and directing those funds to Indian Country.
* **The need is great.** Indian Country needs access to capital for new and expanded businesses and social services. Stats:
  + **Poverty:** 23 percent of American Indians and Alaska Natives live in poverty, compared to just 12.3 percent of all Americans (2019).
  + **Healthcare outcomes:** American Indians and Alaska Natives die of heart disease at a rate 1.3 times higher than all other races; diabetes at a rate of 3.2 times higher; chronic liver disease and cirrhosis at a rate of 4.6 times higher. When compared to all other U.S. races, American Indians and Alaska Natives have a lower life expectancy by 5.5 years.
  + **COVID-19:** American Indians and Alaska Natives who contract Covid-19 are 3.5 times more likely to be hospitalized.
* **The need is not being met.** Historically, about 2-3 percent of NMTC allocation goes to Indian Country each year. This would double that.

# Ask #4: Support provisions to establish a set-aside of allocation authority and technical assistance to minority-controlled CDEs

* **Details:** Provide a 5 percent set-aside for CDEs owned or controlled by people of color, Provide $3 million to the CDFI Fund for technical assistance grants and training to boost capacity. These initiatives would provide an on-ramp for minority-controlled CDEs by helping them build a track record of lending and investing through the NMTC. If the American Jobs Plan moves through Budget Reconciliation (and set-asides are impossible due to the rules of the Reconciliation process), we urge Congress to increase NMTC allocation by at least 5 percent and setting aside those funds for Minority-Controlled CDEs. Full details: <https://nmtccoalition.org/wp-content/uploads/M-CDE-Proposal-4-1-2021.docx>
* **This proposal has the support of the NMTC Coalition:** There is great interest among both policymakers and NMTC practitioners in increasing the participation of historically marginalized communities in the NMTC program as CDEs. While the NMTC has delivered substantial investment to majority-minority communities, minority-controlled CDEs have not been as successful as other CDEs in breaking into the program as new CDEs.
* **Representation matters:** Representation is incredibly important in community development, and it is essential to the future success of the NMTC. The NMTC Coalition’s proposal would help ease the barrier to entry and helping more minority-controlled CDES participate in the program and help them gain a track record fo NMTC investment.

# Ask #5: Support provisions to improve investor liquidity:

* **Details:** Provide a temporary lookback for NMTC investors and an exemption from the 75 percent cap on general business tax credits. Exempt the NMTC from existing (and future) corporate minimum taxes.
* NMTC credit pricing has fallen over 10% over the past year.
* These changes would:
  + Diversify the NMTC investor market and boost the benefit to low-income communities;
  + Insulate against a decline in credit pricing during a recession – when the program is needed most.

# Ask #6: Support $1 billion in additional NMTC allocation for rural areas

* Details: The Rural Jobs Act (S. 1671 and H.R. 3357) would add $500 million in NMTC allocation in 2022 and 2023. Under the legislation, the new allocation would be targeted exclusively to Rural Jobs Zones, which are NMTC-eligible census tracts in rural communities eligible for the USDA B&I Program (non-urban, under 50,000 in population).
* Of the $1 billion in new allocation, at least 25 percent would be prioritized to persistent poverty counties and high out-migration rural counties.

# General Stats and Talking Points on the NMTC

## National Stats (through Sept. 2020):

* **Driving investment:** Through Sept. 2020, the NMTC allocations - totaling nearly $60 billion - have delivered nearly $110 billion in total project financing to over 7,000 projects.
* **Improving services**: The NMTC has financed over 3,500 federally qualified health centers, schools, daycare centers, apprenticeship programs, treatment facilities, and other service providers.
* **Jump-starting manufacturing:** Over 1,700 manufacturing and industrial businesses financed to date.
* **Supporting entrepreneurs and small businesses:** 143 business incubators totaling $4.3 billion
  + 1,160 NMTC projects (15 percent) involve loans and investments to small businesses of $500,000 or less
* **Job creation: Directly created o**ver 1,000,000 jobs.
* **Targeting concentrated poverty:** In 2019, 80 percent projects were in severely distressed areas.
* **Supporting rural America:** In 2019, over 23 percent of NMTC projects were in rural areas.

## Additional General Talking Points

* The NMTC increases 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, communities.
* From business expansions to new healthcare and childcare facilities, the NMTC program was designed as a flexible incentive for economic development that meets evolving community needs**. Instead of Washington picking winners and losers, the New Markets Tax Credit empowers local decision-making on important economic development projects.** The nonprofit and industry sectors receiving NMTC financing are diverse, reflecting a cross-section of the American economy.
* A 2017 evaluation and compliance study of the NMTC by the Summit Foundation found that program award winners are lowering the cost of capital in low-income communities, targeting areas of deep economic distress, and far exceeding the program requirements.
* **While the economy is improving, the cost of capital remains high in severely distressed communities.**The NMTC is a bipartisan solution for economic development in communities hit hardest by economic downturns and the dwindling job opportunities. We should invest in federal programs that work, and the NMTC fits that bill.