**Emergency New Markets Tax Credit Extension and Expansion Talking Points**

# The Three Asks:

## **ASK ONE: Permanent Extension:** Permanent Extension of the NMTC along the lines of the bipartisan New Markets Tax Credit Extension Act (S. 750/H.R. 1680)

Talking points:

* **Time is running out:** The NMTC expires at the end of 2020. Now is the worst possible time to allow a lapse in NMTC allocation to communities struggling with poverty and high unemployment.
* **Bipartisan agreement:** The bipartisan NMTC Extension Act of 2019 (S. 750/H.R. 1680) has the support of 127 Representatives and 36 Senators evenly spread from both parties and a majority of the tax-writing committees: <https://nmtccoalition.org/extension-bills>
* **Community support:** 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>

## **ASK TWO: Economic Stabilization:** Emergency Allocation of $3.5 billion spread over 3 years

Talking points:

* **The road to economic recovery will be long and difficult.** Congress should also provide $3.5 billion in additional New Markets Tax Credit allocation (over three years) to support an economic recovery.
* **Past successes:** 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:** 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 THREE: Temporary Enhancements:** Temporary measures to ensure NMTC projects continue to go forward during this unprecedented pandemic.

Talking points:

* Congress should take steps to ensure ensure the New Markets Tax Credit investor market remains competitive and highly liquid.
* **Bring in new investors:** Providing relief from the Alternative Minimum Tax for NMTC investors. This will open up the investor market to high net work individuals and increase competition for the credit.
* **Ensure existing investors can continue to participate:** Congress should ensure communities can access investment capital by temporarily allowing investors to carryback credits for five years and exempting New Markets Tax Credit and other General Business Tax Credit investors from the 75 percent general business credit limitation (Sec. 38(c)(2)) through 2022.
* **Temporary relief for businesses receiving NMTC financing:** Congress should provide Community Development Entities with temporary relief from Treasury regulation § 1.1001-3 (Modifications of debt instruments), which would help them provide flexibility to borrowers to help them through the crisis.

# Additional Talking Points:

## General:

* The New Markets Tax Credit has a 20-year track record of promoting revitalization in America’s economically distressed rural and urban communities.
* The New Markets Tax Credit ensures private sector resources reach communities outside the economic mainstream, from remote rural areas of Alaska to urban neighborhoods struggling with economic dislocation. Through 2019, the New Markets Tax Credit delivered over $105 billion[[1]](#footnote-1) total project financing to over 6,300 businesses and projects in areas of deep distress.
* 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.
* The most recent independent evaluation 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 the program requirements.

## Supporting our most vulnerable communities

* Communities struggling with high poverty and unemployment before the recent economic collapse now face severe challenges in securing capital.
* **The NMTC supports historically disadvantaged populations.** A recently completed analysis of NMTC deployment by the NMTC Coalition found that more than half of NMTC allocation goes to communities where a majority of residents are people of color. Of the $51 billion in NMTC allocation deployed through 2019, $27.8 billion went to went to majority-minority census tracts, creating 244,000 permanent jobs.
* **Most NMTC projects are in areas of extreme economic distress.** The NMTC statute requires that all investments benefit low-income communities. However, more than 86 percent of investments in 2019 were located in severely distressed communities with extremely low-incomes and high rates or poverty and unemployment. An independent report by Summit Consulting in 2017 found that most NMTC projects are in deep areas of distress far from affluent census tracts.

## Boosting Healthcare Access

* The NMTC has financed more than 1,000 healthcare clinics and facilities, including nearly 400 federally qualified health centers.
* Before COVID-19, almost 62 million people did not have regular access to primary health care. The healthcare system in low-income communities was the least prepared to deal with the fallout from the Coronavirus – particularly in rural areas and Indian Country.
* As the disease stresses Intensive Care Units (ICUs) and increasingly monopolizes the resources of hospitals and testing overwhelms primary care physicians, the entire healthcare system has been stretched to its limit.
* The need extends beyond ventilators and upgraded ICUs to essential healthcare equipment and infrastructure.
* Without additional healthcare capacity, doctors will continue to be forced to delay treatments for further extended periods. When the pandemic begins to recede, health systems will be overwhelmed with demand for treatment, surgeries, and procedures postponed during the crisis. This is particularly the case in high-poverty areas already struggling with poor health outcomes and inadequate facilities.

1. New Markets Tax Credit Coalition analysis of CDFI Fund data (2003-2016), its annual survey of CDEs (2017-2019), and OCC data (2018-2019). [↑](#footnote-ref-1)