Proposed Amendment: Additional Allocation of New Markets Tax Credits for Federally Declared Disaster Areas

SEC. 106. (a) IN GENERAL. —For purposes of section 45D of the Internal Revenue Code of 1986—

(1) the new markets tax credit limitation otherwise determined under subsection (f)(1) thereof for each of 2023 and 2024 shall be increased by $1,000,000,000 to be allocated among specified community development entities to make qualified low-income community investments in any state or territory determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance between January 1, 2021, and December 31, 2022.

and

(2) section 45D(f)(3) shall be applied—

(A) separately with respect to the amounts of the increases under paragraph (1), and

(B) solely with respect to the amounts of the increases described in subparagraph (A), the last sentence of such section shall not prevent such amounts from being carried to the calendar year 2027.

(b) SPECIFIED COMMUNITY DEVELOPMENT ENTITIES. —For purposes of this section, the term "specified community development entity" means any qualified community development entity if such entity has a history of making qualified low-income community investments in federally declared disaster areas.

(c) OTHER DEFINITIONS.—Terms used in this section which are also used in section 45D of the Internal Revenue Code of 1986, shall have the same meaning when used in this section as when used in such section 45D as specified in section(1).

Explanation:
The proposed amendment will increase the amount available for New Markets Tax Credit allocations by $1 billion annually for 2023 and 2024. This additional allocation will be targeted to federally declared disaster areas under the Stafford Act.

According to the U.S. National Centers for Environmental Information, this year, there have been 15 weather/climate disaster events with losses exceeding $1 billion each to affect the United States. These events included 1 drought event, 1 flooding event, 10 severe storm events, 2 tropical cyclone events, and 1 wildfire event (https://www.ncei.noaa.gov/access/billions/)

Past Disaster Relief Legislation:
In 2005 Congress turned to NMTC to spur recovery efforts. Congress passed the Gulf Opportunity Zone Act (PL 103-135), which provided $1 billion in NMTC allocations for those communities hit hard by a series of Hurricanes. The results of that investment included an estimated $2 billion in additional economic activity, the creation of some 23,000 jobs, and financing for a range of housing, business, and community facilities. https://nmtccoalition.org/disaster-relief/.

In 2020, the House passed the Emergency Supplemental Appropriation for Disaster Relief and Puerto Rico Disaster Relief Act, which included $1 billion in additional allocations targeted to Puerto Rico and other U.S. territories to support recovery from hurricanes and other disasters.

About the NMTC: The NMTC is an important source of financing for businesses and community facilities in America's most distressed rural and urban communities. Congress authorized the NMTC in 2000 to bring down the cost of capital in communities outside the economic mainstream. Taxpayers receive a 39 percent tax credit (taken over seven years) for qualified investments into Community Development Entities (CDEs), organizations with a track record of loans and investments in underserved areas. CDEs use the proceeds of those investments to finance business expansions, health centers, daycare facilities, business incubators, and other important revitalization projects. The NMTC expires at the end of 2025.

Katrina Relief Example: Gulf Coast Agricultural and Seafood Co-Op

Bay Labatre, AL, AMCREF Community Capital, U.S. Bank (investor)

NMTC financing supported a nonprofit, first-of-its-kind facility turning seafood processing waste into fertilizer. The innovative plant is powered by self-generated methane biogas and solar energy. The Co-Op was formed by 23 local shrimp and crab companies having difficulty disposing of their seafood processing waste after their previous facility was destroyed by Hurricane Katrina. As a result, Co-Op members were forced to pay high fees to haul waste 50 miles, burdening the Co-Op members. The new facility provided Co-Op members with a cost-effective and eco-friendly solution.