Pillar Could Upend Investors' Participation in the NMTC

Nearly all NMTC investments come from corporations. NMTC investors are essential partners in the NMTC program, providing the private-sector capital necessary for CDEs to invest in meaningful community and economic development projects in underserved areas. This approach has been tremendously successful, but the Pillar II treaty may upend investors participation in the NMTC program.

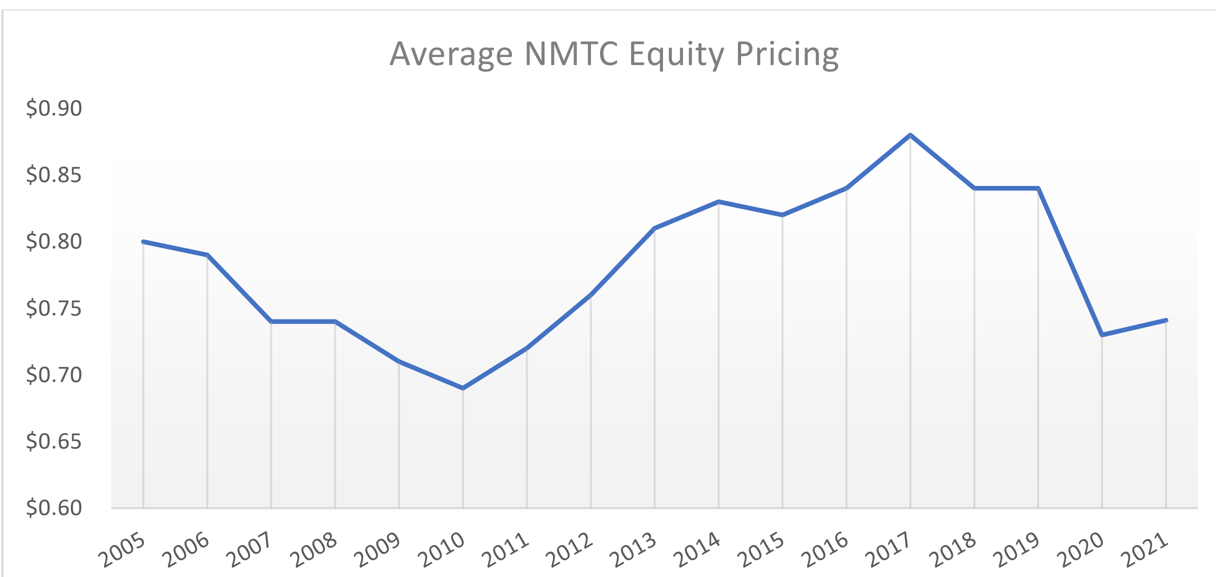
Statistics on Investor Participation (2016-2020)

Over the past 5 years, 18 NMTC investors were multi-national corporations or have a significant international footprint. These investors accounted for 90% of all NMTC equity investments.

Impact on Pricing

Investors must compete for NMTCs, and a competitive investor market boosts the benefit for NMTC-eligible communities. If the treaty goes forward without amendment, the NMTC industry could see a significant decline in demand from investors for NMTCs.. Investors take the credit over seven years, so the impact of the treaty on credit pricing will be apparent long before it goes into effect.

When the price paid in exchange for the credit drops, the program loses efficiency, and we see a corresponding decrease in the amount of benefit reaching businesses and revitalization projects. Higher NMTC pricing also drives resources into areas of deeper distress. In 2010, about 72 percent of projects were located in severely distressed communities with economic conditions far exceeding the statutory requirements for economic distress. In 2018, with credit pricing around 86 cents, nearly 80 percent of projects were in severely distressed communities.



Note: 2021 data is preliminary from the NMTC Coalition's annual survey