NEW MARKETS TAX CREDIT COALITION

The New Markets Tax Credit Extension Act of 2013 (S. 1133)

BILL SUMMARY:

- Introduced by Senators Jay Rockefeller (D-WV) and Roy Blunt (R-MO).
- Provides an indefinite extension of the New Markets Tax Credit (NMTC).
- Provides an increase in the annual NMTC allocation and indexes the allocation to inflation in future years.
- Provides Alternative Minimum Tax (AMT) relief for NMTC investments thereby ensuring NMTC investors the same consideration under the AMT as is currently provided to investors in many other federal tax credits.
- Nearly identical to the House companion bill, H.R. 4365, introduced by Representatives Jim Gerlach (R-PA) and Richard Neal (D-MA).
- Senators who would like to cosponsor S. 1133 can contact Mark Libell with Senator Rockefeller (Mark_Libell@rockefeller.senate.gov) or Colleen Kaveney with Senator Blunt (Colleen_Kaveney@blunt.senate.gov).

NMTC HISTORY AND PURPOSE

The New Markets Tax Credit (NMTC) was designed to increase the flow of capital to businesses and low income communities by providing a modest tax incentive to private investors. Over the last decade, the NMTC has proven to be an effective, targeted, and cost-efficient financing tool valued by businesses, communities, and investors across the country.

The American Taxpayer Relief Act passed at the end of the 112th Congress includes a two-year extension of the New Markets Tax Credits with $3.5 billion in annual credit authority provided for 2012 and 2013.

NMTC Quick Facts

- The NMTC, IRC Section 45D, was signed into law as part of the Community Renewal Tax Relief Act of 2000 (PL 106-554) and most recently extended in the American Taxpayer Relief Act (PL 112-240) for two years with $3.5 billion in annual credit authority provided for 2012 and 2013.
- A Community Development Entity (CDE) is the investment vehicle in which a NMTC investment, or Qualified Equity Investment (QEI), is made in exchange to the Credit.
- The Community Development Financial Institutions (CDFI) Fund within the Treasury Department administers the NMTC program, certifying CDEs and awarding NMTC allocations on a competitive basis to qualified CDEs.
- The Internal Revenue Service (IRS) oversees NMTC taxpayer compliance.

The IMPACT of NMTC INVESMENTS

- Between 2003 and 2012, $31 billion in direct NMTC investments were made in businesses that created approximately 550,000 jobs, at a cost to the federal government of less than $20,000 per job and these NMTC investments leveraged over $60 billion in total capital investment in businesses located in communities with high rates of poverty and unemployment.
- By law, all NMTC investments must be made in economically distressed communities. However, more than 72 percent of all NMTC investments have been in communities exhibiting severe economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median.
- The federal tax revenue generated by NMTC investments covers the cost of the NMTC as measured in terms of revenue lost to the federal government. Between 2003 and 2010, NMTC investments generated over $5.3 billion in federal tax revenue and over $3 billion in state and local tax revenue; the revenue loss to the federal government over the same period of time was $5.4 billion.
- In 2010 alone, NMTC investments generated almost $1.1 billion in federal tax revenue, easily offsetting the estimated $720 million cost of the program to the federal government and providing a 50 percent return on investment.