

Annual Report to NMTC Coalition Members

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NEW MARKETS
TAX CREDIT COALITION

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September 29, 2021

Thank you for your membership in the New Markets Tax Credit Coalition (the Coalition). At this time every year, we prepare an annual report to the membership on the work of the Coalition to support and advance the New Markets Tax Credit (NMTC). As you will read below, a good deal of work remains. We would be pleased to continue working together and ask you to support the Coalition's work by renewing your membership. Through regular mail, you will be receiving a copy of our 2021 NMTC Progress Report along with an invoice for your 2022 Coalition Membership.

Introduction

As we prepare this memo, Congress is engaged in a very ambitious effort to not only repair America's road, bridges, and water systems but also, to improve the health and economic conditions of many of economically distressed rural, urban, and tribal communities that have been so badly damaged by the coronavirus pandemic.

Happening Now

The Biden Administration's infrastructure spending and tax proposals present the best opportunity we have had since NMTC was enacted in 2000 to secure a permanent extension of the Credit. The House and Senate Budget Resolution and accompanying reconciliation instructions provided a framework for enacting the \$3.5 trillion plan proposed by the Administration.

The Coalition's priorities for budget reconciliation include:

1. Make the NMTC permanent along the lines of H.R. 1321/S. 456, the NMTC Extension Act of 2021: \$5 billion in annual allocation, indexed for inflation in future years, and an exception from the Alternative Minimum Tax (AMT) for NMTC investments.

2. Provide a 5 percent set-aside for CDEs owned or controlled by people of color and authority for \$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.
3. Enact the *Rural Jobs Act* (H.R. 3357/S. 1617): The legislation would increase NMTC allocation by \$500 million in both 2022 and 2023 and direct it to rural, low-income communities with fewer than 50,000 residents. Twenty-five percent of the allocation would be set-aside for persistent poverty counties and high out-migration counties.
4. 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.
5. Support provisions in the *New Markets Tax Credit Stabilization Act* (H.R. 8965) that phase in additional allocation to promote the economic recovery, facilitate loan modifications, and stabilize the NMTC investor market through liquidity provisions.

On September 15, the House Ways and Means Committee released its budget reconciliation legislation. Led by our longtime supporter, Committee Chairman Richard Neal (D-MA) and Rep. Terri Sewell (D-AL), the Committee's proposal included a number of NMTC provisions, all of which are Coalition priorities:

- **Permanent authorization:** Make the NMTC permanent at \$5 billion in annual allocation.
- **Emergency allocations:** Provide an additional \$3 billion in allocation to support the economic recovery, including \$2 billion in 2022 and \$1 billion in 2023. This proposal is along the lines of H.R. 2, passed by the House in 2020.
- **Indian Country:** Provide \$175 million in annual allocation each year - starting in 2022 - for Tribal Statistical Areas. This proposal is also along the lines of H.R. 2.
- **AMT relief:** Provide an exemption from the Alternative Minimum Tax for NMTC investments (from the NMTC Extension Act of 2021).
- **Additional Allocation for Territories:** The legislation would provide an annual allocation of \$80 million to territories, including \$20 million to Puerto Rico. The House passed similar disaster assistance for Trust territories in 2019.
- **Inflation adjustment:** The baseline allocation level (\$5 billion), the allocation for tribes (\$175 million), and the allocation for territories (\$80 million) would all receive an annual inflation adjustment starting in 2024.

There is considerable concern in the House about voting on a bill with \$3.5 trillion in new spending when there is little prospect of the Senate approving anything close to \$3.5 trillion. So, the path at the moment appears to try to work out a topline with the Senate, amend the committee bills before floor action, and come up with a product that can pass both Houses.

Throughout the process, the Coalition has been in close contact with tax-writing committee staff. As is clear from the House bill, our advocacy paid off. We continue to work with the Senate Finance Committee as well as other Committee Members and cosponsors of our extended bill S. 456. Our top priority is a permanent extension, and we are also working to secure as many of our other priorities as possible. Unlike the House, the Senate Democrats have yet to agree on a topline number; but as noted above, it is likely to be lower than \$3.5 trillion.

Reporting on the Last 12 Months

Legislative Work

First and foremost, through the work of the Coalition, in December 2020, Congress enacted a five-year extension of the NMTC (2021-2025) at \$5 billion in allocation authority, the largest extension in the history of the Credit. In 2021, our work continued - to permanently extend NMTC.

In this report, you will find details on the legislative work, research, member support, and actions taken by the Coalition to raise the visibility of the NMTC and our membership.

Working to Extend and Expand the NMTC

In the House, the NMTC Extension Act of 2021, H.R. 1320, has over 80 cosponsors and is led by Reps. Terri Sewell (D-AL) and Tom Reed (R-NY). Presently, 31 Senators have signed on in support of S. 456, introduced by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD). Both bills provide a permanent extension of the Credit; \$5 billion in annual credit authority, adjusted for inflation in the out years; and an exception to the Alternative Minimum Tax for NMTC investors.

The Coalition stayed in close touch with Ways and Means Chairman Richard Neal (D-MA) on tax extender legislation. The Chairman, a longtime champion of the Credit and friend to the Coalition, fought successfully for the five-year, \$5 billion extension which was included in the final Consolidated Appropriations Act. 2021, (PL 116-260).

The \$5 billion annual allocation rate, first enacted in 2019 for the 2020 award round, is now the baseline for authorization levels going forward. It was the first increase in baseline allocation in the program's history and a 44 percent increase over the 2019 rate.

In May, the Biden Administration released its Fiscal Year 2022 tax and spending proposals along with an ambitious \$3.5 trillion physical and human infrastructure proposal. The Administration plan included a permanent extension of NMTC at \$5 billion in annual credit authority.

On June 17, the Coalition released its 2021 New Markets Tax Credit (NMTC) Progress Report, the seventeenth edition of the report, analyzing NMTC activities in 2020. The report documents the importance of the NMTC in providing patient, flexible capital to businesses and projects located in distressed rural and urban communities, thereby creating jobs and growing business opportunities.

NMTC Lobbying & Advocacy in Washington

Below is a sampling of additional Coalition advocacy activities aimed at mobilizing support for the NMTC extension:

- December 10, 2020, nearly 400 Coalition members and supporters participated in the Coalition's first virtual Annual Conference. The event featured several members of Congress, including Ways and Means Chairman Neal, Reps. Terri Sewell (D-AL), and Tom Reed (R-NY) , Senators Ben Cardin (D-MD) and Roy Blunt (R-MO), as well as former Clinton and Obama officials, Gene Sperling and Michael Barr and Jodie Harris, CDFI Fund Director as keynote speakers. The meeting marked the 20th Anniversary of the law establishing the New Markets Tax Credit (NMTC). The Community Renewal Tax Relief Act was signed into law by President Bill Clinton on December 21, 2000.
- On December 16, Sewell and Reed introduced the NMTC Stabilization Act, which authorizes an additional \$4.5 billion in NMTC allocation spread over four years and included investor liquidity provisions.
- December 20, the Coalition met with the Biden Treasury Department transition team members to discuss a permanent NMTC extension and the role the Credit could play in increasing opportunity to people and communities left behind.
- December 20, 2020, Congress passed the FY 21 Appropriations bill, which included a five-year, \$5 billion extension of the NMTC.
- February 22, Reps. Sewell and Reed and Sens. Cardin and Blunt introduced identical legislation, the NMTC Extension Act of 2021 (H.R. 1321/S. 456).
- March 12, Coalition President, Yvette Ittu participated in a Ways and Means Select Revenue Subcommittee round table on temporary tax provisions.
- March 17, the Coalition opened its annual survey of NMTC activity covering 2020 NMTC transactions. Survey participation was once again the highest ever in terms of the sample size of NMTC activity included in the survey.
- Throughout the winter and spring, the Coalition worked to build the co-sponsorship lists for the NMTC Extension Act of 2021 in both the House and Senate.
- During the week of May 10, the Coalition launched an NMTC Advocacy Week. On May 5, we held an advance briefing, prepared fact sheets and talking points on our legislative program, provided staff and Member contact information, prepared, and disseminated a press release, and coordinated a social media campaign to run alongside virtual Hill meetings and calls. This resulted in at least 100 Hill meetings, meetings with House and Senate Committee staff, and more cosponsors for the House and Senate bill.
- On May 14, Reps. Sewell (D-AL) and Smith (R-MO), Sens. Warner (D-VA), Wicker (R-MS) , Hoeven (R-ND), Capito (R-WV), and Boozman (R-AR) introduced the Rural Jobs Act H.R. 3357/S. 1617, which authorized \$1 billion in NMTC allocation over two years to rural communities and targets 25% of that allocation to persistent poverty counties and out-migration areas.
- On June 17, the Coalition held its annual policy conference, again a virtual event. At the conference, the Coalition released its annual *Progress Report*, which documents the NMTC's success in reaching rural and urban communities outside the economic mainstream. Among the key findings:
 - Creation of 45,090 total jobs, including 28,322 permanent full-time-equivalent jobs and 16,768 construction jobs;
 - Rehabilitation or construction of 15.4 million square feet of space;
 - Expansion of 81 healthcare facilities serving 1.3 million patients including 41 Federally Qualified Health Centers and free clinics; and
 - Loans for working capital, equipment, and real estate for 152 manufacturing and industrial businesses resulting in the creation of over 9,000 manufacturing jobs.

The over 200 attendees heard from Ways and Means Chairman, Richard Neal (D-MA), Senator Roy Blunt (R-MO), Senator Ben Cardin (D-MD) and Senator Mark Warner (D-VA) and key Congressional staff members; and federal policymakers: Noel Poyo, Deputy Assistant Secretary for Financial Institutions at the Treasury Department, Jodie Harris, Director of the CDFI Fund, which administers NMTC. The conference agenda also included investor and law firm panels; important discussions as NMTC practitioners face a post-pandemic economy.

Beginning on July 7, Coalition launched an effort to boost sponsorship of the NMTC extension legislation. We kicked off the campaign with a briefing, preparation of House and Senate target lists and staff contacts, fact sheets on NMTC, state and Congressional District fact sheets, and talking points.

Working with the White House and the Treasury Department

The Coalition has engaged with White House Domestic Policy and National Economic Council staff on NMTC, especially regarding a permanent extension of the Credit. The Coalition's staff continues to work closely with the Treasury Department by maintaining regular communication with the CDFI Fund, IRS, and the Office of Tax Policy.

Of particular note this year was the Coalition's comment letter to the CDFI Fund on the NMTC application. Among our lengthy comments was a call for the CDFI Fund to consider ways to increase the participation of CDEs controlled by people of color.

Keeping NMTC Coalition Members Informed

The Coalition published over 100 issues of the *NMTC Bulletin* over the last year, providing timely updates on critical legislative, program, and regulatory issues impacting the NMTC industry.

Also, the Coalition convened regular conference calls with NMTC advocates, including Coalition members and other stakeholders, to share information and coordinate outreach efforts. The Coalition also held a special webinar update in July to share additional details on COVID-19 legislation and the House infrastructure bill and conducted a membership call on September 15 to discuss the next steps on budget reconciliation. As a reminder, there is also a [Members Only page](#) on the website, which can be accessed using the password: nmtcat20

Beyond teleconferences and email alerts, the Coalition occasionally breaks news on Twitter. Follow us @nmtccoalition.

Documenting the Impact of the NMTC

The Coalition released two major publications over the past 12 months: our annual *Progress Report* and a collection of NMTC case studies and success stories from all fifty states. All of these reports can be found at <https://nmtccoalition.org/research>

NMTC at Work in Communities Across America (2020 Edition)

Every four years, the Coalition produces a collection of case studies from across the country. Our December 2020 report included 78 brand-new case studies as well as updated state fact sheets on NMTC investment through September of 2020.

2021 Progress Report

This past year, the Coalition issued its most recent NMTC Progress Report in June at our Policy Conference. The report highlights the impact and efficiency of NMTC investments in communities across the country. The 2021 NMTC Progress Report, the report's seventeenth edition, provides an analysis of NMTC activities in 2020. It also included a special insert on CDEs' work to support communities during the COVID-19 outbreak.

State Fact Sheets and Project Profiles

As we do each year, the Coalition updated the NMTC State Economic Impact Reports, which document the impact of NMTC investing in all 50 states, plus the District of Columbia and Puerto Rico. In addition, state fact sheets include new quotes from constituents.

Last year, we continued to build out our project profile database on our website. The Coalition's website now has over 1,800 project profiles and 600 videos documenting the impact of the NMTC. In addition, the Coalition's website now hosts over 1,500 project profiles and videos organized by state. See below for more information on the website upgrades.

Other Research

Throughout the year, the Coalition prepared, refined, and distributed a variety of fact sheets and handouts on the NMTC in response to requests from Congressional offices, including:

- Another update of our analysis of NMTC projects involving charter schools;
- Fact sheets on the NMTC extension bills and, on the Coalition's evolving legislative priorities;
- Updated analysis of the NMTC's impact in native and tribal areas;
- Updated analysis of the NMTC's impact in majority-minority communities;
- Investment trends in specific congressional districts using new data from between 2003 and 2020;
- A white paper discussing the potential for a new, independent, Minority-controlled CDE program at the CDFI Fund;
- Culling and analysis of CRA public welfare investments reporting data from the Office of the Comptroller of the Currency;
- Expansion of our internal database of quotes from community members supporting the NMTC;
- A new analysis of NMTC equity pricing over time;
- A white paper and analysis of the overlap between the NMTC and President Biden's American Jobs Plan, including details on infrastructure-related investments, business incubators, daycare centers, transit-oriented development, workforce development, and green-tech;

- Analysis of Community Development programs in the December 2020 Consolidated Appropriations Act, American Rescue Plan Act, and American Jobs Plan;
- An analysis of changes in the NMTC application and of the 2020 NMTC allocation awards;
- Updated estimates of the federal cost of various lengths and levels of NMTC extensions;
- Maps and animations of NMTC investment patterns;
- An analysis of NMTC biotech and research projects;
- Time-lapse animations of NMTC project construction;
- Regularly prepared testimony and questions for members of Congress during important hearings;
- Scoring estimates of the NMTC provisions in the reconciliation package moving through Congress;
- An updated analysis of how NMTC investments align with Rural-Urban Community Areas (USDA);
- An updated analysis of NMTC-financed federally qualified health clinics;
- An updated analysis of the NMTC's role in facilitating the construction of affordable single-family housing;
- An updated analysis of the use of the NMTC in disaster recovery;
- Maps and analysis of the impact of the NMTC in regional markets; and
- A variety of analyses of CDE targeting, prepared for Congressional offices seeking to attract NMTC allocation to their states or districts.

Raising the Profile of NMTC Success Stories

Over the past year, the NMTC Coalition, joined by its public relations partner Curley Company, continued its work to keep NMTC top-of-mind among members of Congress, their staff, Beltway reporters, and state and local media outlets. The focus has been to increase awareness of the NMTC as we pursued a permanent extension and expansion.

The capstone of 2020 featured press outreach around the NMTC receiving a five-year, \$5 billion extension rewarding the NMTC Coalition's many efforts to push this throughout the year.

As in previous years, our efforts have centered on sharing news and updates with Beltway reporters and outlets to increase the Coalition's positive brand awareness among members of Congress and their staff. We continue to cultivate our relationship with

Politico's Aaron Lorenzo, who looks to Bob Rapoza and the Coalition as a trusted source. We have also added emphasis this year on targeted state outreach to reach members in their districts as well.

As part of this effort, we partnered with our P.R. firm, Curley, to help CDEs place op-eds in papers around the country.

Coalition Media Hit Highlights

Social Media

Website Upgrade

The Coalition continues to update and add compelling content and tools to build support for the NMTC and assist the membership with advocacy and outreach. We urge you to take a look. The upgrades include:

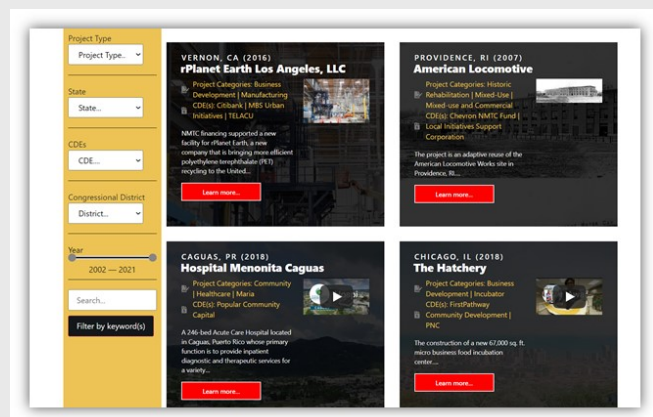
- An expanded project database with over 2,000 videos and project profiles, jobs data, and testimonials from community members (see below);
- Additional build-out of individualized state pages that serve as a resource for members, legislative staff, and reporters to find information related to a particular state;
- New pages for every member of the House. The pages now include project profiles, quotes about the NMTC from constituents, highlights from their districts, information on NMTC site visits by that member of Congress, tax staff contact information, and information on co-sponsorship. For members of Congress without projects, we highlighted projects nearby the district;
- Pages for every CDE with project profiles;
- Distribution of nearly a dozen Coalition press releases on P.R. Newswire, as well as our targeted media lists; and
- Frequent development of graphics and infographics on NMTC platforms.

Above: Screenshot of the Project Database

Above: Screenshot of a Congressional Page

Going Forward

Along with everyone else in Washington, we are gazing into our crystal ball to figure out the end game and how NMTC will fare in budget reconciliation. We will keep you informed and hope to have good news when we see you virtually in December.



Annual Conference

We encourage you to join us for the Coalition's Annual Conference, which will be held virtually this year on December 15 from 11:00 am to 5:30 pm, eastern. We will be joined by Members of Congress, key congressional staff, and Treasury Department staff to provide insight on legislation and program updates.

Information on registration fees and a detailed agenda will be available in October.

A digital business card for Terri Sewell (D-AL07). It features a headshot of Terri Sewell on the left. To the right of the photo, her name and district are listed: "Terri Sewell (D-AL07)". Below her name, it says "DC Phone: 202-225-2665" and "Tax Staff: Patrick O'Connor, patrick.oconnor@mail.house.gov (Updated: 07/28/2021)". In the top right corner, there is a yellow button that says "Jump to another Congressional District" with a right-pointing arrow. Below the contact information is a yellow bar with the text "District Highlights". Underneath that is a section titled "NMTC Project Profiles (Inside the District)" which contains two project profile cards. The first card is for "BIRMINGHAM, AL (2020) Center for Food Education" with project categories "Business Development" and "College or Vocational Training". The second card is for "BIRMINGHAM, AL (2020) Woodlawn/13 Academy Charter School" with project categories "Community", "Healthcare", and "Schools".

Notice of Annual Meeting

Finally, as a member of the Coalition, we urge you to attend **the Coalition's Annual Business Meeting, which will take place directly after our Annual Conference on December 15 at 5:30 pm, eastern.** The agenda for the business meeting will include the presentation, a legislative report, and a report of the nominating Committee on the board and officers for the Coalition for 2021. A nominating form for the two Board Membership Directors, as well as a link for the annual meeting, will be sent to all Coalition members in October.

Thank you for your past support, and we look forward to working with you in the year ahead.

This message was sent to you by the New Markets Tax Credit Coalition