



New Markets Tax Credits

Healthy communities have their own economic engines. Families shop at corner grocery stores. Office complexes down the street from entertainment venues and recreational facilities bustle. A range of local merchants provide goods and services and create jobs. Together, they comprise vibrant commercial corridors that are a community's economic backbone. And as they thrive, they strengthen the citywide and regional economies to which they are so closely connected.

Too often, distressed communities simply cannot access the kind of capital needed to make the transformation to vibrant and healthy communities. That's where New Markets Tax Credits (NMTC) come into play.

What are New Markets Tax Credits?

- » The NMTC program was enacted in 2000 to attract investment capital to low-income neighborhoods that have been left behind by the traditional private marketplace.
- » Under the program, investors receive a tax credit for making equity investments in certified Community Development Entities (CDEs), which in turn use the proceeds to make loans and investments in businesses, real estate projects and community facilities located in low-income communities.
- » The credit totals **39 percent** of the original investment amount and is claimed over a period of seven years. The investment cannot be redeemed before the end of the seven-year period.
- » CDEs apply competitively to the Treasury Department for the authority to offer the tax credits to their investors. The application process is rigorous, with generally less than one in four applicants being selected to receive credit allocations in any given year.



*KIPP Douglas Charter School;
Washington, D.C.*

What are the outcomes?

- » To date, over **\$38 billion** has been invested in low-income communities through the NMTC program, supporting a wide variety of activities including: small businesses, manufacturing facilities, for sale housing, charter schools, health care centers, child care centers, shopping centers and grocery stores, to name but a few.
- » **Seventy-three percent** of projects are located in severely distressed communities, characterized by poverty rates of greater than 30 percent, median family incomes of less than 60 percent of the area median income, or unemployment rates at least 1.5 times the national average.
- » Through 2012, NMTCs financed **3,800 businesses and real estate projects**, helping to develop or rehabilitate **123 million square feet** of real estate and creating or retaining close to **375,000 jobs**.
- » It has been estimated that the NMTC generates over **\$8 of capital for every \$1 of federal subsidy**.
- » The Government Accountability Office reported that an estimated **88 percent** of NMTC investors said that they would not have made the same investment without the NMTC.

What has been LISC's involvement?

- » LISC has placed **\$808 million** in NMTC equity investments in **93** different projects in low-income communities throughout the country, supporting **\$2.1 billion** in total development costs.
- » LISC has invested NMTCs in community projects including retail, manufacturing, arts, healthcare and childcare facilities, and schools. Some examples include:
 - LISC used **\$11 million** of its New Markets authority to support the **\$50 million acquisition and rehabilitation** of three warehouse buildings to help the Houston Food Bank meet the growing problem of food insecurity in 18 southeast **Texas** counties.
 - LISC used **\$14 million** in NMTC to support the nearly **\$26 million** project to renovate the nearly 60-year-old deteriorating **KIPP Douglass Charter School** in Washington, DC.
 - LISC used nearly **\$9 million** of its allocation to support the expansion of the Stepping Stones Children's Museum in Norwalk, Connecticut., which includes eco-friendly design elements such as a green roof, solar panels, wind turbines and environmental education programs for kids.
 - In Los Angeles, LISC utilized **\$10 million** of its New Markets allocation to help eliminate what had been a blighted, vacant lot to bring a Fresh & Easy supermarket offering healthy food to the neighborhood.
- » To date, LISC NMTC investments have supported:
 - Nearly **18,000 construction and permanent jobs**
 - **8 million** square feet of commercial and community space
 - Healthcare facilities serving almost **200,000 patients**
 - Educational facilities serving **20,000 students**
 - Close to **400 housing units**

What can Congress do?

- » NMTCs are not a permanent part of the tax code. NMTCs expired in 2014. There cannot be a 2015 allocation round unless the program is extended.
- » NMTCs need to be a permanent part of the tax code. If NMTCs disappear, so will investments in some of the nation's most distressed communities.
- » Support the President's FY 2016 Budget proposal, which would:
 - (i) make permanent the NMTC; (ii) allocate **\$5 billion** in tax credit authority per year, indexed to inflation; and (iii) allow the NMTC to offset taxes paid under the Alternative Minimum Tax (AMT) structure.
- » Congress must also support legislation which would make the NMTC permanent, index it to inflation, and permit it to be used to offset AMT (H.R. 855 and S. 591).



*Fresh & Easy Supermarket;
Los Angeles, Calif*