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.

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 three applicants being selected to receive credit allocations in any given year.

To date, NMTC investments have supported over $120 billion of project financing in low income communities throughout the country, 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.

Approximately eighty 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 2021, NMTCs financed 7,500 businesses and real estate projects, helping to develop or rehabilitate more than 368 million square feet of real estate, and creating or retaining more than 1 million 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 can Congress do?

DMTCs are scheduled to expire in 2025. They must be made a permanent part of the tax code. If DMTCs disappear, so will investments in some of the nation’s most distressed communities.

Congress should support legislation in the Senate (S. 234) and House (H.R. 2539), sponsored by Senators Ben Cardin (D-MD) and Steven Daines (R-MT), and Representatives Terri Sewell (D-AL) and Claudia Tenney (R-NY).

What has been LISC’s involvement?

- LISC has placed $1.14 billion in DMTC equity investments in 172 different projects in low income communities throughout the country, supporting $3.67 billion in total development costs.
- To date, LISC DMTC investments have supported:
  - More than 23,000 construction and permanent jobs
  - 13.9 million square feet of commercial and community space
  - Healthcare facilities serving more than 242,000 patients
  - Educational facilities serving more than 49,000 students
  - Over 700 housing units

- LISC has invested DMTCs in community projects including retail, manufacturing, arts, healthcare and childcare facilities, and schools. Some examples include:
  - SERJobs used $8 million of LISC allocation to construct a new 53,000 square foot Workforce Opportunity Center in Houston, Texas. SERJobs serves over 5,600 individuals per year, offering on-site GED courses, online certifications, innovative vocational training programs, customized hiring events and job fairs and financial counseling, and connecting clients to living wage jobs.
  - LISC provided a $7.3 million QEI to Mannington Mills, a flooring manufacturer, to construct a new production facility in rural Calhoun, Georgia that will create 240 new jobs. Mannington works with local organizations, including local homeless shelters, to target jobs to those facing high barriers to employment and reintroduce individuals to the workforce. Mannington also partners with local high schools, providing work opportunities for at-risk students.
  - Blackstone Valley Community Health Care received a $7.5 million QEI to construct a new health center in a medically underserved area of Central Falls, Rhode Island. The new clinic will serve over 20,000 patients per year, offering primary care, obstetrics, behavioral health, dental services and more. The project has created 44 living wage jobs, 20 of which are accessible to individuals without a four-year degree.
  - LISC financed a new full-service grocery store in Los Angeles, California. Vallarta Supermarkets will create 177 full-time, living wage jobs and an additional 77 part-time positions. The new supermarket is located in a USDA-designated food desert and will serve 60,000 people living in poverty and 200,000 individuals living in low income communities.

LISC is a national nonprofit housing and community development intermediary with offices in 38 different cities and a national rural network of 146 organizations.

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