

NEW MARKETS TAX CREDIT (NMTc)

Providing financing for business and community facilities

NMTC Cumulative Impact through 2019¹

\$100 billion
in total financing

More than **1 million** jobs
created

\$1 billion annually
to support manufacturing
and industrial facilities,
financing over 1,400
manufacturing businesses

1,043 hospitals and
healthcare facilities,
serving
20 million patients
annually

WHAT IS THE NMTC?

The NMTC was created in December 2000 to spur investment and the flow of capital in the country's most distressed communities. Through the NMTC, investors receive a 39 percent federal income tax credit, taken over seven years. This credit is dependent on qualified investments being made into an eligible project. The investments in these projects are identified by Community Development Entities (CDEs). The credits are allocated to CDEs through a competitive application process managed by the CDFI Fund at the U.S. Department of the Treasury. Each dollar of federal investment in the NMTC results in eight dollars of private investment.²

The NMTC Program catalyzes investment where investment is needed most. According to the CDFI Fund, more than 77 percent of NMTC investments for FY 2020 were made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments are helping to transform them into places of opportunity.³

ELIGIBLE COMMUNITIES

Projects located in census tracts with a poverty rate of 20 percent or more or those with a median income of no more than 80 percent of the area median income (or up to 85 percent in high migration rural counties) are eligible for NMTC investments. In 2020, all NMTC allocatees pledged to deploy at least 95 percent of their allocations in areas exhibiting severe economic distress and 21 percent were in rural areas.

ELIGIBLE PROJECTS

The NMTC can be used for a variety of projects based on community need. The NMTC has financed hospitals, schools, daycare centers, apprenticeship programs, business incubators, manufacturing facilities, and other types of commercial development. Of the \$5 billion allocated in 2020, 77 percent will be used to support operating businesses in low-income communities and 22 percent will be used to support real estate projects in low-income communities.⁴

ABOUT THE NMTC REAUTHORIZATION

The NMTC's current authorization will expire on December 31, 2025. In 2020, Congress passed a five-year extension of the NMTC at an annual allocation of \$5 billion. Last year, Senators Ben Cardin (D-MD) and Roy Blunt (R-MO), along with Representatives Terri Sewell (D-AL) and Tom Reed (R-NY), introduced the New Markets Tax Credit Extension Act of 2021 (S. 456⁵/H.R. 1321⁶). OFN strongly supports this effort to make the NMTC permanent. A permanent extension of the credit will allow CDEs to plan projects without the uncertainty of whether future allocations will be available.

ABOUT OFN

Opportunity Finance Network (OFN) is a leading national network of more than 360 community development financial institutions (CDFIs), specialized lenders that provide affordable, responsible financial products and services in low-income rural, urban, and Native communities nationwide. As a trusted intermediary between CDFIs and the public and private sectors, OFN works with its partners – banks, philanthropies, corporations, government agencies and others – to create economic opportunity for all by strengthening and investing in CDFIs.

Since its founding in 1986 and through 2020, the network has originated \$91.21 billion in financing in rural, urban, and Native communities, helping to create or maintain more than 2.19 million jobs, start or expand 535,550 businesses and microenterprises, and support the development or rehabilitation of more than 2.23 million housing units and more than 13,270 community facility projects.

¹NMTC Coalition: New Markets Tax Credit 20th Anniversary Report (<https://nmtccolalition.org/new-markets-tax-credit-20th-anniversary-report/>) and NMTC Fact Sheet (<https://nmtccolalition.org/wp-content/uploads/NMTC-Fact-Sheet.pdf>)

²CY2020_NMTC_Program_Award_Book_FINAL.pdf (cdfifund.gov)

³FY2021_Agency_Financial_Report.pdf (cdfifund.gov)

⁴CY2020_NMTC_Program_Award_Book_FINAL.pdf (cdfifund.gov)

⁵Congress.gov. "S.456 - 117th Congress (2021-2022): New Markets Tax Credit Extension Act of 2021." February 25, 2021. <https://www.congress.gov/bills/117/congress/senate/bills/456>

⁶Congress.gov. "H.R.1321 - 117th Congress (2021-2022): New Markets Tax Credit Extension Act of 2021." February 25, 2021. <https://www.congress.gov/bills/117/congress/house/bills/1321>