

NEW MARKETS TAX CREDIT

STIMULATING ECONOMIC ACTIVITY IN DISTRESSED COMMUNITIES

OFN's Congressional Request

Reinstate the NMTC and the allocation for 2018 and 2019 as authorized under the PATH Act.

NMTC Impact*

\$3.16 billion

Loans/investments

1,146

Loans

74.5%

Percent of loans/investments in severely distressed communities

10,932

Jobs created

530

Businesses financed

660

Affordable housing units financed

26,700

Projected construction jobs

10.1 million

Sq. Ft. of commercial real estate

The New Markets Tax Credit (NMTC), created with bipartisan support in 2000, stimulates economic activity in some of the nation's most distressed rural and urban communities by providing a federal tax credit for investments in qualified businesses or economic development projects. The NMTC is administered by the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI) Fund.

In 2015, the NMTC was reauthorized through 2019 as part of the PATH Act (P.L. 114-113). In 2017, bipartisan legislation was introduced in the House (H.R.1098) and Senate (S.384) to extend the NMTC and make it a permanent part of the tax code.

In November 2017, the Tax Cuts and Jobs Act (H.R.1) was introduced by the House Ways and Means Committee to reform the current U.S. tax code. This bill would repeal the NMTC and terminate the final two years of already authorized NMTC allocations. The Senate Finance Committee tax bill preserves the NMTC. Both bills are moving forward in their respective chambers.

How the NMTC Works

NMTC investors fill financing gaps by providing flexible capital to projects or businesses with prohibitively high costs of capital or inadequate available financing. On-the-ground partners, including Community Development Entities (CDE) and CDFIs, work with investors and the community to ensure NMTC projects address community needs, provide tangible economic development benefits, and that financing decisions are made at the local level.

Investors receive a tax credit equal to 39% of the total Qualified Equity Investment (QEI) made in a CDE. The credit is realized over a seven-year period: 5% annually for the first three years, and 6% in years four through seven.

Program Results

Measurable Impact: Between 2003 and 2014, \$38 billion in direct NMTC investments were made leveraging more than \$75 billion in total capital investment to businesses and revitalization projects.

Reach into Underserved Communities: More than 72 percent of NMTC investments have been in communities exhibiting severe economic distress either with unemployment rates more than 1.5 times the national average, poverty rates of 30 percent or more, or median income levels at or below 60 percent of the area median.

Generating Economic Activity: NMTC stimulates economic activity, providing a return on investment to the federal government. The federal tax revenue generated by NMTC investments more than pays for the cost of the program.

*CDFI Fund FY 2016 Annual Financial Report.

OFN Members Receiving NMTC in 2015 and 2016

- Black Business Investment Fund Florida
- Boston Community Capital
- Capital Impact Partners
- Coastal Enterprises, Inc.
- Cincinnati Development Fund
- Cinnaire
- City First Bank
- Clearinghouse CDFI
- Community First Fund
- Corporation for Supportive Housing
- Empowerment Reinvestment Fund
- Finance Fund
- Florida Community Loan Fund
- Forward Community Investments
- Genesis LA
- Hope Enterprise Corporation
- IFF
- Local Initiatives Support Corporation
- Low Income Investment Fund
- Montana & Idaho CDC
- MS Gulf Coast Renaissance Corporation
- New Jersey Community Capital
- Nonprofit Finance Fund
- Opportunity Fund
- Partners for the Common Good
- People Incorporated Financial Services
- PeopleFund
- PIDC
- Primary Care Development Corporation
- Raza Development Fund
- The Housing Partnership Network
- University Financial Corp.

NMTC Projects

Central Florida Healthcare Bringing Healthcare to Rural Florida

Winter Haven, FL

Founded 42 years ago to provide healthcare primarily for agricultural workers in rural Florida, Central Florida Health Care (CFHC) now operates 13 locations, serving more than 30,000 patients annually across three counties.

Often CFHC is the only healthcare provider in a city serving low-income residents. It regularly works with Florida Dept. of Health, Veterans Services, and local County Health Departments to coordinate patient care. A 2016 study of 13 states, including Florida, reported a 24% lower rate of Medicaid spending among patients seen by community health centers.

Using financing through Florida Community Loan Fund's (FCLF) NMTC program, CFHC achieved expansion that would not otherwise have been possible. FCLF provided \$8.5 million federal NMTC and \$6.4 million state NMTC to finance the multi-site transaction that included the purchase of two buildings and extensive renovations to two existing clinics.

All locations offer OB/GYN, pediatric, dental, and general medical care with all services provided regardless of ability to pay; one of the new locations also offers a teaching kitchen that focuses on nutrition and wellness.

The Red Lion Inn Creating Jobs in Rural America

Polson, MT

Polson, Montana, located on the Flathead Indian Reservation at the south shore of Flathead Lake, enjoys a busy summer tourist season thanks to abundant recreational opportunities. The community has been working to foster a stable, year-round economy.

Montana & Idaho CDC moved Polson's economic development agenda forward by providing \$11.4 million in New Markets Tax Credits allocation to help build a hotel and convention center with a full-service restaurant.

Polson can now host conventions and provide accommodations and hospitality for larger regional events. The project will create an estimated 42 new jobs and be a catalyst for additional private investment in the area.

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