

NEW MARKETS TAX CREDIT (NMTTC)

Providing financing for business and community facilities

NMTTC Cumulative Impact through 2019²

\$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.

1043 hospitals and
healthcare facilities, serving
20 million patients

What is the NMTTC?

The NMTTC was created in December 2000 to spur investment and the flow of capital in the country's most distressed communities. Through the NMTTC, 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 NMTTC results in eight dollars of private investment.¹

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 NMTTC investments. In 2019, 98 percent of NMTTC allocatees pledged to deploy their allocations in areas exhibiting severe economic distress and 20 percent were in rural areas.

Eligible Projects

The NMTTC can be used for a variety of projects based on community need. The NMTTC has financed hospitals, schools, daycare centers, apprenticeship programs, business incubators, manufacturing facilities, and other types of commercial development.

About the NMTTC Reauthorization

The NMTTC's current authorization will expire on December 31, 2025. Last year, Congress passed a five-year extension of the NMTTC at an annual allocation of \$5 billion. This year, Senators Ben Cardin (D-MD) and Roy Blunt (R-MO), along with Representatives Terri Sewell (D-AL) and Tom Reed (R-NY), have introduced the New Markets Tax Credit Extension Act of 2021 (S. 456/ H.R. 1321). OFN strongly supports this effort to make the NMTTC 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

The leading national network of CDFIs, Opportunity Finance Network (OFN) seeks to maximize the effectiveness of member and non-member CDFIs through direct financing, learning opportunities, industry events, and advocacy. With our members, investors, and partners, OFN connects communities to capital that creates jobs, supports small business, builds affordable housing, fosters sustainability and resilience, promotes responsible borrowing and lending, and delivers high impact.

¹CDFI Fund: New Markets Tax Credit Program Fact Sheet (<https://www.cdfifund.gov/sites/cdfi/files/documents/nmttc-fact-sheet-english-16sept2020-final.pdf>)<https://www.cdfifund.gov/sites/cdfi/files/documents/nmttc-fact-sheet-english-16sept2020-final.pdf>

²NMTTC Coalition: New Markets Tax Credit 20th Anniversary Report (<https://nmttcoalition.org/new-markets-tax-credit-20th-anniversary-report/>) and NMTTC Fact Sheet (<https://nmttcoalition.org/wp-content/uploads/NMTTC-Fact-Sheet.pdf>)