

# NEW MARKETS TAX CREDIT (NMTC)

Providing financing for business and community facilities

## NMTC Cumulative Impact through 2018:<sup>2</sup>

**\$95 billion**  
in total financing

More than **1 million**  
jobs created, with more than  
58,000 in 2018

**\$1 billion annually**  
to support manufacturing and  
industrial facilities, creating  
more than 12,000  
manufacturing jobs in 2018

827 hospitals and healthcare  
facilities, serving  
**17.6 million** patients

## 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.<sup>1</sup>

## 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 2017, 83 percent of NMTC projects were in areas exhibiting severe economic distress and 23 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.

## About the NMTC Reauthorization

The NMTC's current authorization will expire on December 31, 2020. Last year, Congress passed a one-year extension of the NMTC that included an increase in the annual allocation to \$5 billion. Senators Roy Blunt (R-MO) and Ben Cardin (D-MD), along with Representatives Terri Sewell (D-AL) and Tom Reed (R-NY), have introduced The New Markets Tax Credit Extension Act of 2019 (S. 750/ H.R. 1680) to make the NMTC permanent. The legislation will:

- Maintain the current allocation of \$5 billion and index future allocations to inflation
- Provide NMTC investors with relief from the Alternative Minimum Tax
- 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. Indexing the allocations to inflation will ensure that the purchasing power of the credit is not eroded over time. OFN strongly supports the reauthorization effort and the New Markets Tax Credit Extension Act.

## 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.

<sup>1</sup>CDFI Fund: New Markets Tax Credit Program Fact Sheet [www.cdfifund.gov/Documents/NMTC%20Fact%20Sheet\\_Jan2018.pdf](http://www.cdfifund.gov/Documents/NMTC%20Fact%20Sheet_Jan2018.pdf)

<sup>2</sup>NMTC Coalition: New Markets Tax Credit Progress Report 2019 <https://nmcccoalition.org/progress-report/about-the-nmtc/>