

US Senate Bill proposes permanent extension of New Markets Tax Credit

June 20, 2013

In brief

On June 11, 2013, [Senate Bill 1133](#) was introduced to permanently extend the New Markets Tax Credit. The credit is generally subject to renewal on an annual basis, with it currently set to expire following the 2013 calendar year. S.B. 1133, if enacted, would put an end to the renewal exercise and make the credit permanent. The bill also provides for an annual credit inflation adjustment and alternative minimum tax relief.

In detail

Currently, the New Markets Tax Credit (NMTC) is set to expire following the 2013 calendar year. The NMTC provides that the 2013 allocation amount is limited to \$3.5 billion for the 2013 calendar year.

S.B. 1133 would:

- permanently extend the NMTC
- increase the credit limitation amount on an annual basis measured by an adjusted cost-of-living adjustment under I.R.C. sec. 1(f)(3)
- allow certain NMTC amounts (those determined with respect to 'qualified equity investments' made before January 1, 2014) to be used to offset a taxpayer's alternative minimum tax.

The bill's sponsors [highlighted the benefits](#) of the NMTC.

Missouri Senator Roy Blunt stated that this bipartisan bill to make the tax credit permanent would continue to "encourage investment, growth, and job creation in low-income communities nationwide." Senator Blunt recognized that the NMTC program can be traced to the creation of "nearly 24,000 jobs between 2003-2013" in Missouri.

West Virginia Senator Jay Rockefeller observed that a NMTC investment in Wheeling, West Virginia helped bring a metal stamping industrial area back to life. The credit helped finance the restoration of a building that created 300 construction jobs. The building now houses 350 full-time employees.

The takeaway

Another ongoing development regarding the NMTC's future concerns several proposals in the federal budget, including: (1) permanent reauthorization of the credit, (2) \$5 billion of annual allocation authority, and (3) alternative minimum tax relief. [Click here](#) for our summary of the NMTC federal budget proposals.

NMTC program was created in 2000 to help spur economic and community development and job creation in low-income communities (LICs). The program provides a credit against federal income taxes to investors that make qualified investments into Community Development Entities (CDEs).

Many companies often miss non-traditional methods to reduce costs associated with expansion and everyday

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operations. Most companies think that assistance to help lessen those costs only comes from economic development agencies and governmental entities. Equally available, and potentially more beneficial, is money available through

partnering with regional and/or national Community Development Entities (CDEs) that have received funding through federal and state New Market Tax Credit Programs. These programs provide the potential to receive 15%-20% up-front cash

benefits for qualified projects, thereby increasing company cash flow, lowering operational costs, and increasing company ROI.

Let's talk

If you have any questions about the NMTC program, please contact one of the following professionals:

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