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## ***New Markets Tax Credit – \$3.5 billion of Community Development Entity allocations announced***

*April 24, 2013*

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### ***In brief***

On April 24, 2013, \$3.5 billion of New Markets Tax Credit awards were provided to 85 Community Development Entity (CDE) organizations. The funding increases the opportunity for certain businesses to work with these CDEs to obtain favorable financing for qualified expansion projects. The potential exists for expanding business to receive significant up-front cash benefits, increase cash flow, and lower operating costs. [[\*Treasury Announces \\$3.5 Billion in New Markets Tax Credit Awards\*](#), Community Development Financial Institutions Fund (4/24/13)]

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### ***In detail***

#### ***How the New Markets Tax Credit benefits expanding businesses***

The New Markets Tax Credit (NMTC) program was enacted in 2000 to help spur economic and community development and job creation in Low-Income Communities (LICs). It provides a credit against federal income taxes to investors that make qualified investments into Community Development Entities. CDEs are funded through allocations from the Community Development Financial Institutions Fund (CDFI Fund).

A company planning on developing, creating, or expanding operations located in

an LIC may find significant value in working with a CDE for project funding. Benefits for the company may include favorable financing terms, a decreased capital commitment for the project, and an increased return on investment, thereby making the project more financially feasible.

#### ***CDFI Fund announces \$3.5 billion in NMTC awards under the 2012 program round***

On April 24, 2013, the CDFI Fund [\*announced\*](#) that 85 CDE organizations with tax credit allocation authority will be provided a total of \$3.5 billion in NMTC awards. This award represents allocations for the 2012 NMTC program. The 85

organizations are headquartered in 28 states and will provide services in a wide range of local and state areas.

#### ***Federal budget proposes permanent reauthorization of the NMTC***

The proposed federal budget for fiscal year 2014 seeks to permanently reauthorize the NMTC in 2014 and request \$5 billion of annual NMTC allocation authority. If enacted, the renewal will solidify this valuable financing opportunity for expanding businesses for years to come. [\*Click here\*](#) for our summary of the Budget's impact on the NMTC program.

### ***The takeaway***

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

received funding through the NMTC program. The program provides the potential to receive up-front cash benefits for qualified projects, thereby increasing cash flow, lowering operational costs, and increasing return on investment.

Businesses expanding, or thinking about expanding, their operations, should explore the NMTC financing opportunity in light of the \$3.5 billion of new NMTC allocation awards.

Funds are only available on a first-come, first-serve basis and, as we have seen from prior allocations, funds are quickly exhausted.

Additionally, the potential for a permanent NMTC (as opposed to one that is renewed periodically) with an increased funding of \$5 billion would make this significant opportunity available to more companies for many years.

### ***Let's talk***

If you have any questions about the NMTC program, please contact:

#### ***State and local tax services***

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