Florida Congressional Delegation Briefing:

New Markets Tax Credit (NMTC) Extension 2014: HR 4365

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CONTACT: Joy Beaton, Director of Government Relations
Florida Community Loan Fund (FCLF)
Phone 941.587.0586, Email JBeaton@FCLF.org

This briefing requests your congressional support to make the New Markets Tax Credit (NMTC) permanent under House Tax Reform measures and asks for your sign-on to the HR 4365 Dear Colleague Letter co-sponsored by Rep. Gerlach (R-PA) and Rep. Neal (D-MA).

BACKGROUND

The NMTC is designed to be a job creating, economic driver targeted to highly distressed area census tracts.

It provides investors with a 39% tax credit over a 7-year period (5,5,5,6,6,6,6) at a cost to the federal government of only 26 cents on the dollar.

Project accountability is rigorous. Economic and/or real estate development investments supported by the credit are subject to recapture and penalty if projects fail or do not maintain compliance with the terms of the credit use.

Over the past 10 years, the use of NMTC has been tested and investor demand for the credit today far exceeds availability.

A list of Florida developments financed in part by NMTC is attached.

CURRENT STATUS: HR 4365

Reps. Gerlach (R-PA) and Neal (D-MA) have introduced HR 4365 and are seeking Sign-On to a Dear Colleague Letter which extends the NMTC indefinitely and provides an increase in annual allocation authority to $4.7 billion in 2014 with a cost of living adjustment for inflation in out years. As in previous NMTC extension bills, HR 4365 also provides NMTC investors with AMT relief.

Ander Crenshaw (R-FL), Chair of the House Appropriations Subcommittee on Financial Services, has joined bill sponsors Gerlach, Neal, and 33 other co-sponsors in support of HR 4365.

For additional information, members of the Florida delegation may contact Jennifer Debes, Legislative Director, in Chair Crenshaw’s Office: 202.225.2501, or Jennifer.Debes@mail.house.gov.

$663 million in tax credit allocation has been deployed in Florida from 2002-2012, stimulating $1.2 billion in private investments.

FLORIDA COMMUNITY LOAN FUND
NMTC Activity

Total NMTC Deployment: $151 million
Total NMTC Projects: 16
Total Project Cost: $414 million
Total Jobs Created or Retained: 2,893
2015 Estimated Credit Demand: $85 million

1 Shimberg Center for Affordable Housing

To sign on to HR 4365 Contact:
Lauryn Schothorst with Rep. Gerlach
Lauryn.Schothorst@mail.house.gov or Brandon Casey with Rep. Neal
Brandon.Casey@mail.house.gov
**WHY SUPPORT HR 4365?**

- **NMTC works.** The Credit delivered over $60 billion in capital to economically distressed communities between 2003 and 2012, directly creating over 550,000 jobs. 80% of investments were made in urban areas and 20% in rural areas.²

- **NMTC Pays for itself.** NMTC investments in businesses in low-income communities and the jobs created by those businesses generated over $5.4 billion in federal tax revenue between 2003 and 2010, covering the $5.3 billion cost of the program over the same period.³

- **NMTC is a unique and flexible tax credit driven by local interests and local priorities.** As a multi-purpose incentive, NMTC can finance a wide range of businesses and project types (excluding housing) in distressed low-income communities. Instead of Washington picking winners and losers, NMTC places the project underwriting responsibility with community development entities (CDEs) with deep ties to the communities in which they work.⁴

- **NMTC is one of the only market driven resources available for community revitalization.** Over the last 40 years Federal spending on community development, as measured by a share of GDP, has dropped by 75%. As a result there is tremendous pent up private investment demand for NMTC. Since inception, NMTC applications totaled over $275 billion versus $40 billion in total credits available. That means that less than 16% of proposed projects (or applications) received assistance.⁵

- **NMTC is a tested and proven financing system that leverages substantial private capital investment.** Every $1 in foregone tax revenue generally leads to $12 in private capital investment in distressed communities.⁶

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³ NMTC Economic Impact Report, December 2012.
⁴ National NMTC Coalition testimony to the House Ways and Means Committee, 2013.
⁵ OMB Historical Tables. CDI Fund Release, Fall 2013.
⁶ U.S. Department of Treasury.