

## New Market Tax Credits

The New Market Tax Credit (NMTC) is part of the Community Renewal Tax Relief Act of 2000. Unlike other tax credits created to benefit low-income communities by addressing housing, this tax credit is aimed at businesses. The hope for the NMTC is that it will generate \$15 billion in new investment capital over a seven-year period from private companies and individual investments for businesses in low- and moderate-income communities. Increasing the flow of private capital into low-income areas is the primary objective of the NMTC program. The investment capital generated through the program will give businesses in under-served communities the ability to weather temporary economic downturns and to expand in economic upturns.

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

To date, the Fund has made 294 awards totaling \$16 billion in allocation authority.

