# The New Markets Tax Credit

# Progress Report 2012

**A Report by the New Markets Tax Credit Coalition**

**June 2012**

## New Markets Tax Credit Coalition

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This report was prepared by Rapoza Associates for the New Markets Tax Credit Coalition.

The New Markets Tax Credit (NMTC) Coalition is a national membership organization that advocates on behalf of the NMTC program. The Coalition is managed by Rapoza Associates, a public interest lobbying, policy analysis, and government relations firm located in Washington, DC that specializes in providing comprehensive legislative and support services to community development organizations, associations and public agencies.

## New Markets Tax Credit Coalition Board of Directors 2012:

# The New Markets Tax Credit

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## 2012 CDE Survey: By The Numbers

The New Markets Tax Credit (NMTC) was initially enacted by Congress as a way to generate private sector investment in urban and rural communities left out of the economic mainstream. The NMTC has proved to be a cost effective way to promote private sector investments that support businesses, create jobs, and promote revitalization efforts. The NMTC uses the incentive of a federal tax credit, equaling 39 percent of an investment allocated over a seven-year period, to spur investment in targeted communities and the numbers below illustrate the impacts of this federal tax incentive:

★ ★ ★

**66:** The number of CDEs responding to the survey;

**$12.7 Billion:** Total allocation authority awarded to respondents;

**$2.3 Billion:** Amount of an NMTC Investment made by survey respondents in 2011;

**363:** The number of businesses financed by survey respondents in 2011;

**72%:** The percentage of NMTC investments made in severely distressed communities;

**58%:** The percentage of NMTC investments in communities with unemployment rates at least 1.5 times the national average;

**100%:** The percentage of NMTC investments in qualified low income communities;

**$573 Million:** Amount invested in education facilities in 2011;

**$361 Million:** Amount invested in industrial or manufacturing facilities in 2011;

**$288 Million:** Amount invested in healthcare facilities in 2011; and

**$280 Million:** Amount invested in energy, agriculture, or green businesses in 2011.

### *All this adds up to:*

Billions of private investment in businesses at a modest cost to the government; the creation of thousands of construction and permanent jobs; financing for credit-starved small and medium-sized businesses; and revitalization efforts in the nation's most distressed urban and rural communities.

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**"We...need to encourage investment in our communities, some of which were struggling even before the most recent economic downturn. The New Markets Tax Credit is designed to stimulate investment and economic growth in low-income, under-served communities that are often overlooked by conventional capital markets...I am pleased to be an original sponsor, along with Chairman Tiberi [R-OH], Congressman Neal [D-MA] and Congressman John Lewis [D-GA], of H.R. 2655 – the proposed New Markets Tax Credit Extension Act. This bill would extend the credit through 2016 at a level of $5 billion per year in credit authority."**

–Congressman Jim Gerlach (R-PA)
before the House Select Revenue Subcommittee on April 26, 2012.

**For more information on
the New Markets Tax Credit Extension Act
introduced by Representatives Gerlach and Neal, visit
www.nmtccoalition.org**

## Introduction

This 2012 *NMTC Progress Report* was prepared by the New Markets Tax Credit Coalition, a national membership organization of Community Development Entities (CDEs) and investors organized to advocate on behalf of the New Markets Tax Credit (NMTC). This is the Coalition's eighth annual *NMTC Progress Report* and like previous reports is designed to inform policymakers and practitioners on the success of the New Markets Tax Credit in spurring revitalization in urban and rural communities across America. To accomplish this, there are two sections to this report. The first section highlights findings from the Coalition's annual survey of CDEs with NMTC allocations. The survey collected data from CDEs on their progress raising capital and making loans and investments in calendar year 2011. The second section of this report includes a series of stories from the field that illustrate how CDEs are using the NMTC to channel a variety of investment products to a range of businesses in low income communities. The stories describe the reach of the NMTC into both urban and rural areas. This year, the Coalition profiled CDEs working in Massachusetts, Washington, Pennsylvania, and Montana and focused on manufacturing businesses financed with the Credit.

## Wither the New Markets Tax Credit?

Since 2001, community development entities and investors – through the New Markets Tax Credit (NMTC) – have built a system to deliver capital to communities left outside of the economic mainstream. That system, which has funneled billions of dollars, created and maintained hundreds of thousands of jobs, and spurred revitalization in urban and rural communities, is in jeopardy.

The NMTC, along with a number of other business tax extenders, expired on December 31, 2011. As this report goes to press, the extension of the NMTC is still undecided. With the White House and Congress focused on the federal deficit and debt reduction, every program and every incentive is under the microscope. Policymakers are increasingly asking: "How much does a program cost and what does the government get in return?"

The total cost of $1 in NMTC investments to the federal government is slightly greater than 25 cents, as measured by foregone tax revenues. For the period of 2003-2010, the cost to the government of $20.9 billion in NMTC is $5.2 billion. In return, some $45 billion was invested in communities – a leverage of about 8 to 1. In addition, 300,000 jobs were created or retained at a cost of about $17,000 per job. All of those jobs are in low income communities and recent data indicates that the majority of those jobs are in communities experiencing extreme distress with unemployment rates at least 1.5 times the national average.

The NMTC is not just a good value on a cost basis, but it is also efficient at quickly delivering capital. According to this *2012 Progress Report*, 66% of the Qualified Equity Investments (QEIs) received by CDEs were deployed as investments and loans in businesses in economically distressed communities within one week.

Within this report, we have documented the Credit's tremendous success at delivering investment to urban and rural communities. Failure to act on an extension of the NMTC would deprive our most vulnerable communities of tens of thousands of jobs per year and end our nation's largest federal economic development program at a time when the economy is teetering on the edge of recovery.

## About the New Markets Tax Credit

The NMTC provides a modest federal incentive – a credit against federal tax liability – to encourage private investment in businesses and economic development activity in low income urban and rural communities. These economically distressed communities lack access to the patient investment capital necessary to support business and generate economic development. The NMTC is a flexible tool that delivers both debt and equity financing to a variety of types of businesses.

The NMTC was established in the Community Renewal Tax Relief Act of 2000 (PL 106-554) and was the result of a collaboration between a Democratic President – Bill Clinton – and Republican Speaker of the House – Dennis Hastert. However, the real inspiration for the legislation came from former Housing and Urban Development Secretary and Republican Congressman Jack Kemp, who argued for greater private sector incentives to promote revitalization.

Rather than employing a federal grant-in-aid structure, Clinton and Hastert, working off the Kemp playbook, designed a legislative package that provided $25 billion in new authority almost exclusively in the form of tax incentives targeted to distressed communities. Among those incentives: New Markets Tax Credit.

## How it Works

In order to deliver capital to "new markets" the NMTC authorizing statute created a new category of investment intermediary, Community Development Entities (CDEs).

### *Community Development Entities*

CDEs are the investment vehicle for the NMTC. An organization must be certified as a CDE by the CDFI Fund within the Treasury Department before it can apply for an allocation of Credits. In order to qualify as a CDE, an organization must:

- be a domestic corporation or partnership at the time of the certification application;
- demonstrate a primary mission of serving or providing investment capital for low-income communities or low-income persons; and
- maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

### *Applying for an Allocation of NMTCs*

Once certified, a CDE can apply to the CDFI Fund for an allocation of NMTCs. The CDFI Fund issues an allocation application on an annual basis. There have been 10 allocations from the CDFI Fund totaling over $33 billion in allocation authority (See Table 1). Competition for NMTC allocations is stiff and applications are scored in four areas:

- **Business Strategy** – A CDE must describe the economic distress and needs of the target area and demonstrate how it will provide financial products and services that address the needs of the community;
- **Community Impact** – the extent to which a CDE targets economically distressed communities, has the active participation of community representatives and can demonstrate impacts of its NMTC business strategy;
- **Management Capacity** – A CDE must demonstrate that it has the experience and the staff and partners to execute an effective NMTC strategy; and
- **Capitalization Strategy** – A CDE must demonstrate that it has investors committed to or interested in investing in the CDE or a strategy for securing investments;

The CDFI Fund typically receives enough highly rated applications that in order to be competitive, CDEs must exceed the minimum standards set for raising capital and for serving areas of high economic distress. The CDFI Fund has dictated a set of higher benchmarks which have helped drive NMTC investment into areas of economic distress (see Table 1).

Upon receipt of an allocation of Credits, a CDE must sign an allocation agreement with the CDFI Fund, giving the CDE the authority to market the Credit to investors and implement its New Markets Tax Credit business strategy.

## *Securing Private Investors*

Once a CDE receives an allocation, it may then proceed to secure investments from taxpayers. These investments are called Qualified Equity Investments (QEIs). In return for making a QEI, the taxpayer receives a credit against federal income taxes equal to 39% of the QEI. The credit is taken over seven years, five percent per year for the first three years and six percent per year for years four through seven. Within one year of receipt of the QEI, the CDE must use "substantially all" (85%) of the investment for Qualified Low Income Community Investments (QLICIs) – which are principally loans and investments in businesses located in low income communities. A low income community is a census track with a poverty rate of at least 20% or a median income that does not exceed 80% of the area median.

## *Uses of Investments*

A CDE's QLICIs most typically involve loans or investments in qualified businesses. CDEs can also invest in or loan to other CDEs, purchase qualified loans from other CDEs, or provide financial counseling to qualified businesses or community residents. While "substantially all" of a CDE's investments must be targeted to a low income area, there is significant flexibility in the types of businesses and development activities that investments can support – including community facilities like child care or health care facilities and charter schools, manufacturing facilities,

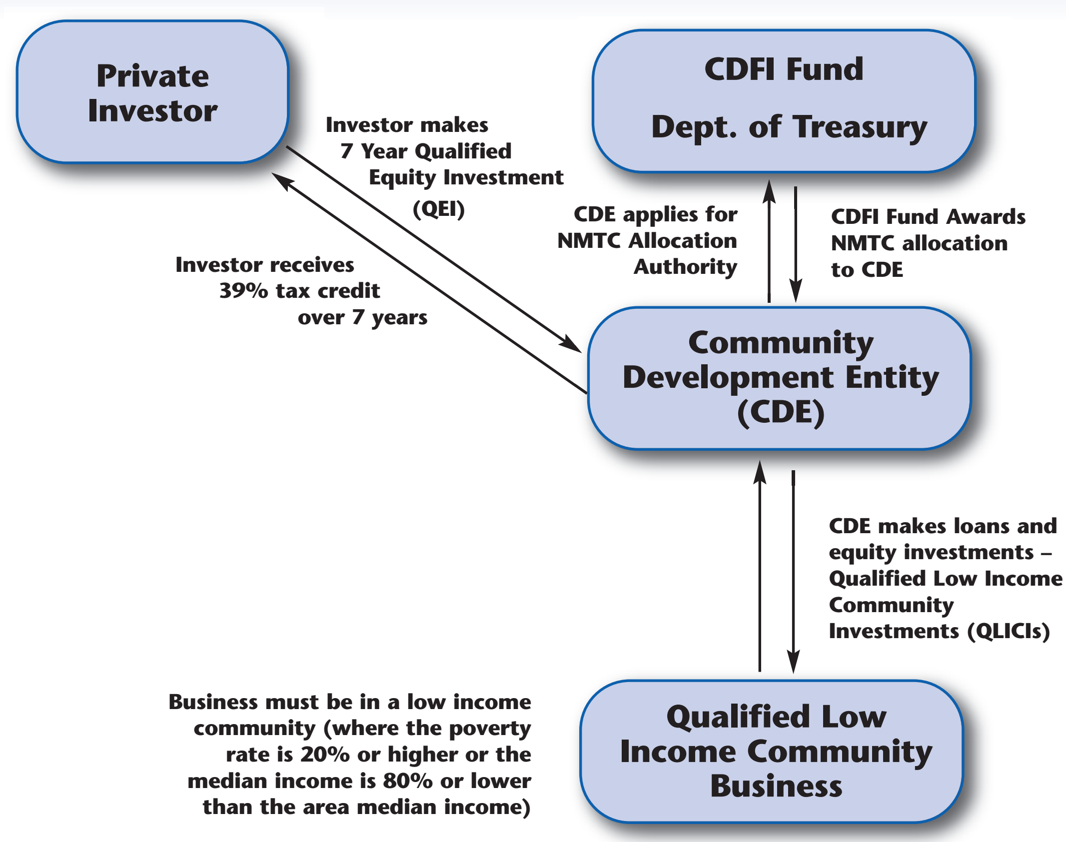
> **"[New Markets Tax] Credits go to areas that would not see investment or benefit businesses located in low income communities. In my district alone the [New Markets Tax Credits] have created about 150 jobs."**
>
> —Congressman Eric Paulsen (R-MN) Statement before Select Revenue Subcommittee of Ways and Means Committee, April 26, 2012

for-profit and non-profit businesses, and homeownership projects. Specific examples of businesses financed through the NMTC include an airplane parts manufacturer, bakeries, community health centers, high-tech business incubators, a soup kitchen, supermarkets, and worker training facilities.

## *Oversight*

The CDFI Fund within the Treasury Department administers CDE certification, the allocation of NMTCs, and monitors compliance once Credits are awarded. The Internal Revenue Service (IRS) is responsible for issuing guidance on the Credit and monitoring taxpayer compliance.

**Figure 1:**
**How the New Markets Tax Credit Works**




Source: New Markets Tax Credit Coalition, (survey of NMTC allocatee activity January 1 – December 31, 2011)

## Demand for NMTC Remains Strong

On the allocation side, demand for NMTC continues apace; CDEs requested $231 billion in total allocation authority between 2003-2011 but the CDFI Fund had only been authorized to make NMTC awards totaling $33 billion in allocation authority. As shown in Table 1, between 2003 and 2011 the demand for allocations outstripped the availability of Credits by more than $196 billion. Allocation demand is more than seven times availability.

> **"The strong, continuous demand for New Markets Tax Credits allocation authority demonstrates the critical need for investments in our nation's low-income communities."**
>
> —CDFI Fund Director
> Donna J. Gambrell

In the 2011 allocation round, 314 CDEs requested $26.7 billion in allocations. In February 2012, the Treasury Department awarded 70 CDEs $3.6 billion in allocation authority.

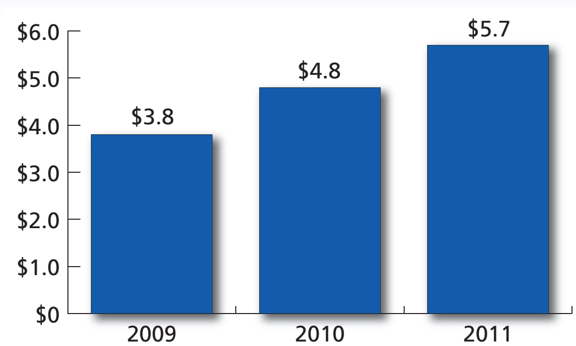
**Table 1: NMTC Allocation Authority and Demand by Year**

| Year | Demand | Available Allocation Authority | Number of Awards |
|---|---|---|---|
| 2003 | $26,000,000,000 | $2,500,000,000 | 66 |
| 2004 | $30,000,000,000 | $3,500,000,000 | 63 |
| 2005 | $23,000,000,000 | $2,000,000,000 | 41 |
| 2006 | $28,300,000,000 | $4,100,000,000 | 63 |
| 2007 | $28,300,000,000 | $3,900,000,000 | 61 |
| 2008 | $27,900,000,000 | $5,000,000,000 | 102 |
| 2009 | $21,300,000,000 | $5,000,000,000 | 99 |
| 2010 | $22,500,000,000 | $3,500,000,000 | 99 |
| 2011 | $26,700,000,000 | $3,600,000,000 | 70 |
| **TOTAL** | **$230,800,000,000** | **$33,100,000,000** | **664** |

Source: CDFI Fund

A key tenet of the New Markets Tax Credit program is raising capital (Qualified Equity Investments or "QEIs") from the private sector. QEI activity remained strong during the recent recession, averaging about $3 billion annually between 2007-2009. As the economic recovery began to pick up in 2010 and 2011, the improving economy, along with a two-year extension, unleashed a substantial increase in NMTC investment. QEIs totaled $3.8 billion in 2009, $4.2 billion in 2010, and $5.7 billion in 2011, a 67% increase in just two years (see Chart 1).

**Chart 1: Qualified Equity Investments ($ in billions)**




Source: CDFI Fund

## CDE Survey of 2011 NMTC Activity

Every winter the Coalition sends a survey to all CDEs that have received a NMTC allocation. The survey requests information on each CDE's NMTC activity in the previous calendar year. Its findings help the Coalition provide up to date information on the impact of the New Markets Tax Credit program.

The Coalition's most recent survey of CDEs covered NMTC activity in the 2011 calendar year. Our findings – along with national data from the CDFI Fund – continue to indicate that the NMTC is effectively driving capital to communities in economic distress.

A total of 66 CDEs responded to this year's survey and these CDEs have received a total of $12.7 billion in NMTC allocations throughout the course of the program, or 45% of total allocation awarded as of February of 2012. In 2011, these CDEs raised $2.4 billion in QEIs and deployed more than $2.3 billion in financing to 363 businesses (through 501 QLICIs) in 46 states and the District of Columbia (see Table 2). As such, these CDEs represent a substantial share of the activity in the program.

**CDE Survey of 2011 NMTC Activity**
**Table 2: By Service Area, Allocation History, QEIs and QLICIs in 2011**

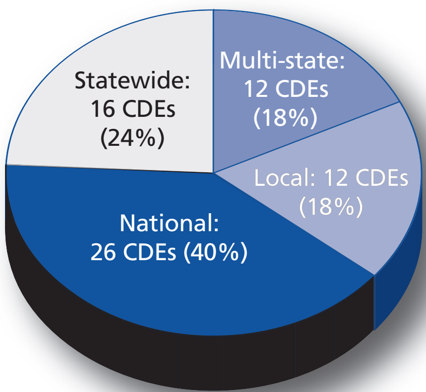
| Service Area | Number of CDEs | Total Allocations (Through 8th Round) | 2011 $ QEIs | 2011 QLICIs (#) | 2011 QLICI ($) |
|---|---|---|---|---|---|
| Local | 12 | $958,000,000 | $171,562,678 | 39 | $178,362,090 |
| Statewide | 16 | $1,468,000,000 | $448,535,570 | 78 | $409,364,104 |
| Multi-State | 12 | $2,506,000,000 | $499,245,874 | 130 | $507,674,048 |
| National | 26 | $7,755,500,000 | $1,257,623,274 | 254 | $1,254,045,166 |
| Total | 66 | $12,687,500,000 | $2,422,167,396 | 501 | $2,349,445,408 |

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

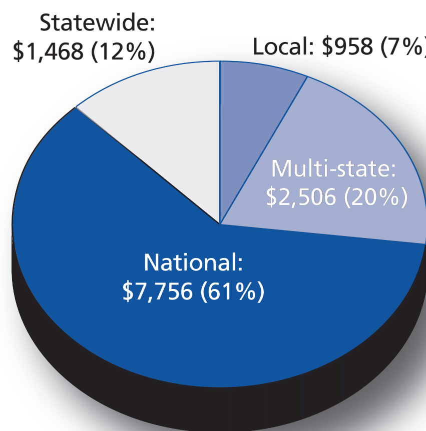
When applying for an allocation, CDEs must identify as local, statewide, multi-state, or national. National CDEs comprised almost 40% of survey respondents. These organizations constituted over half the total Credit authority represented in the survey, the largest share of QEIs raised ($1.3 billion out of $2.4 billion), and over half of the loans and investment (QLICIs) in numbers and dollars (see Charts 2, 3, 4, and 5).

## CDE Survey of 2011 NMTC Activity

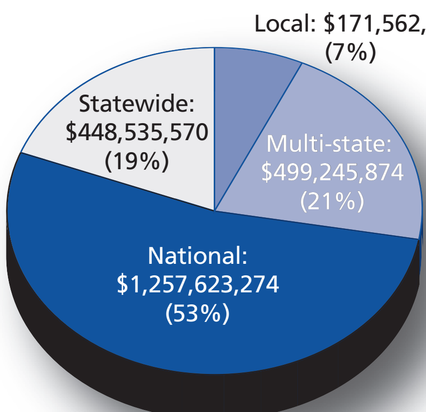
### Chart 2: Area of Service



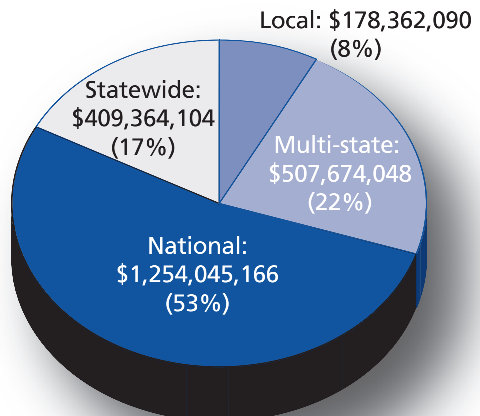

### Chart 3: Amount of Total Allocation (in millions of $) by Area of Service




### Chart 4: Amount of QEIs by Area of Service




### Chart 5: Amount of QLICIs by Area of Service




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

## NMTC: Catalyst for Effective Public-Private Partnerships

There are four key factors to consider when looking at the NMTC investment environment:

1. The New Markets Tax Credit provides a modest subsidy as compared to other targeted federal tax credits. As noted previously, a NMTC investor receives a federal tax credit equal to 39% of the total Qualified Equity Investment in a CDE and the Credit is realized over a seven-year period. As compared to other similar tax incentives, the subsidy provided by the NMTC is modest and for that reason taxpayers investing in the NMTC look for solid business deals that will yield economic return beyond the tax credit;

2. Since the inception of the program, regulated financial institutions have constituted the principal source of investment capital for the NMTC. This *2012 Progress Report* indicates that this trend continues with CDEs reporting that 86% of the QEI investment dollars secured in 2011 came from regulated depository institutions (see Table 3);

**CDE Survey of 2011 NMTC Activity**
**Table 3: Sources of QEI Investment Dollars**

| Type of Investor | Amount | Percent |
|---|---|---|
| Regulated Depository Institution | $2,004,299,354 | 86.1% |
| Corporation (other than listed above) | $103,931,127 | 4.5% |
| Investment LLC | $74,200,000 | 3.2% |
| Unregulated financial services firm (e.g., GE Capital) | $60,648,221 | 2.6% |
| Other | $54,752,372 | 2.4% |
| Regulated Depository Institution Subsidiary | $21,335,833 | 0.9% |
| Insurance company | $7,205,489 | 0.3% |
| Individual | $995,000 | 0.1% |

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

3. NMTC investments are not exempt from the Alternative Minimum Tax (AMT), which restricts the size of the investor market and puts NMTC at a competitive disadvantage with other similar federal tax credits that are exempt from AMT. There is anecdotal evidence that the AMT requirement is an impediment to the participation of regional and community banks, as well as other individual and corporate investors with an interest in the Credit; and

4. As a federal tax credit the NMTC is only attractive to investors with a federal income tax liability that they can offset. For this reason, the NMTC has little appeal to institutions or organizations without federal tax liability such as local and state government agencies, non-profit pension funds, or private foundations, all of whom typically do not pay federal income taxes.

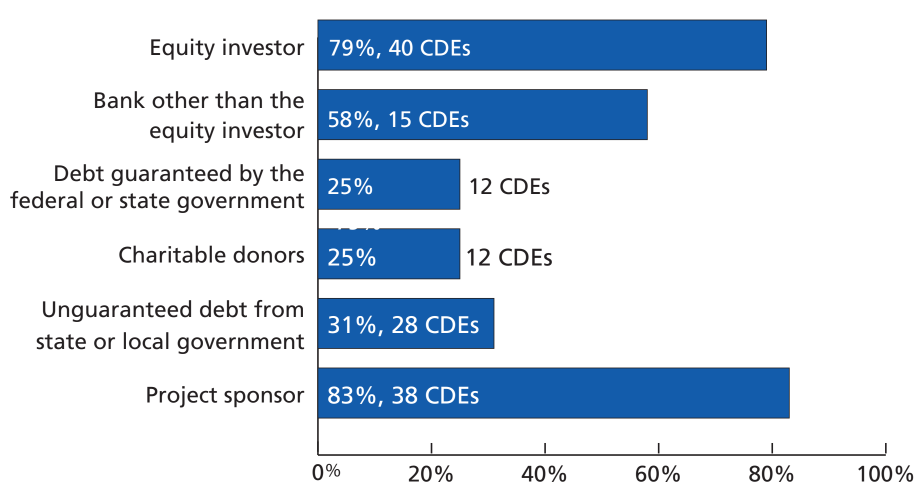
## *'Leverage' investment structure:*

To improve and diversify the investor market and provide CDEs with additional tools to reach more distressed communities, the IRS issued a 2003 ruling that clarified several issues related to investing equity in a CDE in exchange for the NMTC. IRS Revenue Ruling 2003-20 provided guidance on the ways in which an investment structure could be established to act as an intermediary entity between the NMTC investor and the CDE, to secure Qualified Equity Investments. Under this ruling the intermediary entity, structured as an Limited Liability Corporation (LLC) or Limited Partnership (LP), can receive equity investments from NMTC investors as well as debt from other sources, and all of the LLC's/LP's capital (debt and equity) is then invested as a QEI in the CDE. The CDE can then provide the federal tax credits to the LLC (its QEI investor), which, as a flow-through entity can pass the entire tax credit up the chain to its equity investor. The IRS ruling endorsed this investment structure now commonly referred to as 'leverage'.

The leverage structure has enabled CDEs to raise capital from entities without federal tax liability, including public and private nonprofit entities, pension funds, and state and local governments, thereby increasing the sources of capital available for NMTC investments.

In 2011, 54 CDEs, representing 82% of the respondents, indicated that they used a leverage structure to raise capital. The majority of these CDEs (48 out of 54) credit investment LLCs with providing 100% of their investment capital. These CDEs are looking to a variety of sources for their leveraged debt, including their NMTC equity investor, financial institutions (other than their equity investor), charitable donors, unguaranteed debt from state or local governments, guaranteed debt from state or local governments, and the project sponsor.

**CDE Survey of 2011 NMTC Activity**
**Chart 6: Sources of Leveraged Debt**



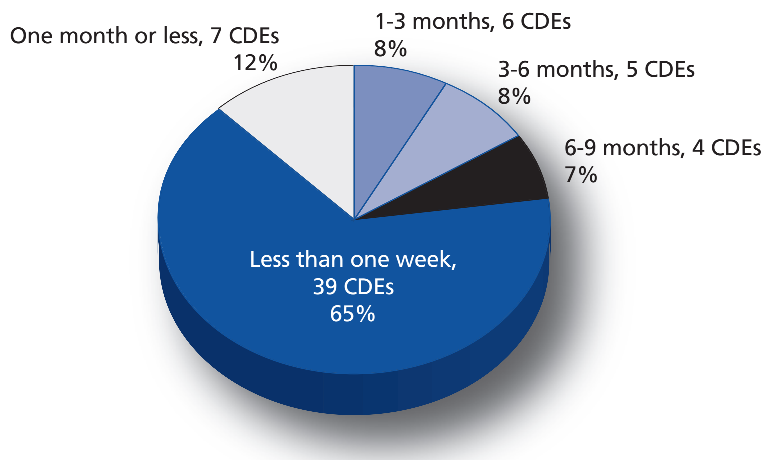

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

## Deploying Investments

As noted, the law requires a CDE to have "substantially all" (at least 85%) of a QEI deployed in Qualified Low Income Community Investments (QLICIs) within one year of issuance.

CDEs responding to the survey deployed QEIs at a faster rate than required by law and the standard set by the CDFI Fund. The CDEs responding to the survey reported that 66% of the capital raised through QEIs in 2011 was deployed as QLICIs in less than one week and almost 80% was deployed in no more than a month (see Chart 7). Two of the four CDEs that deployed their QEIs in 6-9 months serve rural areas where deals are smaller and can take longer to put together.

**CDE Survey of 2011 NMTC Activity**
**Chart 7: Time Frame for Deploying NMTC Capital by Percent of CDEs**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

Five CDE survey respondents reported a strong pipeline of NMTC demand but were unable to make any new QLICIs in 2011 because they had already deployed 100% of their NMTC capital. These CDEs had applied for additional NMTC allocations and were awaiting the 2011 award.

CDE survey respondents were asked to report on QLICI commitments and specifically the NMTC investments slated to close by December 31, 2012. Fifty-two of the sixty-six CDE survey respondents reported having 273 QLICIs totaling well over $2 billion in line to close by year end. Most of the remaining CDE respondents reported a strong pipeline of qualified businesses seeking financing, but were unable to commit to investing in 2012 without additional NMTC allocation. (Note: survey results were recorded before the CDFI Fund's February 2012 announcement of the latest NMTC allocation awards.)

## Lending and Investment

Survey respondents were asked to report on the financial products they made available through the NMTC. CDEs make financing available to businesses through Qualified Low Income Community Investments (QLICIs). A QLICI can take the form of a loan to a qualified low income community business; an equity investment in a qualified low income community business; the purchase of a qualified loan from another CDE; or financial counseling to businesses or residents in a low income community.

In 2011, the CDEs responding to the survey made 501 QLICIs, providing over $2.3 billion in new financing to 363 qualified businesses (some businesses receive two or more separate QLICIs) in low income communities. Of that number, 97% were in the form of loans to businesses (see Table 4).

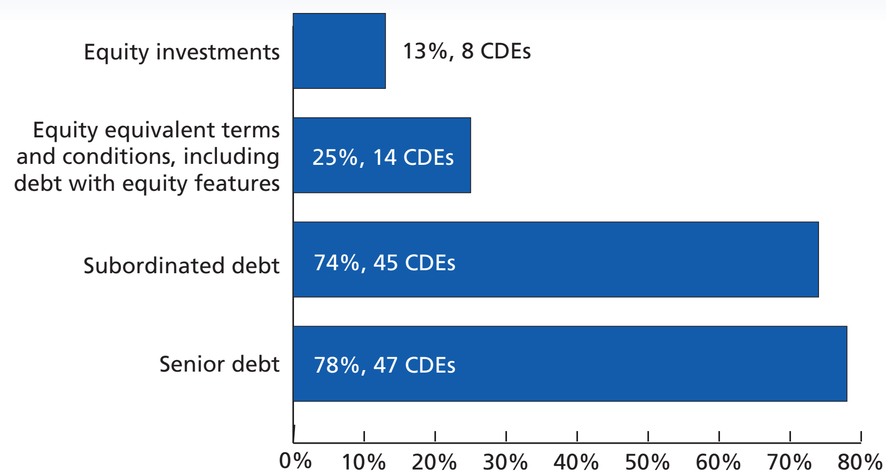
**CDE Survey of 2011 NMTC Activity**
**Table 4: Types of QLICIs: Number, Dollar Amount, And Percentage Breakdown**

| Type of QLICI | Number of QLICIs | Percent of total QLICIs | Dollar Amount of QLICIs | Percent of Total Dollar Amount |
|---|---|---|---|---|
| A loan in a qualified business | 484 | 96.6% | $2,270,091,764 | 96.7% |
| An equity investment in a qualified business | 11 | 2.2% | $59,009,075 | 2.5% |
| The purchase of a qualified loan from another CDE | 1 | 0.2% | $2,000,000 | 0.1% |
| Financial counseling to businesses or residents in a low income community | 3 | 0.6% | $296,569 | 0.1% |
| Loans in another CDE | 2 | 0.4% | $15,000,000 | 0.6% |

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

As Chart 8 indicates, the most common NMTC financial product offered by survey respondents is subordinated or senior debt. However, eight of the CDEs reported using the NMTC to make equity investments in qualified businesses last year.

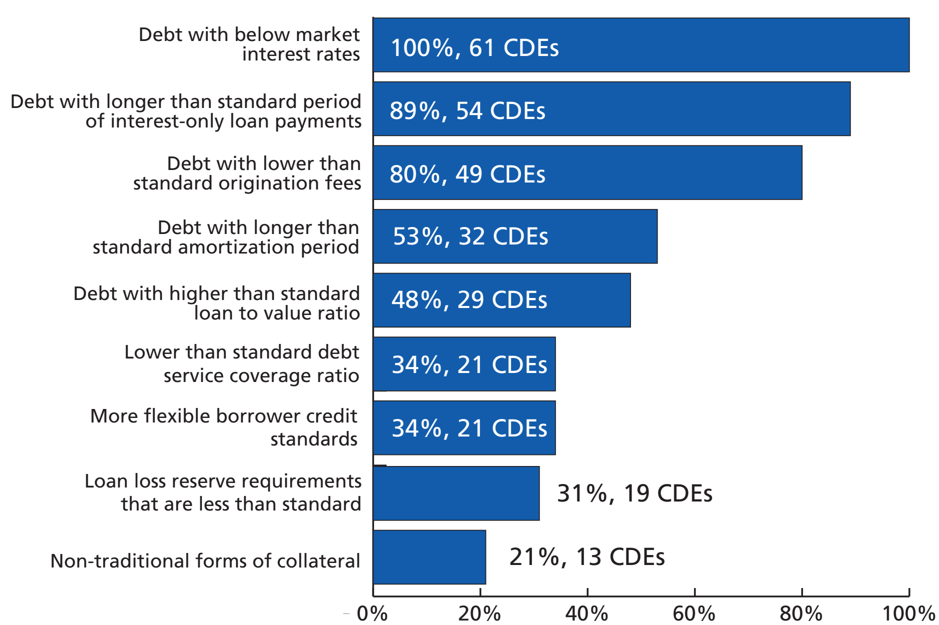
**CDE Survey of 2011 NMTC Activity**
**Chart 8: Financial Products Offered in NMTC Transactions**
**(61 CDEs with 2011 QLICIs)**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

Chart 9 highlights the range of below market and non-traditional features associated with NMTC debt products. Financing debt with below market interest rates, longer than standard terms, lower origination fees, and long amortization periods were the most common.

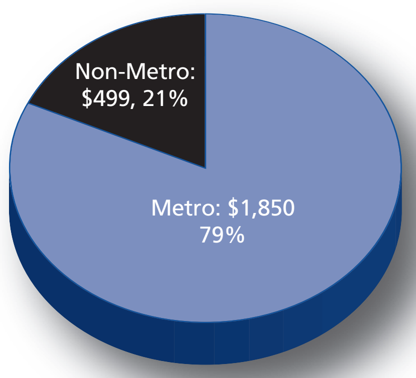
**CDE Survey of 2011 NMTC Activity**
**Chart 9: Features of NMTC Financial Products Offered by CDEs**
**with QLICIs in 2011 (61 CDEs with 2011 QLICIs)**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

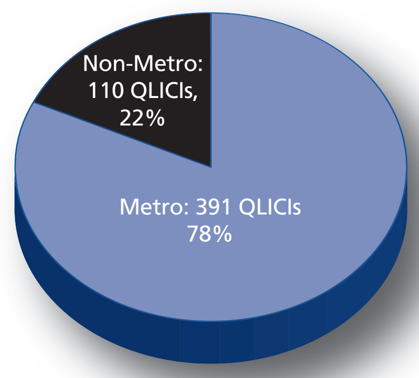
The Tax Relief and Health Care Act of 2006 (P.L. 109-432) requires the CDFI Fund to ensure that non-metropolitan counties receive a proportional allocation of Qualified Equity Investments (QEIs) under the New Markets Tax Credit Program. The CDFI Fund has defined Non-Metropolitan Counties as those counties that are not contained within a Metropolitan Statistical Area[1] according to the most recent census. A total of $499 million (18%) of the financing went businesses in located in non-metro areas (see Charts 10 and 11).

**CDE Survey of 2011 NMTC Activity
Chart 10: Dollar Amount and Percentage of QLICIs by Metro and Non-Metro Area (in millions)**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

**CDE Survey of 2011 NMTC Activity
Chart 11: Number and Percentage of QLICIs by Metro and Non-Metro Area**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

## Types of Businesses Financed

Businesses eligible to receive financing under NMTC are called Qualified Active Low Income Community Businesses (QALICBs). To qualify as a QALICB, a business must be located in a low income community, conduct business and derive at least 50% of its income in a low income community.

The CDEs report that more than $1.3 billion in debt and equity financing went to 215 non-real estate businesses and almost $1 billion in loans and investment went to 148 real estate businesses[2].

Survey respondents were also asked to provide a description of the types of real estate and non-real estate businesses financed. The breakdown between categories was nearly identical

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1 Metropolitan areas contain core counties with one or more central cities of at least 50,000 population or with a Census Bureau defined urbanized area and a total area population of 100,000 or more, as well as fringe counties that are economically tied to the core counties. All other counties are considered to be nonmetropolitan.

2 The CDFI Fund defines a real estate business as a business that is principally engaged in the development of a specific real estate project or projects. Investments in real estate businesses (development, management or other) in support of their business operations, as opposed to a specific project or projects, are considered non-real estate business transactions.

**On a recent visit to a silicon wafer refurbishing plant in New Bedford (MA) Brown wears his barn jacket — which is a little more worn than it was two years ago — over his Washington black suit and tie. This factory is able to expand and add jobs because of the New Markets Tax Credit, a program that attracts investments to low-income communities. Brown recently co-sponsored an extension of the program. "It's a no-brainer," he said, "These types of programs you can get low-interest money into the hands of young entrepreneurs to create jobs in a region that needs jobs. It just makes total sense."**

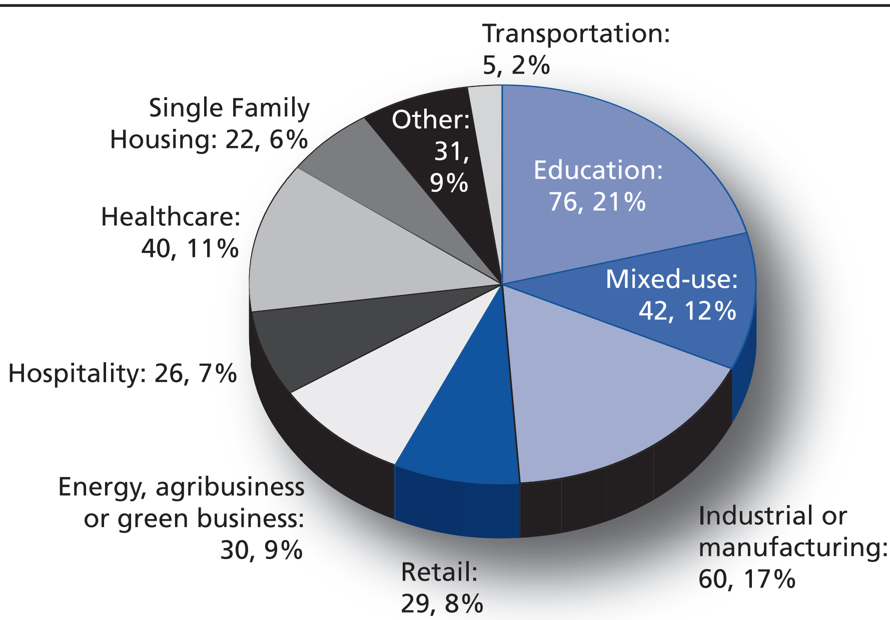
—Senator Scott Brown (R-MA), WBUR Boston, November 8, 2011

for each, so this report combined the data for real estate and non-real estate to better display the overall financing provided to various types of businesses.

Out of the 11 categories of businesses listed, four categories of businesses (education, industrial or manufacturing, healthcare, and mixed-use) received a total of $1.5 billion or 63% of all NMTC investments in 2011 (see Chart 13). As noted, CDEs made a total of 501 investments in 363 businesses totaling $2.3 billion. Chart 12 also notes the types of businesses financed with the Credit in 2011 as a percentage of dollars going to each business type. Chart 12 shows the breakdowns of types of businesses.

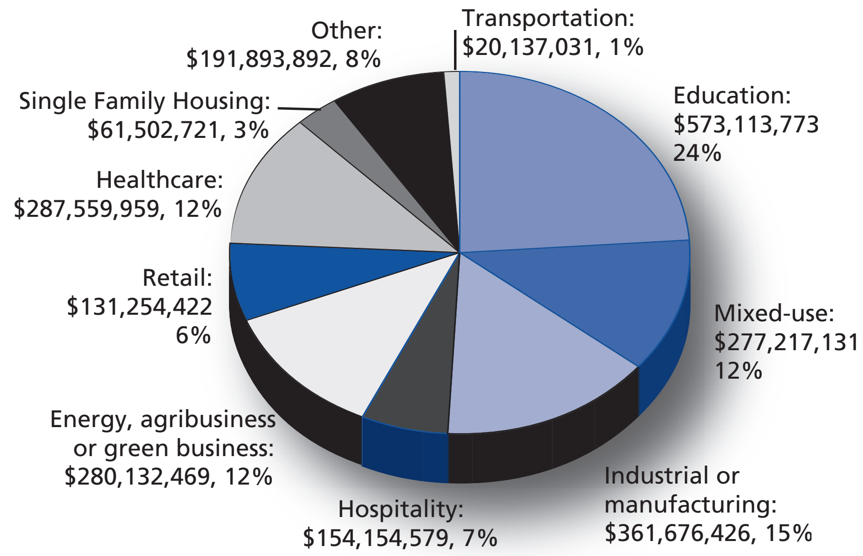
Businesses categorized as "other" include service providers (for instance, a media company) and nonprofits working in areas other than healthcare and education.

**CDE Survey of 2011 NMTC Activity**
**Chart 12: Types of Businesses Financed**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

**CDE Survey of 2011 NMTC Activity**
**Chart 13: Types of Businesses Financed by Dollar Amount of Investments**




Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2011

## Impact of NMTC: Capital to Distressed Communities

One hundred percent of financing under New Markets must go to census tracts with high rates of poverty (at or above 20%) or low median incomes (at or below 80% of the area median income).

By definition, all NMTC investments benefit low income communities. This survey confirms that CDEs continue to make investments in more ***highly distressed*** communities than the law requires.

**"Let me tell you a little about the New Markets Tax Credit. The program was designed to stimulate investment and economic growth in low-income communities that are traditionally overlooked by conventional capital markets...According to the Government Accountability Office, 88 percent of the New Markets Tax Credit investors said they would not have made the investment in a low-income community without New Markets Tax Credits. The vast majority... has gone to communities with levels of economic distress that far exceed the minimum requirements of the law; and 60 percent has gone to communities with very high unemployment rates that are at least 1.5 times the national average...Over 170 businesses in Massachusetts have received New Markets financing: Hot Mama's Foods in Springfield; the River Valley Market in Northampton; the Holyoke Health Center; and now the High Performance Computing Center in Holyoke as well... Let's rejuvenate the New Markets Tax Credit program."**

—Congressman Richard Neal (D-MA), Congressional Record, December 15, 2011

The CDFI Fund asks applicants for NMTC allocation if they plan to make investments in communities facing "severe distress". These communities exhibit one or more of the following characteristics:

- Census tracts with poverty rates greater than 30 percent;
- Non-metropolitan area census tracts where the median family income does not exceed 60 percent of statewide median family income;
- Metropolitan area census tracts where the median family income that does not exceed 60 percent of the statewide median family income or the Metropolitan Area median family income; or
- Census tracts with an unemployment rate that is at least 1.5 times the national average.

The survey data indicates that NMTC investments are going to some of America's most economically distressed communities. In 2011, almost three-quarters of NMTC activity was in communities with at least one severe distress factor; some 58% in communities with unemployment rates at least 1.5 times the national average; over half in communities with median incomes at or below 60% of the area median income; and almost 50% in areas with poverty rates of at least 30%.

# NMTC Stories from the Field: Focus on Manufacturing

## Farwest Steel

### *Vancouver, Washington*

Two New Markets Tax Credit investments, totaling $48 million, helped a US-based steel processing company, Farwest Steel, significantly expand its operation in Vancouver, Washington. The result: 100 existing jobs retained; 128 new permanent jobs created; and 300 construction jobs generated. The new facility accelerates the efforts of the City of Vancouver, Washington and the Port of Vancouver to revitalize the working waterfront by attracting large-scale industrial projects aimed at increasing business development.

Farwest Steel is a 56-year old carbon steel product manufacturer and distributor headquartered in Eugene, Oregon. The company was looking to expand and consolidate some of its west coast steel processing operation into a single plant that could handle their processing, fabricating and distributing services and house an additional line of business.

The City of Vancouver and the Port understood the critical role that Farwest Steel's expansion played in their joint efforts to generate economic activity and new jobs in the area. National Development Council (NDC) had been working with the City and the Port of Vancouver to advance the project and NDC played an important role in coordinating the NMTC financing.

As a first step, Farwest Steel purchased land from the Port of Vancouver, and by doing so took ownership and control of the property providing access to a rail line, an interstate highway, and the Columbia River. Once the property was acquired, NDC through its technical assistance relationship with the City of Vancouver, helped Farwest structure a NMTC transaction to finance construction of the new plant. Three CDEs came together to finance the $38 million build-out of a 365,000 square-foot regional steel processing center. Construction started in July 2011 with project completion expected in June 2012. The three CDEs that financed the Farwest Steel expansion were: Community Reinvestment Fund, based in MN; the National Community Fund based in Portland, OR; and Brownfield Revitalization, based in Raleigh, NC. JPMorgan Chase was the sole NMTC investor.

In a separate transaction, Bank of America Merrill Lynch, using some of its NMTC allocation, made $10 million in loans to Farwest which allowed the company to purchase the

### FACTS AND FIGURES

**CDEs:**

National Development Council (technical support)

Brownfield Revitalization

Community Reinvestment Fund

National Community Fund

Bank of America Merrill Lynch

**Investors:**

JPMorgan Chase

Bank of America Merrill Lynch

**Community Profile:**

- 34.7% poverty rate
- Median income 36.6% of AMI
- Unemployment rate 2.12 times the national average

**Project Highlights:**

- Total project cost: $48 million
- NMTC: $48 million
- Constructed a new 365,000 square-foot building
- Retained 100 existing jobs, created 128 new full-time

machinery and equipment needed to expand its steel processing operation and create a new line of business. The purchased coil processing line will now allow Farwest to cut, roll, drill, temper, weld, finish, and assemble steel products that they carry in inventory, along with additional metal products purchased by other local metal distributors. The co-location of this additional line of business with the other existing business lines will make this facility unique on the West Coast and is expected to open up significant new geographic markets for the company and result in increased production and service capabilities.


Senator Maria Cantwell announces her support of the Farwest Steel Processing Center

Completion of the new Farwest Steel facility is expected in June 2012 and will include six separate production bays that will accommodate different aspects of the business operations including the processing of reinforcing steel/rebar; steel fabrication; plate steel products and warehousing and distribution. Salaries at the plant are expected to average more than $40,000 per year and provide full benefits to its works in a census tract with an unemployment rate near 13%. The facility represents a significant expansion for the company, and an important step toward the revitalization of the Port of Vancouver and the surrounding community.

An aerial view of the processing center

This project demonstrates how the New Markets Tax Credit can bring together a large group of partners and investors to help a business expand its operations and create manufacturing jobs in a community suffering from economic distress. ■

# Borden & Remington Fall River, LLC

*Fall River, Massachusetts*

## FACTS AND FIGURES

**CDE:**
Rockland Trust Community Development Corporation

**Investor:**
Rockland Trust Company

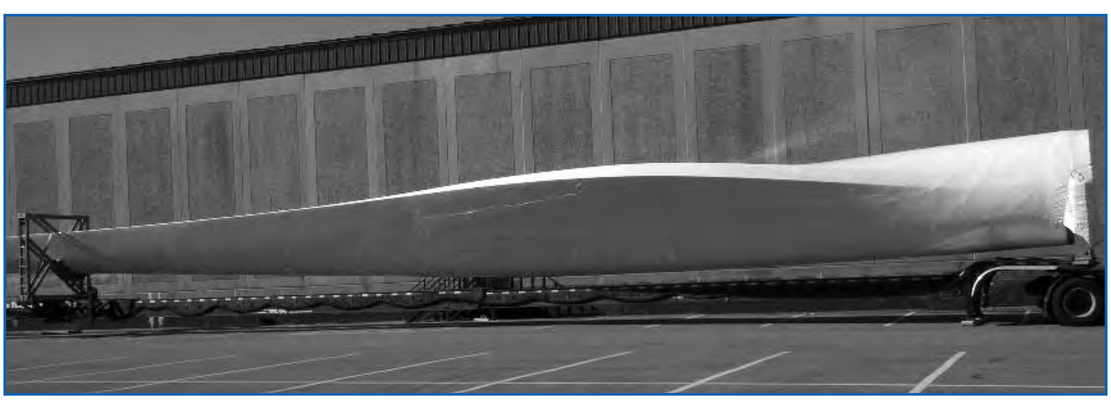
**Community Profile:**
- 23% poverty rate
- Median income 42% of AMI
- Unemployment rate 1.64 times the national average

**Project Highlights:**
- Total project cost: $2.475 million
- NMTC financing: $2.25 million
- Renovated a 70,000 square-foot historic building
- Created 25 new full-time jobs and 75 construction jobs

## *TRANSFORMING A 19TH CENTURY MILL TO HOUSE A WIND TURBINE MANUFACTURER*

Founded in 1837, Borden & Remington is the oldest privately-owned chemical distributor in the country. Borden & Remington is located in Fall River, Massachusetts, a community on the southeastern coast of Massachusetts that was once the home of a vibrant textile industry and now faces one of the most challenged economies in the state. Borden & Remington works with textile processing companies, municipalities, power plants, and general manufacturing firms to help create sustainable water and energy solutions which benefit residents throughout New England.

Borden & Remington's leaders have lived and worked in Fall River their entire lives and were dedicated to helping Fall River recover. In 2005 Borden & Remington purchased a 29-acre mill complex which contained 850,000 square feet of buildings in a "higher distressed" census tract with a 23% poverty rate, median income of 42%, and an unemployment rate 1.64 times the national average in an effort to transform the site into an innovative business destination for cutting-edge 21st century companies. In order to attract those firms, Borden & Remington officials recognized the need to demolish more than 400,000 square feet of obsolete mill space which was below standards and too congested to meet the needs of contemporary business tenants. The development team at Borden & Remington looked to the New Markets Tax Credit (NMTC) program to



Wind turbine blade manufactured at TPI Composites.

fund a redevelopment project that would revive the complex, attract new businesses to the city, and create much needed jobs for local workers.

With a $2.25 million NMTC loan from Rockland Trust Community Development, Borden & Remington was able to revitalize a historic mill building in the complex for Arizona-based TPI Composites, Inc., a wind turbine manufacturer and industry leader in sustainable energy solutions. In addition to the TPI project, eight unsalvageable buildings were demolished to create 9-acres of development-ready parcels for future business expansions. For TPI, Borden & Remington oversaw the renovation of a 70,000-square-foot building, a project that resulted in the creation of 75 temporary construction jobs as well as 25 full-time jobs. The NMTC loan from Rockland Trust not only attracted a major manufacturer of renewable energy products to the site, but also helped to brand the site as an ideal location for innovative business expansions, fueling Fall River's economic recovery.


During the construction.

Rockland Trust Community Development is a community development entity whose primary mission is to provide investment capital to, and otherwise serve, low income communities in Massachusetts and Rhode Island. Rockland Trust Community Development has been honored on four occasions with awards of tax credit allocation authority under the NMTC program and has used these awards to make NMTC loans at below market interest rates, the vast majority of which have been in severely distressed low income communities.
The NMTC awards which Rockland Trust Community Development has deployed have had significant positive impacts on the low-income communities it serves, including thus far:

- NMTC loans which have, in the aggregate, helped fund the acquisition and/or rehabilitation of approximately 2.7 million-square-feet of low-income community real estate;
- NMTC loans which have, in the aggregate, helped to create or maintain at least 1,886 jobs; and,
- Financial counseling and other services investments which have, in the aggregate, provided financial counseling to over 1,000 low-income community residents and businesses.

Rockland Trust Community Development is a wholly owned subsidiary of Rockland Trust Company, a commercial bank serving Eastern Massachusetts and Rhode Island.

## Zurn Industries

### *Erie, Pennsylvania*

A New Markets Tax Credit investment in Erie, PA provided the capital that allowed a long-standing business to finance the modernization of one of its manufacturing plants, thereby preserving 133 high skilled jobs, and shoring up efforts to revive the Pennsylvania manufacturing base.

### FACTS AND FIGURES

**CDE:**

National City New Market Fund (wholly owned by PNC Financial Services Group)

**Investor:**

PNC Bank

**Community Profile:**

- 25.8% poverty rate
- Median income 48.6% of AMI
- 14.2% unemployment rate

**Project Highlights:**

- Total project cost: $8 million
- NMTC: $7.3 million
- Modernized equipment at Zurn's Erie, PA foundry
- Preserved 133 high-skill jobs averaging over $25 per hour

The collaborative effort to save the jobs at the plant involved the Economic Development Corporation of Erie County, the City of Erie, the Commonwealth of Pennsylvania, PNC, Zurn Industries, and other community stakeholders, with all parties involved emphasizing the importance of keeping Zurn's employment base in Erie.

Since its founding in 1900, Zurn Industries has been a significant employer in Erie. The company manufacturers water management products used in a variety of industries, including non-residential plumbing, janitorial and sanitation. Zurn products include cast iron drainage products, linear drainage, backflow preventers, pressure reducing valves, manual/sensor flush valves, vitreous china fixture systems, PEX piping systems and radiant heat products.

In 2007, Zurn was acquired by Rexnord, a leading worldwide multi-platform industrial company specializing in highly engineered solutions for a broad range of industries including water management.

To remain strong in an increasingly competitive and global market, Rexnord knew it needed to upgrade the equipment and infrastructure at its foundry but the cost of the retooling effort was prohibitive. Rexnord officials reached out to local leaders, and the Economic Development Corporation of Erie County which contacted PNC's New Markets Tax Credit team for assistance.


Zurn is investing in upgrading facilities in Erie.

PNC, a national bank with a sizeable community development footprint in Pennsylvania, stepped in and made a $7.3 million NMTC investment that helped

Zurn Industries finance equipment upgrades of the Erie foundry. The Commonwealth of Pennsylvania also provided funding through a $275,000 Opportunity Grant. The plant upgrades made it financially feasible for the company to maintain their century-long presence in Erie.

New electric melt furnace installed at Zurn.

Beyond sustaining the plant and its good paying jobs, these upgrades will allow Zurn to increase work safety around the melting process, reduce operating costs, and become more efficient and competitive in the market. The upgrades allow Zurn to shorten its lead times in the production of special made-to-order items and allow the company to produce short quantity run jobs. The improved technology will also allow Zurn to significantly reduce its emissions from the facility.

Without a NMTC investment making the modernization feasible, the company would have struggled to compete and maintain skilled-labor manufacturing jobs that pay an average wage of over $25/hour.

For Erie, the loss of additional jobs would have been devastating. The community already faces the challenge of a 25.8% poverty rate and a median family income that is 48.6% of the area median income.

The successful effort to upgrade Zurn and sustain employment in Erie shows how – with the right tools – a bank, state and local government, and a manufacturing business can help a community avert the loss of high-wage jobs by allowing a company to invest in improvements that boost its market competitiveness, protect the environment, and increase worker safety.

## About PNC

PNC's commercial banking roots are in Pittsburgh, Pennsylvania where the bank is still headquartered. It is currently the seventh largest bank in the country by deposits and the sixth largest by total assets and while its banking operations are concentrated in the Mid-Atlantic and the Midwest, PNC Community Partners, the bank's community development entity, has a national footprint with over $400 million in NMTC allocation under management. This is a bank that has always been committed to community development, but with the NMTC, PNC has been able to significantly expand its investing and lending in distressed communities. In fact, PNC has made over $1 billion in NMTC investments in over 100 projects. ■

## Stinger Welding

### *Libby, Montana*

The New Markets Tax Credit was instrumental in forging a partnership between a rural community development financial institution (CDFI) based in Montana and a New York based investment bank that resulted in the launch of a new manufacturing facility that created 200 jobs in Libby, Montana, a community with 2,600 residents and an unemployment rate over 15%.

### FACTS AND FIGURES

**CDE:**

Montana Community Development Corporation

**Investor:**

Goldman Sachs Urban Investment Group

**Community Profile:**

- 18.1% poverty rate
- Median income 82.5% of AMI
- 15.9% unemployment rate
- Superfund area/EPA public health emergency area

**Project Highlights:**

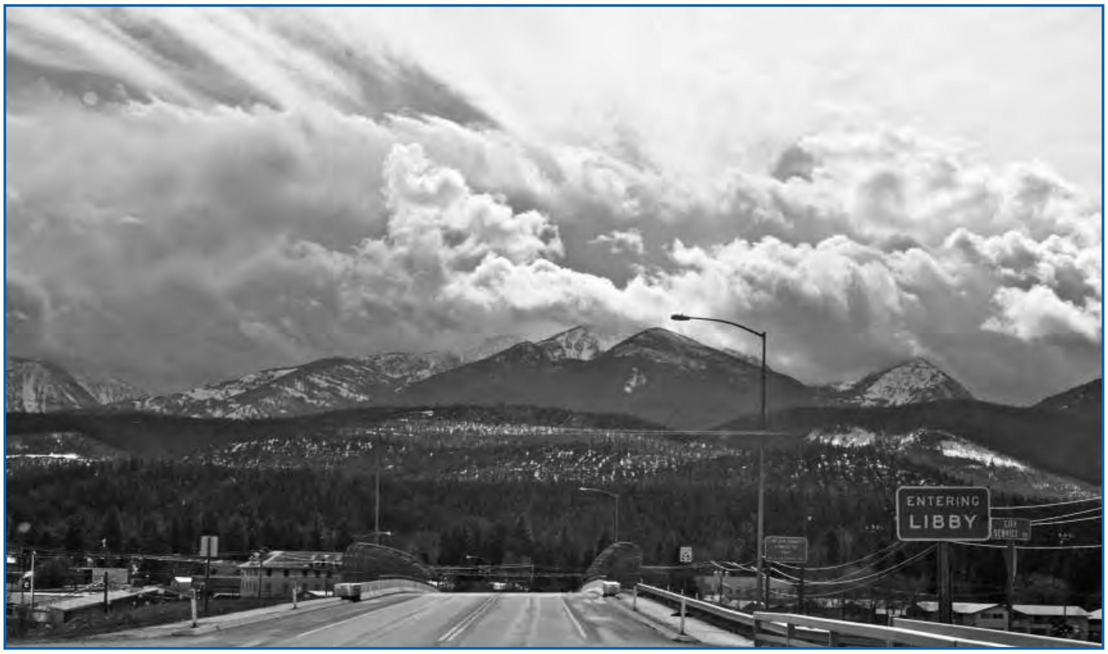
- Total project cost: $14 million
- NMTC Financing: $3.2 million
- Updated 100,000 square-foot building
- Retained 34 full-time jobs, added 116 new full-time jobs, 10 new part-time positions
- 67% of all Stinger Employees had low or extremely low incomes at the time they were hired

The city of Libby is located in a very remote wilderness area in northwest Montana and the local economy has largely been supported by the use of natural resources, principally logging and mining, including mining for vermiculite asbestos used in building insulation and as a soil conditioner. Until it was closed in 1990, Libby's mines produced some 80 percent of the world's supply of vermiculite which is highly toxic and eventually led to widespread incidents of lung cancer and mesothelioma in the area.

In 2002, the Environmental Protection Agency (EPA) declared Libby a Superfund disaster area and in 2009 the site of the Libby asbestos mine was the first public health emergency (PHA) to be declared by the EPA. Since then, both federal and state governments have been working to cleanup Libby while at the same time dealing with the devastating loss of employment after the mines closed. In 2010, Libby's unemployment rate hit 15.9%, almost twice the national average.

Stinger Welding, a steel bridge fabricator head-quartered in Coolidge, Arizona, was looking for a site to expand the company's domestic manufacturing capacity. Carl Douglas, President of Stinger Welding, saw Libby as an ideal location for several reasons. First, his company needed access to a skilled workforce and Libby had a large pool of qualified skilled laborers with experience in mining and machinery operations. Stinger was also looking to minimize its transportation costs and needed a site that was centrally located and accessible to potential bridge projects and growth markets in Oregon, Washington and Northern California — all just one day's rail trip from Libby, Montana.

Stinger Welding took control of a 400-acre site in Libby, formerly the site of a timber mill, and in 2010 opened a new facility that employed 34 workers who were formerly unemployed residents of the community. Soon after opening the plant, it became clear that Stinger's plans for further expansions were in jeopardy after expected state funds were no longer available




Picturesque view of Libby, Montana

and the credit crunch brought on by the recession was making it difficult for the company to access the financing it needed from conventional lenders.

The Montana Community Development Corporation (Montana CDC) understood the importance of Stinger's expansion for the community and stepped in with the New Markets Tax Credit and their new tax credit investment partner, the Urban Investment Group at Goldman Sachs. Montana CDC first met with the Goldman Sachs team in September 2010 at an Economic Summit convened in Butte, Montana by Senator Max Baucus. Goldman's analysis of the Libby project confirmed what people in Libby already knew — that the skilled and dedicated workforce in Libby would be a huge asset for a new industrial employer in their community.

"This is an ideal project for us to expand from our traditional expertise of urban investing to a rural community because of the rapid and significant impact it will have on the ongoing revitalization of Libby, Montana and the surrounding areas," said Alicia Glen, Managing Director and Head of the Urban Investment Group at Goldman Sachs.

The total cost of Stinger's plant expansion in Libby was $14 million and the $3.2 million in NMTC financing provided by Montana CDC, with Goldman Sachs equity investment, filled a critical financing gap and allowed the plant expansion to move ahead as planned. In addition to NMTC financing, funding for the project included $3.2 million from an insurance settlement reached by the Libby Industrial District, $800,000 in Community Development Block Grant funding and a $700,000 grant from the Big Sky Trust Fund. In addition, Stinger Welding provided a significant equity investment in the facility. As a condition of its NMTC financing Stinger committed to ensuring that least 40% of its employees are low-income persons (when hired) as required under NMTC Targeted Population rules.

Stinger's updated 100,000 square foot facility maintained its 34 full-time jobs and created an additional 116 full-time positions along with 10 part-time jobs. This high level of employment is very significant in a rural community of 2,600 residents and considering that only 1,350 Libby residents are between the ages of 20 and 65. The facility is designed to accommodate over 200 employees and given that virtually all new Stinger employees are drawn from this local pool of likely workers, Stinger could feasibly provide jobs for a significant percentage of the city's workforce. In 2010, Flathead Valley Community College (FVCC), located 90 miles east of Libby, added certified welder training to its curriculum to retrain laid off mining and timber employees and prepare them for potential job opportunities at Stinger Welding.

Stinger Welding interior

When the current expansion project is complete and the plant is fully operational Stinger Welding will be the largest employer in Libby with 150 full time workers employing one out of ten people in the town. Sixty-seven percent of all Stinger employees had low or extremely low incomes at the time they were hired by the company and most were unemployed. When fully staffed the company estimates that its annual payroll will exceed $5.5 million.

The catalytic effect of Stinger Welding's expansion in Libby includes ancillary job creation, growth in local spending, and increased tax revenues to improve infrastructure and social services. Stinger estimates that its operation creates 2 to 3 jobs in local support operations for each Stinger employee through indirect impacts in the trucking, maintenance, supply, construction, property management, and retail industries. ■

## Appendix: A New Markets Tax Credit Timeline

| | |
|---|---|
| **2000** | |
| December | ■ NMTC Program signed into law by President Bill Clinton as part of the *Community Renewal Tax Relief Act of 2000* (P.L. 106-554) |
| **2001** | |
| December | ■ IRS released temporary NMTC regulations |
| | ■ CDFI Fund issues CDE certification guidelines and application |
| **2002** | |
| August | ■ First-round NMTC allocation applications submitted to CDFI Fund with $26 billion in demand for $2.5 billion in available allocations |
| **2003** | |
| March | ■ CDFI Fund awards $2.5 billion in first-round NMTC allocations to 66 CDEs |
| September | ■ Second-round NMTC allocation applications submitted to CDFI Fund with $30 billion in demand for $3.5 billion in available allocations |
| **2004** | |
| March | ■ IRS releases revised temporary NMTC regulations |
| May | ■ CDFI Fund awards $3.5 billion in second-round NMTC allocations to 63 CDEs |
| October | ■ *American Jobs Creation Act of 2004* (P.L. 108-357) signed by President Bush. Includes a provision expanding the definition of a low income community to include a Targeted Population |
| | ■ Third-round NMTC allocation applications submitted to CDFI Fund with $23 billion in demand for $2 billion in available allocations |
| December | ■ IRS releases final NMTC regulations |
| **2005** | |
| July | ■ CDFI Fund awards $2 billion in third-round NMTC allocations to 41 CDEs |
| October | ■ Fourth-round NMTC allocation applications submitted to CDFI Fund with $28.3 billion demand for $3.5 billion in available NMTC allocation authority |
| December | ■ *Gulf Opportunity Zone Act of 2005* (P.L. 109-135) is signed into law by President Bush, providing an additional $1 billion in NMTC allocation authority for CDEs working in communities affected by Hurricane Katrina (GO Zone) |
| **2006** | |
| March | ■ CDFI Fund announces plans to award the first $600 million NMTC allocations to CDEs working in qualified communities in the GO Zone |
| June | ■ CDFI Fund awards fourth-round NMTC allocations of $4.1 billion to 63 CDEs, including $600 million to CDEs working in the Go Zone |
| | ■ IRS releases notice on Targeted Populations |
| December | ■ *Tax Relief and Health Care Act of 2006* (P.L. 109-432) is signed into law by President Bush with language to ensure that non-metro communities secure a proportional allocation of NMTC investments |

continued on p.28

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|---|---|
| **2007** | |
| March | ■ Fifth-round NMTC allocation applications submitted to CDFI Fund with $28 billion in demand for $3.5 billion in available allocations |
| April | ■ *New Markets Tax Credit Extension Act of 2007* (H.R. 2075, S. 1239) is introduced by Congressmen Neal (D-MA) and Lewis (R-KY) and Senators Rockefeller (D-WV) and Snowe (R-ME) |
| October | ■ CDFI Fund awards $3.9 billion in fifth-round NMTC allocations, including $400 million in GO Zone allocation, to 61 CDEs |
| **2008** | |
| February | ■ President Bush calls for one-year extension of the NMTC in his Fiscal 2009 Budget |
| March | ■ Sixth-round NMTC allocation applications submitted to the CDFI Fund with $21 billion in demand for $3.5 billion in available allocations |
| October | ■ CDFI Fund awards $3.5 billion in sixth-round NMTC allocations to 70 CDEs |
| **2009** | |
| February | ■ The *American Recovery and Reinvestment Act (*ARRA) was signed into law by President Obama, adding $3 billion in NMTC allocation authority equally divided between 2008 (sixth-round) and 2009 (seventh-round) bringing the annual NMTC allocation authority to $5 billion for both years |
| April | ■ Seventh-round NMTC allocation applications submitted to the CDFI Fund with $23 billion in demand for $5 billion in available allocations |
| May | ■ CDFI Fund awards $1.5 billion in 2008 allocations made available through ARRA to 32 CDEs |
| | ■ *New Markets Tax Credit Extension Act of 2009* (H.R. 2628) is introduced by Congressmen Neal (D-MA) and Tiberi (R-OH) |
| August | ■ *New Markets Tax Credit Extension Act of 2009* (S. 1583) is introduced by Senators Rockefeller (D-WV) and Snowe (R-ME) |
| **2010** | |
| February | ■ President Obama's Fiscal 2011 Budget calls for a two-year extension of the NMTC, through 2011, with AMT relief for NMTC investors |
| June | ■ Eighth-round NMTC allocation applications submitted to the CDFI Fund with $23.5 billion in demand |
| | ■ IRS issues revenue ruling clarifying that an individuals' acquisition of a QEI in a CDE is not subject to passive activity limitations |
| December | ■ President Obama signs The *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010* (P.L. 111-312) into law providing a two-year extension of the NMTC (2010 and 2011) with annual credit authority of $3.5 billion |
| **2011** | |
| February | ■ President Obama's Fiscal 2012 Budget calls for a one-year extension of the NMTC, through 2012 with $5 billion in NMTC allocation authority and AMT relief for NMTC investors |
| April | ■ CDFI Fund awards $3.5 billion in eighth-round NMTC allocations to 99 CDEs |

| | |
|---|---|
| May | ■ *New Markets Tax Credit Extension Act of 2011* (S. 996) is introduced by Senators Rockefeller (D-WV) and Snowe (R-ME) |
| July | ■ Ninth-round NMTC allocation applications submitted to the CDFI Fund with $23.5 billion in demand for $3.5 billion in available allocation authority |
| | ■ New Markets Tax Credit Extension Act of 2011 (HR 2655) is introduced by Representatives Gerlach (R-PA) and Neal (D-MA) |
| December | ■ Over 1,000 NMTC investors, CDEs, businesses and community leaders sign a NMTC Coalition letter to Congress calling for the immediate extension of the NMTC before it expires at the end of the year |
| | ■ New Markets Tax Credit expires on December 31, 2011 along with other business tax provisions |
| **2012** | |
| February | ■ President Obama's Fiscal 2013 Budget calls for a two-year extension of the NMTC, through 2013 with $5 billion in annual NMTC allocation authority, and AMT relief for NMTC investors |
| | ■ The Senate Finance Committee holds a hearing to review expired and expiring tax provisions (tax extenders) including the New Markets Tax Credit |
| March | ■ CDFI Fund awards $3.6 billion in ninth-round NMTC allocations to 70 CDEs |
| April | ■ House Select Revenue Subcommittee holds a Members hearing to review expired or expiring tax provisions (tax extenders) including the New Markets Tax Credit |

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