

TaxNewsFlash

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Treasury announces \$7 billion allocation of New Markets Tax Credit awards

The U.S. Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) today announced the largest award of New Markets Tax Credit (NMTC) in the history of the program that was enacted in 2001.

A total of 120 organizations nationwide will receive \$7 billion in NMTC awards. The 120 organizations are headquartered in 36 states, the District of Columbia, and Puerto Rico. In addition, the number of minority-owned or controlled organizations receiving awards also nearly tripled from the previous award round. In a [press release](#) issued today, CDFI Fund Director Annie Donovan praised the program for "...improving the quality of life and economic prospects for low-income Americans."

Today's 2015-2016 round of allocation awards bring the total amount awarded through the NMTC program to \$50.5 billion. Historically, NMTC awards have generated \$8 of private investment for every dollar invested by the federal government. Since 2001, NMTCs have generated more than \$42 billion in investments in low-income communities and businesses, resulting in the creation or retention of more than 500,000 jobs, and the construction or rehabilitation of more than 164 million square feet of commercial real estate.

Read the list of CDEs in the [NMTC award book](#) [PDF 9.96 MB]

Background

The NMTC program allows an investor a tax credit against its federal income taxes for making qualified equity investments (QEIs) in entities known as Community Development Entities (CDEs). The Treasury Department allocates the NMTC credits to the CDEs which, in turn, make qualifying investments (generally loans) to businesses located in low-income communities. The NMTC totals 39% of the cost of the QEI in the CDE and is claimed over a seven-year credit period. Investors in

leveraged NMTC transactions can increase their tax benefit by pooling borrowed funds with their cash investments to receive tax credit on the full amount of their cash investment. Qualified business benefit from favorable NMTC financing terms.

KPMG's Washington National Tax, Tax Credit and Energy Advisory Services group is ready to assist awardees in deploying their allocations to businesses seeking NMTC financing, as well as providing tax credit advice, to those entities that are considering investments in NMTC projects.

For more information, contact a tax professional with KPMG's Washington National Tax:

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