



TaxNewsFlash

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Treasury updates low-income community eligibility data, New Markets Tax Credit

The U.S. Treasury Department today announced the release of updated data to determine low-income community (LIC) eligibility under the New Markets Tax Credit (NMTC) and other programs.

Generally, NMTCs are available for investments in businesses located in qualified LICs.

Updated eligibility data

From 2012 to 2017, the NMTC program has used income and poverty data from the U.S. Census Bureau—the 2006-2010 American Community Survey (ACS). As explained in today's [Treasury release](#), the Community Development Financial Institutions (CDFI) Fund has updated the NMTC LIC eligibility data based upon U.S. Census Bureau data from the 2011-2015 ACS.

The CDFI Fund revises program eligibility criteria to coincide with each subsequent full five-year ACS data release—now, the 2011-2015 release.

- The updated NMTC LIC data may be used as of October 31, 2017, with a one-year transition period to use prior 2006-2010 ACS data.
- The updated NMTC LIC data is expected to be available to view as a “data layer” in CDFI Fund’s mapping system (CIMS3) in November 2017.

Read Treasury’s list of “frequently asked questions”—[NMTC census transition FAQs](#) [PDF 404 KB].

Background

The NMTC program allows an investor a tax credit against its federal income taxes for making qualified equity investments (QEI) 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 credits on the full amount of the investment. Qualified businesses benefit from favorable NMTC financing terms and the potential for partial NMTC debt forgiveness after the end of the NMTC's seven-year credit period.

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

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