



TaxNewsFlash

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U.S. Treasury awards \$3.5 billion, New Markets Tax Credit allocations

The U.S. Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) today announced the awarding of \$3.5 billion in allocations of New Markets Tax Credit (NMTC).

Today's announcement brings the total amount awarded through the NMTC program to \$54 billion.

According to a [Treasury release](#), the NMTC awards were made to 73 community development entities in 29 states, the District of Columbia, and Guam. The 73 entities were selected from 230 applicants, and it is estimated that the successful recipients will make more than \$685 million in NMTC investments in non-metropolitan counties.

Read the list of entities known as Community Development Entities (CDEs) in the [NMTC award book](#) [PDF 5.2 MB]

Background

Historically, NMTC awards have generated \$8 of private investment for every dollar invested by the federal government. Since 2001, NMTCs have generated more than \$44.4 billion in investments in low-income communities and businesses, resulting in the creation or retention of more than 750,000 jobs, and the construction or rehabilitation of more than 190 million square feet of commercial real estate.

KPMG observation

The NMTC program allows an investor a tax credit against its federal income taxes for making qualified equity investments (QEI) in CDEs. The Treasury Department allocates the NMTCs 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 their investment. Qualified businesses benefit from favorable NMTC financing terms and the potential for partial debt forgiveness after the end of the NMTC period.

The Tax Credit and Energy Advisory Services group in KPMG's Washington National Tax practice 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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