



TaxNewsFlash

United States



No. 2021-438
November 4, 2021

Treasury to allocate \$5 billion in New Markets Tax Credit (NMTC) authority for 2021

The U.S. Treasury Department's Community Development Financial Institutions (CDFI) fund today released the "notice of allocation availability" for the calendar year 2021 round of the New Markets Tax Credit (NMTC) program.

The 2021 NMTC allocation is set at \$5 billion in tax credit allocation authority—the same amount allocated in NMTCs initially authorized for 2020.

The notice of allocation availability is scheduled to be published in the Federal Register on November 8, 2021.

Background

According to a [CDFI fund webpage](#), through the end of fiscal year 2020, the NMTC program has generated \$8 of private investment for every dollar of federal funding. In addition, the NMTC program has created more than 368 million square feet of manufacturing, office, and retail space, and financed more than 9,500 businesses.

The NMTC program allows an investor a tax credit against its federal income taxes for making qualified equity investments (QEIs) in Community Development Entities (CDEs).

The Treasury Department allocates the NMTCs to the CDEs that, 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.

According to a [CDFI fund release](#) (November 4, 2021), 1,354 awards have been made to date—totaling \$66 billion in tax credit allocation authority—to CDEs through the NMTC program.

Changes to NMTC program for 2021

The CDFI fund is implementing several changes to the NMTC program for 2021 including:

- **Revised QEI issuance requirements:** Prior-year NMTC allocatees will be subject to revised minimum thresholds for QEI issuance and closing of Qualified Low-Income Community Investment (QLICIs) with respect to their prior-year NMTC Allocations.
- **New controlling entity definition:** The definition of “controlling entity” has been revised beginning with calendar year 2021 applicants that have not received allocations under prior NMTC program rounds calendar years 2013 to 2020.
- **Allocation application updates:** Several questions have been revised in the allocation application and guidance documents.

Important deadlines

- CDE certification application submission deadline: November 18, 2021
- NMTC application registration in AMIS: December 6, 2021
- NMTC allocation application in AMIS: January 13, 2022
- QEI issuance and QLICI requirements: March 21, 2022

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