



## NEW MARKETS TAX CREDIT PROGRAM

# COMMUNITY REVITALIZATION



By Rewarding Private **INVESTMENT**

Historically, the lack of investment in our nation's low-income communities have resulted in dormant manufacturing facilities, inadequate education and healthcare amenities, vacant commercial properties, and lower property values. Many of these communities find it difficult to attract the necessary capital from private investors.

The New Markets Tax Credit Program (NMTC Program), established in 2000, helps economically distressed communities attract private capital by providing investors with a federal tax credit. Investments made through the NMTC Program are used to finance businesses which breathe new life into neglected and underserved low-income communities.

## HOW DOES THE NMTC PROGRAM WORK?

Through the NMTC Program, the CDFI Fund allocates tax credit authority to Community Development Entities (CDEs) through a competitive application process. CDEs are financial intermediaries through which private capital flows from an investor to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to investors in exchange for equity in the CDE. Using the capital from these equity investments, CDEs can make loans and investments to businesses operating in low-income communities on better rates and terms and more flexible features than the market. In exchange for investing in CDEs, investors claim a tax credit worth 39% of their original CDE equity stake, which is claimed over a seven-year period.

## HOW DO LOW-INCOME COMMUNITIES BENEFIT?

The NMTC Program has supported a wide range of businesses including manufacturing, food, retail, housing, health, technology, energy, education, and childcare. Communities benefit from the jobs associated with these investments, as well as greater access to community facilities and commercial goods and services.

Since its inception through 2021, the NMTC Program has awarded \$71 billion, resulting in the creation or retention of more than 938,000 jobs. It has also supported the construction of 76.9 million square feet of manufacturing space, 118.3 million square feet of office space, and 77.1 million square



feet of retail space. As these communities develop, they can also become even more attractive to investors, catalyzing a ripple effect that spurs further investments and revitalization.

## HOW DO BUSINESSES BENEFIT?

The NMTC Program helps businesses with access to financing that is flexible and affordable. Investment decisions are made at the community level, and typically 94 to 96% of NMTC investments into businesses involve more favorable terms and conditions than the market typically offers. Terms can include lower interest rates, flexible provisions such as subordinated debt, lower origination fees, higher loan-to-values, lower debt coverage ratios, and longer maturities. To see which CDEs have received NMTC allocation authority, please visit our searchable awards database at [www.cdfifund.gov/awards](http://www.cdfifund.gov/awards).

## AN EFFICIENT AND EFFECTIVE USE OF FEDERAL DOLLARS

For every \$1 invested by the federal government, the NMTC Program generates more than \$8 of private investment. The NMTC Program catalyzes investment where it's needed most – over 76% of New Markets Tax Credit investments have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments can have a dramatic positive impact.

### FIND OUT MORE

Visit our website: [www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc)

Learn about CDE Certification: [www.cdfifund.gov/cde](http://www.cdfifund.gov/cde)

Call our help desk for support: (202) 653-0421

Email us your questions: [cdfihelp@cfdi.treas.gov](mailto:cdfihelp@cfdi.treas.gov)

