LAW ALERT

FIVE YEAR EXTENSION OF THE NEW MARKETS TAX CREDIT PROGRAM

On December 18, President Obama signed into law H.R. 2029, a $1.1 trillion spending bill which contained a $680 billion tax package. Among other tax programs made permanent or extended, this bill provides for a five year extension of the federal New Markets Tax Credit ("NMTC") program.

The NMTC program had expired at the end of 2014, however, in anticipation of an extension, the Community Development Financial Institutions Fund ("CDFI Fund"), the branch of the Treasury Department that administers the NMTC program, accepted applications for NMTC allocations for a 2015 NMTC round. Community Development Entities ("CDEs") recently applied for an allocation of NMTCs on December 16, 2015. This five year extension provides for $3.5 billion in NMTC for the current 2015 round and $3.5 billion in NMTC for each of the remaining 4 future rounds. In recent years, the NMTC program had been extended for one or two years at a time. This five year extension provides more certainty and stability to the NMTC community who do not have to wait on a year-by-year extension of this vital tax program, which helps to fund economic development in very low income communities.

Since its inception, the NMTC program has led to the creation of 358,800 jobs primarily in severely distressed areas with very high rates of unemployment and poverty.

It is anticipated that the CDFI Fund will announce awards for the 2015 NMTC round in the Summer of 2016. The CDEs that are awarded an allocation of NMTCs are able to help fund projects either located in low income communities or that serve targeted low income populations.

Brief Summary of the NMTC Program

The NMTC program is a tax credit program which promotes investment in businesses and public facilities located in low income communities or that provides services or jobs to low income households. In exchange for a qualified equity investment in a CDE, an investor becomes eligible to receive tax credits from the federal government. The CDE then provides a loan or an equity investment to a qualified active low income community business ("QALICB") that is located in a qualified low income census tract or that provides services or employment opportunities to "targeted populations" comprised of low income individuals.

Some examples of projects financed with the assistance of NMTCs include community centers, supermarkets, charter schools, medical facilities, child care facilities, historic live theater venues, business incubator facilities, shopping centers, clean technology facilities, manufacturing plants, mixed use projects, hotels, public libraries, office parks serving nonprofit organizations and affordable housing.

Goldfarb & Lipman has successfully represented public agencies, nonprofit organizations and for-profit entities in structuring and closing NMTC transactions. We have assisted QALICBs, CDEs and leverage lenders in these transactions.

For more information on the NMTC program, please contact Luis A. Rodriguez, Amy DeVaudreuil, Margaret Jung, Karen Tiedemann or any other Goldfarb & Lipman attorney at 510-836-6336.