

January 24, 2020

LAW ALERT

ONE-YEAR EXTENSION OF THE NEW MARKETS TAX CREDIT PROGRAM

On December 20, 2019, President Trump signed the Taxpayer Certainty and Disaster Tax Relief Act of 2019, which included a tax extension package for several federal tax programs. This legislation provided for a one-year extension of the federal New Markets Tax Credit ("NMTC") program with funding for a \$5 billion allocation round. The NMTC program had been scheduled to expire at the end of 2019. The \$5 billion for this new 2020 NMTC round will provide \$1.5 billion more than what the federal government typically authorizes for a standard NMTC allocation round. This increased NMTC allocation amount will hopefully result in more NMTC funding for projects throughout California. The NMTC program is a federal program which helps to fund economic development in low-income communities. Since its inception, the NMTC program has led to the creation of over 358,800 jobs, primarily in severely economically distressed areas.

In October of 2019, Community Development Entities ("CDEs"), the private entities that apply for NMTC, previously applied for an allocation of NMTCs for the 2019 NMTC allocation round. The Community Development Financial Institution Fund ("CDFI Fund"), the federal regulatory agency overseeing the NMTC program, will make announcements for this current 2019 NMTC allocation round in the spring of 2020. The CDFI Fund has not announced the due date for allocation applications for this newly authorized 2020 NMTC allocation round.

Bipartisan efforts for a longer NMTC extension bill, including program permanency, remain underway in Congress. Many Democrats and Republicans in the House of Representatives and

the Senate have stated their support for the NMTC program as a program that generates jobs and assists low-income communities.

BRIEF SUMMARY OF THE NMTC PROGRAM

The NMTC program is a tax credit program that promotes investment in businesses and public facilities located in low-income communities or that provide 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 low-income "targeted populations."

Some examples of projects financed with the assistance of NMTCs include community centers, homeless shelters, youth centers, supermarkets, medical facilities, childcare facilities, shopping centers, clean technology facilities, manufacturing plants, and office buildings for nonprofits.

Goldfarb & Lipman has successfully represented public agencies, nonprofit organizations, and for-profit entities in structuring and closing NMTC transactions.

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

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