

New Markets Tax Credit

On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law as a result of a bipartisan initiative of President Clinton and Speaker Hastert, and key Republican and Democratic Senators and Representatives. This landmark legislation includes the New Markets Tax Credit, which will spur the investment of \$15 billion in new private capital into a range of privately managed investment vehicles that make loans and equity investments in New Markets businesses.

By making an equity investment in an eligible “community development entity” (CDE), individual and corporate investors can receive a New Markets Tax Credit worth more than 30 percent of the amount invested over the life of the credit, in present value terms. Nebraska New Market Resources, LLC (NNMR) is an ‘Eligible CDE’ affiliated with Community Development Resources (CDR), a non-profit Community Development Financial Institution (CDFI). CDR has a demonstrated track record in finding viable market opportunities in areas often overlooked by traditional investors. An investment in NNMR will increase our capital base enabling us to lend and invest more, to attract additional outside capital, and to bring even more private sector engagement to our market-priming activities.

The Basics of the New Markets Tax Credit

Community Development Entities (CDE’s) apply to the Treasury Department for an allocation of New Markets Tax Credits (NMTC). The credits are awarded competitively based on a CDE’s performance, accountability, and record of success providing capital or technical assistance to disadvantaged businesses or communities.

CDE’s include community development corporations (CDC), community development financial institutions (CDFI), small business investment corporations (SBIC), and others.

Once a CDE secures an allocation of credits, it would sell the tax credit certificates to private investors. Investors in a qualified CDE would receive a tax credit for their investment worth 30 percent of the amount invested (net present value) over seven years. Investors would receive a tax credit certificate to attach to their federal income tax forms claiming a 5% tax credit for the first three years and a 6% credit for the remaining four years.

The CDE would then use the capital generated from sale to provide loans, equity, and other forms of credit to qualified low-income community businesses (QLICB), including non-profit corporations, in targeted distressed areas.

The tax credits are subject to recapture if the entity ceases to be a qualified CDE or the proceeds of the investment cease to be used for qualified low-income community investments.