



# TaxNewsFlash

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## U.S. Treasury awards \$3.5 billion in New Markets Tax Credit (NMTC) allocations

The U.S. Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) today announced the awarding of \$3.5 billion in New Markets Tax Credit (NMTC) allocations.

With today's announcement, the total amount awarded through the NMTC program is \$57.5 billion.

According to a [Treasury CDFI Fund release](#), the NMTC awards were made to 73 community development entities made through the calendar year 2018 round of the NMTC program. The award recipients are headquartered in 35 different states, Puerto Rico, and the District of Columbia, and it is estimated that these award recipients will make more than \$682 million in NMTC investments in non-metropolitan counties.

Read the list of entities known as Community Development Entities (CDEs) awarded NMTC allocations in the [NMTC award book](#) [PDF 5.2 MB]

### Background

Historically, NMTC awards have generated \$8 of private investment for every dollar invested by the federal government. Through the end of fiscal year 2017 (the most recent data available), NMTC program award recipients deployed more than \$48.6 billion in investments in low-income communities and businesses—resulting in the creation or retention of more than 800,000 jobs, and the construction or rehabilitation of more than 205 million square feet of commercial real estate.

### KPMG observation

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

The Tax Credit and Energy Advisory Services group in KPMG's Washington National Tax practice is ready to assist awardees in deploying their allocations to businesses seeking NMTC financing, as well as to provide tax credit advice to those entities that are considering investments in NMTC projects.

For more information, contact a tax professional with KPMG's Washington National Tax:

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