



TaxNewsFlash

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Treasury announces New Markets Tax Credit (NMTC) allocations for 2020, increased to \$5 billion

The U.S. Treasury Department's Community Development Financial Institutions (CDFI) fund today announced the "notice of allocation availability" for the calendar year 2020 allocation of the New Markets Tax Credit (NMTC) program.

The NMTC allocation for the 2020 round is set at \$5 billion in tax credit allocation authority—an increase of \$1.5 billion over the \$3.5 billion allocated in NMTCs initially authorized for 2019.

The CDFI fund provided the [allocation availability notice](#) [PDF 209 KB] which is scheduled to be published in the Federal Register on September 23, 2020.

Background

Historically, NMTC awards have generated \$8 of private investment for every dollar invested by the federal government. Through the end of fiscal year 2018 (the most recent data available), NMTC program award recipients deployed approximately \$52.5 in investments in low-income communities and businesses—resulting in the creation or retention of more than 836,000 jobs, and the construction or rehabilitation of more than 218.3 million square feet of commercial real estate.

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

According to a [CDFI fund release](#), 1,254 awards have been to date—totaling \$61 billion in tax credit allocation authority—to CDEs through the NMTC program.

Changes to NTMC program for 2020

The CDFI fund is implementing several changes to the NMTC program for 2020 including:

- **Prior QEI issuance requirements:** Prior-year NMTC allocatees will be subject to revised minimum thresholds for QEI issuance and closing of Qualified Low-Income Community Investment (QLICIs) with respect to their prior-year NMTC allocations.
- **2020 application registration:** The 2020 round applicants are required to complete and save an application registration in the CDFI fund's awards management information system (AMIS) by a specified deadline in order to submit the 2020 allocation application. Applicants that do not complete the application registration by the specified deadline, will not be able submit a 2020 round allocation application in AMIS.

Important deadlines

- CDE certification application: October 6, 2020
- NMTC application registration in AMIS: October 9, 2020
- NMTC allocation application in AMIS: November 16, 2020
- QEI issuance and QLICI requirements: January 15, 2021

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