BROAD AND CASSEL
ATTORNEYS AT LAW

# New Market Tax Credits

BROAD AND CASSEL
ATTORNEYS AT LAW

# New Market Tax Credits

- Enacted on December 21, 2000
- Part of the Community Renewal Tax Relief Act of 2000
- Creates a tax credit for equity investments in Community Development Entities ("CDEs")
- Approximately $3.5 Billion dollars of allocation will be available in 2017, resulting in $1.3 Billion dollars of tax credits which should result in at least $1 Billion dollars of equity, not including equity resulting from any State NMTC Program

# New Market Tax Credits

| ACRONYM | DEFINITION |
|---|---|
| CDE | Community Development Entity |
| QEI | Qualified Equity Investment |
| QLICI | Qualified Low-Income Community Investment |
| QALICB | Qualified Active Low-Income Community Business |
| LIC | Low-Income Communities |
| CDFI | Community Development Financial Institutions Fund |
| NMTC | New Market Tax Credits |

BROAD AND CASSEL
ATTORNEYS AT LAW

# "NMTC" Timeline

**Tax Credits are claimed over 7-years starting on the date when the QEI is made in the CDE and each subsequent anniversary**

1. **Years 1 – 3: 5%**
2. **Years 4 – 7: 6 %**

**Equals 39% of amount of original investment**

# Examples of Projects

- Renovations or construction of office buildings, commercial and retail buildings, shopping centers, hotels, art centers, charter schools, hospitals, college campuses, high-tech and biotech facilities, homeless shelters, transitional housing, facilities to assist educating the homeless, and assistance with home ownership etc.

# Excluded Businesses

- **Excluded businesses:**
  - **A business which develops or holds intangibles for sale or license**
  - **A business which operates: a country club, golf course, massage parlor, hot tub facility, suntan facility, racetrack or other gambling facility or liquor store**
  - **Certain farming businesses**

# Rental Projects

BROAD AND CASSEL
ATTORNEYS AT LAW

## Qualified Low-Income Community Business

- Rental real estate is eligible but cannot be residential (note: must have 20% or more commercial to qualify) and substantial improvement (50% of land cost) is located on the real property

BROAD AND CASSEL
ATTORNEYS AT LAW

# Low-Income Communities

Low-Income Communities (LIC) are census tracts where:

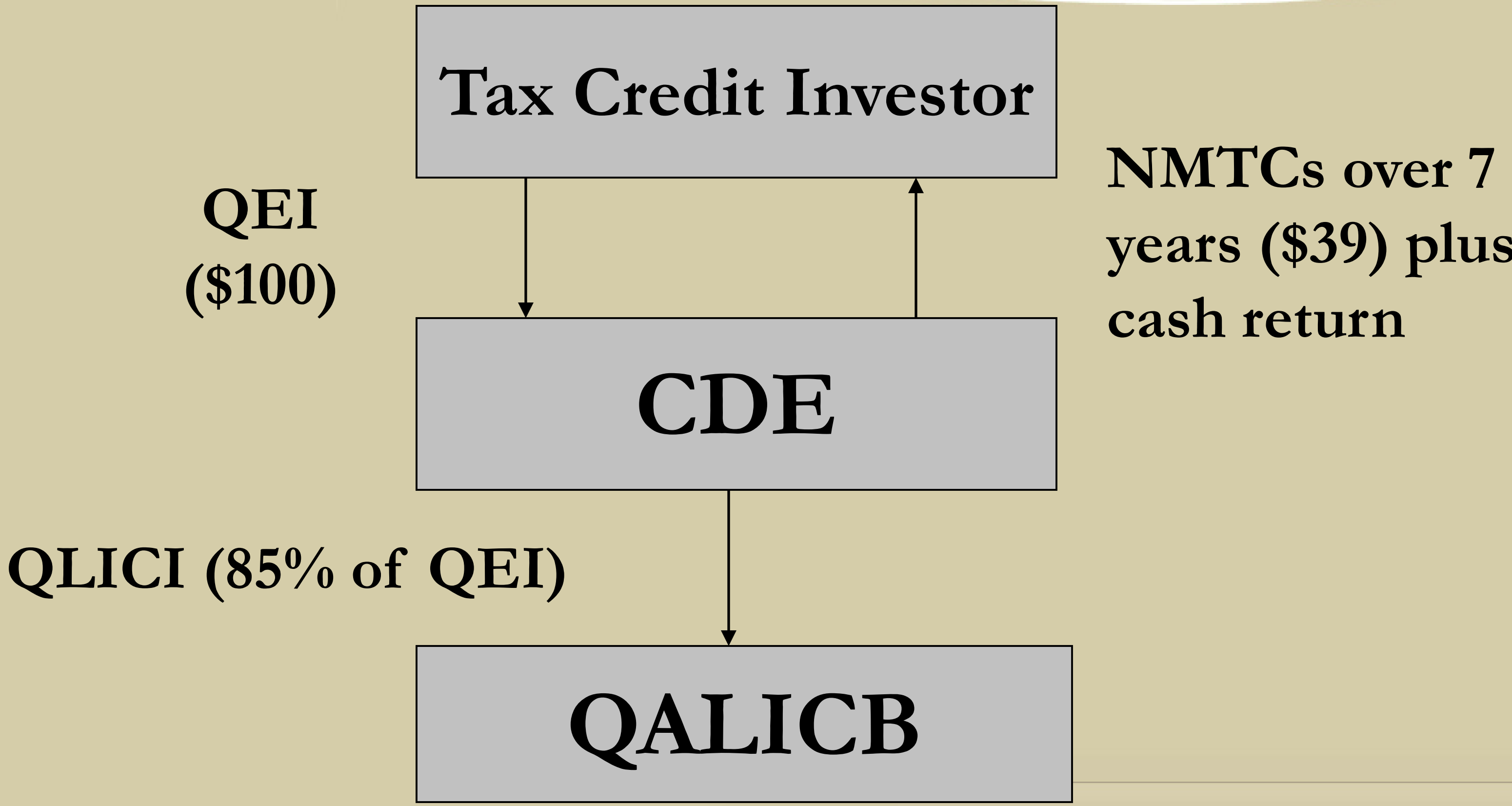
- Poverty rate is at least 20% or
- Median family income does not exceed 80% of the greater of:
  - Statewide median income or
  - Metropolitan area median income

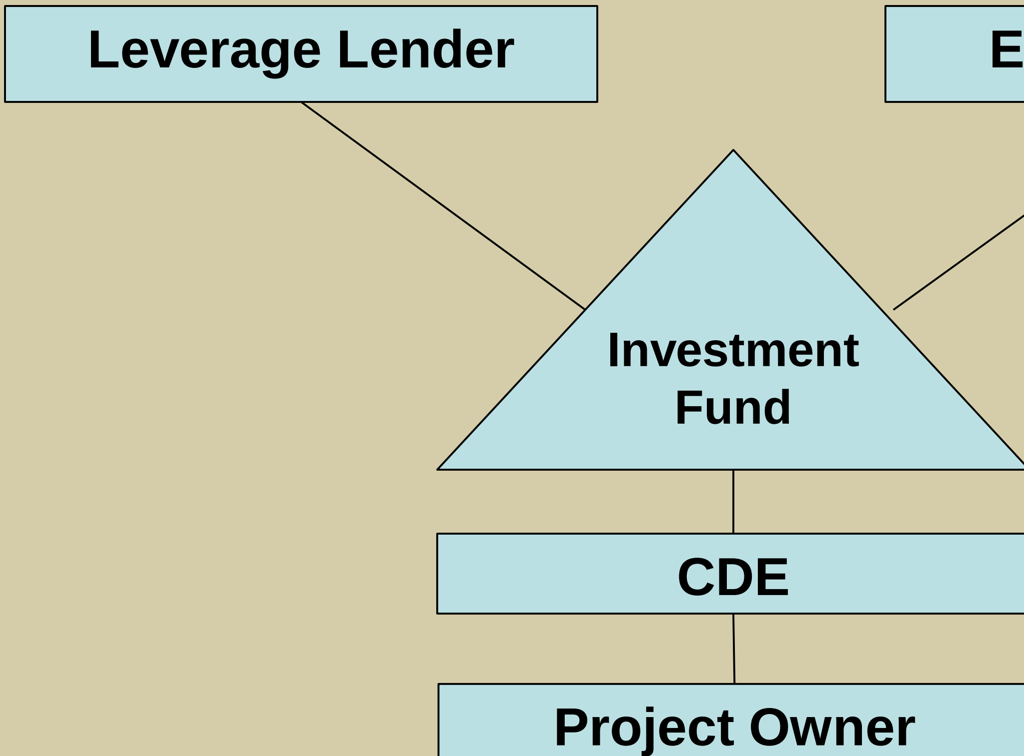
# "Reality" - Additionally Distressed Criteria

- Census tract with 30% or > poverty
- Census tracts with median family income 60% or < of median family income
- Census tract with unemployment rates > 1.5x national average

- > 25% poverty rate
- EZ or RC
- SBA HUB Zone
- Brownfield site
- HOPE VI development
- Native American or Alaskan Native area
- Appalachian Regional Commission or Delta Regional Authority
- Colonias areas designated by HUD
- Federally designated medically underserved areas
- Targeted populations in non-metro areas
- High Migration Rural County
- State or local TIF/EZ program
- Census tracts located in non-metro counties
- FEMA designated "major disaster" areas

# Investments/Loans to QALICBs





Leverage Lender
Equity Investor
Investment Fund
CDE
Project Owner

BROAD AND CASSEL
ATTORNEYS AT LAW