

New Markets Tax Credit (NMTC) Program

This program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially, all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit-allowance period. In each of the first three years, the investor receives a credit equal to 5 percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is 6 percent annually.

Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. Any organization wishing to receive awards under the NMTC Program must be certified as a CDE by the fund. To achieve certification, an organization must:

- Be a domestic corporation or partnership at the time of the certification application
- Demonstrate a primary mission of serving or providing investment capital to low-income communities or persons
- Maintain accountability to residents of low-income communities through representation on a governing board or advisory board to the entity