New Markets Tax Credit Program (NMTC) - Capital Access

Summary:

- The NMTC Program delivers considerable tax credit and investment opportunity. However, tribal communities and tribally-focused Community Development Enterprises (CDEs) have yet to benefit substantially since inception.
- Set aside funds dedicated for the use of Indian tribes and villages (a political designation) and expand the service nationally to serve more CDEs.
- Reserve $250 million from the $5 billion NMTC Program to fund tribal government development projects or partnerships for future investment.

Background Information:

In 2000, Congress established the NMTC Program to spur investments into projects located in low-income communities. Tax credits serve an important role for tribal governments since they can only issue debt and tax credits act similar to an equity investment for a portion of a project. The NMTC Program makes more projects feasible, cost effective and much easier for tribes to attract private investment. Since the NMTC Program's inception, the CDFI Fund has delivered $70 billion in tax credit authority to Community Development Enterprises (CDE) through a competitive application process. This amount has created around 750,000 jobs, financed industrial and commercial facilities, health and community centers, and small business loan funds.

Despite the considerable amount of tax credits distributed throughout the country and the potential of the program to significantly increase economic growth in Indian Country; tribal communities and tribally-focused CDEs have been left behind. The CDFI Fund defines approximately 40% of the United States as eligible for NMTC scheme, as of 2010 Census, however some areas of Indian Country are not covered.

Recommendation:

To ensure tax credits will be deployed in Indian Country, NAFOA has encouraged Congress to consider legislation to set aside funds dedicated for the use of Indian tribes and villages (a political designation). The reserve request is $250 million from the $5 billion NMTC Program (5 percent). The reserve would fund tribal government development projects or projects that partner with tribal governments for community, infrastructure, and economic development. Additionally, Congress should revise the both the definition of rural for application purposes and the definition of low-income for eligibility purposes to include tribal governments.