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Promises Delivered: CDFI Fund Announces $5 Billion in New Market Tax Credits

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On September 1, 2021, at a time when America's underserved and distressed communities need financial investment the most, the U.S. Department of Treasury through its Community Development Financial Institution Fund announced it will allocate $5 billion in new markets tax credits (NMTCs) in calendar year 2020. The U.S. Department of the Treasury, Community Development Financial Institutions Fund (CDFI) 2020 Awards Book highlights that $2.35 billion (or 47% of the total allocation) will be awarded to *minority- or native-owned or controlled entities*; $1.094 billion (or 20%) will be awarded to *rural communities*; and $1.1 billion (or 22%) will be used to finance and support *real estate projects* in low-income communities.

CDFI awarded allocations to a total of 100 community development entities (CDEs) headquartered in 34 states and the District of Columbia. The allocation amounts to the CDEs range from $15 million to $65 million. This completes the 17th round of allocations since Congress established the NMTC program in 2000.

Established under Section 45D of the Internal Revenue Code, the NMTC program serves as a critical source of financing intended to spur economic development and business growth in underserved communities across America. For every $1 the federal government invests, the NMTC program generates over $8 of private investment.[1] Taxpayers receive a 39% tax credit (claimed over 7 years) for qualified investments in CDEs. In turn, CDEs use the proceeds, oftentimes, to close the funding gap for projects aimed to help individuals, families, and communities succeed.

Typical projects include the acquisition, rehabilitation, or construction/development of real estate as well as projects designed to help grow businesses operating in low-income communities. Many segments of industry have been represented in past years, including manufacturing, daycare facilities, vocational and skills training, medical centers, teen youth centers, theatre and performing arts spaces, affordable housing projects, shelters and community food banks, mixed-use commercial developments, community/urban gardens, and businesses that provide food deserts (urban cores) with education and access to nutritious food.

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[1]U.S. Department of the Treasury, Community Development Financial

Institutions Fund (CDFI) 2020 Awards Book.

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