

# NEW MARKETS TAX CREDIT



## **Policy Description:**

Funded by the Community Development Financial Institutions Fund (CDFI), the New Market Tax Credit Program (NMTC) permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDE). Substantially all of the qualified equity investments must in turn be used by the CDE to provide investments in low-income communities. The audit provided to the investors totals 39% of the cost of the investment and is claimed over a seven (7) year credit allowance period. First three years credit is equal to 5% of the total amount paid for the stock or capital investment at the time of purchase. The final four years the credit is 6% annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

## **Eligibility Criteria:**

- An organization wishing to receive awards under the NMTC Program must be certified as a CDE by the Fund.
- To qualify as a CDE, an organization must:
  - (1) Be a domestic corporation or partnership at the time of the certification application;
  - (2) Demonstrate a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons; and
  - (3) Maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.
- An organization that is currently certified as a CDFI by the CDFI Fund or designated as a Specialized Small Business Investment Company by the Small Business Administration automatically qualifies as a CDE and may register to become a CDE via the following online registration link: For more detailed information, please refer to the [CDE Certification page](#).

## **How to Apply:**

For current information and application materials please visit [www.cdfifund.gov/what we do/applicants.asp](http://www.cdfifund.gov/what_we_do/applicants.asp) or contact the New Markets Tax Credit Support Line at (202) 622-6355.

**Additional Resources:**

Economic Development Office

[www.cctexas.com/economicdevelopemnt](http://www.cctexas.com/economicdevelopemnt)