New Market Tax Credit Background Information

The New Markets Tax Credit Program was established as part of the Community Renewal Tax Relief Act of 2000. The goal of the program is to spur revitalization efforts of low-income and impoverished communities across the United States and Territories. The NMTC Program provides tax credit incentives to investors for equity investments in certified Community Development Entities, which invest in low-income communities.

- The credit equals 39% of the investment paid out (5% in each of the first three years, then 6% in the final four years, for a total of 39%) over seven years (more accurately, six years and one day of the seventh year). A Community Development Entity must have a primary mission of investing in low-income communities and persons.

The concept behind the NMTC emerged in the late 1990s, when numerous foundations and think tanks were working to popularize the idea of using business-oriented mechanisms to help disadvantaged communities increase wealth and jobs. For example, business, community, academic, and public sector participants at the 1997 American Assembly meeting issued a report urging business leaders to reinvest in urban areas in the U.S. The final report also pushed nonprofit and government officials to help lead this new effort to open untapped markets through a fostering of "community capitalism." It defined community capitalism as a "for-profit, business-driven expansion of investment, job creation, and economic opportunities in distressed communities, with government and the community sectors playing key supportive roles."