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EXPLORING THE BENEFITS OF THE NEW MARKETS TAX CREDIT PROGRAM

Since its passage into law in December 2000, the New Markets Tax Credit (NMTC) Program has generated interest and continues to gain momentum. The credit is helpful for developers and investors by providing financing for new or rehabilitated construction of commercial or mixed-use properties, and loans to businesses in low-income communities.

The structuring of transactions under the NMTC Program is complex and requires specialized experience and attention. Harris Beach has developed these abilities through its representation of community development organizations, state and municipal economic development agencies, real estate companies, financial service groups, developers, and investors involved in the NMTC Program. We can structure the transaction, assess and mitigate transaction risk, guide NMTC transaction participants, and manage the work required to successfully close an NMTC transaction.

PROGRAM OVERVIEW

The NMTC Program is a federal income tax credit designed to foster investment in targeted areas. Investors in businesses and development projects located within a New Markets Zone are provided a 39% federal income tax credit based on the amount of the investment. The credit is claimed over a seven-year period. The NMTC Program allocates its tax credits to “Community Development Entities” (CDEs) based on a competitive application process. CDEs act as the conduit between investors and the development projects their investments will support.

SCOPE OF SERVICES

Harris Beach works with all aspects of the NMTC Program. Our attorneys assist developers and investors in structuring transactions to be eligible for the NMTC. We work with the CDEs to which the NMTCs are allocated by innovatively applying their NMTC allocations. Given that the NMTC program provides flexibility in product and transaction design, we work with our CDE clients to structure their products to meet their NMTC mission. Other services provided by the Harris Beach New Markets Practice include:

- Reviewing the considerations in forming a CDE
- Structuring the CDE organization
- Reviewing and preparing CDE Application
- Reviewing and preparing NMTC Allocation Application
- Negotiating allocation agreements
- Closing of transactions enhanced by NMTC Program
- Developing specialized programs in use of the NMTC
- NMTC compliance services
- In-house NMTC training
- CDFI and IRS audit/compliance reviews



REPRESENTATIVE MATTERS

Harris Beach has helped many clients realize the benefits of the NMTC program, including the credit investor, the leveraged lender, the CDE, and the developer. We have participated in NMTC transactions involving community investments with municipal and state agencies, regional development authorities, non-profit organizations, and regional and national companies. We have leveraged public funds, private investments and commercial financings in the generation of NMTC investment in support of projects involving:

- Waterfront and pier development
- Hotel development
- Manufacturing facility developments
- Retail developments
- Technology centers
- Office building developments
- Rehabilitation and revitalization projects

BENEFITS OF THE PROGRAM

Lenders, credit investors, and developers benefit from the NMTC Program. Sponsors of CDEs also benefit from the program and include banks, agencies, and both for-profit and not-for-profit organizations. For details about the federal incentives associated with the NMTC Program, the process for becoming a certified CDE, or to learn how you can benefit from the program, please contact any Harris Beach attorney or those listed at the right.

For more information, please contact Harris Beach at 1-800-685-1429 or at one of the following numbers.

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