



State of Missouri NEW MARKETS TAX CREDIT Program Summary

COMMON NAME: New Markets Tax Credit

LEGAL NAME: New Markets Tax Credit

STATUTORY CITATION: 26 USC §45D

PROGRAM TYPE: Redevelopment

FUNDING LIMITS: \$3.5 billion (2007)

TYPE OF BENEFITS: Tax Credits

DESCRIPTION OF BENEFITS: Tax credits equal to 5% of the taxpayer's equity investment in a "Qualified Community Development Entity" for each of the first 3 years and a 6% credit for each of the next 4 years.

ALLOWED USES OF BENEFITS: Tax credits may be carried forward to any of the taxpayer's five subsequent taxable years.

ELIGIBLE GEOGRAPHIC AREA: Low-income Communities (LIC) that have a poverty rate of at least 20% or the median income is below 80% of either the a) statewide median income, or b) metropolitan median income.

ELIGIBLE BUSINESS TYPES: Taxpayers that make investments into an approved fund established by a Community Development Entity.

BENEFITS ELIGIBILITY REQUIREMENTS: A Community Development Entity may make an investment (loan or equity) into a Qualified Active Low-Income Community Business (QALICB), which is any corporation (including nonprofit corporation) or partnership which meets the following for any taxable year:

- At least 50% of total gross income of the QALICB is derived within a LIC
- At least 40% of the tangible property is used within a LIC
- At least 40% of the services provided by the business' employees are performed in a LIC
- Less than 5% of the average of the aggregate unadjusted basis of the property of the QALICB is attributable to collectibles
- Less than 5% of the average of the aggregate unadjusted bases of the property of the QALICB is attributed to nonqualified financial property



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The NMTC excludes specific activities under the definition of QALICB. For example, while the rental of substantially improved commercial real estate (i.e. office, retail, industrial, and hotel) would qualify, residential rental property or single family residential mortgages would not qualify under the NMTC. Other ineligible businesses include golf courses, race tracks, gambling facilities and liquor stores.

SPECIAL REQUIREMENTS: A Community Development Entity is required to use substantially all of the qualifying equity investments to make qualified low-income community investments (QLICI) in or to qualified active low-income businesses (QALICBs) located in low-income communities.

NOTES: The tax credits result in a dollar-for-dollar reduction of the investor's federal tax liability.

INTERNET LINKS:

Statutes: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse_usc&docid=Cite:+26USC45D
U.S. Department of Treasury
[http://www.cdfifund.gov/what we do/programs_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)

SOURCES: "New Markets Tax Credits Program" U.S. Department of the Treasury, [www.cdfifund.gov/what we do/programs_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)