



ECONOMIC DEVELOPMENT

PIDC NEW MARKETS TAX CREDIT PROGRAM

BACKGROUND

The New Markets Tax Credit (NMTC) program is a federal tax credit program designed to generate private-sector capital investment in low-income areas. The program permits individual and corporate taxpayers to receive credit against their federal income taxes for making qualified equity investments in projects that finance community development, stimulate economic growth, and create jobs.

ELIGIBILITY

An applicant must demonstrate that its proposed project will provide long-term benefits to the low-income community. The applicant and/or project must also:

- Derive 50% or more of its gross income from activities conducted in an eligible census tract;
- Demonstrate that 40% or more of the services it performs or tangible property it uses takes place in an eligible census tract; and
- Attribute less than 5% of its assets to collectibles or nonqualified financial property.

USES

Appropriate uses of funds include:

- Property acquisition if associated with substantial renovation or new construction;
- New building construction or substantial renovation;
- Machinery & equipment, if associated with growth, new construction, or substantial renovation; and
- Working capital, if associated with business growth, new construction, or substantial renovation.

FINANCING

Typical project financing (example attached) is a combination of market-rate debt and NMTC equity which results in a lower overall cost of capital. The financing term is seven years after which it is anticipated that all or a portion of the equity will be granted to the project and the project's remaining debt will be refinanced, if necessary.

PROCEDURE

An applicant must submit an eligibility application including detailed information on how its project will benefit the low-income community. Eligible applicants will then submit detailed project information for PIDC's final review. The application process is competitive and PIDC will approve those applications that best meet the goals of its NMTC program.

FEES

Amounts will include:

- Application fee equal to \$500
- Origination fee equal to 2.0% of the allocation;
- Program compliance fee up to 0.5% per year over seven years; and
- Direct expenses, including legal and accounting fees.
- Exit fees may apply.

Fees are subject to change. Please confirm all transaction fees with PIDC prior to application.