

NEW MARKETS TAX CREDIT COALITION

New Markets Tax Credit and Construction Jobs

The New Markets Tax Credit (NMTC) provides a minimal incentive through the tax code that maximizes private investment in economically distressed communities. NMTC investments have been particularly effective in creating construction jobs in economically distressed communities. Construction employment is down by 28% from its peak nationally. While in this time of high unemployment creating jobs is of great importance, it is important to note that not only does the NMTC provide capital necessary to jump start local economies and create jobs, it also finances an asset that remains in the community, generating economic activity over time, providing services and permanent employment opportunities and increasing tax revenues that offset the cost of the Credit to the federal government.

Here are the facts:

- Between 2003 and 2009, the NMTC has generated \$50 billion in financing for projects in low income communities. A major focus of NMTC investments is construction and substantial rehabilitation of real estate, which totaled \$30 billion used for the construction and rehabilitation of manufacturing and industrial facilities, charter schools, community health centers and mixed-use facilities;
- This includes some \$9.7 billion in direct NMTC financing and some \$20 billion in financing leveraged from other sources;
- According to federal government estimates, \$92,000 in financing creates one job. Total projects costs for NMTC real estate totals \$30 billion, so we estimate that some 300,000 construction jobs have been created through NMTC;
- The federal cost for creation of these jobs is low. While total NMTC project costs were \$30 billion, direct NMTC investment was only \$9.7 billion; using Joint Tax Committee estimates, the cost to the federal government for the NMTC investment, in terms of revenue forgone, came to \$2.4 billion;
- For a cost to the taxpayer of \$2.4 billion, NMTC investments created some 300,000 construction jobs at a cost of \$8000 per job and generated \$50 billion in economic activity in the most economically distressed communities in America; and
- Over 90 % of NMTC investments are in communities with high economic distress – high poverty rates, high levels of unemployment and lower incomes. Sixty percent are in communities with unemployment rates at least 1.5 times the national average. Some 57% are in communities with poverty rates exceeding 30% and 60% in places in which median household incomes do not exceed 60% of area median.