NEW MARKETS TAX CREDIT

Progress Made in Implementation, but Further Actions Needed to Monitor Compliance

What GAO Did This Study
The Community Renewal Tax Relief Act of 2000 authorized up to $15 billion under the New Markets Tax Credit (NMTC) program to stimulate capital investment in low-income and economically distressed communities. The act mandated that GAO report to Congress on the NMTC program by January 31, 2004, 2007, and 2010. Based on consultation with staff at appropriate congressional committees, this report (1) describes the status of the NMTC program, (2) profiles community development entities (CDE) that were selected to receive NMTC allocations in 2003, and (3) determines whether systems are in place or planned to ensure compliance and evaluate the success of the NMTC program.

What GAO Found
Although Congress authorized the NMTC program to provide credit against federal taxes for billions of dollars starting in 2001 to spur investments in community development projects, CDI Fund officials said that it is unlikely that many projects had started by the end of 2003 and that they will not know the status of projects for all CDEs until early 2005. Progress was made in developing data systems, selection processes, and program rules, but allocations were delayed because of the various start-up tasks associated with a new program, especially in establishing the rules on using the allocated credits.

CDEs that received NMTC allocations (allocatees) proposed projects to serve urban, rural, and mixed areas, as well as local, state, multiple-local, multistate, and national areas. The distribution of state and local allocations was not concentrated in any one state or in a few states. All allocatees reported at least some prior experience in low-income communities, particularly in providing capital to low-income communities.

The CDI Fund’s Primary Data Systems for Monitoring NMTC Compliance

To ensure that compliance monitoring processes will be in place when needed, GAO recommends that the Community Development Financial Institutions (CDI) Fund and Internal Revenue Service (IRS) develop plans, including milestones, for designing and implementing compliance monitoring processes for the NMTC program.

In commenting on a draft of this report, the CDI Fund and IRS agreed with our recommendation and that they will work together to complete implementation of a comprehensive NMTC compliance program.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.