



Highlights

Highlights of [GAO-04-326](#), a report to congressional committees

Why 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 Recommends

To ensure that compliance monitoring processes will be in place when needed, GAO recommends that the Community Development Financial Institutions (CDFI) 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 CDFI Fund and IRS agreed with our recommendation and that they will work together to complete implementation of a comprehensive NMTC compliance program.

www.gao.gov/cgi-bin/getrpt?GAO-04-326.

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.

NEW MARKETS TAX CREDIT

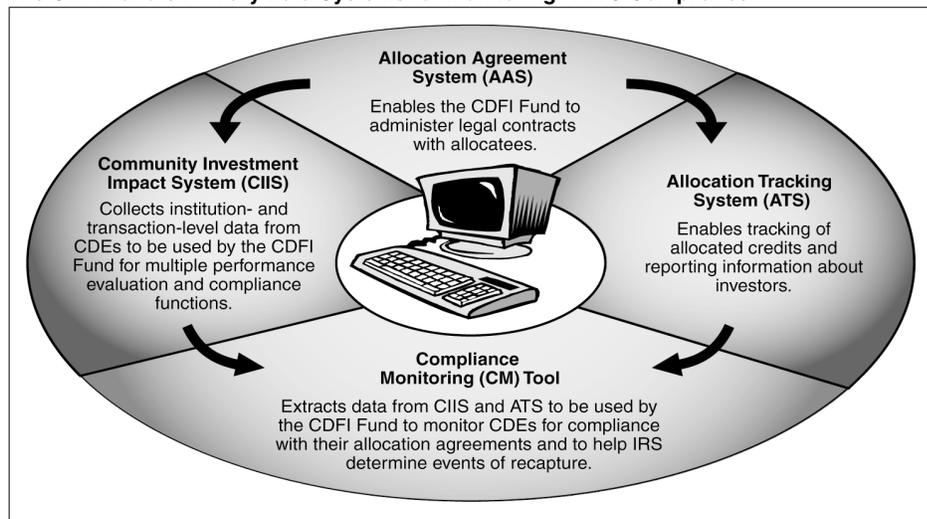
Progress Made in Implementation, but Further Actions Needed to Monitor Compliance

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, CDFI 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 (allocantees) 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 allocantees reported at least some prior experience in low-income communities, particularly in providing capital to low-income communities.

The CDFI Fund's Primary Data Systems for Monitoring NMTC Compliance



Source: The CDFI Fund and GAO.

The CDFI Fund and IRS have identified data with which to monitor compliance with allocation agreements and tax laws, and are developing systems to collect the data. However, many details remain to be settled on how the data will actually be used to monitor compliance. Agency officials believe they have time to devise their compliance monitoring processes. However, they do not have schedules or documented plans for ensuring that compliance monitoring processes will be in place when needed, and they have other tasks to complete. In terms of evaluating the NMTC program, the CDFI Fund intends to contract for an evaluation, and officials believe they are collecting significant amounts of data that will be useful for the evaluation and that CDEs will maintain additional relevant data.