

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

Jodie Harris
Director, Community Development Financial Institutions Fund
U.S. Department of the Treasury
1801 L Street, NW
6th Floor
Washington, DC 20036

Dear Director Harris:

We write regarding the New Markets Tax Credit (NMTC), which is an extremely successful tool for promoting community revitalization. We are especially pleased that the NMTC has proved successful in generating jobs and business opportunities in the most distressed rural and urban communities in America. As you know, over 75 percent of NMTC activity is in high-distress communities – those with poverty rates of above 20 percent, with median incomes at or below 60 percent of the area median, or with unemployment rates at least 1.5 times the national average. It is also important to note that over its history, more than half of NMTC investment (\$28 billion) has gone to majority-minority census tracts.

Despite this success, there is still more to be done to improve this vital tax incentive: increase investment in Indian Country. Earlier this year, the Ways & Means Committee’s Subcommittee on Select Revenue Measures convened to hear testimony on the impact of the tax code on Native American tribes. Both Native American Members of Congress and tribal witnesses testified that the NMTC is crucial for their communities. While there has been investment in Indian Country and in census tracts with native populations (approximately \$3.9 billion through 2019), the latest two NMTC allocation rounds resulted in zero allocation for Community Development Entities (CDEs) that committed 100 percent of their activities to aiding Native communities. Overall, the poverty experienced in these communities, combined with a lack of access to private capital, is evidence that more NMTC investment is needed.

In 2009, the Government Accountability Office studied the issue of applications from minority-controlled CDEs. It found that from 2005 through 2008, minority-owned CDEs were successful in about 9 percent of the NMTC applications they submitted and received about 4 percent of the credits for which they applied. By comparison, non-minority CDEs were successful in about 27 percent of their applications and received about 15 percent of what they requested. Though the study was inconclusive as to why, it suggested that “when controlling for other CDE characteristics, minority status is associated with a lower probability of obtaining an allocation.”¹

For these reasons, we request that the Fund examine its allocation application and review process to identify and revise any elements that may inadvertently limit investment in Indian Country or the participation of minority CDEs. As the Subcommittee hearing made clear, we in Congress need to ensure that our tax laws do not result in systemic disparities between Indian tribes and

¹ U.S. Gen. Accounting Office, *GAO-09-536, New Markets Tax Credit: Minority Entities are Less Successful in Obtaining Awards than Non-Minority Entities* 30 (2009).

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other taxpayers. The same review should be done on the regulatory level to ensure that programs like the NMTC do the most good as possible across all communities.

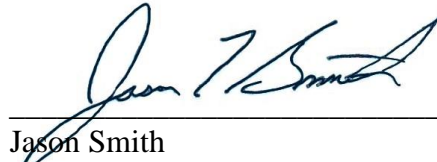
In addition, in 2016 and 2017, the CDFI Fund conducted training targeted to minority- and Native-owned CDEs that helped increase the number of awards to minority applicants. As a result, minority CDEs' success appeared to improve, with approximately 14 percent of allocations going to minority CDEs in 2017-2019, up from roughly 8 percent in previous years. Again, it is clear that more needs to be done on this issue, and we urge you to conduct further trainings as soon as possible.

Thank you for your prompt attention to this request. We look forward to learning the results of your review and working productively with you to build on the NMTC's success going forward.

Sincerely,



Richard E. Neal
Chairman
Committee on Ways and Means



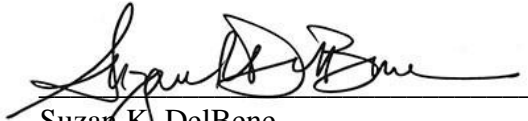
Jason Smith
Member of Congress



Ron Kind
Member of Congress



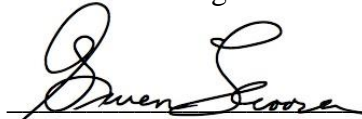
Tom Reed
Member of Congress



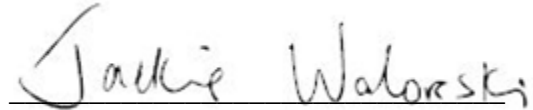
Suzan K. DelBene
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