

August 12, 2024

Senate Committee on Finance
Attn. Editorial and Document Section
Rm. SD-219
Dirksen Senate Office Bldg.
Washington, DC 20510-6200

Re: Full Committee Hearing Entitled "Tax Tools for Local Economic Development"

Dear Members of the Senate Finance Committee:

On behalf of the Opportunity Finance Network (OFN), I am pleased to provide a statement for inclusion in the hearing record entitled "Tax Tools for Local Economic Development" taking place on July 30, 2024. OFN is a network of over 410 mission-driven community lenders, primarily Treasury-certified community development financial institutions (CDFIs), providing responsible finance in underserved communities to further the goals of economic justice. OFN is also a certified CDFI providing intermediary lending to our members to support their work. OFN's members are lenders with a mission to provide fair, responsible financing to rural, urban, Native, and other communities that mainstream finance does not traditionally reach.

New Markets Tax Credit

The New Markets Tax Credit (NMTC) is a crucial tool that CDFIs leverage to enhance their capacity to finance projects and create economic opportunity in communities that otherwise find receiving much-needed investment challenging. NMTC allocations totaling \$72 billion have delivered more than \$135 billion in financing to over 8,500 projects through 2023.¹ Over 80% of NMTC financing went to severely distressed communities in 2023 and nearly 30% went to non-metropolitan communities.² Community Development Entities like CDFIs have used NMTC investment proceeds to finance over 3,700 essential community projects, such as federally qualified health centers, schools, daycare centers, apprenticeship programs, treatment facilities, and other service providers. Without the NMTC, CDFIs would lose a critical source of revenue that they use to fulfill their mission of economically empowering underserved communities.

As this program is set to expire at the end of 2025, we urge Congress to adopt the New Markets Tax Credit Extension Act of 2023 (S. 234/H.R. 2539) which will indefinitely extend the NMTC, index future allocation levels to inflation, and relieve NMTC investors from the Alternative Minimum Tax. These reforms will make the

¹ NMTC Coalition analysis of CDFI Fund data (2003-2019), its annual survey of CDEs (2020-2022), and OCC data (2018-2022).

² "2024 NMTC Progress Report." NMTC Coalition, June 2024. <https://nmtccoalition.org/wp-content/uploads/2024-NMTC-Progress-Report.pdf>



NMTC more effective by creating certainty for project implementation and attracting new investors. Additionally, we emphasize our support for passing the Rural Jobs Act (S.1455) which would drive more NMTC dollars into rural persistent poverty and high out-migration communities.

OFN also encourages Treasury to concentrate the program on maximizing impact for communities. We believe consideration should be given to Community Development Entities (CDEs) that will continuously reinvest in their communities. Pursuant to 12 CFR § 1805.100, we believe the NMTC scoring system should be realigned with the CDFI Fund's statutory purpose to "promote economic revitalization and community development through investment in and assistance to Community Development Financial Institution (CDFIs)." Specifically, we recommend that CDEs that are CDFIs receive 10 additional bonus points under the Community Outcomes section. The additional points are justified by the CDFI business model which continuously reinvests in communities.

When NMTC was first implemented, non-CDFIs were permitted to participate in the program due to the concern that CDFIs did not have the capacity to fully deploy the annual allocation. Since then, CDFIs have proven to be highly effective in deploying credits. The CDFI field has grown in size, scale and impact since 2000 when the program was created. They are stronger and create impact at greater scale; thus, they should receive additional weight in the selection process.

Opportunity Zones

Congress should also take steps to improve the Opportunity Zones program that was originally designed to spur economic development and job creation in economically distressed communities by providing tax incentives to investors. Bipartisan legislation such as the Opportunity Zone Improvement, Extension, and Transparency Act (H.R.5761) is a significant step towards the needed guardrails and improvements to make Opportunity Zones work for the communities our members serve. To better measure the impact of Opportunity Zone investments, OFN is supportive of collecting comprehensive data that will show where the investment is being made, the results of the investment, and the impact on the targeted community.

We also recommend that Opportunity Funds provide a brief narrative description of each project investment, which would include: the nature of the project; the benefits to the community; the degree to which the project was developed in consultation with the community residents and/or mitigated against displacement; and the extent to which the project connects with local workforce development efforts for low- and moderate-income residents. Implementing these reporting requirements would promote transparency and ensure the program operates as an intended tool for economic growth in underserved communities.



Thank you for the opportunity to comment on the important tax policies intended to foster local economic development in underinvested communities. OFN and our over 410 members stand ready to assist the Committee in pursuing economic opportunity for all.

Sincerely,

Mary Scott Balys
Senior Vice President, Public Policy
Opportunity Finance Network