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**Community & Economic  
Development & Trade Committee**

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**HB 1430**

**Brief Description:** Clarifying how cities, towns, counties, public corporations, and port districts may participate in the federal new markets tax credit program.

**Sponsors:** Representatives Pettigrew, Haler, Kenney, Chase, P. Sullivan and Linville.

**Brief Summary of Bill**

- Authorizes local governments to take certain actions to implement the federal New Markets Tax Credits program within their boundaries.

**Hearing Date:** 1/29/07

**Staff:** Meg Van Schoorl (786-7105).

**Background:**

The Federal Community Renewal Tax Relief Act of 2000 authorized tax credits for up to \$15 billion in investments under the U.S. Treasury Department's New Markets Tax Credits (NMTC) Program to stimulate capital investment in low-income and economically distressed areas through Community Development Entities (CDEs).

A CDE is a domestic corporation or partnership, created or controlled by a public, private, or nonprofit entity that has a primary mission of serving and providing investment capital in low income communities. CDEs must maintain accountability to residents of low-income communities through their representation on a governing or an advisory board, and must be certified as a CDE by the U.S. Treasury.

Certified CDEs are eligible to compete nationally for an allocation of New Markets Tax Credits, and if successful, may offer taxpayers who make qualified equity investments in the CDE a federal income tax credit equal to 39 percent of the cost of the investment. In turn, the CDE must use the investment for community development projects in low-income or economically distressed areas. Because the investors benefit from the tax credits, they provide low cost financing to local

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project developers, including grants and below-market-rate loans. Examples of investment projects include rehabilitation of vacant buildings into housing, hotels, commercial offices, or spaces for the arts, and construction of new buildings for use by nonprofit organizations.

For calendar year 2007, the federal government will allocate tax credits for \$3.9 billion in investments to CDEs nationwide.

**Summary of Bill:**

Cities, towns, counties, public corporations and port districts are authorized to create partnerships and limited liability companies, and enter into public or private agreements, to implement the Federal New Markets Tax Credit program within their boundaries. This authority is additional to their existing authorities, does not imply that these powers were not available under prior law, and validates any previous actions taken consistent with this act.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.