

# Nevada New Markets Tax Credit Program as of October 17, 2014



Nevada Department of Business and Industry  
Director's Office

# Nevada New Markets Job Act

- NRS 231A (SB 357) Nevada New Markets Job Act was enacted by the Nevada Legislature in June 2013. A last minute change made the Department of Business and Industry (B&I) the administering agency. NRS 231A created the Nevada New Markets Tax Credit program (NMTC).
- Purpose: to encourage capital investment in low-income communities and create new jobs in Nevada.
- The Nevada New Markets Tax Credit (NMTC) program is an alternative financing complement to conventional capital sources and is patterned after the Federal NMTC Program.

# Nevada New Markets Tax Credit Program Highlights

- NMTC loans finance projects that typically cost between \$3-\$10 million.
- The program started on October 1, 2013 when applications were received from federally certified Community Development Entities (CDEs).
- Seven CDEs applied and were certified on November 14, 2013 for the \$200,000,000 of Qualified Equity Investment (QEI) authority.

# Nevada Qualified Community Development Entities

• Advantage Capital Community Development Fund, LLC	32,000,000
• Enhanced Community Development, LLC	32,000,000
• KHC New Markets Fund C CDE, LLC	32,000,000
• Stonehenge Community Development, LLC	32,000,000
• The Clearinghouse CDFI	8,000,000
• Urban Development Fund, LLC	32,000,000
• USBCDE, LLC	32,000,000
• Total	200,000,000

# Nevada New Markets Tax Credit Program Highlights

- NMTC financing typically provides 7 year, below-market interest loans. Approximately 90% of these loans are leveraged loans where up to 20% of the loan is forgivable. The forgivable portion of the loan is equity from the money received for the sale of the New Markets Tax Credits.
- For example: a qualified small business needs a \$5 million loan. The federally certified CDE would work with a financial institution to get the business a loan comprised of two notes: Note A for \$4 million, 7 year loan and Note B for \$1 million, 30 year loan that is effectively forgivable at the end of 7 years.

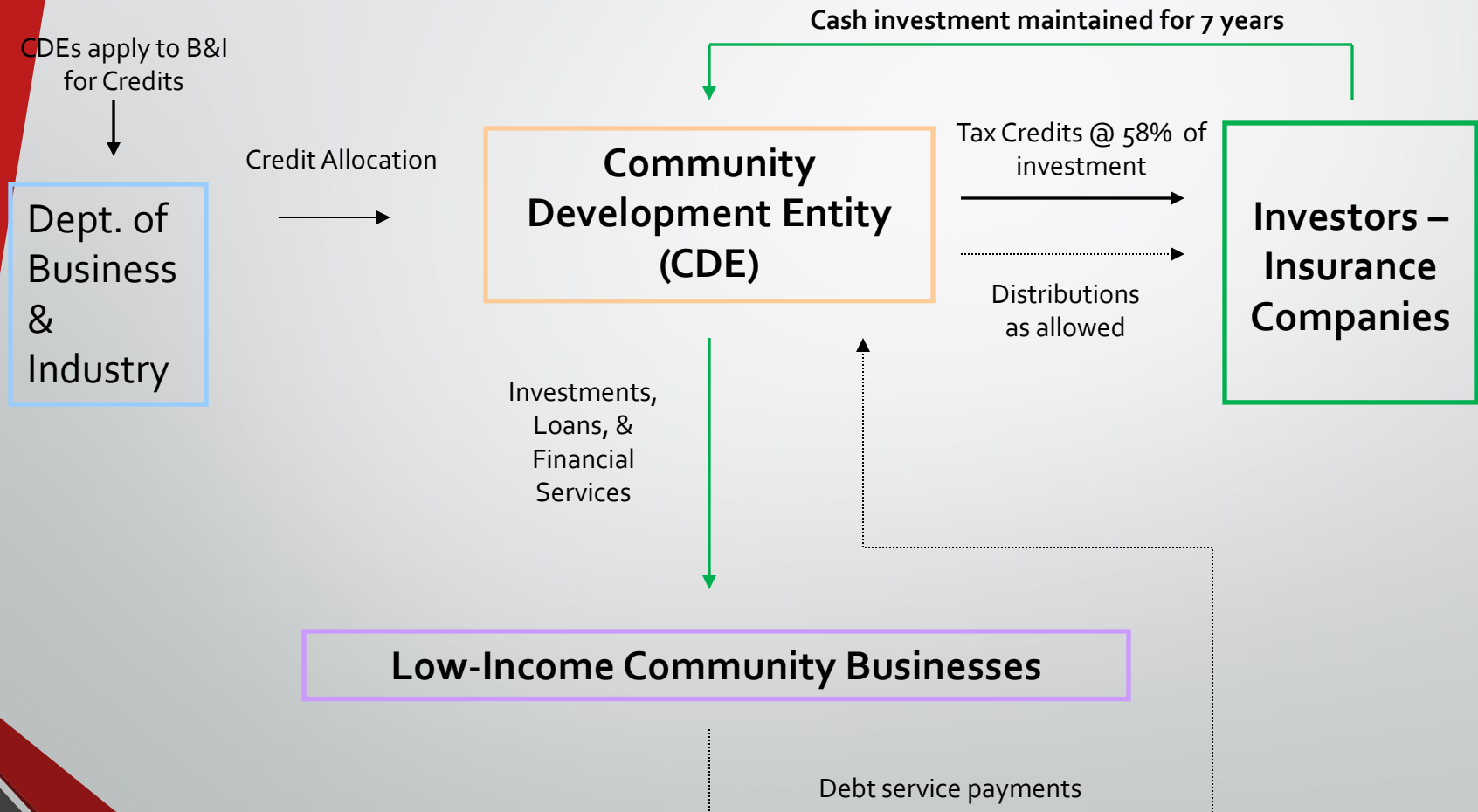
# Nevada New Markets Tax Credit Program Highlights

- The Nevada NMTC program focuses on funding small business operating capital in federally designated low-income and severely distressed areas. The Federal NMTC program focuses on developing small business real estate projects in those same areas.
- Tax credits: An insurance company that purchases Qualified Equity Investment (QEI) authority earns a tax credit equal to 58% of the purchased QEI over 7 years.

# Nevada Tax Credit Allowances

Credit Allowance Date	Applicable Percentage
Date of Initial Qualified Equity Investment	0%
1st Anniversary Date of Equity Investment	0%
2nd Anniversary Date of Equity Investment	12%
3rd Anniversary Date of Equity Investment	12%
4th Anniversary Date of Equity Investment	12%
5th Anniversary Date of Equity Investment	11%
6th Anniversary Date of Equity Investment	11%
<b>Total Credits (Percentage)</b>	<b>58%</b>

# Nevada NMTC Overview





# New Markets Tax Credit Program Updates

- The Department held a workshop on the proposed regulations on January 28, 2014.
- A Public Hearing on the proposed regulations was held on April 21, 2014.
- The regulation adoption package was reviewed by LCB and was approved by the legislative commission on June 23, 2014.

# New Markets Tax Credit Program Updates

- At the end of July 2014 we asked the CDEs to report on the number of projects they were working on and how many involved the minority businesses in Nevada. They reported starting with 236 possible projects, totaling \$1.2 Billion. The number of projects in process at the end of July were 85 projects, totaling \$686.7 Million. 29% of the projects in process at that time were minority-owned businesses.

# New Markets Tax Credit Program Updates

- The statute specifies 85% of the NTMC allocation must be invested by December 14, 2014. There is a six month grace period if the CDEs do not meet that deadline. If the CDEs do not meet the 85% requirement by the end of the grace period, their NMTC allocation will be recaptured and reallocated to the other CDEs.
- B&I received our first completed investment report on Wednesday, October 15, 2014.

# Other States NMTC Benefits

State	Year Started	Total Allocation	Total Jobs Created	Total Economic Impact
Alabama	2012	\$20M Annually <sup>1</sup>	N/A - New Program	N/A - New Program
Arkansas	2013	\$166M <sup>2</sup>	N/A - New Program	N/A - New Program
Florida	2009	\$178.8M <sup>3</sup>	8,389 jobs <sup>4</sup>	\$3.02 for each tax credit dollar <sup>4</sup>
Louisiana	2013	\$55M Annually <sup>5</sup>	N/A - New Program	N/A - New Program
Mississippi	2008	\$15 Annually <sup>6</sup>	N/A - New Program	N/A - New Program
Missouri	2007	\$300M <sup>7</sup>	7,324 jobs <sup>8</sup>	4.6: 1 (state tax credit leverage) <sup>7</sup>
Nebraska	2012	\$187.5M <sup>9</sup>	N/A - New Program	N/A - New Program
Ohio	2010	\$40M <sup>10</sup>	2,222 jobs <sup>10</sup>	\$12 for each tax credit dollar <sup>11</sup>
Oregon	2012	\$16M <sup>12</sup>	N/A - New Program	N/A - New Program

<sup>1</sup> <http://www.madeinalabama.com/assets/2013/02/1-Alabama-Summary-New-Market-Tax-Credits.pdf>

<sup>2</sup> [http://www.novoco.com/new\\_markets/resource\\_files/legislation/2013-2014/arkansas\\_act1474\\_052113.pdf](http://www.novoco.com/new_markets/resource_files/legislation/2013-2014/arkansas_act1474_052113.pdf)

<sup>3</sup> Florida Allocations: 2009 \$97.5M; 2012 \$66.3M; 2013 \$15M

<sup>4</sup> The Washington Economics Groups, Inc. report April 9, 2013

<sup>5</sup> [http://revenue.louisiana.gov/forms/publications/lsls\(2013\).pdf](http://revenue.louisiana.gov/forms/publications/lsls(2013).pdf)

<sup>6</sup> [www.mississippi.org/index.php?id=495](http://www.mississippi.org/index.php?id=495)

<sup>7</sup> [tcrc.mo.gov/pdf/ColumbiaTestimonyDistressedCommunitiesCraver3.pdf](http://tcrc.mo.gov/pdf/ColumbiaTestimonyDistressedCommunitiesCraver3.pdf)

<sup>8</sup> <http://themiouritimes.com/3026/>

<sup>9</sup> <http://www.revenue.ne.gov>

<sup>10</sup> Ohio Development Department & <http://www.norwalkreflector.com/article/4279251>

<sup>11</sup> [www.clevelanddevelopmentadvisors.com](http://www.clevelanddevelopmentadvisors.com)

<sup>12</sup> <http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/New-Market-Tax-Credit/>