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Hearing on "Certain Expiring Tax Extenders"

House Committee on Ways and Means, Select Revenue Measures Subcommittee

April 26, 2012

Chairman Tiberi and members of the Subcommittee, my name is William Jones. I am the Senior Vice President and CFO of the YMCA of Greater Pittsburgh, an organization that has been in existence for 158 years. My Y serves in excess of 100,000 residents of Western Pennsylvania through our 19 branches, 4 resident camps, and 45 after school and day camp sites.

The purpose of my testimony is to support the extension of the New Markets Tax credit (NMTC), which expired on December 31, 2011. We urge Congress to enact a long term or permanent extension of the program.

The Community Renewal Tax Relief Act established the NMTC as a bipartisan effort to revitalize urban and rural communities by using tax incentives to attract private sector capital. Congress has extended the NMTC in 2008, 2009 and 2010. The NMTC is achieving its intended goal of attracting private sector capital to low income communities to stimulate economic activity, spur revitalization, create jobs and improve communities. Over the history of the program, 2003-2010, about \$21 billion has been invested in low income communities through the NMTC. The total project cost of businesses financed by the NMTC comes to more than \$32 billion. The Credit has financed about 1500 businesses that have created over 300,000 jobs, including over 200,000 jobs in the construction industry.

Clearly, this program is an effective incentive for getting private sector capital to distressed communities. According to a survey done by the Government Accountability Office, 88% of investors indicated they would not have made the investment without the NMTC and two thirds said they increased their investments in low income communities because of the Credit. Demand for the NMTC has exceeded the amount available by over \$190 billion since 2003.

The NMTC is an excellent investment for the federal government. The total cost of \$1 in NMTC investment to the federal government, measured by lost tax revenue,

is approximately 26 cents. When the NMTC was extended for 2010 and 2011 with \$3.5 billion in annual credit authority, the Joint Tax Committee's revenue estimate of the program was \$1.81 billion.

All NMTC investments are to benefit businesses located in low income communities where poverty rates are 20% or more and where incomes do not exceed 80% of area median. In 2010, 72% of NMTC investments were made in areas even more distressed than required by law. These investments help to create employment opportunities and revitalize the communities.

The NMTC has had a huge impact on economically distressed communities. Billions of dollars have flowed into communities traditionally left out of the investment mainstream and hard hit by the recession. An example of this in Pittsburgh is our 2010 \$13 million NMTC transaction that allowed us to complete the funding of a brand new full service YMCA facility in the Hill District neighborhood in Pittsburgh. This branch will serve hundreds of children and families in an extremely economically distressed area that did not have the type of facility or much needed social services that the Y provides. We couldn't have built this facility without the NMTC program.

Thank you for holding a hearing on the expiring tax provisions. We urge you to enact a long term or permanent extension of this program.