

Rep. Edolphus “Ed” Towns (NY-10)
Testimony for the Record
April 26th, 2012 “Member Day” Hearing on Tax Extenders
Committee on Ways and Means
Subcommittee on Select Revenue Measures

Thank you Chairman Tiberi and Ranking Member Neal for holding this hearing to gather testimony from our colleagues on proposals related to expiring tax provisions. I write on behalf of the New Markets Tax Credit (NMTC) and my bill HR 5718 which makes improvements to tax code rules to help ensure that the original intent of the NMTC – economic revitalization – is achieved and more broadly shared.

The New Markets Tax Credit is designed to promote development and job creation in economically disadvantaged areas and has done just that ever since it was first enacted. For this reason alone it should be included in any bill related to expiring tax provisions. NMTC activity has occurred in all 50 states, the District of Columbia, and Puerto Rico. But improvements can still be made. HR 5718 seeks to make such improvements. The provision would expand eligibility for the New Markets Tax Credit to certain vacant census tracts around the country that are ripe for job creating development.

Due to the irregularities of Census Tract data that govern NMTC investment eligibility, many vacant plots in densely populated areas such as my area in Brooklyn and other outer suburbs of large cities around the country do not qualify, even though their development would be a huge job creator and offer major benefits for nearby communities. This is currently true in a deeply distressed area of East New York where many adjacent and surrounding census tracts meet the technical criteria for NMTC investment but not in the vacant plot most eligible and in need of development.

This provision would allow for census tracts with little or no population to qualify under certain criteria. It stays true to the goals and benefits the NMTC was created to achieve without adding to the deficit. Specifically, for census tracts characterized as low population census tracts (population less than 2,000), the legislation proposes that these tracts will qualify provided they meet the following criteria. First, it must be contiguous to a census tract which is treated as a low-income community. Second, such contiguous census tracts must have at least two of the three indicia of higher economic distress. Furthermore, for any such zero population census tract, it should be treated as having the levels of economic distress which are present in the contiguous census tract.

Extending the NMTC and making this improvement will speed investments in previously unreachable disadvantaged communities, spurring the jobs, affordable housing and services they deserve and that our constituents need. This legislation refines and updates New Markets Tax Credit incentives for economic growth in our tax code to ensure they are as powerful as intended and as effective as possible. Thank you for considering my proposal.