May 10, 2012

Dear Committee on Ways and Means:

Re: Hearing on Certain Expiring Tax Provisions—Written Comments

Thank you for the opportunity to provide comments on certain expiring tax provisions. In support of the extension of the New Markets Credit, which expired on December 31, 2011 HR 2655, and the New Markets Tax Credit Extension Act of 2011, Smith NMTC Associates submits the following comments.

As an advocacy organization working on behalf of Qualified Active Low-Income Community Businesses (QALICBs), Smith NMTC can offer a valuable third-party perspective different from the views of other NMTC participants on the effectiveness and the efficiency of the New Markets Tax Credit (“NMTC”) program. Through a bipartisan effort, Congress created the NMTC program to incentivize sustained private sector investment in distressed low-income communities. The NMTC provides a seven year 39% federal tax credit which effectively encourages and results in sustained investment in numerous severely distressed communities nationwide. Our company has facilitated over $220,000,000 in NMTC deployment for fifty-seven (57) Habitat for Humanity affiliate QALICBs throughout twenty-five (25) states. Through these transactions, the NMTC program has:

• created or retained 1,243 permanent full-time jobs with benefits;
• created or retained 190 permanent part-time jobs;
• created 3,706 temporary construction jobs; and
• built 2,350 homes which have been sold to low-income families, thus ending the cycle of poverty and transiency that so many low-income families face.

These projects provide Habitat Partner Families (low-income persons and residents of low-income communities) with immediate asset and wealth creation on the day they close on their new Habitat home. The NMTC financing enables hard-working low-income residents to achieve the American Dream of homeownership with their energy efficient, often LEED-certified, Habitat homes. The Habitat Partner Families gain not only financially but also with the sense of pride they have from being a homeowner and the sense of community they share with their fellow homeowners.
Coming from overpriced substandard conditions, Habitat families move to a stable, safe neighborhood where they can safely raise their children. No longer moving from place to place, the homeowners’ children’s performance in school improves as they begin to identify with their own school and bond with their classmates and neighbors. Studies have shown that Habitat homeowners’ children are more likely to finish high school and have become more successful in school.

The Habitat homeowners also traditionally pay less for their monthly mortgage payments than they were previously paying to live in tiny, unsafe, substandard rental housing. As a result, they are able to save more money – which they can use to invest and create further assets, and to spend in their local community thereby boosting the economy in that low income community.

Through the NMTC program, Habitat affiliates have ultimately provided 2,350 low-income families with affordable, for sale homes. The home building revitalizes neighborhoods in general, and especially neighborhoods that have suffered due to the recent foreclosure crisis. More property taxes flow to the community and the community’s new stability spurs additional investment in the area.

Sincerely,

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