New Markets Tax Credit

After a decade of economic growth and expansion, President Clinton and a Republican Congress purposed to spread the wealth to areas lagging behind the rest of the country. Their efforts culminated in December 2000, with passage of the Community Renewal Tax Relief Act, a bipartisan spending bill intended to jump-start economic activity in poor communities.

The legislation enacted nearly $26 billion in tax expenditures,[141] including the New Markets Tax Credit (NMTC), a tax incentive designed to "spur new or increased investments into operating businesses and real estate projects located in low-income communities."[142]

Most of the country, however, is considered a low-income community for purposes of the program. "As a result of the definition of qualified low-income communities, virtually all of the country's census tracts are potentially eligible for the NMTC," according to the nonpartisan Congressional Research Service.[143]

Administered by the Department of Treasury's Community Development Financial Institutions Fund (CDFI Fund), the New Markets Tax Credit provides federal tax credits to financing entities, such as banks, for investing in businesses located in qualified low-income areas. These credits are distributed through a complicated mechanism involving several different entities and numerous tax lawyers.

First, Congress authorizes the total amount of tax credit allocations that may be awarded each year. Next, the Treasury's CDFI Fund doles out the allocation authority to Community Development Entities (CDEs). A CDE is an entity that acts as the middleman between the investors (often a bank or hedge-fund) and a low-income project that will receive a loan from the lending entity.

Once a CDE has been allocated the tax credits to distribute, it seeks out investors to purchase those tax credits to help finance various local projects. The private investor, nearly 40 percent of which are banks or other regulated institutions, then claims a tax credit equal to 39 percent of their investment over seven years. In exchange for the tax credit, the investor makes investments in the CDE, and the CDE then uses these funds to make direct investments in, or offer below-market or more flexible loans to, low-income community businesses or projects.[144] According to the GAO, in recent years private investors have claimed more than $1 billion in New Markets Tax Credits annually.[145]

Starbucks and IHOP have been recipients of financing through the New Markets Tax Credits

Because of the complex structure of the tax credit and investments, as well as taxpayer privacy protections, there is very little transparency on the amount of tax credits individual investors are claiming at the project level. While Washington politicians claim the program's goal is to put more money into the hands of businesses in struggling communities, the real beneficiaries are Wall Street banks and other large investment enterprises. Additionally, in many cases, investors that claim the credits are providing special loans to questionable and wasteful projects with virtually no accountability to taxpayers.

It is important to distinguish between the various recipients of government assistance through the NMTC. The *direct* government subsidy (the tax credit) is given to the private investors and financing conglomerations, based on their investments.[146] Businesses and other projects, such as hotels, recreational centers, health spas, movie theaters, and fast food chains, receive low-interest loans from the lending entities claiming the NMTC.[147] While these local projects do not receive a financial subsidy *directly* from taxpayers, the qualifying projects and businesses benefitting from the New Markets program receive millions of dollars in private loans and equity investments from the banks that provide investment in order to claim the federal tax credit. According to the CDFI Fund's online database, nearly 4,000 projects received loans or equity investments from entities claiming the NMTC.[148]

New Markets, Same Old Waste

While Wall Street banks and other financial corporations cut their tax bills by millions of dollars every year through the New Markets Tax Credit, many of the projects in which they invest may fall short of the program's goal – to bring economic opportunity to struggling communities.

From fast food joints to parking garages and luxury hotels, the government subsidizes banks for investing in nationwide chains or corporations with proven business models without the need of this government handout. In other cases recipients are larger commercial real estate developments and other private entities in little need of taxpayer help.

The New Markets program prohibits the credit from being used for "the operation of any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, race track, or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises."[149] Despite these restrictions, many questionable projects are still funded by NMTC.

The NMTC helped finance a Starbucks in Indianapolis, a bakery in New Bedford, Massachusetts, a baseball stadium in Kentucky, four bowling alleys, six car washes, four coffee shops, a day spa in Alaska, an IHOP in Milwaukee, four law firms, and at least two Mexican restaurants in Colorado and Wisconsin.[150]

Another $17 million NMTC allocation paved the way for the residents of Pittsburgh to get a new Target store,[151] and a specialty tea shop in Columbus, Ohio received two NMTC allocations.[152]

NMTC projects also include:[153]

- Dog day care, and a dog rehabilitation, grooming, and wellness facility
- Gas stations and convenience stores
- Dance studio
- Recording studios
- Shopping centers
- Fitness center
- Funeral homes
- Subway
- YMCA gym
- Flea Market
- Garbage collection and landfills
- Parking lots
- CPA firms
- Laundromats
- Auto repair shops
- Starbucks
- Florist
- Sporting goods stores
- Charter schools
- Ice cream company
- eBay consignment selling services
- Custom yacht dealer
- Limousine service
- Churches
- Fast food restaurants
- Car and motorcycle dealerships
- RV park
- Dry cleaners
- Brewery
- Frozen custard shop

Tax Credits for the Poor Wash Up on the Shore of a Billionaire's Fantasy Island

The beautiful Hawaiian island of Lanai, regarded as "a playground for the moneyed,"[154] was hit especially hard by the recent economic downturn. Just four years ago, "all major new construction" had "stopped and the island's largest employer" had "laid off or furloughed 20 percent of its work force and cut hours" for the remaining employees. Families on the island were "pushed to the edge."[155]

Today, Lanai "is booming."[156]

More people are coming to the island for work opportunities and fewer are leaving. Infrastructure is being upgraded with roads being paved, airport runways being lengthened, and new airlines being added "to improve access" to the island.[157]

There are plans to build an "ultraluxury hotel," return commercial agriculture, and establish a

> sustainability laboratory that will help make the island 'the first economically viable 100%-green community,' as well as to improve educational opportunities for children, ensure quality health care and lower living costs.[158]

The community pool has been renovated and re-opened. The park has a new swing set and basketball and volleyball courts.

"People are going back to work and people seem to have a lot less stress in their lives," said Diane Preza, a Lanai public school teacher, noting "It just seems the community has come alive. And people feel like there's hope."[159]

All the results of New Markets Tax Credits?

Nope.

All of these improvements and investments are being privately funded by billionaire Larry Ellison, the third-richest man in America,[160] who bought nearly the entire island for $300 million in 2012. Ellison's net worth is $49.4 billion.[161]

He owns "nearly everything on the island," reports *The Wall Street Journal* referring to Lanai as "Larry Ellison's Fantasy Island."[163] In July 2014, Ellison "purchased the historic Hotel Lanai for an undisclosed price" and became "the owner of every hotel room on the island."[163] One of the two grocery stores, the community center and pool, the water company, the movie theater, and half of the roads belong to him.[164] He also "owns the gas station, the car rental agency and the supermarket." He owns the Lanai City Grille as well as

> two championship golf courses, about 500 cottages and luxury homes, a solar farm, and nearly every single one of the small shops and cafes that line Lanai City. He owns 88,000 acres of overgrown pineapple fields and arid, boulder-strewn hills, thick with red dust, as well as 50 miles of beaches.[165]

The remaining two percent of the 141-square mile island "is owned by the government or by longtime Lanai families."[166]

"It's easy to understand the improvement of the economy on Lanai when you watch the arrival at Manele Small Boat Harbor of one of five daily ferry round trips from Maui," reports Hawaii News Now. "The boat is packed with more than 100 people, including tourists bringing their golf clubs on day trips and lots of construction workers and other trades people. Electrician Kevin McNamara said business

Billionaire Larry Ellison purchased the beautiful Hawaiian island of Lanai, regarded as "a playground for the moneyed," and is investing his resources to revitalize the tropical paradise.

at Sturdevant electrical contractor on Lanai has increased 300-percent since Ellison" bought the island. "The amazing thing is we have to send the workers home every night because there's no longer housing. When he first bought the island, they would spend the night, spend the week," said McNamara. A new restaurant has opened, "hiring a staff of more than 30" people and "Smaller mom-and-pop operations" are benefitting from "a 20-percent increase in business" and are "hiring for more than 100 new jobs."

Ellison himself is doing what the NMTC program was intended to do—creating economic opportunities. But instead of tapping government incentives and taxpayer funds, Ellison is investing his own personal wealth and relying on market forces to succeed.

"It's surreal to think that I own this beautiful island," reflected Ellison.[167] "It doesn't feel like anyone can own Lanai. What it feels like to me is this really cool 21st-century engineering project, where I get to work with the people of Lanai to create a prosperous and sustainable Eden in the Pacific."

As the island's economy blossoms with new projects and businesses resulting from the investments made by its billionaire owner, suddenly the New Markets Tax Credit washes up to do essentially what is already being done.

NMTC "was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities," according to the federal agency that administers the program.[168]

So it may be surprising that millions of dollars in NMTC financing could be coming to an island where such investments are already being made and new markets are already in the works.

But the Lanai Community Health Center is hoping to take advantage of NMTC financing to help build a new $8 million facility.[169]

There already is a health center on the island, but "the new health center is expected to be five times larger than the current facility."[170] The new center, which will be 6,800 square feet and include medical examination rooms as well as a "multipurpose room to hold joint programs with the art center," will be "far bigger" than the center's existing 1,000-square-foot building.[171]

The center has received millions of dollars in public funding from other state and federal government programs as well as $125,000 "from local businesses and the community."[172] In July, the Hawaii state government provided $500,000 for construction and the state legislature approved an additional $1.75 million.[173]

"Part of the project is also being funded with investors attracted by" the New Market Tax Credit.[174] While the amount of NMTC assistance for this program is not publicly available, the center anticipated receiving $3 million in financing through the program.[175]

Although details remain elusive, Novogradac & Company, a Certified Public Accounting firm that specializes in constructing elaborate New Markets Tax Credits financing deals, may be involved in structuring the financial arrangement.[176] Michael Novogradac, a managing partner at firm and board member of the New Markets Tax Credit Coalition, tweeted the announcement of the new center, "Health facility planned for the heart of Lanai -http://Mauinews.com http://shar.es/Z4pAU #NMTC."[177]

The current center employs 15 full-time workers and six to eight part-time workers, but Executive Director Diana Shaw expects this number to increase. "Of course we have

Lower income families—the intended beneficiaries of New Market Tax Credit—may be deterred from the Atlanta aquariums dolphin encounter by the high admission price of $64.95.

to find people, but that's a whole other project," she said.[178]

Shaw notes "the project is helped by brisk construction elsewhere on the island" for Ellison's projects since "some contractors the health center is working with are already on the small, remote island."[179]

While a new health center would most likely benefit the island's 3,135 residents, this does not seem to be the right time or place to direct federal economic development assistance. Given that it is touted as a tropical and economic paradise, it is bewildering why the flourishing island would need the federal NMTC to access financing opportunities.

With the island's economy now booming, the New Markets Tax Credit program is unnecessarily sinking millions of dollars in federally subsidized financing into the billionaire's island.

The Flipper Tax Credit: Dolphins Dive for Tax Dollars

Dolphins and Hollywood producers are among the unlikely beneficiaries of tens of millions of dollars in NMTC investments intended to benefit struggling neighborhoods in Atlanta, Georgia.

Financing through two NMTC allocations totaling $40 million were sunk into the world's largest aquarium -- the Atlanta Aquarium -- to expand the AT&T Dolphin Tales exhibit.[180] A Community Development Entity owned by the city of Atlanta, Georgia, received the tax credit allocation, which was then sold to Wells Fargo and SunTrust banks for funding to complete the $120 million project.[181]

The AT&T Dolphin Tales exhibit "includes a soaring, naturally-lit entrance lobby featuring an expansive underwater dolphin viewing window"[182] leading into the theater, which is a "state-of-the-art enclosed facility designed as the perfect backdrop for a spectacular musical theatrical performance highlighting the strong emotional bond between dolphins and human."

NMTC supporters claim this project "added" hundreds of jobs.[183] Some of the jobs created were not in hard hit Atlanta neighborhoods, but Hollywood. "An original score was recorded by a 61-piece orchestra at Sony Studios in Hollywood" and "Emmy-winning producers and directors, along with a team of talented individuals from TV, film and Broadway, developed the show."[184] And caring for animals --especially dolphins -- is a highly skilled profession requiring years of education in marine mammal veterinary medicine. The aquarium's head veterinarian received compensation totaling $363,035 in 2010.[185]

"There's more impact here than just jobs," Tyrone Rachal, the president of Imagine Downtown Inc, argues. "This is an educational opportunity for families and children in a landlocked city who otherwise might not have the opportunity to learn about marine mammals."[186]

Yet, taxpayers who helped finance the exhibit still must pay a cover charge to see the exhibit. The cost per visitor, regardless of age, is $64.95.[187] This price may be an especially high financial barrier for lower-income families—the intended beneficiaries of this project and the NMTC program.

"This fast-paced program lasts 15 minutes and includes approximately 8 to 10 minutes of hands-on interaction with a dolphin."[188]

The questionable use of NMTC funding an exhibit at an aquarium has been derided as a "classic bait and switch" operation that "conned" taxpayers. While the location of the project allowed it to technically qualify as a low-income area, nearby condominiums "are selling for as much as 2 million dollars...hardly what the government had in mind when they set the standard of 26% below poverty in order to qualify for the NMTC Program."[189]

The proponents of the project openly admit the tax assistance was not even needed but its availability allowed the popular aquarium to spend money on other projects. "The NMTCs used to support the dolphin exhibit" are "freeing up funds for further aquarium enhancements," notes Tyrone Rachal.[190]

"It's the gift that keeps on giving" Rachal said, admitting the aquarium "could have used conventional financing to develop the dolphin gallery" or relied "on revenue from tickets sales and parking to fund new attractions."[191]

The aquarium, which has attracted the interest of private investors, "would not disclose the monetary value of AT&T's sponsorship." It did disclose "several sponsors were under consideration for the naming rights of the exhibit."[192] Clearly, this project did not need federal financial assistance and is unlikely to have any noticeable benefit for lower income Americans, who likely cannot even afford to take in the dolphin encounter.

A New Market Tax Credit financed the sculpture Dancing in the Wind, a reminder of tax dollars blowing in the wind that might have been better spent by a wellness center for the underserved that may have to increase fees, reduce services, or even close its doors due to budget shortfalls.

Capital Peak Partners (CPP) helped negotiate the NMTC financing for the project. CPP is a firm that consults other organizations on NMTCs and has "structured and closed over $2 billion of NMTC loans."[193] CPP's new markets experience includes "renewable energy projects, community facilities, mixed use properties, for-sale housing, hotels, retail" and others.[194] The Reznick group, a top twenty accounting firm, also helped structure this NMTC deal.[195]

Monument to Waste Constructed with Tax Credits for a Wellness Center Whose Financial Health is in Critical Condition

A wellness center intended to provide health care to underserved populations is threatening to bankrupt the city of Desert Hot Springs, California. The center may even increase fees or cut services to stay afloat while spending tax assistance on gratuitous sculptures in the desert.

A sculpture in the desert was "paid for with leftover center funds from the U.S. Treasury's New Markets Tax Credit Program" by the Desert Hot Springs Health & Wellness Center, located just north of Palm Springs, California.[196]

The sculpture, "Dancing on the Wind," is "made from industrial materials to withstand strong wind conditions in the city while aging gracefully." On the top, "two figures stand on twin peaks — San Jacinto and San Gorgonio — reaching toward the heavens."[197]

"Air moves the piece, while gravity puts it back into place." [198]

The artist "prefers to leave his sculptures open to interpretation."[199]

"I'll leave you to tell me what it means," he said.[200]

Some taxpayers, while appreciating its artistic merits, may still interpret it as a symbol of government waste. The sculpture cost $65,000, according to a local report.[201] While this amount may be a fraction of the overall NMTC, it is enough to pay the salary of a registered nurse for an entire year to care for patients at the Center.[202]

The NMTC was intended to support the Desert Hot Springs Health & Wellness Center "preventive and dental healthcare opportunities to a medically underserved population."[203]

While creating jobs and expanding health care access is a noble goal, spending tax dollars for sculptures at a Wellness Center is not likely to do much to achieve either goal.

"This major art piece that we have here signifies where we want to go," Mayor Adam Sanchez stated regarding the sculpture. "It's all about health and wellness."

His statement about the taxpayer financed sculpture blowing in the wind may be more accurate than he realized, but for the wrong reasons. The health and wellness of both the city and the center are in critical condition.

Desert Hot Springs is nearing bankruptcy and the Wellness Center is running a deficit. The city cannot sustain the center, according to a financial analysis released in July 2014 by "a state-appointed employment arbitration panel."[204] As a result, the city may be forced to increase user fees or reduce services at the Wellness Center.[205]

"Closure of the" Health & Wellness Center (H&W Center) is "a cost saving option which has been advocated," according to the panel's report. "The City must seriously consider increasing the service fee for its use" and "alternatively, there is the option of some decrease in the amount of services provided," the panel's report noted.[206]

> However well intentioned the creation of that facility was, and it is without a doubt beneficial to the community, the record makes clear that operation of the H&W Center's current panoply of services at the modest user fees charged is unsustainable,

U.S. BANK HAS INVESTED MORE THAN $4.1 BILLION IN NMTC PROJECTS AND EMPLOYS AT LEAST 24 INDIVIDUALS TO WORK ON THE BANK'S NMTC INVESTMENTS.

THE NMTC MAY HAVE BEEN MORE EFFECTIVE IN CREATING JOBS FOR WALL STREET BANKERS AND TAX LAWYERS THAN FOR THOSE LOOKING FOR WORK ON MAIN STREET.

the panel concluded. The annual operation cost of the center in the 2012-2013 fiscal year "was about $991,000," according to the city, while "revenues to fund it totaled only $811,000." Of this amount, "$700,000 came from the federal government."[207] Additionally, the city previously received a congressional earmark "in excess of $3 million" intended for the facility.[208]

"The longer the H&W Center remains a financial drain on the City's general fund, the greater the deficit will become and the prospect of municipal bankruptcy should not be taken lightly," the panel warned.[209]

Meanwhile the budget shortfall "prompted Desert Hot Springs leaders to launch across-the-board salary cuts" and "discussed whether it was financially prudent to eliminate the police department."[210]

New Market Tax Credits are intended to create economic opportunities in communities. In this case, poor management of the assistance has had the reverse effect. The project it financed is bankrupting the city, cutting salaries, and possibly eliminating jobs and increasing local taxes. But the sculpture paid for with the tax assistance remains dancing in the wind, a reminder of tax dollars blowing in the wind that might have been better spent.

Corporate Welfare: Banking on the Poor

The NMTC program allows banks and other financial entities to claim a tax credit for investing in businesses in low-income areas. Over the last decade, a niche group of investors, such as banks and hedge funds, have worked with Community Development Entities and projects to maximize their return while maximizing the cost to taxpayers as well. As of 2007, nearly 40 percent of all NMTC claimants were banks or other regulated financial institutions.[211]

Many banks have set up their own CDEs in order to receive tax credit allocations from the Treasury, making them both the recipient of the tax credits and the lender. Many of the top CDEs receiving tax credit allocations are subsidiaries of major banks including Bank of America, JP Morgan Chase, Wells Fargo, and SunTrust banks. Along with setting up their own CDE's, banks invest in other CDEs which provide them with tax credits in return for an investment.

U.S. Bancorp Community Development Corporation, part of U.S. Bank, claims to be the "most active New Markets Tax Credit (NMTC) investor in the country."[212] U.S. Bank has invested more than $4.1 billion in NMTC projects[213] and employs at least 24 individuals to work on the bank's NMTC investments.[214] The 24 jobs at U.S. Bank exceed the number of permanent jobs created in low-income areas by some of the NMTC projects profiled in this report, one of which created only 33 temporary jobs. It appears the NMTC may have been more effective in creating jobs for Wall Street bankers and tax lawyers than for those looking for work on Main Street.

Although U.S. Bank claims to be the largest investor in NMTCs, other big banks are taking advantage of the program as well. JP Morgan Chase has received at least $480 million in NMTC allocations and has invested in "nearly $3.7 billion of NMTC authority allocated" to other CDEs.[215]

Despite the purpose of the tax credit being to leverage *private* investment, a new report by the GAO found a majority of NMTC projects utilize more than one source of public funding.[216] Further, GAO found that through a process of "twinning," investors are able to claim the New Markets Tax Credit on the equity raised through other federal funding sources—such as historic tax credits, Recovery Zone bonds and qualified school construction bonds. In these cases, corporations and investors are claiming federal New Markets Tax Credits based on a value much higher than the amount of their own money invested in a project.[217]

GAO's latest report shows just one example of how a bank can structure a NMTC investment to claim $1.2 million in NMTC, even after investing less than half the amount:

> Some evidence suggests that some investors may receive returns that are above-market returns and therefore more than the necessary subsidy required to attract the funds. In a case study reported by the Urban Institute, an investor appeared to put in about $500,000 of NMTC equity to claim $1.2 million of NMTCs representing a return of about 26 percent compounded annually. The NMTC was leveraged entirely with $2.5 million of federal and state [Historic Tax Credits] HTCs without use of a conventional leveraged loan in the NMTC structure. As a result, 83% of the qualified equity investment on which investors are claiming NMTCs is provided by other federal and state tax credit programs.[218]

IN SOME CASES, CORPORATIONS AND INVESTORS ARE CLAIMING FEDERAL NEW MARKETS TAX CREDITS BASED ON A VALUE MUCH HIGHER THAN THE AMOUNT OF THEIR OWN MONEY INVESTED IN A PROJECT.

The "twinning" structure that allows banks to get an abnormally high rate of return was discussed at a 2007 conference on federal Historic Tax Credits,[219] and has since been used by several CDEs and banks.

New Markets are not only a great deal for big banks and hedge funds, but the increasing complexity of NMTC investments has benefited lawyers and accountants involved in the transactions. From 2011 to 2012, fees charged by New Markets middlemen siphoned at least $619 million away from the investment intended for low-income businesses.[220] GAO also pointed to evidence that in transactions with relatively low fees, the low fees may be offset by higher interest rates.[221] However, "a lack of transparency makes it hard to readily determine how much of the NMTC investment is being reduced and by what means."[222]

US Banks on New Markets Tax Credits

U.S. Bank and developer McCormack Baron Salazar (MBS) joined together to install solar panels on low-income housing communities throughout California, using the New Markets Tax Credits program to finance them.

With a combination of federal and state funding, the project created 33 temporary jobs[223] for individuals who had graduated from a federally funded workforce training program.[224] The real beneficiaries of this project were the lawyers who designed the project's convoluted financing structure and U.S. Bank, which claimed New Markets Tax Credits for more than their actual private investment.

U.S. Bank, one of the nation's largest commercial banks and the largest NMTC investor, used a "twinned" tax credit financing structure, which allowed the financial giant to claim both the New Markets Tax Credits and the Section 1603 investment tax credits.[225] The bank contributed funding that equaled the amount of solar rebates the project was set to receive through California's Solar Initiative's Multi-family Affordable Solar Housing program, which allowed U.S. Bank to claim a tax credit on money that was ultimately provided by the *state* program – not their own private investment.

This "twinned" structure, which has increased in popularity in recent years and is highlighted in GAO's latest report,[226] allows investors such as U.S. Bank to claim a federal tax credit on equity provided by other federal or state grants and tax credits, and evade rules intended to ensure the use of NMTC only for qualified low-income businesses. This runs contrary to the purpose of the New Markets Tax Credit, which is designed to incent *private sector* investment.

In addition to NMTC, the investment deal included the use of other federal tax credits and California's Multifamily Affordable Solar Housing (MASH) program incentives.[227]

Although NMTC and Low Income Housing Tax Credits (LIHTC) cannot be combined, the developer (MBS) was able to use federal LIHTC and federal HOPE VI grants to develop the affordable-housing communities that received the solar panels in 2010.[228]

US Banks on New Markets Tax Credits, Again

Using a creative web of financial transactions, the Crown Square mixed-use development in St. Louis was built using New Markets Tax Credits as well as other government subsidies, including federal and state historic tax credits, federal Community Development Block Grant funding, and a federal transportation grant.[229] Despite millions of dollars in government help, the area remains nearly empty.

The NMTC allocations were provided by Enterprise Community Investment and McCormack Baron Salazar, and the tax credits were claimed by U.S. Bank CDC.[230]

The Crown Square development is one portion of a larger redevelopment plan for the 14th Street Pedestrian Mall. Another component of the redevelopment "consists of 42 units of affordable housing financed through tax-exempt bonds (and related four percent Low Income Housing Tax Credit), historic tax credits and other subsidies."[231] Despite the $35 million that went into redeveloping the area, "many buildings in Crown Square remain ghostly vacant."[232] In 2012, two years after the project was completed, 60 percent of the commercial property was still unused.[233] The developers expected Crown Candy Kitchen to attract visitors to the area, but getting people to stay for longer than a lunch break has been difficult.[234]

While residents of St. Louis may not have benefited from redeveloping an area that remains largely empty, U.S. Bank was able to rake in the tax credits.

Duplication and Double Dipping

In a February 2012 report, the GAO "identified 23 community development tax expenditures available in fiscal year 2010…five ($1.5 billion) targeted economically distressed areas, and nine ($8.7 billion) supported specific activities such as rehabilitating structures for business use."[235] Each of the tax expenditures overlaps at least one other tax expenditure.[236]

In addition, more than 80 similar programs funded through the Departments of Commerce, Housing and Urban Development, and Agriculture as well as Small Business Administration target "economic development," according to a March 2011 report.[237] These 80 programs, of which 28 are specifically designed to spur growth in new markets, received a combined $6.5 billion in federal funding in 2010.[238]

The Office of Management and Budget also admitted the goal of the NMTC overlaps several other tax credits and numerous programs administered by the Departments of Housing and Urban Development and Commerce."[239]

Along with the duplication of government programs and tax expenditures, businesses have combined the NMTC with other sources of federal funding for specific projects, such as the historic preservation tax credit, renewable energy tax incentives, Brownfield Economic Development Grants, Department of Transportation funding, stimulus funding, earmarks, and HUD funding. Several states also offer their own NMTC programs that can be combined with federal new markets tax credits and other sources of federal and state funding.

GAO's latest report on the NMTC program revealed:

- 62 percent of NMTC projects received other public funding in 2010-2012 (funds from federal, state or local public sources);
- 33 percent of NMTC projects received other federal funding; and
- 21 percent of NMTC projects received funding from multiple other government programs.[240]

Cost & Recommendations

The program results in hundreds of millions of dollars in lost revenue to the federal treasury each year, as GAO's 2014 report found private investors are claiming more than $1 billion a year in NMTC.[241]

The NMTC program is expected to cost more than $1 billion in FY 2014, and $5.2 billion from FY 2014 through FY 2018.[242]

The EXPIRE Act of 2014, passed by the Senate Finance Committee earlier this year would extend the NMTC for two additional years, and allow another $3.5 billion in tax credit authority each year, which will cost an additional $325 million from FY 2014 through FY 2018.[243]

The New Markets Tax Credit is poorly designed, duplicative of dozens of federal programs and tax credits, and has become a goodie bag for big banks and corporate America at the expense of the taxpayers. There is little evidence it has succeeded in its intended purpose of creating new markets in distressed areas to foster economic opportunities.

Congress should let the New Markets Tax Credit expire and focus its efforts on creating a fair and equitable tax code that will generate economic growth and opportunity for every American, not just the well connected. Will McBride, chief economist at The Tax Foundation "listed the New Markets Tax Credit as among the tax extenders that should be allowed to expire, describing it and many of the green energy tax items as programs used primarily by special interests."[244]

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