

CDFI Priority Tax Legislation: Leveraging the Tax Code to Strengthen Communities

CDFIs use the tax code to mobilize private investment into expanding affordable housing, supporting small businesses, and stimulating economic growth in underserved communities. The following legislative priorities focus on leveraging tax credits to drive private investment into areas of greatest need, creating opportunities for all Americans to grow and build wealth.

New Markets Tax Credit Extension Act ([H.R.1103/S.479](#))

House Sponsors: Rep. Claudia Tenney (R-NY) and Rep. Terri Sewell (D-AL)

Senate Sponsors: Sen. Steve Daines (R-MT) and Sen. Mark Warner (D-VA)

This bill makes the new markets tax credit permanent. It also modifies the credit to (1) provide for an inflation adjustment to the limitation amount for the credit after 2023, and (2) allow an offset against the alternative minimum tax for the credit (determined with respect to qualified equity investments initially made after 2022).

Impact

NMTC allocations totaling \$72 billion have delivered more than \$135 billion in financing to over 8,500 projects through 2023.¹ Over 80% of NMTC financing went to severely distressed communities in 2023 and nearly 30% went to nonmetropolitan communities.² Community Development Entities like CDFIs have used NMTC investment proceeds to finance over 3,700 essential community projects, such as federally qualified health centers, schools, daycare centers, apprenticeship programs, treatment facilities, and other service providers.



NMTC IMPACT

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Wyoming Trade School for Automotive, Collision, and Diesel Technicians Doubles in Size After \$33 Million NMTC-Funded Expansion

WyoTech, a technical college in Laramie, WY, has trained skilled trade workers since 1966 through hands-on programs in automotive and diesel technology. The school declined under corporate ownership beginning in 2002, facing bankruptcies, lawsuits, and plummeting enrollment. In 2018, former president Jim Mathis and local investors purchased WyoTech to restore its reputation, growing enrollment from just 18 students to 685 by 2022. However, space limitations restricted further expansion, despite surging demand for its diesel technician and auto mechanic training programs. Thanks to NMTC financing from CDFIs Midwest Minnesota CDC and MoFi, WyoTech acquired and renovated key buildings, expanding classroom and shop space, doubling enrollment to 1,300 students, retaining 111 jobs, and creating 150 new full-time positions by 2023.

Rural Job Act

The Rural Jobs Act would expand upon the NMTC program, which provides a modest tax incentive to private investors to invest in low-income communities. The Rural Jobs Act would designate \$500 million in NMTC investments for "Rural Job Zones," which are low-income communities that have a population smaller than 50,000 inhabitants and

are not adjacent to an urban area. The bill would also require that at least 25 percent of this new investment activity be targeted to persistent poverty counties and high migration counties.

Community Development Investment Tax Credit

This bill will help direct support to lenders that focus on underserved communities by creating a CDFI Tax Credit for private sector investors that make equity, equity-equivalent investments, or long-term patient capital available to CDFIs.

Neighborhood Homes Investment Act (H.R.2854)

This bill calls for the creation of a new federal tax credit that will produce new equity investment dollars for the development and renovation of 1-4-unit family housing in distressed urban, suburban, and rural neighborhoods. Neighborhoods would need to meet certain eligibility criteria relating to poverty rates, income, and home values. It would help to address the “value gap”—the situation in which the cost of rehabilitating or building a home is greater than the post-construction value of the home.

Affordable Housing Credit Improvement Act (H.R.2725/S.1515)

This bill revises low-income housing tax credit and renames it as the affordable housing tax credit. The bill would support the financing of nearly 2 million new affordable homes by increasing the amount of credits allocated to each state, increasing the number of affordable housing projects that can be built using private activity bonds and making improvements to the program to better serve veterans, victims of domestic violence, formerly homeless students, Native American communities, and rural Americans.

Impact

Since its inception in 1986 through 2022, the low-income housing tax credit has³:



Financed 3.85 million
units of affordable
housing across the nation



Supported
approximately 6.33
million jobs annually



Generated over \$716
billion in wages and
business income

¹ NMTC Coalition analysis of CDFI Fund data (2003-2019), its annual survey of CDEs (2020-2022), and OCC data (2018-2022).

² “2024 NMTC Progress Report.” NMTC Coalition, June 2024. <https://nmtccolalition.org/wpcontent/uploads/2024-NMTC-Progress-Report.pdf>

³ The ACTION Campaign, November 2023. <https://rentalhousingaction.org/>

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ABOUT OPPORTUNITY FINANCE NETWORK (OFN)

[Opportunity Finance Network \(OFN\)](#) is the nation’s leading network and intermediary focused on community development investment, managing over \$1 billion in total assets and a membership of over 470 [community development financial institutions \(CDFIs\)](#), which includes community development loan funds, credit unions, green banks, banks, minority depository institutions, and venture capital funds. Our network of CDFIs works to ensure communities underserved by mainstream finance have access to affordable, responsible financial products and services, with a deep focus on serving rural, urban, and Native communities across the United States. OFN is a trusted investment partner to the public, private, and philanthropic sectors—foundations, corporations, banks, government agencies, and others—and, for nearly 40 years, has helped partners invest in communities to catalyze change and create economic opportunities for all.