

Supporting Statement for the New Markets Tax Credit Program
Allocation Application (CDFI Form 0020)

A. Justification

1. Circumstances necessitating collection of information

Title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000 (the Act), as enacted by section 1(a)(7) of the Consolidated Appropriations Act, 2001 (Public Law No. 106-554, December 21, 2000), amended the Internal Revenue Code (IRC) by adding IRC Section 45D, New Markets Tax Credit. Pursuant to IRC section 45D, the Community Development Financial Institutions (CDFI) Fund implements the New Markets Tax Credit (NMTC) Program which will provide an incentive to investors in the form of a tax credit, which is expected to stimulate investment in private capital that, in turn, will facilitate economic and community development in low-income communities. In order to qualify for an allocation of tax credits under the NMTC Program an entity must be certified as a qualified community development entity and submit an allocation application to the CDFI Fund. Upon receipt of such applications, the CDFI Fund will conduct a competitive review process to evaluate applications for the receipt of NMTC allocations.

2. Method of collection and use of data

The data will be collected by voluntary submission of entities seeking tax credit allocations. The collected data will be used by the CDFI Fund to evaluate applicants based on specific criteria to select certain applicants for receipt of tax credit allocations.

3. Use of Information Technology

Applications will be made available at the CDFI Fund's website. The CDFI Fund will require that applicants submit allocation applications in an electronic format. Applicants without access to the requisite technology may submit a paper application by notifying the CDFI Fund using a form referred to in the application (see attached).

4. Efforts to identify duplication

The allocation application does not duplicate any other CDFI Fund or Federal program information-gathering tool.

5. Impact on small entities

This collection of information does not have a significant impact on small entities and it is voluntary.

6. Consequences of less frequent collection and obstacles to burden reduction

The CDFI Fund cannot provide tax credit allocations to CDEs and fulfill its statutory obligations without the submission of this application. The submission of the allocation application is voluntary.

7. Circumstances requiring special information collection

Not applicable.

8. Solicitation of comments on information collection

Pursuant to the notice and request for comments published in the Federal Register on December 28, 2005, Volume 70, page number 76913, the CDFI Fund has received comments on the substantive requirements as well as the procedure by which an applicant may receive an allocation of NMTCs. The CDFI Fund has considered these comments in the development of the allocation application. The CDFI Fund has also considered these comments with a view towards minimizing burdens on applicants.

9. Provision of payment to respondents

No payments or gifts will be made to respondents.

10. Assurance of confidentiality

The CDFI Fund is subject to all Federal regulations with respect to confidentiality of information provided by NMTC Program allocation applicants. No other assurances of confidentiality have been provided.

11. Justification of sensitive questions.

No questions of a sensitive nature are asked in the application.

12. Estimate of the hour burden of information collection.

The total hour burden of this information collection is estimated at: 245 respondents annually (211 business and non-profit respondents; and 34 government and tribal respondents) x 1 response annually x 170 hours per respondent = 41,650. The CDFI Fund asked applicants to the 2006 round of the NMTC Program to provide information on the number of hours required to complete the application form. The median number of hours required to complete the application was 170 hours. Some questions or sub-questions have been added to solicit specific information regarding applicant activity in the Gulf Opportunity Zone, however, these are not new questions, as they were collected in a supplemental survey completed by applicants after the submission of the initial application. In order to minimize applicant burden, the CDFI Fund consolidated questions in the application, where appropriate, removed questions and tables altogether where it was deemed that the information requested added little value to the competitive review process, and added questions where it was necessary to ensure clarity of responses. Additionally, the CDFI Fund is limiting the length of individual question responses to no more than 5 pages, and in some cases to no more than one half page.

13. Estimate of total annual cost burden to respondents

There are no cost burdens to respondents to this collection of data. No purchase of equipment or services will need to be made by respondents for this information collection other than as required as a part of customary and usual business practices.

14. Estimate of annualized cost to the Government

The cost to the Government is the CDFI Fund staff and contractor time required to review the submitted applications, maintain the electronic application system and collect follow-up information from applicants.

15. Any program changes or adjustments

While the total burden hours increased from the last submission, this is not due to any substantive program changes or adjustments, in fact, the burden hours per respondent decreased from the last submission to 170 hours. The reason the total burden hours are higher for this submission is due to a higher total number of respondents. The number of respondents for each application round has varied with the amount of tax credit allocations available, i.e. the larger the amount of tax credit allocations available, the more respondents apply, and conversely, the smaller the amount of tax credit allocations available, the fewer respondents apply. For example, during the third allocation application round in 2005 the total amount of allocations available was only \$2 billion, and only 208 respondents applied, far below the 254 respondents that applied in the fourth allocation application round in 2006, for which the total amount of allocations available was \$4.1 billion. The total amount of allocations available for the fifth allocation application round in 2007 will be \$3.9 billion, thus it is likely that we will receive slightly fewer respondent applications (245 projected) for the 2007 allocation application round than in the 2006 allocation application round.

16. Plans for information tabulation and publication

Confidential or proprietary information collected through the allocation application will not be published.

17. Reasons for not displaying expiration date of OMB approval

Not applicable.

18. Explanation of exceptions to certification statement

Not applicable.

B. Collections of Information Employing Statistical Methods

This section is not applicable.