

Supporting Statement for the New Markets Tax Credit Program
Allocation Tracking System, 1559-0024

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 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 Community Development Entity (CDE) and submit an allocation application to the Fund. Via a competitive process, the CDFI Fund awards NMTC allocation awards to select CDEs, based upon information submitted in their NMTC Allocation Application. Entities receiving a NMTC allocation must enter into an allocation agreement with the Fund. The allocation agreement contains the terms and conditions, including all reporting requirements, associated with the receipt of a NMTC allocation. The Fund requires each allocatee to use an electronic data collection and submission system, known as the allocation tracking system (ATS), to report on the information related to its receipt of a Qualified Equity Investment (QEI).

The Allocation Tracking System (ATS) will enhance the Allocatee's ability to report such information to the Fund in a timely fashion. This information will also be used by the Treasury Department (including both the CDFI Fund and the Internal Revenue Service (IRS)) to: (1) monitor the issuance of QEIs to ensure that no Allocatee exceeds its allocation authority; (2) ensure that QEIs are issued within the timeframes required by the NMTC Program regulations and the legal agreements signed between the CDFI Fund and the Allocatee; and (3) assist with NMTC Program evaluation efforts.

2. Method of collection and use of data

The data will be collected electronically by mandatory submission from those entities that have received a NMTC allocation award. The collected data will be used by the CDFI Fund for the purposes outlined under #1 above.

3. Use of Information Technology

ATS will be made available on the CDFI Fund's website, via a secure Internet portal that requires password entry. The CDFI Fund will only accept data using the electronic method set forth in ATS. This will facilitate the collection of consistent data from all Allocatees, and will clearly articulate to Allocatees the data that is required for submission.

4. Efforts to identify duplication

ATS 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.

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

The CDFI Fund cannot administer the NMTC Program, monitor timely usage of tax credit allocation awards, and fulfill its statutory obligations without the collection of data through ATS.

7. Circumstances requiring special information collection

Information collection may occur more often than quarterly. An Allocatee will report information in ATS on a per event basis. An event occurs when an investor places a QEI into the Allocatee. Because an Allocatee can issue a QEI at any point in time during a calendar year, it is possible that certain Allocatees may provide information to the CDFI Fund more frequently than quarterly.

Respondents will have to retain records for longer than 3-years. Allocatees are required to retain documentation to verify any information submitted to the CDFI Fund via ATS for the length of their compliance period, pursuant to their NMTC allocation award. By statute, a QEI must stay invested in a CDE for at least 7-years. Therefore, the record retention associated with ATS data submission will extend beyond 3 years.

8. Solicitation of comments on information collection

Pursuant to the notice and request for comments published in the Federal Register on March 1, 2010. See 75 FR 9275. The CDFI Fund received the following comments from Enterprise Community Investment, Inc.:

Comment	CDFI Fund Response
<p>1. Recommended that the CDFI Fund clarify “entity type”, and how a CDE should respond if the entity investing in the QEI is a pass-through investment fund.</p>	<p>The CDFI is in the process of developing enhancements to ATS. Part of the redesign is to revise the listed “entity type” and include an option for “investment fund.”</p>
<p>2. Recommend that the CDFI Fund clarify what is “anticipated rate of return” and ask for the overall, after tax rate of return for the NMTC investor/claimant.</p>	<p>The CDFI Fund will update the ATS User Manual to better define what is meant by “anticipated rate of return” including specific criteria use to determine rate of return. This should establish consistency in the reported data.</p>

<p>3. Recommend that the CDFI Fund clarify what is meant by the amount of debt and equity contributed to the QEI as this information varies depending on timing. Also, recommend that if there is a material change to the make-up of the QEI after it is recorded in ATS, that the CDE be allowed and be required to update this information ATS.</p>	<p>The CDFI Fund will update the ATS User Manual to better define what is meant by “debt” and “equity” capital contributing to QEI including guidance as to what point in time is the data derived. Currently, CDEs via a written request to the CDFI Fund have an opportunity to correct QEI information.</p>
<p>4. Recommend that the method of saving information be revised to allow data input before receiving an error message for incomplete information.</p>	<p>The CDFI is in the process of developing enhancements to the ATS system and will assess various options for data entry, storage and retrieval to facilitate usability of the system.</p>
<p>5. Recommend that CDEs be allowed to update submitted QEI data in cases where the QEIs are being sold by the original investor to a new investor. Further recommend that the changes require additional support or approval before being made.</p>	<p>The CDFI Fund is in the process of developing enhancements to ATS system and is exploring various ways to capture changes in QEI investors. However, any attempt to capture this data will be forward looking as it would be burdensome to request this information for previously reported QEIs.</p>
<p>6. Recommend that the ATS data conform to the IRS Form 8874-A used to notify IRS of QEI issuances.</p>	<p>The CDFI Fund is exploring ways to conform ATS data to IRS Form 8874-A. To that end, two datapoints are now required; name and EIN of the affiliate or subsidiary entity for which the issuing CDE files a consolidated tax return.</p>

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 CDFI Fund expects responses from the 495 entities for a total of 5,940 annual burden hours for the data collection. The reporting and recordkeeping requirements per response are 12 hours per respondent.

The two ICs reflect the two different groups of affected public; private sector and state, local and tribal governments. The collection instrument is the same for each category of affected public.

No. of Respondents	No. Responses Per Respondent	Total Annual Responses	Hours per Response	Total Burden
495	1	495	12	5,940

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 maintain the electronic system, review the data submitted for compliance and evaluation purposes, and collect follow-up information from applicants.

15. Any program changes or adjustments

This is a revision of a currently approved collection. The revision associated with this collection is due to an increase of the number of allocatees (respondents) to reflect current numbers from recent NMTC Program Allocation rounds from 170 to 495.

16. Plans for information tabulation and publication

Confidential or proprietary information collected through ATS will not be published.

17. Reasons for not displaying expiration date of OMB approval

The display of the OMB expiration date would cause confusion by respondents due to the limit timeframe in which the information reported. It is requested not to display this expiration date.

18. Explanation of exceptions to certification statement

Not applicable.

B. Collections of Information Employing Statistical Methods

This section is not applicable.