

Community Development Financial Institutions Fund, Department of the Treasury

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

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 (NMTC). Pursuant to IRC section 45D, the Community Development Financial Institutions (CDFI) Fund implements the 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 CDFI 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 CDFI Fund. The allocation agreement contains the terms and conditions, including all reporting requirements, associated with the receipt of a NMTC allocation. The CDFI 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 ATS will enhance the Allocatee's ability to report such information to the CDFI 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. Changes to the data collection are also driven by recommendations made by U.S. Government Accountability Office and Office of Inspector General (OIG) in their evaluation of the NMTC program.

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 number 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 agreement. 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 June 14, 2012 (See 77 Federal Register 35754), the CDFI Fund received the following comment from Novogradac and Company LLP:

Comment	CDFI Fund Response
<p>Recommended removing data point on identifying new NMTC claimants when original investor sells its interest in a CDE as such information may not be readily available if the CDE does not have an ownership interest in the investment fund.</p>	<p>The inclusion of this new data point resulted from recommendations made by United States Government Accountability Office in its January 2007 report (GAO-07-296) in which the CDFI Fund and IRS were urged to explore options for monitoring investor compliance and developing a way to identify NMTC claimants, even in instances where the original investor sells its equity share in a CDE. This new requirement will impact only those CDEs with allocations awarded in the CY2012 round and later. Furthermore, the CDFI Fund believes that only a subset of the eighty-five CY2012 allocatees, those engaged in tax credit syndication, would have to report on new NMTC claimants due to changes in ownership interest at the investment fund level. The CDFI Fund believes the need for this data outweighs the administrative burden created for this small subset of NMTC allocatees.</p>

Community Development Financial Institutions Fund, Department of the Treasury

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 18 hours per respondent annually (estimate of one and one-half hour data entry session per month per respondent) for the 85 allocatees in the CY2012 allocation round. The total hour burden of this information collection is estimated at 12 hours per respondent annually (estimate of one hour data entry session per month per respondent) for the 658 allocatees in all other allocation round. In sum, the CDFI Fund expects responses from the 743 entities for a total of 9,426 annual burden hours for the data collection. For recent allocatees starting with the CY2012 allocation round, the total hour burden per respondent is expected to increase as the full QEI structure will be reported, as well as, the reporting of future changes to QEI investors and claimants. The number of respondents is also expected to increase as new allocation rounds are added.

		# Respondents	# Responses Per Respondent	Annual Responses	Hours Per Response	Annual Burden Hours
State, Local, & Tribal Governments	CY 2012	17	12	204	1.5	306
	Pre-CY 2012	132	12	1,584	1.0	1,584
	Totals	149	12	1,788	1.06	1,890
Private Sector: Businesses and Other For-Profits; Not-for-profit Institutions	CY 2012	68	12	816	1.5	1,224
	Pre-CY 2012	526	12	6,312	1.0	6,312
	Totals	594	12	7,128	1.06	7,536
ICR Totals		743		8,916		9,426

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 Federal Government is the CDFI Fund staff and contractor time required to maintain the electronic system, to review the data submitted for compliance and evaluation purposes, and to collect follow-up information.

15. Any program changes or adjustments

The increase in the number of responses is partially due to an adjustment in the estimate to correct the annual response per respondent from 1 @ 12 hours per to 12 @ 1 hour per. The increase in burden hours is primarily due to additional allocatees (respondents) from recent NMTC Program Allocation rounds. The increase of 2,976 hours is due to adjustments in estimates.

Total hour burden per respondent is expected to increase as the full QEI structure will be reported, as well as, the reporting of future changes to QEI investors and claimants. This increase is only applicable to CY2012 allocatees. This program change of an additional 510 hours is attributed to agency discretion.

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

Display of the expiration date of the OMB approval may create confusion when respondents are required to provide required information. Non-display of OMB expiration date is requested.

18. Explanation of exceptions to certification statement

Not applicable.

B. Collections of Information Employing Statistical Methods

This section is not applicable.