



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Supporting Statement
Markets Tax Credit (NMTC) Program Application
1559-0016

A. Justification

1. Circumstances necessitating collection of information

The Department of the Treasury, through the Community Development Financial Institutions Fund (CDFI Fund), Internal Revenue Service, and Office of Tax Policy, administers the New Markets Tax Credit Program (NMTC Program). In order to claim the NMTC, taxpayers make Qualified Equity Investments (QEIs) in Community Development Entities (CDEs) and substantially all of the QEI proceeds must, in turn, be used by the CDE to provide investments in businesses and real estate developments in low-income communities and other purposes authorized under the statute.

The CDFI Fund collects data from prospective NMTC Program Applicants once per allocation round by means of an online NMTC Program Allocation Application (hereby, the Application or Applications). As required by the Paperwork Reduction Act (PRA), the CDFI Fund invited the general public and other federal agencies to comment on the proposed and/or continuing information collection for the calendar year (CY) 2024 – 2026 allocation rounds. In response to the request for comment, the CDFI Fund received 46 responses from 44 organizations. The NMTC Program Application was updated based upon the CDFI Fund's review and adjudication of the public comments.

Most changes were made to provide more clarity and reduce burden for intended users. The information collected will be used to select awardees, based on a merit-based selection process. The requested information is required by the NMTC Program Authorization (26 CFR § 1.45D-1) and respective Notice of Allocation Availability (NOAA).

2. Method of collection and use of data

The CDFI Fund will collect data once per allocation round by means of the voluntary submission of an online application. Applicants must complete and upload all application materials through a CDFI Fund-managed web-based application portal. The CDFI Fund uses the data collected to determine Award Recipients and applicable award amounts. The award selection process and award amount criteria are described in the respective Notice of Allocation Availability.

3. Use of Information Technology

Only electronic applications are accepted. All application materials must be submitted in the CDFI Fund-managed web-based application portal.

4. Efforts to identify duplication

The NMTC Program Application makes every effort to avoid requesting duplicate data by pulling data from existing organizational profiles such as addresses, Employer Identification Numbers, CDFI and CDE certification information, etc. whenever possible.

5. Impact on small entities

This collection of information is not expected to have a significant impact on small entities.

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

The CDFI Fund cannot meet its statutory requirement to make funding decisions based on data received from Applicants without the NMTC Program Application form. The NMTC Program Authorization (USC Title 26 CFR § 1.45D-1) limits the extent to which the burden can be reduced.

7. Circumstances requiring special information collection

There are no special circumstances. The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.6.

8. Solicitation of comments on information collection

Comments on the NMTC Program Application were solicited in the *Federal Register* on February 23, 2024 (89 FR 13801). The CDFI Fund received 46 letters from the public, containing 468 individual comments in response to this request. Comments on the NMTC Program Application were specifically requested on: (a) the need for the CDFI Fund to collect the information; (b) the burden estimate; (c) ways to enhance the quality, utility and clarity of the information; (d) ways to minimize the burden; and (e) the cost of providing the information. These comments and CDFI Fund responses are included in a separate appendix.

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 applicable federal laws and regulations with respect to confidentiality of information supplied in the NMTC Program Application process. No other assurances of confidentiality have been provided.

11. Justification of sensitive questions.

No personally identifiable information is collected.

12. Estimate of the hour burden of information collection.

The estimated total number of burden hours for the CY 2024 – 2026 NMTC Program Application is 60,121 and the estimated cost to Applicants is a total of \$4,933,480. This estimate is based on 197 Applicants which is the average number of NMTC Program Applications received over the past three years and the average annual hour burden per application of 305 hours per Applicant. The estimated hour burden is based on an average of application data collected in the CY 2021, 2022 and 2023 NMTC Program Application. The estimated total number of burden hours is based on actual data collected in prior years.

Of the 197 applicants, 173 were private sector respondents while the remaining 24 were State, Local, or Tribal Government respondents. The estimate of cost per hour to respondents is based on Bureau of Labor Statistics data for Employer Costs for Employee Compensation for private workers and for government workers by occupational and industry group (released March 2024), the total compensation including wages and benefits for management, professional and financial private industry and government workers at a total hourly compensation of \$93.30¹ and \$72.72², respectively

Affected Public	# Respondents	# Responses Per Respondent	Total Annual Responses	Average Hours Per Response	Total Hours	Time Value (per hour)	Monetized Burden Hours
Private Sector	173	1	173	306	53,070	\$83.30	\$4,420,731
State, Local, & Tribal	24	1	24	293	7,051	\$72.72	\$ 512,749
Totals	197	1	197		60,121		\$4,933,480

The previous estimate of 64,614 was based on receiving an average of 209 Applicants in CY 2018, 2019 and 2020 NMTC Program Applications and 309 average annual hour burden per application. The average number of Applicants and average annual hour burden are lower than the prior estimate. Both averages have stabilized since the last PRA approval. The CDFI Fund has made efforts to further minimize the collection burden following the 2020 Paperwork Reduction Act (PRA) review of the application by updating the 2021 Application, clarifying guidance and instructions, improving the application submission process, and by implementing technological changes.

The frequency of response is one time per calendar year, per Applicant. The CDFI Fund notes that hour burden per application can vary based on the resources an Applicant allocates to application preparation and how they chose to respond to questions in the application.

13. Estimate of total annual cost burden to respondents

It is not expected that this information collection will have a cost burden to respondents other than the hour burden described in item number 12. The CDFI Fund notes that no purchase of equipment or services is required in order to complete the application.

¹ The hourly rate is based on the Bureau of Labor Statistics “Table 4. Employer Costs for Employee Compensation for private workers by occupational and industry group” (released March 2024), the total compensation including wages and benefits for management, professional and financial private industry workers is \$83.30. Link to the Bureau of Labor Statistics wage data report: <https://www.bls.gov/news.release/ecec.t04.htm>

² The hourly rate is based on the based on Bureau of Labor Statistics “Table 3. State and Local government workers by occupational and industry group” (released March 2024), the total compensation including wages and benefits for management, professional and financial private industry workers is \$72.72. Link to the Bureau of Labor Statistics wage data report: <https://www.bls.gov/news.release/ecec.t03.htm>

14. Estimate of annualized cost to the Government

The cost to the federal government is the CDFI Fund staff and contractor time required to develop the application, review submitted applications, and report the results. The estimate of annualized cost to the federal government is \$2,730,315. This estimate is based on projected federal employee labor costs of \$1,659,560 and federal contractor services of \$1,070,755. The federal employee labor costs reflect loaded rates by GS level and based on an estimated 15,810 labor hours. Federal contractor services consist of an Information Technology contract expected to be approximately \$641,710 and an Application Reviewer Services contract of \$429,045. Federal contractor services estimates reflect most recent (Fiscal Year 2023) amounts and are not expected to change.

15. Any program changes or adjustments

The NMTC Program has proposed minor changes to the CY 2024 – 2026 NMTC Program Application, compared to the NMTC Program Application approved in 2021, to collect necessary information for the CDFI Fund to make allocation award determinations. Aside from these changes, the CY 2024 – 2026 NMTC Program Application is similar to what was approved in 2020 for use in the CY 2021 – 2023 Application rounds.

Revisions to the NMTC Program Application include: (1) updates to targeted areas of higher distress; (2) revisions to existing questions to better understand how and the extent to which Applicants are accountable to the communities they serve and engage them in making investment decisions; (3) additional clarifications for Applicants that intend to invest in or provide loans to other Community Development Entities; (4) reduction in the number and scope of questions, and the elimination of two tables in the Capitalization Strategy section in order to streamline it and reduce Applicant and administrative burden; (5) reduction in character limits and question scope for several questions in the Management Capacity section also to reduce Applicant and administrative burden; (6) the elimination of a question about past underwriting and due diligence activities that was included in the previous version of the application; and (7) updated CDE Certification requirements which now would only allow Applicants, who are certified as a CDE as of the date the NOAA is published in the Federal Register, to apply for an allocation.

16. Plans for information tabulation and publication

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

17. Reasons for not displaying expiration date of OMB approval

The CDFI Fund will display the expiration date of the OMB approval on the application form.

18. Explanation of exceptions to certification statement

There are no exceptions to the certification statement.