The following is some Internet research I've pulled together since the New Cities conference that may help. –Pegeen

From: http://www.impactseven.org/NMTC_FAQ.htm

Frequently Asked Questions About New Markets

The New Markets Tax Credits (NMTC) program has created a buzz in the community economic development field and in the investor arena throughout the country. Investors, financiers, community leaders, and business owners are all interested in how the program works and how it might benefit them.

This list of questions is Impact Seven's attempt to answer the questions we have received to date. We will continue to add new FAQs as they arise. If you have any further questions, please do not hesitate to contact Impact Seven Business Developer Angela Kazmierski at (715) 357-3334

What is the NMTC?

Part of the Community Renewal Tax Relief Act of 2000, the New Markets Tax Credit Program will spur approximately $15 billion in investments into privately managed investment institutions. In turn, these privately managed investment institutions, or Community Development Entities (CDEs), will make loans and capital investments in businesses in underserved areas. By making an investment in a CDE, an individual or corporate investor can receive a tax credit worth 39 percent (30 percent net present value) of the initial investment, distributed over 7 years, along with any anticipated return on their investment in the CDE.

How does the NMTC Program work?

The NMTC Program permits taxpayers to claim a credit against Federal income taxes for Qualified Equity Investments (QEIs) made to acquire stock or a capital interest in designated Community Development Entities (CDEs). These designated CDEs must use substantially all (defined as 85 percent) of these proceeds to make Qualified Low-Income Community Investments (QLICIs).

The investor, or a subsequent purchaser, is provided with a tax credit claimed over seven years. The investor receives a tax credit equal to five percent of the total amount paid for the capital interest or stock purchase over the first 3 years. For the final four years, the value of the tax credit is six percent annually.

The Community Development Financial Institutions Fund (CDFI Fund) certifies CDEs on an ongoing basis, and allocates NMTC Allocations annually to select CDEs through a competitive application process. Impact Seven is a qualified CDE, and is currently awaiting decision on its pending NMTC Allocation application, which will be facilitated through for-profit subsidiary CDEs created by Impact Seven specifically for its NMTC program.

There is additional useful information about the New Markets Tax Credit Program at:

http://www.newmarketstaxcreditcoalition.org/reportsETC/reports.frameset.htm

Historic Preservation Tax Credit Program

http://www.cr.nps.gov/hps/tps/tax/IRSanswers.htm#a

TAX ASPECTS OF HISTORIC PRESERVATION FREQUENTLY ASKED QUESTIONS & ANSWERS

Prepared by: **Mark Primoli, Internal Revenue Service**

ANSWERS

Who can claim a rehabilitation tax credit?

The rehabilitation tax credit is available to the person(s) and/or the entity who holds title to the property.

How can property owned by a tax exempt entity utilize rehabilitation tax credits?

The rehabilitation tax credit would be of no use to a tax exempt entity. However, in many instances, tax exempt entities are involved in rehabilitation projects by forming a limited partnership and maintaining a minority ownership interest as a general partner. In these situations, the limited partners would be entitled to the rehabilitation tax credit and the tax exempt entity is able to ensure that their organizational goals are being met.

Can a taxpayer incur and claim additional rehabilitation costs in a taxable year after the year in which the rehabilitation credit was originally claimed?

The rehabilitation tax credit is 20% of the qualified rehabilitation expenditures incurred before and during, but not after, a taxable year in which the property, or a portion thereof, was placed in service. Remedial work, or expenses necessary to obtain final approval by the National Park Service, will qualify provided the substantial rehabilitation test period includes these costs. It is possible that an additional rehabilitation credit would be allowable on a new project within the same property as long as that project involves a portion of the building that was not placed in service.

Can the rehabilitation tax credit be bought and sold?

The rehabilitation tax credit, by itself, cannot be bought or sold. The rehabilitation tax credit is only available to the person or entity who holds title to the property. There can be no transfer of the credit without the requisite ownership. Syndication through limited partnerships is allowed and is a common tool to bring investors into rehabilitation projects.

Treasury Regulation 1.48-12(b)(2)(B)(vii) does allow the transfer of qualified rehabilitation expenditures to a new owner provided the previous owner did not place the property in service.

What are some expenses that qualify for the rehabilitation tax credit?

Any expenditure for a structural component of a building will qualify for the rehabilitation tax credit. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes, and other components related to the operation or maintenance of the building.

In addition to the above named "hard costs", there are "soft costs" which also qualify. These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account.

What is the tax effect of grant proceeds on rehabilitation tax credit projects?

Taxpayers who receive grants must first determine if the proceeds are taxable or non-taxable. If the grant money is taxable, the taxpayer has basis and the rehabilitation tax credit will be allowed on expenditures made with this money.

If the grant money is not taxable, taxpayers will have no basis and the rehabilitation tax credit cannot be claimed on the expenditures incurred with these proceeds.

Can a lessee of a building or a portion of the building claim a rehabilitation tax credit?

If a lessee incurs the cost of rehabilitating a building and the lease term is greater than the recovery period determined under Internal Revenue Code Section 168(c), (39 years for non-residential real property, 27.5 years for residential rental), the lessee can claim the rehabilitation tax credit on qualified rehabilitation expenditures provided the substantial rehabilitation test is met.

A building owner, who incurs the cost of rehabilitating an historic structure, can elect to pass the rehabilitation tax credit to its lessee(s) provided the owner is not a tax exempt entity. See Internal Revenue Code Section 48(d) and 50(d)(5).

A tax exempt entity cannot pass the rehabilitation tax credit to its lessee(s) because Treasury Regulation 1.48-4(a)(1) requires that the property must be Section 38 property in the hands of the lessor; that is, it must be property with respect to which depreciation is allowable to the lessor.

Energy Efficiency Tax Credits
http://www.energystar.gov/index.cfm?c=products.pr_tax_credits#8

Tax Credits for Consumers:

Home Improvements

The Internal Revenue Service (IRS) has provided guidance for consumers: IRS Notice 2006-26 EXIT
ENERGY STAR is studying IRS guidance and will update this website with updates soon.

Tax credits are available for many types of home improvements including adding insulation, replacement windows, and certain high efficiency heating and cooling equipment. See chart. The maximum amount of homeowner credit for all improvements combined is $500 during the two year period of the tax credit. This tax credit applies to improvements made from January 1, 2006 through December 31, 2007.

Efficient Cars

Tax credits are available to buyers of hybrid gasoline-electric, diesel, battery-electric, alternative fuel, and fuel cell vehicles. The tax credit amount is based on a formula determined by vehicle weight, technology, and fuel economy compared to base year models. These credits are available for vehicles placed in service starting January 1, 2006. For hybrid and diesel vehicles made by each manufacturer, the credit will be phased out over 15 months starting after that manufacturer has sold 60,000 eligible vehicles. For vehicles made by manufacturers that have not reached the end of the phase-out, the credits will end for vehicles placed in service after December 31, 2010.

Solar Energy Systems

Tax credits are available for qualified solar water heating and photovoltaic systems. The credits are available for systems "placed in service" in 2006 and 2007. The tax credit is for 30 percent of the cost of the system, up to $2,000. This credit is not limited to the $500 home improvement cap.

Fuel Cells

There is a consumer tax credit of up to 30% of the cost (up to $500 per 0.5 kW of capacity maximum) for installing a "qualified" fuel cell and microturbine systems. The credits are available for systems "placed in service" in 2006 and 2007. This credit is not limited to the $500 home improvement cap.

ENERGY POLICY ACT OF 2005
SUMMARY OF TAX CREDITS FOR HOMEOWNERS

Product Category	Product Type	Tax Credit Specification	Tax Credit	Notes
Windows & Doors	Exterior Windows and Skylights	ENERGY STAR qualified OR meets IECC[1]	10% of cost, up to $200[2] for all windows, skylights and storm windows	All ENERGY STAR labeled windows and skylights qualify for tax credit. Installation costs are not included. Learn more about ENERGY STAR qualified windows and skylights. • For tax purposes, save your receipt and either the ENERGY STAR label from all your new windows OR the Manufacturer's Certification Statement.
	Storm Windows	Meets IECC[1] in combination with the exterior window over which it is installed, for the applicable climate zone	10% of cost, up to $200[2] for all windows, skylights and storm windows	Manufacturer Certification Statement[3] will list classes of exterior window (single pane, clear glass, double pane, low-E coating, etc.)[4] that a product may be combined with to be eligible in specific climate zones. • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.

	Exterior Doors	Meets IECC[1]	10% of cost, up to $500[2]	ENERGY STAR doors will almost always qualify, except for certain parts of California[4]. Installation costs are not included. Learn more about ENERGY STAR qualified doors. • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
	Storm Doors	In combination with a wood door assigned a default U-factor by the IECC[1], and does not exceed the default U-factor requirement assigned to such combination by the IECC	10% of cost, up to $500[2]	Eligibility will be confirmed by manufacturer and documented in the Manufacturer Certification Statement[3] • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
Roofing	Metal Roofs	ENERGY STAR qualified	10% of cost, up to $500[2]	All ENERGY STAR labeled metal roofs qualify for the tax credit. • Must be expected to last 5 years OR have a 2 year warranty. • Installation costs are not included. • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
Insulation	Insulation	Meets 2000 IECC & Amendments	10% of cost, up to $500[2]	• For insulation to qualify, its primary purpose must be to insulate. (example: vapor retarders are covered, siding does not qualify). • Must be expected to last 5 years OR have a 2 year warranty • Installation costs are not included. • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.

HVAC	Central A/C	EER 12.5/SEER 15 Split Systems EER 12/SEER 14 Package systems	$300[2]	For a list of qualified products, go to the Consortium for Energy Efficiency product directory EXIT , click on the Air Conditioners and in the "CEE Tier" enter "Residential Tier 2." Note - not all ENERGY STAR products will qualify for the tax credit. The ENERGY STAR specification is: EER 11.5/ SEER 14 Split systems EER 11/SEER 14 Package systems • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
	Air Source Heat Pumps	HSPF 9 EER 13 SEER 15	$300[2]	Note - not all ENERGY STAR products will qualify for the tax credit. The ENERGY STAR specification is: HSPF 8.2 EER 11.5 SEER 14 Split systems HSPF 8 EER 11 SEER 14 Package systems • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
	Geo-Thermal Heat Pump	Same criteria as ENERGY STAR: EER 14.1 COP 3.3 Closed Loop EER 16.2 COP 3.6 Open Loop EER 15 COP 3.5 Direct Expansion	$300[2]	All ENERGY STAR labeled geo-thermal heat pumps qualify for the tax credit. • Manufacturer's Certification Statement[3] required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.

	Gas, Oil, Propane Furnace or Hot Water Boiler	AFUE 95 for both furnaces and boilers	$150²	For a list of qualifying products go to the Gas Appliance Manufacturing Association EXIT Note - not all ENERGY STAR products will qualify for the tax credit. The ENERGY STAR specification is: AFUE 90 for furnaces AFUE 85 for boilers • Manufacturer's Certification Statement³ required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
	Advanced Main Air Circulating Fan	No more than 2% of furnace total energy use	$50²	For a partial list of qualifying products go to the Gas Appliance Manufacturing Association EXIT • Manufacturer's Certification Statement³ required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
Water Heaters	Gas, Oil, Propane Water Heater	Energy Factor 0.80	$300²	Only some tankless water heaters currently qualify. This is over 33 percent more efficient than the current federal standard. For a partial list of qualifying products go to the Gas Appliance Manufacturing Association EXIT . • Manufacturer's Certification Statement³ required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
	Electric Heat Pump Water Heater	Energy Factor 2.0	$300²	This is more than twice as efficient as the current federal standard. • Manufacturer's Certification Statement³ required. • For tax purposes, save your receipt and the Manufacturer's Certification Statement.
Cars	Cars	Hybrid gasoline-electric, diesel, battery-electric, alternative fuel, and fuel cell vehicles	Based on a formula determined by vehicle weight, technology, and	Guidance for auto manufacturers EXIT is available from IRS. There is a 60,000 vehicle limit per manufacturer before a phase-out

			fuel economy compared to base year models	period begins. Consumers who buy from companies that already sell large numbers of qualifying vehicles will experience a relatively short "window of opportunity" for the credits.
Solar Energy Systems	Solar Water Heating	• At least half of the energy generated by the "qualifying property" must come from the sun. Homeowners may only claim spending on the solar water heating system property, not the entire water heating system of the household. • The credit is not available for expenses for swimming pools or hot tubs. • The water must be used in the dwelling. • The system must be certified by the Solar Rating and Certification Corporation (SRCC).	30% of cost, up to $2,000	
	Photovoltaic Systems	Photovoltaic systems must provide electricity for the residence, and must meet applicable fire and electrical code requirement.	30% of cost, up to $2,000	
Fuel Cells	Fuel Cells	Efficiency of at least 30% and must have a capacity of at least 0.5 kW.	30% of the cost, up to $1000 per kW of power that can be produced	

[1]Either the 2001 Supplement of the 2000 International Energy Conservation Code or the 2004 Supplement of the 2003 International Energy Conservation Code.

[2]Subject to a $500 maximum per homeowner for all improvements combined.

[3]A Manufacturer's Certification is a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit. The IRS encourages manufacturers to provide these Certifications on their website to facilitate identification of qualified products. Taxpayers must keep a copy of the certification statement for their records, but do not have to submit a copy with their tax return.

[4]Additional information on exterior window features may be viewed at Anatomy of an Energy Efficient Window.

Tax Credits for Home Builders:

The Internal Revenue Service (IRS) has provided the following guidance regarding the tax credits for constructing energy efficient new homes available under the Energy Policy Act of 2005:

- **IRS Notice 2006-27 EXIT provides guidance for the credit for building energy efficient homes other than manufactured homes.**
- **IRS Notice 2006-28 EXIT provides guidance for the credit for building energy efficient manufactured homes.**

The tax credit information provided below is based on information contained in the Energy Policy Act of 2005. The IRS guidance provides specific information that home builders and housing manufacturers can rely on to take action to claim the tax credits. ENERGY STAR will study the IRS publications and provide updates as necessary.

Home builders are eligible for a $2,000 tax credit for a new energy efficient home that achieves 50 percent energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. At least 1/5 of the energy savings must come from building envelope improvements. This credit also applies to contractors of manufactured homes conforming to Federal Manufactured Home Construction and Safety Standards.

There is also a $1,000 tax credit to the producer of a new manufactured home achieving 30 percent energy savings for heating and cooling over the 2004 IECC and supplements (at least 1/3 of the savings must come from building envelope improvements), or a manufactured home meeting the requirements established by EPA under the ENERGY STAR program.

Please note that, with the exception of the tax credit for an ENERGY STAR qualified manufactured home, these tax credits are not directly linked to ENERGY STAR. Therefore, a builder of an ENERGY STAR qualified home may be eligible for a tax credit but it is not guaranteed.

These tax credits apply to new homes located in the United States whose construction is substantially completed after August 8, 2005 and that are acquired from the eligible contractor after December 31, 2005 and before January 1, 2008, for use as a residence.

Tax Credits for Manufacturers:

While not directly affecting consumers, manufacturers of energy efficient clothes washers, dishwashers and refrigerators are eligible for tax breaks themselves, which may lead to increased availability and a reduction in prices for these energy-saving appliances:

- ENERGY STAR qualified dishwashers that meet ENERGY STAR's 2007 specification.
- ENERGY STAR qualified clothes washers that meet ENERGY STAR's 2007 specifications.
- Refrigerators that are more efficient than 2001 federal energy conservation standards

Tax Deductions for Commercial Buildings:

A tax deduction of up to $1.80 per square foot is available to owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to $.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These deductions are available for buildings or systems placed in service from January 1, 2006, through December 31, 2007.

- Brochure for Commercial Tax Deductions (52KB)