

MAY 13-15,

**09**

REZNICK GROUP'S

# 8th Annual New Markets Tax Credit Summit

Loews Miami Beach Hotel, Miami, FL

2009 CONFERENCE SERIES



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Tax Credit Summit**

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Pre-Conference NMTC Workshop  
“Standard Fees Seen in NMTC Deals”

Scott Szeliga  
Principal, Reznick Group

## Types of Fees Being Paid

- Sponsor Fees
- Syndication/cost of raising capital
- Organization fees
- Finance/loan fees
- Asset management fees (includes loan servicing)
- Compliance management fees
- Back End Fee

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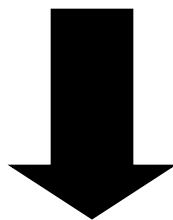
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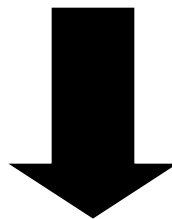
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What are Typical Fee Ranges in Today's Market?



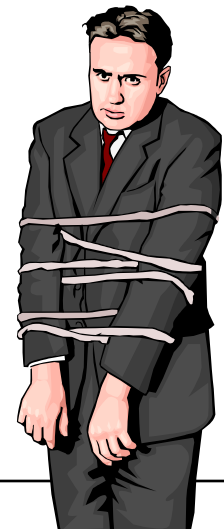
Cumulative fees 5-10% of QEI over 7-year life



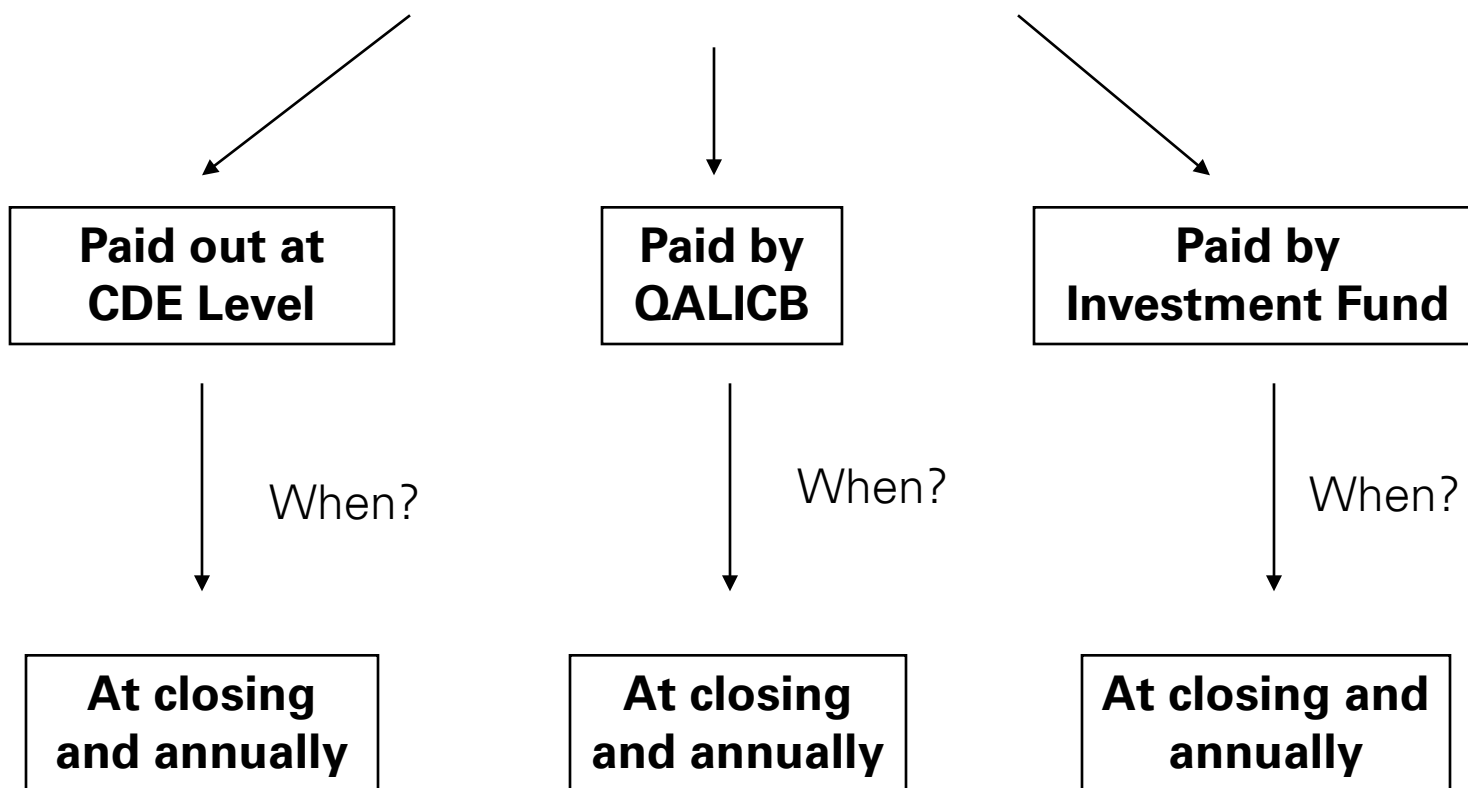
Often tied to the size of the deal

## What is Causing Fees to be Restricted in the Industry?

- Application lock-ins.
- Investor yield requirements.
- Need for more benefits to be pushed down to QALICB.
- Overall industry pressures.



## How and When are NMTC Fees Paid



## How are These Fees Being Accounted For (Tax Basis vs. Book)?

- Sponsor fees- amortized over 7-year compliance period.
- Syndication/cost of raising capital- offset against investors capital account
- Organization fees- amortized over 15 years vs. deduct in year one.
- Finance/loan fees- amortize over life of loans.
- Asset management fees- (includes loan servicing)- deduct as incurred.
- Compliance management fees- amortized over 7-year compliance period.

## Tax and Programmatic Issues

- Fees paid by QALICB must be “reasonable” for services provided (e.g. finance fee)
- Fees paid at back end may be deemed a liability on day-one and deferred revenue to recipient.
- Language in the Fee and Operating Agreements will dictate how to deduct fees not projections (often find inconsistency).
- Keep in mind how a fee is described will dictate how income is recognized by recipient.