

Michael S Barr: Supporting investment in communities - the first 25 years of the New Markets Tax Credit

Speech by Mr Michael S Barr, Member of the Board of Governors of the Federal Reserve System, at the 2025 Fall New Markets Tax Credit Conference, New Orleans, Louisiana, 23 October 2025.

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Thank you for asking me to be part of this celebration of 25 years of the New Markets Tax Credit (NMTC) and also the historic achievement of its permanent extension.¹ I consider the credit a great achievement for communities all across the United States. I'm honored to be here with you celebrating its legacy of bringing jobs and opportunity to lower-income communities-a lasting impact that benefits all Americans.

Before I talk about the NMTC itself, let's go back and remember some history of how it came about. In the 1990s, there was a lot of partisan conflict about federal anti-poverty programs. President Clinton believed there should be some common ground on some ways to fight poverty, and the New Markets Initiative was one of them. At the time, America was trying to create jobs by opening up markets abroad for U.S. exporters, and what became the NMTC was dedicated to the idea that there were also promising new markets to invest in right here at home, in underinvested communities.

I still remember fondly one trip I took with the President to highlight the possibilities for investment in underserved communities. At one stop in Clarksdale, Mississippi, in a sweltering furniture factory we heard from entrepreneurs looking for new capital, from community development financial institutions looking for new sources of capital to help entrepreneurs, and from community lenders looking to grow their local economy. Their enthusiasm was infectious.

One reason the NMTC has succeeded is that, from the beginning, it had very broad support. Lower-income communities in both rural and urban areas had the vision to support economic development but lacked the investment. The comprehensive geographical reach helped the NMTC to have broad bipartisan support. Republicans and Democrats both supported using the tax code to create economic incentives, especially those that incentivize investment intended to create jobs. When the bill passed, a Republican lawmaker who voted for it called the NMTC "the most effective anti-poverty package coming out the federal government-in a generation."² That person was then Representative Jim Talent, who is with us today. While the NMTC quickly proved effective at attracting investment to communities, its biggest challenge was being created as a temporary program-requiring a major effort every few years to secure reauthorization. But now, the NMTC has been permanently enacted. I believe that will usher in a new era of stability for the NMTC and thus growth for investments in low-income communities.

A second reason for the NMTC's support, I believe, was its design as a public-private partnership. Communities are more than the sum of their different parts. They are the product of all these parts working together, and the key to successful community development is designing programs that involve and mobilize every part of a

community. In my experience, the backbone of many successful community development initiatives is the combination of government, groups representing the people of the community, and the businesses that provide most of the jobs and livelihoods in any community. When everyone has a stake in the outcome, that is when good things start happening.

The NMTC is such a public–private partnership. It starts from the ground up-local community development groups and business leaders with a history of commitment to the community are the spur. To work effectively in so many different places with such a broad range of conditions and needs, it has to be a program that really works.

The NMTC succeeds because it is premised on the conviction that there are real investment opportunities in lower-income communities. The belief that there are smart, hard-working, and capable people eager to support a new or expanded enterprise. That there is affordable real estate, in some cases commercial or industrial buildings, and extensive infrastructure that have been underutilized. The conviction that there are communities that will unite to support new businesses as markets themselves for the goods and services these businesses provide.

The 39 percent tax incentive at the heart of the NMTC, paid out over seven years, plays a critical role in attracting investors to these advantages. It's often the critical factor that makes those investments work. The NMTC is the foot in the door for communities trying to get the attention of investors who can start or expand their businesses anywhere. It is the extra incentive that is needed for investors to look under the hood and recognize all the good reasons why a particular community would be a great place to do business. The NMTC unlocks the undercounted, underappreciated potential of so many communities. That's good for investors, good for communities, and good for the U.S. economy. And let me say also—it is just good. Good for an America that believes in opportunity and everyone living up to their potential.

I like to think about what each of those businesses means to the community to which it was brought by the NMTC. Anyone who has done the hard work of economic development in lower-income communities knows that getting such an investment is a huge achievement. It makes communities stand out and says to others that maybe this would be a good place for more investment. I also like to think about what one of those million jobs the NMTC helped to create can mean to the individual who gets it and to their family. Maybe learning a new skill, an entirely new occupation, or even getting a second chance to use skills they already have that perhaps haven't been demanded lately in the community. Such an opportunity can be life changing.

One person whose life was changed by the NMTC and our broader work on community development at the Treasury Department was me. I didn't know exactly what I was going to do when I went to work for Treasury Secretary Bob Rubin in 1995. But they needed someone to help the Treasury empower local communities, and I was thrilled to say yes. And my work over the next six years really did change my life. In every job I have ever had since, inside and outside government, community development has played a significant role. As a professor and dean at the University of Michigan, I wrote about community development and consumer protection and helped launch an initiative to help entrepreneurs in Detroit. When I returned to Washington to help deal with the effects of the Great Financial Crisis, I never forgot, for a moment, how the greatest

harm from that catastrophe was inflicted on lower-income families and their communities. When Congress was writing the Dodd-Frank Act, I pushed hard to ensure it would create new protections for lower- and middle-income borrowers, and I wrote a book about the tenuous finances of lower-income people with no financial slack trying to make their way in the economy.

The Federal Reserve System, which includes our 12 regional Reserve Banks, has a community development mission, and I recently took over responsibility for that function on behalf of the Fed's Board of Governors. The Fed's responsibilities in promoting a healthy economy and strong and stable financial system require that we monitor conditions throughout the United States, and that includes in low-income communities. It has given me the opportunity to connect with community leaders and community development groups all across the country, hear about their challenges, and also their hopes and plans for the future.

This work has reminded me again that America really is its communities and that community development is essential to a thriving and prosperous America. Those are goals that the New Markets Tax Credit has helped advance for a quarter-century, and I am very pleased that this conference can mark the beginning of another 25 years of the NMTC bringing new investment and new opportunity to communities.

Thank you.

¹ The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

² T. Draut, D. Callahan, D. and C. Hawkes, [*Crossing Divides: New Common Ground on Poverty and Economic Security \(PDF\)*](#) (New York: Demos, 2002), 34.