

## Part I

### Section 45D.--New Markets Tax Credit

#### 26 CFR 1.45D-1: New markets tax credit

Rev. Rul. 2010-17

#### ISSUE

For purposes of determining the new markets tax credit allowable under § 45D of the Internal Revenue Code, does the amount of the qualified equity investment made by a limited liability company (LLC) classified as a partnership include cash from a recourse loan to the LLC that the LLC invests as equity in a qualified community development entity?

#### ANALYSIS

Section 45D(a) provides a new markets tax credit to taxpayers who hold a qualified equity investment in a qualified community development entity. Section 45D(b) provides that a qualified equity investment means any equity investment in a qualified community development entity if, among other requirements, the taxpayer acquired the

investment solely in exchange for cash. Rev. Rul. 2003-20, 2003-1 C.B. 465, held that, on the facts presented in that revenue ruling, the amount of the qualified equity investment under § 45D(b) made by an LLC classified as a partnership included cash from a non-recourse loan to the LLC that the LLC invested as equity in a qualified community development entity. The rationale of Rev. Rul. 2003-20 applies equally where the loan is recourse.

#### HOLDING

For purposes of determining the new markets tax credit allowable under § 45D, the amount of the qualified equity investment made by an LLC classified as a partnership includes cash from a recourse loan to the LLC that the LLC invests as equity in a qualified community development entity.

#### EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 2003-20 is amplified.

#### DRAFTING INFORMATION

The principal author of this revenue ruling is Benjamin H. Weaver of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this revenue ruling, contact Benjamin H. Weaver at (202) 622-3050. For information regarding issues under § 45D, contact Julie Hanlon Bolton of the Office of Associate Chief Counsel (Passthroughs & Special Industries) at (202) 622-3040. These are not toll-free calls.