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## **Study: New Markets Tax Credit Design Limitation Leads to Only Modest Impact in Promoting Healthy Lifestyles** *Changes to Tax Policy May Be Needed, Campaign Says*

(Washington, D.C.) A study released today by the Campaign to End Obesity reveals that the New Markets Tax Credit's ability to advance positive health outcomes through increased access to healthy foods and physical activity in underserved communities has been limited since its inception.

Created in 2000 to spur new and targeted investment in low-income communities across the country, the NMTC distributed \$39.5 billion in federal tax credit authority matched by private sector investments in qualifying locations. However, the study finds that less than two percent of these investments have gone toward supermarkets and grocery stores, while funding for recreation and fitness facilities has been even more limited.

The study—authored by Robert Carroll, a principal at Ernst & Young and former Deputy Assistant Secretary of the Treasury for Tax Analysis—notes that NMTC-funded supermarkets and grocery stores have improved access to healthy foods for more than 345,000 Americans, including 197,000 children. By statute, NMTC investments must be awarded to community-based projects in low-income areas, which are often times plagued by limited access to healthy foods, limited opportunities for physical activity and overall poor health outcomes. However, the NMTC's current structure limits the ability of companies to make investments that address those challenges directly.

"The broad nature of the credit makes it difficult to focus its benefits on these types of investments," Carroll said.

The report draws the following conclusions about the current NMTC program:

- ▶ **The NMTC has the potential to increase food and recreation facility access in low-income communities.** Access to healthy foods and recreation facilities within communities can influence diet, body weight, and other health outcomes. Low-income people are less likely to have access to recreation and fitness facilities, and more than 38% of low-income people have limited access to healthy food. The NMTC can be used to help alleviate barriers to healthy food and physical recreation.

- ▶ **Program take up is limited for projects that promote healthy choices.** Until recently, the application process for NMTC allocations included no criteria related to healthy food access and still include no criteria related to recreation and fitness access.
- ▶ **Small projects benefit less.** NMTC transactions are complex and costly, which limits the benefit to smaller projects like supermarkets and community centers.
- ▶ **Opportunity exists for projects that promote healthy choices.** The NMTC's low-cost financing can help businesses expand into underserved areas by allowing them to support themselves on less revenue in smaller markets. A NMTC-funded supermarket could support itself financially on only 89% of the revenue required by a typical supermarket of the same size.

“We are delighted that the NMTC has resulted in some investment in healthy foods and physical activity in communities that badly need them,” said Stephanie Silverman, co-founder of the Campaign and a member of its Board of Directors. “But we also believe that policymakers should consider more intentional tax policies that will address the obesity epidemic more urgently. By driving down obesity rates in at-risk communities, we can generate tremendous health and economic benefits to the nation.”

Support for “The New Market Tax Credit: Opportunities for Investment in Healthy Foods and Physical Activity,” authored by Robert Carroll, was provided by a grant from the Robert Wood Johnson Foundation. The executive summary and full study are available on the Campaign to End Obesity’s website, [www.obesitycampaign.org](http://www.obesitycampaign.org).

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### **About the Campaign to End Obesity**

The effects of the nation’s obesity epidemic are immense: taxpayers, businesses, communities and individuals spend hundreds of billions of dollars each year due to obesity, including an estimated \$168 billion in medical costs. By bringing together leaders from across industry, academia and public health with policymakers and their advisors, the Campaign to End Obesity provides the information and guidance that decision-makers need to make the changes necessary to reverse one of the nation’s costliest and most prevalent diseases.