

**Congress of the United States**  
Washington, DC 20515

January 30, 2006

**VIA FACSIMILE**

Mr. Matthew Joseph  
NMTC Program Manager  
Community Development Financial Institutions Fund  
U.S. Department of the Treasury  
601 13th Street, NW, Suite 200 South  
Washington, DC 20005

**RE: Service-Disabled Veterans and the New Market Tax Credit Program**

Dear Mr. Joseph:

We appreciate and applaud the great work you and your staff have accomplished with the New Markets Tax Credit Program (NMTC). Based on the Advanced Notice of Proposed Rulemaking (ANPR) issued by the Department of Treasury on May 23, 2005, we understand that the CDFI Fund staff is currently considering ways to make the NMTC of broader application by designating certain groups (i.e., targeted populations) as "low-income communities." For the reasons explained below, we believe that one of the new targeted populations under the NMTC should be service-disabled veterans.

As you know, *the American Jobs Creation Act of 2004* (P.L. 108-357) amended Internal Revenue Code (IRC) section 45D(e)(2) to provide that the Secretary shall prescribe regulations under which one or more targeted populations (within the meaning of section 103(20) of *the Riegle Community Development and Regulatory Improvement Act of 1994* (RCDRIA) (12 U.S.C. 4702(20)) may be treated as low-income communities. Under RCDRIA, targeted populations include any "identifiable group of individuals . . . who are low-income persons or otherwise lack adequate access to loans or equity investments." 12 U.S.C. 4702(20).

A study entitled *Entrepreneurship and Business Ownership in the Veterans Population* published in November 2004 for the Small Business Administration (SBA) Office of Advocacy pursuant to the mandate in P.L. 106-50 (*The Veterans Entrepreneurship and Small Business Development Act of 1999*) demonstrates that service-disabled veterans meet the targeted populations definition. This study concluded that access to capital was the number one impediment to veterans' ability to start businesses. Further, service-disabled veterans lacked adequate access to capital at a 50 percent greater rate than the

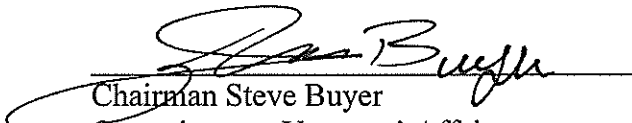
general veteran population (*see* attached Exhibit A). The study emphasized that providing veterans, particularly service-disabled veterans, with adequate access to capital would significantly impact new job creation in the United States.

In P.L. 106-50, Congress recognized that service-disabled veterans have unique needs. In particular, Congress set procurement goals for all federal agencies, whereby at least three percent of all procurement contracts should be allocated to service-disabled veterans. Unfortunately, these goals have not been met by federal agencies, having been severely hampered by existing procurements rules and service-disabled veterans' limited access to capital. Even at the Department of Veterans Affairs, service-disabled veteran procurement contracts fall well short of the three percent goal. Other federal agencies fare much worse.

Because it has been proven that service-disabled veterans lack access to loans or other equity capital, this identified group of individuals should be included as a targeted population for purposes of NMTC. Such inclusion will meet a significant need of the service-disabled population and promote continued job growth in this country.

Thank you for the opportunity to submit these comments to Treasury. Please direct any questions about these comments to John Westmoreland, the House Small Business Committee's tax counsel, at 202-225-5821, or Mike Brinck, Staff Director of the Economic Opportunity Subcommittee of the Committee on Veterans' Affairs.

Sincerely,

  
Chairman Steve Buyer  
Committee on Veterans' Affairs

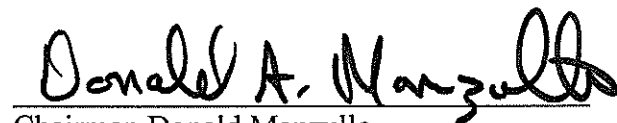
  
Chairman Donald Manzullo  
Committee on Small Business

EXHIBIT A

# **Entrepreneurship and Business Ownership In the Veteran Population**

by

Waldman Associates and  
REDA International

for



under contract number SBAHQ00R0029

Release Date: November 2004

*The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States Government.*

Resources and government programs ranked high on the list of problems and obstacles that new veteran entrepreneurs face, as shown in Tables 19 and 20. The populations of both service-disabled and non service-disabled veterans ranked "Access to financing" as their number 1 problem (out of 10). But a much higher proportion of service-disabled veterans (52.4 percent) viewed it as a "critical" problem than did non service-disabled veterans (34.3 percent).

**Table 19: Measures of Veteran Entrepreneurship Problem Importance:  
Non Service-Disabled Veteran Entrepreneurs.**

<b>Problem</b>	<b>Rank</b>	<b>Mean</b>	<b>Percent "Critical"</b>
Access to financing	1	3.490	34.3%
Useful government and private programs for entrepreneurs	2	3.393	33.3%
Useful government and private programs for veteran entrepreneurs	3	3.378	29.9%
Retaining qualified employees	4	2.550	10.4%
Developing a network of contacts	5	2.450	6.0%
Finding qualified employees	6	2.444	13.4%
Developing and implementing a marketing strategy	7	2.415	3.0%
Understanding the competition	8	2.256	7.5%
My status as a veteran or service-disabled veteran	9	1.497	3.0%
My disability	10	1.227	1.5%

**Table 20: Measures of Veteran Entrepreneurship Problem Importance:  
Service-Disabled Veteran Entrepreneurs.**

<b>Problem</b>	<b>Rank</b>	<b>Mean</b>	<b>Percent "Critical"</b>
Access to financing	1	3.669	52.4%
Useful government and private programs for entrepreneurs	2	3.381	38.1%
Useful government and private programs for veteran entrepreneurs	3	3.092	23.8%
Developing a network of contacts	4	2.619	9.5%
Developing and implementing a marketing strategy	5	2.569	9.5%
Retaining qualified employees	6	2.333	4.8%
Finding qualified employees	7	2.239	4.8%
My status as a veteran or service-disabled veteran	8	2.139	9.5%
Understanding the competition	9	1.906	4.8%
My disability	10	1.572	0.0%