

**OVERSIGHT HEARING on State and Federal Tax Policy:
Building New Markets in Indian Country**

**Thursday, December 8, 2011
2:15 p.m.
Senate Dirksen Bldg. SD-628**

Testimony of

**The Honorable Kevin W. Leecy, Chairman
Bois Forte Band of Chippewa, Nett Lake, MN**

**TESTIMONY OF KEVIN W. LEECY, CHAIRMAN
BOIS FORTE BAND OF CHIPPEWA**

Good afternoon. I am pleased to provide testimony today on important issues that impact the ability of Indian tribes to finance development within their Reservations. It is my understanding that the Committee is interested in hearing from Indian country about tribal experience with New Markets Tax Credits and the tax incentives associated with accelerated depreciation and employment tax credits.

Bois Forte was able to access the New Markets Tax Credit program at a time when it was absolutely necessary to find a source of affordable financing. In the summer of 2009 our tribal government building was destroyed in a fire set by an arsonist. It was a total loss and there was no place for tribal government to work. Because we needed to continue to provide services, we immediately began to search for ways to finance a new tribal government facility. We decided that the New Markets Tax Credit program promised to be a vital part of the financing.

We used a loan from another Tribe, grants, and our own resources to put the New Markets Program in place. As a result, we were able to plan, design and construct the new building in about a year. We moved into our new Tribal Government and Community Services Center in August of 2010.

Some observations of the New Markets Tax Credit program:

1. We could not have financed the project without it.
2. Although it is a complex process both in financial structure and in terms of on-going compliance, the fees were less than 2% of the overall project and it was an affordable way to finance the project.

3. The program reduced the cost of borrowing for a project that some lenders have usually considered to be high on risk and short on collateral because it was located on tribal trust land within the Reservation.

I urge the Congress to re-authorize the New Markets Tax Credit program so that it remains accessible to Indian tribes throughout the country. My reasons for supporting an extension include:

- New Markets is a program that has proven to work in Indian country, but many tribes are just now learning about it. For example, Bois Forte hosted a delegation from the Red Lake Nation this summer and made a presentation on how it worked for us. In addition, the Fond du Lac Band followed our example of New Markets success to finance a natural resources building. I foresee great opportunities in Indian country if the program is available.
- The New Markets program does not need to be reformed to continue to be successful in Indian country. It will succeed because Tribes are now in a better position to use the program.
- This Committee can help make the New Markets program even more successful if it encourages Executive Branch agencies to use this program to make their dollars go further. I believe that some agencies have the legal authority to re-lend into the New Markets structure but have been reluctant to do so simply because it is new to them. But if there is no statute or regulation that prevents participation by an agency, I hope they will embrace the possibilities presented by New Markets.

- The New Markets program is vital in Indian country because more traditional lenders shy away from loans on trust land. When a lender knows that it cannot foreclose and sell the property in the event of default, risk goes up and so do interest rates. Our experience was that the New Markets program provided the flexibility investors needed to make the project possible on trust land.

Finally, I believe that the accelerated depreciation and employment tax credits should also be extended by Congress. Although we have not had specific instances on our Reservation in which employers have taken advantage of those programs, entities that consider locating on reservations always ask for a list of advantages of doing business on the reservation. The existence of those programs may just make the difference for a new or expanding business and tip the scale in our favor. In short, we need to make every effort to develop reservation economies and those tools should continue to be available.