

TAX TIPS

For Accountants and Businesses in Renewal Communities (RCs)

INCENTIVE		MAX/ YEAR	OTHER INFORMATION
I. Wage Credits			
RC Employment Credit	Available to businesses operating in a Renewal Community (RC), which can take up to an annual tax credit of \$1,500 per employee. Employers may verify their business location and employees address as being inside the RC on HUD's Address Locator* . <i>Available through December 31, 2009</i>	\$1500 yr per employee	Immediate family members of business owner are not eligible unless employed elsewhere.
Work Opportunity Tax Credits (WOTC)	A business can receive a tax credit up to \$2,400 for each employee that it hires from groups that have high unemployment rates or other special employment needs, including youth aged 18 - 24 who live in an RC. (Renewal pending)	\$2400-yr 1	State certifies eligibility by a simple process using: www.hud.gov/crlocator Cannot be combined with Welfare to Work credit.
<i>New WOTC category for Hurricane affected employees</i>	A business may claim the WOTC for an eligible employee hired during 2005 to work anywhere in the US or hired until August 27, 2007 , to work in the core disaster area.	\$2400-yr 1	See IRS Publication 4492 and Form 8850 (revised 2006): Katrina employee certifies address to employer – no state certification; new retention credit extends to Rita and Wilma GO Zones.
Welfare to Work (WtW)	Two-year credit against Federal taxes for businesses that hire long-term family assistance recipients. Cannot be combined with WOTC.	\$3500-yr 1 \$5000-yr 2	State certifies eligibility if rec'd Temporary Assistance for Needy Families 18 months.
II. Deductions			
Commercial Revitalization Deduction	Accelerated depreciation for construction or substantial rehabilitation of most commercial buildings in the RCs. <i>Available through December 31, 2009</i>	\$12 million per RC per year	State allocates the \$12 million per RC per year, not to exceed \$10 million for one building. Contact your local RC to apply.
Increased 179 Deduction	RC businesses can take an increase in deduction up to \$35,000 on equipment purchases. RC businesses can deduct all or part of their equipment costs, subject to certain limitations, in the year of purchase vs deducting depreciation for equipment costs over a specific recovery period. <i>Available through December 31, 2009</i>	\$35,000 per business	Full benefit if \$143k-\$860k of eligible equipment is purchased in 2006. Must be eligible "RC business" that conducts majority of business within RC, and 35 percent of employees must be RC residents.
Environmental Cleanup Cost Deduction	Businesses can elect to deduct qualified cleanup costs of hazardous substances in certain areas ("brownfields") in the tax year the business pays or incurs the costs. (Renewal pending)	Per amount based on eligible expenditure	State must certify the release or threat of release of hazardous substances.
III. Investment Incentives			
Zero % Capital Gains	A zero percent capital gains rate applies for capital gain from the sale of stock or partnership interest held in, or from the sale of tangible property held by an RC business for more than 5 years. <i>Available for assets acquired after December 31, 2001, and through December 31, 2009</i>	Per gain on sale in RCs	New "RC business" assets held for more than 5 years. Must be eligible "RC business" that conducts majority of business within RC and 35 percent of employees must be RC residents. See IRS Pub 954.
Qualified Zone Academy Bonds	State or local governments are able to issue bonds at no interest to finance public school programs. Private businesses must contribute money, equipment or services equal to 10 % of the bond proceeds. The bond purchasers receive interest payments in the form of tax credits.	\$400 million US allocation	Available for public or chartered school projects where 35% of students receive subsidized lunch.

*Tax preparers review **IRS Publication 954** to find tax benefits for your clients. Locate your business' or employees' eligibility at HUD's Locator at www.hud.gov/crlocator. The information contained in this summary should not be relied upon for Federal government tax purposes. Please consult your tax preparer or the IRS for official guidance. US Department of Housing & Urban Development, Office of Community Renewal, website: www.hud.gov/cr