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T A X T I P S



FOR ACCOUNTANTS AND BUSINESSES IN **EMPOWERMENT ZONES (EZs)**

INCENTIVE		MAX/ YEAR	OTHER INFORMATION
I. Wage Credits			
EZ Employment Credit	Businesses can take an annual tax credit of up to \$3,000 for each employee who lives and works for the employer in an Empowerment Zone (EZ). Employers may verify their business location and employees address as being inside the EZ on HUD's Address Locator at www.hud.gov/crlocator . <i>Available through December 31, 2009</i>	\$3000 per yr per employee	Certain related individuals are ineligible.
Work Opportunity Tax Credits (WOTC)	Businesses can take a tax credit of up to \$2,400 for each 18-to-39 year-old new employee who lives in an EZ. WOTC is <i>available for employees who begin work before September 1, 2011</i> .	\$2400 for first year of employment	Certain related individuals are ineligible. State certifies eligibility by a simple process using: www.hud.gov/crlocator . See Form 8850.
New WOTC category for Hurricane Katrina Area	Businesses can take the WOTC for each employee who lived in the Gulf Opportunity (GO) Zone on August 28, 2005, and is hired through August 27, 2007, to work in the GO Zone.	\$2400 for the first year of employment	See IRS Publication 4492 and Form 8850 (revised June 2007); Katrina employee certifies address to employer – no state certification.
II. Deductions			
Increased 179 Deduction	EZ businesses can take an increase in deduction up to \$35,000 of the cost of eligible equipment purchases, subject to certain limitations, in the placed-in-service year of the equipment in an EZ. <i>Available for equipment placed in service after December 31, 2001, and before January 1, 2010.</i>	\$35,000 per business	Full benefit if \$160k-\$1 mil of eligible equipment is purchased and placed in service in 2007. See IRS Pub 946 for what equipment is eligible. Must be eligible "EZ business." See IRS Pub. 954 for requirements for qualifying as an "EZ business."
III. Investment Incentives			
Partial Gross Income Exclusion of Capital Gains	Investors other than corporations that hold qualified small business stock in a qualified EZ business for more than 5 years can sell the stock and exclude from gross income 60% of the capital gains from that sale. Available for qualified small business stock acquired after December 31, 2000. Gains attributable to periods after 2014 will not qualify for the 60% exclusion. District of Columbia is not treated as an EZ for this purpose.	Varies	New "EZ business" stock held for more than 5 years. Must be eligible "EZ business." See IRS Pub. 954 for requirements for qualifying as an "EZ business."
Enterprise Zone Facility Bonds	State or local governments are able to issue bonds in EZs at lower interest rates to finance constructions costs. <i>Available through December 31, 2009</i>	Aggregate of \$230 million per zone	Must be eligible "EZ business." See IRS Pub. 954 for requirements for qualifying as an "EZ business."
Qualified Zone Academy Bonds	State or local governments are able to issue bonds in EZs at no interest to finance public school programs. Private businesses must contribute money, equipment or services equal to 10 percent of the bond proceeds. The bond purchasers receive interest payments in the form of tax credits.	\$400 million US allocation through 2007	Available for public or chartered school projects in EZs.

* Tax preparers review IRS Publication 954 to find tax benefits for your clients. 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