

## **IMPORTANT 2005 TAX TIPS FOR ACCOUNTANTS AND BUSINESSES IN EMPOWERMENT ZONES AND RENEWAL COMMUNITIES**

### **EMPOWERMENT ZONES**

1. A little time on the computer can reduce your federal tax liability and help a company's bottom line. Just log on to the address locator at <http://www.hud.gov/crlocator> to see if your business is located in an Empowerment Zone. Review your employee roster to see if you have employees that live in the Empowerment Zone. From 2002–2009, your business could earn a yearly wage tax credit of up to \$3,000 for every employee that lives in an Empowerment Zone.
2. Personal property that you purchased last year and use in an Empowerment Zone can be expensed, resulting in an additional \$35,000 in deductions each year from 2002–2009, through Increased Section 179 deductions.
3. Plan ahead for this summer. Your business can receive up to \$1,200 in Work Opportunity Tax Credits (WOTCs) if you hire youth from an Empowerment Zone between May 1 and September 15.
4. If you have entry-level jobs, you can take up to \$2,400 in WOTCs for each 18 to 24 year-old employee you hire from the Empowerment Zone. It does not matter where the employee works for you, but you will need to obtain a certification that the employee qualifies from the State Employment Services Agency (SESA).
5. You can increase the wage credit available to you by targeting your employee recruitment to residents of housing developments located in the Empowerment Zone. These residents can qualify the business for the Empowerment Zone Wage Credit or the WOTC.
6. Low-interest financing is available for businesses located in an Empowerment Zone. The financing is accomplished through a tax-exempt bond offered by a State or local government. Contact the Empowerment Zone organization of your municipal government to find out if you qualify to use this benefit to relocate or expand your business in the Empowerment Zone. Visit <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/index.cfm> for contact information for the director of the Empowerment Zone in your area.
7. Contact the State Employment Services Agency (SESA) to find employees who will qualify your business for a WOTC. The SESA can certify the employees for your tax records and can help with your specialized training needs.
8. If you are a small business corporation located in an Empowerment Zone, you may be able to offer stockholders a 60% exclusion of capital gains on new stock you offer to expand or set up business in the Empowerment Zone.

9. If you are looking to reduce your capital gains tax, you can exclude 60% of the gain on the sale of stock in a small business corporation located in an Empowerment Zone.
10. If you assign employees to provide construction work, security, lawn care, or similar services in specific areas of your community, you may be able to claim an Empowerment Zone wage credit. The credit is available for any employee who lives and works in the Empowerment Zone, regardless of the location of the business's headquarters. The credit can be calculated for the pay periods the employee worked in the Empowerment Zone. This credit began in 2002 and is available through 2009.
11. Leverage your tax credits by reviewing State tax laws to significantly reduce your taxes. In many cases, tax incentives may be available for businesses located in State or local enterprise communities.
12. To find more information on Empowerment Zone tax incentives and to obtain a free copy of the publication, "Tax Incentive Guide for Businesses in the Renewal Communities, Empowerment Zones and Enterprise Communities", call 800-998-9999.

## **RENEWAL COMMUNITIES**

13. A little time on the computer can reduce your federal tax liability and help a company's bottom line. Just log on to the address locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator) to see if your business is located in a Renewal Community. Review your employee roster to see if you have employees that live in the Renewal Community. From 2002–2009, your business could earn a yearly wage tax credit of up to \$1,500 for every employee that lives in a Renewal Community.
14. Personal property that you purchased last year and use in a Renewal Community can be expensed, resulting in an additional \$35,000 in Increased Section 179 deductions.
15. Plan ahead for this summer. Your business can receive up to \$1,200 in WOTCs if you hire youth from a Renewal Community between May 1 and September 15.
16. If you have entry-level jobs, you can take up to \$2,400 in WOTCs for each 18 to 24 year-old employee you hire from the Renewal Community. It does not matter where the employee works for you, but you will need to obtain a certification that the employee qualifies from the SESA.
17. You can increase the wage credit available to you by targeting your employee recruitment to residents of housing developments located in the Renewal Community. These residents can qualify the business for the Renewal Community Wage Credit or the WOTC.

18. Commercial buildings in Renewal Communities are able to take advantage of a very accelerated depreciation schedule (as short as 10 years) through a Commercial Revitalization Deduction (CRD) allocation. If you are looking to expand, construct a new facility, or substantially rehabilitate an existing building in the Renewal Community, you should contact your local Renewal Community director to see if you can qualify for a CRD “allocation” for accelerated depreciation. Visit <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/index.cfm> for contact information for the director of the Renewal Community in your area.
19. Contact the SESA to find employees who will qualify your business for a WOTC. The SESA can certify the employees for your tax records and can help with your specialized training needs.
20. If you are looking for investors in your business, you may offer investors the opportunity to pay no tax on capital gains if they purchase your stock or partnership interests. This incentive is only available in a Renewal Community.
21. If you are looking to reduce your capital gains tax, you will have a 0% capital gains rate if you purchase stock or partnership interests of entities doing business in a Renewal Community, provided you hold this property for at least five years.
22. If you assign employees to perform construction, security, lawn care, or similar services in specific areas of town, you may be able to claim a Renewal Community wage credit. The credit is available for any employee who lives and works in the Renewal Community, regardless of the location of the business’s headquarters. The credit can be calculated for work performed during a pay period or a calendar year.
23. Leverage your tax credits by reviewing State tax laws to significantly reduce your taxes. In many cases, tax incentives may be available for businesses located in State or local enterprise communities.
24. To find more information on Renewal Community tax incentives and to obtain a free copy of the publication, “Tax Incentive Guide for Businesses in the Renewal Communities, Empowerment Zones and Enterprise Communities”, call 800-998-9999.

## **NEW MARKETS TAX CREDIT**

25. If you can benefit from a loan with more favorable terms for capital or working capital needs, visit <http://www.cdfifund.gov/> to find the investor groups that are making loans to or equity investments in qualified businesses in low-income communities across the nation.
26. If you are looking to invest in commercial real estate, you can earn an immediate federal tax credit for investing in a partnership or corporation that has an allocation of the “New Markets Tax Credit.” An investor can earn credits over seven 7 years equal to 39% of

the amount invested. Visit <http://www.cdfifund.gov/> to find more information on these investments.