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# TAX TIPS

## FOR ACCOUNTANTS AND BUSINESSES IN RENEWAL COMMUNITIES (RCs)

INCENTIVE		MAX/ YEAR	OTHER INFORMATION
<b>I. Wage Credits</b>			
<b>RC Employment Credit</b>	Businesses can take an annual tax credit of up to \$1,500 for each employee who lives and works for the business in a Renewal Community (RC). Employers may verify their business location and employees address as being inside the RC on <b>HUD's Address Locator</b> at <a href="http://www.hud.gov/crlocator">www.hud.gov/crlocator</a> . <i>Available through December 31, 2009</i>	\$1500 per yr per employee	Certain related individuals are ineligible.
<b>Work Opportunity Tax Credits (WOTC)</b>	Businesses can take a tax credit of up to \$2,400 for each 18-to-39 year-old new employee who lives in an RC. WOTC is a <i>valuable 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: <a href="http://www.hud.gov/crlocator">www.hud.gov/crlocator</a> . See Form 8850.
<b>New WOTC category for Hurricane Katrina Area</b>	Businesses can take the WOTC for each employee who lived in the Gulf Opportunity (GO) Zone on August 28, 2005, and is hired through <b>August 27, 2007</b> , to work in the GO Zone.	\$2400 for first year of employment	See IRS Publication 4492 and Form 8850 (revised June 2007); Katrina employee certifies address to employer – no state certification.
<b>II. Deductions</b>			
<b>Commercial Revitalization Deduction</b>	Businesses may elect an accelerated method to recover certain costs of new and/or substantially rehabilitated commercial buildings in an RC. <i>Buildings must be placed in service before January 1, 2010.</i>	Eligible costs of building may not exceed the lesser of \$10 million or the amount allocated to the building by the RC	Eligible commercial buildings must receive an allocation from the State. State allocates the \$12 million per RC per year, not to exceed \$10 million for one building. Contact your local RC to apply for allocation.
<b>Increased 179 Deduction</b>	<b>RC businesses</b> 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 RC. <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 "RC business." See IRS Pub 954 for requirements for qualifying as an "RC business."
<b>III. Investment Incentives</b>			
<b>Gross Income Exclusion for RC Capital Gains</b>	Gross income does not include capital gain from the sale of eligible stock or partnership interest held in, or from the sale of eligible tangible property held by, an RC business for more than 5 years. Gains attributable to periods before 2002 or after 2014 will not qualify for the exclusion. <i>Available for assets acquired after December 31, 2001, and before January 1, 2010.</i>	Varies	New "RC business" assets held for more than 5 years. Must be eligible "RC business." See IRS Pub 954 for requirements for qualifying as an "RC business."
<b>Qualified Zone Academy Bonds</b>	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 through 2007	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. 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](http://www.hud.gov/cr)