

## Renewal Community Tax Incentives

<b>Wage Credits</b>	<b>Description</b>	<b>Availability</b>
<p>Renewal Community Employment Credit</p> <p>IRS Tax Form 8844</p>	<p>Credit against Federal taxes up to \$1,500 for businesses for each year of RC designation for every existing employee and new hire who lives and works in the RC.</p>	<p>Available beginning January 1, 2002, through December 31, 2009. Cannot count wages for both the WOTC and WtW credits and the RC Wage Credit.</p>
<p>Work Opportunity Tax Credit (WOTC)</p> <p>IRS Tax Forms 5884 and 8850</p>	<p>Credit up to \$2,400 against Federal taxes for businesses for each new hire from groups that have high unemployment rates or other special employment needs, including youth ages 18 to 39 who live in an RC, and summer hires ages 16 to 17 who live in an RC.</p>	<p>Business does not have to be in RC to qualify. Cannot be combined with WtW Credit. State Employment Services Agency must certify employee is in targeted group.</p>
<b>Deductions</b>		
<p>Increased Section 179 Deduction</p> <p>IRS Tax Form 4562</p>	<p>Allows businesses to claim increased Section 179 deduction (up to \$20,000 in additional expensing increasing to \$35,000 for property acquired after December 31, 2001) if the business qualifies as an Enterprise Zone Business or Renewal Community Business. Can be claimed on certain depreciable property such as equipment and machinery.</p>	<p>For qualified businesses in RCs.</p>
<p>Commercial Revitalization Deduction</p> <p>No applicable IRS tax form identified at time of publication; see IRS Publication 946</p>	<p>Deduction of either one-half of qualified revitalization expenditures (QREs) in the first year a building is placed in service or all of QREs on ratable basis over 10 years if QREs have been allocated to revitalization of a commercial building located in an RC.</p>	<p>Available in RCs for buildings placed in service after December 31, 2001, and before January 1, 2010. State may allocate up to \$12 million in deductions (not more than \$10 million per project) for each year 2002–2009 for each RC in the State. Business does not have to be a Renewal Community Business.</p>
<b>Bond Financing</b>		
<p>Qualified Zone Academy Bonds (QZABs)</p> <p>IRS Tax Form 8860</p>	<p>State or local governments can issue bonds at 0-percent interest cost to them to finance public school programs with private business partnerships. Private businesses must contribute money, equipment, or services equal to 10 percent of bond proceeds (which may qualify as a charitable contribution). The Federal Government pays interest in the form of tax credit to banks, insurance companies, and certain lending corporations that hold QZABs.</p>	<p>State education agency allocates credit to a Qualified Zone Academy to finance materials, teacher training, building renovation, or equipment for programs that prepare students for jobs or college. Schools must be located in an RC or have 35 percent of students eligible for free or reduced-cost lunch program.</p>
<b>Capital Gains</b>		
<p>Zero Percent Capital Gains Rate for RC Assets</p> <p>No applicable IRS tax form identified at time of publication</p>	<p>The holder, for a minimum of 5 years, of an RC asset acquired between January 1, 2002, and December 31, 2009, will not have to include in its gross income any qualified capital gain from the sale or exchange of the asset.</p>	<p>Exclusion applies only to an interest in, or property of, certain businesses operating in an RC. The following qualify as RC assets: RC business stock, RC partnership interests, RC business properties. Only gain attributable to the period from January 1, 2002, through December 31, 2014, may be excluded.</p>

## Other Related Federal Tax Incentives

<b>Incentive</b>	<b>Description</b>	<b>Availability</b>
Welfare to Work (WtW) Credit  IRS Tax Forms 5884, 8850, and 8861	Two-year credit against Federal taxes for businesses that hire long-term family assistance recipients. Credits up to \$3,500 for the first year, and \$5,000 for the second year for each new hire.	Business does not have to be in an RC to qualify. Cannot be combined with WOTC. State Employment Services Agency must certify employee is in targeted group.
Environmental Cleanup Cost Deduction (Brownfields)  No applicable IRS tax forms	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.	Property is not required to be located in RC. Need certification from State environmental agency. Includes costs paid or incurred prior to January 1, 2004.
New Markets Tax Credit  No applicable IRS tax form identified at time of publication	Equity investors in qualified Community Development Entities (CDEs) can obtain a tax credit against Federal taxes of 5 to 6 percent of the amount invested for each of the years the investment is held, for up to 7 years of the credit period.	Allocations of the credit will be made annually from 2001 to 2007 to qualified CDEs. Investors must purchase stock or partnership interest in a CDE for cash at original issuance. Credit available at time of purchase (1 year) and on 6 anniversary dates of acquisition of investment.
Low-Income Housing Tax Credit (LIHTC)  IRS Tax Forms 8609 and 8586	Ten-year credit against Federal taxes for owners of newly constructed or renovated rental housing who set aside a specified percentage of units for low-income persons for a minimum of 15 years. The credit varies for new construction and renovation.	Project must receive allocation of State's annual credit ceiling or use multifamily housing tax-exempt bonds that receive allocation of State's bond volume cap. Allocations are made on basis of State plan. The project does not have to be located in the RC to qualify.

### **For More Information**

Visit the Memphis Renewal Community website at [www.memphistn.gov/rc](http://www.memphistn.gov/rc) or call Virginia B. Wilson at 901-636-6457