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# TAX TIPS



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

INCENTIVE		MAX/ YEAR	OTHER INFORMATION
<b>I. Wage Credits</b>			
<b>EZ Employment Credit</b>	Available to businesses operating in an Empowerment Zone (EZs), which can take up to an annual tax credit of \$3,000 per employee. Employers may verify their business location and employees address as being inside the EZ on <b>HUD's Address Locator at <a href="http://www.hud.gov/crlocator">www.hud.gov/crlocator</a></b> . <i>Available through December 31, 2009</i>	\$3000 yr per employee	Immediate family members of business owner are not eligible unless employed elsewhere.
<b>Work Opportunity Tax Credits (WOTC)</b>	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 EZ.	\$2400-yr 1	State certifies eligibility by a simple process using: <a href="http://www.hud.gov/crlocator">www.hud.gov/crlocator</a> . Cannot be combined with Welfare to Work credit.
<b>New WOTC category for Hurricane affected employees</b>	An eligible business owner that operated in the Katrina core disaster area may claim the credit for an eligible employee hired to work anywhere in the US during 2005 or in the core disaster area <b>until August 27, 2007</b> .	\$2400-yr 1	See IRS Publication 4492: Katrina employee may certify address to the employer – state certification of eligibility not required; retention credits extend to Rita and Wilma GO Zones.
<b>II. Deductions</b>			
<b>Increased 179 Deduction</b>	<b>EZ businesses</b> can take an increase in deduction up to \$35,000 on equipment purchases. EZ businesses can deduct all or part of their equipment costs, subject to certain limitations, in the year of purchase vs deducting depreciation for the 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 "EZ business" that conducts majority of business within EZ, and 35 percent of employees must be EZ residents.
<b>III. Investment Incentives</b>			
<b>Partial Exclusion of Tax on Capital Gains</b>	<b>Investors other than corporations</b> that hold qualified small business stock in a qualified EZ business for more than 5 years can sell the stock and take 60% exclusion of tax on the capital gains on profits. Available for qualified small business stock acquired after December 31, 2000. Gains after 2014 will not qualify for the 60% exclusion. District of Columbia is not treated as an EZ for this purpose.	Per gain on sale in EZs	New "EZ business" stock held for more than 5 years. Must be eligible "EZ business" that conducts majority of business within EZ, and 35 percent of employees must be EZ residents.
<b>Enterprise Zone Facility Bonds</b>	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>	\$60 million - \$230 million per EZ	Must be eligible "EZ business" that conducts majority of business within EZ, and 35 percent of employees must be EZ residents.
<b>Qualified Zone Academy Bonds</b>	State or local governments are able to issue bonds in <b>EZs</b> 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	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](http://www.hud.gov/cr)