

Atlanta Renewal Community Federal Tax Incentives



THE ATLANTA RENEWAL COMMUNITY (OVERVIEW)

In January of 2002, Atlanta was designated by the U.S. Department of Housing and Urban Development (HUD) as a Renewal Community. Atlanta's Renewal Community (RC) spans an area of just under 200,000 residents and the designation will last through December 31, 2009. For further information, visit <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc>.

As part of its RC designation, certain locations in Atlanta now offer federal tax incentives to spur economic development and job growth. Unlike some Federal tax incentives, these incentives are easy to use.

FEDERAL TAX INCENTIVES AVAILABLE TO RENEWAL COMMUNITY BUSINESSES AND RESIDENTS



Commercial Revitalization Deduction (CRD)

Summary: Allows developers who build or "substantially rehabilitate" commercial property within the RC to submit an application for a federal tax deduction (CRD) for all qualified building expenses including up to 30% of their acquisition costs. The RC has **\$12 million per year until 2009** to allocate these deductions (a single business can qualify up to \$10 million). If an allocation is made, the CRD recipient can elect to deduct HALF of their expenses in the FY the building was placed into service **OR** pro-rate their award over a ten-year period. CRD Recipients last year were awarded between \$2.5 - \$3 million.



Renewal Community Wage Credit (\$1,500 per employee)

Summary: Credit against federal taxes up to **\$1,500 per employee** (both existing and new hires) who live and work in the Renewal Community area. Tax credit for 15% of first \$10,000 in wages per employee may be taken annually through 2009. Unused credits can be rolled back one year or carried forward for up to 20 years.

Eligibility: Businesses with employees that both *live* and *work* within the RC boundaries. To verify whether an employee lives within the RC, simply go to www.hud.gov/crlocator and enter their home address.



Work Opportunity Tax Credit (WOTC)

Summary: Credit against federal taxes **up to \$2,400 per new hire** from a specified group of hard-to-employ RC residents who live and work in the Renewal Community area.

Eligibility: Businesses that hire new employees from a specific group including veterans, ex-felons, vocational rehabilitation referrals, summer youth employees (ages 16 and 17) that reside in the RC, food stamp recipients and recipients of TANF (formerly known as AFDC), SSI recipients, and high-risk RC youth (ages 18-24).



Welfare-to-Work Wage Credit

Summary: Credit for businesses that hire long-term family assistance recipients. Credits are **up to \$3,500 for the first year and \$5,000 for the second year (for a total of \$8,500)** per new hire.

Eligibility: Businesses that hire new employees who formerly received family assistance. The Atlanta Workforce Development Agency (AWDA) trains and then places individuals transitioning from applicable family assistance plans.



Increased Section 179 Deduction

Summary: “Renewal Community Businesses” can **deduct up to \$137,000 for equipment expenses** such as machinery, computer equipment and upgrades, etc.

Eligibility: The IRS defines a “Renewal Community Business” as having 85% of its property in RC, 50% of gross income derived from RC, and 35% of its employees live in RC. The business’ equipment needs should not exceed \$200,000 annually.



Capital Gains Exclusion

Summary: Allows a 0% capital gains rate for Renewal Community “assets” held for a minimum of 5 years. An asset could include tangible property in the RC, stock, capital interests or profit interests in a Renewal Community Business acquired for cash. The rate applies to gains after December 31, 2001 and before January 1, 2015. The taxpayer is not required to sell the asset in 2015, but must determine and substantiate the gain for that period.

Eligibility: The IRS defines a “Renewal Community Business” as having 85% of its property in RC, 50% of gross income derived from RC, and 35% of its employees live in RC. The business’ equipment needs should not exceed \$200,000 annually.



Brownfields Clean-Up Deduction (100%)

Summary: Businesses can **deduct 100% of costs associated with cleaning up any Brownfield site (or threat) within the RC** in the tax year that such expense is incurred.

Eligibility: The site must pose, or potentially pose, a threat to the community due to certain contaminants. Businesses **DO NOT** have to be located in the RC to take advantage of this deduction.

Need Further Assistance?

The HUD RC Address locator can be found on the World Wide Web at www.hud.gov/crlocator. For specific information, please contact Lisa L. Hawkins, Sr. Program Director, at 404-522-3970 or via e-mail at lhawkins@enterprisecommunity.org.