

## Tax Incentives for Distressed Communities

In recent years, provisions have been added to the Internal Revenue Code that target specific geographic areas for special tax incentives. The special tax incentives afforded these areas are designed to attract business and investment to distressed urban and rural areas. You may be eligible for one or more of the following credits:

### Aroostook County Empowerment Zone Tax incentives.

- Employment credit of 20% for the first \$15,000 of qualified wages for each qualified employee per year.
  - *As an Empowerment Zone employer, you may qualify for the Employment Credit, equal to 20% of the first \$15,000 of qualified wages paid to each qualified employee of your trade or business. The employee must live and work in the Empowerment Zone, be employed at least 90 days and cannot be related to the business owner, be the business owner's dependent or own more than 5% of the business. Also, certain business types are precluded from utilizing this credit.*
- Additional section 179 deduction of up to \$35,000 in 2002 and later years for qualified business assets.
  - *Section 179 of the Internal Revenue Code allows you to choose to deduct all or part of the cost of qualifying property in the first year you use it in your business, instead of depreciating it over a number of years. There is a dollar limit on how much you can deduct. Certain phase out rules and other special rules apply.*
- Tax Free Rollover of certain gains from Sale of Empowerment Zone Assets.
  - *You can rollover certain gains made from the sale of Empowerment Zone assets if you owned the asset more than one year, the gain is capital in nature, and the replacement zone asset is purchased in the same zone as the asset sold within.*
- Increased Exclusion of Gain of 60% on Qualified Small Business Empowerment Zone Stock.
  - *Finally, if you are not a corporation, you can exclude 50% of the gain from the sale of qualified small business stock, which was held more than 5 years. This exclusion is increased to 60% if the stock qualifies as an Enterprise Zone Business for the majority of time the stock was held.*
- Tax Exempt Bond Financing for Enterprise Zone Facility Bonds to raise funds to provide Enterprise Zone Businesses with qualified zone property.
  - *The tax-exempt bond financing provision allows State & local entities to issue Enterprise Zone facility bonds for the purpose of acquiring property for an Enterprise Business. At least 95% of the proceeds of the bond issue must be used to finance qualified zone property.*

**Other Credits Extended/Expanded:** The Job Creation and Worker Assistance Act also extended the following benefits:

- Qualified Zone Academy Bonds, issued by state or local governments, allow certain businesses to receive a tax credit as an incentive to hold bonds for public school (Qualified Zone Academy) improvement in empowerment zones or enterprise communities.
- Work Opportunity Tax Credit has been broadened to include a tax credit for every Aroostook County business that hires workers ages 18- to 39-years-old. Within certain guidelines, businesses can take up to a \$2,400 tax credit on the first \$6,000 of wages paid to every new employee within that age category. This change is effective until the year 2011 and **applies to all businesses, including agricultural businesses.**

***Additional Incentives available:***

- Environmental Cleanup Cost Deduction (Brownfields) permits a current year deduction for certain remediation costs for hazardous site cleanup costs.
- New Markets Credit provides a tax credit over seven years for qualified equity investments made after December 31, 2000, in businesses located in low-income communities.
- Low Income Housing Credit allows a credit over ten years to investors in qualified low income rental units.

**CAUTION:** *The tax laws authorizing these incentives are very complex. It is highly recommended that you consult with a qualified tax professional in order to determine whether you are eligible for these benefits. Certain limitations may also apply in order for you to fully utilize these tax incentives.*