



Renewal Community Presentation

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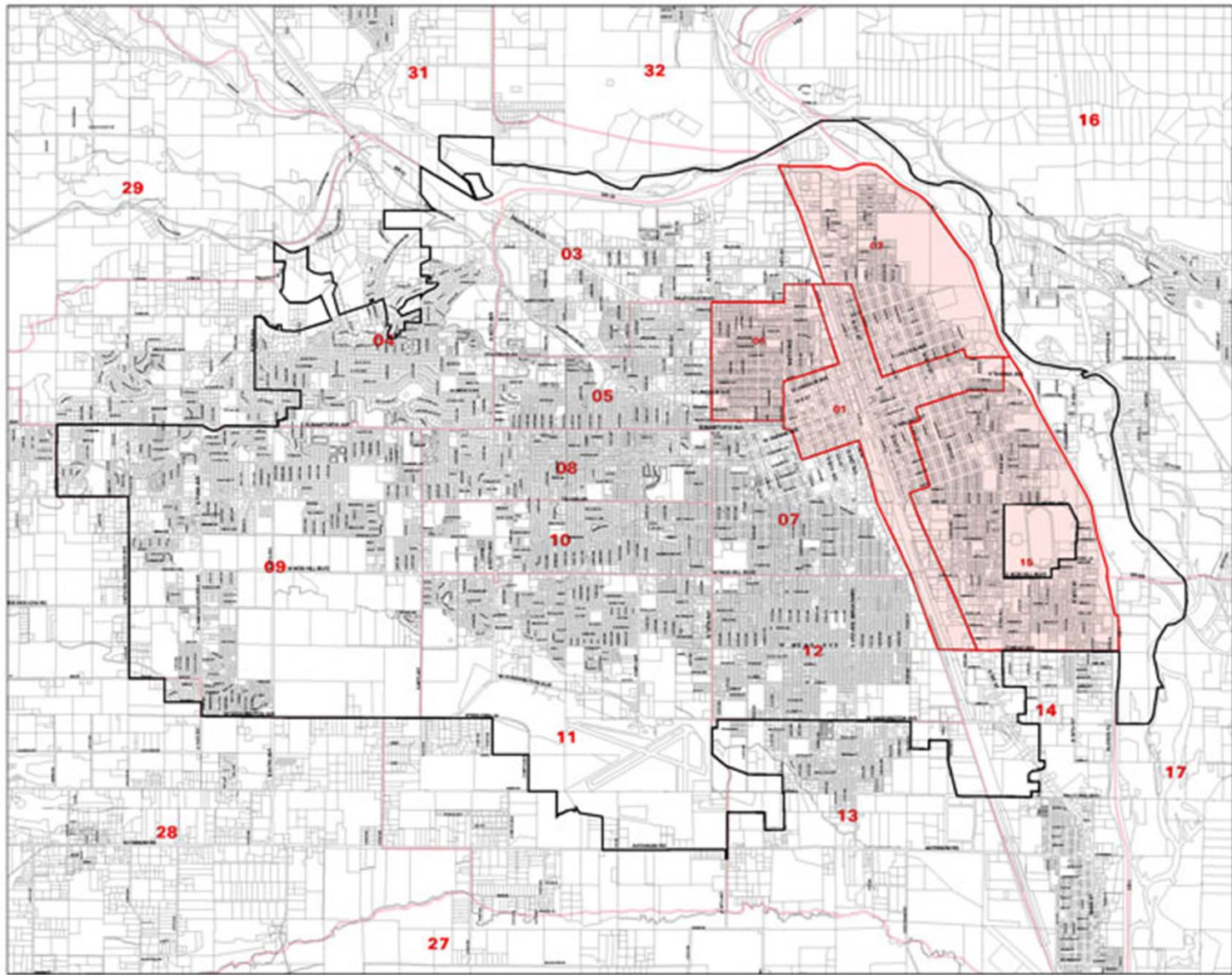
Ability is of little account without opportunity

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RENEWAL COMMUNITIES



The following taken from a presentation moderated by Linda Schakel



**City of Yakima
Renewal Community
Census Tracts**

- Census Tracts
- City Limits
- Renewal Community Tracts



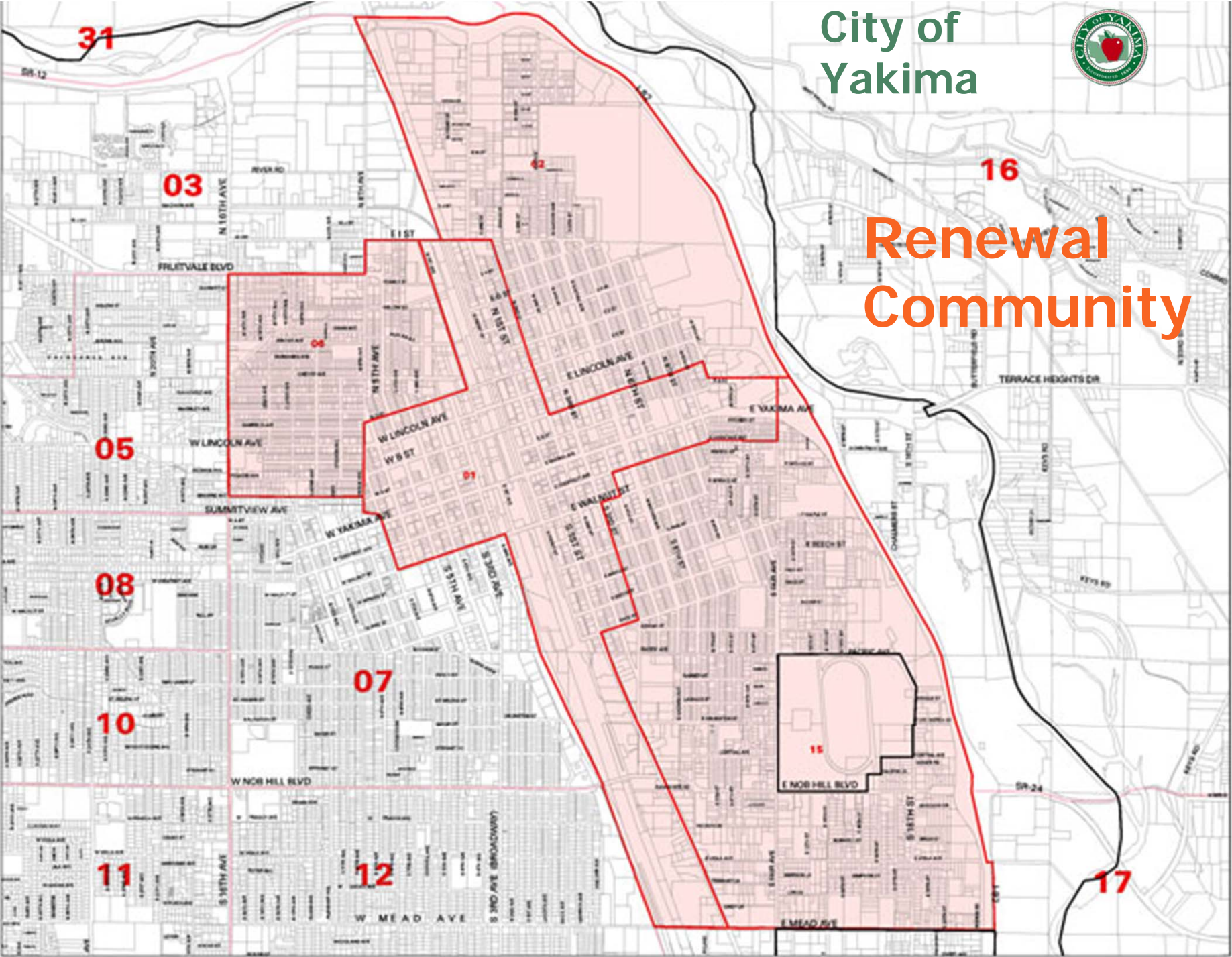
Created May 9, 2011

Population in Renewal Community area = 24,298
Youth ages 15 – 24 in Renewal Community area = 4,405

City of Yakima



Renewal Community



Overview of Tax Incentives

- Renewal Community Employment Credit
- Work Opportunity Tax Credit
- Increased Expensing
- Commercial Revitalization Deduction
- Zero Percent Capital Gain





HIRING INCENTIVES

Renewal Community Employment Credit



Who can benefit from the Renewal Community Employment Credit?

- Any business with qualified employee who performs services in the Renewal Community
- Credit available for portion of time the employee performs services in the Renewal Community

Example: Construction worker performs services in the Renewal Community for part of year – take credit based on pay period or portion of year.



What is a Qualified Employee?

- Any employee who resides in the Renewal Community
- Credit for new-hires and existing employees
- Credit for full-time or part-time after employed minimum of 90 days
- Does not include: relatives of employer, employees of certain businesses (gambling establishments, golf course, country club, liquor store, massage parlor, suntan facility)

Credit Calculation



- Qualifying wages limit **per calendar year**

First \$10,000 of salary x 15% = \$1,500

- This credit available through December 31, 2009

Work Opportunity Tax Credit



How is Credit Amount Calculated?

Hours Worked	Rate	Maximum Qualified Wage	Maximum Credit
At least 400	40%	\$6,000*	\$2,400
Fewer than 400 <u>at least 120</u>	25%	\$6,000*	\$1,500

*\$3,000 for a summer youth employee

Note: Can be “stacked” with Renewal Community Employment Credit



Who is a Qualifying Employee?

- ◆ Renewal Community youth category. Youth at least 18 years old and not older than 24 years (on the hiring date) who resides in a Renewal Community
- ◆ Renewal Community summer youth category. Youth at least 16 years old but not 18 on the hiring date who resides in the Renewal Community and who performs services for the employer in the summer (between May 1 and September 15)
- ◆ Must be new hire (only first year of employment)

What is the Enhanced Credit for Long-term Welfare Recipient? (Regardless of Where Employee Resides)

	Years Worked	Rate	Maximum Qualified Wage	Maximum Credit
\$	1 st Year	35%	\$10,000	\$3,500
\$	2 nd Year	50%	\$10,000	\$5,000

How Do You Know if Someone Is A Qualifying Employee?



The employer must get a certification from the state employment security agency (SESA) that the new hire is a member of a “targeted group”

Credit Procedures

To receive certification, the employer must either:

- Receive the certification by the day the individual begins work, OR
- Do both of the following:
 - ✓ **Complete IRS Form 8850 by the day individual is offered a job; and**
 - ✓ **Submit the form to the SESA**
- **Youth may be “pre-certified” to shorten process**

**Phone # of SESA: 1-800-669-9271, or
(Contact Judy Ok directly at (360)407-5274)**

Website:

**www.wa.gov/esd/work/foremployers/wotc.htm
to download application.**

**Application must be submitted to SESA within
21 days from new hire start date. If late, the
application is automatically denied.**


Address for submitting application:

Employment Security Department

WOTC Admin

P. O. Box 9046

Olympia, WA 98807-9046




INCENTIVES TO INVEST IN BUILDING AND EQUIPMENT

What is a Renewal Community Business?



Business Operational Requirements

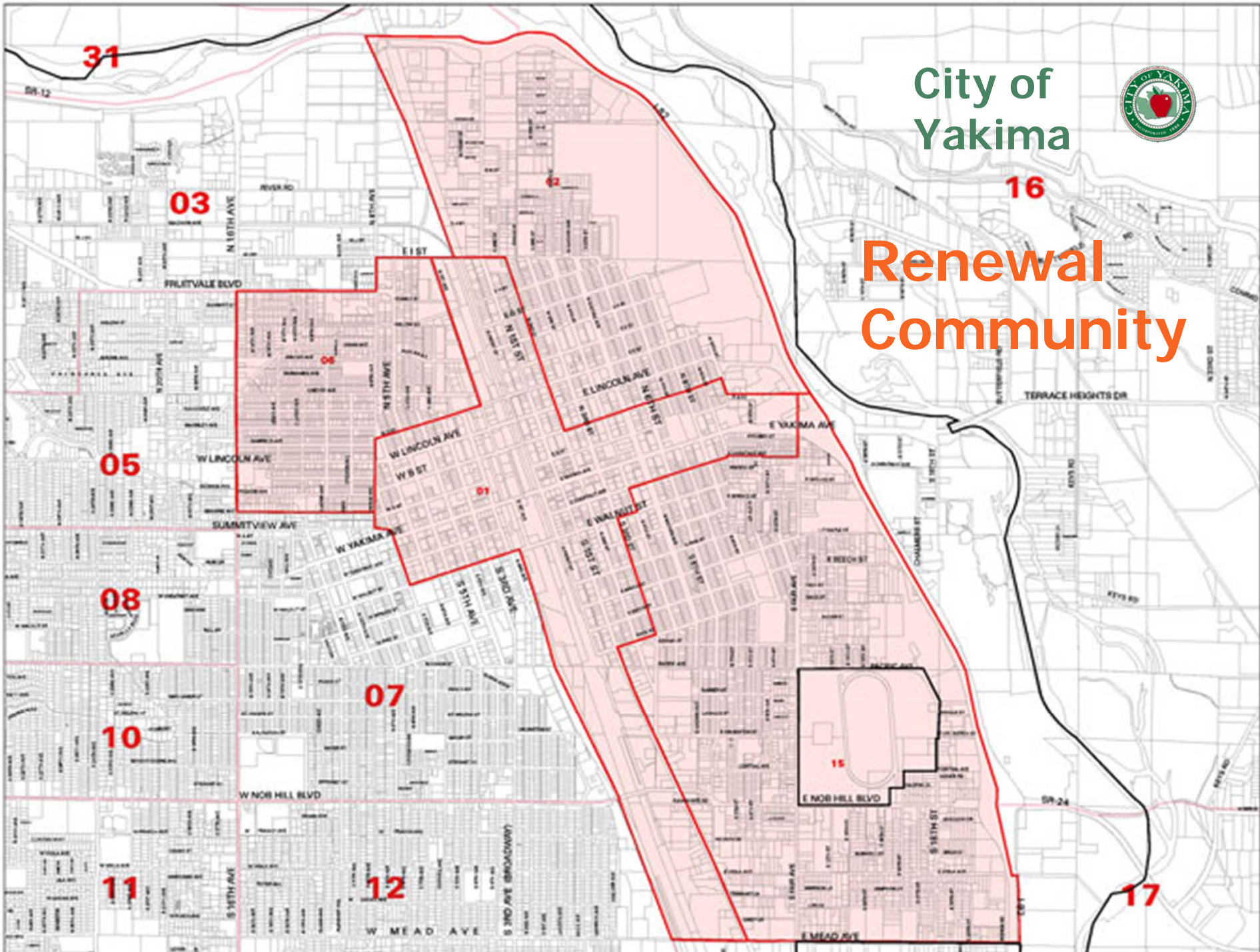
 Any corporation, partnership or sole proprietorship that meets the following requirements for the taxable year:

- Every trade or business in the active conduct of a qualified business within the Renewal Community
- At least 50% of business income is derived from the active conduct of a trade or business within the Renewal Community
- A substantial portion of the use of the tangible property (owned or leased) of the business is within the Renewal Community

City of
Yakima



Renewal Community



Business Operational Requirements

- A substantial portion (i.e. 40% ?) of services performed for the business by its employees is performed in the Renewal Community
- At least 35% of the employees are residents of the Renewal Community

What is not a "Qualified Business"?

- Rental of commercial real estate unless at least 50% of gross rental income is from Renewal Community businesses
- The rental of residential real estate

Specific Businesses that Do Not Qualify?

- Country clubs
- Massage parlors
- Hot tubs
- Racetracks (only if gambling?)
- Health clubs
- Stores the principal business of which is the sale of alcoholic beverages for consumption off premises

Tax Incentives
Available if
You are a
Renewal
Community Business



Expensing

Expensing Allowance:

For Tax Years Beginning In:	Maximum Section 179 Dollar Limit	Maximum Dollar Limit With Qualified Zone Property
2002	\$24,000	\$59,000
2003 or thereafter	\$25,000	\$60,000



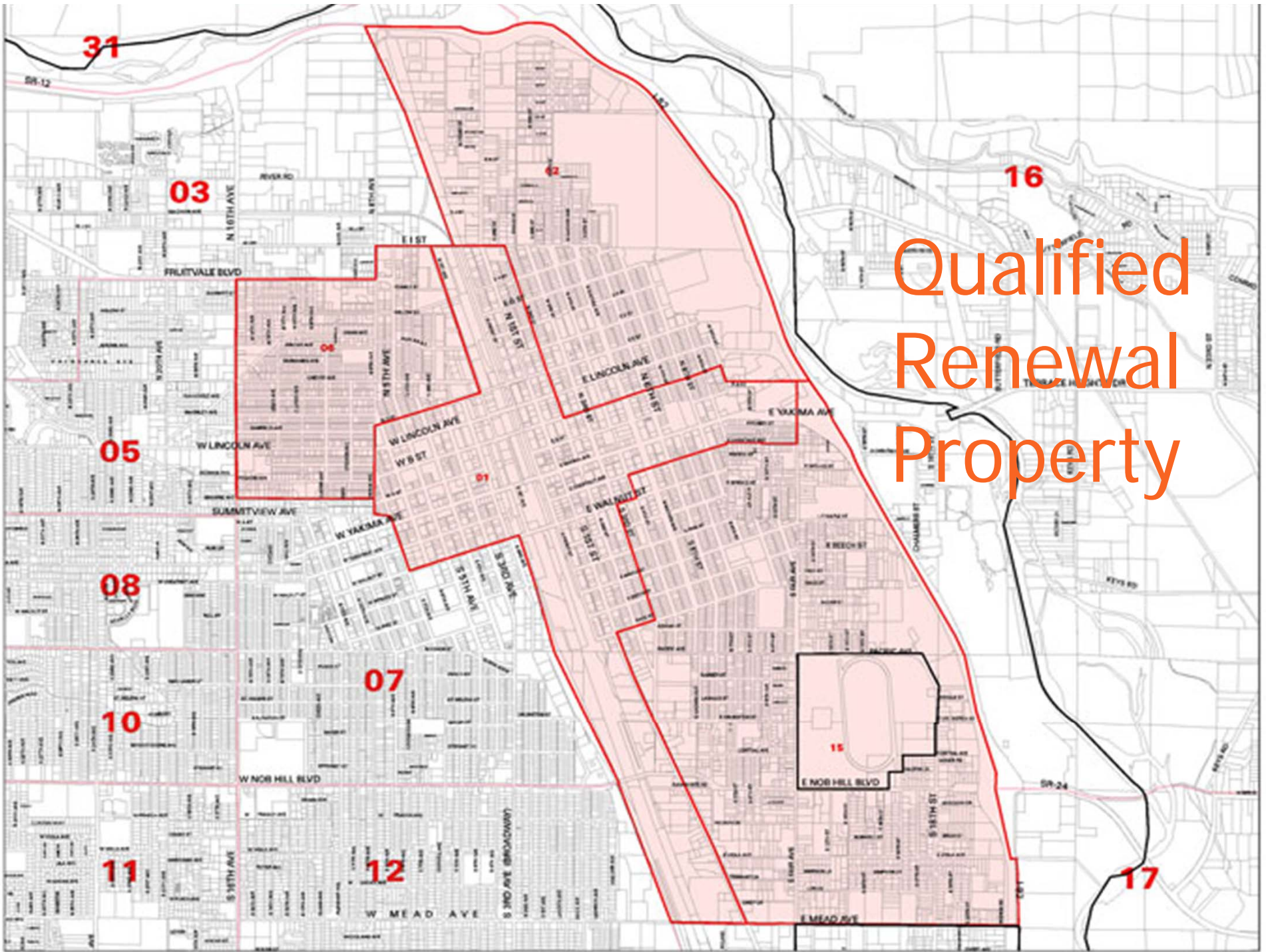


\$ Expensing \$

Expensing

- Section 179 of Internal Revenue Code allows election to deduct cost of personal property in the year the property is placed in service, up to specified limit (\$24,000)
- Expensing limit is increased an additional \$35,000 after December 31, 2001





Qualified
Renewal
Property

Qualified Renewal Property

 Tangible personal property of a taxpayer where all of the following are true:

- 1) The taxpayer acquired the property after the Renewal Community designation is in effect (January 1, 2002).
- 2) The taxpayer was the first person to use the property in the Renewal Community or property is substantially renovated (100% of basis or \$5,000 if greater) within 24-month period

Qualified Renewal Property



- 3) At least 85% of the property's use is in the Renewal Community and in the active conduct of a qualified trade or business of a Renewal Community business
- 4) The taxpayer did not acquire the property from a related person or member of a controlled group of which the taxpayer is a member

Renewal
Community
Commercial
Revitalization Deduction



Qualified Project

- Must be located in Renewal Community
- Owner/user of project does not have to be a Renewal Community business
- Must be commercial project, not residential rental project (condos?)
- Must be new construction or substantial rehabilitation placed in service after rehabilitation
- Must receive allocation of state commercial revitalization expenditure ceiling (\$12 million per year per state for each Renewal Community in state)

Qualified Revitalization Expenditures

- Maximum \$10 million per project
- If rehab, building acquisition costs allowed only to extent of 30% of costs
- Must be capital expenditures subject to depreciation (not land)

Amount of Accelerated Deduction



Taxpayer elects

- $\frac{1}{2}$ of qualified revitalization expenditures in year building placed in service; Or
- 100% of expenditures ratably over 10 year period

Standard commercial building depreciated over 39 years



Zero Capital Gains Rate on Renewal Community Assets



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Zero Capital Gains Rate on Renewal Community Assets

Owner of Qualifying Assets Does
Not Have to Pay Tax on Any Gain
on Sale of Asset



S Qualified Renewal Community Asset

- Tangible property of a Renewal Community business used in the Renewal Community that is constructed or substantially rehabilitated after December 31, 2001 and before January 1, 2010
- Cannot be acquired from related person

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S Qualified Renewal Community Asset

- Stock in a Renewal Community business corporation acquired at original issuance solely for cash after December 31, 2001 and before January 1, 2010
- Capital or profits interests in a Renewal Community business partnership acquired at original issuance solely for cash after December 31, 2001 and before January 1, 2001

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Holding Period

- Taxpayer must hold Renewal Community Asset for a minimum of 5 years
- Must continue to be Renewal Community business substantially all of holding period

Zero Percent Rate Period



Zero percent rate does not apply to gain before January 1, 2002 or after December 31, 2014



If business ceases to be Renewal Community business after 5-year holding period but before asset is sold, zero percent rate extends only to date when no longer meet requirements

HUD Link to Address Locator



<http://www.hud.gov/offices/cpd/ezec>



City of Yakima Website Address

[Http://www.ci.yakima.wa.us/business/incentives.asp](http://www.ci.yakima.wa.us/business/incentives.asp)

Why is this information important?

- ◆ If you plan to relocate a building in the Renewal Community area, or
- ◆ If you have employees who live in the Renewal Community area, OR
- ◆ If you own property in the in the Renewal Community area, or
- ◆ If your business is located within the Renewal area, or
- ◆ If you are in the process of locating a new site for your business,..... the **Renewal Community program may offer you tax benefits**



QUESTIONS