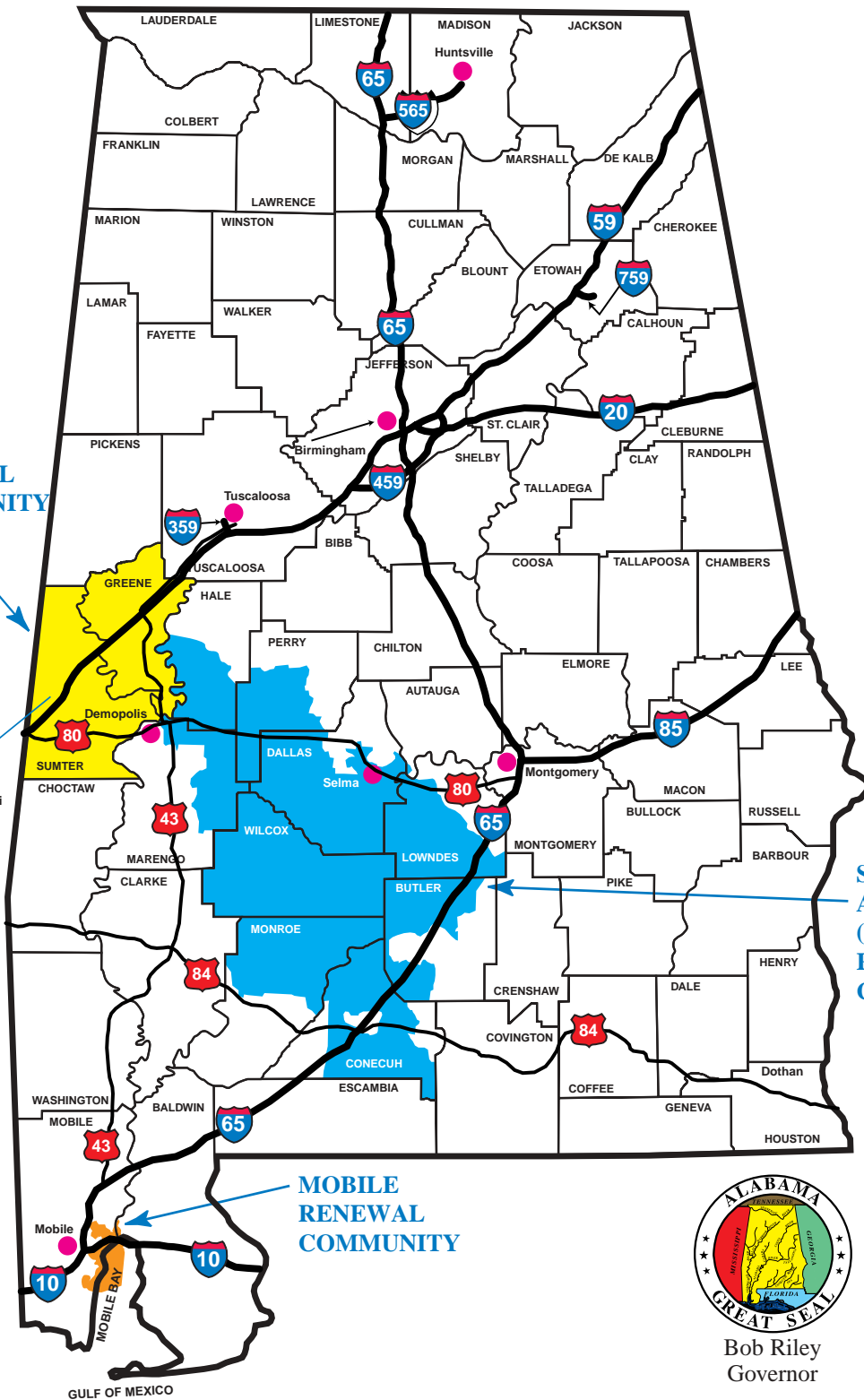


# ALABAMA'S RENEWAL COMMUNITIES 2002 - 2009

**GREENE  
SUMTER  
RENEWAL  
COMMUNITY**



Meridian  
Mississippi



**SOUTHERN  
ALABAMA'S  
(Black Belt)  
RENEWAL  
COMMUNITY**

**MOBILE  
RENEWAL  
COMMUNITY**



Bob Riley  
Governor

## FEDERAL TAX INCENTIVES FOR BUSINESS RETENTION AND DEVELOPMENT

## **RENEWAL COMMUNITY TAX INCENTIVES:**

### **FEDERAL INCOME TAX INCENTIVES TO EMPLOYERS, BUSINESS, AND INVESTORS WHO LOCATE IN, ARE LOCATED IN, OR ACQUIRE COMMERCIAL ASSETS IN A RENEWAL COMMUNITY.**

#### ***A. WAGE CREDITS FOR EMPLOYING RENEWAL COMMUNITY RESIDENTS***

A Federal Income Tax Wage Credit of up to \$1,500 for each year of Renewal Community designation may be claimed for all existing employees and each new employee living in the designated Renewal Community area that is employed by a business entity located in the Renewal Community. These credits are available beginning January 1, 2002, and will remain in effect through December 31, 2009. Possible exclusions to this incentive are startup businesses that may not have large tax liabilities, nonprofit organizations, or businesses whose employees spend the majority of their time working outside a Renewal Community location.

##### **Exclusion:**

This credit is not available for individual(s) employed at any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other gambling facility, or store whose principal business is the sale of alcoholic beverages for consumption off premises.

#### ***B. COMMERCIAL REVITALIZATION DEDUCTION (Accelerated Depreciation)***

An accelerated depreciation deduction can be taken for one-half of the qualified construction/revitalization expenditures in the first year a building is placed in service or all of the construction/revitalization expenditures can be depreciated over a ten-year period. This deduction is available for buildings and improvements placed in service after December 31, 2001, and before January 1, 2010. Alabama's Renewal Community Agency may allocate up to \$10 million per project for each year from 2002 to 2009. Additionally, the business does not have to meet the definition of a Renewal Community Business. However the building/improvement must be located in the Renewal Community. Prior approval through application, must be obtained from the Alabama Department of Economic and Community Affairs to qualify for this deduction.

##### **Exclusion:**

Possible exclusions to this deduction are developers of residential rental projects, building acquisitions that do not involve substantial renovation expenditures, land speculation purchases, and startup or similar businesses with insufficient income to take advantage of accelerated depreciation.

#### ***C. INCREASED SECTION 179 DEDUCTION (Equipment Deduction)***

Front end equipment deductions allow businesses located in the Renewal Community area to claim an additional Section 179 deduction of up to \$35,000 for property acquired after December 31, 2001, if the business qualifies as a Renewal Community Business. The deduction can be claimed on certain depreciable property such as equipment and machinery. Possible exclusions to this incentive are businesses that cannot meet the definition of a Renewal Community Business, consolidated companies with large equipment needs within the entire consolidated group, equipment that will be used outside the Renewal Community, companies with large expensive equipment needs on a yearly basis, startup businesses that expect tax losses or other normal business expenses to equal income, and businesses with equipment that has a short economic life.

##### **Exclusion:**

This deduction cannot be used for residential rental activity, commercial real estate, (unless at least 50 percent of the gross rental income is from Renewal Community Businesses), rental of personal property, such as car rental agencies, (unless at least 50 percent of the rentals are to Renewal Community Businesses, or to RC residents), businesses that predominantly hold or develop intangibles for sale or license, country clubs, liquor stores, golf courses, racetracks, or gambling facilities.

#### ***D. CAPITAL GAINS TAX EXCLUSION***

Business investors, owners, and stock holders in a Renewal Community Business that acquire or start a business between January 1, 2002 and December 31, 2009, may be exempt from any federal income tax on the capital gain if they hold onto the business or investment for at least five years before they sell it. (Must meet the definition of a Renewal Community business)

##### **Exclusion:**

This incentive is not relevant to businesses that cannot meet the definition of a Renewal Community Business, businesses that acquire stock or partnership interests issued before or after the RC designation period, businesses that purchase existing assets that will not be rehabilitated substantially within a 2-year period, taxpayers who do not expect to hold stock, partnership interests or assets for the minimum 5-year holding period, and taxpayers with capital gains on intangible assets or who own land that is not an integral part of a RC business.

**FOR ADDITIONAL INFORMATION OR ASSISTANCE, PLEASE CONTACT:**

**Alabama Department of Economic and Community Affairs  
Technical Assistance Section**

**401 Adams Ave., Montgomery, Alabama 36130-5690, Telephone: (334) 242-5370**