

HUD WorkPad – Renewal Community Continued

Commercial Revitalization Deduction

WorkPad for a Business Planning to Construct, Expand, or Acquire and Renovate a Building in the Renewal Community

Description: Deduction of either all qualified costs (up to \$10 million per project) equally over 120 months or deduction of one-half of qualified costs (up to \$10 million per project) in the first year a building is placed in service (with depreciation of the remaining amounts over the standard 39 years).

Note: Available for buildings placed in service after December 31, 2001 and before January 1, 2010 that receive an allocation of the deduction from the state.

Applicable IRS Tax Form: Form 4562

Applicable IRS Publication: Publication 946

Example: Acme Corporation places in service a \$10 million project in 2002 in State A and State A has allocated \$10 million of commercial revitalization deductions to this project in 2002.

- Without the incentive, the \$10 million would be depreciated over 39 years (or roughly \$256,400 per year).
- With the 120 Month Depreciation Option, the \$10 million would be depreciated in 10 years (or \$1 million per year).
- With the 1/2 Expensing, 1/2 Depreciation Option, \$5,000,000 would be depreciated in the first year and the remaining \$5,000,000 would be depreciated over the standard 39 years (or roughly \$128,000 per year).

Formula

Without the incentive:

<input style="width: 80%;" type="text"/>	÷	39	=	<input style="width: 80%;" type="text"/>
Total Cost of Project		Period of Depreciation		Per Year Deduction

With the 120 Month Depreciation Option:

<input style="width: 80%;" type="text"/>	÷	10	=	<input style="width: 80%;" type="text"/>
Total Cost of Project		Period of Depreciation		Per Year Deduction

With the 1/2 Expensing, 1/2 Depreciation Option:

<input style="width: 80%;" type="text"/>	÷	2	=	<input style="width: 80%;" type="text"/>
Total Cost of Project		Period of Depreciation		First Year Deduction

<input style="width: 80%;" type="text"/>	÷	39	=	<input style="width: 80%;" type="text"/>
1/2 Cost of Project		Period of Depreciation		Per Year Deduction for Remaining Costs

Please turn this page over to answer some important questions.

The formulas contained in the workpad result only in estimated tax savings and should not be officially relied upon for Federal government tax purposes. Please consult your tax preparer or the IRS for official guidance.

To ensure that the Federal Government continues to offer this valuable tax incentive to your business, please provide the following information:

1. What was the value of the commercial revitalization deduction (CRD) that the state allocated to your business last year? \$ _____
2. What was your tax savings due to the CRD? \$ _____
3. What is the estimated square footage of the property that was constructed last year with financial assistance from the CRD? _____
4. What is the estimated square footage of the property that was rehabilitated last year with financial assistance from the CRD? _____
5. What is the total estimated increase in appraised value of the property that your firm constructed and rehabilitated with the CRD? \$ _____

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