

## HUD WorkPad - Empowerment Zone Continued

### Determining Eligibility of an RC/EZ Business

The table of Yes/No Questions is designed to help a business determine whether it meets the definition of "Enterprise Zone Business" in order to qualify for the following five tax incentives: Increased Section 179 Deduction; Enterprise Zone Facility Bonds; Zero Percent Capital Gains Rate for DC Zone Assets; Nonrecognition of Gain on Sale of Empowerment Zone Assets, and Partial Exclusion of Gain on Sale of Empowerment Zone.

The table can also be used to help a business determine whether it meets the definition of "Renewal Community Business" in order to qualify for the following two Federal tax incentives: Increased Section 179 Expensing Deduction; and Zero Percent Capital Gains for RC Assets.

### What it takes to be an RC or EZ Business

Qualifying as an EZ or RC Business will make you eligible for many tax incentives. See how you fare in meeting the requirements for being an EZ or RC Business. Answer the questions below only with respect to your separate legal entity (ignore so-called "related" parties).

	<u>Yes</u>	<u>No</u>
Are you a sole proprietorship, partnership or corporation for federal taxes?	<input type="checkbox"/>	<input type="checkbox"/>
Is the business in the Zone the only business you have?	<input type="checkbox"/>	<input type="checkbox"/>
Will at least 50% of the gross income of the business come from actively carrying out business in the Zone (for businesses in the DC Zone, substitute "80%" for "50%")?	<input type="checkbox"/>	<input type="checkbox"/>
Is a substantial part of the use of the equipment and real property of your business in the Zone?	<input type="checkbox"/>	<input type="checkbox"/>
Does a substantial part of the work your employees do for you occur in the Zone?	<input type="checkbox"/>	<input type="checkbox"/>
Do at least 35% of your employees live in the Zone (does not apply to businesses in the DC Zone)?	<input type="checkbox"/>	<input type="checkbox"/>
Is a substantial part of the intangibles of your business used in the active conduct of your business in the Zone?	<input type="checkbox"/>	<input type="checkbox"/>
Is less than 5% of the average of the total unadjusted bases of the property owned by your business from collectibles not held primarily for sale to customers?	<input type="checkbox"/>	<input type="checkbox"/>
Is less than 5% of the average of the total unadjusted bases of the property owned by your business from nonqualified financial interests (e.g., debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, and annuities)?	<input type="checkbox"/>	<input type="checkbox"/>

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**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.**

## HUD WorkPad - Empowerment Zone Continued

### What it takes to be an RC or EZ Business Continued

**If the answer is YES to all of the above, you have met the initial set of requirements.**

**Now review the following:**

	Yes	No
Is your business one of renting residential property (like apartment buildings)?	<input type="checkbox"/>	<input type="checkbox"/>
Do you predominantly develop or hold intangibles that are licensed or sold to others (e.g., software, movies, recordings)?	<input type="checkbox"/>	<input type="checkbox"/>
If you are in farming, are your total farming assets valued at more than \$500,000?	<input type="checkbox"/>	<input type="checkbox"/>
If you rent commercial property, will less than 50% of your gross rental income come from an EZ Business?	<input type="checkbox"/>	<input type="checkbox"/>
Is your business any of the following:		
Liquor Store	<input type="checkbox"/>	<input type="checkbox"/>
Massage Parlor	<input type="checkbox"/>	<input type="checkbox"/>
Gambling facility	<input type="checkbox"/>	<input type="checkbox"/>
Racetrack	<input type="checkbox"/>	<input type="checkbox"/>
Suntan parlor	<input type="checkbox"/>	<input type="checkbox"/>
Country club	<input type="checkbox"/>	<input type="checkbox"/>
Golf Course	<input type="checkbox"/>	<input type="checkbox"/>
Hot tub facility	<input type="checkbox"/>	<input type="checkbox"/>
Is your business involved in selling insurance, stocks, or bonds or other financial products?	<input type="checkbox"/>	<input type="checkbox"/>
If you rent tangible personal property (e.g. equipment), will less than 50% of your rentals of the property be to Zone businesses or Zone residents?	<input type="checkbox"/>	<input type="checkbox"/>

**If your answer is NO to each of the above, you may qualify for the following tax incentives:**

Additional expensing of equipment

Low-cost tax-exempt bond financing

Partial exclusion of gain on sale of stock in your corporation

Ability to rollover gain on sale of stock or partnership interest or real estate

These are in addition to wage credits for employees that you hire that live in the Zone.

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