THE CITY OF SAN DIEGO

RENEWAL COMMUNITY

Federal Income Tax Savings

THE CITY OF SAN DIEGO

TAX SAVINGS	ELIGIBILITY CRITERIA	TERMS, LIMITATIONS & OTHER SPECIAL PROVISIONS
Renewal Community Employment Credit (RC Wage Credit)	• Business must be located within the RC • Tax-credit eligible employees may not be family members of the business owner	An RC business may claim a credit against federal taxes of 15 percent of the wages on the first $10,000 of wages (i.e., a maximum tax credit of $1,500) paid to employees who reside in the RC. The credit may be claimed on current plus new employees, and may be claimed each year that the RC designation is effective (2002 through 2009). Tax credits are deducted directly against the calculated tax liability and not against the gross income, so the RC Wage Credit has a dollar-for-dollar value in reducing tax liability. Amounts claimed as a tax credit cannot also be used as the standard business deduction.
Commercial Revitalization Deduction	• Business must be located within the RC • The CR Deduction is allocated to applicant investors by the California Treasurer's Office	The Commercial Revitalization Deduction may be claimed in one of two ways: 1) one-half of qualified expenditures may be deducted in the first year with the remaining amount deducted on a straight-line basis for the remaining depreciable life of the property; or 2) the entire investment may be depreciated over ten years. The CR Deduction is limited to the amount allocated by the State or $10 million, whichever is less. The CR Deduction may be claimed only on construction or rehabilitation expenses for commercial or mixed-use buildings.
Increased Section 179 Deduction	• Business must be located within the RC • 35% of business employees must reside within the RC (and may include family member employees) • At least 50% of a business's gross income must come from the active conduct of business within the RC.	An RC business may write off up to $35,000, in addition to the standard Section 179 Expensing amount, on certain depreciable business property such as equipment and machinery.
Zero Percent Capital Gains Rate for RC Assets	• Business must be located within the RC • 35% of business employees must reside within the RC (and may include family member employees) • At least 50% of a business's gross income must come from the active conduct of business within the RC.	An investor may exclude any gain earned on the sale or exchange of an RC asset from the investor's gross income for the year of the sale or exchange if the asset is acquired between January 1, 2002, and December 31, 2009, the asset is held for a minimum of five years, and the asset is used by an RC business substantially all of the five years.