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**MISSISSIPPI**

The Gulf Opportunity Zone Act of 2005

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February 2006

# Disclaimer

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- This summary of Federal Legislation is intended as a general overview
- This document lists only selected incentives and does not address all requirements, exclusions and limitations
- Eligibility and other requirements should be discussed with tax professionals

# Gulf Opportunity Zone Act of 2005

- Federal legislation passed by Congress and signed into law by President Bush in December
- Provides Federal Tax Incentives for areas affected by Hurricane Katrina



# Summary of Incentives

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- Commercial
  - Tax incentives for new investment, clean-up, repair, and employees housing and retention
  - Tax incentives for financing and repairing
  - Private Activity Bonds issued through Mississippi Business Finance Corporation
- Housing
  - Tax exempt low/moderate income housing bonds
- State and Municipal
  - Public bonding authority
  - Debt restructuring

# 50% Bonus Depreciation\*

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- First-year 50% depreciation deduction
  - Software, equipment, leasehold improvements and real estate expenditures
- Placed in service through 12/31/07 for equipment or 12/31/08 for real property
- Bonus depreciation may not be used with any tax exempt financing

# Bonus Depreciation

## Example: EADS North America

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- Assuming
  - \$29 million investment in Columbus
  - Assuming 34% tax rate
  - 40 year useful life

Bonus Depreciation:

$$\$29\text{M} \times .5 \times .34 = \mathbf{\$4.93\text{M}}$$

Straight Line Depreciation:

$$\$14.5\text{M} \times .025 \times .34 = \$0.123\text{M}$$

# Rehabilitation Tax Credit

## Commercial Buildings Restoration

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- The existing tax credit of 10% of qualified expenditures for qualified rehabilitated buildings increased to 13%
- For historic structures, this credit was increased from 20% to 26%
- Increases apply to qualifying expenses incurred from 8/28/05 to 12/31/08

# Employer Provided Housing Incentives

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- A 30% tax credit for the cost of employer-provided employee housing
- \$600/month per employee maximum
- Up to \$600 per month of such costs excluded from the employee's income
- For a six-month period

# Employee Retention Tax Credit

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- For businesses inoperable due to damage by Hurricane Katrina that maintained employees on their payroll
- Tax credit equal to 40% of the first \$6,000 of wages paid per employee
- For wages paid prior to Jan. 1, 2006
- Employee can work at another location while the business is inoperable

# GO Zone Bonding Authority\*

## Private Activity Bonds

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- Up to \$4.8B of private activity – GO Zone Bonds
  - Issued by the State through Mississippi Business Finance Corporation
  - For construction & renovation of non-residential real property, fixed equipment & certain residential rental property
    - movable fixtures and equipment excluded
- A project must elect tax-exempt financing **or** bonus depreciation
- Interest payments are not subject to Alternative Minimum Taxes
- Expires December 31, 2010

# GO Zone Bonding Authority\*

## Private Activity Bonds

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- Additional State law incentives may be available through MBFC through GO Zone Bonds or traditional MBFC programs
  - Taxable & tax exempt Industrial Development Revenue Bonds and the Small Enterprise Development (SED) Bond program
- Incentives include Rural Economic Development (RED) Debt Service income tax credits, income tax job credits, local property tax exemptions and sales tax exemptions
- Contact MBFC for more information

# Housing Incentives/Programs

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- Low-income housing rules are relaxed, so more bond proceeds may be used to rebuild
- First-time homebuyer rule waived
- Mortgage revenue bonds may be used to repair homes (up to \$150,000)
- Increases allocation of low-income housing tax credits to \$18 per capita
  - Up from \$1.90 per capita
- This allocation is increased for '06, '07, and '08
- Unused allocations may not be carried forward

**Thanks,  
Y'all.**

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**Mississippi Development Authority**

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PO Box 849  
Jackson, MS 39205  
[www.mississippi.org](http://www.mississippi.org)  
601.359.3449