

SAN ANTONIO FEDERAL EMPOWERMENT ZONE (EZ)

Program Description:

San Antonio was one of eight cities designated a Round III Empowerment Zone (EZ) by the U.S. Department of Housing and Urban Development on January 2002. This designation allows businesses to receive wage credits, deductions, capital gains incentives, and bond financing to help stimulate investment and job creation in targeted areas of the City. It provides the City priority in funding health, education, and human services through the federal government. The designation currently runs through December 2016.

Program Eligibility Criteria:

To be eligible for the EZ program incentives (with the exception of the Welfare-to-Work and Work Opportunity Tax Credit and Brownfields clean up cost deduction), a business must locate in the Empowerment Zone (See Federal Empowerment Zone Map).

Wage Credits:

- ❑ **Employment Zone Wage Credit:** Up to \$3,000 (20% of the first \$15,000 in employee wages) per employee, for new and existing employees.
- ❑ **Work Opportunity Tax Credit:** Up to \$2,400 (40% of the first \$6,000 in employee wages) per employee (includes recipients of public assistance). Credit is limited to the first year of employment.
- ❑ **Welfare-To-Work Tax Credit:** Two-year credit of up to \$8,500 (35% of the first \$10,000 in the first year and 50% of the first \$10,000 paid the second year) for employers who hire residents that have received Temporary Aid for Needy Families (TANF) for 18 consecutive months.

Deductions:

- ❑ **Increased Section 179 Expensing:** Businesses can claim increased Section 179 deduction up to \$35,000, for property acquired after December 31, 2001 and certain depreciable property.
- ❑ **Environmental Cleanup Cost Deduction:** Deduction for qualified cleanup costs of hazardous substances in the tax year the business paid the cost. The site does not have to be located within the Zone.

Capital Gains Incentives:

- ❑ **Non-recognition of Gain on Sale of Empowerment Zone Assets (EZAs):** For capital gain on EZAs (stock, partnership interests, and business property).
- ❑ **Partial Exclusion of Gain from Sale of Empowerment Zone Stock:** Excludes 60% gain on sale of small business of a C-Corporation, if the stock is held for at least 5 years.

Verify Location Eligibility:

- ❑ **Department of Housing and Urban Development (HUD) E2 Address Locator:** The HUD E2 address locator can help verify if an address is eligible for the EZ tax incentives. Visit <https://egis.hud.gov/ezrlocator/> to check eligibility.

Program Benefits:

- ❑ Tax credit retroactive up to three years, with unused credit carried forward for 20 years for any for-profit entity hiring out of targeted populations, such as EZ residents.
- ❑ Increased depreciation deduction the first year an asset is put into service.
- ❑ Improved cash flow through lower interest rate and longer term on non-residential development projects \$8M, or greater, located in and hiring 35% of its workforce from the EZ.
- ❑ Non-recognition on part, or all capital gains associated with an "Empowerment Zone Business" as defined by IRS publication 954.

How to Apply:

For additional information on how to apply for EZ benefits, please call Ruben Davila, Sr. Economic Development Specialist, at (210) 207-8194 or the Economic Development Department at (210) 207-8080.

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