

Special tax incentives still available, some extended

Many of the GO Zone provisions will expire at the end of 2007. Taking advantage of these incentives now may reduce your taxes next filing season. Other provisions have been extended through 2010 for select parishes, including the 50% bonus depreciation and net operating loss carryback, which allows businesses to leverage investments for refunds on past years taxes. This extension includes Calcasieu, Cameron, Orleans, Plaquemines, St. Bernard, St. Tammany and Washington parishes.

Also available through 2010 or until funds are depleted: Gulf Opportunity Zone Bonds for rebuilding.

Highlights of the expirations and changes include:

- **Expensing for Small Businesses Increased.** Certain small businesses affected by Hurricane Katrina can deduct an additional \$100,000 in qualifying property expenditures made in the disaster area. The Small Business and Work Opportunity Tax Act of 2007 increased the regular part of the Section 179 expensing deduction up to \$125,000. This will give small businesses in the GO Zone up to \$225,000 in expensing deductions for qualified purchases for 2007. In addition, the phase-outs for level of investment increased to \$1.1 million, allowing more small businesses to use this tax benefit. These provisions apply to property placed in service in the Gulf Opportunity Zone (GO Zone) after Aug. 27, 2005, and by Dec. 31, 2007.

Exception: The Small Business and Work Opportunity Act of 2007 extended the increased expensing for qualified property in specified areas of the Gulf Opportunity Zone through December 31, 2008. See the definition of Specified Portions of the GO Zone below.

- **Special Bonus Depreciation to Help Businesses Rebuild.** Businesses of all sizes affected by Hurricane Katrina can take a special first-year depreciation deduction for qualified property placed in service after Aug. 27, 2005, and by Dec. 31, 2007. The special deduction is equal to 50% of the property's depreciable basis.

Exception: Qualifying real estate for the majority of the Gulf Opportunity Zone parishes and counties must be placed in service by Dec. 31, 2008. For

Qualified GO Zone Extension property, the placed in service date was extended to Dec. 31, 2009, under the Tax Relief and Health Care Act of 2006. See definition of Qualified GO Zone Extension Property below.

- **Deduction for Demolition and Clean-up Costs.** Taxpayers may choose to take a deduction for 50% of any qualified GO Zone clean-up costs that would otherwise be included in the basis of property. The deduction is allowed for the tax year in which the taxpayer paid or incurred the costs. Qualified GO Zone clean-up costs means amounts paid or incurred after Aug. 27, 2005, and by Dec. 31, 2007.

- **Net Operating Loss Carryback.** The carryback period is extended from two to five years for net operating losses attributable to Hurricane Katrina. This provision will allow some businesses affected by the hurricane to obtain a refund of taxes paid in earlier tax years. Special carryback rules are also provided for certain timber losses and public utility casualty losses.

IMPORTANT DEFINITIONS

Qualified Go Zone Extension Property: Qualified real estate that is commercial property or commercial rental or residential rental property that is located and placed in service in one of the following parishes or counties prior to Jan. 1, 2010: Louisiana: Calcasieu, Cameron, Orleans, Plaquemines, St. Bernard, St. Tammany and Washington; Mississippi: Hancock, Harrison, Jackson, Pearl River and Stone.

Specified Portions of the Go Zone: Louisiana: Calcasieu, Cameron, Orleans, Plaquemines, St. Bernard, St. Tammany and Washington parishes. Mississippi: Hancock, Harrison, Jackson, Pearl River and Stone counties.

Source: IRS Fact Sheet, 7/12/07