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HUD UNVEILS ECONOMIC PLAN TO REVITALIZE SYRACUSE - NAMED ONE OF SEVEN NEW EMPOWERMENT ZONES

NEW YORK - As part of a \$17 billion economic stimulus package to promote jobs and economic growth nationwide, the U.S. Department of Housing and Urban Development today designated the City of Syracuse and Onondaga County, plus six other communities across the country, as Federal Empowerment Zones. The designation entitles these new EZs to receive regulatory relief and tax breaks to promote job growth and generate community revitalization.

"These tax incentives couldn't come at a better time," said HUD Assistant Secretary and former Syracuse Mayor Roy Bernardi. "This critical partnership between the public and private sectors will give local businesses an economic boost to help drive revitalization, provide jobs and ultimately build a foundation for stronger communities." Bernardi joined New York Governor George Pataki, U.S. Representative Jim Walsh, and a host of the City's major business and civic leaders, in making the announcement at the Federal Building in Syracuse.

"In these challenging times, under the leadership of President Bush and HUD Secretary Martinez, stimulating private-sector, local initiatives remains the cornerstone of community development policy across this nation," said New York State Governor George Pataki. "The new empowerment zones in Syracuse and Yonkers will aid hardworking New Yorkers who continue to take the initiative to start new businesses, create good jobs, and build affordable housing, create prosperity and opportunity for themselves, their families, and their communities."

"This designation will have an immeasurable impact upon economic development efforts across our community from Electronics Parkway and GM Circle to the Lakefront and Inner Harbor to the Near Westside and Gateway strategy on the City's Southside," said Congressman Walsh. "In short, this designation means more jobs for Syracuse and Onondaga County."

The primary benefit to the new Empowerment Zones is a \$17 billion tax incentive package for businesses to locate and expand within these areas. These incentives include wage credits, tax deductions, bond financing and capital gains. Each incentive is tailored to meet the particular needs of a business and offers a significant inducement for companies to locate and hire additional workers.

For Syracuse, the EZ benefits will allow the City to relocate businesses into marginal areas, convert abandoned properties into affordable housing and create a Tax Incentive Utilization Center to market local, State and Federal tax incentives to prospective businesses.

The first six of the current 28 Urban Empowerment Zones were designated in 1994. They were created to establish an initiative that would rebuild communities in America's poverty-stricken areas through incentives that would entice businesses back to the inner cities. In 1998, the Initiative was expanded through a second round, incorporating an additional 15 zones.

The 2000 Community Renewal Tax Relief Act established this round of Empowerment Zone. Successful Empowerment Zone applicants had to satisfy a two-part selection process that weighed certain population and poverty criteria as well as the quality of the community's strategic plan.

The other newly designated EZs will be located in Pulaski County, Arkansas; Fresno, California; Jacksonville, Florida; Oklahoma City; San Antonio, Texas, and Yonkers, New York.

Tax Credits

- *Wage credits* are especially attractive to businesses looking to grow. These businesses are able to hire and retain Zone residents and apply the credits against their federal tax liability. Businesses located within the new Empowerment Zones will enjoy up to a \$3,000 credit for every newly hired or existing employee who lives in the EZ.
- *Work Opportunity Credits* provide businesses located with Empowerment Zones up to \$2,400 against their Federal tax liability for each employee hired from groups with traditionally high unemployment rates or other special employment needs, including youth who live in the EZ.
- *Welfare to Work Credits* offer EZ businesses a credit of up to \$3,500 (in the first year of employment) and \$5,000 (in the second year) for each newly hired long-term welfare recipient.

Bond Financing

In addition to the wage credits, there are significant tax incentives available in support of qualified zone property and schools with the EZs.

- *Tax-Exempt Facility Bonds* help Empowerment Zone businesses to receive lower-cost loans to finance property, purchase equipment and develop business sites within these communities.
- *Qualified Zone Academy Bonds* allow state and local governments to match no-interest loans with private funding sources to finance public school renovations and programs.

Capital Gains

Businesses located within EZs can postpone or only partially recognize the gain on the sale of certain assets, including stock and partnership interests. This benefit significantly reduces the capital gains tax liability on businesses located with these designated areas.

Tax Deductions

- Under *Section 179* of the tax code, businesses located with EZs may claim increased expensing deductions up to \$35,000 for depreciable property such as equipment and machinery acquired after December 31, 2001.
- *Environmental Cleanup Cost Deductions* allow businesses to deduct qualified cleanup costs in Brownfields.
- *Indian Reservations Deductions* permit special accelerated depreciation rules for qualified property placed in service on Indian reservations.

In addition to the incentives described above, HUD will provide technical assistance to these communities to ensure that businesses are fully aware of the many opportunities available to them. To make certain the Empowerment Zones are successful in the initial stages of their designations, HUD will host an Implementation Conference where the newly designated EZs will meet to hear from experts in the fields of business, taxes and economic development. The conference will also provide presentations from representatives from previously designated EZs recognized for their successes in forming public-private partnerships.

Other Incentives

Like all distressed communities, Empowerment Zones will also be able to take advantage of the *New Markets Tax Credits* that provide investors with a credit against their federal taxes of 5 to 6 percent of the amount invested in a distressed area. Also available to

Empowerment Zones is the *Low-Income Housing Tax Credit* providing credit against Federal taxes for owners of newly constructed or renovated rental housing.
Learn more about urban Empowerment Zones

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