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City doling out U.S. tax credits \$12 million available for HUD 'renewal community' breaks

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Chattanooga's City Hall is sending out a different kind of tax notice to downtown businesses this year.

"We have \$12 million available in tax credits we'd like to distribute by the end of the year," said Amy Cherry Walker, the city's economic development specialist. "It's a tremendous opportunity for those investing in the targeted areas downtown and in the Southside." Chattanooga is one of 40 cities selected by the U.S. Department of Housing and Urban Development as a **Renewal Community** eligible to share in \$17 billion in tax breaks over the next decade. In Chattanooga's Renewal Community zone downtown and on the Southside, businesses may apply to a new city board to qualify for special accelerated depreciation schedules and capital gains exemptions that could save businesses millions of dollars.

"I think this has great potential for us, but I have just picked up the forms to apply," Buck Schimpf, the developer of Loveman's on the Grand, said Monday. Mr. Schimpf is converting the former department store into a \$10 million luxury office and residential condominium complex.

Within the Renewal Community zone, businesses may receive \$1,500 a year for every full-time employee they hire who resides in the zone and qualify for several other commercial tax credits. Eligible businesses could avoid any capital gains on their business investments in the area, provided they maintain the business for at least five years, officials said. Businesses also may write off half of their building or equipment investment in the first year for investments made within the Renewal Community zone.

For a company investing \$1 million, the special tax credit could provide \$500,000 charge against earnings within the Renewal \$34,850 under conventional tax rules, according to Chattanooga IRS tax specialist Susan Kile.

Such commercial revitalization credits are limited to \$10 million for any \$12 million a year for all of Chattanooga, however. A six-member panel appointed by Mayor Bob Corker will allocate the credits.

"The top priority will go to those businesses which create jobs, which is our priority for the Renewal Community," Mr. Corker said.

To help business owners, accountants and lawyers learn more about the Renewal Community credits, the city is sponsoring a continuing professional education seminar on the tax advantages on Oct. 17 at The Chattanooga. The number for registration is 757-5276.

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