



Federal Empowerment Zone Tax Credit Program

Program Overview

The Federal Empowerment Zone Wage Tax Credit (FEZ) program is an incentive program established in 1994 to revitalize the economies of select economically distressed communities across the country. Specifically, the FEZ program provides a federal income tax credit of up to \$3,000 per qualifying employee per year. Employers' facilities or work sites must be located in the zone and employees must live in the zone.

The **FEZ credit is 20% of the first \$15,000 (\$3,000 max.)** of an employee's annual wages. Employers can take this credit for each qualifying employee through 2009 and apply it directly to their corporate tax liability or as a pass-through credit to individual shareholders. In addition, credits are retroactive for 3 years, so that credits of up to \$9,000 per qualified employee may be realized immediately. For more information about this federal program, see IRS Publication 954.

RetroTax™ Role

RetroTax™ can do **all of the work** needed for employers to collect their FEZ credits, including computing the credits and completing all documentation.

RetroTax™ Procedures

1. Determine which employees meet the geographic requirements (using RetroTax's unique proprietary software)
2. Determine minimum retention requirements
3. Determine qualifying wages based on analysis of: hire dates, termination dates, qualifying rehire dates and maximum annual credits
4. Calculate retroactive credits (if applicable) for 2005, 2006, 2007 and current credits for 2008
5. Provide appropriate schedules, supporting documentation and reports to provide to you and/or your accounting firm
6. Repeat steps 1 through 5 for the remainder of the program

RetroTax™ can seek out these credits for you in any of the zones in which you have facilities as well as advise you of any other state and federal tax programs for which you may be eligible.

Your Role

Our client's only responsibility is to provide RetroTax™ with a report (quarterly or annually) of employees on the payroll for each calendar year in any format convenient for you: electronic file, hard copy, etc.

Fees

20% fee, contingent upon the total credits we are able to obtain for you.



Federal Empowerment Zone Program *Location Overview*

Urban designations effective December 21, 1994

- Atlanta, GA
- Baltimore, MD
- Chicago, IL
- Detroit, MI
- New York City, NY
- Philadelphia, PA / Camden, NJ

Rural designations effective December 21, 1994

- The Kentucky Highlands
- Mid-Delta, Mississippi
- Rio Grande Valley, Texas

District of Columbia designations effective January 1, 1998

- Washington, D.C.

*Urban designations effective December 31, 1998

- Boston, MA
- Cincinnati, OH
- Columbia / Sumter SC
- Columbus, OH
- Cumberland County, NJ
- El Paso, TX
- Gary / East Chicago, IN
- Huntington, WV / Ironton, OH
- Knoxville / Knox County, TN
- Miami / Miami-Dade County, FL
- Minneapolis, MN
- New Haven, CT
- Norfolk / Portsmouth, VA
- Santa Ana, CA
- St. Louis, MO / East St. Louis, IL

*Rural designations effective December 31, 1998

- Desert Communities Empowerment Zone, California
- Steele-Griggs County Empowerment Zone, Dakota
- Oglala Sioux Tribe Empowerment Zone, South Dakota
- Southernmost Illinois Delta Empowerment Zone, Illinois
- Southwest Georgia United Empowerment Zone, Georgia

Designations effective January 1, 2000

- Cleveland, OH
- Los Angeles, CA

Urban Designations effective January 1, 2002

- Pulaski County, AR
- Tucson, AZ
- Fresno, CA
- Syracuse, NY
- Yonkers, NY
- Oklahoma City, OK
- San Antonio, TX

Rural Designations effective January 1, 2002

- Northern Maine Development Commission, Inc. (Aroostook County)
- Middle Rio Grande FUTURO Communities in Texas

***Please note: For the December 31, 1998 designations only, the FEZ wage credit cannot be claimed before 2002, but wages can be claimed after December 31, 2001. All designations run until 2009.**