stituted for ''December 31, 1997'' in such clause.

(c) Qualified capital gain

For purposes of this section—

(1) In general

Except as otherwise provided in this subsection, the term ''qualified capital gain'' means any gain recognized on the sale or exchange of—

(A) a capital asset, or

(B) property used in the trade or business (as defined in section 1231(b)).

(2) Gain before 2002 or after 2014 not qualified

The term ''qualified capital gain'' shall not include any gain attributable to periods before January 1, 2002, or after December 31, 2014.

(3) Certain rules to apply

Rules similar to the rules of paragraphs (3), (4), and (5) of section 1400B(e) shall apply for purposes of this subsection.

(d) Certain rules to apply

For purposes of this section, rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (f) and (g), of section 1400B shall apply; except that for such purposes section 1400B(g)(2) shall be applied by substituting ''January 1, 2002'' for ''January 1, 1998'' and ''December 31, 2014'' for ''December 31, 2014''.

(e) Regulations

The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the abuse of the purposes of this section.

(Added Pub. L. 106–554, §1(a)(7) [title I, §101(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A–594; amended Pub. L. 108–311, title III, §310(c)(2)(C), Oct. 4, 2004, 118 Stat. 1180; Pub. L. 109–432, div. A, title I, §110(c)(2)(C), Dec. 20, 2006, 120 Stat. 2940; Pub. L. 110–343, div. C, title III, §322(c)(2)(C), Oct. 3, 2008, 122 Stat. 3874.)

AMENDMENTS

2008—Subsec. (d). Pub. L. 110–343 substituted ''2014'.'' for ''2012'.''.

2006—Subsec. (d). Pub. L. 109–432 substituted ''2012'' for ''2010''.

2004—Subsec. (d). Pub. L. 108–311 substituted ''2010'' for ''2008''.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108–311 effective Jan. 1, 2004, see section 310(e)(1) of Pub. L. 108–311, set out as a note under section 1400 of this title.

§ 1400G. Renewal community business defined

For purposes of this subchapter, the term ''renewal community business'' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397C if references to renewal communities were substituted for references to empowerment zones in such section.

(Added Pub. L. 106–554, §1(a)(7) [title I, §101(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A–596.)

PART III—ADDITIONAL INCENTIVES

Sec.
1400H. Renewal community employment credit.
1400I. Commercial revitalization deduction.
1400J. Increase in expensing under section 179.

§ 1400H. Renewal community employment credit

(a) In general

Subject to the modification in subsection (b), a renewal community shall be treated as an empowerment zone for purposes of section 1396 with respect to wages paid or incurred after December 31, 2001.

(b) Modification

In applying section 1396 with respect to renewal communities—

(1) the applicable percentage shall be 15 percent, and

(2) subsection (c) thereof shall be applied by substituting ''$10,000'' for ''$15,000'' each place it appears.

(Added Pub. L. 106–554, §1(a)(7) [title I, §101(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A–596.)

§ 1400I. Commercial revitalization deduction

(a) General rule

At the election of the taxpayer, either—

(1) one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building shall be allowable as a deduction for the taxable year in which the building is placed in service, or

(2) a deduction for all such expenditures shall be allowable ratably over the 120-month period beginning with the month in which the building is placed in service.

(b) Qualified revitalization buildings and expenditures

For purposes of this section—

(1) Qualified revitalization building

The term ''qualified revitalization building'' means any building (and its structural components) if—

(A) the building is placed in service by the taxpayer in a renewal community and the original use of the building begins with the taxpayer, or

(B) in the case of such building not described in subparagraph (A), such building—

(i) is substantially rehabilitated (within the meaning of section 47(c)(1)(C)) by the taxpayer, and

(ii) is placed in service by the taxpayer after the rehabilitation in a renewal community.

(2) Qualified revitalization expenditure

(A) In general

The term ''qualified revitalization expenditure'' means any amount properly chargeable to capital account for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

(i) nonresidential real property (as defined in section 168(e)), or

(ii) section 1250 property (as defined in section 1250(c)) which is functionally related and subordinate to property described in clause (i).

(B) Certain expenditures not included

(i) Acquisition cost

In the case of a building described in paragraph (1)(B), the cost of acquiring the building or interest therein shall be treated as a qualified revitalization expenditure only to the extent that such cost does not exceed 30 percent of the aggregate qualified revitalization expenditures (determined without regard to such cost) with respect to such building.

(ii) Credits

The term ''qualified revitalization expenditure'' does not include any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

(c) Dollar limitation

The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building shall not exceed the lesser of—

(1) $10,000,000, or

(2) the commercial revitalization expenditure amount allocated to such building under this section by the commercial revitalization agency for the State in which the building is located.

(d) Commercial revitalization expenditure amount

(1) In general

The aggregate commercial revitalization expenditure amount which a commercial revitalization agency may allocate for any calendar year is the amount of the State commercial revitalization expenditure ceiling determined under this paragraph for such calendar year for such agency.

(2) State commercial revitalization expenditure ceiling

The State commercial revitalization expenditure ceiling applicable to any State—

(A) for each calendar year after 2001 and before 2010 is $12,000,000 for each renewal community in the State, and

(B) for each calendar year thereafter is zero.

(3) Commercial revitalization agency

For purposes of this section, the term ''commercial revitalization agency'' means any agency authorized by a State to carry out this section.

(4) Time and manner of allocations

Allocations under this section shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

(e) Responsibilities of commercial revitalization agencies

(1) Plans for allocation

Notwithstanding any other provision of this section, the commercial revitalization expenditure amount with respect to any building shall be zero unless—

(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part, and

(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

(2) Qualified allocation plan

For purposes of this subsection, the term ''qualified allocation plan'' means any plan—

(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization agency which are appropriate to local conditions,

(B) which considers—

(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process,

(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

(iii) the active involvement of residents and nonprofit groups within the renewal community, and

(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

(f) Special rules

(1) Deduction in lieu of depreciation

The deduction provided by this section for qualified revitalization expenditures shall—

(A) with respect to the deduction determined under subsection (a)(1), be in lieu of any depreciation deduction otherwise allowable on account of one-half of such expenditures, and

(B) with respect to the deduction determined under subsection (a)(2), be in lieu of any depreciation deduction otherwise allowable on account of all of such expenditures.

(2) Basis adjustment, etc.

For purposes of sections 1016 and 1250, the deduction under this section shall be treated in the same manner as a depreciation deduction. For purposes of section 1250(b)(5), the straight line method of adjustment shall be determined without regard to this section.

(3) Substantial rehabilitations treated as separate buildings

A substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building shall be treated as a separate building for purposes of subsection (a).

(4) Clarification of allowance of deduction under minimum tax

Notwithstanding section 56(a)(1), the deduction under this section shall be allowed in determining alternative minimum taxable income under section 55.

(g) Termination

This section shall not apply to any building placed in service after December 31, 2009.

(Added Pub. L. 106–554, §1(a)(7) [title I, §101(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A–596.)

§ 1400J. Increase in expensing under section 179

(a) In general

For purposes of section 1397A—

(1) a renewal community shall be treated as an empowerment zone,

(2) a renewal community business shall be treated as an enterprise zone business, and

(3) qualified renewal property shall be treated as qualified zone property.

(b) Qualified renewal property

For purposes of this section—

(1) In general

The term ''qualified renewal property'' means any property to which section 168 applies (or would apply but for section 179) if—

(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2001, and before January 1, 2010, and

(B) such property would be qualified zone property (as defined in section 1397D) if references to renewal communities were substituted for references to empowerment zones in section 1397D.

(2) Certain rules to apply

The rules of subsections (a)(2) and (b) of section 1397D shall apply for purposes of this section.

(Added Pub. L. 106–554, §1(a)(7) [title I, §101(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A–598.)

Subchapter Y—Short-Term Regional Benefits

AMENDMENTS

2009—Pub. L. 111–5, div. B, title I, §1401(b), Feb. 17, 2009, 123 Stat. 351, added item for part III.

2005—Pub. L. 109–135, title I, §101(b)(3), Dec. 21, 2005, 119 Stat. 2593, substituted ''Short-Term Regional Benefits'' for ''New York Liberty Zone Benefits'' in subchapter heading and amended analysis generally, substituting items for parts I and II for item 1400L.

PART I—TAX BENEFITS FOR NEW YORK LIBERTY ZONE

§ 1400L. Tax benefits for New York Liberty Zone

(a) Expansion of work opportunity tax credit

(1) In general

For purposes of section 51, a New York Liberty Zone business employee shall be treated as a member of a targeted group.

(2) New York Liberty Zone business employee

For purposes of this subsection—

(A) In general

The term ''New York Liberty Zone business employee'' means, with respect to any period, any employee of a New York Liberty Zone business if substantially all the services performed during such period by such employee for such business are performed in the New York Liberty Zone.

(B) Inclusion of certain employees outside the New York Liberty Zone

(i) In general

In the case of a New York Liberty Zone business described in subclause (II) of subparagraph (C)(i), the term ''New York Liberty Zone business employee'' includes any employee of such business (not described in subparagraph (A)) if substantially all the services performed during such period by such employee for such business are performed in the City of New York, New York.

(ii) Limitation

The number of employees of such a business that are treated as New York Liberty Zone business employees on any day by reason of clause (i) shall not exceed the excess of—

(I) the number of employees of such business on September 11, 2001, in the New York Liberty Zone, over

(II) the number of New York Liberty Zone business employees (determined without regard to this subparagraph) of such business on the day to which the limitation is being applied.

The Secretary may require any trade or business to have the number determined under subclause (I) verified by the New York State Department of Labor.

(C) New York Liberty Zone business

(i) In general

The term ''New York Liberty Zone business'' means any trade or business which is—

(I) located in the New York Liberty Zone, or

(II) located in the City of New York, New York, outside the New York Liberty Zone, as a result of the physical destruction or damage of such place of business by the September 11, 2001, terrorist attack.

(ii) Credit not allowed for large businesses

The term ''New York Liberty Zone business'' shall not include any trade or business for any taxable year if such trade or business employed an average of more than 200 employees on business days during the taxable year.

(D) Special rules for determining amount of credit

For purposes of applying subpart F of part IV of subchapter A of this chapter to wages paid or incurred to any New York Liberty Zone business employee—

(i) section 51(a) shall be applied by substituting ''qualified wages'' for ''qualified first-year wages'',

(ii) the rules of section 52 shall apply for purposes of determining the number of employees under this paragraph,