(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))[1] 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.

[1] See References in Text note below.

(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))[1] 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.)

REFERENCES IN TEXT

Section 47(c)(1)(C), referred to in subsecs. (b)(1)(B)(i) and (f)(3), was redesignated as section 47(c)(1)(B) by Pub. L. 115–97, title I, §13402(b)(1)(iii), Dec. 22, 2017, 131 Stat. 2134.

§ 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 sub-