

## SUBPART B—ADDITIONAL EXPENSING

Sec.

1397A. Increase in expensing under section 179.

**§ 1397A. Increase in expensing under section 179****(a) General rule**

In the case of an enterprise zone business, for purposes of section 179—

(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

(A) \$35,000, or

(B) the cost of section 179 property which is qualified zone property placed in service during the taxable year, and

(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified zone property shall be 50 percent of the cost thereof.

**(b) Recapture**

Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified zone property which ceases to be used in an empowerment zone by an enterprise zone business.

(Added Pub. L. 103-66, title XIII, §13301(a), Aug. 10, 1993, 107 Stat. 552; amended Pub. L. 105-34, title IX, §952(c), Aug. 5, 1997, 111 Stat. 887; Pub. L. 106-554, §1(a)(7) [title I, §114(a), (b)], Dec. 21, 2000, 114 Stat. 2763, 2763A-601.)

## AMENDMENTS

2000—Subsec. (a)(1)(A). Pub. L. 106-554, §1(a)(7) [title I, §114(a)], substituted “\$35,000” for “\$20,000”.

Subsec. (c). Pub. L. 106-554, §1(a)(7) [title I, §114(b)], struck out heading and text of subsec. (c). Text read as follows: “For purposes of this section, qualified zone property shall not include any property substantially all of the use of which is in any parcel described in section 1391(g)(3)(A)(iii).”

1997—Subsec. (c). Pub. L. 105-34 added subsec. (c).

## EFFECTIVE DATE OF 2000 AMENDMENT

Pub. L. 106-554, §1(a)(7) [title I, §114(c)], Dec. 21, 2000, 114 Stat. 2763, 2763A-601, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 2001.”

## SUBPART C—NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS

Sec.

1397B. Nonrecognition of gain on rollover of empowerment zone investments.

## AMENDMENTS

2000—Pub. L. 106-554, §1(a)(7) [title I, §116(a)(3)], Dec. 21, 2000, 114 Stat. 2763, 2763A-602, added subpart C heading and item 1397B. Former subpart C, consisting of sections 1397B and 1397C, redesignated D.

**§ 1397B. Nonrecognition of gain on rollover of empowerment zone investments****(a) Nonrecognition of gain**

In the case of any sale of a qualified empowerment zone asset held by the taxpayer for more than 1 year and with respect to which such taxpayer elects the application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

(1) the cost of any qualified empowerment zone asset (with respect to the same zone as the asset sold) purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by

(2) any portion of such cost previously taken into account under this section.

**(b) Definitions and special rules**

For purposes of this section—

**(1) Qualified empowerment zone asset****(A) In general**

The term “qualified empowerment zone asset” means any property which would be a qualified community asset (as defined in section 1400F)<sup>1</sup> if in section 1400F<sup>1</sup>—

(i) references to empowerment zones were substituted for references to renewal communities,

(ii) references to enterprise zone businesses (as defined in section 1397C) were substituted for references to renewal community businesses,

(iii) the date of the enactment of this paragraph were substituted for “December 31, 2001” each place it appears, and

(iv) the day after the date set forth in section 1391(d)(1)(A)(i) were substituted for “January 1, 2010” each place it appears.

**(B) References**

Any reference in this paragraph to section 1400F shall be treated as reference to such section before its repeal.

**(2) Certain gain not eligible for rollover**

This section shall not apply to—

(A) any gain which is treated as ordinary income for purposes of this subtitle, and

(B) any gain which is attributable to real property, or an intangible asset, which is not an integral part of an enterprise zone business.

**(3) Purchase**

A taxpayer shall be treated as having purchased any property if, but for paragraph (4), the unadjusted basis of such property in the hands of the taxpayer would be its cost (within the meaning of section 1012).

**(4) Basis adjustments**

If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any qualified empowerment zone asset which is purchased by the taxpayer during the 60-day period described in subsection (a). This paragraph shall not apply for purposes of section 1202.

**(5) Holding period**

For purposes of determining whether the nonrecognition of gain under subsection (a) applies to any qualified empowerment zone asset which is sold, the taxpayer’s holding period for such asset and the asset referred to in subsection (a)(1) shall be determined without regard to section 1223.

<sup>1</sup> See References in Text note below.