

## Empowerment Zone and Renewal Community Employment Credit

▶ **Attach to your tax return.**

		Identifying number
<b>1</b> Enter the total qualified wages paid or incurred during <b>calendar year 2009</b> only (see instructions)		
<b>a</b> Qualified empowerment zone wages . . . . . \$ _____ X 20% (.20)	<b>1a</b>	
<b>b</b> Qualified renewal community wages . . . . . \$ _____ X 15% (.15)	<b>1b</b>	
<b>2</b> Add lines 1a and 1b. See instructions for the adjustment you must make to salaries and wages . . . . .	<b>2</b>	
<b>3</b> Employment zone and renewable community employment credit from partnerships, S corporations, cooperatives, estates, and trusts . . . . .	<b>3</b>	
<b>4</b> Add lines 2 and 3. Partnerships and S corporations, report this amount on Schedule K; all others, go to line 5 . . . . .	<b>4</b>	
<b>5</b> Empowerment zone and renewal community employment credit included on line 4 from passive activities (see instructions) . . . . .	<b>5</b>	
<b>6</b> Subtract line 5 from line 4 . . . . .	<b>6</b>	
<b>7</b> Passive activity credit allowed for 2009 (see instructions) . . . . .	<b>7</b>	
<b>8</b> Carryforward of empowerment zone and renewal community employment credit to 2009 . . . . .	<b>8</b>	
<b>9</b> Carryback of empowerment zone and renewal community employment credit from 2010 (see instructions)	<b>9</b>	
<b>10</b> Add lines 6 through 9. Cooperatives, estates, and trusts, go to line 11. All others, report this amount on Form 3800, line 24 . . . . .	<b>10</b>	
<b>11</b> Amount allocated to the patrons of the cooperative or the beneficiaries of the estate or trust (see instructions) . . . . .	<b>11</b>	
<b>12</b> <b>Cooperatives, estates, and trusts.</b> Subtract line 11 from line 10. Report this amount on Form 3800, line 24 . . . . .	<b>12</b>	

DRAFT AS OF  
 June 4, 2009

## General Instructions

Section references are to the Internal Revenue Code.

### Purpose of Form

Use Form 8844 to claim the empowerment zone and renewal community employment (EZ/RC) credit. For tax years that include December 31, 2009, the credit is:

- 20% of the employer's qualified wages (up to \$15,000) paid or incurred during calendar year 2009 on behalf of qualified empowerment zone employees plus
- 15% of the employer's qualified wages (up to \$10,000) paid or incurred during calendar year 2009 on behalf of qualified renewal community employees.

The credit is a component of the general business credit, and a special tax liability limit applies. The allowable credit is figured in Part II of Form 3800, General Business Credit.

### Empowerment Zones

**Urban areas.** Parts of the following urban areas are empowerment zones. You can find out if your business or an employee's residence is located within an urban empowerment zone by using the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator) or by calling 1-800-998-9999.

- Pulaski County, AR
- Tucson, AZ
- Fresno, CA
- Los Angeles, CA (city and county)
- Santa Ana, CA
- New Haven, CT
- Jacksonville, FL
- Miami/Dade County, FL
- Chicago, IL
- Gary/Hammond/East Chicago, IN
- Boston, MA
- Baltimore, MD
- Detroit, MI
- Minneapolis, MN
- St. Louis, MO/East St. Louis, IL
- Cumberland County, NJ
- New York, NY
- Syracuse, NY
- Yonkers, NY
- Cincinnati, OH
- Cleveland, OH
- Columbus, OH
- Oklahoma City, OK
- Philadelphia, PA/Camden, NJ
- Columbia/Sumter, SC

- Knoxville, TN
- El Paso, TX
- San Antonio, TX
- Norfolk/Portsmouth, VA
- Huntington, WV/Ironton, OH

**Washington, DC.** Under section 1400, parts of Washington, DC, are treated as an empowerment zone. For details, use the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator) or see Notice 98-57, on page 9 of Internal Revenue Bulletin 1998-47 at [www.irs.gov/pub/irs-irbs/irb98-47.pdf](http://www.irs.gov/pub/irs-irbs/irb98-47.pdf).

**Rural areas.** Parts of the following rural areas are empowerment zones. You can find out if your business or an employee's residence is located within a rural empowerment zone by using the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator) or by calling 1-800-998-9999.

- Desert Communities, CA (part of Riverside County)
- Southwest Georgia United, GA (part of Crisp County and all of Dooly County)
- Southernmost Illinois Delta, IL (parts of Alexander and Johnson Counties and all of Pulaski County)
- Kentucky Highlands, KY (part of Wayne County and all of Clinton and Jackson Counties)
- Aroostook County, ME (part of Aroostook County)
- Mid-Delta, MS (parts of Bolivar, Holmes, Humphreys, Leflore, Sunflower, and Washington Counties)
- Griggs-Steele, ND (part of Griggs County and all of Steele County)
- Oglala Sioux Tribe, SD (parts of Jackson and Bennett Counties and all of Shannon County)
- Middle Rio Grande FUTURO Communities, TX (parts of Dimmit, Maverick, Uvalde, and Zavala Counties)
- Rio Grande Valley, TX (parts of Cameron, Hidalgo, Starr, and Willacy Counties)

**Qualified empowerment zone employee.** A qualified empowerment zone employee is any employee (full-time or part-time) of the employer who:

- Performs substantially all of the services for that employer within an empowerment zone in the employer's trade or business and
- Has his or her principal residence within that empowerment zone while performing those services (employees who work in the Washington, DC, empowerment zone may live anywhere in the District of Columbia).

See *Qualified Employees* on page 3 for a list of persons who are not qualified employees.

### Renewal Communities

Parts of the following areas are renewal communities. You can find out if your business or an employee's residence is located within a renewal community by using the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator) or by calling 1-800-998-9999.

- Greene-Sumter County, AL
- Mobile County, AL
- Southern Alabama
- Los Angeles, CA
- Orange Cove, CA
- Parlier, CA
- San Diego, CA
- San Francisco, CA
- Atlanta, GA
- Chicago, IL
- Eastern Kentucky
- Central Louisiana
- New Orleans, LA
- Northern Louisiana
- Ouachita Parish, LA
- Lawrence, MA
- Lowell, MA
- Detroit, MI
- Flint, MI
- West Central Mississippi
- Turtle Mountain Band of Chippewa, ND
- Camden, NJ
- Newark, NJ
- Buffalo-Lackawanna, NY
- Jamestown, NY
- Niagara Falls, NY
- Rochester, NY
- Schenectady, NY
- Hamilton, OH
- Youngstown, OH
- Philadelphia, PA
- Charleston, SC
- Chattanooga, TN
- Memphis, TN
- Corpus Christi, TX
- El Paso County, TX
- Burlington, VT
- Tacoma, WA
- Yakima, WA
- Milwaukee, WI

**Qualified renewal community employee.** A qualified renewal community employee is any employee (full-time or part-time) of the employer who:

- Performs substantially all of the services for that employer within a renewal community in the employer's trade or business and
- Has his or her principal residence within that renewal community while performing those services.

See *Qualified Employees* below for a list of persons who are not qualified employees.

## Qualified Employees

Any person may be a qualified employee **except** the following.

- Any relative of the employer described in sections 152(d)(2)(A) through 152(d)(2)(G).
- A dependent of the employer described in section 152(d)(2)(H).
- If the employer is a corporation, any individual who bears any of the relationships described in sections 152(d)(2)(A) through 152(d)(2)(G), or is a dependent, as described in section 152(d)(2)(H), of an individual who owns (or is considered to own under section 267(c)) more than 50% in value of the outstanding stock of the corporation.
- If the employer is an entity other than a corporation, any individual who owns directly or indirectly more than 50% of the capital and profits interest, including constructive ownership, in the entity.
- If the employer is an estate or trust, any individual who is a grantor, beneficiary, or fiduciary of the estate or trust (or a dependent, as described in section 152(d)(2)(H), of such an individual), or any individual who is a relative, as described in sections 152(d)(2)(A) through 152(d)(2)(G), of the grantor, beneficiary, or fiduciary of the estate or trust.
- Any person who owns (or is considered to own under section 318) more than 5% of the outstanding or voting stock of the employer, or if not a corporate employer, more than 5% of the capital or profits interest in the employer.
- Any individual employed by the employer for less than 90 days. For exceptions, see *Early termination of employee*, later.
- Any individual employed by the employer at any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

- Any individual employed by the employer in a trade or business of which the principal activity is farming (see *Note* below), but only if at the close of the tax year the sum of the following amounts exceeds \$500,000.

1. The larger of the unadjusted bases or fair market value of the farm assets owned by the employer.

2. The value of the farm assets leased by the employer.

**Note.** Certain farming activities are described in section 2032A(e)(5)(A) or (B).

### Early termination of employee.

Generally, an individual is not a qualified zone employee unless employed for at least 90 days. The 90-day requirement does not apply in the following situations.

- The employee is terminated because of misconduct as determined under the applicable state unemployment compensation law.
- The employee becomes disabled before the 90th day. However, if the disability ends before the 90th day, the employer must offer to reemploy the former employee.

An employee is not treated as terminated if the corporate employer is acquired by another corporation under section 381(a) and the employee continues to be employed by the acquiring corporation. Nor is a mere change in the form of conducting the trade or business treated as a termination if the employee continues to be employed in such trade or business and the taxpayer retains a substantial interest therein.

## Wages

Wages are defined in section 51(c) and generally are wages (excluding tips) subject to the Federal Unemployment Tax Act (FUTA), without regard to the FUTA dollar limitation. The following are also treated as wages.

- Amounts paid or incurred by the employer as educational assistance payments excludable from the employee's gross income under section 127. However, this does not apply if the employee has a relationship to the employer described in section 267(b) or 707(b)(1) (substituting "10 percent" for "50 percent" in those sections) or the employer and employee are engaged in trades or businesses under common control (within the meaning of sections 52(a) and (b)).
- Amounts paid or incurred by the employer on behalf of an employee under age 19 for a youth training program operated by that employer in conjunction with local education officials.

## Specific Instructions

Complete lines 1 and 2 to figure the current year credit for your trade or business. Skip lines 1 and 2 if you are only claiming a credit that was allocated to you from a pass-through entity.

### Line 1a—Qualified Empowerment Zone Wages

Enter the total qualified empowerment zone wages paid or incurred during calendar year 2009. The credit must be figured using only the wages that you paid or incurred in the calendar year that ended with or within your tax year. For example, if your tax year began on April 1, 2009, and ended on March 31, 2010, you must figure wages based on the calendar year that began on January 1, 2009, and ended on December 31, 2009. Wages paid after the end of the calendar year may be used only to figure the credit claimed on the following year's tax return.

**Qualified empowerment zone wages** are qualified wages paid or incurred by an employer for services performed by an employee while the employee is a qualified empowerment zone employee (defined earlier). The maximum wages that may be taken into account for each employee is limited to \$15,000. The \$15,000 amount for any employee is reduced by the amount of wages paid or incurred during the calendar year on behalf of that employee that are used in figuring the work opportunity credit (Form 5884).

### Line 1b—Qualified Renewal Community Wages

Enter the total qualified renewal community wages paid or incurred during calendar year 2009. The credit must be figured using only the wages that you paid or incurred in the calendar year that ended with or within your tax year. For example, if your tax year began on April 1, 2009, and ended on March 31, 2010, you must figure wages based on the calendar year that began on January 1, 2009, and ended on December 31, 2009. Wages paid after the end of the calendar year may be used only to figure the credit claimed on the following year's tax return.

**Qualified renewal community wages** are qualified wages paid or incurred by an employer for services performed by an employee while the employee is a qualified renewal community employee (defined earlier). The maximum wages that may be taken into account for each employee is limited to \$10,000. The \$10,000 amount for any employee is reduced by the amount of wages paid or

incurred during the calendar year on behalf of that employee that are used in figuring the work opportunity credit (Form 5884.)

**Line 2**

In general, you must reduce your deduction for salaries and wages and certain educational and training costs by the line 2 credit amount. You must make this reduction even if you cannot take the full credit this year because of the tax liability limit. If you capitalized any costs on which you figured the credit, reduce the amount capitalized by the amount of the credit attributable to these costs.

Members of a controlled group of corporations and businesses under common control are treated as a single employer in determining the credit. The members share the credit in the same proportion that they paid or incurred qualifying wages.

**Line 5**

Enter the amount included on line 4 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, trusts, and estates), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

**Line 7**

Enter the passive activity credit allowed for the 2009 EZRCE credit from Form 8582-CR or Form 8810. See the instructions for the applicable form for details.

**Line 9**

Use only if you amend your 2009 return to carry back an unused credit from 2010.

**Line 11**

A cooperative described in section 1381(a) must allocate to its patrons the credit in excess of its tax liability limit. Therefore, to figure the unused amount of the credit allocated to patrons, the cooperative must first figure its tax liability. While any excess is allocated to patrons, any credit recapture applies as if the cooperative had claimed the entire credit.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

- Recordkeeping** . . . . 4 hr., 4 min.
- Learning about the law or the form** . . . . 2 hr., 22 min.
- Preparing and sending the form to the IRS** . . . . 2 hr., 33 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

June 4, 2009