

Gulf Opportunity Zone

The Gulf Opportunity Zone Act of 2005 establishes tax incentives and bond provisions to rebuild the local and regional economies affected by hurricanes Katrina and Rita. The act is commonly referred to as the "GO Zone Act." There are 11 counties in Alabama eligible for the assistance including Mobile and Baldwin Counties. The Go Zone legislation applies to properties put in service by 2008.

GO Zone Bonus Depreciation

Under the GO Zone Act, taxpayers are allowed an additional depreciation deduction equal to 50% of the depreciable basis of qualified GO Zone property for the first year the property is placed in service. This includes personal property (depreciation recovery period of 20 years or less), site improvements, residential and non-residential real property. It also must be used in the active conduct of a trade or business. The property must be acquired by the taxpayer on or after 8/28/2005 and be placed in service prior to 12/31/2008, and the project may not be used with Tax Exempt Bonds, tax-exempt use property, and qualified revitalization buildings in the Renewal Community Program.

Tax-Exempt Bond Financing: GO Zone Bonds

Gulf Opportunity Zone Bonds present a unique opportunity for private business owners and corporations to borrow capital at very favorable tax-exempt rates to acquire, construct, reconstruct or renovate non-residential real property and qualified residential rental projects.

The Applications must be approved by the Governor and they must be issued between December 21, 2005 and January 1, 2011. Qualified projects must have rehabilitation costs in excess of 50% of the acquisition cost and may include:

Income qualified *residential rental* minimum of either

- 20% of units @ 60% of Area Median Gross Income (\$23,760/\$594 for a family of 2), or
- 40% of units @ 70% of AMGI (\$27,720,\$693 for a family of 2)

Mobile Downtown Redevelopment Authority will be bond issuer for projects within the Central Business District ("CBD") and 3 miles out along major arteries. The CBD boundaries are Water Street, St. Louis Street, Broad Street; Church Street.

The Go Zone bonds generally result in interest rates of 1.5% to 2% below conventional financing options.