

REP. TAYLOR INTRODUCES BILL TO ELIMINATE STARTING DEADLINE FOR GO ZONE TAX DEDUCTION

Legislation would allow construction that has not yet begun to receive tax deduction

WASHINGTON, D.C. – Rep. Gene Taylor today introduced legislation to eliminate a legal technicality that threatens the recovery in Mississippi and Louisiana from Hurricanes Katrina and Rita. The Gulf Opportunity (GO) Zone Act of 2005 allows a bonus depreciation tax deduction for property placed in service before Dec. 31, 2010 in the five Mississippi counties and seven Louisiana parishes that suffered the most damage from the hurricanes. However, in 2006 when Congress extended the deadline for finishing construction projects, it did not extend the Dec. 31, 2007 deadline to begin construction. Because of this, only projects that broke ground by the end of 2007 are eligible for the bonus tax deduction. The Taylor bill, co-sponsored by Reps. Bennie Thompson (D-Miss.), Chip Pickering (R-Miss.), Charlie Melancon (D-La.) and William Jefferson (D-La.), would eliminate the deadline to begin construction to qualify for the Bonus Depreciation deduction of the GO Zone Act. This would apply the same language to the GO Zone Act as the language in the New York Liberty Zone Act, which allowed businesses and employees in the area damaged by the 9/11 terrorist attacks to be eligible for a tax deduction. The Liberty Zone had no deadline to begin construction, only a deadline to place property in service. “It makes no sense to extend the deadline for finishing projects while leaving an impossible deadline for beginning them,” Taylor said. “Finishing was not the problem. Starting was the problem. Projects have been delayed while businesses waited for water, sewer, streets, seawalls and other public infrastructure to be restored.” “I have been assured that the House Ways and Means Committee will take action on this bill. I hope that the Bush Administration will not try to block this common sense measure that is needed to stimulate the recovery of the Gulf Coast.”

Facts about the Go Zone Act of 2005: The GO Zone Act of 2005 allowed a first-year 50 percent depreciation tax deduction for property placed in service in the Katrina and Rita disaster area by Dec. 31, 2007. The placed-in-service deadline for nonresidential real property and residential rental property was Dec. 31, 2008. Construction projects had to begin by Dec. 31, 2007 to qualify for the deduction. The Tax Relief and Health Care Act enacted in December 2006 extended the place-in-service deadline for the GO Zone bonus depreciation deduction in counties and parishes that had damage to 60 percent or more of their housing units. Property must be placed in service by Dec. 31, 2010 to qualify for the deduction, but the deduction will be based on the construction completed at the end of 2009. The 2006 act did not extend the deadline for construction to begin, so only those projects that broke ground before the end of 2007 currently are eligible for the deduction. The five counties of Mississippi and seven parishes of Louisiana where the GO Zone bonus depreciation deduction was extended: Mississippi: Hancock, Harrison, Jackson, Pearl River, Stone Louisiana: Calcasieu, Cameron, Orleans, Plaquemines, St. Bernard, St. Tammany, Washington