

RURAL Zone 101



January 24, 2024

Cherie Bennett, Rural Zone Program Manager

Background



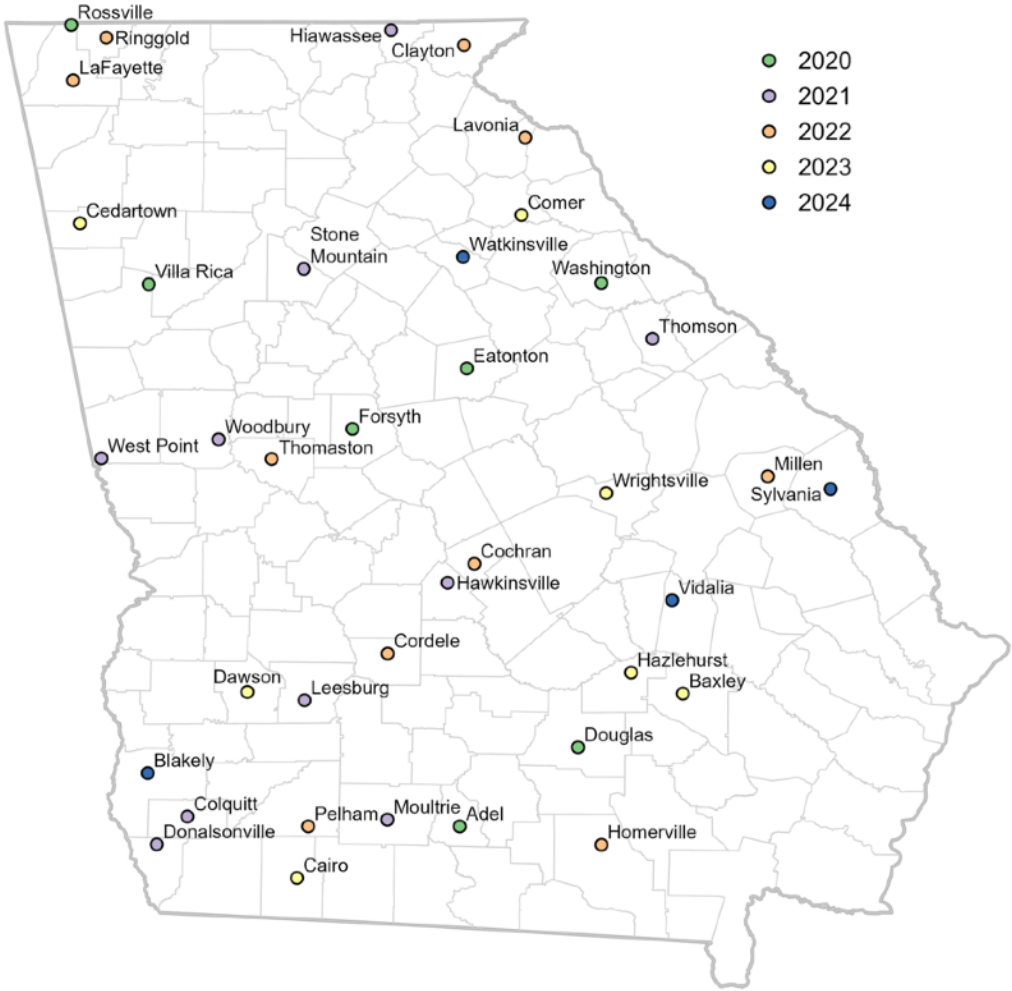
- ❑ RURAL (Revitalizing Underdeveloped Rural Areas Legislation) Bill - House Bill 73
- ❑ Signed into law in May 2017
- ❑ Purpose: An incentive program to stimulate investment, job creation, and economic development in rural downtowns.

7th Round of Rural Zones Communities

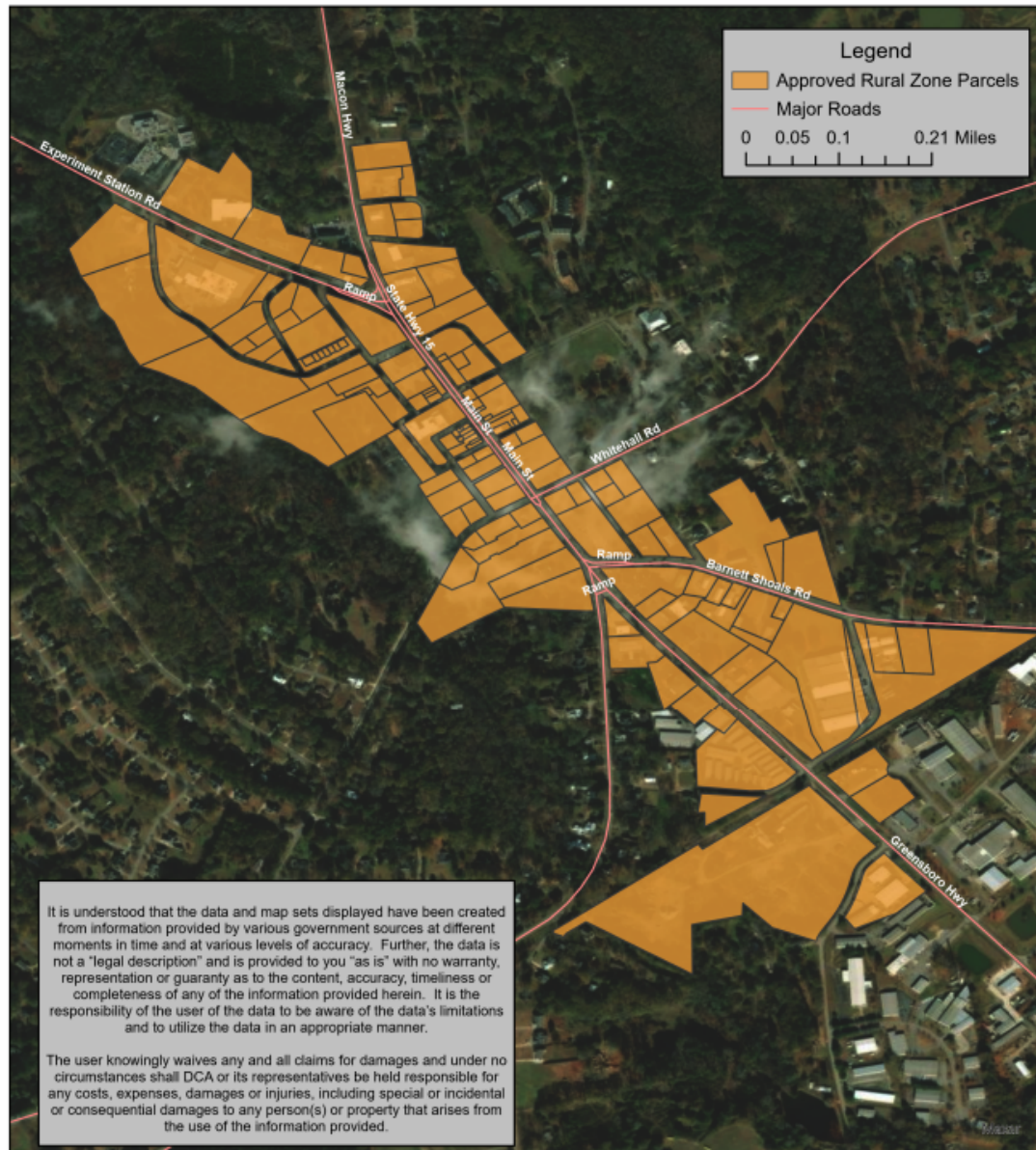
January 1, 2024 through December 31, 2028 (five years)

Blakely	Sylvania	Vidalia
Watkinsville		

Rural Zone Cities 2020 - 2024



Watkinsville's Rural Zone Map



RURAL Zone Program Goals

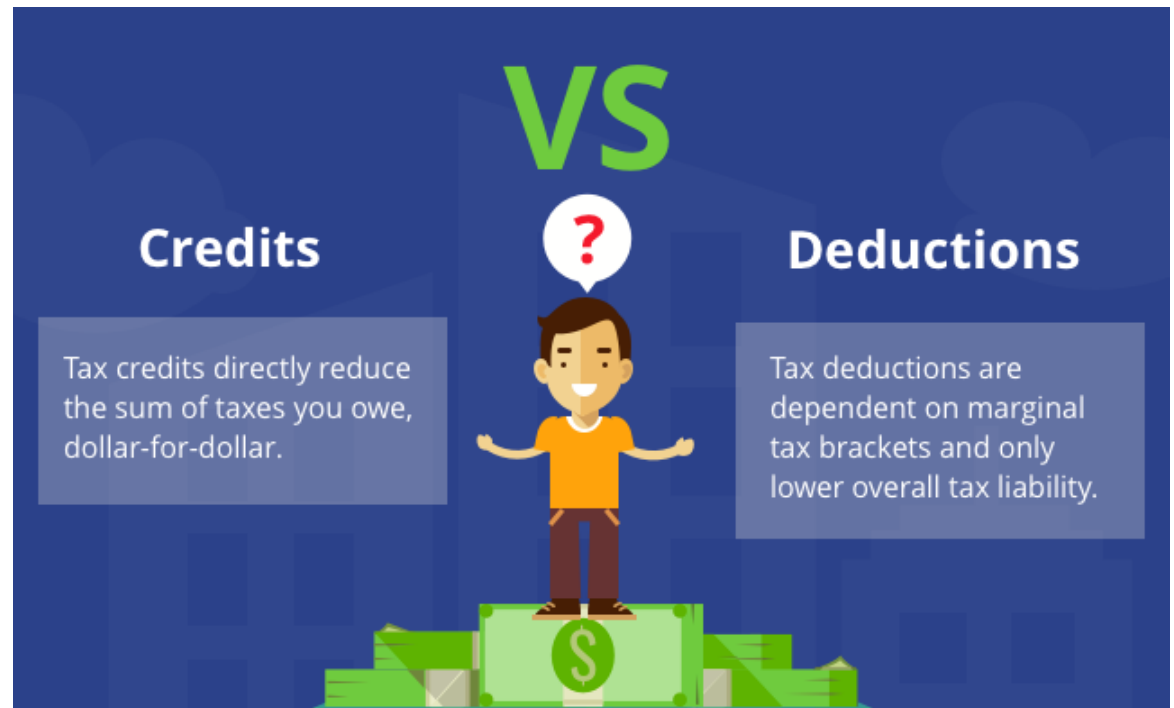
- ❑ To assist in revitalizing rural downtowns by offering incentives in designated RURAL Zones for
 - ❑ Job creation
 - ❑ Commercial investment
 - ❑ Business activities
- ❑ 3 Georgia income tax credits
 - ❑ Job tax credit
 - ❑ Investment tax credit
 - ❑ Rehabilitation tax credit

Tax Credit Basics

What is a Tax Credit?

- ❑ A dollar-for-dollar reduction of the income tax owed
- ❑ Tax credits generally save you more in taxes than deductions

❑ Deductions only reduce the amount of your income that is subject to tax, whereas credits directly reduce your tax bill



Rural Zone Tax Credits

- ❑ This is a State of Georgia Income Tax Credit.
- ❑ These tax credits cannot be sold.
- ❑ The Rural Zone Tax Credits are non-refundable.
 - ❑ Meaning - you may use the credits up to the amount of your tax liability, the remainder is carried forward to be used against future years' tax liabilities
- ❑ Not just for new businesses, but also the expansion of existing businesses.

The Key to the Rural Zone Tax Credits

Job Creation is the key to unlocking all 3 Rural Zone Tax Credits.



Job Tax Credit

- Threshold: 2 jobs (must receive W-2s)
- \$2,000 credit per new full-time equivalent (FTE) job
 - FTE means an aggregate of employee hours worked totaling 40 hours per week, the equivalent of one full-time job.

Example – 4 part-time workers each working 10 hours per week

- $4 \text{ workers} \times 10 \text{ hours} = 40 \text{ hours or } 1 \text{ FTE}$

Job Tax Credit

- ❑ Eligible businesses will include professional services, retail, and light manufacturing (North American Industry Classification System Codes 31, 32, 44-45, 51-54, 62, 71, 72 and 81)
 - ❑ Includes law offices, gift shops, restaurants, veterinary office, brewery, bakery, B&B, bank
- ❑ Not to exceed \$40,000 credit per year (20 jobs)
- ❑ Credit can be taken for 5 years as long as jobs are maintained.

Job Tax Credits: Example



Two sisters open a women's clothing boutique on the first floor of a building located within the boundaries of Watkinsville's RURAL Zone.

Is this NAICS code eligible?

Yes! It is NAICS 44812:
Women's Clothing Store

Job Tax Credits: Example



Two sisters open a women's clothing boutique on the first floor of a building located within the boundaries of Watkinsville's RURAL Zone.

The two sisters work 40 hours per week and hired four high school students who each work 20 hours per week.

Job Tax Credit: Example

- What is their tax credit over 5 years if all jobs are maintained?
- How many jobs have been created?

2 full-time jobs @ 40 hours	80 hours
+4 part-time jobs @ 20 hours	80 hours
4 full-time equivalents	160 hours

$$\frac{160 \text{ hours}}{40 \text{ hours}} = 4 \text{ full-time equivalents}$$

Job Tax Credit: Example

- What is the business' tax credit over 5 years if all 4 jobs are maintained?

Year 1	4 jobs x \$2,000	\$8,000
Year 2	4 jobs x \$2,000	\$8,000
Year 3	4 jobs x \$2,000	\$8,000
Year 4	4 jobs x \$2,000	\$8,000
Year 5	4 jobs x \$2,000	\$8,000
Total		\$40,000

Investment Tax Credits

- Equivalent to 25% of the purchase price, not to exceed \$125,000
- Must be purchased after January 1, 2024
- An eligible business is located in the investment property and creates and maintains a minimum of two full-time equivalent jobs

Investment Tax Credits



- The credit must be prorated equally in five installments over five taxable years, beginning with the year the property is placed in service

Investment Tax Credit: Example



A local developer purchases a two-story, 5,000 sq. ft. building located within the Watkinsville RURAL Zone for \$400,000.

His plans are to renovate the entire building into four apartments on the first and second floors.

What is the amount of his investment tax credit?

Investment Tax Credit: Example



A local developer purchases a two-story, 5,000 sq. ft. building located within the Watkinsville RURAL Zone for \$400,000.

His plans are to renovate the 2nd floor into two apartments and the first floor will be leased out to a new law office with 2 full-time employees.

Investment Tax Credit: Example

- What is the total amount of his investment tax credit?

25% of $\$400,000$ purchase price = $\$100,000$

- What is the developer's investment tax credit over 5 years, if 2 jobs are maintained?

$\$100,000/5$ years = $\$20,000/\text{year}$

FAQs

- Can an investor who purchases vacant land within the designated Rural Zone receive the Investment Tax Credit?
 - Yes
- Can the investor take the Rehabilitation Tax Credit for the costs of constructing a new building on the vacant land?
 - No

Rehabilitation Tax Credit

- ❑ Equivalent to 30% of qualified rehabilitation costs, not to exceed \$150,000
 - ❑ Qualified Rehab Costs = Labor & Materials Costs
- ❑ The credit should be prorated equally in three installments over three taxable years, beginning with the taxable year in which the property is placed in service
- ❑ Taxpayer cannot use the same qualified rehabilitation costs to generate any additional state income tax credits (i.e. HPD's state income tax credit for rehabilitated historic property)

Rehabilitation Standards

- If the property being rehabilitated is within a designated local Historic District subject to provisions specified by the community's Historic Preservation Commission (HPC), a COA issued by the HPC will be constituted as meeting the required rehabilitation standards for the Rural Zone program.
- Should the Rural Zone or project area not be within a designated Historic District subject to provisions specified by the community's Historic Preservation Commission, the project must comply with each of the following requirements. It will be incumbent upon the certified investor or certified entity, as well as the applicable local government with the Rural Zone designation, to document compliance with said standards.

Rehabilitation Standards

- 1. A property should be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
- 2. The historic character of a property should be retained and preserved, when applicable. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided unless other solutions are not deemed viable.
- 3. Each property should be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall generally be avoided.
- 4. Most properties change over time; those changes that have acquired historic significance in their own right should be retained and preserved.
- 5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property should be preserved.
- 6. Deteriorated historic features should be repaired rather than replaced, when practical. Where the severity of deterioration requires replacement of a distinctive feature, the new feature should match the old in design, color, texture, and other visual qualities and, where possible, materials

Rehabilitation Standards

- 7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials should not be used. The surface cleaning of structures, if appropriate, should be undertaken using the gentlest means possible.
- 8. Significant archeological resources affected by a project should be protected and preserved, when at all possible. If such resources must be disturbed, mitigation measures should be undertaken.
- 9. New additions, exterior alterations, or related new construction should not destroy historic materials that characterize the property. The new work should be differentiated from the old and should be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
- 10. New additions and adjacent or related new construction should be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Rehabilitation Tax Credit: Example



A local developer purchases a two-story, 5,000 sq. ft. building located within the Watkinsville RURAL Zone.

He spends \$150,000 to renovate the 2nd floor into two apartments and \$150,000 to renovate the first floor and front façade.

The first floor will be leased out to a new law office with 2 full-time employees.

Rehabilitation Tax Credit: Example

- What is the amount of his rehabilitation tax credit?

Total Rehab Costs	\$300,000
Percentage claimed for tax credit	30%
Total Rehab Tax Credit	\$90,000

- What is the developer's rehab tax credit over 3 years, if 2 jobs are maintained?

$$\$90,000 / 3 \text{ years} = \$30,000 / \text{year}$$

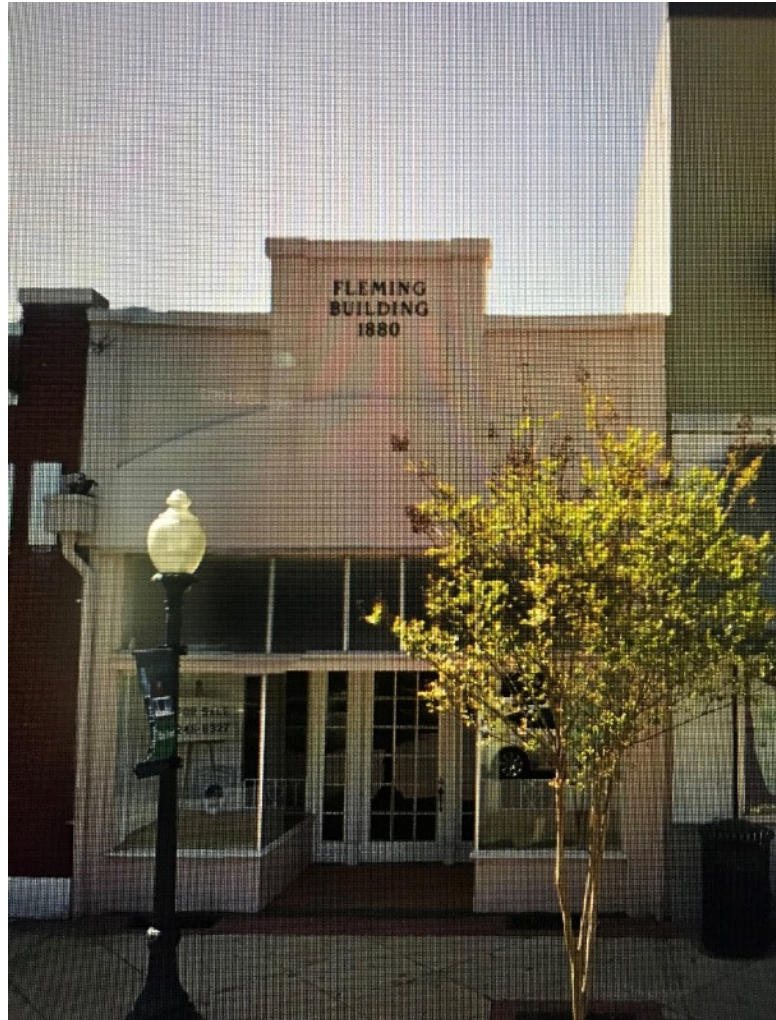
FAQ



- Can the 3 Rural Zone tax credits be combined?

YES!

Southern Philosophy Brewing Co.



Interior Before Rehab



Nearing completion



After rehab



After rehab



Rural Zone Tax Credits

- ❑ **Job Tax Credit** – 3 jobs x \$2,000 = \$6,000 per year. Total job tax credit of \$30,000 (\$6,000 x 5 years).
- ❑ **Investment Credit** – 25% x \$41,000 (purchase price) = \$10,250. Investment credit is prorated over five taxable years (\$2,050 per year).
- ❑ **Rehabilitation Credit** – 30% x \$69,700 (renovation costs) = \$20,910. Rehabilitation credit is prorated over three years (\$6,970 per year).
- ❑ The first year of tax credits could equal \$15,020. Total tax credits that can be earned equal \$61,160.

RURAL Zone Certification Form



RURAL ZONE TAX CREDIT CERTIFICATION

Applicant should complete Part One of this form and then forward to the local Rural Zone (RZ) coordinator. The RZ coordinator will certify the information in Part Two and forward to DCA. DCA will confirm the Certification and provide copies back to the applicant and the local RZ coordinator.

The information provided below is intended to validate the location of a property/business in a currently designated Rural Zone, as well as to validate the creation of jobs. Please complete all detail requested.

NOTE: At least two full-equivalent jobs must be created in order to qualify for ANY of the Rural Zone Tax Credits.

Part One: Type of Credit (check all that apply)

<input type="checkbox"/> Investment Property purchased within the RZ Purchase Price: \$ _____	<input type="checkbox"/> Rehabilitation Property revitalized within the RZ Rehab Costs: \$ _____	<input type="checkbox"/> Job Creation Created at least 2 full-time equivalent jobs within the RZ
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Name of Applicant: _____

Address of Location: _____
Mailing Address: _____
(if different from above)

Parcel Number: _____

Name of Business: _____

Creating Jobs: _____

(if applicable)

NAICS Code for Business Creating Jobs: _____

of FTE Jobs Created in the Taxable Year: _____

By signing below, I hereby certify that the location above is within the eligible boundaries of a designated Rural Zone as defined in O.C.G.A. 48-7-40.1(c)(4) and the business and/ or investor intends to claim a tax credit for this location on its Georgia Income Tax Return.

Signature of Officer _____	Date _____
Printed Name of Officer _____	Phone Number _____
Title _____	Email Address _____

Part Two: Local Rural Zone Jurisdiction

By signing below, I certify that I am an authorized representative of a valid Rural Zone jurisdiction and that the location detailed above is within the currently designated boundaries of the Rural Zone and, if indicated, the full-time equivalent jobs were created.

Signature of Representative _____	Date _____
Printed Name of Representative _____	Title _____

Part Three: Department of Community Affairs Use Only

Georgia Department of Community Affairs Office of State Economic Development Job Tax Credit Program Coordinator 60 Executive Park South, N.E. Atlanta, Georgia 30329 oad@dca.ga.gov	Accepted: By _____ Date _____
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***** A COPY OF THIS COMPLETED CERTIFICATION FORM MUST BE ATTACHED TO THE TAX RETURN FILED WITH THE DEPARTMENT OF REVENUE WHEN CLAIMING THE TAX CREDIT*****

RURAL Zone Certification Form - Part 1

The information provided below is intended to validate the location of a property/business in a currently designated Rural Zone, as well as to validate the creation of jobs. Please complete all detail requested.

NOTE: At least two full-equivalent jobs must be created in order to qualify for ANY of the Rural Zone Tax Credits.

Part One: Type of Credit (check all that apply)

<input type="checkbox"/> Investment Property purchased within the RZ Purchase Price: \$ _____	<input type="checkbox"/> Rehabilitation Property revitalized within the RZ Rehab Costs: \$ _____	<input type="checkbox"/> Job Creation Created at least 2 full-time equivalent jobs within the RZ
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Name of Applicant: _____

Address of Location: _____

Mailing Address: _____
(if different from above)

Parcel Number: _____ NAICS Code for Business Creating Jobs: _____

Name of Business Creating Jobs: _____ # of FTE Jobs Created in the Taxable Year: _____
(if applicable)

By signing below, I hereby certify that the location above is within the eligible boundaries of a designated Rural Zone as defined in O.C.G.A. 48-7-40.1(c)(4) and the business and/ or investor intends to claim a tax credit for this location on its Georgia Income Tax Return.

Signature of Officer

Date

Printed Name of Officer

Phone Number

Title

Email Address

RURAL Zone Certification Form – Part 2 & 3

Part Two: Local Rural Zone Jurisdiction

By signing below, I certify that I am an authorized representative of a valid Rural Zone jurisdiction and that the location detailed above is within the currently designated boundaries of the Rural Zone and, if indicated, the full-time equivalent jobs were created.

Signature of Representative

Date

Printed Name of Representative

Title

Part Three: Department of Community Affairs Use Only

Georgia Department of Community Affairs
Office of State Economic Development
Job Tax Credit Program Coordinator
60 Executive Park South, N.E.
Atlanta, Georgia 30329
oad@dca.ga.gov

Acknowledged:

By

Date

*** WHEN CLAIMING ANY CREDIT UNDER THE RURAL ZONE TAX CREDIT PROGRAM, A COPY OF THE LETTER FROM DCA, THIS ACKNOWLEDGED RURAL ZONE CERTIFICATION FORM, AND THE GA DOR FORM IT-RZ *MUST* BE ATTACHED TO ANY GEORGIA INCOME TAX RETURN ON WHICH CREDIT IS CLAIMED ***

RURAL Zone Certification Form

- Once certified and acknowledged, a signed copy and a 2-page letter from DCA will be provided to the business owner and the local jurisdiction. **Such certification and 2-page letter from DCA must be attached to the business's income tax return when the credit is claimed.**

IT-RZ Page 1

Rural Zone Tax Credits

For taxable years beginning on or after January 1, 2018, O.C.G.A. § 48-7-40.32 establishes the rural zone tax credits.

Name	Federal Employer Identification Number/Social Security Number
Street Address	Type of Business: <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership/LLC <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> Fiduciary
City, State, and Zip Code	Tax Year End
Contact Person	Telephone Number of Contact Person

The certified entity or business must attach their Department of Community Affairs certification(s) to this form.

A. Rural Zone Property/Investment Tax Credit-Only a certified investor that meets the requirements of the Rural Zone Property Tax Credit should complete Part A.

Street Address of Investment Property	City, State and Zip Code
Name of Eligible Business Located in Investment Property	

Please check which one of the following commercial requirements applies:

- _____ An eligible business is located in this investment property and the eligible business receives the rural zone jobs tax credit: or
- _____ An eligible business is located in this investment property and maintains a minimum of two full-time equivalent jobs for each year the credit is claimed.
- If number 2 is checked, number of full-time equivalent jobs maintained this year by the eligible business _____

1. Purchase Price	\$ _____
2. Percent of credit	_____ 25% _____
3. Multiply Line 1 by Line 2	_____
4. Maximum Credit Amount per project	_____ \$125,000 _____

IT-RZ Page 2

IT-RZ (Rev. 04/02/18)

5. Credit Amount (Enter the lessor of Line 3 or Line 4) _____
6. Divide amount on line 5 by 5 _____
(maximum credit allowed per year for 5 years)

A certified investor is allowed to claim the rural zone property/investment tax credit for up to seven years from the date of initial eligibility in the event the commercial requirement in O.C.G.A. 48-7-40.32 (d)(1) is not satisfied in consecutive years.

B. Rural Zone Qualified Rehabilitation Expenditures Tax Credit-Only certified entities or certified investors that meet the requirements of the Rural Zone Qualified Rehabilitation Expenditures Tax Credit should complete Part B.

Street Address of Project with Qualified Rehabilitation Expenditures	City, State and Zip Code
--	--------------------------

1. Number of full-time equivalent jobs maintained this year by the certified entity or certified investor or eligible business located in the property _____
2. Amount of Qualified Rehabilitation Expenditures \$ _____
3. Percent of credit _____ 30% _____
4. Multiply Line 2 by Line 3 _____
5. Maximum Credit Amount per project _____ \$150,000 _____
6. Credit Amount (Enter the lessor of Line 4 or Line 5) _____
7. Divide amount on line 6 by 3 _____
(maximum credit allowed per year for 3 years)

IT-RZ Page 5

IT-RZ (Rev. 04/02/18)

D. Summary for Rural Zone Tax Credit(s)

- | | |
|--|----------|
| 1. Total Part A line 6; Part B line 7: and Part C line 14 | \$ _____ |
| 2. Prior Year Carry Forward* | \$ _____ |
| 3. Total of lines 1 and 2 | _____ |
| 4. Georgia Income Tax Liability for the Current Year | _____ |
| 5. Current Year Credit Amount (Enter the lessor of Line 3 or Line 4) | _____ |
| 6. Remaining Tax Credit to be Carried Forward
(Line 3 minus Line 5, but not less than zero) | _____ |

*Unused credit in a taxable year may be carried forward for ten years from the close of the taxable year in which the credit was claimed.

Claiming the Credit

- ❑ The Credit can only be used against **Georgia income tax liability** (A dollar-for-dollar reduction of the income tax owed).
- ❑ The amount of the tax credits for a taxable year cannot exceed a certified entity's or certified investor's total state income tax liability.
- ❑ Unused income tax credit may be carried forward for up to 10 years and applied against future state income tax liability.

FAQs



- Are these tax credits transferable or saleable?
 - Any RURAL Zone tax credits earned are nontransferable and nonsalable.
- How can the credits be used?
 - RURAL Zone tax credits can only be used against Georgia income tax and cannot be used against payroll withholdings.

FAQs

- If the investor or business cannot use all of its tax credits, can the business receive a tax refund?
 - According to Statute: No. “Any credit claimed under the (RURAL Zone Program) O.C.G.A. §48-7-40.32 by a certified investor or certified entity but not used in any taxable year may be carried forward for ten (10) years from the close of the taxable year in which the credit is claimed. No such credit shall be allowed by the taxpayer against prior years’ tax liability.”

FAQs

- If the business's number of employees fall below the required two (2) FTE jobs, what happens?
 - According to the Statute: “ This income tax credit shall not be allowed during a year if the net employment increase falls below the number required.” However, if the employees increase back to 2 FTEs in a year before the 5-year window has lapsed, then the employer will resume taking the credit again. Also, the tax credits generated and utilized in prior years will not be affected.

FAQs

- If there are 2 businesses located within the investor property and one of the businesses employs 1 FTE and the other business employs 1 FTE, can the investor take the investment and/or rehabilitation tax credit?
 - Yes, since the 2 FTEs were created within the one building, this is allowed. However, the businesses are not eligible to take the job tax credit separately because they have not each independently created 2 FTEs.

FAQs



- What types of expenditures qualify for the rehabilitation tax credit?
 - Only those costs associated with labor and materials are eligible.

FAQs

- Can a person who purchased and rehabbed a building, but does not receive a W-2, qualify as a new job?
 - No, the person cannot count themselves as an employee if a W-2 isn't received.

FAQs

- If the owner sells the property, would they be penalized for previous tax credits used? Would they owe anything back?
 - No, each tax year stands alone, there will not be any claw back on prior years filed. Also, moving forward their RURAL Zone credits would end once ownership changed.

Questions?

Contacts for the RURAL Zone Tax Credit



- Cherie Bennett

404-831-2058

cherie.bennett@dca.ga.gov

- Tricia DePadro

404-679-1585

tricia.depadro@dca.ga.gov



Georgia[®] Department of



Community Affairs

Downtown Development Revolving Loan Fund (DD RLF) Program



1/23/2024

Cherie Bennett, Program Manager

Downtown Development Revolving Loan Fund Program

□ What Is It?

Gap financing program designed to help local governments revitalize and enhance downtown areas with below-market interest rates for eligible capital projects

□ Benefits and Opportunities

- Low interest rates
- Subordinated debt position to private bank financing
- Technical Assistance provided

Downtown Development Revolving Loan Fund Program

- Must be located within the core historic commercial district and any adjacent historic neighborhoods where DD RLF will spur commercial redevelopment.
- Eligible in municipalities and counties below 100,000 in population



The Baldwin Lofts – Milledgeville, Georgia



Amoss Pharmacy Building – Fairburn, Georgia

Typical eligible activities



- Land acquisition
- Building acquisition
- New construction
- Renovation
- Combinations

Ineligible Activities:

- Working Capital
- Operating Expenses
- Refinancing of Permanent Loans
- Administration
- Local Revolving Loan Funds



Downtown Development Revolving Loan Fund Program

□ Other projects –

- Law offices in Downtown Newnan
- Empire South Clothing Store in Downtown Hartwell
- Scoops Ice Cream Shop in Downtown Metter
- Co-working space in Downtown Canton
- The Lift Fitness Studio in Downtown Bainbridge
- Story on the Square bookshop in Downtown McDonough
- Fuzzy Goat Yarn Shop in Downtown Thomasville
- Mixed-Use spaces including retail and apartments in Downtown Dublin and Statesboro

Typical Loan Terms

- Interest Rate: 3%
(presently 2% DD RLF for Main Street cities in good standing)
- Repayment Period: 15-year term with a 15-year amortization
- No application fees or loan origination fees
- Application is made by the DDA. At loan closing, DCA loans to DDA and DDA loans to sub-borrower/business.

Typical Loan Terms

- Maximum loan amount: \$250,000, not to exceed 40% of total eligible project costs.
- Minimum Loan of \$50,000 (minimum total project costs \$125,000)
- Equity injection and commercial financing are required
 - Bank – 50%
 - DDRLF Loan – 40%
 - Owner Equity – 10%

Successful DD RLF Applications



Must Demonstrate:

- Gap in financing
- Project fits in with Community's plans for Downtown Revitalization
- Project will have Positive Impact on Downtown
- Project is Feasible and Sound
- Borrower is credit worthy

Applications



- Accepted year-round
- Available at www.dca.ga.gov
- Available for download

DD RLF Fact Sheet

DD RLF Initial Project Assessment (IPA)

DD RLF Application

DD RLF Regulations