

GO Zone credits benefit investors

Mississippi businesses can apply for tax breaks or bonus depreciation

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Ninety Mississippi businesses and investors are seeking nearly \$2.8 billion in federal tax-free financing and accelerated depreciation of assets under an act designed to encourage investments and development in areas damaged by Hurricanes Katrina and Rita.

The number of jobs that money would bring under the Gulf Opportunity Zone Act of 2005, commonly referred to as GO Zone, is unknown.

New Orleans Saints star running back Deuce McAllister has applied for \$10 million in bonus depreciation toward projects, including construction of Deuce McAllister Nissan in south Jackson.

The state is authorized to issue up to \$4.9 billion in special tax-exempt GO Zone bonds.

The bonds can be used to purchase, construct and renovate commercial real property or residential rental property at an interest rate savings of up to 2 percent until Dec. 31, 2010. A business can choose tax-exempt financing or bonus depreciation, but not both.

The work must be done between August 2005 and Dec. 31, 2008. The covered area spans 49 counties bordered to the north by Lowndes, Oktibbeha, Choctaw, Attala, Holmes, Humphreys, Yazoo and Warren counties.

McAllister, whose Nissan dealership is expected to cost \$5.6 million, will take the first year depreciation deduction, said his partner, Matt Battaille.

"The way we look at it, it would make more sense to apply the 50 percent depreciation in year one. It's a big help to the dealership and our business and a big benefit to Deuce," Battaille said. "In the wake of Hurricane Katrina, it was a big relief. We were shut down more than three weeks. We endured incredible expense to keep employees on the payroll even though no revenue was coming in."

At that time, about 30 employees were on the payroll.

"Post-Katrina, we've hired close to 55 people and these are brand new jobs to Jackson. And as a result, we contribute approximately \$100,000-plus a month to the tax revenues," he said.

Bill Barry, executive director and treasurer for Mississippi Business Finance Corp., which fields the GO Zone requests, said not all requests will be granted.

The agency administers financing programs that provide below-market interest rates and tax incentives for certain projects.

"What we are doing is we're approving projects tax exempt and taxable," Barry said. "But if a company chooses to wait and take the bonus depreciation and not do the tax exempt financing, they can still come back to us and do a taxable bond."

Other benefits of the GO Zone Act include: Expanding low-income housing tax credits within the zone; increasing the Rehabilitation Tax Credit to help restore commercial buildings; and including Katrina-affected individuals in the Work Opportunity Tax Credit that gives businesses an incentive to hire employees from particular groups.

"GO Zone opportunities are mainly tax incentive driven," said Chris McAlpin, a financial adviser with Financial Strategies Group Inc. "This is a good opportunity for existing companies to expand their facilities, add new locations, or expand their work force, also, for a new business to start," McAlpin said. "The tax incentives can help offset the normal business losses that many times occur early in an expansion or a new business, as well as serving to boost profits."

Bill Brown, president and CEO of Brown Bottling Group/Pepsi Cola, has applied for \$20 million in low-interest financing to construct new facilities in Rankin County that will allow him to consolidate operations now scattered across the metropolitan area.

The low-interest loans got his attention, he said.

"As an existing business, it helped make the decision to build a newer, bigger facility. And we have expanded the facility because of the existing dollars."

Brown's company currently is spread between two buildings in northwest Jackson, which he said has them landlocked, and a corporate office in Ridgeland. The company will move to a 28-acre site where two structures will be built. The main structure will be a 130,000-square-foot office, warehouse and distribution center, Brown said.

Construction should be complete by late 2007, Brown said.

It's the same thing all across the state in the GO Zone affected area, as businesses like Shuqulak Lumber Co. in Shuqulak seeks \$160 million in tax-free financing to build Loblolly Inc., a \$140 million, 335,000-square-foot processing facility that will produce a strong wood laminate using young pine trees that are too young to be made into boards.

"It's a great deal. It's two advantages. First, there is no limit on the dollar amount of tax-free bonds that can be used to fund a business interest. That results in some significant interest rate savings. Another advantage is to be able to use accelerated depreciation on assets," said Charles Thomas III, president of Loblolly Industries. "That's key - having a project that's already in the works. The GO Zone financing came along just in time.."

Property has been acquired for Loblolly. Construction will begin after the company receives permission from the Mississippi Department of Environmental Quality later this year to begin, Thomas said.

Loblolly will employ 140 people with average salaries of \$48,000, Thomas said.

Small businesses also are benefiting.

Norman Weber and his wife, Mona, who own Office Environments, will spend about \$300,000 to renovate an 11,000-square-foot building in downtown Jackson for their business.

Using the GO Zone benefits will allow them to hire more employees and increase the inventory, he said.

"Obviously, it will mean that we're going to be able to save a considerable amount on our income tax this year as far as the federal tax is concerned. And being able to put that money back into our business is a great benefit as opposed to losing it all together," he said."

SEEKING TAX BREAKS

Among businesses that have filed requests for tax breaks with the Mississippi Business Finance Corp. are:

Koch Foods, \$50 million for facility upgrades in Scott County
Mattiace Properties & Affiliates, \$113.8 million for projects in Hinds and Madison counties.
Aurora Flight Sciences Corp. in Lowndes County, \$6 million.
Kerioth Corp. in Ridgeland, \$119 million.
Gulf South Pipeline Co. LP of Warren County, \$125 million.