

Internal Revenue Service

Number: **INFO 2005-0221**

Release Date: 12/30/05

Index Number: 39.04-02

Department of the Treasury

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:6 GENIN-159606-05

Date:

December 21, 2005

Re: Carry back of the renewal community employment credit under § 1400H

Dear _____ :

This letter is in response to your letter dated November 28, 2005, requesting whether a taxpayer that had claimed the renewal community employment credit under § 1400H of the Internal Revenue Code in the 2002 taxable year may carry back this credit to the 2001 taxable year. Your letter is a follow-up to several telephone conversations that you had with attorneys of this office. Pursuant to section 2.05(2) of Revenue Procedure 2005-1, 2005-1 I.R.B. 1, 8, the Internal Revenue Service does not respond to letters seeking to confirm the substance of oral discussions and the absence of a response to such a letter is not a confirmation.

We hope that you find the following general information to be helpful with respect to your specific request regarding the carry back of the renewal community employment credit under § 1400H.

Section 1400H(a) provides in part that a renewal community is treated as an empowerment zone for purposes of § 1396 with respect to wages paid or incurred after December 31, 2001.

Section 1396(a) provides that, for purposes of the general business credit under § 38, the amount of the empowerment zone employment credit determined under § 1396 with respect to any employer for any taxable year is the applicable percentage of the qualified zone wages paid or incurred during the calendar year which ends with or within this taxable year.

Section 38(b) lists the credits that comprise the general business credit. This list

includes the empowerment zone employment credit determined under § 1396(a) of which a portion is the renewal community employment credit.

Former § 39(d)(4), effective for taxable years ending on or before December 31, 2003, provided that no portion of the unused business credit that is attributable to the empowerment zone employment credit determined under § 1396 may be carried to any taxable year ending before January 1, 1994.

This letter has called your attention to certain general principles of tax law. It is intended for informational purposes only and does not constitute a ruling. See section 2.04 of Revenue Procedure 2005-1, 2005-1 I.R.B. 1, 7. If you should have any additional questions or comments, please contact our office at .

Sincerely yours,

/s/ Kathleen Reed

KATHLEEN REED
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(Passthroughs and Special Industries)