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Rev. Proc. 2021-18: Empowerment zone designation extension procedures

The IRS today released an advance version of Rev. Proc. 2021-18 concerning the extension of empowerment zones.

[Rev. Proc. 2021-18](#) [PDF 81 KB] provides an automatic procedure for a state or local government in which an empowerment zone is located to extend the empowerment zone designation made under section 1391(a).

Specifically, the automatic procedure provides that a state or local government that nominated an empowerment zone must provide a written notification to the IRS no later than May 25, 2021, affirmatively declining to extend until December 31, 2025, the termination date designated by that state or local government in its empowerment zone nomination.

Consequently, Rev. Proc. 2021-18 provides that unless a state or local government declines to extend the empowerment zone designated termination date, all empowerment zones will be deemed to be extended from December 31, 2020, to December 31, 2025.

Background

An empowerment zone is an area of high poverty and unemployment located in an urban or rural area that is designated as such under section 1391(a). Qualifying taxpayers and businesses located within the boundaries of empowerment zones are eligible for federal income tax incentives to promote economic development in those designated areas.

As originally enacted in 1993, section 1391(d)(1) provided that the designation of an empowerment zone remains in effect during the period beginning on the date of the designation and ending on the earliest of:

- The close of the 10th calendar year beginning on or after such date of designation (statutory termination date)
- The termination date designated by a state or local government in its nomination (that is, the designated termination date)

- The date the appropriate Secretary revokes the designation

The statutory termination date has been extended several additional times, most recently in 2020 to extend that date to December 31, 2025, under the *Taxpayer Certainty and Disaster Tax Relief Act of 2020* (TCDTRA) enacted as part of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260, 134 Stat. 1182 (December 27, 2020)).

Rev. Proc. 2021-18

According to Rev. Proc. 2021-18, the IRS has received no written request from a state or local government to decline any extension of a designated termination date otherwise provided in the previous guidance.

Therefore, as of March 26, 2021, all empowerment zones have a designated termination date of December 31, 2020—the latest statutory termination date prior to enactment of the TCDTRA of 2020. Today's revenue procedure further provides that subject to declination by a state or local government, the designated termination date with regard to all empowerment zones is deemed to be extended from December 31, 2020, to December 31, 2025.

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