

5. Federal Tax Incentives on Former Indian Reservation Lands

(26 I.R.C. §§ 45A, 168 [j]) (68 O.S. § 2358 [17])

For more information, contact the Oklahoma Department of Commerce at (800) 588-5959. These federal tax incentives have been extended through December 31, 2013. For forms, contact the IRS at (800) TAX-1040 or visit www.irs.gov.

Downloads:

[American Indian Land Tax Credits](#)
[Frequently Asked Questions](#)
[Indian Employment Credit Form](#)

Congress clarified the Internal Revenue Code in 1997 to verify that former Indian Reservation Lands comprise over two-thirds of Oklahoma. Businesses locating or expanding in these areas benefit by accelerated depreciation of investment or by employment tax credits when employing tribal members or their spouses. The taxpayer must be in an active trade or business on the former Indian lands.

The depreciation schedule of the investment is for a shorter recovery period of approximately 40% for nonresidential property. Use of the accelerated depreciation schedule also requires that the depreciable property be placed in service during years 1994 through 2012.

The federal tax credit is 20% of increased wages over those paid to qualified individuals in 1993, including health insurance premiums paid by the employer. Wages of individuals eligible for the employment tax credit may not exceed \$30,000 indexed after 1993, and the credit is applicable to new wages of up to \$20,000 for years 1994 through 2012. The indexed wage level for 2012 is \$45,000. IRS Form 8845 is used for computing and claiming the credit. [Indian Employment Credit Form from the IRS](#).

Example:

Company A has a qualified employee to whom the store pays \$15,000 in total wages and health insurance in 1993. In 2012, the company pays the same person \$35,000. The credit is computed as follows:

2012 Wage/Health Insurance	\$35,000
1993 Wage/Health Insurance	\$15,000
(Increase)*	\$20,000
Rate of Credit	20%
Indian Employment Credit	\$ 4,000

*Credit applies up to the first \$20,000 in increased wages. The maximum credit per employee per year is \$4,000.