DESCRIPTION OF PRESENT LAW REGARDING TAX INCENTIVES FOR RENEWAL COMMUNITIES AND OTHER ECONOMICALLY DISTRESSED AREAS

Scheduled for a Hearing
before the
SUBCOMMITTEE ON OVERSIGHT
of the
HOUSE COMMITTEE ON WAYS AND MEANS

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the Staff of the
JOINT COMMITTEE ON TAXATION

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INTRODUCTION

The Subcommittee on Oversight of the House Committee on Ways and Means has scheduled a public hearing on May 21, 2002, regarding the available tax incentives for renewal communities. This document,[1] prepared by the staff of the Joint Committee on Taxation, describes present law regarding the tax incentives for renewal communities and other economically distressed areas.

[1] This document may be cited as follows: Joint Committee on Taxation, *Description of Present Law Regarding Tax Incentives for Renewal Communities and Other Economically Distressed Areas* (JCX-40-02), May 20, 2002.

I. PRESENT LAW TAX INCENTIVES FOR ECONOMICALLY DISTRESSED AREAS

A. Renewal Communities

In recent years, provisions have been added to the Internal Revenue Code that target specific geographic areas for special Federal income tax treatment. The special tax incentives afforded these areas are designed to attract business and investment to distressed urban and rural areas. The renewal community incentives, enacted in December 2000 as part of the Community Renewal Tax Relief Act of 2000 (the "2000 Community Renewal Act"),[2] represent the latest legislative effort of using tax incentives to attract business and investment to distressed urban and rural areas.[3]

The renewal community legislation authorized the designation of 40 "renewal communities" within which special tax incentives are available.[4] The following is a description of the designation process and the tax incentives that are available within the designated renewal communities.

Designation process

Designation of 40 renewal communities.–On January 24, 2002, the Department of Housing and Urban Development ("HUD") announced the 40 communities that were designated as renewal communities from areas nominated by States and local governments. Twenty-eight of the areas are located in urban areas; twelve of the areas are located in rural areas.[5]

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[2] For legislative background of these provisions, *see* H. Rep. 106-1033 (Dec. 15, 2000), at 977-1000, and H. Rep. 106-1004 (Oct. 26, 2000) that accompanied H.R. 2614, at 330-353. The conference report to H.R. 2614 was passed by the House of Representatives on October 26, 2000, but was not brought to a vote in the Senate.

The GAO will audit and report to Congress on January 31, 2004, and again in 2007 and 2010, on the renewal community program and its effect on poverty, unemployment, and economic growth within the renewal communities.

[3] Recent legislation in 2002 created special tax incentives for lower Manhattan in response to the destruction from the September 11, 2001, terrorist attacks; however, the renewal community incentives apply throughout the United States on the basis of general economic distress.

[4] The renewal community provisions are found in sections 1400E-1400J of the Code.

[5] The twenty-eight urban renewal communities are: Mobile, Alabama; Los Angeles, San Diego, and San Francisco, California; Atlanta, Georgia; Chicago, Illinois; New Orleans and Ouachita Parish, Louisiana; Lawrence and Lowell, Massachusetts; Detroit and Flint, Michigan; Camden and Newark, New Jersey; Buffalo-Lackawanna, Niagara Falls, Rochester, and Schenectady, New York; Hamilton and Youngstown, Ohio; Philadelphia, Pennsylvania;

The designation of an area as a renewal community generally became effective on January 1, 2002, and will terminate after December 31, 2009.[6]

Eligibility criteria.–To be designated as a renewal community, a nominated area must have satisfied the following criteria: (1) each census tract must have a poverty rate of at least 20 percent;[7] (2) in the case of an urban area, at least 70 percent of the households have incomes below 80 percent of the median income of households within the local government jurisdiction; (3) the unemployment rate is at least 1.5 times the national unemployment rate; and (4) the area is one of pervasive poverty, unemployment, and general distress. The designations were based on a ranking of eligibility factors (1), (2), and (3) above. The Secretary of HUD was to take into account in selecting areas for designation the extent to which such areas have a high incidence of crime, as well as whether the area has census tracts identified in the May 12, 1998, report of the General Accounting Office ("GAO") regarding the identification of economically distressed areas. In lieu of the poverty, income, and unemployment criteria, out-migration may be taken into account in the designation of one rural renewal community.

There are no geographic size limitations placed on renewal communities. Instead, the boundary of a renewal community must be continuous. In addition, the renewal community must have a minimum population of 4,000 if the community is located within a metropolitan statistical area (at least 1,000 in all other cases), and a maximum population of not more than 200,000. The population limitations do not apply to any renewal community that is entirely within an Indian reservation.

Required State and local commitments.–In order for an area to have been designated as a renewal community, State and local governments were required to submit a written course of action in which the State and local governments promised to take at least four of the following governmental actions within the nominated area: (1) a reduction of tax rates or fees; (2) an increase in the level of efficiency of local services; (3) crime reduction strategies; (4) actions to remove or streamline governmental requirements; (5) involvement by private entities and community groups, such as providing jobs and job training and financial assistance; and (6) the gift (or sale at below fair market value) of surplus real estate by the State or local government to community organizations or private companies.

Charleston, South Carolina; Chattanooga and Memphis, Tennessee; Corpus Christi, Texas; Tacoma and Yakima, Washington; and Milwaukee, Wisconsin.

The twelve rural renewal communities are: Greene-Sumter, Alabama; Southern Alabama; Orange Cove and Parlier, California; Eastern Kentucky; Central and Northern Louisiana; West-Central Mississippi; Turtle Mountain Band of Chippewa, North Dakota; Jamestown, New York; El Paso County, Texas; and Burlington, Vermont.

[6] The designation would terminate earlier than December 31, 2009, if (1) an earlier termination date is so designated by the State or local government, or (2) the Secretary of HUD revokes the designation as of an earlier date.

[7] Determined using 1990 census data.

In addition, the nominating State and local governments must have promised to promote economic growth in the nominated area by repealing or not enforcing four of the following: (1) licensing requirements for occupations that do not ordinarily require a professional degree; (2) zoning restrictions on home-based businesses that do not create a public nuisance; (3) permit requirements for street vendors who do not create a public nuisance; (4) zoning or other restrictions that impede the formation of schools or child care centers; and (5) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling, unless such regulations are necessary for and well-tailored to the protection of health and safety.

<u>Empowerment zones and enterprise communities seeking designation as renewal communities</u>.–With respect to the first 20 designations of nominated areas as renewal communities, preference was given to nominated areas that were enterprise communities and empowerment zones that otherwise met the requirements for designation as a renewal community. If a renewal community designation is granted, then an area's designation as an empowerment zone or enterprise community ceased as of the date the area’s designation as a renewal community took effect.

Tax incentives for renewal communities

The following tax incentives generally are available during the period beginning January 1, 2002, and ending December 31, 2009.[8]

<u>Zero-percent capital gain rate</u>.–A zero-percent capital gains rate applies with respect to gain from the sale of a qualified community asset acquired after December 31, 2001, and before January 1, 2010, and held for more than five years. A "qualified community asset" includes: (1) qualified community stock (meaning original-issue stock purchased for cash in a renewal community business); (2) a qualified community partnership interest (meaning a partnership interest acquired for cash in a renewal community business); and (3) qualified community business property (meaning tangible property originally used in a renewal community business by the taxpayer) that is purchased or substantially improved after December 31, 2001.

A "renewal community business" is defined as a corporation or partnership (or proprietorship) if for the taxable year (1) the sole trade or business of the corporation or partnership is the active conduct of a “qualified business”[9] within a renewal community; (2) at

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[8] If a renewal community designation is terminated prior to December 31, 2009, the tax incentives would cease to be available as of the termination date.

[9] A “qualified business” is defined as any trade or business other than a trade or business that consists predominantly of the development or holding of intangibles for sale or license. In addition, the leasing of real property that is located within the renewal community is treated as a qualified business only if (1) the leased property is not residential property, and (2) at least 50 percent of the gross rental income from the real property is from renewal community businesses. The rental of tangible personal property is not a qualified business unless at least 50 percent of the rental of such property is by enterprise zone businesses or by residents of a renewal community.

least 50 percent of the total gross income is derived from the active conduct of a "qualified business" within a renewal community, (3) a substantial portion of the business's tangible property is used within a renewal community, (4) a substantial portion of the business's intangible property is used in the active conduct of such business, (5) a substantial portion of the services performed by employees are performed within a renewal community, (6) at least 35 percent of the employees are residents of the renewal community, and (7) less than five percent of the average of the aggregate unadjusted bases of the property owned by the business is attributable to (a) certain financial property, or (b) collectibles not held primarily for sale to customers in the ordinary course of an active trade or business. Property will continue to be a qualified community asset if sold (or otherwise transferred) to a subsequent purchaser, provided that the property continues to represent an interest in (or tangible property used in) a renewal community business.

The termination of an area's status as a renewal community will not affect whether property is a qualified community asset, but any gain attributable to the period before January 1, 2002, or after December 31, 2014, is not eligible for the zero-percent rate.

Renewal community employment credit.–A 15-percent wage credit is available to employers for the first $10,000 of qualified wages paid to each employee (i.e., a maximum credit of $1,500 with respect to each qualified employee) who (1) is a resident of the renewal community, and (2) performs substantially all employment services within the renewal community in a trade or business of the employer.

The wage credit rate applies to qualifying wages paid after December 31, 2001, and before January 1, 2010. Wages paid to a qualified employee who earns more than $10,000 are eligible for the wage credit (although only the first $10,000 of wages is eligible for the credit). The wage credit is available with respect to a qualified full-time or part-time employee (employed for at least 90 days), regardless of the number of other employees who work for the employer. In general, any taxable business carrying out activities in the renewal community may claim the wage credit, regardless of whether the employer meets the definition of a "renewal community business."[10]

An employer's deduction otherwise allowed for wages paid is reduced by the amount of wage credit claimed for that taxable year.[11] Wages are not to be taken into account for purposes of the wage credit if taken into account in determining the employer's work opportunity tax credit under section 51 or the welfare-to-work credit under section 51A.[12] In addition, the

[10] However, the wage credit is not available for wages paid in connection with certain business activities described in section 144(c)(6)(B) or certain farming activities. In addition, wages are not eligible for the wage credit if paid to (1) a person who owns more than five percent of the stock (or capital or profits interests) of the employer, (2) certain relatives of the employer or, (3) if the employer is a corporation or partnership, certain relatives of a person who owns more than 50 percent of the business.

[11] Sec. 280C(a).

[12] Secs. 1400H(a), 1396(c)(3)(A) and 51A(d)(2).

$10,000 cap is reduced by any wages taken into account in computing the work opportunity tax credit or the welfare-to-work credit.[13] The wage credit may be used to offset up to 25 percent of alternative minimum tax liability.[14]

Commercial revitalization deduction.–Each State is permitted to allocate up to $12 million of "commercial revitalization expenditures" to each renewal community located within the State for each calendar year after 2001 and before 2010. The appropriate State agency will make the allocations pursuant to a qualified allocation plan.

A "commercial revitalization expenditure" means the cost of a new building or the cost of substantially rehabilitating an existing building. The building must be used for commercial purposes and be located in a renewal community. In the case of the rehabilitation of an existing building, the cost of acquiring the building will be treated as qualifying expenditures only to the extent that such costs do not exceed 30 percent of the other rehabilitation expenditures. The qualifying expenditures for any building cannot exceed $10 million.

A taxpayer can elect either to (a) deduct one-half of the commercial revitalization expenditures for the taxable year the building is placed in service or (b) amortize all the expenditures ratably over the 120-month period beginning with the month the building is placed in service. No depreciation is allowed for amounts deducted under this provision. The adjusted basis is reduced by the amount of the commercial revitalization deduction, and the deduction is treated as a depreciation deduction in applying the depreciation recapture rules (e.g., sec. 1250).

The commercial revitalization deduction is treated in the same manner as the low-income housing credit in applying the passive loss rules (sec. 469). Thus, up to $25,000 of deductions (together with the other deductions and credits not subject to the passive loss limitation by reason of section 469(i)) are allowed to an individual taxpayer regardless of the taxpayer's adjusted gross income. The commercial revitalization deduction is allowed in computing a taxpayer's alternative minimum taxable income.

Additional section 179 expensing.–A renewal community business (as previously defined in connection with the zero-percent capital gains rate) is allowed an additional $35,000 of section 179 expensing for qualified renewal property placed in service after December 31, 2001, and before January 1, 2010. The section 179 expensing allowed to a taxpayer is phased out by the amount by which 50 percent of the cost of qualified renewal property placed in service during the year by the taxpayer exceeds $200,000. The term "qualified renewal property" is defined as depreciable tangible property (including buildings), provided that (1) the property is acquired by the taxpayer (from an unrelated party) after the designation took effect, (2) the original use of the property in the renewal community commences with the taxpayer, and (3) substantially all of the use of the property is in the renewal community in the active conduct of a trade or business by the taxpayer. Special rules are provided in the case of property that is substantially renovated by the taxpayer.

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[13] Secs. 1400H(a), 1396(c)(3)(B) and 51A(d)(2).

[14] Sec. 38(c)(2).

Extension of work opportunity tax credit ("WOTC”).–The renewal community incentives expand the high-risk youth and qualified summer youth categories in the WOTC to include qualified individuals who live in a renewal community.

B. Empowerment Zone Tax Incentives

The Omnibus Budget Reconciliation Act of 1993 authorized the designation of nine empowerment zones ("Round I empowerment zones") and 95 enterprise communities to provide tax incentives for businesses to locate within targeted areas designated by the Secretaries of HUD and Agriculture.[15] The Taxpayer Relief Act of 1997 ("1997 Act") authorized the designation of two additional Round I urban empowerment zones, and 20 additional empowerment zones ("Round II empowerment zones"). The 2000 Community Renewal Act authorized a total of nine new empowerment zones ("Round III empowerment zones"), bringing the total number of authorized empowerment zones to 40. In addition, the 2000 Community Renewal Act conformed the tax incentives that are available to businesses in the Round I, Round II, and Round III empowerment zones, and extended all the empowerment zone incentives (other than the D.C. Enterprise Zone, described below) through December 31, 2009.[16]

Empowerment zones and enterprise communities generally provide tax incentives for businesses that locate within certain geographic areas designated by the Secretaries of HUD and Agriculture. The targeted areas are those that have a condition of pervasive poverty, high unemployment, and general economic distress, and that satisfy certain eligibility criteria, including specified poverty rates and population and geographic size limitations.

Beginning in 2002, the incentives for businesses located in empowerment zones include: (1) a 20-percent wage credit for the first $15,000 of wages paid to a zone resident who works in the empowerment zone; (2) an additional $35,000 of section 179 expensing for qualifying property placed in service by an enterprise zone business; (3) expanded tax-exempt financing for certain zone facilities; (4) elective roll over of capital gain from the sale or exchange of any qualified empowerment zone asset purchased after December 21, 2000; and (5) a 60 percent exclusion of gain from the sale of corporate stock (purchased after December 21, 2000) held for more than five years in a qualifying business under the empowerment zone rules. Enterprise communities are eligible only for the expanded tax-exempt financing benefits.[17]

[15] The empowerment zone and enterprise community rules are found in sections 1391-1397 of the Code.

[16] The GAO will audit and report to Congress on January 31, 2004, and again in 2007 and 2010, on the empowerment zone and enterprise community program and its effect on poverty, unemployment, and economic growth within the designated areas.

[17] Other tax benefits that are available (but not limited) in connection with empowerment zones and enterprise communities include (1) the expensing of certain environmental remediation costs, (2) tax credits for qualified zone academy bonds, and (3) the Work

C. Tax Incentives for Economic Development on Indian Reservations

The following special tax incentives are provided for businesses that are located on Indian reservations: (1) an employment wage credit, and (2) accelerated depreciation for property located on an Indian reservation.

Indian employment wage credit

Employers may claim a nonrefundable tax credit for certain compensation costs incurred with respect to qualifying full-time or part-time employees. The credit amount equals 20 percent of the excess of eligible qualified wages and health insurance costs that an employer paid or incurred during the tax year over the amount of such costs that an employer paid or incurred during 1993.[18] An employer's deduction otherwise allowed for wages is reduced by the amount of the credit claimed for the taxable year. The credit is available only for the first $20,000 of aggregate qualified wages and health insurance costs paid for each qualified employee in a taxable year. The credit is not available for taxable years beginning after December 31, 2004.

In general, an individual is a qualified employee of an employer for any period if (1) the individual is an enrolled member of an Indian tribe or the spouse of an enrolled member, (2) substantially all of the services performed by the employee for such employer are performed within an Indian reservation, and (3) the principal place of abode of the employee while performing such services is on or near the Indian reservation within which the services are performed. An employee will be treated as a qualified employee for a taxable year of the employer only if more than 50 percent of the wages paid or incurred by the employer to such employee during such taxable year are for services performed in a trade or business of the employer. An employee will not be treated as a qualified employee for any taxable year of the employer if the total amount of compensation with respect to such employee during such taxable year (whether or not for services rendered within the Indian reservation) exceeds an amount determined at an annual rate of $35,000 (as adjusted for inflation).[19]

[18] Qualified wages are wages paid or incurred by an employer for services performed by a qualified employee. Qualified health insurance costs are costs paid or incurred by the employer for health insurance coverage (other than health insurance provided pursuant to a salary reduction arrangement) provided to a qualified employee.

[19] The original amount was $30,000. This amount was adjusted to the current level effective in 2001. *See* IRS Notice 2000-66, 2000-52 I.R.B. 600.

Qualified employees also do not include certain relatives or dependents of the employer, or, if the employer is a corporation, certain relatives of a person who owns more than 50 percent of the corporation. In addition, any person who owns more than five percent of the stock of the employer (or more than five percent of the capital or profits interests in the employer) cannot be a qualified employee. Finally, a qualified employee does not include any individual who performs services in certain gaming activities or whose services are performed in a building housing such gaming activities.

An Indian tribe means any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village, or regional or village corporation, as defined in or established under, the Alaska Native Claims Settlement Act[20] that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians. An Indian reservation is defined to mean a reservation that is defined in either (1) section 3(d) of the Indian Financing Act of 1974,[21] or (2) section 4(10) of the Indian Child Welfare Act of 1978.[22]

If an employee is terminated less than one year after the date of initial employment, the amount of credits previously claimed by the employer with respect to that employee generally is recaptured (unless the employee voluntarily leaves, becomes disabled, or is fired due to misconduct). Furthermore, no wages or health insurance costs for that employee may be considered by the employer for the tax year in which such employment is terminated. Any credit carryback or carryover also is adjusted. The wage credit is one of the components of the general business credit. The credit is subject to the general business credit limitations and carryover rules, and it cannot be used to reduce tentative alternative minimum tax.

Accelerated depreciation of Indian reservation property

The depreciation deduction for certain property used in connection with the conduct of a trade or business within an Indian reservation is calculated using the following recovery periods:

3-year property	2 years
5-year property	3 years
7-year property	4 years
10-year property	6 years
15-year property	9 years
20-year property	12 years
Nonresidential real property	22 years

"Qualified Indian reservation property" eligible for these shorter recovery periods includes property that is (1) used by the taxpayer predominantly in the active conduct of a trade or business within an Indian reservation, (2) not used or located outside the reservation on a regular basis, (3) not acquired (directly or indirectly) by the taxpayer from a person who is

[20] 43 U.S.C. sec. 1601 et seq.

[21] 25 U.S.C. sec.1452(d). Section 168(j)(6) applies section 3(d) of the Indian Financing Act of 1974 by treating the term “former Indian reservations in Oklahoma” as including only lands which are within the jurisdictional area of an Oklahoma Indian tribe (as determined by the Secretary of Interior) and are recognized as eligible for trust land status under 25 CFR Part 151.

[22] 25 U.S.C. sec. 1903(10).

related to the taxpayer (within the meaning of section 465(b)(3)(C)), and (4) not placed in service for purposes of conducting or housing certain gaming activities.[23]

A special rule applies to "qualified infrastructure property," which may be eligible for the accelerated depreciation even if located outside an Indian reservation, provided that the purpose of such property is to connect with qualified infrastructure property located within the reservation (e.g., roads, power lines, water systems, railroad spurs, and communications facilities). For this purpose, "qualified infrastructure property" must be property that (1) benefits the tribal infrastructure, (2) is available to the general public, and (3) is placed in service in connection with the taxpayer's active conduct of a trade or business within an Indian reservation.[24]

The depreciation deduction allowed for regular tax purposes also is allowed for purposes of the alternative minimum tax. The incentive is not available for property placed in service after December 31, 2004.

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[23] For this purpose, gaming activities include class I, II, or III gaming, as defined in section 4 of the Indian Regulatory Act (25 U.S.C. sec. 2703).

[24] The rental to others of real property located within an Indian reservation is treated as the active conduct of a trade or business within an Indian reservation.

D. District of Columbia Enterprise Zone

The 1997 Act also designated certain economically depressed census tracts within the District of Columbia as the "D.C. Enterprise Zone," within which businesses and individual residents are eligible for special tax incentives.[25] The census tracts that compose the D.C. Enterprise Zone are (1) all census tracts that presently are part of the D.C. enterprise community designated under section 1391 (i.e., portions of Anacostia, Mt. Pleasant, Chinatown, and the easternmost part of the District), and (2) all additional census tracts within the District of Columbia where the poverty rate is not less than 20 percent. The D.C. Enterprise Zone designation remains in effect for the period from January 1, 1998, through December 31, 2003.

The tax incentives previously described in connection with empowerment zones are available in the D.C. Enterprise Zone (i.e., a 20-percent wage credit; an additional $35,000 of section 179 expensing for qualified zone property, and expanded tax-exempt financing for certain zone facilities[26]). In addition, there are two tax incentives summarized below that are unique to the D.C. Enterprise Zone: (1) a zero-percent capital gains rate from the sale of certain qualified D.C. zone assets; and (2) a $5,000 homebuyer tax credit for first-time homebuyers within the District of Columbia.

Zero-percent capital gains

A zero-percent capital gains rate applies to capital gains from the sale of certain qualified D.C. Zone assets held for more than five years.[27] In general, a qualified "D.C. Zone asset" means stock or partnership interests held in, or tangible property held by, a D.C. Zone business. For purposes of the zero-percent capital gains rate, the D.C. Enterprise Zone is defined to include all census tracts within the District of Columbia where the poverty rate is not less than 10 percent.

In general, gain eligible for the zero-percent tax rate means gain from the sale or exchange of a qualified D.C. Zone asset that is (1) a capital asset or (2) property used in the trade or business as defined in section 1231(b). Gain that is attributable to real property, or to intangible assets, qualifies for the zero-percent rate, provided that such real property or intangible asset is an integral part of a qualified D.C. Zone business.[28] However, no gain

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[25] Sec. 1400.

[26] A qualified D.C. Zone business is permitted to borrow proceeds from the issuance of qualified enterprise zone facility bonds by the District of Columbia. The issuance of such bonds is subject to the District's annual private activity bond volume limitation, however, the aggregate face amount of all outstanding qualified enterprise zone facility bonds per qualified D.C. Zone business may not exceed $15 million. These bonds may only be issued while the D.C. Enterprise Zone designation is in effect.

[27] Sec. 1400B.

[28] However, sole proprietorships and other taxpayers selling assets directly cannot claim the zero-percent rate on capital gain from the sale of any intangible property (i.e., the integrally related test does not apply).

attributable to periods before January 1, 1998, and after December 31, 2007, is qualified capital gain.

First-time homebuyer tax credit

First-time homebuyers of a principal residence in the District of Columbia[29] qualify for a tax credit of up to $5,000.[30] The $5,000 maximum credit amount applies both to individuals and married couples. The credit phases out for individual taxpayers with adjusted gross income between $70,000 and $90,000 ($110,000-$130,000 for joint filers). The credit is available with respect to purchases of existing property as well as new construction.

A "first-time homebuyer" means any individual if such individual (and, if married, such individual's spouse) did not have a present ownership interest in a principal residence in the District of Columbia during the one-year period ending on the date of the purchase of the principal residence to which the credit applies. A taxpayer will be treated as a first-time homebuyer with respect to only one residence--i.e., a taxpayer may claim the credit only once. A taxpayer's basis in a property is reduced by the amount of any homebuyer tax credit claimed with respect to such property.

The first-time homebuyer credit is a nonrefundable personal credit and may offset the regular tax and the alternative minimum tax. Any credit in excess of tax liability may be carried forward indefinitely. The homebuyer credit is available for property purchased after August 4, 1997, and before January 1, 2004.

[29] The homebuyer credit applies to the purchase of a principal residence anywhere in the District of Columbia. It is not limited to the D.C. Enterprise Zone area.

[30] Sec. 1400C.