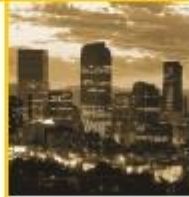


Colorado

Office of Economic Development
and International Trade



Colorado Enterprise Zone

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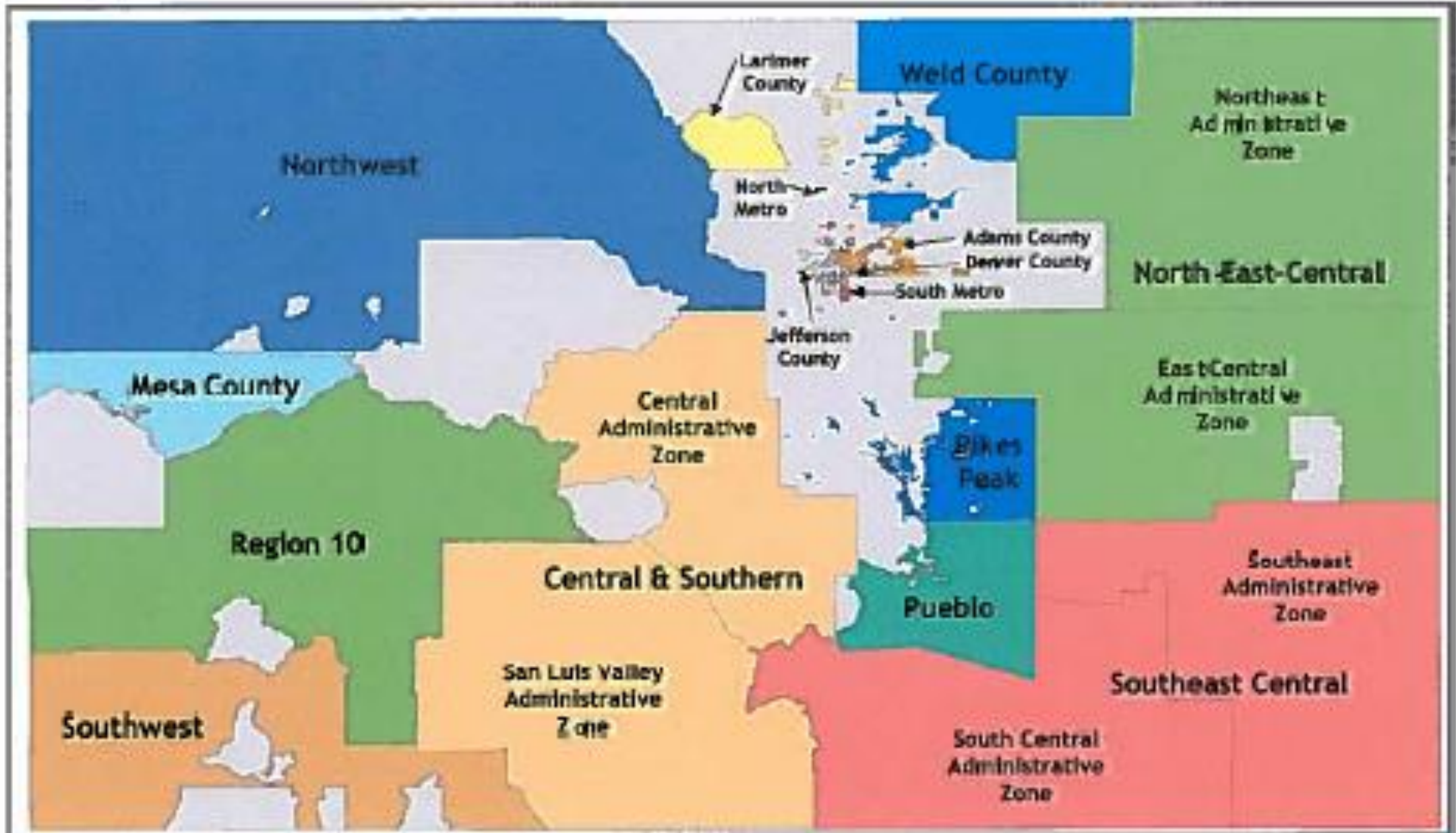
Region 9 EDD

www.advancecolorado.com/ez

What is the Enterprise Zone (EZ)?

- State program designed to encourage economic development in economically distressed areas
- Offers State Income Tax Credits
 - + an expansion of the Mfc Sales & Use Tax Exemption
- EZ designation is based on 3 criteria
 - high unemployment, low per capita income, or slow population growth
- Colorado Statutes 39-30-101 to 112

2016 COLORADO ENTERPRISE ZONES



Areas shaded in color represent Colorado's Enterprise Zones. For a more detailed, online map, please visit www.AdvanceColorado.com.



COLORADO
Office of Economic Development
& International Trade
Business Planning & Incentives

Credits

EZ Tax Credit	Credit Amount	Form
Investment Tax Credit	3% of equipment (tangible pers. property)	DR74
Job Training Tax Credit	12% of qualified expenses	DR74
Commercial Vehicle Investment Tax Credit	1.5% of commercial vehicle purchases	CVITC App.
New Employee Credit	\$1,100 per new employee	DR74
Agricultural Processor New Employee Credit	\$500 per new employee at an Ag Proc. facility	DR74
Employer Sponsored Health Insurance Credit	\$1,000 per employee covered during 1 st 2 years in the EZ	DR74
R&D Increase Tax Credit	3% of increased R&D expenditures	DR77
Vacant Bldg Rehab Credit	25% of rehab expenditures (hard costs)	DR76
Sales & Use Tax Exemption for Manufacturing or Mining	Expands standard exemption for EZ businesses.	DR1191
Contribution Tax Credit	25% cash donation / 12.5% in-kind donation	DR75

Investment Tax Credit (ITC)

- 3% State Income Tax credit on any qualified investment in “Section 38” property
- Section 38 property
 - Depreciable tangible personal property (i.e., equipment, furniture, computers, etc.)
- Rolling Stock
 - Cars and Trucks that leave the EZ do not qualify

ITC - Section 38 Property

- Exclusions
 - Air conditioning, heating units, certain boilers
 - Used equipment \$150,000 limit; used leased equipment not eligible
 - Some restrictions on leased equipment
- Inclusions
 - Single purpose agricultural structures
 - Oil pipelines
 - Breeding livestock

ITC - Requirements

- Mobile equipment - Property must be used *exclusively* in EZ for first year
- Investment resulting from an in-state relocation is not eligible, unless the relocation results in either:
 - 10% increase in employment
 - 10 employee increase
 - 100% increase in investment OR
 - \$1 million in investment

ITC - Calculation based on Colorado tax liability

- 100 % of Credit up to first \$5,000 of tax liability
- 50 % of tax liability above \$5,000
- Claim Maximum of \$750,000 in a tax year
- Excess credit carry forward 12 years
- Additional carry-forward for Credits Earned and Deferred 2011-13
 - Temporary limit of \$500,000
 - The carry-forward period is extended an additional year for each deferral

Commercial Vehicle ITC

- 1.5% income tax credit on purchase price
- New Commercial trucks, truck tractors, tractors, or semitrailers and associated parts
- Gross vehicle weight rating of 54,000+ lbs.
- Designated Class A Personal Property C.R.S. 42-3-106(2)(a)
- Licensed and Registered in Colorado
- used Solely and Exclusively in an EZ)

CVITC Application/Certification

- Limited Pool of Funds available each Calendar Year
- Pre-Certification (on-line)
- Application Part A
 - submitted within 14 months of the investment date
 - Once Recognized, the tax-payer may claim the credit
- Application Part B
 - submitted within 2 months of the date that the investment has been housed and based in the EZ for 12 months
 - Confirmation that investment used solely in EZ
 - Certified by OEDIT.

Job Training Credit

- 12% Tax Credit on Job Training Expenses
- Requirements:
 - Formalized process
 - Includes: Airfare, Hotel, Class fee, etc.
 - Includes: Salary of Trainer
 - Does not include: Salary of Trainee
 - Carry forward of up to 12 years

New Employee Credit

- New Employee Credit
 - \$1,100 per new employee (standard)
- Agricultural Processor – New Employee Credit
 - \$500 per new employee in addition to standard
 - the credit is available to the business, it's not based on the work of the employee
- 5-year carry-forward
- If enhanced EZ area additional \$1,000 employee and additional \$500 ag

Employer Sponsored Health Insurance Credit

- Available first two full tax years in the EZ
- Employer pays at least 50% of cost
- Qualified health insurance plan
- \$1,000 per covered employee
- 5-year carry-forward

How is the Number of Employees Calculated?

- Employees:
 - Count regular full-time and part-time employees performing duties at least 20 hours/week.
 - Credit may be prorated for employees who are based at an EZ facility, but work part of the time outside the zone. Truck drivers must work 100% in the Zone.
- Calculation:
 - Count the number of employees on the last business day of each calendar month of the tax year.
 - Sum the count for each month and divide by the number of months the business was in operation during the tax year.

Enhanced Rural EZ (EREZ)

- Must meet 2 of 5 criteria
 - Unemployment Rate 50% > State
 - Population Growth < 25% of State
 - Per Capital Income < 75% of State
 - Nonresidential Property in lower half of all counties
 - Population of 5,000 or less
- List updated every 2 yrs

Enhanced Rural Enterprise Zone (EREZ)

Standard EZ Tax Credit	Standard Credit Amount	Form
New Employee Credit	\$1,100 per new employee	DR74
Agricultural Processor New Employee Credit	\$500 additional per new ag. proc. Employee	DR74

EREZ Tax Credit	EREZ Credit Amount	Form
New Employee Credit	\$2,000 additional per new employee	DR74
Agricultural Processor New Employee Credit	\$500 per new employee at an Ag Proc. facility	DR74

These credits are additive. For each new employee at an Agricultural Processor in an Enhanced Rural Enterprise Zone, a credit of \$4,100 can be earned.

R&D Tax Credit

- 3% Tax Credit on increased R&D expenditures
- Qualifying expenditures
 - Research and experimental expenditures as defined in section 174 of federal Internal Revenue Code
 - Must be technological in nature
 - Must be useful in the development of a new or improved product or component of the business
 - Must utilize the process of experimentation
 - Excludes government-funded research

R&D Tax Credit

- Tax Credit is based on the *increase* in a company's qualified R&D expenses from the prior 2 year average
- Credit equal to 3% of increase
 - Must be spread out over 4 years
 - No limit on carry forward

Vacant Commercial Building Rehabilitation Credit

- 25% tax credit on eligible expenditures
- Limited to \$50,000 per building
- 5 year carry forward
- May be claimed by owner or tenant
- Verification process DR0076

Vacant Commercial Building Rehabilitation Credit

- Qualifying building in enterprise zone
 - At least 20 years old
 - Vacant for at least 2 years
 - Rehab for commercial use
- Qualifying expenditures
 - Hard costs of rehabilitating qualifying building
 - Not eligible - Soft costs: engineering and planning, acquisition, fees, etc.

Pre-Certification

- Required each tax year prior to conducting activities that may earn an EZ credit
- Tied to Tax ID and Location
- Local Administrator confirms that business location is in the EZ
- May apply up to 15 months before tax-year-end
 - Pre-Certification covers the approval date (or tax-year-start through the end of the tax year)
- Apply at www.advancecolorado.com/ez

Certification

- Apply for Certification of Business Tax Credits with approved Pre-Certification
- Same Tax ID and Location approved in Pre-Certification
- Report employment and wage data for Program Analysis
- Report qualifying activity and calculate Credit Earned
- Complete in advance of filing with DOR
- Apply at www.advancecolorado.com/ez

On-line Application System

- Establish a User ID
- Apply online for Pre-certification up to 15 months prior to tax-year-end date
- Apply for Certification after tax-year-end
 - No deadline
 - But prior to filing taxes w/ DOR
- E-mail responses and reminders
- www.advancecolorado.com/ez

Manufacturing Sales & Use Tax Exemption

- Statewide - Machinery and machine tools used in manufacturing are exempt from State Sales & Use Tax
- Local Governments may opt in for a local exemption
- Criteria
 - Used “predominantly” in manufacturing process
 - Section 38 Property
 - At least \$500 per invoice
 - Capitalized
 - Form DR 1191

EZ Expansion of Manufacturing Sales & Use Tax Exemption

- When machinery is used solely and exclusively in an Enterprise Zone
 - Includes machines and machine tools used in the extraction of natural resources
 - Materials for the construction or repair of machinery
 - Non-Capitalized machinery okay

Enterprise Zone Contribution Projects

- Taxpayers that donate to an approved Enterprise Zone Project are eligible for a tax credit:
 - 25% on a cash donation
 - 12.5% on an in-kind donation
 - May not directly benefit the donor
 - 5 year carry-forward

Enterprise Zone Facts

- The number of businesses certifying tax credits declined (-5.6%) from 286 in 2014 to 270 in 2015. Tax credits saw a (118%) increase, and investments increased (43%). Job creation went from (461) in 2014 to 89 jobs created region-wide in 2015.

Enterprise Zone Facts

- Region-wide, in 2015 there were 34 designated Enterprise Zone Contribution Projects (4 newly designated), which generated about \$3.91 million in economic activity through direct and in-kind contributions. This is down about \$800K from 2014. Because of the state-wide boundary amendments, five projects will not be eligible in 2016

Contact Information

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