

WHAT IS THE ENTERPRISE ZONE PROGRAM?

The enterprise zone program provides the following incentives for businesses located in designated zones, as well as for taxpayers making donations to qualified non-profit projects in EZs.

ENTERPRISE ZONE TAX CREDITS AND INCENTIVES

1. Three percent investment tax credit.

Businesses making investments in equipment used exclusively in an enterprise zone which would have qualified for the pre-1986 federal investment tax credit may claim a credit against their Colorado income taxes equal to 3 percent of the amount of the investment, subject to limitations on the amount which can be claimed in any one year. Investment which results from an in-state relocation is not eligible for the credit unless the new location qualifies as an expansion. Excess credits may be carried back three years and forward twelve.

2. \$500 job tax credit. Businesses hiring new employees in connection with a "new business facility" located in an enterprise zone may claim a tax credit against state income taxes of \$500 for each such employee. An expansion of an existing facility may be considered a "new business facility" if the expansion adds at least 10 employees or a 10 percent increase over the previous annual average, if it is at least \$1 million in investment, or, if less, at least doubles the original investment in the facility. The credit may be taken in subsequent years of the enterprise zone for each additional employee above the maximum number employed in any prior tax year. Excess credits may be carried forward five years (applies to 3 and 4).

Enhanced Rural EZ Jobs Credit.

Beginning January 1, 2003, there is an additional credit of \$2,000 per new job for New Business Facilities located in a designated Enhanced Rural Enterprise Zone.

3. Double job tax credit for agricultural processing.

An additional credit of \$500 per new business facility employee may be claimed by businesses which add value to agricultural commodities through manufacturing or processing.

Enhanced Rural Ag Processing EZ

Jobs Credit. Beginning January 1, 2003, there is an additional credit of \$500 per new agricultural processing job for New Business Facilities located in a designated Enhanced Rural Enterprise Zone. This is in addition to the regular NBF jobs credits, for a total credit of \$3,500 per new ag processing job.

4. \$200 job tax credit for employer health insurance.

In order to encourage employer-sponsored health insurance plans, a taxpayer with a qualifying new business facility is allowed a two-year \$200 tax credit for each new business facility employee who is insured under a qualifying employer-sponsored health insurance program.

PRE-CERTIFICATION REQUIRED IN 2012 AND INCLUDES:

- 1) EZ Administrator verification that the business is in the zone.
- 2) Business owner certification that they are aware of the EZ program.
- 3) Business owner certification that the EZ program is a "contributing factor to their start-up, expansion or relocation".
- 4) Business owner certification that pre-certification is for activities that shall commence after the EZ Administrator signs the form to re-certify.

5. R&D tax credit. Taxpayers who make private expenditures on research and experimental activities (as defined in federal tax law) conducted in an enterprise zone qualify for an income tax credit. This credit equals 3 percent of the amount of the increase in the taxpayer's R&D expenditures within the zone for the current tax year above the average of R&D expenditures within the zone area in the previous two years. No more than one fourth of the allowable credit may be taken in any one tax year. Taxpayers claiming this credit must file Form DR0077, "Certification of Qualified Enterprise Zone Research & Development Expenditures."

6. Credit to rehabilitate vacant buildings.

Owners or tenants of commercial buildings in an enterprise zone which are at least 20 years old and which have been vacant for at least 2 years may claim a credit of 25 percent of the cost of rehabilitating each building. The credit is limited to \$50,000. Taxpayers claiming this credit file Form DR0076, "Certification of Qualified Nature of Enterprise Zone Rehabilitation Expenditures."

7. Credit for contributions to zones.

A taxpayer who makes a contribution to certain eligible enterprise zone development projects including business assistance, job training, economic development marketing, community development and homeless organizations in zones may claim a tax credit. To be eligible, a proposed project must be approved by the local enterprise zone administrator and by the Colorado Economic Development Commission. The amount of the credit is 25 percent of the value of the contribution, up to \$100,000 (12.5% for in-kind contributions up to \$50,000 in credit).

ENTERPRISE ZONE TAX CREDITS AND INCENTIVES CONTINUED

8. Ten Percent Job Training Credit. Employers who carry out a qualified job training program for their enterprise zone employees may claim an income tax credit of 10 percent of their eligible training costs.

9. Exemption from state sales and use tax for manufacturing and mining equipment.

Statewide Exemption:

- Manufacturing Machinery
- Machine Tools and
- Machine Parts are exempt from the 2.9 percent state sales and use tax statewide, regardless of where within the state the equipment is used.

When used solely within an enterprise zone this exemption may also be claimed for purchases of:

- Mining Equipment
 - Materials Used to Make Eligible Machinery
- Eligible purchases used in an enterprise zone are exempt whether the purchases are capitalized or expenses for accounting purposes.

10. Local government tax incentives. Any city, county, or special district within an enterprise zone is authorized to negotiate with individual taxpayers who have qualifying new business facilities (a) an incentive payment or property tax credit equal to no more than the amount of the increase in property tax liability over pre-enterprise zone levels; and (b) a refund of local sales taxes on purchases of equipment, machinery, machine tools, or supplies used in the taxpayer's business in zone.

PROCEDURES

The local zone administrator is responsible for issuing certifications to taxpayers wishing to claim EZ tax credits. For business tax credits, the taxpayer must attach a copy of the "Enterprise Zone Certification of Qualified Business" form, DR 0074, to its Colorado income tax return if the business is claiming an enterprise zone investment tax credit of \$450 or more, or other enterprise zone tax credits. For EZ contribution tax credits, the recipient organization or EZ will provide the donor with a Certification of Qualified EZ Contribution, DR 0075.

New legislation requires enterprise zone businesses to obtain per-certification prior to engaging in an activity to earn an EZ tax credit starting January 1, 2012.

Visit: www.advancecolorado.com/ez for additional information and updated Department of Revenue forms DR0074, DR0076 and/or DR0077.

FOR MORE INFORMATION CONTACT

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