

WHAT IS THE ENTERPRISE ZONE PROGRAM?

The Enterprise zone program was created to provide incentives for businesses in an economically distressed area of Colorado by offering state income tax credits for locating and developing in these communities.

PRE-CERTIFICATION IS REQUIRED

All businesses wanting to claim any of the income tax credits must annually pre-certify with the local Enterprise Zone administrator prior to engaging in any activities that are eligible for the EZ income tax credits. At the end of the year, a business must certify that the activities were performed. Pre-certification as well as Certification is required online at www.choosecolorado.com/ez.

ENTERPRISE ZONE TAX CREDITS AND INCENTIVES

1. 3% Investment Tax Credit (ITC). The Enterprise Zone Investment Tax Credit encourages enterprise zone businesses to invest in business personal property. Businesses can earn a state income tax credit of 3% of the value of the qualified investment. The amount of the tax credit that can be claimed in any tax year is limited. The tax credit may be carried forward up to 14 years.

For investments in property that generates electricity from renewable resources, the taxpayer has an option to take the credit as a refund at 80% of the credit's value. This option expires on December 31, 2020 - a project needs to be placed in service by this date for the option to take the credit as a refund.

2. \$1,100 Job Tax Credit. Businesses that locate or expand in the Enterprise Zone may claim a tax credit against state income taxes of \$1,100 for each employee. Businesses earn a state income tax credit of \$1,100 per net new employee that works at a qualified enterprise zone business facility. Excess credits can be carried forward for up to five years.

Enhanced Rural EZ Jobs Credit. Those rural Enterprise zones that meet certain criteria are designated as being Enhanced Rural Enterprise Zones. There is an additional credit of \$2,000 per new job for the EZ Jobs Credit for those businesses located in a designated Enhanced Rural Enterprise Zone. Excess credits can be carried forward for up to seven years.

3. Agricultural Processing or Manufacturing New Employee Credit. An additional credit of \$500 per EZ Jobs Credit employee may be claimed by businesses which add value to agricultural commodities through manufacturing or processing. Excess credits can be carried forward for up to five years.

Enhanced Rural Ag Processing EZ Jobs Credit. There is an additional credit of \$500 per new agricultural processing job located in a designated Enhanced Rural Enterprise Zone. Excess credits can be carried forward for up to seven years. When taken together, regular EZ Jobs Credit combined with enhanced credits for a total \$4,100 per new ag processing job.

4. \$1,000 Tax Credit for Employer Health Insurance. If your business offers a qualified health insurance plan and you contribute at least 50% of the total cost of the health plan, your business can earn a tax credit of \$1,000 per employee. This tax credit is available for only the first two full income tax years that your business is operating in an enterprise zone.

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 may qualify for an income tax credit. Businesses can earn a state income tax credit for 3% of the increase in annual research and development expenses compared to what the business spent the prior two years.

If your business' tax liability is less than the tax credit, your business may carry forward the remaining amount to subsequent tax years. There is no limit on the number of years your business may carry forward this credit.

6. Credit to Rehabilitate Vacant Buildings Owners or tenants of commercial buildings in an Enterprise Zone which is at least 20 years old and has been vacant for at least that 2 years may claim a credit of 25% of the cost of rehabilitating each building. The credit is limited to \$50,000 in credits on \$200,000 or more on costs). This tax credit encourages the revitalization of dilapidated buildings and blighted areas, bringing new businesses and employees to the community. Excess credits can be carried forward for up to five years.

7. Credit for Contributions to Zones. A taxpayer who makes a contribution to certain eligible Enterprise Zone development projects such as projects supporting business assistance, job training, economic development, marketing, community development, and capital campaign projects 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 tax credit is 25% of the value of the contribution, up to the \$100,000 tax credit cap per taxpayer per tax year (12.5% for in-kind contributions up to \$50,000 in credit). No credit is to be "allowed for contributions that directly benefit the contributor.

8. Twelve Percent Job Training Credit.

Employers located in the enterprise zone who carry out a qualified job training program for their employees in order to develop and retain a skilled workforce may claim an income tax credit of twelve percent (12%) of their eligible training costs.

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

Machinery, machine tools, and parts thereof used solely and exclusively in an enterprise zone are exempt from state and state-administered local sales and use taxes if all four of the following conditions are met.

To qualify for exemption, machinery, machine tools, or parts thereof must:

- 1) be purchased for more than \$500;
- 2) be used solely and exclusively in an enterprise zone in Colorado;
- 3) satisfy certain requirements prescribed by federal law; and
- 4) be used directly and predominantly in the manufacturing of tangible personal property for sale or profit, as "manufacturing" is defined by law for the enterprise zone exemption.

The exemption also applies to materials for the construction or repair of machinery, machine tools, and parts thereof. The enterprise zone exemption for machinery and machine tools applies to state sales and use taxes, as well as all state-administered local sales and use taxes.

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. Reach out to city or county to discuss options.

11. Commercial Vehicle Investment Tax Credit (CVITC). This credit helps businesses invest in commercial vehicles and parts for vehicles. Your business can earn a state income tax credit for 1.5% of the costs for new commercial trucks, truck tractors, tractors, semi trailers, and associated parts when you register the vehicle in Colorado and use it in an enterprise zone for one year. For additional information and the application process, visit:

www.choosecolorado.com/ez

ANNUAL PROCEDURES

Each tax year, a business located in an Enterprise Zone must file and be **Pre-Certified** prior to beginning an activity to earn any tax credits. At the end of the year, a business must certify that the activities were performed.

Reminder: Pre-certification and Certifications are applied for online.

Contribution Tax Credits earned by taxpayers making donations to eligible EZ Contribution Projects certify those donations with the Local Enterprise Zone Administrator.

Visit: www.choosecolorado.com/ez for additional information and updated Department forms.

FOR MORE INFORMATION CONTACT:

SECED, INC.

Stephanie Gonzales, Executive Director
Southeast Enterprise Zone Administrator

P.O. Box 1600, 112 West Elm

Lamar, CO 81052

719-336-3850 Office

seced@seced.net

www.seced.net

Southeast Colorado

Enhanced Enterprise Zone

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