



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

Colorado Enterprise Zone

www.choosecolorado.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 eligibility is based on 3 criteria
 - high unemployment, low per capita income, slow population growth
- Colorado Statutes 39-30-101 to 112



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Income Tax Credits & S&U Tax Exemption

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

Enterprise Zone Facts

- Over 4,000 businesses certified EZ business credits in the State fiscal year ending 06/30/2016, earning over \$72M in income tax credits.
- Over 29,600 donations were certified for EZ Contribution tax credits, earning tax payers over \$12M in income tax credits while bringing more than \$64M to 423 projects.



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Enterprise Zone Facts

- 67% of business certifications are in rural Enterprise Zones
- 32% of business tax credits earned (\$) were in rural Enterprise Zones



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Credits Earned by Type

Investment Tax Credit	\$58,056,251
Job Training	\$ 6,544,551
New Employee Credits	\$4,949,958
Health Insurance	\$1,447,619
R&D Credit	\$754,401
Vacant Building Rehab	\$543,743



Business credits for the 10 highest industry earners

Industry	# of Certifications	\$ Total Business Credits
Utilities	13	\$18,578,032
Manufacturing	256	\$13,341,498
Mining	86	\$12,316,671
Transportation and Warehousing	89	\$6,680,023
Agriculture, Forestry, Fishing and Hunting	1,676	\$5,743,059
Information	474	\$4,905,470
Retail Trade	593	\$2,666,035
Real Estate Rental and Leasing	122	\$1,522,627
Healthcare and Social Assistance	120	\$1,455,617
Wholesale Trade	105	\$1,026,269



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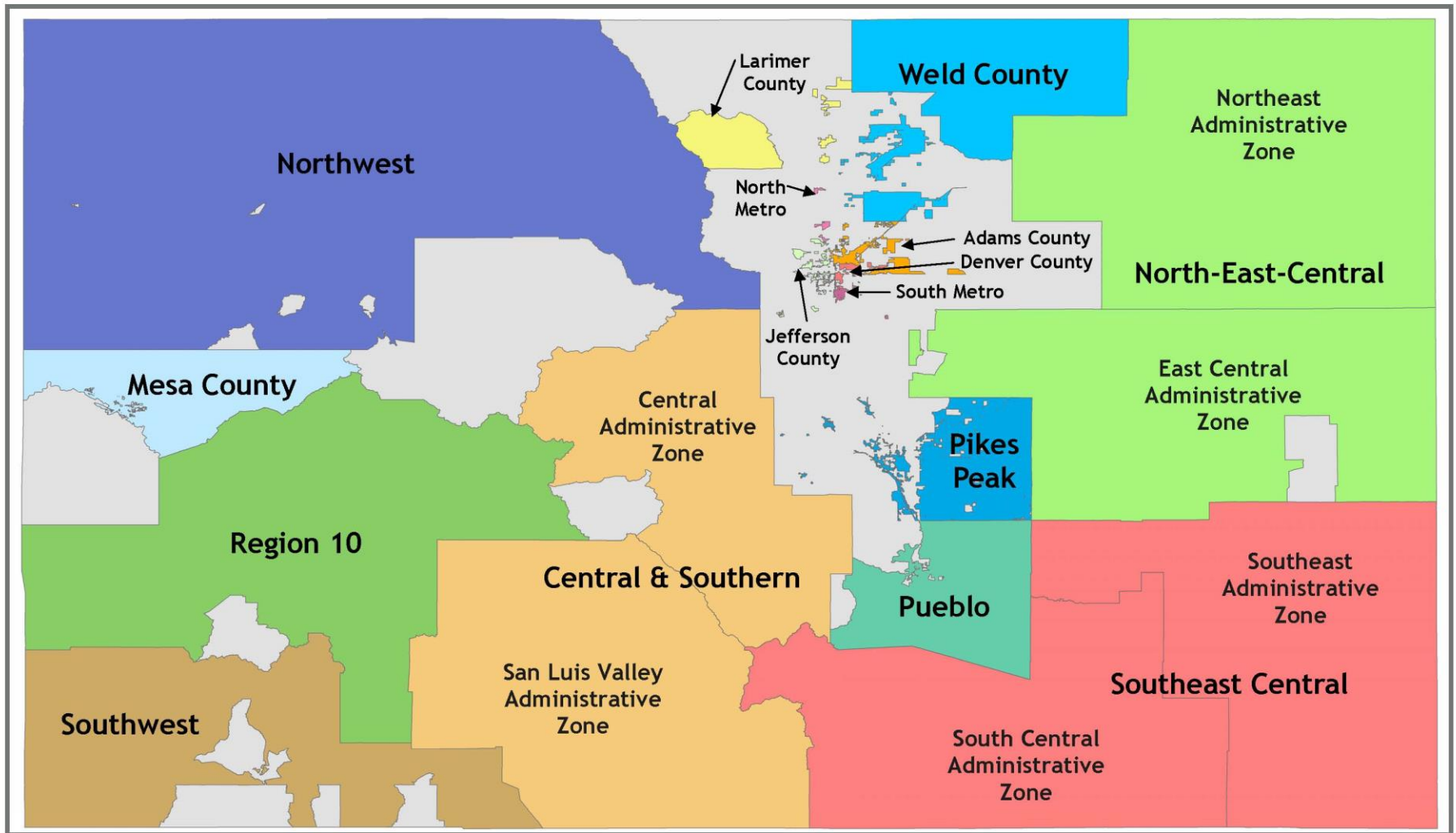
EZs & Other Programs

- Venture Capital Authority
- Strategic Fund
- Advanced Industry Investment Tax Credit



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2016 COLORADO ENTERPRISE ZONES



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



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Re-Designation of EZs

- 2013 Legislation now requires review every 10 years
- Last review implemented in 1998
- This review implemented 1/1/2016



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Investment Tax Credit (ITC) 3%

Used Exclusively in an EZ for 1 Year

Section 38 property

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

Investment Tax Credit (ITC) Renewable Energy

- Renewable energy generation from solar, wind, geothermal, biomass, hydroelectricity with a nameplate rating of 10 MW or less
- Refund on Credit earned of 80%
 - if placed into service between 1/1/2015 and 12/31/2020
- Extended Carry-forward of 22 years
 - on investments placed into service prior to 12/31/2017

Commercial Vehicle(ITC) 1.5%

- 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
- Predominantly Housed and Based in an EZ

Job Training Tax Credit 12%

Train Employees Working in the EZ

Formal Training

- Includes: Airfare, Hotel, Class fee, etc.
- Includes: Salary of Trainer
- Does not include: Salary of Trainee

Carry-forward up to 12 Years

New Employee Tax Credits

Earned on Net New Employees

- Standard Credit = \$1,100/employee
5 year carry-forward
- Agricultural Processor Business + \$500/employee
5 year carry-forward
- Enhanced Rural + \$2,000/employee
7 year carry-forward
- Enhanced Rural Ag Processor +\$500/employee
7 year carry-forward

Enhanced Rural EZs

Must meet 2 of 5 criteria

1. Unemployment Rate 50% > State
2. Population Growth < 25% of State
3. Per Capital Income < 75% of State
4. Nonresidential Property in lower half of all counties
5. Population of 5,000 or less

*List updated every 2 yrs (last update 1/1/2015)

Logan County is currently an EREZ

Employer Sponsored Health Insurance Tax 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 Net New Employee
- 5 year carry-forward

Research & Development Credit 3%

- Section 174 of federal Internal Revenue Code
 - Technological in nature
 - Useful in the development of a new or improved product or component of the business
 - Utilize the process of experimentation
- Calculated on the increase over prior 2 year average
 - Claim up to 25% of credit earned for following 4 years
 - No limit on carry forward

Vacant Commercial Building Rehab

25%

- Qualifying building in enterprise zone
 - 20 years old (or more)
 - Vacant for at least 2 years
 - Rehab for commercial use
- Qualifying Expenditures - Hard Costs
- Credit limited to \$50,000 per building
- 5 year carry-forward

Pre-Certification for EZ Business Income Tax Credits

- Business Representative attests to awareness of the program and that the EZ credits are contributing factor to the startup, expansion, or relocation of the business.
- Not required for Contribution Tax Credit or Sales & Use Tax Exemption

Pre-Certification

- Required each fiscal/tax year
- Prior to eligible activity
- Tied to Tax ID and Location
- Local Administrator confirms that business location is in the EZ

Certification

- Requires approved Pre-Certification
- Same Tax ID and Location as approved in Pre-Certification
- Report employment, wage data, and other required data for program analysis
- Report qualifying activity - system calculates Credits Earned

On-line Application System

- Establish a User ID
- Apply online for Pre-certification up to 3 months prior to tax-year-beginning date
- Apply for Certification after tax-year-end
 - No deadline
 - But prior to filing taxes w/ DOR
- E-mail responses and reminders
- Apply at www.choosecolorado.com/ez

Claim Credits with CO DOR

- DOR encourages e-filing
- EZ Certification Attached to return
- DR 1366 (or software version) documents EZ Credits earned and carried-forward
- DOR has audit and rule making authority
- Visit DOR's website at www.taxcolorado.com
- Call DOR's helpline at 303-238-7378

North East Administrative Zone

- Highlights for FY 2016
- \$115.7M Qualified Capital Investment
 - Credit earned \$3.5M
- 1,113 Employees Trained
 - Investment of \$1M
 - Credit earned \$130K
- 163 New Employees
 - Credit earned \$215K

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

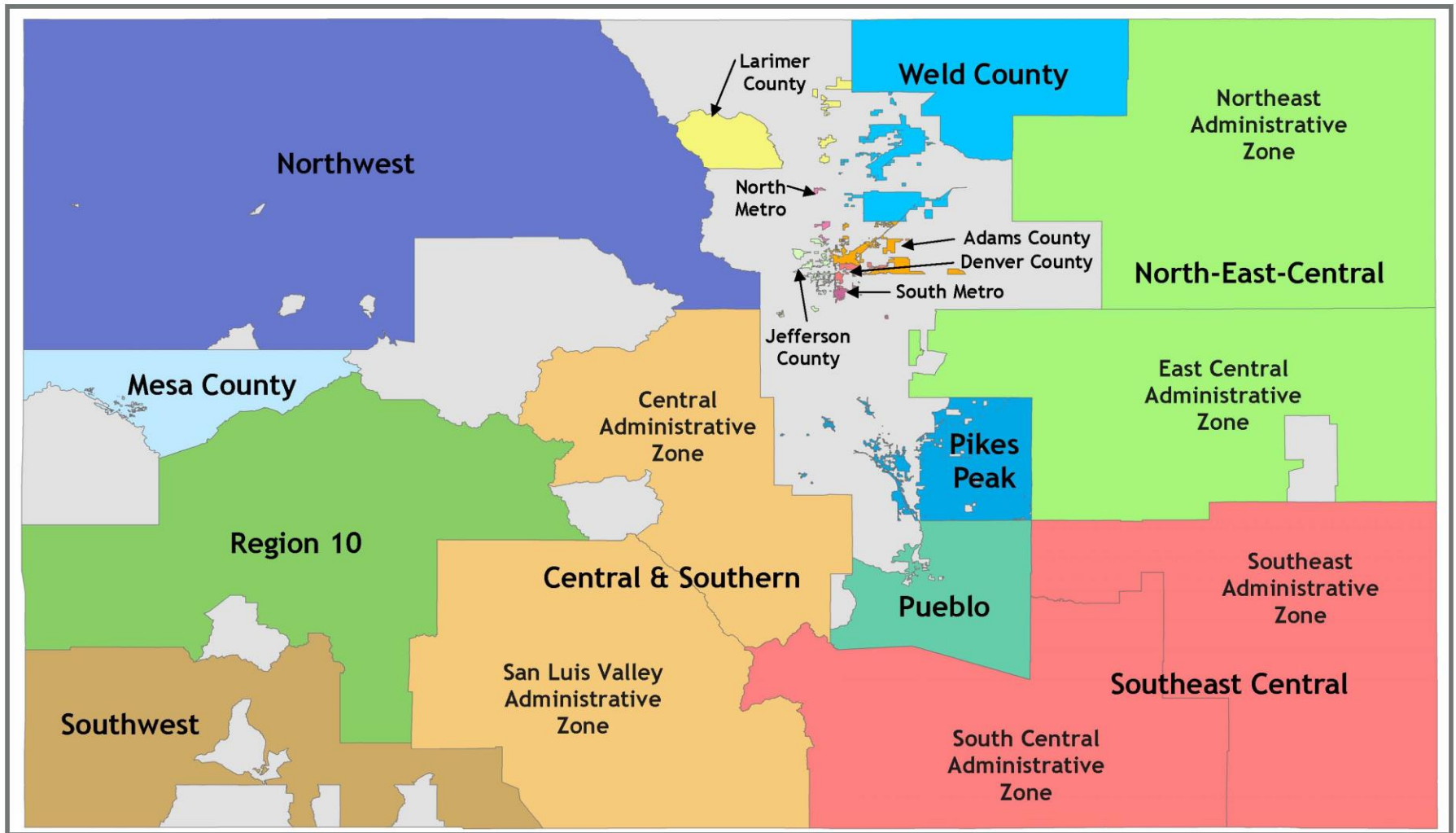
When machinery is used solely and exclusively in an
Enterprise Zone

- Includes machines and machine tools used in the extraction of natural resources
- Materials for the construction or repair of machinery
- Non-Capitalized machinery

Claiming Manufacturing Sales & Use Tax Exemption

- File form DR1191 with:
 - Vendor at point of purchase
 - Department of Revenue with taxes
- For those who anticipate 100+ DR1191 forms, file the DR1192
- No EZ Pre-Certification or Certification
- DOR may ask EZ Administrator to verify that business is in the EZ

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Enterprise Zone Administrator

Northeast Colorado Association of Local Governments

HJ Greenwood and Pat Gleason

- Local Program Representative
- Utilize EZ Program to Achieve Local ED Goals
- Authority on Zone Boundaries
- Certify EZ Credit Applications
- Manage Contribution Projects



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Enterprise Zone Contribution Projects

- Projects help achieve the economic development goals established for the zone
- Non-profit or Governmental entity
- Job creation/retention & business expansion
- Public/private partnership incentivized by tax credit.



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Contribution Tax Credit

- Donors earn a state income tax credit
 - 25% for cash donation
 - 12.5% for in-kind donation
- Taxpayer may earn maximum of \$100,000 annually
- 5 year carry-forward
- Paper Certification (no Pre-Certification)
- Requires DR1366



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Contribution Project Management

- \$750,000 in credits certified per calendar year
- \$250 is the greatest minimum donation requirement allowed
- The EZ Administrator sets policies and communicates reporting time-lines
- Zone Administrators monitor Project activities and accomplishment of goals annually



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Contact Information

Northeast Colorado Association of Local Governments

- <http://www.necalg.com>
- HJ Greenwood / 970.867.9409 / hgrnwood@necalg.com

State of Colorado – Office of Economic Development & International Trade

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