



Enterprise Zone Facts

A summary of Colorado's Enterprise Zone Tax Benefits:

Colorado's Urban and Rural Enterprise Zone Act of 1986 established a program for the designation of state enterprise zones. The Enterprise Zone program provides the following incentives for private enterprise to expand and for new businesses to locate in economically distressed areas of the state.

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 three percent of the amount of the investment, subject to limitations on the amount which can be claimed in any one year. Investment that 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; seven years for EREZ credits (also applies to 3 and 4 below).
3. **Double Job Tax Credit for Agricultural Processing:** An additional credit of \$500 per new business facility employee may be claimed by businesses that add value to agricultural commodities through manufacturing or processing.

Enhanced Rural EZ's: Beginning January 1, 2003, there is an additional credit of \$2,000 per new job, plus an additional credit of \$500 per new ag processing job, for New Business Facilities located in an Enhanced Rural Enterprise Zone ("EREZ").

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.
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 three 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 4th of the allowable credit may be taken in any one-tax year.

A summary of Colorado's Enterprise Zone Tax Benefits (Con't):

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 two years may claim a credit of 25 percent of the cost of rehabilitating each building. The credit is limited to \$50,000.
7. **Credit for Contributions to Zones:** A taxpayer who makes a contribution to a local zone administrator for enterprise zone development projects, or assisting job training and placement for the homeless may claim a tax credit. The amount of the credit is 25 percent of the value of the contribution, up to \$100,000.
8. **Ten Percent Job Training Credit:** Beginning with 1997 tax years, 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:** Purchases of manufacturing machinery, machine tools, and parts therefore are exempt from the 2.9 percent state sales and use tax statewide. In addition, when used solely within an enterprise zone this exemption may 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 expensed 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 equal to not 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 the enterprise zone.

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