Colorado
Office of Economic Development and International Trade

# Colorado Enterprise Zone Program

## Purpose

The Colorado Enterprise Zone (EZ) Program was created by the Colorado Legislature (C.R.S. Title 39, Article 30) to promote a business friendly environment in economically distressed areas by offering state income tax credits that incentivize businesses to locate and develop in - and non-profit organizations to assist with the needs of - these communities.

## Program Description

Taxpayers investing in Enterprise Zones can earn a credit on their Colorado income tax by planning and executing specific economic development activities.

Certain credit amounts and carry-forward periods have changed for tax years commencing January 1, 2014. Among the changes: business in the EZ need not meet the New Business Facility qualifications for the New Jobs credits and the Job Training credit is increased.

The following incentives can be earned by businesses located in Enterprise Zones for tax years beginning 1/1/2014 and after. Please see CO Department of Revenue pages for previous credit amounts.

| BUSINESS INCOME TAX CREDITS | CREDIT AMOUNT | FYI |
|---|---|---|
| **Investment Tax Credit (ITC)**<br>**Commercial Vehicle Investment Tax Credit (CVITC)** | 3% of equipment purchases<br>1.5% of commercial vehicle purchases | FYI Income 11 |
| **Job Training Tax Credit** | 12% of qualified training expenses | FYI Income 31 |
| **Business Facility – New Jobs Credit**<br>- **New Agricultural Processing Jobs**<br>- **Health Insurance Credit** | $1,100 per new job<br>$ 500 per new job<br>$1,000 per covered employee | FYI is not yet available |
| **R&D Increase Tax Credit** | 3% of increased R&D expenditures | FYI Income 22 |
| **Vacant Building Rehabilitation Tax Credit** | 25% of rehab expenditures (hard costs) | FYI Income 24 |

*FYIs are Department of Revenue publications explaining the tax credits.*

| ADDITIONAL EZ INCENTIVES | INCENTIVE AMOUNT | FYI |
|---|---|---|
| **Manufacturing/Mining Sales and Use Tax Exemption** | Expanded S&U tax exemption in EZ | FYI Sales 10 & 69 |
| **Contribution Tax Credit** | 25% cash / 12.5% in-kind on contributions to EZ projects | FYI Income 23 |

Additionally, municipalities, counties and special districts may have increased flexibility pertaining to local incentives per CRS 39-30-107.5 if located in an EZ.

Certain rural counties that meet additional distress criteria are designated as being **Enhanced Rural Enterprise Zones** (EREZ) per CRS 39-30-103.2. Businesses located in a designated EREZ county can earn an increased credit amount for the Business Facility New Jobs Credit (an additional $2,000 per job) and the Agricultural Processing Jobs Credit (an additional $500 per new job). See www.advancecolorado.com/erez for more information and a list of designated counties.

## Requirements/Eligibility Rules

Areas with high unemployment rates (25% above state average), low per capita income (25% below state average), and/or slower population growth (less than 25% of state average in rural areas) may be approved for EZ designation by the Economic Development Commission.

## Application Process

Each income tax year, a business located in an EZ must file and be Pre-certified prior to beginning an activity to earn any of the business tax credits listed in the first table. At the end of the income tax year, a business must Certify that the activities were performed. Pre-certification and Certification are applied for online.

Contribution Tax Credits earned by taxpayers making donations to eligible EZ Contribution Projects certify those donations with the project organization or Local Enterprise Zone Administrator. A list of qualified projects is available online.

The Commercial Vehicle Investment Tax Credit has a unique application process. Download the CVITC Application online.

**Applications and Additional Information: www.advancecolorado.com/ez**

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