

Greeley/Weld Enterprise Zone (EZ) State Income Tax Credits

If your business is locating or expanding within the boundaries of the **Greeley/Weld Enterprise Zone** you may be eligible to earn a variety of state income tax credits, which can substantially reduce your Colorado income tax liability.

Credits are earned based on a company's investment in new equipment, job creation/training, research and development activities, contributions to eligible community development contribution projects, etc. Each of these credits is summarized below.

FYI's containing detailed information including definitions of terms, carry-forward limits on credits and answers to frequently asked questions are referenced after each credit. These FYI's as well as additional EZ information are available from the Colorado Department of Revenue. See page [] for details.

3% INVESTMENT TAX CREDIT (ITC)

Businesses making qualified investments in tangible personal property (Section 38 property) used exclusively in an EZ for the first year of its ownership by the taxpayer, may claim a credit against their Colorado income taxes equal to **3% of the amount of the investment**.

There are limitations on the amount which can be claimed in any one year. The credit can be claimed to the extent of the first \$5,000 of tax liability, plus 50% of the liability in excess of \$5,000. Excess credits may be carried back three years and forward twelve years.

In general, only equipment purchases qualify for this credit. Investments in land, buildings, or expanding inventory do not qualify. Investment resulting from a in-state relocation is not eligible for the credit unless the new location qualifies as an expansion or qualified relocation (see "New Business Facility Job Tax Credit" below).

For detailed information see FYI Income 11 – Enterprise Zone Investment Tax Credit

\$500 NEW BUSINESS FACILITY JOB TAX CREDIT (JTC)

Businesses creating new jobs in connection with a new business facility (defined below) located in an EZ may claim an income tax credit of **\$500 for each new business facility job created**, within the zone prorated according to the number of months of employment during the tax year. Excess credits may be carried forward five years.

A facility only has to qualify as a new business facility (NBF) one time. Once qualified as a NBF, the business may claim this credit in subsequent years (during the life of the zone) for each additional job above their maximum number employed in any prior tax year. In the case of a leased NBF, the owner of the business qualifies for the tax credit, not the owner of the facility.

For detailed information see FYI Income 10 – Enterprise Zone New Business Facility Employee Credits

\$500 AGRICULTURAL PROCESSING JOB TAX CREDIT (JTC)

Businesses that qualify as a NBF and add value to an agricultural commodity through manufacturing or processing may claim an **additional \$500 credit** per NBF job created. The general criteria and interpretations for the NBF credit discussed above apply to this credit as well. Excess credits may be carried forward five years.

Only businesses engaged in manufacturing or processing agricultural commodities into some form other than that which enters normal marketing channels qualify for this credit. Harvesting, cleaning, packaging, storing, transporting, wholesaling, retailing or otherwise distributing products without changing their form do not qualify.

For detailed information see FYI Income 10 – Enterprise Zone New Business Facility Employee Credits

New Business Facility (NBF) Definition

A business can qualify as a NBF in any of the following ways:

- **New Colorado Business** - A newly acquired, constructed or leased facility used to operate a revenue producing enterprise.
- **Business Expansion** - An existing business expansion may qualify if:
 - at least 10 new jobs are added, or a 10% increase in jobs (at least one) over the previous annual average or;
 - the expansion investment exceeds \$1 million or, if less;
 - 100% of its investment in the original facility prior to expansion.
- **Qualified Replacement Facility** - A replacement business facility located in an EZ qualifies if:
 - the taxpayer's investment exceeds \$3 million or, if less;
 - 300% of the investment in the old facility.

A replacement facility is a facility located in an EZ that replaces an old facility located in Colorado but only if the taxpayer operated the old facility for more than three full tax years of the five tax years immediately preceding the opening of the new facility. Generally, replacement business facilities do not qualify. The exception is a "qualified replacement facility."

Changes of ownership and/or business acquisition generally do not qualify as a NBF.

For detailed information see FYI Income 10 – Enterprise Zone New Business Facility Employee Credits

\$200 EMPLOYER SPONSORED HEALTH INSURANCE TAX CREDIT

Businesses that qualify as a NBF can claim a **two-year, \$200 tax credit** for each NBF employee insured under a qualified employer-sponsored health insurance plan. Any health insurance, health maintenance organization or pre-paid health plan, which is approved by the State of Colorado Insurance Commissioner for sale in Colorado, qualifies. The employer **MUST** contribute 50% or more of the total cost of the plan. The general criteria and interpretations for the NBF credit discussed above apply to this credit as well. Excess credits may be carried forward five years.

For detailed information see FYI Income 10 – Enterprise Zone New Business Facility Employee Credits

3% RESEARCH & DEVELOPMENT TAX CREDIT

Taxpayers who make private expenditures on research and development (R&D) activities qualify for an income tax credit. This credit **equals 3% 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 the R&D expenditures within the same zone in the previous two tax years. The total credit must be taken equally over a four year period. There is no limit on the number of years excess credits may be carried forward.

Qualified research must satisfy the following three criteria: 1) it must be technological in nature; 2) it must be useful in the development of a new or improved product or component of the business; and 3) it must utilize the process of experimentation. The taxpayer must submit "Colorado Corporation Credit" Form DR 112CR to the EZ administrator who must verify that the business is located within the EZ.

For detailed information see FYI Income 22 – Research and Development Income Tax Credit for Enterprise Zones

25% VACANT BUILDING REHABILITATION TAX CREDIT

Owners or tenants of commercial buildings located in an EZ, which are at least 20 years old and completely vacant for at least two years, may claim a credit of **25% of the eligible expenditures** associated with rehabilitating the building for commercial use. The credit is limited to \$50,000 per building. Excess credit may be carried forward five years.

Qualified expenditures may include costs associated with any exterior, structural, mechanical or electrical improvements necessary to rehabilitate a building for commercial use. Expenditures commonly referred to as soft costs (appraisals, architectural, engineering, interior design fees, legal, accounting and realtor fees, etc.) are not eligible expenditures. The taxpayer must submit a "Certification of Qualified Nature of Enterprise Zone Rehabilitation Expenditures" Form DR 76 along with documentation of qualified expenditures to the EZ administrator for certification.

For detailed information see FYI Income 24 – Vacant Commercial Building Rehabilitation Credit for Enterprise Zones

10% QUALIFIED JOB TRAINING INVESTMENT TAX CREDIT

Employers who carry out a qualified job training program for their EZ employees may claim an income tax credit of **10% of eligible training costs**. A "qualified job training program" means a structured training or basic education program conducted on-site or off-site by the taxpayer or another entity to improve the job skills of the EZ employee. "On-the-Job" training does not qualify for this credit.

Eligible costs include: fixed capital costs for training facilities, leasehold improvements, space lease costs and equipment lease/purchase costs, operating expenses including equipment and supplies, and training staff wages/fees, travel expenses, etc. Excess credits may be carried forward twelve years.

For detailed information see FYI Income 31 – Enterprise Zone Qualified Job Training Program Investment Credit

STATE SALES/USE TAX EXEMPTION FOR MANUFACTURING & MINING EQUIPMENT

Capitalized purchases of machinery or machine tools, or parts thereof, in excess of \$500 are exempt from the 2.9% state sales/use tax statewide. The machinery must be used in Colorado directly and predominately to manufacture tangible personal property for sale or profit. The items purchased must meet the definition of Section 38 property and meet the qualifications for the federal investment tax credit.

When used solely within an EZ, eligible items are exempt whether the machinery is capitalized or expensed. In addition, materials for construction or repair of machinery or machine tools, and items used directly in a mining or oil and gas operation are also exempt.

At the time of purchase, the taxpayer must file "Sales Tax Exemption on Purchases of Machinery and Machine Tools" Form DR 1191 with the vendor from which the item is purchased and with the Colorado Department of Revenue.

For detailed information see FYI Sales 10 – Sales/Use Tax Exemption for Manufacturing Equipment and FYI Income 69 – Sales/Use Tax Exemption for Machinery and Machine Tools Used in Mining or Oil and Gas Operations in an Enterprise Zone

25% TAX CREDIT FOR PRIVATE CONTRIBUTIONS TO ENTERPRISE ZONE CONTRIBUTION PROJECTS

Individuals or companies that make monetary or in-kind contributions to an Enterprise Zone on behalf of qualified, approved projects may claim a state income tax credit. The credit is **25% of the value of the cash contribution, up to \$100,000 per tax year**. The credit for approved in-kind contributions is 12.5% of the value of the contributed item up to \$100,000 per tax year. The credit amount is limited to the contributor's tax liability. Any excess credit may be carried forward up to five years.

This credit is available to all taxpayers, not just those located within EZ boundaries. Contributions can be made to any *approved* project administered by Upstate, as part of the Greeley/Weld Enterprise Zone Development plan. A current list of approved contribution projects is attached. Eligible contribution project categories include: marketing of the EZ, homeless shelters, business assistance programs, job training programs, public infrastructure projects, rural health care facilities and select community development projects. A credit is not allowed to a taxpayer for any contributions which are used for a purpose that directly benefits the contributor. In addition to local approval by the Upstate Board of Directors, the state Economic Development Commission must review and give final approval on all projects.

Contributions must be made directly to Upstate, which charges a 2.5% administrative fee on all contributions to help cover the cost of administering these projects. Upon receiving a contribution, Upstate will provide the contributor with a completed "Certification of Qualified Enterprise Zone Contribution" Form DR 0075, which should be attached to the taxpayer's state income tax return upon filing.

For detailed information see FYI Income 23 – Tax Credit for Contributions to Enterprise Zone Administrators, Programs, Projects or Organization

LOCAL GOVERNMENT TAX INCENTIVES

Communities throughout Weld County are actively pursuing business opportunities that will strengthen and enhance the local economy, and are prepared to work closely with businesses to meet specific needs in an effort to make a location/expansion a reality.

The level of assistance is dependent on the eligibility and quality of the project, availability of funds, and the specific needs of the company. Each project is considered for incentives on a case-by-case basis following an analysis of the potential impact of the project. In addition to EZ state income tax credits, possible incentives include:

- Waiver of a portion of the city/town development fees.
- Waiver of up to 100% of local sales/use taxes on construction materials.
- Waiver of up to 100% of local sales/use taxes on manufacturing equipment.
- "One-stop permitting" through an administrative review team.
- A 50% personal property tax rebate from the County and municipality for qualifying businesses.
- Financial assistance through the Weld/Larimer Revolving Loan Fund or the Greeley Community Development Fund.
- A customized training grant through the Colorado FIRST Customized Job Training Program.
- A location/expansion grant from the Colorado Economic Development Commission.

Contact the Upstate office for detailed information on incentive opportunities.

CERTIFICATION PROCEDURE

1. Complete, sign and date the "Enterprise Zone (EZ) Certification of Qualified Business" Form DR 0074. Please complete all questions on the form, including employment and investment figures, regardless of whether you are claiming credits related to employment and/or investment. This information is required for state statistical reporting.
2. Mail the certification form and a stamped, self-addressed return envelope to:
Greeley/Weld EZ Administrator
Upstate Colorado Economic Development
822 7th Street, Suite 550
Greeley, CO 80631
We also accept faxed forms at 970-352-2436.
3. Upon receiving your completed DR 0074 form, Upstate staff will verify that your facility is located within the boundaries of the Greeley/Weld EZ and will then sign, date and return the certification form.
4. Attach a copy of the signed EZ Certification form to your Colorado income tax return when you file. **DO NOT SEND THE EZ CERTIFICATION FORM INDEPENDENTLY OF THE TAX RETURN.** This form must be attached like any other supporting schedule. A new form is required each year credits are claimed.

PLEASE NOTE: If the only credit being claimed is the investment tax credit (ITC) and it is less than \$450, a certification form is NOT required.

For tax years beginning on or after August 7, 2002, individual company information regarding EZ tax credits will be considered a public record, as required by the state legislature. Information on research and development expenditures, as well as information that would reveal an individual employee's salary, is excluded from this requirement.

GENERAL EZ PROGRAM INFORMATION

The Greeley/Weld Enterprise Zone program is administered by Upstate Colorado Economic Development. Upstate is required to verify that your business is located within the EZ boundaries and therefore eligible to claim state income tax credits. Upstate is also required to complete all mandated state reporting on EZ activity within the Greeley/Weld zone.

The maps in this brochure are intended to provide a general overview of the areas within the Greeley/Weld Enterprise Zone. To verify that your business is located within the EZ contact the Upstate

office. We can also assist you in determining whether (and when) your business circumstances permit credits to be claimed, further explain the tax credits, and provide additional program information.

For questions regarding the Greeley/Weld EZ program contact:

Cathy Schulte
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Upstate Colorado Economic Development
822 7th Street, Suite 550
Greeley, CO 80631
970-356-4565 · Fax 970-352-2436
cschulte@upstatecolorado.org
www.upstatecolorado.org

Additional information on Colorado Enterprise Zones is available through:

Evan Metcalf
State Enterprise Zone Coordinator
Colorado Department of Local Affairs
1625 Broadway, #1700
Denver, CO 80202
303-892-3743 · Fax 303-892-3725
evan.metcalf@state.co.us

The Colorado Department of Revenue (DOR) is available to answer specific questions regarding tax law, code regulations or their application and interpretation. The DOR publishes an EZ tax series including FYI's which provides detailed information on how to calculate/claim EZ tax credits. They can be contacted as follows:

Colorado Department of Revenue
1375 Sherman Street
Denver, CO 80261
Tax Information Call Center – (303) 238-7378
Tax Practitioners Hotline – (303) 232-2419
Tax Forms Hotline – (303) 238-3278 #1
<http://www.revenue.state.co.us/taxstatutesregs/incomeindex/ezcredits.html>

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