

BUSINESS TAXES

Colorado provides a competitive business tax structure that rewards investment and innovation. With very low taxes at the state level, and a wide range of local tax structures, Colorado offers almost unlimited choices to meet the needs of all types of businesses. Under Amendment One, passed by Colorado voters in 1992, a constitutional limit was placed on both revenues and expenditures of state and local governments. Without voter approval, both are limited to the increase in inflation plus the population growth rate. State government alone has refunded over a billion dollars to Colorado taxpayers over the past four years, and enacted permanent tax cuts in the state income and sales taxes.

Colorado ranked 20th in per capita state government spending in 2016. When looking at taxes, Colorado placed 45th among the 50 states for state level sales taxes. When local taxes are added into the equation, Colorado ranks 18th in the nation, with a per capita average of \$1208. Colorado ranks 18th in combined state and local individual income tax revenue per capita.

Colorado State Income Tax

Corporate Income Tax: Effective January 1, 2000, Colorado's corporate income tax is a flat 4.63 percent of Colorado net income, defined as the corporation's federal taxable income with some modifications. A two or three-factor apportionment method is used, and the taxpayer may choose the one that results in the lesser tax liability. Colorado ranks 42nd nationally in corporate income taxes.

Type of Income Tax	Tax Rate
Colorado Corporate Income Tax	4.63% of Federal Taxable Income
Colorado Personal Income Tax	4.63% of Federal Taxable Income
Local Income Tax	None

Individual Income Tax: Individual income taxes are a flat 4.63% of federally adjusted taxable income, with some modifications.

Local governments in Colorado do not assess income taxes.

Enterprise zone Tax Credits: Portions of Greeley and Weld County are located within a state enterprise zone called the **Greeley/Weld Enterprise Zone (EZ)**. Businesses located within the boundaries of the EZ are eligible to earn a variety of state income tax credits based on their specific activities. Credits include: equipment investment tax credit, new employee tax credits, credits for research and experimental activities, and

tax credits for contributions to qualifying non-profit activities within the EZ. For complete information on eligible EZ areas within Greeley/Weld and detailed EZ credit information, [click here](#).

Investment Tax Credit: Business investments that qualify under the former federal guidelines for an investment tax credit can receive a one percent Investment Tax Credit in Colorado, up to a maximum of \$1,000 in any tax year. Excess credits may be carried forward up to three years.

Unitary Taxation: Colorado has a liberal "water's edge" base for combined returns that does not apply the unitary tax concept beyond the U.S. states. Specifically, foreign organized corporations, as well as U.S. organized "80/20" corporations (those with 80% or more property and payroll outside the U.S.) are not included in a combined tax return with the companies doing business in Colorado. A foreign corporation or U.S. "80/20" corporation that does not do business in Colorado will not need to file, and one that does do business in Colorado will find an "entity only" apportioning return.

Corporations doing business in Colorado, as well as other states, must apportion to Colorado that portion of their net income derived from sources within Colorado. These corporations may choose to utilize either Colorado Income Tax Act or the Multi-State Tax Compact as the basis to determine their Colorado income.

Sales and Use Taxes

The State of Colorado collects 2.9% sales or use tax on goods purchased or used in Colorado that are not intended for resale. A use tax is levied on the use, storage or consumption of tangible property purchased at retail. All property subject to the sales tax is exempt from the use tax. Colorado's state sales tax rate is the lowest among the 45 states that collect sales tax.

Legislation passed in 2001 allows for a 50% sales and use tax refund on tangible personal property used for research and development in years when there is a revenue surplus.

Purchases of manufacturing machinery and machine tools, and machine parts amounting to \$500 or more are exempt from the 2.9% state sales/use tax. The purchased machinery must be used in Colorado directly and predominantly to manufacture tangible personal property for sale or profit and must meet the definition for Section 38 property found in the Internal Revenue Code. For businesses not located within a state enterprise zone, the purchase must be capitalized to qualify for the exemption. Other major exemptions include:

- Component parts
- Fuels and electricity
- Packaging materials

- Aircraft parts used in general maintenance
- Interstate long distance telephone charges
- Ink and Newsprint
- Farm equipment and machinery

Local governments may collect additional sales tax. Exemptions in home rule municipalities may be different from the State's. Sales tax rates statewide average 4.62%, for a total average sales tax rate of 7.52%. In Weld County the average local sales tax collected was 3.13% for an average sales tax rate of 6.03%. Below is a list of the Weld communities and their sales/use tax rate:

Area	Tax Rate *
Town of Ault	5.9%
City of Dacono	5.9%
Town of Eaton	5.9%
Town of Erie	6.4%
City of Evans	6.4%
Town of Firestone	5.9%
City of Fort Lupton	6.9%
Town of Frederick	5.4%
Town of Garden City	5.9%
Town of Gilcrest	6.9%
City of Greeley	7.01%
Town of Hudson	5.9%
Town of Johnstown	5.9%
Town of Keenesburg	5.9%
Town of Kersey	5.9%
Town of La Salle	6.4%
Town of Lochbuie	6.9%
Town of Mead	4.9%
Town of Milliken	5.4%
Town of Nunn	4.9%
Town of Pierce	4.9%
Town of Platteville	5.9%
Town of Severance	5.9%
Town of Windsor	6.85%
Weld County	None
*Includes State sales tax of 2.9%	

On a case-by-case basis, Weld municipalities may partially waive local sales/use tax on eligible equipment, construction materials, etc. [Click here](#) for more local incentive information.

Property Taxes

All property in Colorado, except that which is specifically exempt by law, is subject to ad valorem (property) taxation by local districts. The state government does not levy a property tax. Property taxes fund local schools, special purpose districts, and a portion of the city and county government costs.

Industrial and commercial property (buildings and land) is assessed for property tax purposes at 29% of market value. The Northern Colorado average local mill levy for 2016 was 76.972 mills. The mill levy represents the number of dollars, or property taxes, levied for each one thousand dollars of assessed value. For example, with a mill levy of 76.972 mills, a commercial/industrial property owner pays approximately \$76.97 in taxes for every \$1,000 in assessed value.

Personal property (equipment) used in commercial and industrial operations is subject to personal property tax. This property is also assessed at 29% of actual value (based on depreciation schedule, replacement cost, expected economic life of the asset, and other factors). Beginning in 2001, business personal property with an economic life of one year or less, or with acquisition cost of \$250 or less, is exempt. Computer and telecommunications equipment will have new, accelerated depreciation schedules and reduced residual values.

Taxpayers may receive a credit on Colorado income tax for business personal property taxes paid. This credit is contingent upon a state surplus in a given fiscal year. Local governments also have the option of negotiating rebates or credits on their portion of personal property tax as an economic development incentive. [Click here](#) for additional incentive information.

Residential property is assessed at 7.2% of the actual value and is exempt from personal property taxation.

INVENTORIES, GOODS IN TRANSIT AND INTANGIBLES ARE NOT TAXED IN COLORADO, AND THERE IS NO FRANCHISE TAX.

[labor related taxes]

Labor Related Taxes

State Unemployment Insurance - An employer's unemployment insurance tax liability is based on the taxable wage base, which is the first \$10,000 of each worker's wage. If covered for the first time, the tax rate will be 1.7% (plus a .22% surcharge) of the wage base or a rate equal to the average for the industry, whichever is greater. Employers who are not yet eligible for the computed rate will be assessed a small surcharge. Beginning with the 3rd and 4th year of coverage (rate calculations begin on January 1st and three years of data are required), the rate is changed to a computed rate based on the employer's individual experience.

Most jobs pay significantly more than \$10,000 per year, making the effective unemployment tax rate much lower than the 1.7% nominal rate. Colorado ranks 11th in the nation for unemployment insurance premiums.

Workers' Compensation Insurance - Workers' compensation insurance is provided by over 200 private companies authorized to conduct business in the State of Colorado. Coverage for the majority of Colorado employers is provided by the State Compensation Insurance Fund, doing business as **Pinnacol Assurance**. The fund is a permanent, self-sustaining, nonprofit service organization operated for the benefit of its policyholders and their employees. Employers meeting strict financial and loss control standards are permitted to self-insure under Colorado law.

Recent reforms have resulted in significant premium reductions for most employers. These reductions have saved Colorado employers well over \$100 million in insurance premiums alone. Colorado ranks in the middle group of states in comparative worker's compensation costs.