



WELD COUNTY ENTERPRISE ZONE (EZ) STATE INCOME TAX CREDITS

Program Overview

Colorado's Enterprise Zone (EZ) program provides state income tax credits to encourage businesses to locate/expand in designated economically distressed areas of the state. Select Weld communities/locations have state EZ designation. The Weld County EZ program is administered by Upstate Colorado Economic Development (Upstate).

Companies that locate or expand within the physical boundaries of the EZ are eligible to earn a variety of state income tax credits based on their specific activities primarily in equipment investment, job creation/training, research and development activities, etc., which are summarized in this document. Earned credits are applied to the company's Colorado income tax liability, thereby reducing it.

Areas must meet state mandated distress criteria and offer a viable opportunity for economic growth in order to be included within the EZ boundaries. An in-depth boundary re-certification process was completed in 2015 and new EZ boundaries are effective January 1, 2016. The new *Weld County EZ Boundary Map* and individual *Community Sub-Zone EZ Maps* can be found in the Upstate EZ Download Center at www.upstatecolorado.org or by contacting the Upstate office at 970-356-4565. A State-wide, interactive EZ map can be found at www.choosecolorado.com/ez and an interactive Weld County GIS map can be found at www.co.weld.co.us/departments/gis.

Effective January 1, 2012, **annual Precertification** is required. The electronic precertification and certification procedures are summarized at the end of this document. To electronically apply for an EZ precertification or certification go to www.choosecolorado.com/ez.

Upstate also certifies EZ state income tax credits for individual/business contributions to local and state approved, non-profit agencies/projects that assist in implementing the Weld County EZ economic development plan. Additional information on these approved *EZ Contribution Projects* can be found below and in the Upstate EZ Download Center at www.upstatecolorado.org. Pre-certification is NOT required for this portion of the EZ program.

Please Note that qualifications, calculations and limitations applicable to the EZ credits are complex and not covered in detail in this document. See the Colorado Department of Revenue FYI (For Your Information) documents referenced after each credit summary below. FYI's contain information on definitions of terms, carry-forward limits on credits, answers to frequently asked questions, etc.

ENTERPRISE ZONE (EZ) STATE INCOME TAX CREDIT SUMMARY

INVESTMENT TAX CREDIT (ITC)

A business 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 qualified investment**. Only equipment purchases qualify for this credit. Investments in land, buildings, or expanding inventory do not qualify. This credit is limited at \$750,000/year and to \$5,000 plus 50% of the taxpayer's tax in excess of \$5,000. Excess credits may be carried forward up to twelve (12) years and precertification if required.

There are special rules for renewable energy equipment which may earn credits. Please contact the Upstate Colorado Economic Development office for details.

For detailed information see:

Department of Revenue FYI Income 11 – Investment Tax Credit

BUSINESS FACILITY NEW JOB TAX CREDIT (JTC)

A business located in an EZ may claim a one-time income tax credit of **\$1,100 for each new FTE job created** over their previous annual employment average. The credit will be prorated according to the number of months of employment during the tax year. The business may claim this credit in subsequent years for each additional job above their maximum number employed in any prior tax year. Excess credits may be carried forward up to five years and precertification is required.

For detailed information see:

Department of Revenue FYI Income 10 – New Business Facility Employee Credits

AGRICULTURAL PROCESSING JOB TAX CREDIT (JTC)

Businesses that add value to an agricultural commodity through manufacturing or processing may claim an **additional one-time \$500 credit** per new FTE job created over their previous annual employment average. 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. Excess credits may be carried forward five years and precertification is required.

For detailed information see:

Department of Revenue FYI Income 10 – New Business Facility Employee Credits

EMPLOYER SPONSORED HEALTH INSURANCE TAX CREDIT

Businesses can claim an additional **\$1,000 tax credit** for each new employee hired in the first 2 years (\$500/yr) the business is located within the EZ. Eligible employees must 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 employee cost of the plan. Excess credits may be carried forward five years and precertification is required.

For detailed information see:

Department of Revenue FYI Income 10 – Enterprise Zone New Business Facility Employee Credits

RESEARCH & DEVELOPMENT TAX CREDIT

Taxpayers who make private expenditures on research and development (R&D) activities may qualify for an income tax credit that is **equal to 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 amount of credit must be divided equally over four years. The taxpayer may claim 25% of the tax credit in the year the expenditure is made and 25% in each of the following three years. 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. Precertification is required.

For detailed information see:

Department of Revenue FYI Income 22 – Research & Development Income Tax Credit for Enterprise Zone

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. 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. Excess credit may be carried forward five years and precertification is required.

For detailed information see:

Department of Revenue Income 24 – Vacant Commercial Building Rehabilitation Credit for Enterprise Zones

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 **12% 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 and precertification is required.

For detailed information see:

Department of Revenue FYI Income 31 – Enterprise Zone Qualified Job Training Program Investment Credit

COMMERCIAL VEHICLE INVESTMENT TAX CREDIT (CVITC)

Commercial trucks, truck tractors, tractors, or semitrailers, as well as associated parts, purchased on or after July 1, 2011 are eligible to apply for a state income tax credit **equal to 1.5% of the qualified investment** if predominately housed and based in the EZ for 12 months following its purchase and if the investment meets all of the following requirements: Vehicle is sold as new on or after July 1, 2011; Model year is 2010 or later; Gross vehicle weight rating of 54,000+lbs; Designated as Class A personal property; and Licensed/registered in Colorado. This credit is subject to approval/certification by the Colorado Economic Development Commission (EDC) and annual legislative program funding. Tax credits will be certified on a first come first served basis. For application materials/assistance contact Upstate staff.

For detailed information see:

Department of Revenue FYI Income 11 – Enterprise Zone Investment Tax Credit and CVITC Fact Sheet/Application (contact zone administrator)

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. Precertification is NOT required.

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" paper Form [DR1191](#) or [DR1192](#) with the vendor and with the Colorado Department of Revenue.

For detailed information see:

Department of Revenue 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

TAX CREDIT FOR PRIVATE CONTRIBUTIONS TO EZ CONTRIBUTION PROJECTS

Individuals or companies that make monetary or approved in-kind contributions to the EZ on behalf of a qualified, approved project may claim a state income tax credit equal to **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 \$50,000 per tax year. The credit amount is limited to the contributor's tax liability. Excess credit may be carried forward up to five years and precertification is NOT required.

This credit is available to all taxpayers. Contributions can only be made to an approved project administered by Upstate Colorado Economic Development, as part of the Weld Enterprise Zone Development plan. A credit is not allowed to a taxpayer for any contributions which are used for a purpose that directly benefits the contributor. A current list of approved Weld EZ Contribution Projects can be found in the Upstate EZ Download Center at www.upstatecolorado.org. Upstate charges a 1.5% administrative fee on all contributions.

For detailed information see:

Department of Revenue FYI Income 23 – Tax Credit for Contributions to Enterprise Zone Administrators, Programs,
Projects or Organization

The **Colorado Department of Revenue (DOR)** is responsible for interpretation and enforcement of EZ tax credits. The DOR is the statutory authority over the eligibility of EZ incentives. Technical tax questions should be directed to one of these resources:

- DOR Helpline: (303)238-7278
- DOR Tax Information Index: www.colorado.gov/cs/Satellite/Revenue/RE VX/1184834145784
- DOR FYIs on DOR Website: www.colorado.gov/cs/Satellite/Revenue/RE VX/1184834145750
- DOR FYIs on OEDIT EZ Website: www.choosecolorado.com/ez
- DOR Forms on DOR website: www.colorado.gov/cs/Satellite/Revenue/RE VX/1214992372945

EZ PRECERTIFICATION AND CERTIFICATION PROCEDURES

1. **Verify EZ Location Eligibility** – There is a variety of ways to determine if your facility is located within the Weld EZ boundaries:
 - a. use the interactive state map found at www.choosecolorado.com/ez
 - b. access the Weld County GIS interactive map at www.co.weld.co.us/departments/gis
 - c. review the County EZ map and individual community EZ maps at www.upstatecolorado.org or contact Upstate Colorado Economic Development at 970-356-4565 for assistance.
2. **Precertification Required** – Unless noted above, businesses must obtain precertification each year from their local EZ Administrator (Upstate Colorado Economic Development). Upstate certifies that the company location is within the physical boundaries of the EZ and eligible to claim EZ credits. Precertification must occur PRIOR to engaging in an eligible activity for which an EZ state income tax credit will be claimed. Credits are earned when the activity required to receive the tax credit is performed. *Companies without this precertification will NOT be able to claim EZ credits at the end of their tax year.* To electronically pre-certify go to www.choosecolorado.com/ez.
3. **Electronic Certification** – With approved precertification, EZ tax credits earned through the tax year should be claimed or certified at the end of the company's tax year using the state's electronic certification process found at www.choosecolorado.com/ez. Information requested in the electronic certification process is generally the same information formerly requested in the DOR EZ paper forms.
4. **Procedural Information** – Upon successfully submitting an electronic EZ precertification or certification form, you will receive an automatically generated email from the state confirming that your application was received. Upstate will then verify that the facility is located within the boundaries of the Weld County EZ and will electronically approve/deny the form within 3-4 business days. A second automatically generated state email will be sent notifying you of this approval/denial.
5. **Electronic Colorado Tax Return Filing Required** – Businesses claiming EZ tax credits must file their Colorado tax return electronically with the Department of Revenue (DOR) unless the business will experience an “undue hardship”.

PROGRAM CONTACTS

Weld County EZ Contact:

Cathy Schulte
 Senior Vice President & EZ Administrator
 Economic Development
 822 7th Street, Suite 550
 Greeley, CO 80631
 970-356-4565
cschulte@upstatecolorado.org
www.upstatecolorado.org

Colorado EZ Program Contact:

Sonya Guram
 Colorado Office of Economic Development Upstate Colorado
 & International Trade
 1625 Broadway, Suite 2700
 Denver, CO 80202
 303-892-3822
sonya.guram@state.co.us
www.choosecolorado.com/ez