



Enterprise Zone FAQs

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WHAT IS AN ENTERPRISE ZONE?

The mission of the Colorado Enterprise Zone Program is to provide economic growth and stability to a specific geographical area by offering special tax credit incentives to businesses that expand or locate in the zone. The purpose of the tax incentives is to create new jobs and investments in the zone. These areas or "zones" are created using guidelines which include per capita income and the level of unemployment.

Archuleta County was designated an Enhanced Rural Enterprise Zone (EREZ) in January of 1994. This means that Archuleta County businesses have access to more credits than other enterprise zone areas. All of Archuleta County is in the EREZ.

BENEFITS OF AN ENTERPRISE ZONE

The following lists the tax credits available to businesses located in an enterprise zone. To see more detailed information, be sure to view the list of FYIs located on page X of this document.

Investment Tax Credit - Equipment

Businesses making investments in tangible personal property, used exclusively in an enterprise zone for at least one year, may claim a credit against their Colorado income taxes equal to 3% of the investment amount. Only equipment purchases qualify for the investment tax credit.

Investments in land or structures, or expanding inventory do not qualify.

The credit, which can be taken in any year, is limited and cannot exceed 100% of your state income tax liability up to \$5,000 and 50% of your state tax liability above \$5,000. If you have more investment tax credit than you can claim in one year, you can carry the unused amount backward up to 3 years or forward up to 12 years. For more detailed information, refer to Department of Revenue publication - FYI Income 11.

<http://www.revenue.state.co.us/fyi/html/income11.html>.

Job Training Credit

Enterprise zone employers who carry out a qualified job training program for their employees may claim a tax credit of 10% of eligible training "investment," starting on or after January 1, 1997. A qualified job training program means a structured training or basic education program to improve the job skills of the company's employees. Training may be done on the employer's site or off-site. It may be conducted by the taxpayer or contracted to another entity. The trainees must be working within an enterprise zone. Excess credits may be carried forward for up to 12 years. See FYI Income 31 <http://www.revenue.state.co.us/fyi/html/income31.html>.

New Business Facility Credits

You must qualify as a "New Business Facility" (NBF) to take advantage of the special job related tax credits. In the case of a leased NBF, the owner of the business qualifies for the tax credit, not the owner of the facility. Change of ownership and/or acquisitions do not qualify as a NBF.

How to Qualify as a New Business Facility (NBF)

To qualify, do one of the three options:

1. **New Colorado Business** - Be a newly acquired, constructed or leased facility used by the taxpayer to operate a revenue producing enterprise. This includes any factory, mill, plant, refinery, warehouse, feedlot, building or complex of buildings including land, machinery and equipment located at the facility and used in connection with the facility's operation.
2. **Qualified Expansion Facility** - Expand an existing enterprise zone facility by new investment of at least \$1 million; or if less, at least double the taxpayer's investment in the original facility; or if the expansion adds at least 10 employees or a 10% increase (at least one full time employee) over the previous average annual number of employees.
3. **Qualified Replacement Facility** - A replacement business facility is a facility located in an enterprise zone 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 and investment exceeds \$3 million or, if less, 300% of the investment in the old facility.

If you qualify as a NBF, the following tax credits are available:

New Job Tax Credit - (NBF)

To take this credit, businesses must meet the criteria for a NBF described previously. Businesses hiring new employees in connection with a NBF in an enterprise zone may claim a state income tax credit of \$500 for each new job. Because Archuleta County is an Enhanced Rural Enterprise Zone, the credit increases by \$2000 per new job, or for a total of \$2500 per job. Qualifying facilities may claim the job tax credit each year during the life of the zone for each new job above the maximum number employed in any prior tax year. This credit is claimed on the income tax return filed for the tax period in question. An eligible taxpayer may prorate the credit based on the number of months the new facility is in operation at a rate of \$41.67 per new job per month of employment. – For more information, see FYI Income 10:

<http://www.revenue.state.co.us/fyi/html/income10.html>

Employer Sponsored Health Insurance Credit - (NBF)

To take the health insurance credit, businesses must meet the criteria for a NBF. A company can also qualify for an additional credit of \$200 for each NBF employee who is insured under a health insurance plan or program provided through the employer. The employer must contribute 50% or more of the total cost of the plan. The taxpayer may only claim this credit for the first two full income tax years after the facility initially qualifies as a NBF. The credit may be carried forward up to 5 years. – For more information, see FYI Income 10:

<http://www.revenue.state.co.us/fyi/html/income10.html>

Agriculture Processing Credit - (NBF)

To take the agricultural processing credit, businesses must meet the criteria for a NBF. This credit is given to any NBF who operates a business within an enterprise zone which adds value through manufacturing or processing agricultural commodities. The taxpayer is allowed an additional credit of \$500 for each NBF job, in addition to the New Job Tax Credit. Only businesses directly engaged in manufacturing or processing agricultural commodities into some form other than that which enters normal agricultural commodity marketing channels qualify for this special incentive.

Harvesting, cleaning, packaging, storing, transporting, wholesaling, retailing or otherwise distributing products without changing their form do not qualify.

For tax years beginning on or after January 1, 2003, an additional \$500 credit for each new business facility agricultural processing employee is available to businesses located in an Enhanced Rural Enterprise Zone. This brings the total to \$3500 per new agricultural processing job for companies in Archuleta County. The enhanced portion of the new business facility employee credit not used to offset tax can be carried forward for a period of up to 7 years. For more information see FYI Income 10: <http://www.revenue.state.co.us/fyi/html/income10.html>

Other Tax Credits Available

Research and Development Credit

Businesses involved in private expenditures on research and development (R&D) activities in an enterprise zone qualify for a 3% income tax credit. The credit is calculated as 3% of the amount of the increase in the taxpayer's R&D expenditures within the zone over the average of such expenditures conducted during the previous two tax years. The total amount of the credit must be taken over a 4-year period. The taxpayer may claim 25% of the credit in the year the expenditure is made and 25% in each of the following three years. Qualified research must satisfy three types of criteria: It must be technological in nature; be useful in the development of a new or improved product or component of the business; and utilize the process of experimentation. See FYI Income 22 for more info: <http://www.revenue.state.co.us/fyi/html/income22.html>

Vacant Building Rehabilitation Credit

A 25% tax credit for eligible expenditures is available for owners or tenants who rehabilitate vacant buildings back into a commercial use within an enterprise zone. To be eligible, a building must be at least 20 years old and completely vacant for at least two years.

A taxpayer must submit a certificate from the enterprise zone administrator and documentation of the qualified expenditures. The credit is limited to \$50,000 per building. A separate form is required for this credit, and can be obtained by contacting the enterprise zone administrator. For more detailed information refer to Department of Revenue publication. See FYI Income 24 for more information: <http://www.revenue.state.co.us/fyi/html/income24.html>

Credits for Contributions to Enterprise Zones

Individuals or companies that make monetary or in-kind contributions to an enterprise zone administrator for qualified purposes may take a 25% income tax credit of up to \$100,000 per tax year (In-Kind-12.5% up to \$50,000). Contributions can be made for any special projects that have been approved by the Economic Development Commission (EDC). Archuleta Economic Development Association is an approved contribution project, so all contributions in-kind or financial that are made to AEDA will receive a 25% tax credit on their investment. For more detailed information, refer to Department of Revenue publication. See FYI Income 23 for more information:

<http://www.revenue.state.co.us/fyi/html/income23.html>

Sales and Use Tax Exemption on Manufacturing Equipment (Form DR1191)

Manufacturing businesses statewide are exempt from the state sales and use tax exemption on manufacturing equipment. Form DR1191 should be filed with the machinery vendor at the time of purchase. For more information, see FYI Sales 10:

<http://www.revenue.state.co.us/fyi/html/sales10.html>

Sales and Use Tax Exemption on Farming Equipment

Colorado Sales and Use tax exemption is provided for certain qualifying farm, dairy and ranch equipment and shipping aids. Please see the following FYI Sales 75 for more information:

<http://www.revenue.state.co.us/fyi/pdf/sales75.pdf>

Sales and Use Tax Exemption on Mining or Oil & Gas Equipment

The purchase of machinery and machine tools used in certain mining or oil and gas operations is exempt from the state sales and use tax. The machine, tool or part must also meet all other qualifications as required for the statewide manufacturing exemption. See FYI Sales 69 for more information: <http://www.revenue.state.co.us/fyi/html/sales69.html>

Aircraft Manufacturer New Employee Tax Credit

For tax years beginning on or after January 1, 2006, but prior to January 1, 2017, an income tax credit of \$1,200 per employee is available for hiring qualified new aviation zone employees to aircraft manufacturers located in a Colorado aviation development zone. See FYI Income 62 for more information: <http://www.revenue.state.co.us/fyi/html/income62.html>

FYI's

Colorado publishes an Enterprise Zone tax series titled "FYI" which gives more detailed information. All FYI's can be found by clicking on the link below in the table.

Archuleta Economic Development can provide any of these FYIs to you via email or fax by calling us at 970-731-1443, or emailing us at mtech@centurytel.net.

If the only credit being claimed is the investment tax credit (ITC) and it is less than \$450, a certification form is NOT required. Click on the blue links to view the FYIs.

Enterprise Zone Credits	Credit Amounts	Excess Credits	FYI Internet Link/Page #
*Investment Tax Credit (ITC)	3% of equipment purchases	Carry forward 12yrs. & back 3yrs	http://www.revenue.state.co.us/fyi/pdf/income11.pdf
*Job Training	10% of qualified expenses	Carry forward 12yrs.	http://www.revenue.state.co.us/fyi/pdf/income31.pdf
New Business Facility Employee Credit (NBF)	\$2500 per new employee	Carry forward 5yrs.	http://www.revenue.state.co.us/fyi/pdf/income10.pdf Page 1
Health Insurance Tax Credit	\$200 per new employee	Carry forward 5yrs.	http://www.revenue.state.co.us/fyi/pdf/income10.pdf Page 3
Agricultural Processing Credit	\$500 per new employee	Carry forward 5yrs.	http://www.revenue.state.co.us/fyi/pdf/income10.pdf Page 2
Research & Development Credit	3% of qualified expenses	NO limit on carry forward	http://www.revenue.state.co.us/fyi/pdf/income22.pdf
Vacant Building Rehabilitation Credit	25% of qualified expenses	Carry forward 5yrs.	http://www.revenue.state.co.us/fyi/pdf/income24.pdf
Contribution Tax Credit	25% cash contribution; 12.5% in-kind contribution	Carry forward 12yrs.	http://www.revenue.state.co.us/fyi/pdf/income23.pdf
Exemption for Mining or Oil & Gas Equipment	Exemption of 2.9% state sales tax	N/A	http://www.revenue.state.co.us/fyi/html/sales69.html
Exemption for Manufacturing Equip.	Exemption of 2.9% state sales tax	N/A	http://www.revenue.state.co.us/fyi/pdf/sales10.pdf
Sales Tax on Farm Equip.	Exemption of 2.9% state sales tax	N/A	http://www.revenue.state.co.us/fyi/pdf/sales75.pdf
Aircraft Manufacturer Employee Credit	\$1200 per new employee	Carry forward 5 yrs.	http://www.revenue.state.co.us/fyi/pdf/income62.pdf

*Available to all EZ businesses every year

Filing Procedure for Claims

Be sure to view the corresponding FYI document based on the tax credit you are claiming to ensure you are using the correct forms and proper filing process. The list of FYIs can be found above on page 6. Most forms are included in each FYI. Consult with your accountant before taking any actions.

The procedure listed below is only for those credits that utilize Form DR74. If you have questions, please call the AEDA at 970-731-1443, or email us at mtech@centurytel.net.

General Filing Procedure for Tax Credits:

1. Calculate your CO Enterprise Zone credits, following the instructions on [Form 112CR](#) (Corporation), [106CR](#) (Partnership/S Corp), or [104CR](#) (Individual). You can find these forms at the CO Department of Revenue's website for the current tax year by clicking on the blue links for each form above, and scrolling down the webpage to find the corresponding form number. For Form 106CR, this form is embedded in the Partnership/S-Corporation Booklet.
2. Fully complete, sign and date the Enterprise Zone "Certification of Qualified Business" form DR74. You can find form DR74 on page 8 of this document. The appropriate owner, partner or corporate officer must sign prior to executing step 3 below. Please complete all questions on the form, including employment and investment figures, whether or not you are claiming credits related to employment and/or investments. These figures are used for state statistical purposes and are statutory.
3. Once Form DR74 has been completed and signed, send it with a stamped, self-addressed return envelope to:

Attn: Laura Lewis
Region 9 Economic Development District
295-A Girard
Durango, CO 81303

Upon receiving your fully completed certification form, Region 9 will certify that your business is located within the Archuleta County Enterprise Zone. Your form will be signed, dated and returned to you within 3 weeks of submission.

4. Once your documentation has been signed and returned to you, attach a copy of the fully executed certification form DR74 along with your 112CR, 106CR or 104CR form to your Colorado income tax return when you file. It is important documentation required by the State to substantiate your claim for credits taken.

Do not send the form independently of your tax return; it must be attached to your return like any other supporting schedule.

Important note to filers of "S" Corporations and Partnerships: Please provide all appropriate partners and shareholders a copy of the certification form along with a calculation of their proportionate share of any credits claimed. They are entitled to claim their share of these credits and must have the certification to qualify.