



## FYI General 6

# General Information about Colorado Enterprise Zones

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### WHAT IS A STATE ENTERPRISE ZONE?

An enterprise zone is defined as an economically distressed area of Colorado in which special tax incentives are offered 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. [§39-30-102, C.R.S.]

The enterprise zone program was created by the Colorado legislature as of July 1, 1986. Since that time, Colorado has designated 16 areas as Colorado enterprise zones. See [www.advancecolorado.com/ezadministrators](http://www.advancecolorado.com/ezadministrators) for the current list. Contact the local zone administrators for detailed information concerning zone boundaries. Information is available at [www.advancecolorado.com/ez](http://www.advancecolorado.com/ez).

### RECENT CHANGES

#### *Precertifying Credits*

For any credit generated on or after January 1, 2012, most enterprise zone credits must be precertified by the zone administrator prior to any business activity that would generate the enterprise zone credit. This includes the investment tax credit, commercial vehicle investment tax credit, new business facility jobs credits, research and development credit, qualified job training credit, and rehabilitation of vacant commercial buildings credit. [§39-30-103(7), C.R.S.]

Precertification must be applied for online at [www.advancecolorado.com/ez](http://www.advancecolorado.com/ez) or by submitting the DR 0074, DR 0076 or DR 0077 certification forms to the zone administrator. Precertification is effective from the date approved/signed by the zone administrator until the close of the tax year indicated in the application. Any credit not precertified cannot be claimed on a tax return.

#### *Electronic Certification Process*

The enterprise zone certification is now available online at [www.advancecolorado.com/ez](http://www.advancecolorado.com/ez) and taxpayers are encouraged to use this new system, which is more accurate and secure than the paper certification process. This online system will be used for both the precertification process and the final certification of the tax credits. (The Administrator contribution credit will continue to be certified by only the paper DR 0075 certification.)

#### *Electronic Notification*

For tax years beginning on or after January 1, 2012, the Office of Economic Development and International Trade (OEDIT) will electronically notify the Department of Revenue of any credits generated in 2012 or later. Enterprise Zone credits cannot be claimed on a tax return filed prior to this notification. The Department of Revenue will post notification on its Web site in the Income Tax Index when the information is available and returns can be filed to claim these credits, which should occur no later than March 31.

The department strongly recommends that taxpayers use the online certification process to ensure that the credit data is accurately and timely transmitted to the Department of Revenue. This is particularly important for pass-through entities that must provide the name, ID number and the amount of the distributed credit of each partner/shareholder/member of the entity. Failure to accurately provide this information will result in the tax credit being denied until the information is corrected with the Enterprise Zone administrator.

#### *Electronic Filing*

For any tax year beginning on or after January 1, 2012, any Colorado original or amended income tax return that claims an enterprise zone credit must be filed electronically. The return must also include a carryforward schedule (form to be developed during 2012) for all enterprise zone credits.

Taxpayers who are unable to file electronically can file a paper return. However, the department strongly encourages taxpayers to file electronically to avoid unnecessary delays and problems that can occur when taxpayers file a paper return for these complex credits and schedules.

### **WHAT ARE THE TAX INCENTIVES/CREDITS AVAILABLE IN THE ENTERPRISE ZONES?**

Colorado enterprise zones provide state tax incentives to businesses located in the zone, particularly for new or expanding businesses.

Not all businesses qualify for all the tax incentives. Please refer to the following individual FYI publications. The tax credits are:

1. Investment Tax Credit for businesses located in a Colorado enterprise zone. See FYI Income 11 for more information about this credit.
2. New Business Facility Jobs Credits for new or expanding business facilities located in an enterprise zone that create new jobs. See FYI Income 10 for more information about these credits.
3. State Sales and Use Tax Exemption for Manufacturing and Mining Equipment used in an enterprise zone. This exemption is for equipment used directly in the manufacturing or mining (including oil and gas) process. It applies to state sales and use tax and some state-collected local sales tax. See FYI Sales 10 for more information on the manufacturing equipment exemption and FYI Sales 69 for more information on the mining equipment exemption.
4. Research and Development Tax Credit for research and development carried on in an enterprise zone. See FYI Income 22 for more information about this credit.
5. Tax Credit for Private Contributions to Enterprise Zone Administrators. See FYI Income 23 for more information about this credit.
6. Tax Credit for the Rehabilitation of Vacant Commercial Buildings located in an enterprise zone. See FYI Income 24 for more information about this credit.
7. Qualified Job Training Program Investment Credit for taxpayers who invest in a training program. See FYI Income 31 for more information about this credit.

Insurance companies are eligible for enterprise zone credits. Although insurance companies pay premium tax instead of income tax, they may claim enterprise zone credits to the same extent that corporations, which pay income tax, can claim the credits. For additional information, contact the Colorado Insurance Commissioner at (303) 894-7499.

The zone administrator will issue certification to each business located within the zone that such business is in the zone. The business must submit a copy of the Enterprise Zone Certification when filing its Colorado income tax return if the business is claiming an enterprise zone credit. Businesses should also contact local governments to determine if city or county tax credits are available to businesses in Colorado enterprise zones.

### **FURTHER INFORMATION**

More information is available through the Colorado Office of Economic Development & International Trade (OEDIT) located at 1625 Broadway, Room 2700, Denver, CO 80202; Telephone is (303) 892-3840. You may also visit the OEDIT Web site at [www.advancecolorado.com/ez](http://www.advancecolorado.com/ez) for more information on Colorado Enterprise Zones.

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FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.