

Enterprise Zone Program

<https://oedit.colorado.gov/enterprise-zone-program>

Program Summary

The Colorado legislature created the Enterprise Zone (EZ) Program to encourage development in economically distressed areas of the state. The 16 designated enterprise zones have high unemployment rates, low per capita income, or slow population growth. [Local enterprise zone administrators](#) manage their respective enterprise zones.

In designated enterprise zones:

- Businesses are eligible for state income tax credits and sales and use tax exemptions for specific business investments
- Local governments and nonprofits can set up contribution projects to achieve economic development goals
- Taxpayers who contribute to enterprise zone projects may earn income tax credits

Enterprise zone areas within rural counties that meet additional economic distress criteria receive enhanced rural enterprise zone status. Businesses within enhanced rural enterprise zones earn additional tax credits when adding net new employees.

Colorado allows for 16 enterprise zones. All 16 zones are established, meaning no new enterprise zones can be created. Local governments can connect with the program manager or the zone administrator of the encompassing or contiguous area to discuss being included in an already established enterprise zone.

Community measures

Colorado law defines population and economic distress measures for enterprise zones.

Population measures

The population of a rural enterprise zone needs to be 150,000 or less. The population of an urban enterprise zone needs to be 115,000 or less.

Economic distress measures

All enterprise zones need to meet at least one of these economic distress criteria defined by U.S. Census Bureau's American Community Survey (ACS) data and/or Colorado Department of Local Affairs (DOLA) data. We post eligibility data from the ACS 5-year survey data that is released each December covering the period ending the prior calendar year.

To qualify, areas need to meet these criteria:

- 5-year population growth rate below 25% of the state average
- Unemployment rate that is 125% or greater than the state average
- Per capita income below 75% of the state average

Metric	Current Benchmark
5-year Population growth rate	Below 1.60%
Unemployment rate	Greater than or equal to 5.88%
Per capita income	Less than \$27,311.25

The [Current Enterprise Zone Eligibility Data \(XLS\)](#)

[\(opens in new window\)](#) spreadsheet identifies the eligibility of areas including counties, places, census tracts, and block groups. You will need to know the GeoID for the area of interest to use this resource. This resource is intended for enterprise zone administrators and people looking for changes to a boundary.

If you would like to apply for a tax credit, please see each individual tax credit page for specific eligibility and application requirements. We recommend reviewing the [Enterprise Zone Income Tax Credit Guide](#)

[\(opens in new window\)](#)

for the complete eligibility requirements.

Enterprise Zone Job Training Tax Credit

12% of eligible training costs

Businesses can earn a state income tax credit for 12% of eligible job-training costs for employees working within the enterprise zone. This tax credit helps develop a skilled workforce in distressed communities. Even if the business leaves the community, the skilled workforce typically remains an asset to the local economy.

Enterprise Zone New Employee Tax Credit

\$1,100 or more per net new employee

Businesses can earn a state income tax credit of \$1,100 per net new employee. Businesses can earn more tax credits if the business is an agricultural processor or is in an enhanced rural enterprise zone. This tax credit encourages businesses to hire and expand employment opportunities, thus reducing unemployment rates. State and local governments benefit from income and sales tax revenue generated from these employees.

Enterprise Zone Employer-Sponsored Health Insurance Tax Credit

\$1,000 per net new employee

For the first two years that a business is in an enterprise zone, the business can earn \$1,000 per net new employee insured under a qualified health plan for which the employer pays at least 50% of the cost. This tax credit encourages businesses to provide a qualified health insurance plan to employees, potentially improving community health, and reducing public health costs.

Enterprise Zone Research and Development Tax Credit

3% of an increase in research and development expenses

Businesses can earn a 3% tax credit for an increase in annual research and development expenses compared to what they spent the prior two years. Investment in research and experimentation supports an innovative economy. A research and development focused business that sells products, services, or intellectual property will bring outside dollars to the local economy.

Enterprise Zone Vacant Commercial Building Rehabilitation Tax Credit

25% of rehabilitation costs (up to \$50,000 in credits on \$200,000 or more in costs)

If a business rehabilitates a commercial building that is at least 20 years old and has been vacant for at least two years, the business can earn a state income tax credit for 25% of rehabilitation costs (up to \$50,000 in credits on \$200,000 or more on costs). This tax credit encourages the revitalization of dilapidated buildings and blighted areas, bringing new businesses and employees to the community. State and local governments gain tax revenue from new economic activity.

Enterprise Zone Commercial Vehicle Investment Tax Credit

1.5% of purchase price

A taxpayer can earn a state income tax credit for 1.5% of the price of new commercial trucks, truck tractors, tractors, semi-trailers, and associated parts registered in Colorado and used in an enterprise zone. This tax credit encourages businesses to register new commercial vehicles in Colorado and pay Colorado licensing and registration fees.

Enterprise Zone Investment Tax Credit

3% of business personal property investment

Businesses can earn a state income tax credit for 3% of an investment in business personal property. New business personal property increases a company's capacity. The taxes a business pays on these purchases far exceed all tax credits under the enterprise zone program.

Enterprise Zone Sales and Use Tax Exemption for Manufacturing and Mining

Sales and use tax exemption

The statewide sales and use tax exemption for purchases of manufacturing equipment is expanded to include non-capitalized equipment and parts if the business is located within a zone. The enterprise zone statutes also expand manufacturing to include mining.

Once you determine that your business is in an enterprise zone, there are three steps to claim this tax credit.

1. Complete the pre-certification application on the [OEDIT application portal](#)

[\(opens in new window\)](#)

. You will need to pre-certify each business location. You will need to apply for pre-certification in advance of the activity that is eligible for the credit.

- Log in to your account or create a new account. To protect your personal information, we manually add new users to the portal, so it may take several days to activate your account.
- Pre-certify each year. You can pre-certify up to three months before the start of the business' tax year. You can pre-certify at any time during the tax year; however the business is only eligible to earn enterprise zone tax credits for the period certified.
- The [local enterprise zone administrator](#) will review and approve your pre-certification application.

2. Complete the certification application on the [OEDIT application portal](#)

[\(opens in new window\)](#)

- Log in to your account and fill out the certification application.
- Activity conducted during the covered pre-certification period is eligible for enterprise zone tax credits.
- The [local enterprise zone administrator](#) will review and approve your certification application.

3. File Colorado income taxes and include certification documents.

- Once the certification application is approved by the [local enterprise zone administrator](#), you will receive via email a tax credit certificate that you need to submit with your Colorado income tax return. You can also access the certificate in the [OEDIT application portal](#)
- [\(opens in new window\)](#)
- . This certificate replaces Colorado Department of Revenue forms DR0074, DR0076, and DR0077.
- Complete and submit the Colorado Department of Revenue form DR1366 and the EZ Tax Credit Certificates with your Colorado income tax return.
- Partnerships need to also complete and submit the DR0078a for distribution of the credits.

Rural enterprise zones can further qualify specific areas in the zone for enhanced rural enterprise zone (EREZ) status.

A rural enterprise zone may be a county, municipality, or unincorporated place (more than 10 miles from any municipality with a population greater than 50,000) with a population of fewer than 50,000.

Rural enterprise zone areas may receive enhanced rural status if they meet two of these criteria:

- County unemployment rate is greater than 50% of the state average
- County per capita income is fewer than 75% of the state average
- County population growth rate is fewer than 25% of the state average
- Total non-residential assessed value ranks in the lower half of all counties
- County population is fewer than 5,000

Every two years, OEDIT updates the list of eligible EREZ counties. When a county is removed from the EREZ list, taxpayers who have already committed to and

appropriately documented future job creation plans in the county may request an extension of up to five years to continue claiming EREZ credits. Contact your local zone administrator to discuss eligibility for seeking an extension of benefits.

These counties are designated enhanced rural enterprise zones for calendar years 2021 and 2022:

Alamosa, Archuleta, Baca, Bent, Cheyenne, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Fremont, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, Lincoln, Mineral, Montezuma, **Otero**, Ouray, Phillips, Prowers, Rio Grande, Saguache, San Juan, Sedgwick, Washington, Yuma.