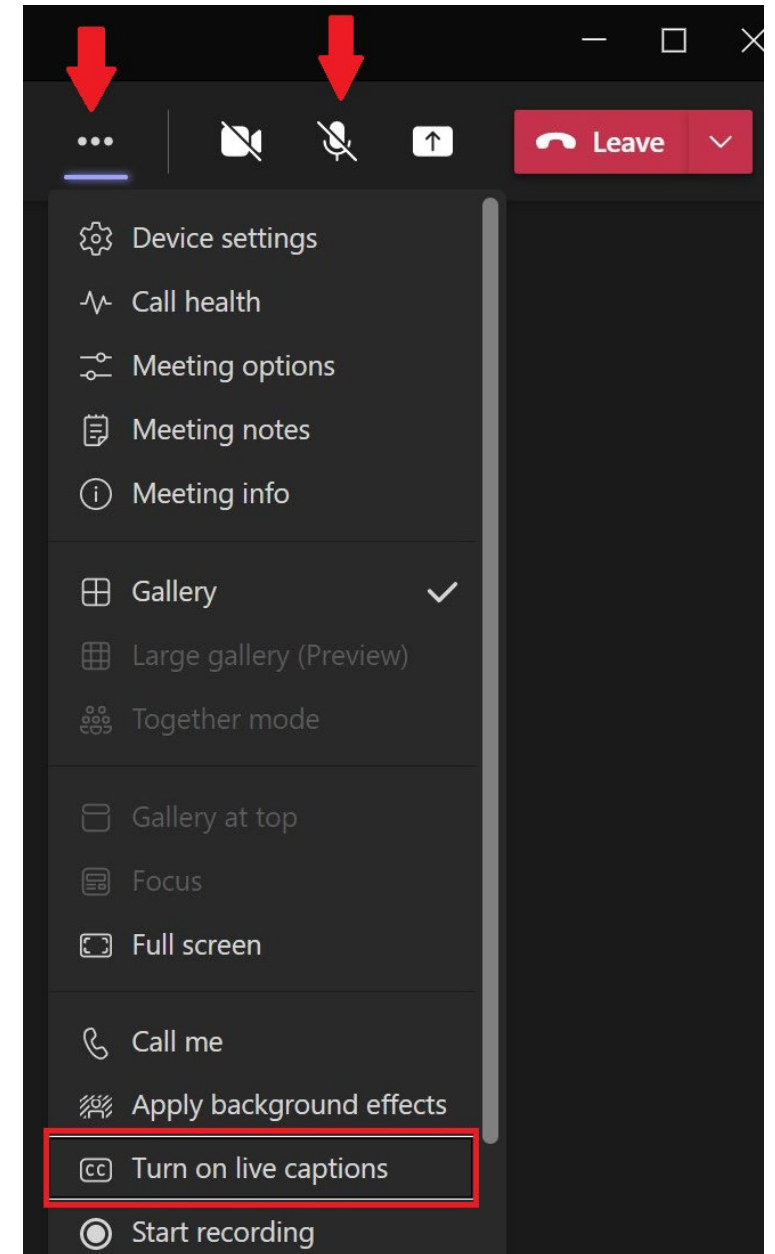
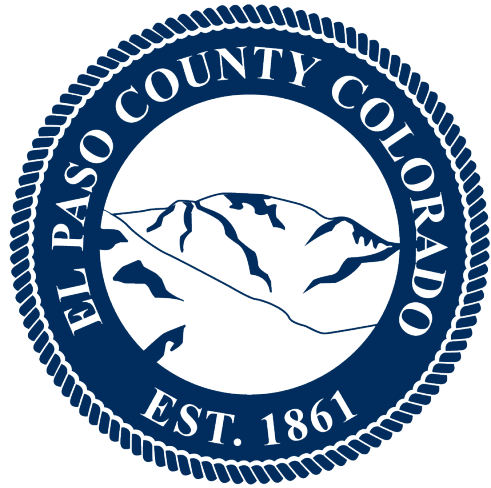


# EZ Webinar: Housekeeping Items:

Welcome!

1. Please remain muted throughout the session for recording quality purposes.
2. Slide deck will be emailed to all registered participants following today's webinar.
3. To turn on live captioning, click on the “...” at the top of the window and select “Turn on live captions”.





# Pikes Peak Enterprise Zone

---

EL PASO COUNTY ECONOMIC DEVELOPMENT

SARA LOBATO, PIKES PEAK EZ ADMINISTRATOR



## Jordan Empey, CPA, MST

Tax Partner-in-Charge

Stockman Kast Ryan + Company

[jempey@skrco.com](mailto:jempey@skrco.com)

- + Provides business + individual tax planning to over 200 clients, with emphasis in automobile dealerships, real estate, construction.
- + Active in the community and the downtown development initiatives.
- + Serves on Downtown Partnership's Development Authority board of directors.
- + Educates the business community on important strategic tax planning opportunities, to include navigating the Tax Cuts and Jobs Act and the Paycheck Protection Program

  
STOCKMAN KAST RYAN + COMPANY

# Enterprise Zone (EZ) Program:

---

1. Program Purpose
2. Eligibility Rules/Requirements
3. Application Process
4. Available Tax Credits

# Enterprise Zone (EZ) Program Purpose:

---



**The EZ Program was created by the Colorado Legislature (C.R.S. Title 39, Article 30) in 1986 to encourage development in both urban and rural economically distressed areas.**



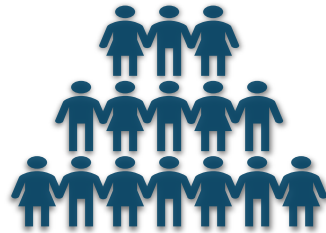
**Designed to promote a business-friendly environment in economically distressed areas by offering state income tax credits to:**

- 1.) For-profit businesses to locate and expand in EZ areas
- 2.) Taxpayers who contribute to nonprofit organizations to assist with the needs of the area

# Enterprise Zone (EZ) Program Eligibility:

---

**Boundary designation is based on census data and EZ areas are approved by State Economic Development Commission (EDC):**



## **Economic Distress Criteria:**

- Per Capita Income: <75% of State Average
- Unemployment Rate: >25% State Average
- Population Growth Rate: <25% of State Average

## **Population Caps:**

- Urban EZ: 115,000 Population Cap
- Rural EZ: 150,000 Population Cap

# Enterprise Zone (EZ) Boundaries:

---

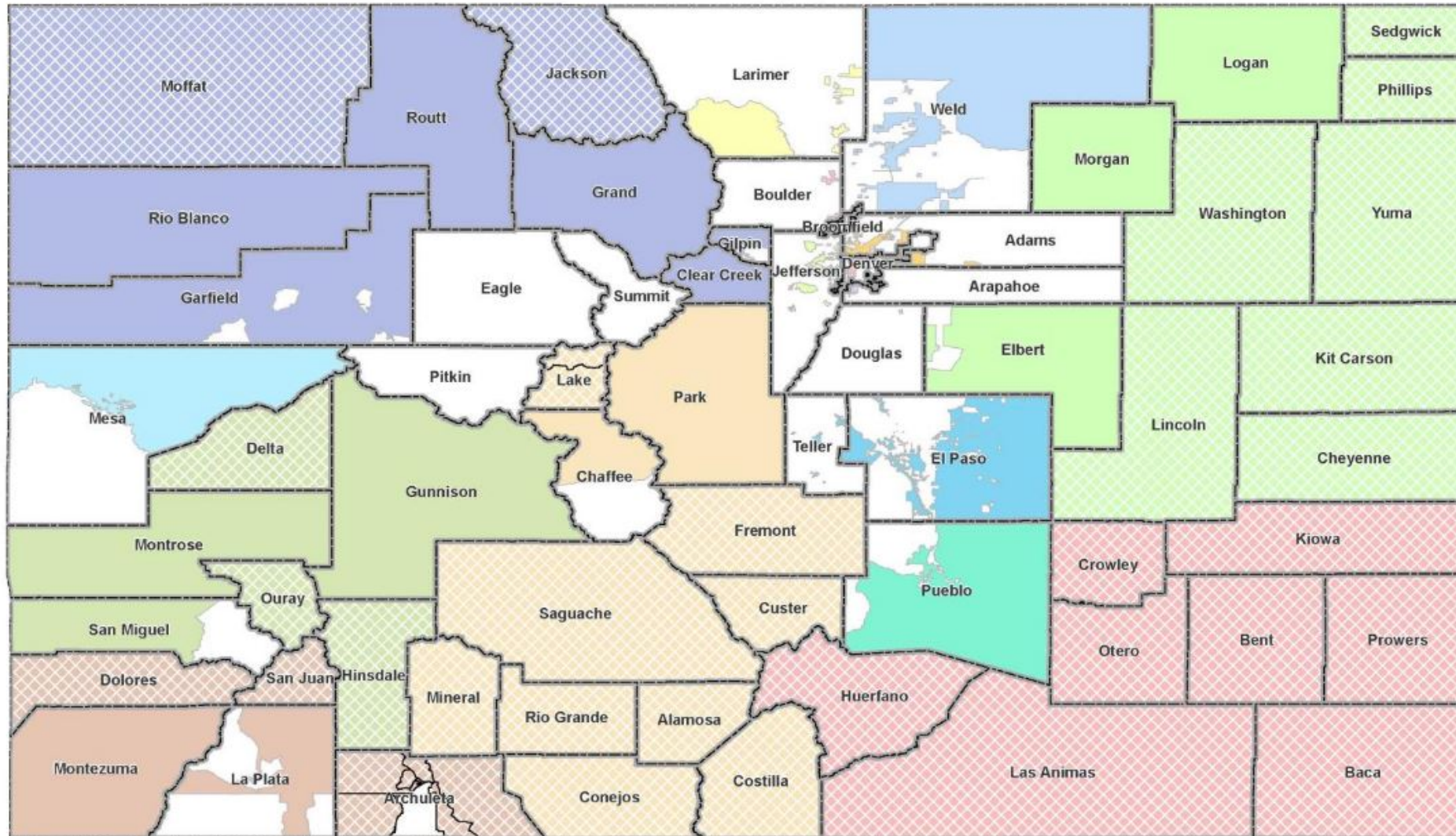
## 16 Enterprise Zones throughout the State of Colorado:



- El Paso County initially received EZ designation in September 1990
- Pikes Peak EZ boundaries (El Paso & Teller Counties) effective January 1, 2016
- EZ Boundary designation process is completed at least every 10 years.
  - Annual EZ Boundary Amendment

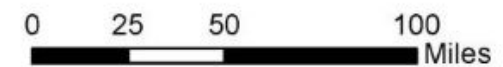


# Colorado Enterprise Zones



## Legend

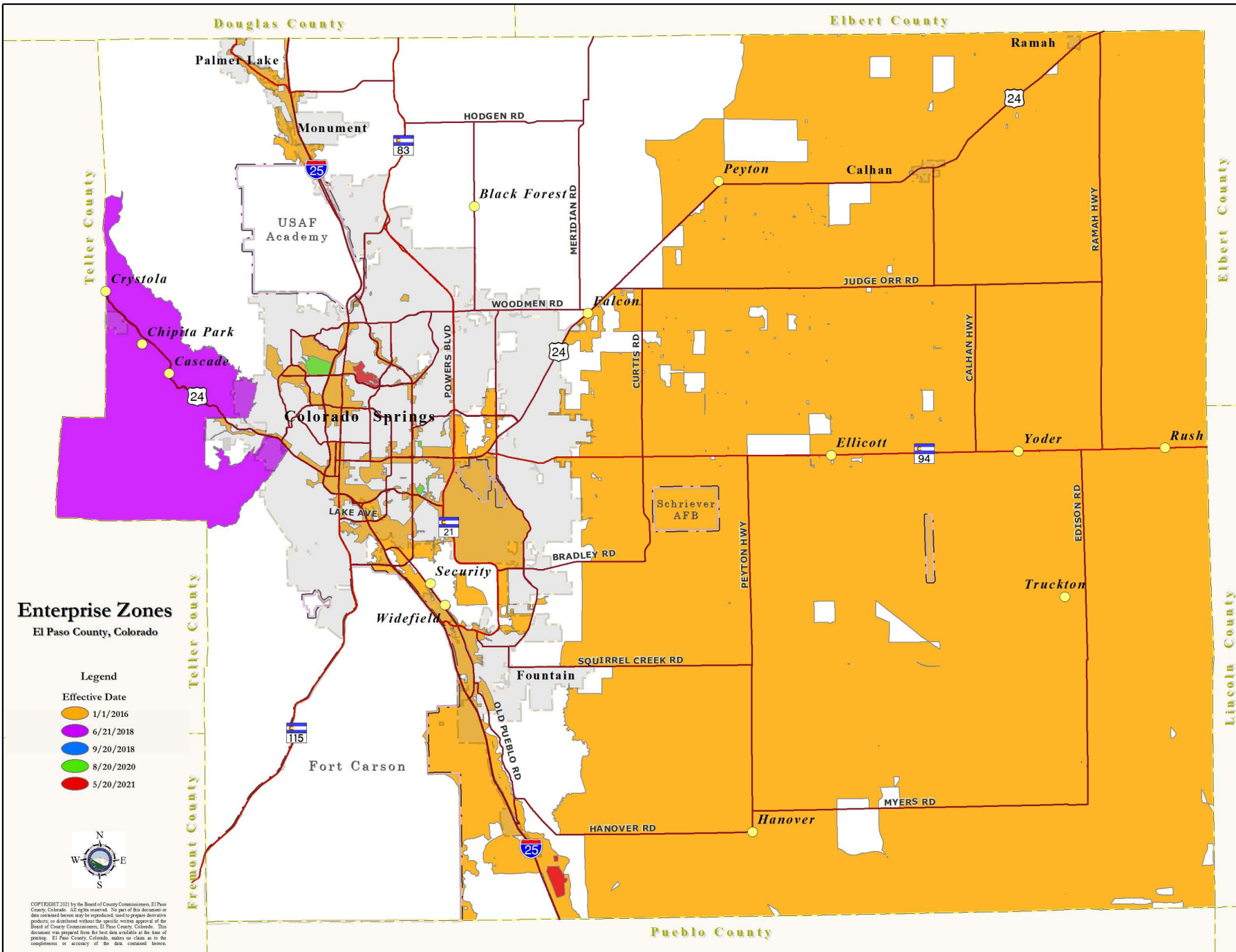
Enhanced Zones	County Boundaries	Jefferson County	North-East-Central	Region 10
Adams County	Larimer County	Northwest	South Metro	
Central & Southern	Mesa County	Pikes Peak	Southeast Central	
Denver County	North Metro	Pueblo County	Southwest	
Weld County				



**COLORADO**  
GIS Coordination & Development Program  
Governor's Office of Information Technology



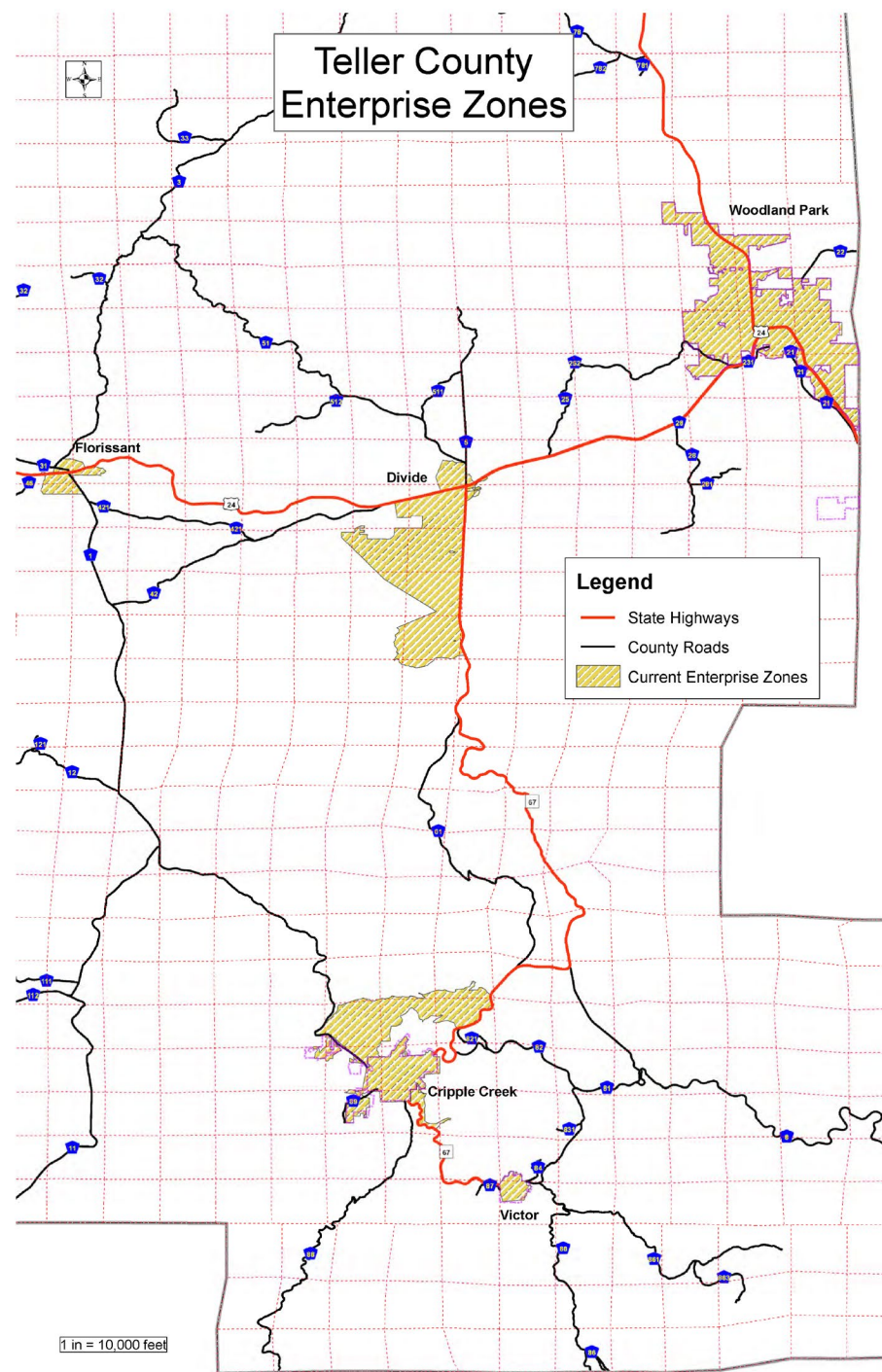




# Pikes Peak EZ Geographical Boundaries

## El Paso County

COPYRIGHT 2021 by the Board of County Commissioners, El Paso County, Colorado. All rights reserved. No part of this document or data contained herein may be reproduced, used to prepare derivative products or distributed without the specific written approval of the Board of County Commissioners, El Paso County, Colorado. This document was prepared from the best data available at the time of printing. El Paso County, Colorado, makes no claim as to the completeness or accuracy of the data contained herein.



Pikes Peak EZ  
Geographical  
Boundaries

Teller County

# EZ Business Tax Credits:

BUSINESS INCOME TAX CREDITS	CREDIT AMOUNT
Investment Tax Credit (ITC)	3% of equipment purchases
Commercial Vehicle Investment Tax Credit (CVITC)	1.5% of commercial vehicle purchases
Job Training Tax Credit	12% of qualified training expenses
New Employee Credit	\$1,100 per new job
Agricultural Processor New Employee Credit	\$ 500 per new job
Employer Sponsored Health Insurance Credit	\$1,000 per covered employee
R&D Increase Tax Credit	3% of increased R&D expenditures
Vacant Building Rehabilitation Tax Credit	25% of rehab expenditures (hard costs)

Please refer to the *Enterprise Zone Income Tax Credit Guide* for additional information

ADDITIONAL EZ INCENTIVES	INCENTIVE AMOUNT
Manufacturing/Mining Sales and Use Tax Exemption	Expanded S&U tax exemption in EZ*
Contribution Tax Credit	25% cash / 12.5% in-kind on contributions to EZ projects

\*Please refer to *FYI Sales 10: Machinery and Machine Tools Used in Manufacturing*

# EZ Business Tax Credits:

---

[oedit.colorado.gov/ez](https://oedit.colorado.gov/ez)

1. Pre-Certification application required **annually** for each business location prior to beginning any eligible investments/activities.
2. Certification completed at the end of the tax year for activity conducted during pre-certification period.
3. Submit the approved EZ Tax Credit Certification with business' Colorado income tax return to claim EZ tax credits earned.

# Investment Tax Credit (ITC):

---

- 3% of Equipment Purchases:
  - “Section 38 Property”
  - Depreciable tangible personal property (equipment, computers, furniture, etc.)
  - Used in a trade or business for the production of income
  - Must be used exclusively in the EZ for at least one year after property is placed in service
- Renewable Energy Investments:
  - New project that generates electricity from eligible energy resources: solar, wind, geothermal, biomass, hydroelectricity, and recycled energy.



# New Investment Credit

Date	Description	Price
8/14/2020	New Office Furniture	\$6,541.00
12/31/2020	New Computers	\$6,230.00
		<u>\$12,771.00</u>
	Ineligible Property	\$0.00
	Eligible Property	<u>\$12,771.00</u>
	<b>2020 EZ Credit available</b>	<b>\$383.13</b>
	Jane's 51% ownership credit	<b>\$195</b>
	John's 49% ownership credit	<b>\$188</b>





# Commercial Vehicle Investment Tax Credit (CVITC):

---

- 1.5% of Commercial Trucks, Truck Tractors, Tractors, Semi-trailers, and Associated Parts:
  - Gross Vehicle Weight Rating (GVWR) of 54,000 lbs or more
  - Model Year 2010 or newer
  - Designated as Class A property
  - Licensed and registered in CO
  - Predominantly housed and based in the EZ for 12 months following purchase
- Separate two-part application process completed with OEDIT following eligible purchase.
  - CVITC credits approved by State EDC on first come, first served basis

# Commercial Vehicle Investment Tax Credit (CVITC):

---

- 1.5% of Commercial Trucks, Truck Tractors, Tractors, Semi-trailers, and Associated Parts:
- Example Tax Credit Calculation:

In 2020, ACME Company purchased a qualifying:

  - Tractor Purchase:  $\$150,000 \times 1.5\% = \$2,250$  EZ CVITC
  - Semi-Trailer Purchase:  $\$50,000 \times 1.5\% = \$750$  EZ CVITC
- **Total EZ CVITC Tax Credit Earned: \$3,000**

# Job Training Tax Credit:

---

- 12% of Qualified Training Expenses:
  - Structured training or basic education program to improve the jobs skills of taxpayer's employees who work in the EZ
  - Training/Education may be conducted at the taxpayer's location or off; by the taxpayer or another entity
  - Other Qualifying Expenses:
    - Expensed equipment; supplies; training staff wages/fees; training contract costs; temporary space rental; and travel expenses
- Ineligible expenses:
  - On the job training
  - Wages of employees being trained

# Training Expense Credit

Jane and John are 51%/49% owners of a retail company operating in an enterprise zone.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
\$3,659.34	\$633.18	\$1,891.73	\$3,546.96	\$3,200.06	\$102.54	\$1,685.34	\$1,166.50	\$3,844.92	\$6,710.35	\$1,559.08	\$ -	<b>\$28,000</b>



## Tax Year 2020

Total annual qualifying training expenses	\$28,000
Credit of qualified training expenses	12%
<b>2020 EZ Credit available</b>	<b>\$3,360</b>
Jane's 51% ownership credit	<b>\$1,714</b>
John's 49% ownership credit	<b>\$1,646</b>

# New Employee Tax Credit:

---

- \$1,100 per Net New Employee:
  - Credits are allowed only to taxpayers who operate a business facility in a revenue-producing enterprise.
  - Employee performs work duties at least 20 hrs/week within the EZ and in connection with the operation of the business facility
  - Employee receives compensation for duties performed and Social Security, Medicare and income taxes are withheld
  - Credit is based on taxpayer's total number of business facility employees, averaged over the course of the tax year
    - Add together the number of employees on the last business day of each month, and dividing the total by 12
  - The baseline from which any net new employees are calculated is always the highest employee count year for the life of the business.

Jane and John are 51%/49% owners of a retail company operating in an enterprise zone.

# New Employee Credit

2018	FTEs	Avg.	2019	FTEs	Avg.	2020	FTEs	Avg.
January	34.00		January	37.00		January	34.00	
February	33.00		February	38.00		February	33.00	
March	33.00		March	37.00		March	33.00	
April	33.00		April	38.00		April	31.00	
May	35.00		May	39.00		May	32.00	
June	39.00	36.25	June	38.00	37.67	June	32.00	32.42
July	39.00		July	36.00		July	31.00	
August	39.00		August	38.00		August	30.00	
September	38.00		September	38.00		September	33.00	
October	38.00		October	39.00		October	33.00	
November	37.00		November	38.00		November	32.00	
December	37.00		December	36.00		December	35.00	

Prior Highest Base	36.25
2018 Average	36.25
2019 Average	37.67
Increase	1.42

Prior Highest Base	37.67
2019 Average	37.67
2020 Average	32.42
Increase	(5.25)

\$1,100 per new employee

CO Rate \$1,100.00

CO Rate \$ 1,100.00

2019 EZ Credit \$1,562

2020 EZ Credit \$ 0



# Agricultural Processor New Employee Tax Credit:

---

- Agricultural Processor New Employee Credit: Additional \$500 per Net New Job:
  - Taxpayer must operate a business facility that adds value to agricultural commodities through manufacturing or processing – must change the form of the commodity
    - Harvesting, cleaning, packaging, storing, transporting, etc. operations **do not** qualify
  - Credit is available to all employees of the business facility, including those not directly engaged in agricultural process operation
    - Examples: Brewery or winery
  - Employee must meet business facility employee eligibility requirements noted earlier

# Employer Sponsored Health Insurance Tax Credit:

---

- \$1,000 per Covered Employee:
  - Taxpayer may only claim the credit for the **first 2 full tax years** the business is in the EZ
  - Taxpayer must contribute at least 50% of health insurance program cost
- Example: Taxpayer provides health insurance to all employees:

Tax Years	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year
Employees for Tax Year	22	18	25
Highest Total # of Employees in Any Prior Year	15	22	22
Increase over Highest Prior Year	7	0	3
<b>Health Insurance Credit</b>	<b>\$22,000</b>	<b>\$18,000</b>	<b>\$0</b>

# Research & Development (R&D) Tax Credit:

---

- 3% of increased R&D expenditures:
  - Allowed to taxpayers who make expenditures in research and experimental activities conducted in the EZ for the purpose of carrying out a trade or business.
  - Includes all costs associated to the development or improvement of a product:
    - Product can be used by taxpayer, or developed for sale, lease, or license
    - Success or failure, sale or use of the product is not relevant
  - Qualifying Expenditure Examples:
    - R&D related salaries; operations and maintenance of research facilities; materials and supplies used in R&D process; patent costs; research institute costs, etc.
  - Based on increase in annual R&D expenses compared to what taxpayer spent the prior two years.
    - Annually, taxpayers may only claim 25% of the credits earned (claimed over span of 4 years)

# R&D Increase Tax Credit



---

Eligible R&D expenditures	\$200,000
<b>3% of Increased R &amp; D tax credit</b>	<b>\$6,000</b>
25% of the allocable amount from applicable <b>2020</b> credit schedule	<b>\$1,500</b>

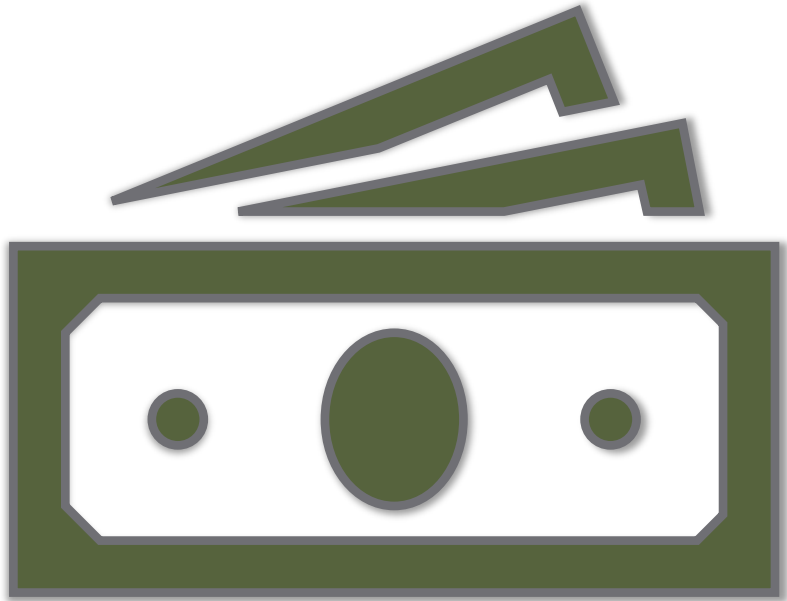
---

**Remainder 75% carries-over to the next three years.**

# Vacant Building Rehabilitation Tax Credit:

---

- 25% of Rehab Expenditures:
  - Qualified Building: located within the EZ, at least 20 years old, and vacant for at least 2 years
  - Available to owner or tenant of Qualified Building rehabilitated for commercial use
    - Limited to \$50,000 in tax credits per building – must be valued separately for property taxes
    - Cannot be combined with Federal Historic Preservation Credit
  - Qualified Expenditures (hard costs):
    - Exterior improvements and repair; structural improvements; mechanical improvements; electrical improvements; demolition; carpentry; sheetrock; plaster; painting; ceilings; fixtures; doors; windows; sprinkler systems for fire protection; roofing and flashing; tuckpointing; asbestos remediation, etc.
  - Non-Qualified Expenditures:
    - Appraisals; architectural, engineering, and interior design fees; legal, accounting, loan, and realtor fees; closing costs; building permits; use and inspection fees; bids; insurance; rent loss during construction; acquisition; interior furnishings; excavation; grading; paving; landscaping; repairs to outbuildings; total demolition followed by new construction; etc.



# Additional EZ Incentives:

---



# Manufacturing/Mining Sales and Use Tax Exemption:

---

- Expanded Sales and Use Tax Exemption in EZ:
  - For business located within the EZ, the statewide sales and use tax exemption for purchases of manufacturing equipment is expanded to include non-capitalized equipment, parts, and tools to repair machinery.
    - State Tax: 2.9%
    - El Paso County: 1.23%
  - Machinery and machine tools used directly in the mining process also qualify for the tax exemption.
  - Complete form DR 1191 or DR 1192 through Colorado Department of Revenue.

# EZ Contribution Tax Credit:

---

EZ Contribution Projects encourage community participation and public-private partnerships to revitalize the EZ, resulting in job creation/retention and business expansion.

- Projects are generally located within the EZ and serve individuals and businesses within the EZ.
- The Project organization must be a nonprofit or government entity.

Any Colorado taxpayer may earn EZ state income tax credits by contributing to approved EZ Contribution Projects.

- Monetary Contributions: 25% Tax Credit
- In-kind Contributions: 12.5% Tax Credit

# EZ Contribution Projects:

---

## **Capital Campaign Projects:**

- Community Facility
- Workforce Housing
- Tourist Event/Attraction
- Infrastructure

## **Operations Projects:**

- Business Assistance
- Economic Development Organizations
- Job Training Programs
- Visitor Event/Attractions
- Homeless Housing and Employment Services

**A current listing of approved Pikes Peak EZ Contribution Projects may be found on El Paso County's website:**

<https://admin.elpasoco.com/economic-development/enterprise-zone-contribution-projects/>

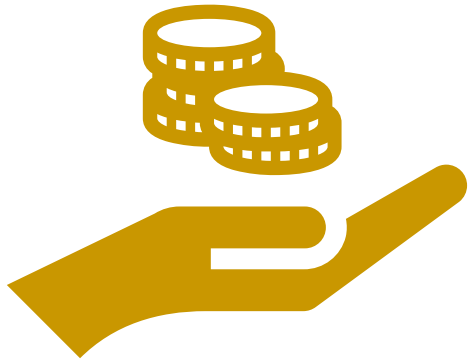
## **Ineligible EZ Contribution Project Categories:**

Social services are not typically eligible for EZ Contribution Project status because they do not achieve near-term economic development goals. These include:

- Education; Food Subsidies and Food Banks; Child Care and Youth Activities; Eldercare; Homeless Prevention; Most Human Services; and Animal Shelters and Humane Societies

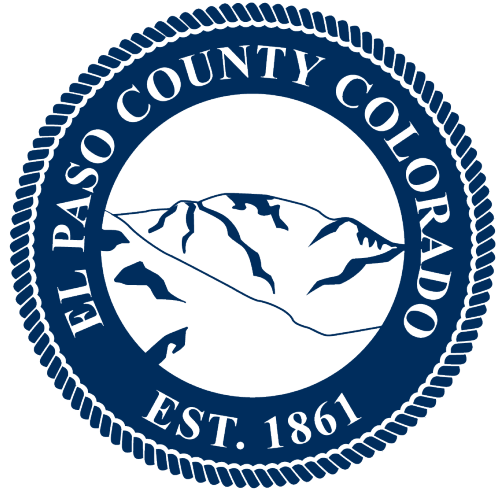
# Contribution Tax Credit

Date	Description	Contribution
05/14/2020	Ovarian Cancer Society	\$10,000
12/31/2020	Save Wild Deer Foundation	\$10,000
		<u>\$20,000</u>
	Ineligible Contributions	\$0
	Eligible Contributions	<u>\$20,000</u>
	<b>25% of contributions credit</b>	<b>\$5,000</b>
	Jane's 51% ownership credit	<b>\$2,550</b>
	John's 49% ownership credit	<b>\$2,450</b>



	Company	John (49% owner)	Jane (51% owner)
<b>Investment Tax Credit</b>			
Current year expenditures	\$ 12,771.00	\$ 6,257.79	\$ 6,513.21
<b>3% Credit of equipment purchases</b>	<b>\$ 383.13</b>	<b>\$ 187.73</b>	<b>\$ 195.40</b>
<b>Colorado Job Training Tax Credit</b>			
Current year qualified training expenses	\$ 28,000.00	\$ 13,720.00	\$ 14,280.00
<b>12% of qualified training expenses</b>	<b>\$ 3,360.00</b>	<b>\$ 1,646.40</b>	<b>\$ 1,713.60</b>
<b>New Employee Credit</b>			
Prior Highest Base	37.7	-	-
Current Year Base	32.4	-	-
<b>Credit - \$1,100 per employee</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
<b>R&amp;D Increase Tax Credit</b>			
25% of the allocable amount from applicable <b>2020</b> credit schedule	\$ 1,500.00	\$ 735.00	\$ 765.00
25% of the allocable amount from applicable <b>2019</b> credit schedule	\$ 2,000.00	\$ 980.00	\$ 1,020.00
25% of the allocable amount from applicable <b>2018</b> credit schedule	\$ 500.00	\$ 245.00	\$ 255.00
25% of the allocable amount from applicable <b>2017</b> credit schedule	\$ 2,300.00	\$ 1,127.00	\$ 1,173.00
<b>3% of increased R &amp; D tax credit</b>	<b>\$ 6,300.00</b>	<b>\$ 3,087.00</b>	<b>\$ 3,213.00</b>
<b>Contribution Tax Credit</b>			
Current year cash contributions	\$ 20,000.00	\$ 9,800.00	\$ 10,200.00
<b>25% contribution credit</b>	<b>\$ 5,000.00</b>	<b>\$ 2,450.00</b>	<b>\$ 2,550.00</b>
<b>Total Credit</b>	<b>\$ 9,268.13</b>	<b>\$ 4,541.38</b>	<b>\$ 4,726.75</b>

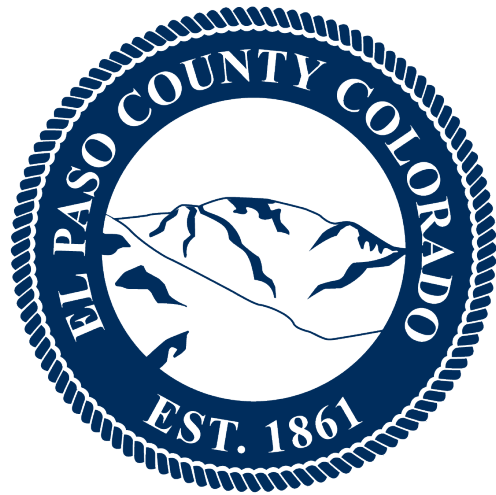
Tying EZ  
tax credits  
together.



# Pikes Peak Enterprise Zone Program

Questions?





# Pikes Peak Enterprise Zone Program

---

For additional questions or information, please contact:

**Sara Lobato, Pikes Peak EZ Administrator**

719-520-6480

[saralobato@elpasoco.com](mailto:saralobato@elpasoco.com)

[www.elpasoco.com/economicdevelopment](http://www.elpasoco.com/economicdevelopment)



**COLORADO**

Office of Economic Development  
& International Trade

Business Funding & Incentives

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