



Enterprise Zone Program Major Legislative Changes

In 2010, legislative changes were made to the Enterprise Zone Program, including a new pre-certification requirement for Enterprise Zone businesses.

Pre-Certification Required for Business Credits in 2012

Enterprise Zone (EZ) businesses must obtain pre-certification each year from their local EZ Administrator (or from the Colorado Economic Development Commission (EDC) for the Commercial Vehicle Investment Tax Credit) prior to engaging in an activity for which they intend to earn a credit starting **January 1, 2012**.

Department of Revenue Forms DR0074 (which is used for the Investment Tax Credit, Job Training, New Business Facility (NBF) Jobs, NBF Agricultural Processing, and NBF Health Insurance EZ tax credits), DR0076 (Vacant Building Rehabilitation EZ tax credit) and/or DR0077 (R&D EZ tax credit) shall be submitted with business owner or authorized company official signature and receive pre-certification each year before a credit can be **earned** (not claimed). Note: Credits are earned when the activity required to receive the tax credit is performed.

Example: ABC Corporation plans to make an investment in 2012 in order to earn the EZ Investment Tax Credit. Prior to making their investment, ABC Corporation must submit the DR0074 form to obtain pre-certification from their local zone administrator. After the tax credit has been earned ABC Corporation must return the "pre-certified" DR0074 form to their local zone administrator for final certification at the end of the income tax year. After receiving the final certified form, the tax credit may then be claimed on ABC Corporation's state income taxes.

Additional Changes

Three bills were enacted that make changes to the EZ Program:

Senate Bill 10-162 (Effective January 1, 2012)

- As noted above, establishes a requirement that businesses obtain pre-certification prior to earning EZ business tax credits.
- Requires businesses claiming EZ tax credits to file electronically with the Department of Revenue (DOR) unless the business will experience an "undue hardship" (see bill for details).
- Establishes a standard method for calculating a zone's population and sets the population limit for urban zones at 115,000 persons and for rural zones at 150,000 persons.
- Removes ineffective and broad economic indicators from EZ statute.
- Changes industry coding for EZ businesses from the SIC code to the more commonly used NAICS code.
- Authorizes zones to charge reasonable fees to Contribution Project Organizations (if desired), and gives authority to the EDC to approve fee policies.
- Requires the Office of Economic Development and International Trade (OEDIT) to work with the EDC and DOR to implement a method for electronic pre-certification and certification prior to January 1, 2013.

House Bill 10-1200 (Effective January 1, 2011)

- Sets a temporary requirement that businesses defer claiming an EZ Investment Tax Credit (ITC) that exceeds **\$500,000** in years **2011, 2012, and 2013**. Businesses are "allowed to claim the deferred credit as an ITC carryover for 12 income tax years following the year the credit was originally allowed plus 1 additional income tax year for each income tax year that the credit was deferred."

House Bill 10-1285 (Effective January 1, 2011)

- Provides a 1.5% EZ Commercial Vehicle Investment Tax Credit on qualified investment in a new commercial vehicle that is licensed and registered within the state and predominantly housed and based at the taxpayer's business trucking facility within an EZ for the 12 month period following its purchase. As noted above, SB 10-162 establishes a requirement that businesses obtain pre-certification prior to earning EZ business tax credits starting January 1, 2012.

For more details, please visit www.advancecolorado.com/ez.