

## **Enterprise Zone Annual Report State Fiscal Year 2018**

### **Enterprise Zone Reporting**

The Enterprise Zone statute requires the Colorado Office of Economic Development and International Trade (OEDIT) to report data on Enterprise Zone tax credits in its annual report. Many program resources are available on OEDIT's Enterprise Zone website, [www.choosecolorado.com/ez](http://www.choosecolorado.com/ez). Local Enterprise Zone Reports, including local zone objectives and statistics are completed on a calendar year basis and are also posted on OEDIT's Enterprise Zone web-pages.

### **Summary**

The Enterprise Zone (EZ) program is one of the State's most substantial economic development programs. It was created by the General Assembly to provide economic incentives, access to capital, and a positive business climate focused on areas of high unemployment, low per capita income, or slow population growth.

Enterprise Zones are a tool to support local economic development efforts. Enterprise Zone designation is initiated by communities; local administrators work with businesses to promote development within the zones. Zone administrators may also establish EZ Contribution Projects with non-profit organizations or local governments to support economic revitalization in the Enterprise Zones.

In the state's fiscal year 2018, 4,735 businesses certified for EZ tax credits reporting \$1.4 billion invested in qualified business personal property, making them eligible for \$42.7 million in EZ investment tax credits. Investments in qualified renewable energy projects account for \$259 million of the \$1.4 billion qualified business personal property investment. Businesses invested \$20 million to train 31,500 employees that work in the Enterprise Zones, earning them \$2.4 million in EZ job training tax credits. To incentivize investment and registration of commercial vehicles in Colorado EZs, \$344,373 in income tax credits were recognized on investments totaling more than \$22.9 million.

Business facilities in an Enterprise Zone may earn income tax credits for new jobs created (with additional credits for agricultural processing businesses and businesses located in Enhanced Rural Enterprise Zones). In Fiscal Year 2018, certifying businesses reported 4,924 net new jobs incentivized by \$6.36 million in New Employee Credits. During the first 2 years that a business is in an Enterprise Zone, it may earn credits for providing qualified health insurance coverage for the net new employees each year. In Fiscal Year 2018 businesses reported that they covered 1,150 net new employees with a qualified health plan, entitling them to \$1.15 million in state income tax credits.

In addition to the Enterprise Zone business tax credits, non-profit and local government projects leverage the Enterprise Zone Contribution Tax Credit to form public/private investment initiatives to improve economic conditions in distressed areas. In Fiscal Year 2018, 384 Projects received \$72 million in private contributions. Over 39,000 donations were recorded, earning contributors credits worth approximately \$16.9 million. There were 475 active Contribution Projects at the close of the fiscal year.

## Enterprise Zone Designation

There are 16 statutory Enterprise Zones with 19 zone administrators to support economic revitalization within the EZs.

The Colorado Urban and Rural Enterprise Zone statutes, C.R.S 39-30-101 to 112, provide that local governments may propose areas for designation as Enterprise Zones. The statutes set forth three criteria to define economic distress, an area meeting at least one of these may qualify for Enterprise Zone status:

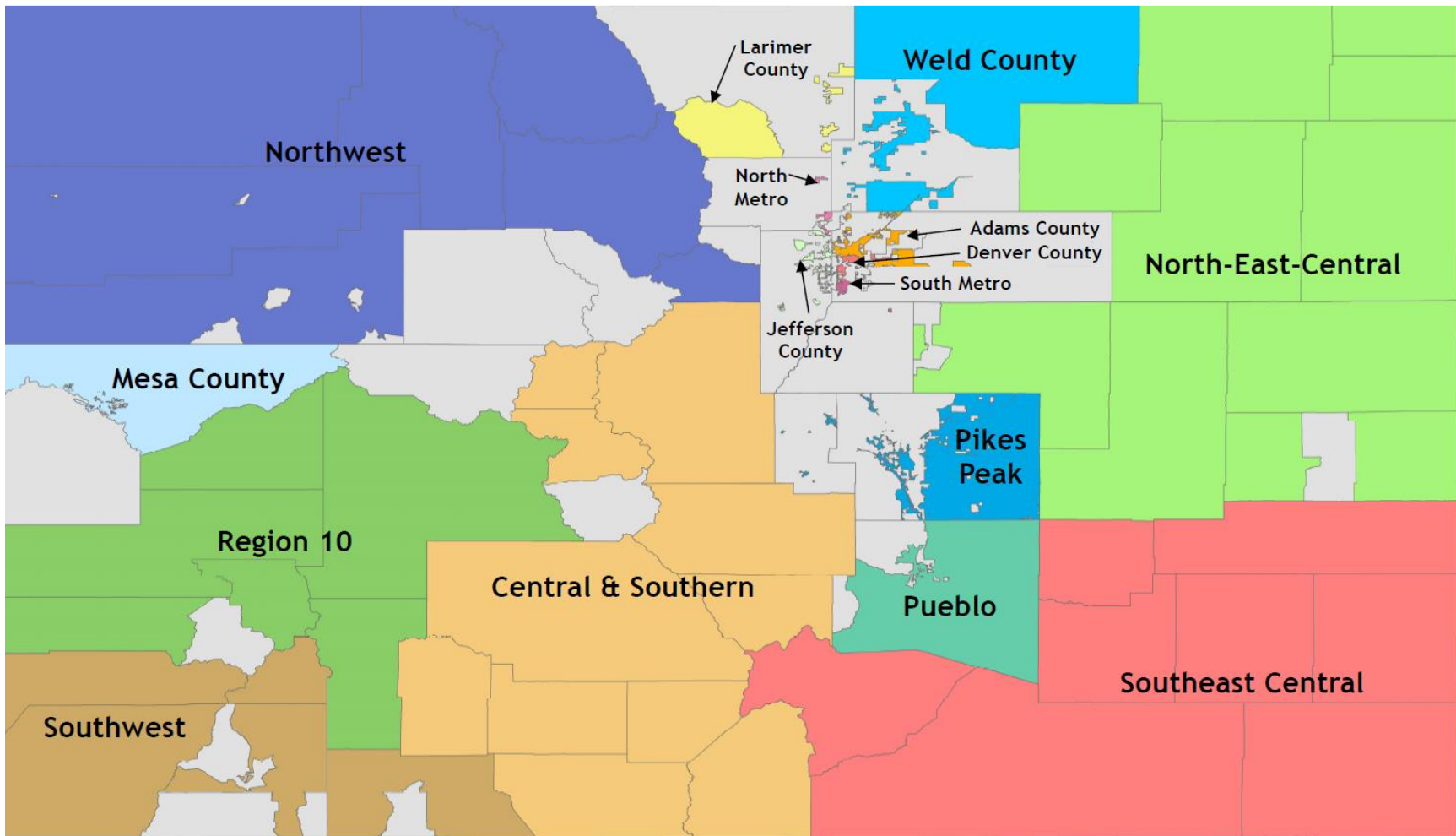
- Unemployment rate greater than 25 percent above the state average;
- Per capita income less than 75 percent of the state average;
- Population growth less than 25 percent of the state average.

Additional criteria limit the total population residing within an Enterprise Zone boundary to 115,000 people in urban areas and 150,000 in rural.

The Colorado Economic Development Commission (EDC) has the authority to designate and terminate areas as Enterprise Zones.

Zones were re-set in January 2016. The Enterprise Zones align with U.S. Census defined areas including census blocks, block groups, tracts, places, county sub-divisions, and counties.

## Enterprise Zones



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## Fiscal Year Credits Certified

This fiscal year report includes certifications approved by local Zone administrators from July 1, 2017 through June 30, 2018. Business certifications are most often submitted and approved following the business' fiscal year-end; therefore information in this report mostly represents business activity during calendar year 2017 claimed on 2017 tax returns that are filed in 2018 and impact state revenue collected in the state's Fiscal Year 2018. Applications approved in Fiscal Year 2018 may also cover business activity prior to 2017 for late or amended applications.

This table identifies tax credits certified by Enterprise Zone.

Fiscal Year 2018 - EZ Credits Certified												
Business Tax Credits											Contribution Projects	
Rural_	Enterprise Zone	# of	\$ Investment Tax	\$ Job Training	\$ Employer	\$ All New	\$ Vacant		\$	Total Business	# of	\$ Estimated
Urban		Certifications	Credit	Credit	Sponsored	Employee Tax	Commercial	\$R&D Credit	Commercial	Credits	Certifications	Credits
					Health	Credits	Bldg Rehab		Vehicle ITC			
					Insurance		Credit					
					Credit							
R	Central & Southern EZ	518	\$2,714,304	\$29,326	\$34,000	\$522,487	\$150,000	\$2,649		\$3,452,766	1,794	764,094
R	North-East-Central EZ	1363	\$4,633,824	\$162,504	\$47,583	\$559,309	\$4,140	\$8,061	\$1,369	\$5,416,791	389	125,328
R	Northwest EZ	207	\$1,665,107	\$23,580	\$101,830	\$166,871			\$2,532	\$1,959,920	1,021	719,741
R	Region 10 EZ	245	\$484,133	\$87,348		\$253,641	\$39,174			\$864,296	2,575	647,441
R	Southeast Central EZ	374	\$4,456,220	\$28,828	\$10,250	\$49,592				\$4,544,890	498	295,172
R	Southwest EZ	193	\$359,000	\$81,708	\$8,000	\$109,309	\$2,321	\$1,485		\$561,823	984	632,945
	Sub-Total Rural	2,900	\$14,312,588	\$413,294	\$201,663	\$1,661,209	\$195,635	\$12,195	\$3,901	\$16,800,485	7,261	\$3,184,721
U	Adams County EZ	278	\$6,421,183	\$461,062	\$136,660	\$777,521		\$4,540	\$340,472	\$8,141,438	305	270,755
U	Denver EZ	263	\$3,338,205	\$501,675	\$456,917	\$671,642	\$56,456	\$123,044		\$5,147,938	8,636	4,113,807
U	Jefferson County EZ	174	\$1,496,660	\$63,388	\$56,717	\$375,635	\$7,692	\$14,064		\$2,014,156	1,791	989,946
U	Larimer County EZ	135	\$476,380	\$69,121	\$37,630	\$210,775	\$20,474	\$403,145		\$1,217,525	6,656	2,354,964
U	Mesa County EZ	296	\$1,424,465	\$74,499	\$62,750	\$371,736	\$54,857	\$58,699		\$2,047,006	6,495	1,592,184
U	North Metro EZ	42	\$253,318	\$1,842	\$63,517	\$253,409		\$54,191		\$626,277	194	70,645
U	Pikes Peak EZ	312	\$1,998,649	\$231,609	\$23,000	\$888,514	\$2,788	\$193,318		\$3,337,878	4,485	3,172,872
U	Pueblo EZ	90	\$3,126,086	\$109,452	\$29,600	\$193,496		\$18,887		\$3,477,521	907	256,152
U	South Metro EZ	81	\$819,424	\$248,789	\$12,830	\$180,085		\$4,596		\$1,265,724	525	524,462
U	Weld County EZ	164	\$9,047,446	\$234,810	\$69,000	\$774,855		\$56,721		\$10,182,832	1,817	427,646
	Sub-Total Urban	1,835	\$28,401,816	\$1,996,247	\$948,620	\$4,697,668	\$142,267	\$931,205	\$340,472	\$37,458,295	31,811	\$13,773,433
	Grand Total	4,735	\$42,714,404	\$2,409,541	\$1,150,283	\$6,358,877	\$337,902	\$943,400	\$344,373	\$54,258,780	39,072	\$16,958,154



Businesses certifying for EZ tax credits select the North American Industrial Classification code that best identifies the industry in which they operate. This table groups the credits certified by industry classification.

Fiscal Year 2018 - Credits Certified							
Industry	# of Certifications	\$ Investment Tax Credit	\$ Job Training Credit	\$ All New Employee Tax Credits	\$ Employer Sponsored Health Insurance Credit	\$ Vacant Commercial Bldg Rehab Credit	\$ R&D Credit
Accommodation and Food Services	199	\$266,221	\$74,128	\$854,617	\$44,517	\$50,000	
Administrative and Support and Waste Management	53	\$131,869	\$24,183	\$240,489	\$20,200		\$9,646
Agriculture, Forestry, Fishing and Hunting	1,627	\$4,972,566	\$94,989	\$153,591	\$2,583		
Arts, Entertainment, and Recreation	31	\$235,194	\$5,552	\$32,629	\$2,000	\$50,000	
Construction	235	\$679,229	\$124,594	\$378,973	\$13,080	\$10,751	\$0
Educational Services	7	\$2,953	\$931	\$47,850			
Finance and Insurance	154	\$406,614	\$24,914	\$74,011	\$20,540		
Health Care and Social Assistance	140	\$1,403,188	\$763,976	\$234,311	\$21,280		
Information	430	\$1,554,589	\$32,105	\$2,382			\$19,398
Management of Companies and Enterprises	11	\$7,157	\$270	\$11,427			
Manufacturing	280	\$9,456,023	\$546,442	\$1,765,212	\$374,800	\$80,954	\$785,085
Mining	165	\$6,021,501	\$1,004	\$39,675	\$8,500		
Other Services (except Public Administration)	100	\$245,266	\$74,396	\$175,826	\$345,000	\$10,966	
Professional, Scientific, and Technical Services	163	\$253,107	\$91,635	\$293,178	\$46,600	\$4,140	\$91,246
Real Estate Rental and Leasing	117	\$990,321	\$4,821	\$104,061		\$131,091	
Retail Trade	722	\$2,599,757	\$106,423	\$1,303,408	\$142,083		\$9,729
Transportation and Warehousing	157	\$5,616,417	\$223,689	\$379,351	\$41,100		\$7,313
Utilities	16	\$6,521,004	\$72,157	\$24,200	\$40,000		
Wholesale Trade	128	\$1,351,428	\$143,332	\$243,686	\$28,000		\$20,983
<b>TOTAL</b>	<b>4,735</b>	<b>\$42,714,404</b>	<b>\$2,409,541</b>	<b>\$6,358,877</b>	<b>\$1,150,283</b>	<b>\$337,902</b>	<b>\$943,400</b>



## Job Statistics

The statutes require the reporting of employment, jobs created, and those retained by industry classification. “Jobs retained” is defined as employment at the beginning of the year for certifying businesses with employment growth, plus employment at the end of the year for those reporting no employment growth or a loss. Businesses certifying must indicate if jobs were transferred from outside of an EZ to a facility within an EZ. These employment statistics are requested of all applicants for EZ credits. Specific employee calculations are required for the New Employee Tax Credit.

Fiscal Year 2018					
Industry	Beginning Employment	Ending Employment	Jobs Created	Jobs Retained	Jobs Transferred
Accommodation and Food Services	5,449	6,150	1,088	5,062	98
Administrative and Support and Waste Management and Remediation Services	2,937	3,185	442	2,743	35
Agriculture, Forestry, Fishing and Hunting	6,403	6,801	516	6,285	37
Arts, Entertainment, and Recreation	1,508	1,665	191	1,474	13
Construction	4,317	4,229	450	3,779	436
Educational Services	395	436	44	392	-
Finance and Insurance	3,006	2,811	100	2,711	67
Health Care and Social Assistance	7,139	7,554	566	6,988	150
Information	1,077	1,033	29	1,004	-
Management of Companies and Enterprises	1,413	288	6	282	-
Manufacturing	27,641	28,275	1,650	26,625	43,835
Mining	2,948	2,805	106	2,699	15
Other Services (except Public Administration)	2,482	2,681	220	2,461	5
Professional, Scientific, and Technical Services	2,519	2,827	343	2,484	40
Real Estate Rental and Leasing	785	816	59	757	33
Retail Trade	25,582	26,966	2,023	24,943	24,237
Transportation and Warehousing	10,282	11,715	1,875	9,840	48
Utilities	1,218	1,268	98	1,170	-
Wholesale Trade	7,580	8,040	557	7,483	221
<b>TOTAL</b>	<b>114,681</b>	<b>119,545</b>	<b>10,363</b>	<b>109,182</b>	<b>69,270</b>



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## Wage Statistics

The Enterprise Zone statutes require the reporting of wages by employment status; the table below summarizes the information provided by businesses certifying for EZ credits.

Fiscal Year 2018				
<u>Employee Type</u>	Full-Time	Part-Time	Temporary	Contract
Average Annual Compensation	\$ 31,904	\$ 6,010	\$ 920	\$ 1,304
# of Employees for whom comp. reported	266,875	67,245	5,688	2,962



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## Program Trends

The table below documents the number of applications and total credits certified over several years.

FY	Businesses Certified	Total Credits Certified
2009	5,228	84,631,796
2010	5,031	99,331,160
2011	4,659	91,613,844
2012	6,389	116,160,138
2013	4,660	112,317,350
2014	3,907	43,063,059
2015	4,071	77,443,624
2016	4,306	70,344,648
2017	4,419	67,224,523
2018	4,735	54,258,780

The Investment Tax Credit encourages investment in business personal property in the Enterprise Zones; it accounts for the greatest number of certifications as well as the largest investment into the EZs.

A business making a qualified investment in business personal property earns a credit of 3% on the capitalized expense.

FY	# Certifications for Investment Tax Credit	\$ Invested in Eligible Business Personal Property	\$ Investment Tax Credit
2009	4,854	2,371,027,052	72,004,153
2010	4,810	2,792,733,716	83,790,979
2011	4,304	2,532,665,102	76,193,506
2012	6,213	3,333,228,954	100,831,813
2013	4,606	3,198,458,969	97,261,301
2014	3,875	1,107,573,379	33,227,202
2015	3,813	2,042,076,832	61,261,139
2016	3,900	1,874,830,485	56,244,947
2017	3,975	1,416,135,766	42,484,128
2018	4,260	1,423,811,764	42,714,404



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Several of the Enterprise Zone tax credits support businesses that hire, train, and provide health coverage for new employees.

Businesses earn 12% on the cost a job training program for employees working in an Enterprise Zone. Prior to 2014, the credit rate was 10%.

New businesses are eligible to earn the employer sponsored health insurance tax credit for the first 2 years that they operate in an Enterprise Zone. The business may earn a \$1,000 tax credit for each net new employee for whom the business pays at least 50% of the cost of a qualified health plan. The employer sponsored health insurance credit was \$200 per net new employee prior to 2014.

Businesses are encouraged to add jobs with the New Employee credits. The tax credit for each net new employee (as compared to the prior year) is \$1,100. The standard credit was \$500 per net new employee prior to 2014. If the business is in an Enhanced Rural Enterprise Zone (EREZ), the business earns an additional \$2,000 per net new employee. If the taxpayer is in the agricultural processing business, then the new employee credit is increased by \$500. If both an agricultural processor and located in an EREZ an additional \$500 is added to the credit value per net new employee.

FY	# Certifications for Job Training Credit	\$ Invested in Job Training	# Employees Trained	\$ Job Training Credit	# Certifications for Employer Health Credit	\$ Employer Health Tax Credit	# Certifications for New Employee Credits	# Net New Employees	\$ New Employee Credit
2009	1,504	28,187,291	43,467	2,818,729	1,182	778,009	5,228	7,886	4,714,998
2010	1,358	85,548,593	36,912	8,554,859	923	609,042	5,031	6,542	3,850,215
2011	1,167	65,632,740	31,127	6,563,274	418	406,773	4,659	5,323	3,890,046
2012	4,725	56,891,934	38,670	5,689,193	4,139	396,465	6,389	6,198	4,087,536
2013	4,366	70,499,292	94,246	7,049,929	4,268	443,708	4,660	6,399	3,390,861
2014	3,847	56,541,833	39,934	5,654,183	3,844	319,923	3,907	4,127	2,707,518
2015	1,710	93,166,861	32,996	9,441,407	1,502	1,401,095	4,071	3,559	3,607,047
2016	488	62,510,813	36,078	6,523,367	176	1,436,620	4,306	3,912	4,921,574
2017	390	156,308,554	32,487	15,975,281	113	1,356,682	4,419	4,576	5,765,063
2018	481	20,080,674	31,583	2,409,541	106	1,150,283	4,735	4,924	6,358,877



Enterprise Zone credits also support the rehabilitation of old vacant buildings for commercial use. Qualified rehabilitation projects earn credits for 25% of qualified expenses up to a maximum credit of \$50,000 per building.

Increased investment in commercial research and experimental activities is encouraged with a 3% credit calculated on the difference between the current year expenditure and that of the prior two years.

The Commercial Vehicle Investment Tax Credit is 1.5% of the expense of the vehicle and qualified parts. This credit was put into place during fiscal year 2013.

FY	# Certifications for Vacant Building Rehab Credit	\$ Invested in Building Rehabilitation	\$ Vacant Building Rehab Credit	# Certifications for Research & Development Credit	\$ Spent on R&D	\$ R&D Tax Credit	# Certifications CVITC	\$ Invested in Commercial Vehicles	\$ CVI Tax Credit
2009	504	12,022,950	946,741	390	345,523,151	3,369,166			
2010	956	2,750,325	584,476	698	222,228,406	1,941,589			
2011	4,608	9,953,388	1,025,571	4,610	142,427,047	3,534,673			
2012	2,671	8,134,362	923,457	2,681	206,785,085	4,231,674			
2013	60	5,504,080	684,718	81	140,551,842	3,404,344	40	5499294.22	82489.28
2014	14	8,205,042	406,884	70	147,377,623	591,957	39	10359464.54	155392.05
2015	18	6,749,761	595,224	68	121,402,734	1,072,397	26	4,354,331	65,315
2016	18	3,650,366	443,741	75	112,043,317	719,785	22	3,640,933	54,614
2017	18	11,010,883	604,733	82	153,990,159	869,360	15	11,285,162	169,277
2018	16	1,696,646	337,902	75	141,273,318	943,400	24	22,958,219	344,373

*Note: EZ Certification data is self-reported by a business representative; OEDIT does not verify investments, payroll counts, and the like. OEDIT does make efforts to eliminate duplicate records and to verify outlying figures. OEDIT and local EZ Administrators certify the credits as being earned; the amount of the credit that the taxpayer claims against their Colorado state income tax liability is confidential information within the Colorado Department of Revenue (DOR). The DOR has approval and audit functions for EZ tax credits claimed on a state income tax return. The data in this report is for credits certified, and not credits actually claimed against state income tax liability. Reports cover certification applications processed and approved during the fiscal year. Certification figures may be amended in a later fiscal year, and will be re-reported in the year amended.*

