

Enterprise Zone Annual Report State Fiscal Year 2016

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. 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 2016, 4,324 businesses certified for EZ tax credits reporting \$1.9 billion invested in qualified business personal property, making them eligible for \$58 million in EZ investment tax credits. Investments in qualified renewable energy projects account for \$582 million of the \$1.9 billion qualified business personal property investment. Businesses invested \$62.7 million to train almost 36,000 employees that work in the Enterprise Zones, earning them \$6.5 million in EZ job training tax credits. To incentivize investment and registration of commercial vehicles in Colorado EZs, \$54,614 in income tax credits were recognized on investments totaling more than \$3.6 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 2016, certifying businesses reported 3,896 net new jobs incentivized by \$4.9 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 2016 businesses reported that they covered 1,457 net new employees with a qualified health plan entitling them to almost \$1.4 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 2016, 423 Projects received over \$64 million in private contributions. Almost 30,000 donations were recorded earning contributors credits of approximately \$12.3 million.

Enterprise Zone Designation

The Enterprise Zones were re-established effective January 1, 2016 per statutory requirement, C.R.S. 39-30-103 (2) (c) (I), OEDIT engaged in a year-and-a-half effort to: gather eligibility data; engage other state agencies, economic development partners, county officials and community leaders; establish and run an application process; and prepare the Economic Development Commission that ultimately approved 16 statutory Enterprise Zones and 19 zone administrators to support economic revitalization in the newly established 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:

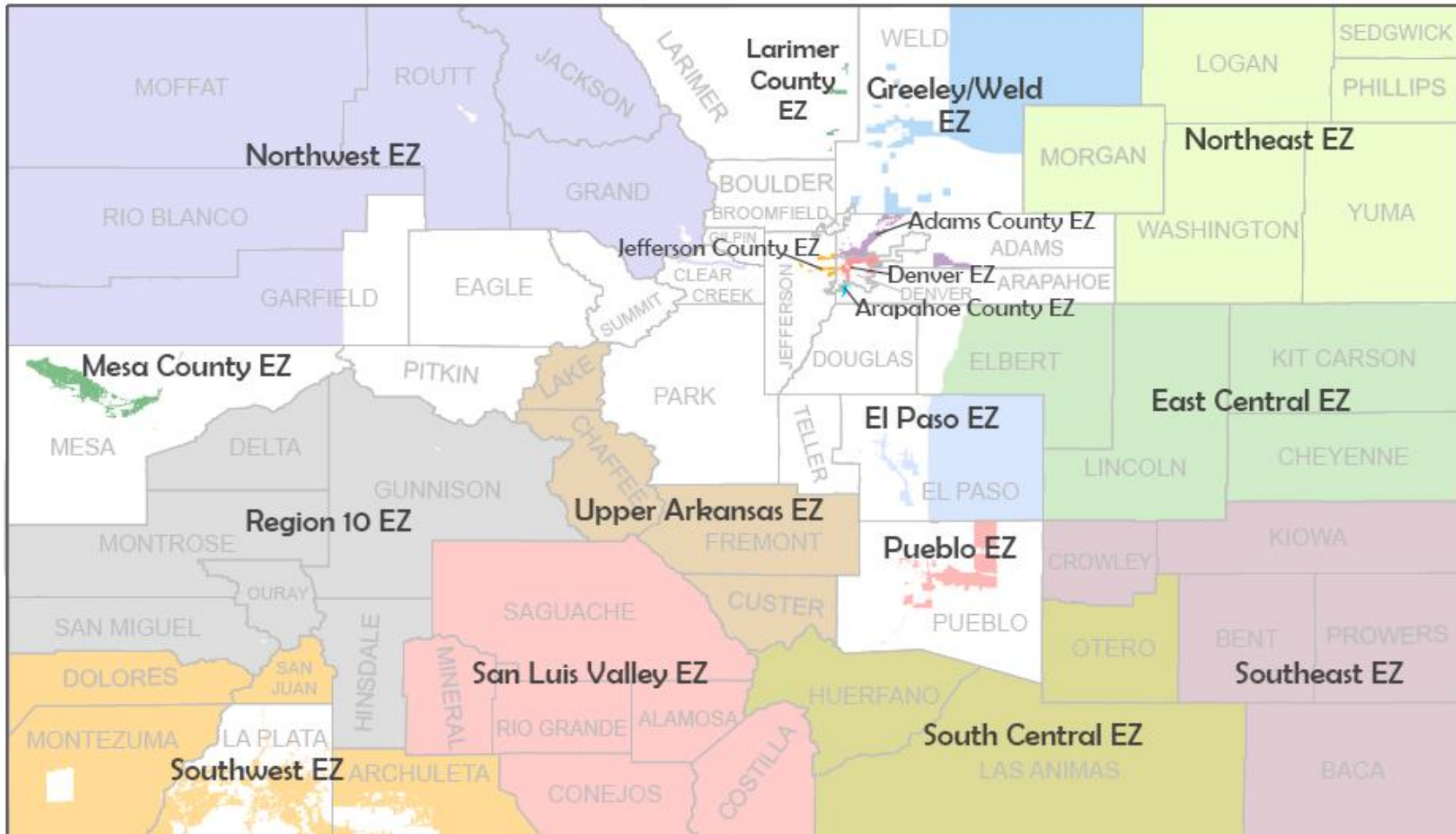
- Unemployment rate greater than 25 percent above the state average;
- Per capita income less than 75 percent of the state average;
- Population growth less than 25 percent of the state average.

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

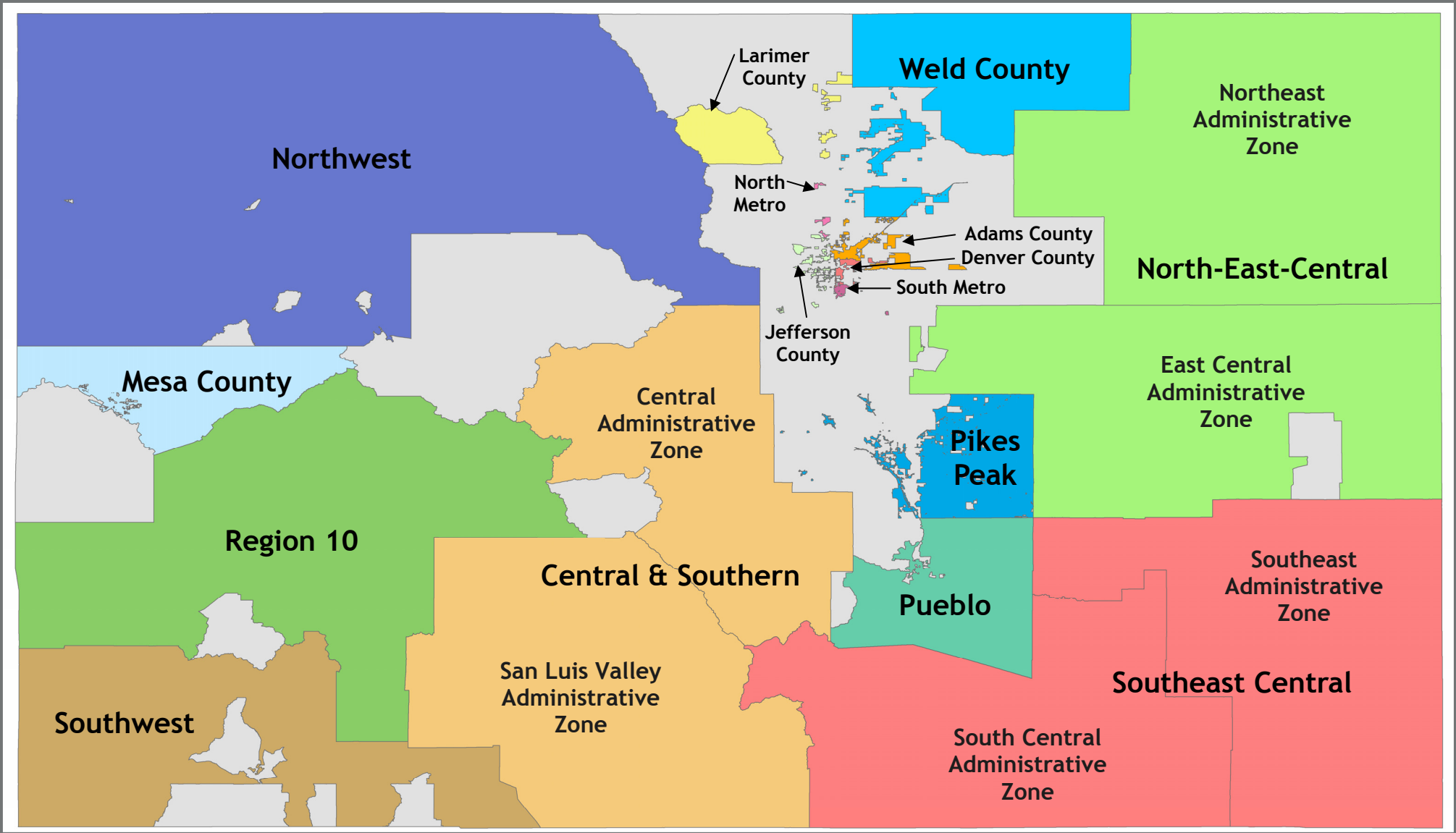
The Colorado Economic Development Commission (EDC) has the authority to designate and terminate areas as Enterprise Zones.

As Zones were re-set in January 2016, Zone areas changed mid-way through the reporting cycle. Therefore, certifications for business activity in 2016 will not appear until the next report which captures the certification after the end of the businesses tax year. Maps of the Enterprise Zones as they were in 2015 and as they are now in 2016 follow on the next two pages of this report. New Enterprise Zones effective January 1, 2016 include areas within Park, Teller, Douglas, Broomfield, and Boulder counties that had not previously had access to the EZ program. Many areas graduated out of the EZ including areas with significant economic improvements in Chaffee, Cheyenne, Denver, and El Paso counties. The Enterprise Zones match U.S. Census defined areas including census blocks, block groups, tracts, places, county sub-divisions, and counties.

2015 Enterprise Zones



2016 COLORADO ENTERPRISE ZONES



Areas shaded in color represent Colorado's Enterprise Zones. For a more detailed, online map, please visit www.AdvanceColorado.com.



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Fiscal Year Credits Certified

This fiscal year report includes certifications approved by local Zone administrators from July 1, 2015 through June 30, 2016. 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 2015 claimed on 2015 tax returns that are filed in 2016 and impact state revenue collected in the state's Fiscal Year 2016. Applications approved in Fiscal Year 2016 may also cover business activity prior to 2015 for late or amended applications.

This table identifies tax credits certified by Enterprise Zone.

Fiscal Year 2016 - EZ Credits Certified											
Enterprise Zone	Business Tax Credits									Contribution Projects	
	# of Certifications	\$ Investment Tax Credit	\$ Job Training Credit	\$ Employer Sponsored Health Insurance Credit	\$ All New Employee Tax Credits	\$ Vacant Commercial Bldg Rehab Credit	\$ R&D Credit	\$ Commercial Vehicle ITC	Total Business Credits	# of Certifications	\$ Estimated Credits
Central & Southern EZ	510	\$1,473,329	\$17,308	\$17,540	\$223,878	\$2,811			\$1,734,866	1,717	\$573,871
North-East-Central EZ	1,299	\$11,782,765	\$144,017	\$94,458	\$254,799	\$6,928	\$3,245	\$18,671	\$12,304,883	351	\$88,725
Northwest EZ	124	\$4,437,974	\$16,555	\$18,396	\$16,951				\$4,489,876	237	\$207,597
Region 10 EZ	282	\$508,563	\$41,332	\$7,666	\$255,736	\$36,310	\$2,506		\$852,113	1,768	\$445,740
Southeast Central EZ	388	\$1,291,521	\$20,434	\$10,792	\$237,179	\$7,442	\$1,316		\$1,568,684	477	\$356,895
Southwest EZ	285	\$1,993,685	\$133,259	\$6,750	\$299,155	\$27,270	\$27,315		\$2,487,434	1,227	\$726,093
Sub-Total Rural	2,888	\$21,487,837	\$372,905	\$155,602	\$1,287,698	\$80,761	\$34,382	\$18,671	\$23,437,856	5,777	\$2,398,921
Adams County EZ	205	2577805.86	279974	130780	682084	0	9083	35943.02	\$3,715,670	469	\$411,788
Denver EZ	360	7504908.76	5144725.17	518512	1174661	407500	241937		\$14,992,244	6,600	\$3,684,146
Jefferson County EZ	106	487671.93	142058.33	12330	380340		6624.22		\$1,029,024	2,945	\$1,025,047
Larimer County EZ	83	623399	8613.67	23000	220429		68375		\$943,817	3,719	\$1,075,776
Mesa County EZ	104	626355.92	59174	47479	160408		137		\$893,554		
North Metro EZ										4,482	\$777,442
Pikes Peak EZ	244	\$14,513,808	\$115,131	\$133,621	\$642,971	\$55,482	\$247,046		\$15,708,059	3,144	\$1,643,061
Pueblo EZ	91	\$2,412,690	\$73,401	\$2,000	\$100,137		\$9,964		\$2,598,192	799	\$437,404
South Metro EZ	69	\$464,037	\$159,794	\$38,000	\$30,934		\$2,044		\$694,808	136	\$553,730
Weld County EZ	174	\$7,357,738	\$188,775	\$386,295	\$270,296		\$134,809		\$8,337,913	1,557	\$342,615
Sub-Total Urban	1,436	\$36,568,414	\$6,171,646	\$1,292,017	\$3,662,260	\$462,982	\$720,019	\$35,943	\$48,913,281	23,851	\$9,951,010
Grand Total	4,324	\$58,056,251	\$6,544,551	\$1,447,619	\$4,949,958	\$543,743	\$754,401	\$54,614	\$72,351,137	29,628	\$12,349,931

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 2016 - 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	163	\$235,391	\$27,648	\$604,230	\$12,700		
Administrative and Support and Waste Management and Remediation Services	55	\$316,455	\$38,772	\$52,909	\$2,000		
Agriculture, Forestry, Fishing and Hunting	1,676	\$5,499,066	\$107,002	\$127,991	\$9,000		
Arts, Entertainment, and Recreation	24	\$324,933	\$6,063	\$8,326			\$16,627
Construction	190	\$360,284	\$90,435	\$393,635	\$75,500	\$86,310	\$3,145
Educational Services	5	\$5,195	\$4,415	\$661			
Finance and Insurance	102	\$255,721	\$28,024	\$50,286	\$15,930	\$3,706	
Health Care and Social Assistance	120	\$890,582	\$321,956	\$242,079	\$1,000		
Information	474	\$4,652,201	\$41,195	\$204,383	\$1,000		\$6,691
Management of Companies and Enterprises	10	\$39,536		\$36,751			
Manufacturing	256	\$9,933,927	\$506,334	\$1,588,957	\$517,330	\$102,811	\$692,139
Mining	86	\$11,938,969	\$72,742	\$31,790	\$273,170		
Other Services (except Public Administration)	111	\$170,206	\$50,666	\$85,367	\$15,410		
Professional, Scientific, and Technical Services	128	\$81,090	\$79,685	\$271,729	\$134,000	\$50,000	\$22,664
Real Estate Rental and Leasing	122	\$1,226,937	\$6,491	\$52,289	\$17,000	\$219,910	
Retail Trade	593	\$1,603,468	\$102,992	\$588,240	\$290,329	\$81,006	
Transportation and Warehousing	89	\$1,420,318	\$4,974,117	\$275,624	\$0		\$9,964
Utilities	13	\$18,531,753	\$1,179	\$23,100	\$22,000		
Wholesale Trade	105	\$569,751	\$80,406	\$311,693	\$61,250		\$3,170
Not Classified	2	\$467	\$4,429	\$0			
TOTAL	4,324	58,056,251	6,544,551	4,950,040	1,447,619	543,743	754,400

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 2016					
Industry	Beginning Employment	Ending Employment	Jobs Created	Jobs Retained	Jobs Transferred
Accommodation and Food Services	6,303	7,036	1,040	5,996	51
Administrative and Support and Waste Management and Remediation Services	4,316	4,510	276	4,234	95
Agriculture, Forestry, Fishing and Hunting	6,765	6,787	183	6,604	14,537
Arts, Entertainment, and Recreation	3,063	2,741	57	2,684	-
Construction	4,072	4,545	690	3,855	212
Educational Services	393	431	52	379	-
Finance and Insurance	3,866	3,768	75	3,693	98
Health Care and Social Assistance	7,171	7,229	216	7,013	130
Information	4,333	4,530	376	4,154	66
Management of Companies and Enterprises	653	567	30	537	2
Manufacturing	27,168	28,170	2,190	25,980	236
Mining	7,300	7,395	1,080	6,315	76
Other Services (except Public Administration)	9,374	8,829	1,121	7,708	8
Professional, Scientific, and Technical Services	2,721	2,907	313	2,594	182
Real Estate Rental and Leasing	784	836	90	746	50
Retail Trade	22,840	23,634	1,503	22,131	797
Transportation and Warehousing	9,109	9,342	758	8,584	20
Utilities	1,603	1,534	48	1,486	-
Wholesale Trade	6,013	6,387	465	5,922	35
Not Classified	12	12	-	12	-
TOTAL	127,859	131,190	10,563	120,627	16,595

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 2016				
Employee Type	Full-Time	Part-Time	Temporary	Contract
Average Annual Compensation	\$ 31,693	\$ 4,407	\$ 883	\$ 957
# of Employees for whom comp. reported	138,271	34,527	4,204	1,199

Program Trends

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

FY	Businesses Certified	Total Credits Certified
2006	5,046	\$48,203,557
2007	4,758	\$49,262,813
2008	5,472	\$90,857,012
2009	5,228	\$84,631,796
2010	5,031	\$99,331,160
2011	4,658	\$91,613,544
2012	6,384	\$116,014,412
2013	4,660	\$112,317,350
2014	3,905	\$43,060,559
2015	4,093	\$77,474,079
2016	4,324	\$72,351,137

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
2006	4,656	\$1,277,669,605	\$38,065,896
2007	4,400	\$1,315,523,992	\$39,744,378
2008	5,236	\$2,473,451,629	\$75,185,328
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	6,208	\$3,333,217,498	\$100,831,469
2013	4,606	\$3,198,458,969	\$97,261,301
2014	3,873	\$1,107,563,378	\$33,226,902
2015	3,830	\$2,044,500,513	\$61,333,850
2016	3,920	\$1,935,207,183	\$58,056,251

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
2006	512	\$29,928,350	39,659	\$2,992,835	449	\$670,716	5,046	13,724	\$4,597,758
2007	841	\$29,392,878	44,444	\$2,939,288	415	\$620,308	4,758	6,389	\$3,589,581
2008	1,237	\$49,271,875	55,102	\$4,927,187	765	\$728,484	5,472	10,206	\$5,878,422
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	4,658	5,323	\$3,890,046
2012	4,720	\$56,488,904	38,426	\$5,648,890	4,134	\$396,065	6,384	6,095	\$3,985,536
2013	4,366	\$70,499,292	94,246	\$7,049,929	4,268	\$443,708	4,660	6,399	\$3,390,861
2014	3,845	\$56,540,833	39,929	\$5,654,083	3,842	\$319,323	3,905	4,124	\$2,706,018
2015	1,728	\$93,551,195	33,670	\$9,487,827	1,503	\$1,356,075	4,093	3,543	\$3,588,597
2016	494	\$62,720,472	35,939	\$6,544,551	181	\$1,447,619	4,324	3,896	\$4,949,958

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	# Certificat ions CVITC	\$ Invested in Commercial Vehicles	\$ CVI Tax Credit
2006	219	\$6,574,309	\$869,184	235	\$97,055,554	\$1,007,168			
2007	149	\$4,773,513	\$1,339,605	245	\$328,362,204	\$1,029,654			
2008	295	\$6,068,494	\$497,915	419	\$390,043,767	\$3,639,675			
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	4,609	\$142,377,047	\$3,534,373			
2012	2,670	\$8,133,363	\$923,207	2,679	\$206,681,085	\$4,229,244			
2013	60	\$5,504,080	\$684,718	81	\$140,551,842	\$3,404,344	40	\$5,499,294	\$82,489
2014	14	\$8,205,042	\$406,884	70	\$147,377,623	\$591,957	39	\$10,359,465	\$155,392
2015	18	\$6,749,760	\$595,223	65	\$117,100,543	\$1,047,192	26	\$4,354,331	\$65,315
2016	20	\$4,750,365	\$543,743	76	\$135,351,376	\$754,401	22	\$3,640,933	\$54,614

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.