

## **Enterprise Zone Annual Report State Fiscal Year 2017**

### **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 2017, 4,426 businesses certified for EZ tax credits reporting \$1.4 billion invested in qualified business personal property, making them eligible for \$42.5 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 \$156 million to train almost 32,500 employees that work in the Enterprise Zones, earning them \$15.9 million in EZ job training tax credits. To incentivize investment and registration of commercial vehicles in Colorado EZs, \$13,663 in income tax credits were recognized on investments totaling almost \$911,000.

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 2017, certifying businesses reported 4,578 net new jobs incentivized by \$5.76 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 2017 businesses reported that they covered 1,357 net new employees with a qualified health plan, entitling them to \$1.36 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 2017, 550 Projects received almost \$64 million in private contributions. Over 32,000 donations were recorded, earning contributors credits of approximately \$14.7 million. There were 490 active Contribution Projects at the close of the fiscal year.

## **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:

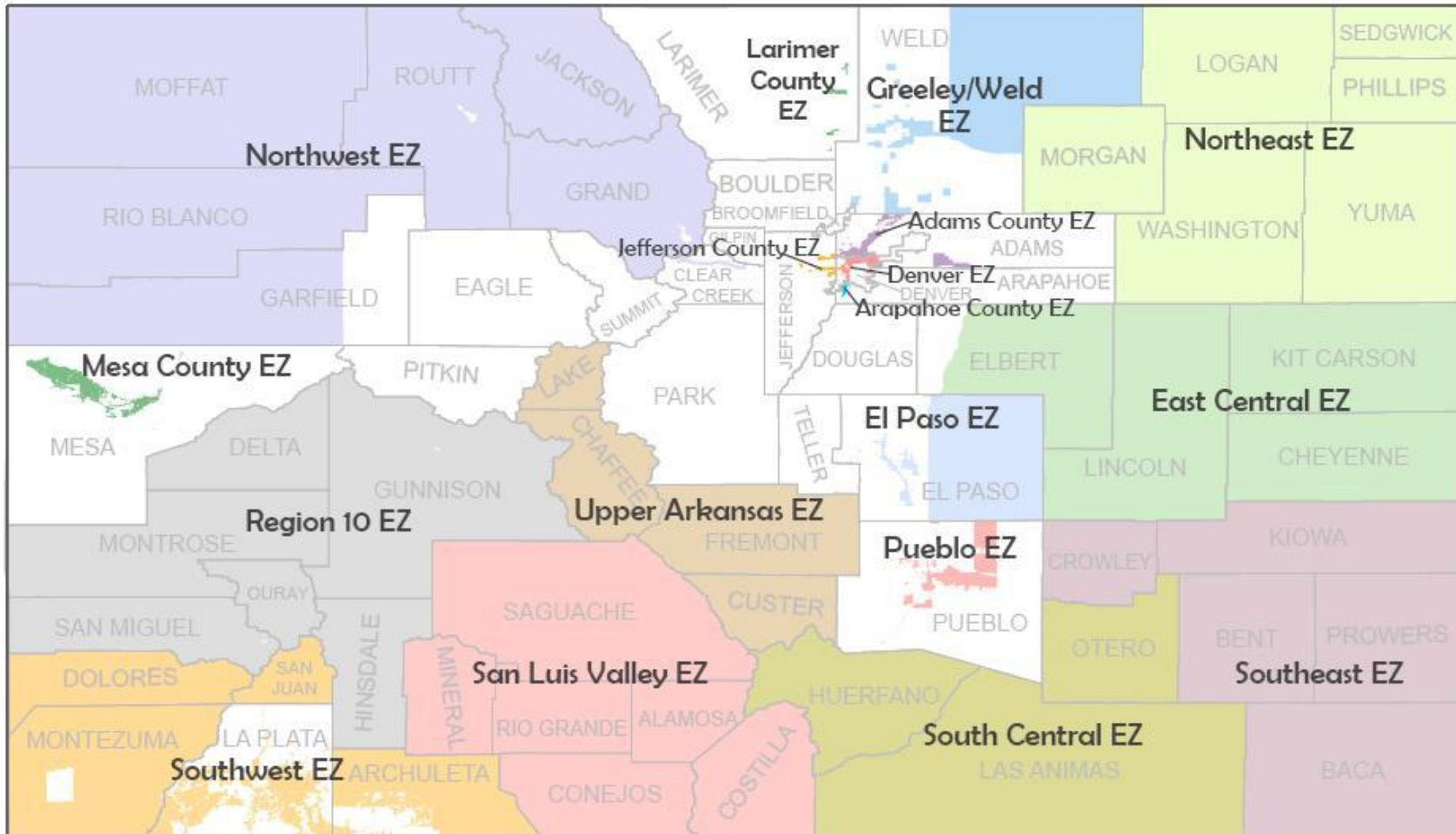
- Unemployment rate greater than 25 percent above the state average;
- Per capita income less than 75 percent of the state average;
- Population growth less than 25 percent of the state average.

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

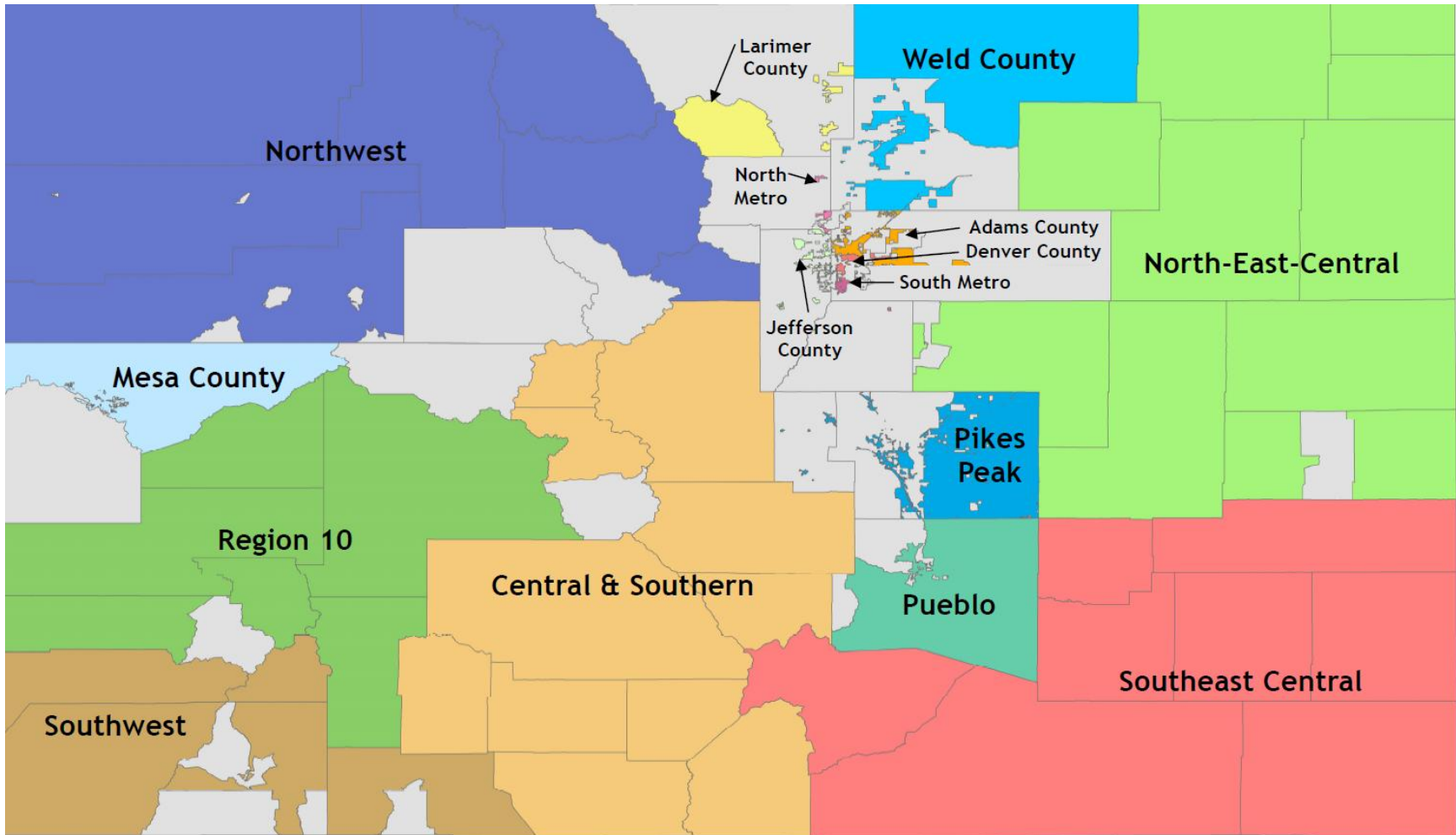
The Colorado Economic Development Commission (EDC) has the authority to designate and terminate areas as Enterprise Zones.

As Zones were re-set in January 2016, Zone areas changed mid-way through the prior reporting cycle. Certifications in this report are primarily for business activity occurring in 2016. Maps of the Enterprise Zones as they were in 2015 and as they are now (effective January 1, 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 now match U.S. Census defined areas including census blocks, block groups, tracts, places, county sub-divisions, and counties.

2015 Enterprise Zones



2016 Enterprise Zones



## Fiscal Year Credits Certified

This fiscal year report includes certifications approved by local Zone administrators from July 1, 2016 through June 30, 2017. 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 2016 claimed on 2016 tax returns that are filed in 2017 and impact state revenue collected in the state's Fiscal Year 2017. Applications approved in Fiscal Year 2017 may also cover business activity prior to 2016 for late or amended applications.

This table identifies tax credits certified by Enterprise Zone.

Fiscal Year 2017 - 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	465	\$1,548,625	\$11,579	\$19,559	\$385,093	\$75,767	\$721		\$2,041,344	1,699	\$632,518
North-East-Central EZ	1,276	\$5,014,747	\$169,676	\$4,800	\$299,619	\$20,519	\$8,553		\$5,517,914	369	\$127,693
Northwest EZ	199	\$2,125,049	\$12,466	\$28,481	\$101,899				\$2,267,895	608	\$433,202
Region 10 EZ	253	\$472,764	\$53,542	\$11,917	\$327,192	\$13,690			\$879,105	2,237	\$548,057
Southeast Central EZ	352	\$1,890,602	\$33,683	\$4,264	\$154,190	\$50,000	\$0		\$2,132,738	477	\$160,620
Southwest EZ	256	\$4,349,265	\$92,589	\$30,000	\$383,508				\$4,855,362	846	\$615,759
Sub-Total Rural	2,801	\$15,401,052	\$373,535	\$99,020	\$1,651,501	\$159,976	\$9,274	\$0	\$17,694,358	6,236	\$2,517,850
Adams County EZ	243	2933336	363426	52250	637334	150000	4986	169276.62	\$4,310,609	91	\$136,029
Denver EZ	298	3783607	14391566	767280	835548	94756.75	175280		\$20,048,038	7,353	\$4,146,187
Jefferson County EZ	152	1002698	141122	46070	336008	50000	31158		\$1,607,056	2,531	\$1,164,910
Larimer County EZ	117	635532	4635	27140	313346		239862		\$1,220,515	4,665	\$1,707,473
Mesa County EZ	153	362020	58954	31830	153093		15575		\$621,472	4,961	\$1,028,748
North Metro EZ	16	\$109,358	\$5,232	\$18,970	\$118,810		\$14,731			176	125325.215
Pikes Peak EZ	282	\$4,477,057	\$140,749	\$137,170	\$448,265	\$100,000	\$161,436		\$5,464,677	3,565	\$2,740,334
Pueblo EZ	117	\$8,850,692	\$83,668	\$11,712	\$81,553	\$50,000	\$137,617		\$9,215,242	701	\$178,742
South Metro EZ	77	\$697,406	\$116,494	\$70,370	\$189,342	\$49,652	\$4,080		\$1,127,344	354	\$548,932
Weld County EZ	170	\$4,256,422	\$291,961	\$94,869	\$995,263		\$75,361		\$5,713,876	1,826	\$416,363
Sub-Total Urban	1,625	\$27,108,128	\$15,597,807	\$1,257,661	\$4,108,562	\$494,409	\$860,086	\$169,277	\$49,328,828	26,223	\$12,193,042
<b>Grand Total</b>	<b>4,426</b>	<b>\$42,509,180</b>	<b>\$15,971,342</b>	<b>\$1,356,682</b>	<b>\$5,760,063</b>	<b>\$654,385</b>	<b>\$869,360</b>	<b>\$169,277</b>	<b>\$67,023,187</b>	<b>32,459</b>	<b>\$14,710,893</b>

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 2017 - 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	197	\$290,589	\$51,778	\$872,937	\$143,580	\$13,507	
Administrative and Support and Waste Management and Remediation Services	45	\$328,775	\$25,241	\$139,978	\$17,000		\$45,146
Agriculture, Forestry, Fishing and Hunting	1,570	\$4,623,658	\$94,404	\$164,511	\$1,000	\$50,000	
Arts, Entertainment, and Recreation	21	\$81,482	\$5,064	\$8,800	\$4,000	\$14,570	
Construction	191	\$484,492	\$96,385	\$246,359	\$45,280	\$99,652	\$56,248
Educational Services	6	\$24,620	\$755	\$57,200	\$15,000		
Finance and Insurance	116	\$303,590	\$39,272	\$64,059	\$18,970		
Health Care and Social Assistance	139	\$915,999	\$369,778	\$237,964	\$12,950		
Information	494	\$4,030,098	\$35,533	\$138,537	\$15,920		\$21,244
Management of Companies and Enterprises	21	\$127,022	\$78,193	\$108,300			\$22,675
Manufacturing	272	\$5,898,750	\$450,312	\$1,835,025	\$318,320	\$13,690	\$482,348
Mining	61	\$4,371,953	\$154,239	\$27,137	\$4,420		
Other Services (except Public Administration)	80	\$199,274	\$53,478	\$45,800	\$334,500		
Professional, Scientific, and Technical Services	141	\$244,848	\$120,892	\$204,192	\$96,420	\$54,987	\$88,465
Real Estate Rental and Leasing	113	\$880,054	\$3,633	\$68,081	\$11,000	\$357,980	\$24,172
Retail Trade	700	\$2,022,779	\$77,911	\$1,112,754	\$130,442	\$50,000	\$727
Transportation and Warehousing	126	\$6,739,110	\$14,106,700	\$107,521	\$116,880		\$19,603
Utilities	21	\$9,427,431	\$80,392	\$19,800	\$39,000		\$99,732
Wholesale Trade	109	\$1,085,383	\$127,382	\$301,108	\$32,000		\$9,000
<b>TOTAL</b>	<b>4,423</b>	<b>\$42,079,907</b>	<b>\$15,971,342</b>	<b>\$5,760,063</b>	<b>\$1,356,682</b>	<b>\$654,385</b>	<b>\$869,360</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 2017					
Industry	Beginning Employment	Ending Employment	Jobs Created	Jobs Retained	Jobs Transferred
Accommodation and Food Services	5,993	6,444	978	5,466	336
Administrative and Support and Waste Management and Remediation Services	3,478	3,699	285	3,414	48
Agriculture, Forestry, Fishing and Hunting	6,649	6,681	220	6,461	26
Arts, Entertainment, and Recreation	701	707	65	642	8
Construction	4,404	5,038	736	4,302	271
Educational Services	325	376	53	323	-
Finance and Insurance	2,535	2,513	114	2,399	43
Health Care and Social Assistance	6,430	6,533	233	6,300	77
Information	1,858	1,975	146	1,829	30
Management of Companies and Enterprises	1,543	1,526	98	1,428	-
Manufacturing	26,549	28,137	2,157	25,980	52,265
Mining	5,661	5,448	246	5,202	79
Other Services (except Public	4,597	4,860	338	4,522	26
Professional, Scientific, and Technical	2,210	2,483	306	2,177	182
Real Estate Rental and Leasing	667	811	159	652	-
Retail Trade	23,246	24,644	1,984	22,660	1,027
Transportation and Warehousing	9,992	9,843	470	9,373	181
Utilities	2,151	1,943	388	1,555	-
Wholesale Trade	6,881	7,050	380	6,670	39
Not Classified	12	12	-	12	-
<b>TOTAL</b>	<b>115,882</b>	<b>120,723</b>	<b>9,356</b>	<b>111,367</b>	<b>54,638</b>

### 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 2017				
Employee Type	Full-Time	Part-Time	Temporary	Contract
Average Annual Compensation	\$ 32,037	\$ 5,417	\$ 822	\$ 1,229
# of Employees for whom comp. reported	156,722	31,370	2,943	1,819



**Program Trends**

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

FY	Businesses Certified	Total Credits Certified
2008	5,472	\$90,857,012
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	\$77,442,871
2016	4,308	\$70,381,210
2017	4,426	\$67,290,288

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
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	6,213	\$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	\$2,042,051,728	\$61,260,386
2016	3,902	\$1,876,065,857	\$56,282,009
2017	3,981	\$1,416,970,808	\$42,509,180

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
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	4,659	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	4,308	3,912	\$4,921,074
2017	391	\$156,275,729	32,475	\$15,971,342	113	\$1,356,682	4,426	4,578	\$5,760,063

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
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	4,610	\$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	\$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	\$6,749,761	\$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	19	\$11,209,491	\$654,385	82	\$153,990,159	\$869,360	15	\$11,285,162	\$169,277

*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.*