



**ARAPAHOE COUNTY**  
PUBLIC WORKS & DEVELOPMENT

# South Metro Enterprise Zone and Arapahoe County

A new opportunity for businesses

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I-70 REAP, July 11, 2024

# **Enterprise Zone (EZ) Program**

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- 1. What is an EZ? Purpose of the Program**
- 2. South Metro Enterprise Zone and the boundary adjustment**
- 3. Enterprise Zone tax credits and Contribution Projects**
- 4. Certification process**
- 5. Next steps**

# Enterprise Zone (EZ) Program Purpose

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

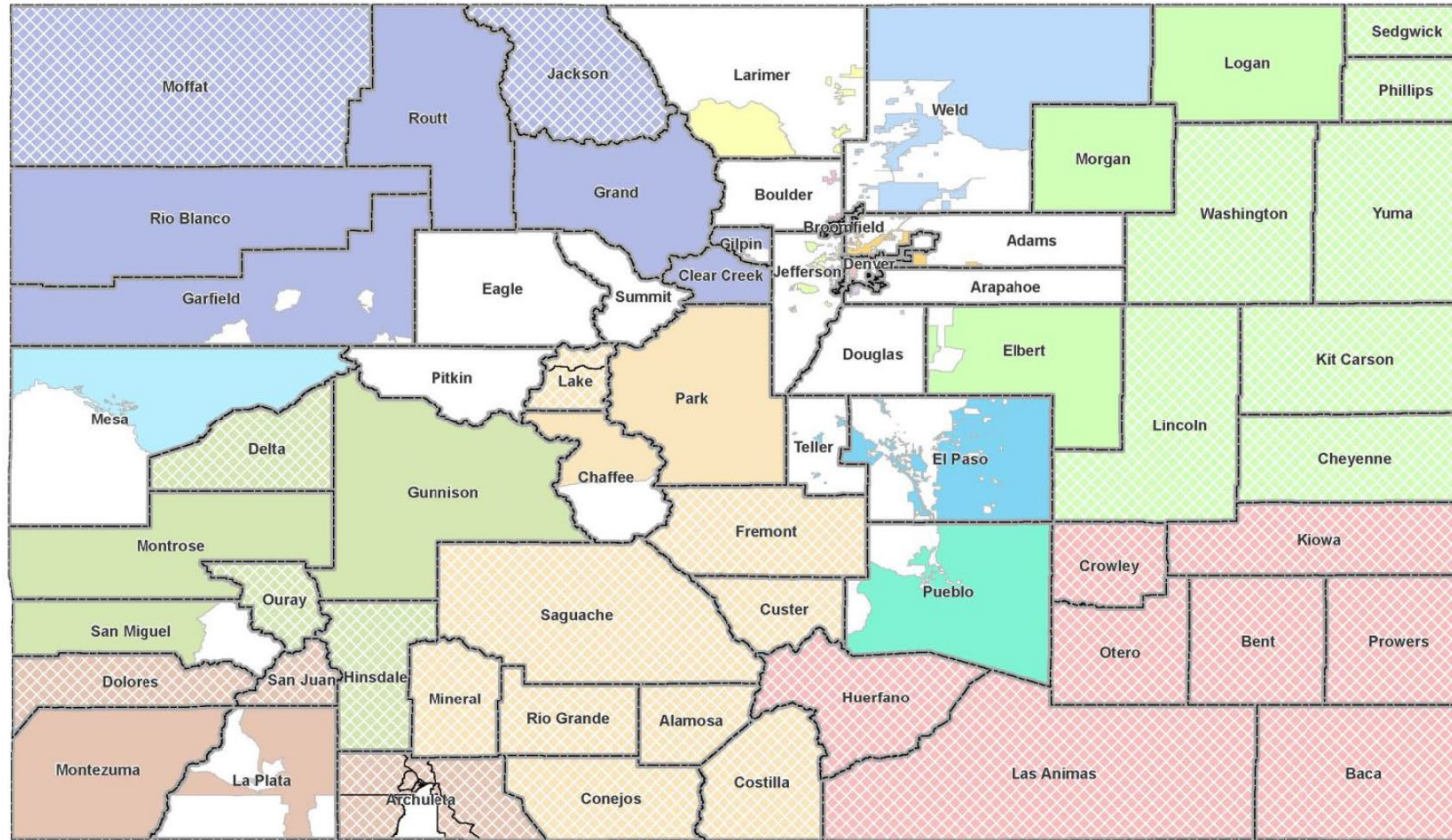
Maximum of 16 Enterprise Zones that have high unemployment, low per capita income, or slow population growth.



It is designed to promote a business-friendly environment by offering state income tax credits.

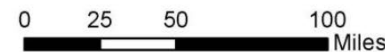
A second element is that taxpayers who contribute to nonprofit organizations to assist with the needs of an area can earn a Colorado state income tax credit.

# Colorado Enterprise Zones



## Legend

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



# Oversight of the Enterprise Zone Program

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## EZ Administrators

- Are the front line and promote the EZ program
- Proposes local boundaries
- Cooperates with Local Economic Development agencies
- Prepares annual EZ report
- Attends monthly meetings with OEDIT

## Office of Economic Development & International Trade (OEDIT)

- Manages the EZ program
- Provides guidance to EZ administrators
- Makes recommendations to the EDC
- Prepares annual report for the General Assembly and the Legislative Audit Committee

## Economic Development Commission (EDC)

- Approves contribution projects
- Approves EZ boundary amendments and Administrators
- Establishes policies for program operations

# Enterprise Zone Program Eligibility

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Boundary designation is **based on Census data** and areas are approved by the Colorado Economic Development Commission (EDC)

**To qualify, areas have to meet one of the following current Economic Distress Criteria (from 2017 Census data):**

- Per Capita Income: <75% of State Average (<\$27,311.25)
- Unemployment Rate: >125% of State Average ( $\geq 5.88\%$ )
- 5-Year Population Growth Rate: <25% of State Average (below 1.6%)

**Population Maximum:**

- Urban EZ (e.g., South Metro): 115,000  
Current South Metro EZ population is approx. 52,000

# Enterprise Zones in Colorado

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**South Metro EZ consists of:**

- Includes Englewood, Sheridan, Littleton, a small portion in Parker
- **In June 2024, approval by the Economic Development Commission (EDC) to add parts of eastern Arapahoe County**
- Every 10 years, the EZ boundaries are evaluated to determine if areas still meet the economically distressed criteria. If not, these areas are considered “graduating out” of the EZ, and new areas can be included.

# Enterprise Zones in Colorado

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## Enterprise Zone Redesignation Process (2024-2026)

- 10-year evaluation has started, to be complete in early 2026
- Boundaries of the EZs can change

### New criteria for a qualifying Census area (from 2022 data):

EZ area must meet one of these:

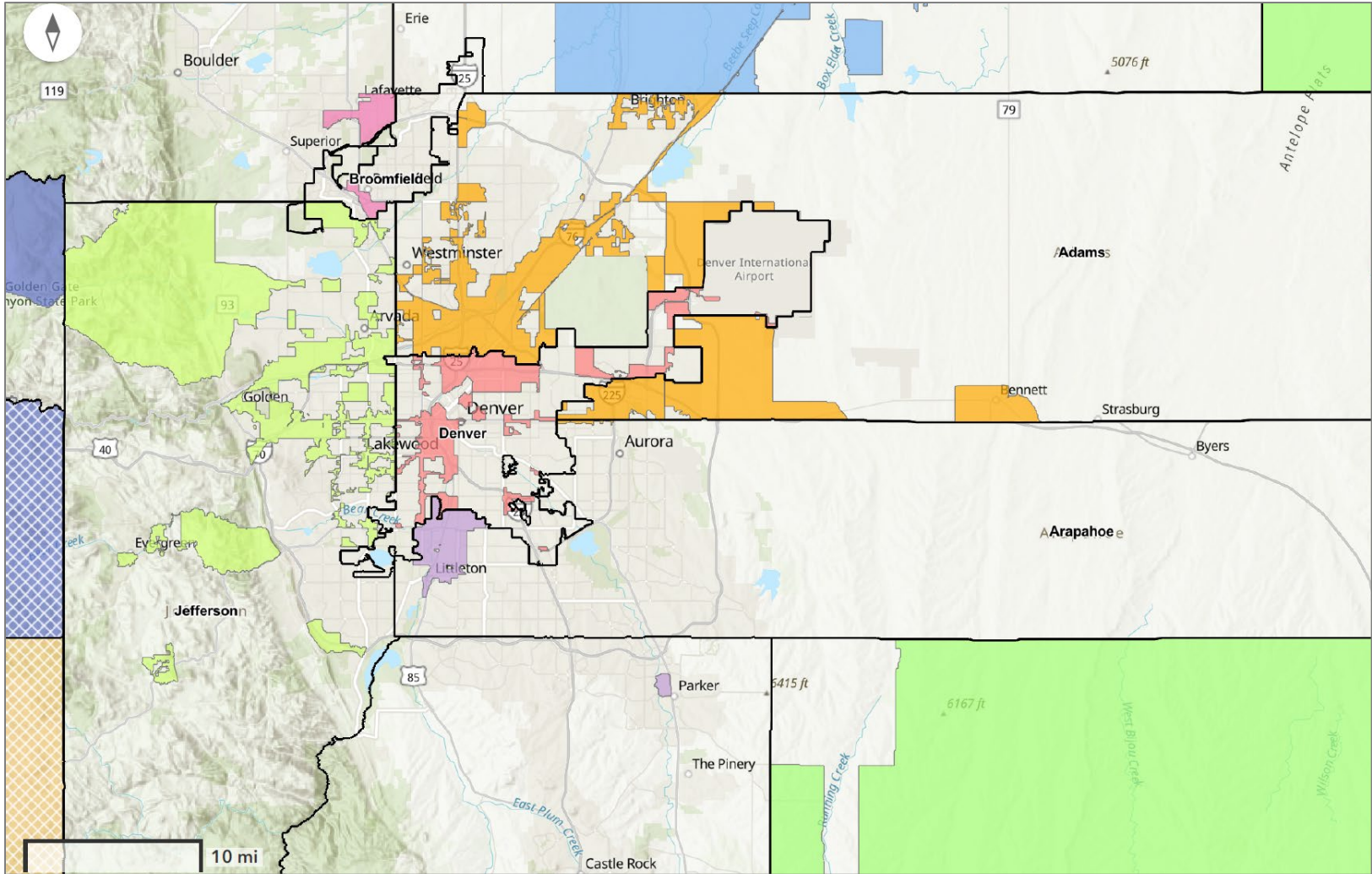
- Per Capita Income: <\$35,823
- Unemployment Rate: >5.625%
- 5-Year Population Growth Rate: <1.525%

Eastern area of Arapahoe County still qualifies with these new criteria.



# Enterprise Zones in the Front Range

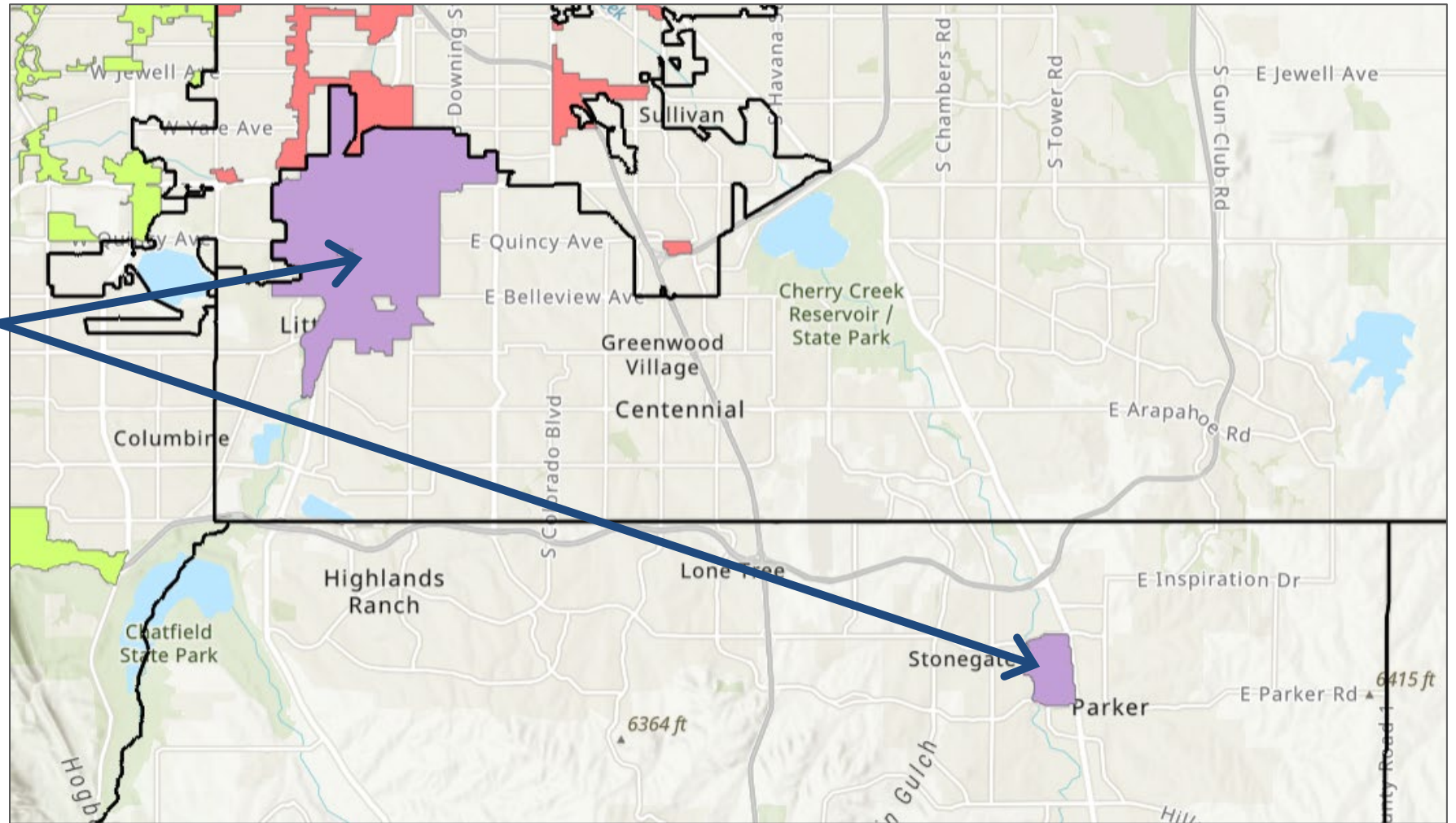
- South Metro
- Denver County
- Adams County
- North Metro
- Jefferson County
- Weld County
- North-East-Central



# South Metro Enterprise Zone

**Western area (original)**  
Englewood, Sheridan,  
Littleton, part of  
Parker

Managed by South  
Metro EZ  
Administrator, Darren  
Hollingsworth, City of  
Englewood

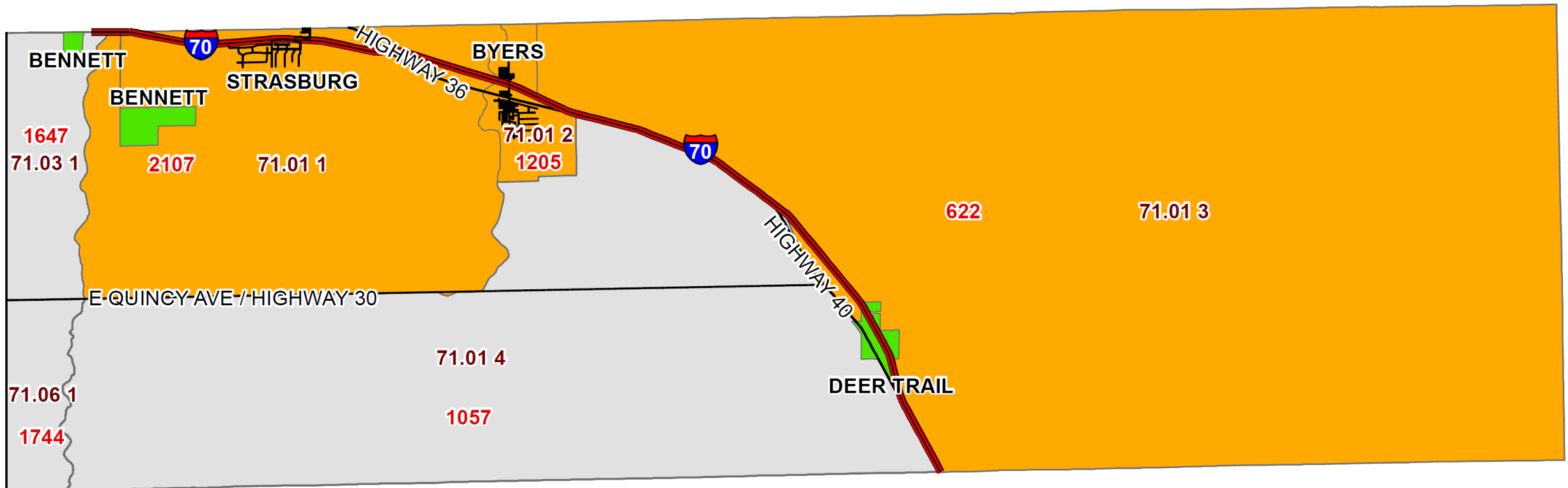


# South Metro Enterprise Zone

## Boundary adjustment approved in June added the Eastern area

Strasburg (Arapahoe County), Byers, most of Deer Trail, rural areas east of Kiowa Creek

Considered a “sub-zone” of South Metro EZ, promotion/administration to be done by Arapahoe County



# Enterprise Zone Tax Credits

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## What are the benefits?

Businesses located in the EZ are eligible for State income tax credits

- State income tax credits – 8 categories
- Businesses (including farms and ranches) within the area may be eligible for EZ tax credits
  - Includes capital investment tax credit, new employee tax credit, job training tax credit, R&D tax credit, and others
- Detailed information at <https://oedit.colorado.gov/enterprise-zone-program>
- Specific tax questions – contact Department of Revenue or your CPA



# Enterprise Zone Tax Credits

Businesses are eligible for the following eight state income tax credits:

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

\* Credits that may be very helpful to businesses in the east county communities.



# Enterprise Zone Contribution Projects

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Craig Hospital, Englewood

**Contribution Projects encourage community participation to revitalize the EZ:**

- Projects typically located within an EZ and serve individuals/businesses within the EZ
- Must be a nonprofit or government entity

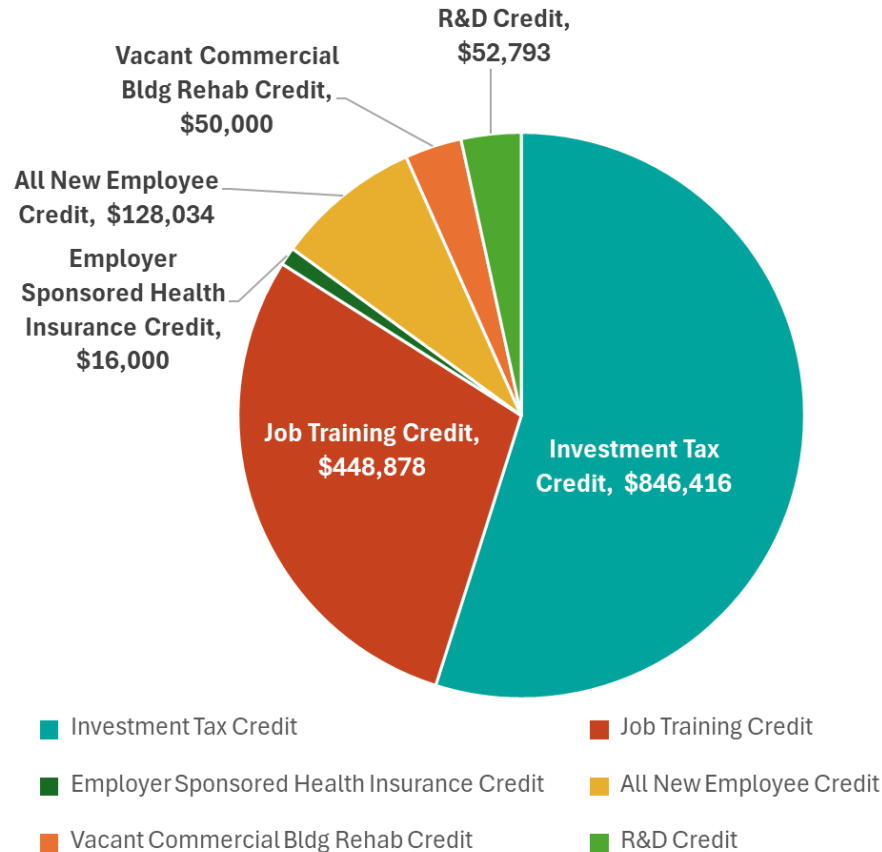
**When taxpayers make a contribution to an approved Contribution Project, they can claim:**

- 25% of a cash donation as a state income tax credit
- 12.5% of an in-kind donation as a state income tax credit

To date, South Metro EZ has a small number of Contribution Projects.

Examples of Contribution Projects: museums  
music groups, health care, Habitat for Humanity

# South Metro EZ Tax Credits Certified



## South Metro EZ businesses that used tax credits (2021):

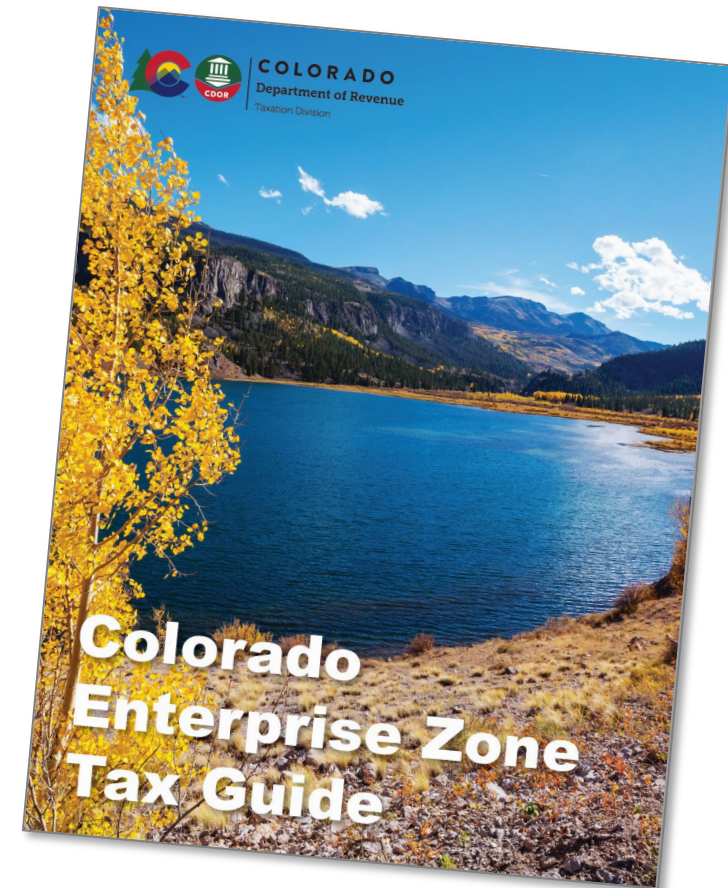
- 105 businesses were certified
- \$1,540,451 in Total Business Tax Credits
  - Investment Tax Credit was the most popular (\$846,416)
  - Job Training Tax Credit second most popular (\$448,878)
  - New Employee Tax Credit third most popular (\$128,034)
- Averages to a tax credit of \$14,670 per business

State-wide in 2021, total of \$75 million in business tax credits and \$16 million in Contribution Project tax credits

# Investment Tax Credit (ITC)

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- **3% of Equipment Purchases (business personal property):**
  - Qualified property is defined as “section 38 property”
  - Depreciable tangible personal property (equipment, computers, furniture, etc.)
  - Used in trade or business for the production of income
  - Must be used exclusively in the EZ for at least one year after the property is placed in service
- Includes single-purpose agricultural or horticultural structures, livestock
- More information at <https://oedit.colorado.gov/enterprise-zone-investment-tax-credit>

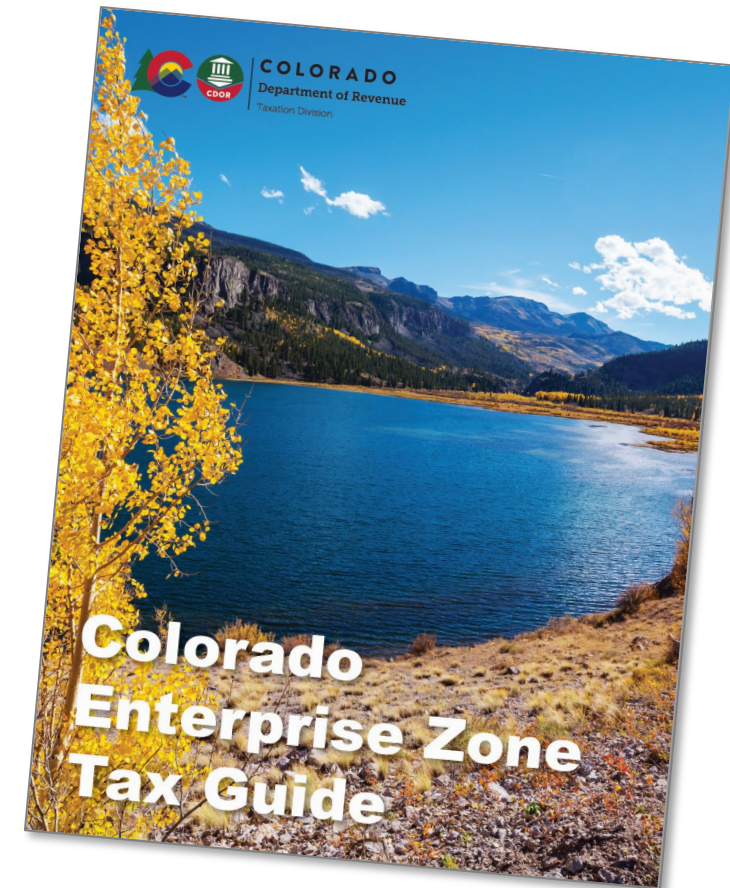




# Job Training Tax Credit

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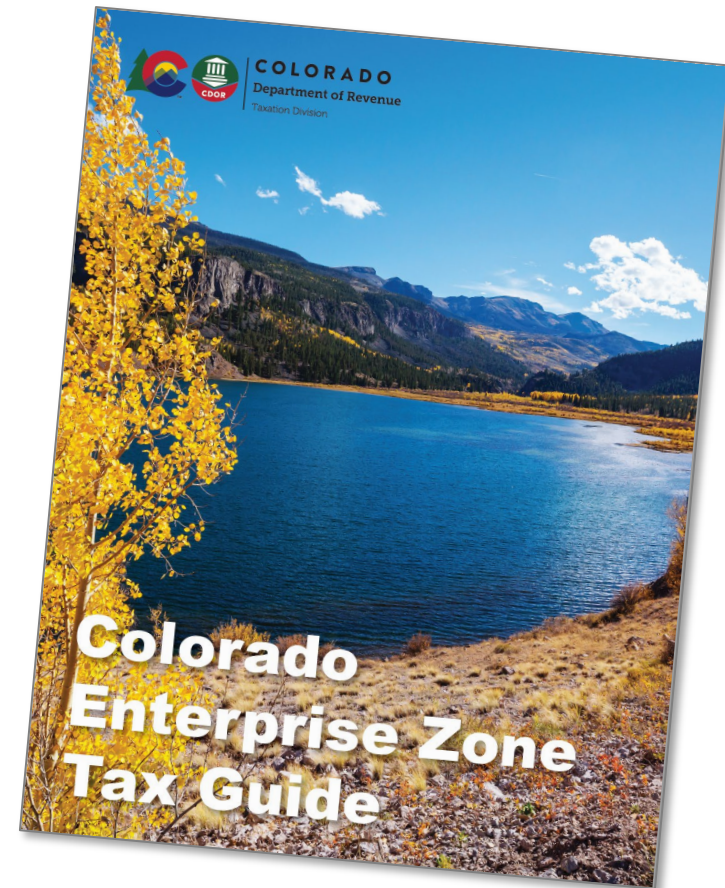
- **12% of Qualified Training Expenses:**
  - Structured training or basic education program to improve the job skills of employees who work in the EZ
  - Training/Education may be conducted at the business location or offsite, by the taxpayer or another entity
  - Other qualifying expenses:
    - Equipment, supplies, training staff wages/fees, space rental, travel expenses, etc.
- **Ineligible expenses:**
  - On-the-job training
  - Wages of employees being trained



# New Employee Tax Credit

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- **\$1,100 per New Employee:**
  - Credits allowed only for the operation of a business facility in a revenue-producing enterprise
  - Employee works at least 20 hours/week
  - Employee receives wages, Social Security, Medicare, and income taxes are withheld
  - Credit based on number of employees, averaged over the tax year

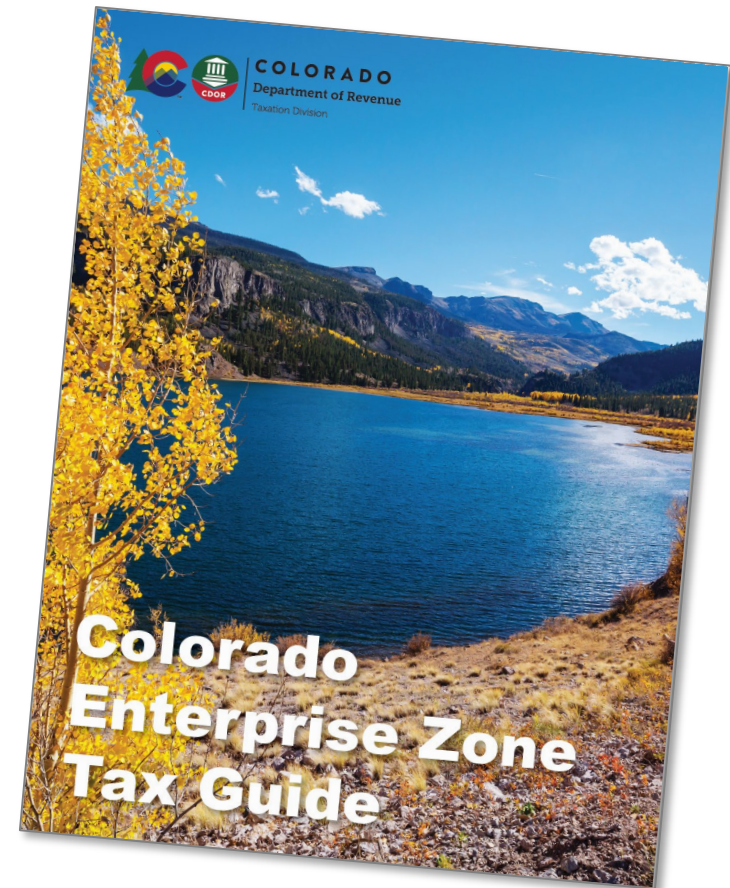


# New Employee Tax Credit

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## Agricultural Processor New Employee Credit:

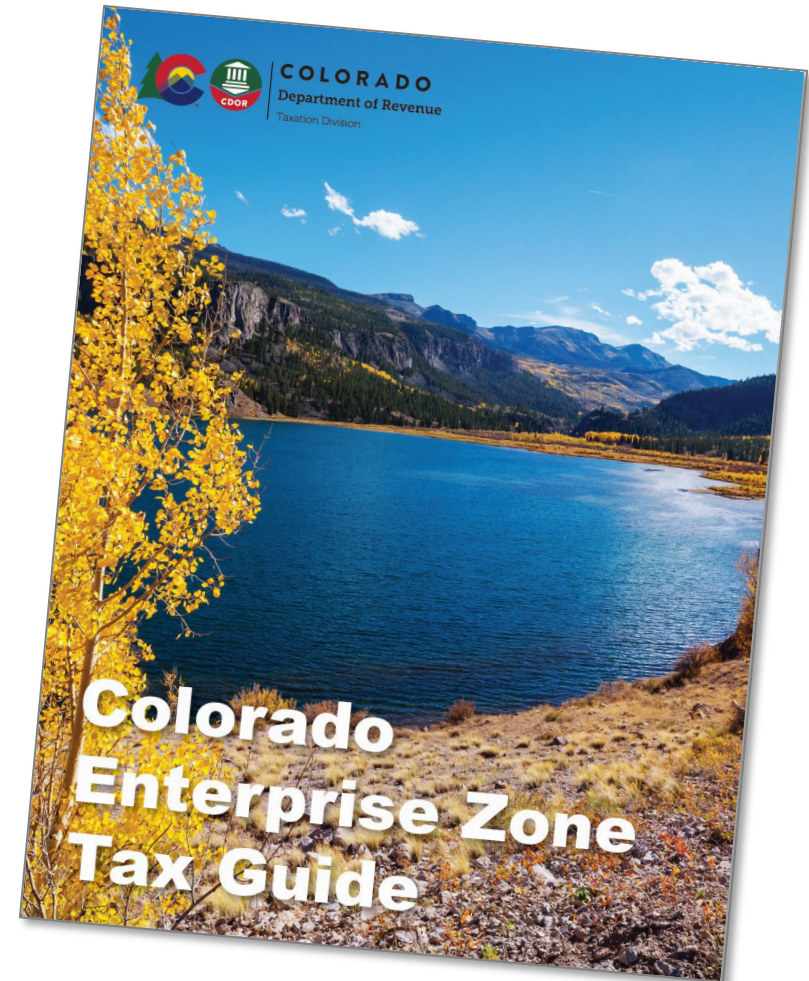
- \$500 per new job:
  - Credits allowed only business that adds value to agricultural commodities through manufacturing or process (must change the form of the commodity)
    - Examples: brewery, winery, jams, etc.
  - Employee receives wages, Social Security, Medicare, and income taxes are withheld
  - Credit based on number of employees, averaged over the tax year
- Not eligible: Harvesting, cleaning, packaging, storing, transporting, etc.





# Vacant Building Rehabilitation Credit

- **25% of Rehab Expenditures:**
  - Building located within the EZ, at least 20 years old, vacant for at least 2 years
  - Available to owner or tenant for commercial use
    - Limited to \$50,000 in tax credits per building
    - Cannot be combined with Federal Historic Preservation Credit
- **Qualified Expenditures (hard costs):**
  - Exterior improvements and repair; structural, mechanical, and electrical improvements; carpentry; sheetrock; windows; sprinkler systems for fire protection; roofing; etc.
- **Non-Qualified Expenditures:**
  - Appraisals; architectural; engineering; legal; loan and realtor fees; insurance; landscaping; etc.



# Tax Credits and Certification

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- EZ tax credits are applied against a business' tax liabilities
- Not transferable, but can be carried forward for a certain length of time
- Each tax year, a business in an EZ must apply and be pre-certified before beginning the activity to earn the tax credits
- Pre-certifications are approved by the South Metro EZ Administrator (Arapahoe County will have a role)
- At the end of the income tax year, a business must certify that the activities have been completed and receives a certificate to include with the tax return from the South Metro EZ Administrator
- All certifications are applied for online

# EZ Business Tax Credits

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1. Apply for Pre-Certification (before the start of any work or purchases).

2. Complete the work, hiring, or purchases. Apply for the Tax Credit Certification.

3. Submit the approved Tax Credit Certification with income tax return.

## How can a business obtain a tax credit?

1. **Pre-Certification:** Pre-Certification application is required **annually** for each business location **before** beginning any eligible investments/activities. Can pre-certify up to 3 months before the start of business tax year, can pre-certify any time. Apply online: <https://oedit.colorado.gov/enterprise-zone-program>
2. Certification completed at the end of the tax year for activity conducted during the pre-certification period (complete online).
3. File the approved EZ Tax Credit Certificate (obtained from the South Metro EZ) with the business' Colorado income tax return to claim the EZ tax credits earned.

# Next Steps

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- **Finalize an Intergovernmental Agreement (IGA)** with the City of Englewood defining the respective roles. Formal start of the program will be when the IGA is approved by City of Englewood and Arapahoe County (likely September).
- **Develop outreach materials and website, and work with groups such as I-70 REAP** to inform businesses in the new sub-zone about the EZ tax credit program
- **Continue evaluating options** for Arapahoe County to become the EZ Administrator for the South Metro EZ as part of the state's 10-year review

# Questions?

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# Contact us

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## **South Metro Enterprise Zone – Arapahoe County eastern area**

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