



ENTERPRISE ZONE (EZ)

INVESTMENT TAX CREDIT (ITC)

The Enterprise Zone Investment Tax Credit is worth 3% of any qualified investment in section 38 property acquired and placed in service or constructed during the tax year, and is used solely and exclusively in the enterprise zone for at least 1 year.

What is “Section 38 Property”?

Generally, Section 38 property is either a specific class of depreciable real estate (federal recovery property) or other depreciable or amortizable property having a useful life of three or more years that qualifies under one of the following eight categories:

- Tangible personal property - Generally, tangible personal property used in a taxpayer’s trade or business qualifies. This includes items such as machinery, furniture, appliances, law books or vehicles.
- Other tangible property - Certain real and personal property if it is used as an integral part of: manufacturing, extraction, production, or furnishing of transportation, communications, electrical energy, gas, water, or sewage disposal services.
- Elevators and Escalators
- Research facilities and facilities for the bulk storage of fungible commodities
- Single purpose agricultural or horticultural structures
- Qualified rehabilitation expenditures
- Qualified timber property
- Petroleum storage facilities

How does the credit work?

The credit is allowed to be used for 100% of the first \$5,000 of tax liability, plus 50% of the liability in excess of \$5,000. The total credit used to offset tax cannot exceed \$500,000 for any given tax year, and has a total limit of \$750,000. Carry back is allowed for three years and carry forward up to 12 years.

Can I relocate to an Enterprise Zone?

Generally, no enterprise zone investment tax credit is allowed if the investment resulted in the relocation of a business operation from within the state to an enterprise zone. This is regardless of whether the original location of the operation was within an enterprise zone. Although, once a location is established in an Enterprise Zone, additional qualified investments can qualify for the investment tax credit.

How do I apply?

Pre-certification is required annually for any business that wishes to participate in any Colorado Enterprise Zone credit programs. After the pre-certification is approved, the business may then conduct activities that are eligible for Enterprise Zone credits. At the end of the tax year, the business must then complete a certification application to receive approval. After receiving certification approval, the business will receive a signed certification form (DR 0074) from the Enterprise Zone administrator that the business will include as part of their annual income tax filing.

Other specific conditions apply to Investment Tax Credits that are not outlined here. Contact your tax profession, or see Colorado Department of Revenue’s FYI 11 for more further information.

Need more information?

Roger Caruso
Economic Development Specialist
303-661-1262
rogerc@cityoflafayette.com

To see if a property is in the Lafayette Enterprise Zone: www.cityoflafayette.com/EZ

Apply for Pre-certification and Certification Online:
www.advancecolorado.com/EZcertification

Disclaimer: This document is designed to provide general information concerning Enterprise Zone Investment Tax Credits. The information above is not binding on the City of Lafayette.