



ENTERPRISE ZONE (EZ)

NEW EMPLOYEE CREDIT

The Enterprise Zone New Employee Credit allows taxpayers that establish a business facility in an enterprise zone to claim an income tax credit of \$1,100 for each new employee working at the facility located in the enterprise zone.

Who Qualifies for the Credit?

New and existing business may qualify for the credit, as long as they maintain operations in the enterprise zone during the entire tax year. For businesses that open in the middle of a tax year, the credit is prorated based on the number of full calendar months during the year, that the business was in operation in the zone.

Part-time employees can be counted as new employees, if the employee works at least 20 hours per week for the majority of the weeks in the tax year. Seasonal part-time employees can qualify as long as the person performs his or her duties for substantially all of the season customary for the position in which the person is employed.

The taxpayer may only claim the new employee credit for employees whom:

- The taxpayer withholds social security, Medicare, and income taxes under the taxpayer's own federal and state taxpayer identification numbers;
- The taxpayer is the work-site employer, and employee leasing company, as the employing unit for, or co-employer with, the taxpayer, and withholds social security, Medicare, and income taxes under the employee leasing company's own federal and state taxpayer identification numbers.

How does the credit work?

The credit is calculated based on the annual change in the average of the number of employees on the last business day of each month during the tax year. Future credits are based on the year with the highest average number of employees based on the credit's calculation.

Can I relocate to an Enterprise Zone?

Generally, no enterprise zone new employee credits are 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 new employees can qualify for the new employee 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 per-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 terms and conditions apply to the New Employee Credit that are not outlined here. Contact your tax professional, or the Colorado Department of Revenue for further information.

Need more information?

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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.