

## **New Business Facility Credits**

**How to Qualify as a New Business Facility.** If a business is in the Enterprise Zone, there are three ways it may qualify as a New Business Facility (NBF):

### ***NEW***

- Be a newly acquired, constructed, or leased facility used by the taxpayer to operate a revenue-producing enterprise.

### ***EXPANSION***

- Expand an existing Enterprise Zone facility by new investment (at least \$1 million or at least double the taxpayer's investment in the original facility), or by an increase in employment (increase employment at the existing facility by 10 or more employees or by an increase of 10 percent over the base employment).

### ***REPLACEMENT***

- Qualify as a replacement facility - a Colorado company relocating to the Enterprise Zone that was operated for three or more full tax years of the five years preceding the opening of the new facility, and investment in the new facility exceeds \$3 million or is at least 300% of the taxpayer's investment in the old facility.

**Jobs Tax Credit.** Businesses hiring new employees in connection with a New Business Facility located in the Enterprise Zone may claim a credit against Colorado income taxes of \$500 for each new employee. Qualifying new business facilities may claim the jobs tax credit each year during the life of the Enterprise Zone for each new employee above the base number employed in the prior tax year. This credit should be calculated by using the monthly average of employee. Compare to last year's monthly average. Take \$500 per increased employees. If it was a partial tax year, the credit is \$41.67 per month per increased employee.

**Agricultural Processing Jobs Tax Credit.** An additional credit of \$500 per new business facility employee may be claimed by businesses that add value to agricultural commodities through manufacturing or processing. Qualifying new business facilities may claim the agricultural processing tax credit each year during the life of the Enterprise Zone. This credit is calculated the same as the Jobs Tax Credit, explained above.

**Employer-Sponsored Health Insurance Credit.** An Enterprise Zone taxpayer who qualifies for the NBF jobs credit can also qualify for a two-year credit of \$200 (or \$400 total) for each NBF employee who is insured under a health insurance plan or program provided through the employer. The employer must contribute 50% or more of the total cost of the plan. The taxpayer may only claim this credit for the first two full income tax years after the facility initially qualifies as a NBF.

**Local Government Tax Incentives.** Any city or county within an Enterprise Zone is authorized to negotiate a personal property tax credit with taxpayers who have qualifying New Business Facilities. These incentives are negotiated directly with the local governments through their economic development staff.

## Jobs Tax Credit Calculation Example

	Tax Year 1	Tax Year 2	Tax Year 3
January	5	6	9
February	5	6	9
March	5	6	9
April	5	6	9
May	5	8	9
June	5	8	9
July	5	8	9
August	6	8	9
September	6	8	9
October	6	8	9
November	6	8	10
December	6	9	10
<b>Totals</b>	<b>65</b>	<b>89</b>	<b>110</b>
<b>Mo. Average</b>	<b>5.42</b>	<b>7.42</b>	<b>9.17</b>

In first tax year, this business started with 5 employees in January and added 1 employee beginning in August. For the first 7 months, the business had 5 employees and for the final 5 months had 6 employees. This is an average of 5.42 employees. The jobs credit is  $\$500 \times 5.42$  employees totaling \$2,710.

In the second tax year, the business began with 6 employees and added 2 in May and one in December for an average of 7.42 employees. Since credit has been taken on 5.42 employees, credit remains on 2 employees for a total of \$1,000 for the second year.

In the third year, the business starts with 9 employees and adds 1 employee in November. The credit is now figured on 9.17 minus 7.42 (2nd year credit taken) which equals 1.75 employees  $\times$  \$500 for a total credit of \$875 for the third year.