

Many businesses unaware of Enterprise Zone credits

by Contributing Writer

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By Teresa Carson

Savvy business executives don't like to leave money on the table, but few are taking advantage of big tax breaks available to companies located in Enterprise Zones.

The EZ program provides tax incentives to encourage businesses to locate, expand and invest in areas of the state that are designated "economically distressed."

The El Paso EZ includes downtown Colorado Springs and most of the industrial corridor.

But, apparently many businesses aren't aware of the program.

"The biggest problem is that people don't realize they are located in the zone," said DeAnne McCann, El Paso County's enterprise zone manager.

That's prompted McCann and some local accountants to embark on a mission to spread the word about the zone credits.

Accountants are often the first point of contact for businesses owners that are located in the zone but don't know it.

"As long as you have a tax liability, there is a benefit to this," said Judy Kaltenbacher, tax partner in charge at Springs accounting firm Stockman Kast Ryan + Co. "It does save businesses a lot of money."

El Paso County approved only 332 EZ applications in 2009, the most recent annual report to the state that's available.

The EZ program generated \$5.1 million in state tax breaks for local companies that year.

The investment tax credit is the EZ credit that is taken the most. It allows tax credit of 3 percent of an investment on office fixtures like computers and furniture. For building owners it can include tenant improvements such as carpeting and window treatments.

It accounted for about \$2.6 million, or about half of the \$5.1 million business credits in 2009.

A fast food client of SKR+Co. got tax credits for menu boards, credit card equipment and all the restaurant's kitchen equipment,

Investment tax credits can be carried back three years and forward 12.

The research and development credit was the second most often used in the El Paso EZ, the 2009 according to the report. It generating \$1.7 million in tax credits.

The R&D credit is also three percent of expenditures on research and experimental activities performed by businesses in the EZ.

Businesses can also get state income tax credits for contributing to approved nonprofits working in the Enterprise Zone.

Contributors do not have to be located in the Zone to make the donations and get the credit of 25 percent of the contribution. In-kind contributions get a 12.5 percent credit.

In 2009, \$971,778 in tax breaks were generated in the El Paso EZ by the contribution program.

In addition, the tax payer also gets a deduction on federal taxes for these contributions, Kaltenbacher said.

In the El Paso EZ, approved nonprofits include Care & Share Food Bank, Colorado Springs Technology Incubator and Peak Vista Community Health Centers, among others.

Other tax breaks are tied to adding or training employees. A qualified job training program can garner a credit of 10 percent of training costs.

Businesses opening a "new business facility" in the EZ might get a \$500 credit per new employee. Business expansions can also bring job tax credits.

New businesses offering health insurance can get a two-year tax break of \$200 per insured employee.

There are also generous benefits for rehabbing older, vacant buildings. Owners or tenants of commercial buildings that have been vacant for two years and are at least 20 years old can get a credit of 25 percent of the costs of fixing up the building.

The credit has a \$50,000 cap. Only \$112,250 of these tax breaks were used in 2009. "I would love to see this credit used more to reenergize some neighborhoods," McCann said.

New jobs in rural enterprise zones — El Paso is an urban zone — and new jobs in agricultural processing can also generate tax credits.

The concept of enterprise zones has been used in the United States since the early 1980's. There are 16 enterprise zones in Colorado. Some changes are on the way for the Enterprise Zone tax credits in 2012. Business credits will have to be "pre-certified," so it is more important than ever for companies to plan ahead and huddle with their accountants, McCann says. Contribution credits are unchanged.

"Claiming the credits is not difficult," McCann said. Despite efforts to publicize the credits, we rely on the accounting industry to work with their clients to see if they qualify."

Enterprise Zone tax credits

Maps and information available at the Colorado Office of Economic Development.
<http://www.colorado.gov/cs/Satellite/OEDIT/OEDIT/1167928216201>.

Complete URL: <http://csbj.com/2011/06/03/many-businesses-unaware-of-enterprise-zone-credits/>