



FYI Income 23

Tax Credit for Contributions to Enterprise Zone Administrators, Programs, Projects, or Organizations

GENERAL INFORMATION

For income tax years beginning on or after January 1, 1996, any taxpayer who makes monetary or in-kind contributions to an enterprise zone administrator or to an agent designated by the enterprise zone administrator for the purpose of implementing the economic development plan of the enterprise zone may claim an income tax credit of 25 percent of the value of the contribution up to a maximum credit of \$100,000. [§39-30-103.5 (1), C.R.S.]

Information about taxpayer contributions and their effect on Colorado income tax liabilities may be subject to release to the public [§39-30-103.5(7), C.R.S.]

ELIGIBLE PURPOSES

To qualify for the credit, the contribution must be used for purposes that are directly related to job creation, job preservation, or assistance programs for homeless persons. For tax years beginning on or after January 1, 2003, contributions to promote community development projects will also qualify for the credit.

For a list of organizations and projects approved for the current year, visit www.advancecolorado.com/enterprisezone

No credit shall be allowed to a taxpayer for any contributions that are used for a purpose that directly benefits the contributor. [§39-30-103.5 (4), C.R.S.]

DOCUMENTATION

Credit claims of \$250 or more must be accompanied by a certificate from the enterprise zone administrator attesting to the value and use of the contribution.

Any electronically filed income tax return must include requested information from the certification and the certification form must be submitted to the Department of Revenue upon request. The Certification Form (DR 0075) will specify the amount of contributions that qualify for the 25% cash/12 1/2% in-kind credit.

LIMITATIONS

For any given year the amount of the credit is limited to the taxpayer's liability. Any excess credit may be carried forward for a period of up to five years. The \$100,000 credit limit can be generated each year whether or not there is any carryover from prior years. [Reg. 39-30-103.5].

Example: The New Company contributes \$50,000 cash to a job creation in an enterprise zone on August 1, 2007. The New Company derives no direct benefit from its contribution. For example, the center will not be located on or attached to a New Company facility, New Company does not sell or lease anything to the center and New Company does not directly benefit from the training of employees at the center. New Company earns a \$12,500 credit. If New Company's Colorado income tax liability for 2007 is \$10,000, New Company claims \$10,000 of the credit and carries \$2,500 forward to 2008.

Pass-through entities: The \$100,000 limitation is computed at the taxpayer level. A donation made by a pass-through entity is not subject to the \$100,000 credit limitation at the entity level. Each member's share of the donation is passed through to that member, who then computes the allowable credit on their total donations, which is subject to the \$100,000 limitation.

Example: The Old Company Partnership contributes \$500,000 in cash to a qualified enterprise zone contribution project on May 1, 2007. The entity has two partners who hold 80% and 20% shares of the partnership respectively. Partner A computes a \$100,000 credit using their \$400,000 share of the contribution. Partner B computes a \$25,000 credit using their \$100,000 share of the contribution.

IN-KIND CONTRIBUTIONS

Examples of in-kind contributions would include employee labor, materials, desks, computer equipment, or stock.

The credit for in-kind contributions may not exceed 50% of the otherwise allowable credit. This means that the amount of the credit for in-kind contributions alone is 12.5 percent of the value of the contribution, up to a maximum credit of \$50,000. For cash and in-kind contributions, the credit is the lowest of the three following amounts: [Reg. 39-30-103.5]

- 1. a basic limitation of 25% of the combined value of cash plus in-kind contributions; or
- 2. 100% of the cash portion of the contribution plus the smaller of
 - a) 12.5 percent of the combined value of the cash and in-kind contribution or
 - b) \$50,000; or
- 3. 100,000.

CONTRIBUTION CREDIT COMPUTATION SCHEDULE

1. Amount of cash contributions.	\$ _____
2. Value of in-kind contributions.	\$ _____
3. Total of lines 1 and 2.	\$ _____
4. Smaller of \$100,000 or 25% of line 3.	\$ _____
5. Limitation on in-kind credit, 50% of line 4.	\$ _____
6. Allowable in-kind credit, smaller of lines 2 or 5.	\$ _____
7. Limitation on cash credit, line 4 minus line 6.	\$ _____
8. Allowable cash credit, smaller of line 1 or line 7	\$ _____
9. Total credit, line 6 plus line 8.	\$ _____

The current year contribution credit will be the total of line 9, plus any contribution credit carryover from prior years; except that the current year credit cannot exceed \$100,000 or the tax liability remaining after any other credits claimed. Excess contribution credits may be carried forward for up to five years.

COMMON QUESTIONS

Are contributions of stock considered in-kind or monetary contributions when computing the credit?

Monetary contribution refers to the contribution of money. Therefore, negotiable securities, no matter how liquid, are considered in-kind contributions, and are eligible for a 12.5% credit based on the market value at the time of contribution.

If a taxpayer contributes more than \$400,000 in cash during a single year, can the excess be carried forward to the next year?

No, the five-year carryforward applies only to credits within the \$100,000 limit that exceeds the tax liability for the year. In effect, cash contributions above \$400,000 in a single year do not earn any enterprise zone credit.

More information is available through the Colorado Office of Economic Development & International Trade (OEDIT) located at 1625 Broadway, Room 2700, Denver, CO 80202; Telephone is (303) 892-3840. You may also visit the OEDIT Web site at www.advancecolorado.com/enterprisezone for more information on Colorado Enterprise Zones.

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.