



CACI COLORADO ASSOCIATION
OF COMMERCE & INDUSTRY

HB 1200 – Oppose Limit on Enterprise Zone Credit

Sponsors: Sen. Heath; Rep. Hullinghorst

1/23/10

“As a small business, it is important for us to keep our enterprise zone tax credits. Without these we may have to relocate to another state or delay future expansions of operations. We estimate that the annual tax hike will be between \$10,000 - \$50,000 to our business.” **Technical Molded Products, Inc., Fort Collins**

Description of Bill:

HB 1200 caps the Enterprise Zone Investment Tax Credit to \$250,000 per taxpayer group for income tax years beginning 2011 through 2013, and requires the taxpayer to defer claiming any amount above \$250,000 to tax year 2014. If the taxpayer had to defer credit exceeding \$250,000, the bill allows the taxpayer to carry the credit forward for 12 income tax years after the year that the credit was allowed, plus an additional year for the years that the taxpayer could not take the credit above \$250,000.

Background:

Currently, any depreciable equipment purchased and used within an enterprise zone is eligible for a three percent tax credit. The credit may be used up to \$5,000 of the taxpayer's tax liability plus fifty percent of the taxpayer's liability above \$5,000.

- HB 1200 caps the enterprise zone credit to \$250,000 which will hurt companies that invest in millions of dollars in equipment to operate their business;
- If this legislation is adopted, the unfortunate result will be that companies will not invest in equipment until the full credit is available again in three years;
- The Enterprise Zone credit is touted by OEDIT as an effective way to bring businesses to Colorado and often a “tie-breaker” for companies looking at locating in other states;
- By capping this credit to \$250,000 for 3 years, companies may be discouraged from locating to Colorado until the full credit is available, or they will look to locate and invest in other states that offer a higher enterprise zone credit.

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