

FYI – For Your Information

Vacant Commercial Building Rehabilitation Credit For Enterprise Zones

The owner or tenant of a building in an enterprise zone that is at least 20 years old and that has been completely vacant for at least two years can claim a tax credit of 25 percent of the cost of rehabilitating such building for commercial use. The credit is limited to \$50,000 per building. [§39-30-105.6, C.R.S.]

This tax credit is intended to encourage building owners and tenants in Enterprise Zones to put these buildings back into use. A taxpayer must submit the DR 0076 certification from the Enterprise Zone administrator and documentation of the qualified expenditure. However, any taxpayer who claims the Historic Preservation Credit or is allowed a credit for costs incurred in the rehabilitation of property through the provisions of section 38 of the Internal Revenue Code of 1986, as amended, shall not be allowed to claim the tax credit for rehabilitation of vacant buildings in an Enterprise Zone. (The taxpayer is allowed to claim the enterprise zone investment tax credit for such rehabilitation.)

If the amount of the credit exceeds the amount of income taxes owed by the taxpayer, the remaining credit which is not claimed in a tax year may be carried forward up to five years. The credit must be applied to the earliest income tax year possible.

QUALIFIED REHABILITATION EXPENDITURES

“Qualified expenditures” are expenditures associated with any exterior improvements, structural improvements, mechanical improvements, or electrical improvements necessary to rehabilitate a building for commercial use.

Qualified expenditures include but shall not be limited to: expenditures associated with demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, sprinkler systems installed for fire protection purposes, roofing and flashing, exterior repair, cleaning, tuckpointing, and cleanup.

Qualified expenditures **do not include:** expenditures commonly referred to as soft costs, which include but are not limited to costs associated with appraisals; architectural, engineering, and interior design fees; legal, accounting, and realtor fees; loan fees; sales and marketing; closing; building permit, use and inspection fees; bids; insurance; project signs and phones; temporary power; bid bonds; copying; and rent loss during construction. Qualified expenditures also do not include: costs associated with acquisition; interior furnishings; new additions except as may be required to comply with building and safety codes; total demolition followed by new construction; excavation; grading; paving; landscaping; and repairs to out-buildings. [§39-20-105.6(4), C.R.S.].



Colorado Department
of Revenue
Taxpayer Service Division
1375 Sherman St.
Denver, Colorado 80261

Forms and other services:
(303) 238-FAST (3278)
Assistance:
(303) 238-SERV (7378)

www.taxcolorado.com

CALCULATING THE CREDIT

For example, Mr. Harrison owns an apartment building which has been vacant for three years. The building is 22 years old. During 2007, Mr. Harrison invests \$450,000 in repairing ceilings, fixtures, doors, windows and the roof. Of that amount, Harrison spent \$50,000 on engineering. Since engineering costs do not qualify for the rehabilitation credit, only \$400,000 will be used to calculate the credit.

Total qualified rehabilitation expenditures	\$400,000
25 percent of qualified expenditures	\$100,000
Credit allowed	\$ 50,000

Since the credit for rehabilitation of vacant commercial buildings is limited to \$50,000 per building, Mr. Harrison may take a credit of only \$50,000.

Mr. Harrison’s 2007 income tax liability is \$10,000. He may carry forward the remaining \$40,000 credit for as much as five years.

BUILDING REQUIREMENTS

“Building” means any structure built for permanent use as a house, factory, etc., which is valued separately for general property tax purposes. A structure that has been subdivided into multiple ownership units, such as office condominiums, is still considered one building unless the subdivision occurred more than twenty years ago. A single business entity consisting of related structures on the same site, such as an old motor court, that is valued as one unit for property tax purposes will be considered one building. The determination of what constitutes a building is integral in determining the applicability of the \$50,000 limitation on the credit.

“Commercial Building” means any building that produces income.

In order to qualify for the credit, a building must be completely vacant for two years prior to the commencement of remodeling. Any use during the two-year period will disqualify the building from qualifying for the credit. This includes limited uses such as storage, warehouse, or use of only a

small part of the building. It also includes part time uses such as a haunted house or rental for a weekend trade show. Use of the yard outside of a building will not affect the vacant status of the building itself.

COMMON QUESTIONS

How is commercial use defined on a mixed-use project where the ground floor is developed for retail and the upper floor for residential use?

Only the costs directly associated with the commercial portion of the project would qualify for the tax credit.

Is there a minimum length of time that a rehabilitated building must remain in commercial use to qualify for the credit?

There is no time limit that the building must be used commercially. However, if the commercial use is too short, an argument may be made that the building wasn’t truly renovated for commercial use and the credit would be disallowed.

FURTHER INFORMATION

FYIs, commonly used forms and additional tax information are available on the Web at www.taxcolorado.com

Visit www.advancecolorado.com/enterprisezone for additional enterprise zone information.

For additional Colorado tax information visit the "Tax Information Index" which covers a variety of topics including links to forms, publications, regulations, statutes and general questions and answers. The "Tax Information Index" is located at www.taxcolorado.com

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 authority to bind the Department, has not formally reviewed and/or approved these FYIs.

Certification of Qualified Nature of Enterprise Zone Rehabilitation Expenditures

For tax years beginning after August 6, 2002, this certification is public record and copies will be available from the enterprise zone administrator.

Check here if this certification is for an earlier tax year and is a confidential tax document: Tax year beginning date _____, 20_____

This form certifies the qualified nature of the expenditures you made to rehabilitate for commercial use a building located in a Colorado enterprise zone. At the time the expenditure was made, the building must have been at least 20 years old and completely vacant for at least two years.

To claim the enterprise zone building rehabilitation credit:

- Complete the section designated for you to complete. Submit this form to the appropriate enterprise zone administrator. Enclose a self-addressed stamped envelope.
- Attach a copy of the certified form to your Colorado income tax return. Also attach copies of receipts, bills or any other documentation you may have that will verify the amount of the qualified expenditures.

QUALIFIED EXPENDITURES MEANS expenditures associated with exterior improvements, structural improvements, mechanical improvements, or electrical improvements necessary to put the building into a proper condition for the operation of a commercial enterprise. Qualified expenditures may include expenditures associated with demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, sprinkler systems installed for fire protection purposes, roofing and flashing, exterior repair, cleaning, tuckpointing and cleanup.

QUALIFIED EXPENDITURES DOES NOT INCLUDE soft costs such as the cost of appraisals; architectural, engineering, and interior design fees; legal, accounting, and realtor fees; loan fees; sales and marketing; closing; building permit, use and inspection fees; bids; insurance; project signs and phones; temporary power; bid bonds; copying; and rent loss during construction. **QUALIFIED EXPENDITURES DOES NOT INCLUDE** costs associated with acquisition; interior furnishings; new additions, except as may be required to comply with building and safety codes; excavation; grading; paving; landscaping; and repairs to outbuildings.

TO BE COMPLETED BY TAXPAYER, OWNER, OR AUTHORIZED COMPANY OFFICIAL

Enterprise Zone — See Reverse			
Taxpayer/Company Name		Telephone Number ()	
Address (street, city, ZIP)		For tax year ending _____, 20_____	
Address of Building for which Expenditures were Made (street, city, ZIP)			
Year Building was Constructed	Date of Last Occupancy	Current Year Qualifying Expenditures \$	Rehabilitation Tax Credit Claimed
I declare that all of the above information is true and correct to the best of my knowledge and belief.			
Signature of Owner/Authorized Official		Title	Date
CERTIFICATION BY ZONE ADMINISTRATOR			
I, the duly authorized administrator of the designated Enterprise Zone, hereby certify to the Colorado Department of Revenue that the expenditure amount stated was of a nature that qualified for the enterprise zone building rehabilitation for commercial use credit.			
Signature of Zone Administrator			Date

FOR MORE INFORMATION ABOUT ENTERPRISE ZONES CONTACT THE AGENCIES LISTED BELOW:

Colorado Department of Revenue, Denver, CO 80261-0005 Phone: 303-238-SERV(7378). www.TaxColorado.com Refer to FYI Income 24.

Colorado Office of Economic Development, 1625 Broadway, Suite 2700, Denver, CO 80202 Phone: 303-892-3840. www.advancecolorado.com

Colorado Enterprise Zones

Enterprise Zone Administrators

Adams County Enterprise Zone

Rita Carrington
Adams County Economic Development
12050 N. Pecos St., #200
Westminster, CO 80234
303-450-5106; FAX 303-252-8230
rcarrington@adamscountied.com

Arapahoe County Enterprise Zone

Nancy Fenton
Community Development
City of Englewood
1000 Englewood Parkway
Englewood, CO 80110
303-762-2347; FAX 303-783-6895
nfenton@englewoodgov.org

Denver Enterprise Zone

Turid Nagel-Casebolt
Office of Economic Development
City & County of Denver
201 W Colfax, Dept 1005
Denver, CO 80202
720-913-1623; FAX 720-913-1639
Turid.Nagel-Casebolt@ci.denver.co.us

East Central Enterprise Zone

Cheyenne, Kit Carson, Lincoln, eastern
Elbert Counties

Maryjo Downey
East Central COG
P.O. Box 28
Stratton, CO 80836
719-348-5562; FAX 719-348-5887
jdowney@prairiedevelopment.com

El Paso County Enterprise Zone

DeAnne McCann
El Paso County—Financial Services
Department
27 E. Vermijo Ave., 5th Floor
Colorado Springs, CO 80903
719-520-6480; FAX 719-520-6486
deanemccann@elpasoco.com

Greeley/Weld County Enterprise Zone

Cathy Schulte
Upstate Colorado Economic Development
822 7th Street, #550
Greeley, CO 80631
970-356-4565; FAX 970-352-2436
cschulte@upstatecolorado.org

Jefferson County Enterprise Zone

Leigh Seeger
Jefferson Economic Council
1667 Cole Blvd., #400
Golden, CO 80401-3219
720-544-5505; FAX 303-202-2967
lseeger@jeffco.org

Larimer County Enterprise Zone

Lew Wymisner
Larimer County Workforce Center
200 W. Oak Street, #5000
P.O. Box 2367
Fort Collins, CO 80522-2367
970 498-6605; FAX: 970-498-6673
lwymisner@larimer.org

Mesa County Enterprise Zone

Christina Reddin
The Business Incubator Center
2591 B 3/4 Rd
Grand Junction, CO 81503
970-243-5242; FAX 970-241-0771
creddin@gjincubator.org

Northeast Enterprise Zone

(sub-zone of EC)

Logan, Morgan, Phillips, Sedgwick,
Washington, Yuma Counties
Larry Worth
NE Colorado Assoc. of Local
Governments
231 Main St., #211
Fort Morgan, CO 80701
970-867-9409; FAX 867-9053
lworth@necalg.com

Northwest Enterprise Zone

Clear Creek, Garfield, Grand, Jackson,
Moffat, Rio Blanco, Routt Counties
Aron Diaz
Associated Governments of Northwest
Colorado
P.O. Box 351
Rifle, CO 81650
970-625-1723; FAX 970-625-1147
jane.whitt@agnc.org

Pueblo County Enterprise Zone

Aimee Tihonovich
Pueblo County
215 W. 10th St., Rm 322
Pueblo, CO 81003
719-583-6541; FAX 719-583-6499
aimee.tihonovich@co.pueblo.co.us

Region 10 Enterprise Zone

Delta, Gunnison, Hinsdale, Montrose,
Ouray, San Miguel
Paul Gray
Region 10 LEAP
P.O. Drawer 849
Montrose, CO 81402
970-249-2436; FAX 970-249-2488
info@region10.net

San Luis Valley Enterprise Zone (sub-zone of UA/SLV)

Alamosa, Conejos, Costilla, Mineral,
Rio Grande, Saguache Counties
Michael Wisdom
San Luis Valley Developmental
Resources Group
P.O. Box 300/ 626 4th St
Alamosa, CO 81101
719-589-6099; FAX 719-589-6299
wisdom@slvdr.org

South Central Enterprise Zone

Huerfano, Las Animas Counties
Priscilla Fraser
South Central COG
300 S. Bonaventure Ave
Trinidad, CO 81082
719-845-1133; FAX 719-845-1130
pfraser@scocog.net

Otero County

Jean Hinkle
Otero County
P.O. Box 511
La Junta, CO 81050
719-383-3000; FAX 719-383-3090
jhinkle@otero.gov

Southeast Colorado Enterprise Zone

Baca, Bent, Crowley, Kiowa, Prowers
Counties
Dan Tate
Southeast Colo. Enterprise Development
112 W. Elm St./ P.O. Box 1600
Lamar, CO 81052
719-336-3850; FAX 719-336-3835
seced@seced.net

Southwest Enterprise Zone

Archuleta, Dolores, La Plata, Montezuma,
San Juan Counties
Laura Lewis
Region 9 Economic Development District
295A Girard St.
Durango, CO 81303
970-247-9621 FAX 970-247-9513
laura@scan.org

Upper Arkansas Enterprise Zone (sub-zone of UA/SLV)

Chaffee, Custer, Fremont, Lake Counties
Jeff Ollinger
Upper Arkansas Area COG
P.O. Box 1212
Buena Vista, CO 81211
719-395-2602; no faxes accepted
jeffolli@chaffee.net