



Taxpayers may claim a credit for contributions they make during the tax year either to an enterprise zone administrator or to a certified program, project, or organization for the purpose of implementing the economic development plan for the enterprise zone. The credit is generally equal to 25% of the qualifying contribution, but is subject to multiple limitations. This *Part 2* provides information about qualifications, calculations, and limitations applicable to the contribution credit.

Qualifying contributions

Credits are allowed only for qualifying contributions made to either an enterprise zone administrator or a program, project, or organization certified by an enterprise zone administrator. Certification of any program, project, or organization is subject to approval by the Economic Development Commission. The Office of Economic Development and International Trade (OEDIT) provides information regarding project certification and a list of certified projects online at OEDIT.Colorado.gov/enterprise-zone-contribution-tax-credit.

A qualifying contribution is a monetary or in-kind contribution, subject to approval by the enterprise zone administrator and the Economic Development Commission, that the taxpayer makes during the tax year for the purpose of implementing the economic development plan for the enterprise zone. The enterprise zone administrator has the authority to determine whether a particular monetary or in-kind contribution is appropriate and necessary for the purpose of implementing the economic development plan. A taxpayer must obtain a Certification of Qualified Enterprise Zone Contribution from the enterprise zone administrator in order to claim the credit.

The amount of the credit is determined, in part, based upon whether the contribution is a monetary contribution or an in-kind contribution.

Monetary contributions

A monetary contribution is any contribution of U.S. currency in any form, including cash and payments made by check, electronic funds transfer (EFT), debit card, or credit card. A qualified charitable distribution of cash made from an individual retirement account (IRA) to a certified enterprise zone program, project, or organization is considered a monetary contribution. Please see *IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs)* for additional information regarding qualified charitable distributions.

In-kind contributions

In-kind contributions include all contributions that are not monetary contributions, subject to approval by the enterprise zone administrator and the Economic Development Commission. Contributions of property, services, stocks, bonds, and other intangible property may all be in-kind contributions. In general, credits for contributions of property are based on the fair market value of the property on the date of the contribution, determined in a manner consistent with IRS guidance. Please see *IRS Publication 561, Determining the Value of Donated Property* for additional information.

Non-qualifying contributions

Taxpayers may not claim a credit for any contributions made to a donor-advised fund, as defined in section 4966(d)(2)(A) of the Internal Revenue Code.

Additionally, the credit is not allowed for any contributions that directly benefit the contributor or that are not directly related to job creation, job preservation, or another purpose expressly authorized by law.

Taxpayers cannot claim both an enterprise zone contribution credit and a child care contribution credit for the same contribution.



Credit calculations and limitations

In general, the allowable credit is equal to 25% of the total aggregate qualifying contribution made during the tax year. However, multiple limitations apply in determining the allowable credit a taxpayer may claim. First, the total credit allowed to a taxpayer for any tax year may not exceed \$100,000. Additionally, the amount of credit a taxpayer can claim for in-kind contributions is also limited. Worksheet 2-1 details the calculation of the credit, including these limitations. The amount calculated on line 9 of Worksheet 2-1 is the allowable credit.

Worksheet 2-1. Credit Calculation

1. Monetary contributions	1. _____
2. In-kind contributions	2. _____
3. Add lines 1 and 2	3. _____
4. Enter the smaller of \$100,000 and 25% of line 3	4. _____
5. Multiply line 4 by 50%	5. _____
6. Enter the smaller of line 5 and 25% of line 2	6. _____
7. Line 4 minus line 6	7. _____
8. Enter the smaller of line 7 and 25% of line 1	8. _____
9. Enter the total of lines 6 and 8	9. _____

The credit calculation only includes qualifying contributions made during the tax year. The time at which a contribution is considered to be made is generally determined in a manner consistent with IRS guidance. See the section titled “When to Deduct” in IRS Publication 526, *Charitable Contributions* for additional information.

Example 1. Monetary contributions

During the tax year, the taxpayer makes a monetary contribution of \$8,000. The allowable credit is \$2,000, as illustrated below.

1. Monetary contributions	1. <u>\$ 8,000</u>
2. In-kind contributions	2. <u>\$ 0</u>
3. Add lines 1 and 2	3. <u>\$ 8,000</u>
4. Enter the smaller of \$100,000 and 25% of line 3	4. <u>\$ 2,000</u>
5. Multiply line 4 by 50%	5. <u>\$ 1,000</u>
6. Enter the smaller of line 5 and 25% of line 2	6. <u>\$ 0</u>
7. Line 4 minus line 6	7. <u>\$ 2,000</u>
8. Enter the smaller of line 7 and 25% of line 1	8. <u>\$ 2,000</u>
9. Enter the total of lines 6 and 8	9. <u>\$ 2,000</u>

Example 2. In-kind contributions

During the tax year, the taxpayer makes an in-kind contribution of \$8,000. The allowable credit is \$1,000, as illustrated below.

1. Monetary contributions	1. <u>\$ 0</u>
2. In-kind contributions	2. <u>\$ 8,000</u>
3. Add lines 1 and 2	3. <u>\$ 8,000</u>
4. Enter the smaller of \$100,000 and 25% of line 3	4. <u>\$ 2,000</u>
5. Multiply line 4 by 50%	5. <u>\$ 1,000</u>
6. Enter the smaller of line 5 and 25% of line 2	6. <u>\$ 1,000</u>
7. Line 4 minus line 6	7. <u>\$ 1,000</u>
8. Enter the smaller of line 7 and 25% of line 1	8. <u>\$ 0</u>
9. Enter the total of lines 6 and 8	9. <u>\$ 1,000</u>



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Example 3. Mixed contributions

During the tax year, the taxpayer makes monetary and in-kind contributions of \$4,000 each. The allowable credit is \$2,000, as illustrated below.

- 1. Monetary contributions 1. \$ 4,000
- 2. In-kind contributions 2. \$ 4,000
- 3. Add lines 1 and 2 3. \$ 8,000
- 4. Enter the smaller of \$100,000 and
25% of line 3 4. \$ 2,000
- 5. Multiply line 4 by 50% 5. \$ 1,000
- 6. Enter the smaller of line 5 and
25% of line 2 6. \$ 1,000
- 7. Line 4 minus line 6 7. \$ 1,000
- 8. Enter the smaller of line 7 and
25% of line 1 8. \$ 1,000
- 9. Enter the total of lines 6 and 8 9. \$ 2,000

Example 4. Mixed contributions

During the tax year, the taxpayer makes monetary and in-kind contributions of \$1,000 and \$7,000, respectively. The allowable credit is \$1,250.

- 1. Monetary contributions 1. \$ 1,000
- 2. In-kind contributions 2. \$ 7,000
- 3. Add lines 1 and 2 3. \$ 8,000
- 4. Enter the smaller of \$100,000 and
25% of line 3 4. \$ 2,000
- 5. Multiply line 4 by 50% 5. \$ 1,000
- 6. Enter the smaller of line 5 and
25% of line 2 6. \$ 1,000
- 7. Line 4 minus line 6 7. \$ 1,000
- 8. Enter the smaller of line 7 and
25% of line 1 8. \$ 250
- 9. Enter the total of lines 6 and 8 9. \$ 1,250

Credit carryforward

The credit a taxpayer can use for any tax year is limited to the taxpayer’s net tax liability. If the allowable credit exceeds the taxpayer’s net tax liability, the taxpayer can carry forward the excess credit for application toward the tax due for subsequent tax years. Credits may be carried forward up to five tax years. Any credit that has not been used within the carryforward period expires and is no longer available to the taxpayer.

Effect of credit on federal tax

Certain contributions may qualify for both the enterprise zone contribution credit and the federal charitable contribution deduction. However, federal regulation limits the federal deduction allowed for contributions that result in state income tax credits. See 26 CFR § 1.170A-1(h)(3) and *IRS Publication 526, Charitable Contributions* for additional information.



Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the enterprise zone contribution credit. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-30-103.5, C.R.S. Credit against tax - contributions to enterprise zone administrators.
- Rule 39-30-103.5. Credit for enterprise zone contributions.

Forms and guidance

- *Tax.Colorado.gov*
- *OEDIT.Colorado.gov/enterprise-zone-contribution-tax-credit*
- *Enterprise Zone Credit and Carryforward Schedule (DR 1366)*
- *IRS Publication 526, Charitable Contributions*
- *IRS Publication 561, Determining the Value of Donated Property*
- *IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs)*