



RESEARCH AND DEVELOPMENT INCOME TAX CREDIT

The Enterprise Zone Research and Development Income Tax Credit allows taxpayers who make expenditures on research and experimental activities in an Enterprise Zone to qualify for an income tax credit of 3% on qualified expenditures.

How is the credit calculated?

The 3% credit is based on the increase of the company's research and experimental expenditures within an Enterprise Zone over the average of such expenditures conducted in the same Enterprise Zone during the previous two years. The expenditures must meet the research and experimental activities as defined in Section 174 of the Federal Internal Revenue Code of 1986, as amended.

How do you determine what qualifies?

Qualified research must satisfy three criteria: (1) it must be technological in nature; (2) it must be useful in the development of a new or improved product or component of business; (3) It must utilize the process of experimentation.

In-House research expenses may include: wages, excluding fringe benefits; supplies; and payments for the right to use computers.

Contract research expenses may include the amount paid for research done by a third-party for the benefit of the contracting firm.

The following types of expenses do not qualify: land or improvements to land, depreciable equipment, management surveys, costs incurred to adapt a product to a particular customer's needs, research funded by any government entity.

How is the credit calculated?

The total amount of the calculated credit must be divided equally over four years. The taxpayer may claim 25% of the tax credit in the year the expenditure is made and 25% in each of the following three years.

How do I apply?

Pre-certification is required annually for any business that wishes to participate in any Colorado Enterprise Zone Credit programs. After the Pre-certification is approved, the business may then conduct activities that are eligible for Enterprise Zone Credits. At the end of the tax year, the business must then complete a Certification Application to receive approval. After receiving Certification Approval, the business will receive a signed Certification Form (DR 0077) from the Enterprise Zone Administrator that the business will include as part of their annual income tax filing.

Other specific terms and conditions apply to the Research and Development Income Tax Credit that are not outlined here. Contact your tax professional, or the Colorado Department of Revenue for further information.

Need more information?

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Get more information on the EZ program:

www.investbroomfield.com/ez

You can also visit:

www.advancecolorado.com/ez



ENTERPRISE ZONE

— City and County of Broomfield —



See if a property is in the Broomfield Enterprise Zone:

www.investbroomfield.com/ezMap

Apply for Pre-certification and Certification Online:

www.investbroomfield.com/ezApply