

DISCUSSION PAPERS IN ECONOMICS

Working Paper No. 04-15

An Evaluation of Colorado's Enterprise Zone Program: Measuring the Impact on Establishment-Level Employment and Earnings per Worker

Devon Lynch

*Department of Economics, University of Colorado at Boulder
Boulder, Colorado*

Jeffrey Zax

*Department of Economics, University of Colorado at Boulder
Boulder, Colorado*

October 2004

Center for Economic Analysis
Department of Economics



University of Colorado at Boulder
Boulder, Colorado 80309

© 2004 Devon Lynch and Jeffrey Zax

Abstract

1. Introduction

-
-
-

2. Literature Review

3. Expected impact of Enterprise Zone Programs

4. Contributions of this paper

4. A brief description of Colorado's Enterprise Zone Program

5. Data

6. Econometric Methodology

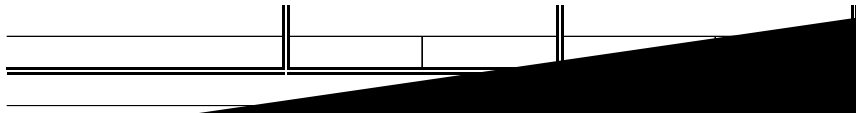
$$y = \beta + \beta EZ + X\gamma + \varepsilon$$

ε

σ

$$y = x\beta + \varepsilon$$

7. Descriptive Statistics⁹



8. Impact on Employment

8.1 Impact on Employment by Employment Size Class of Establishments

$$z = w' \gamma + \mu \quad z = \begin{cases} 1 & \text{if } z > 0 \\ 0 & \text{if } z \leq 0 \end{cases} \quad \text{and } z = \begin{cases} 1 & \text{if } z > 0 \\ 0 & \text{if } z \leq 0 \end{cases}$$

$$y = x \beta + \varepsilon \quad y = y \quad \text{if } z = 1 \quad \text{and} \quad y = 0 \quad \text{if } z = 0$$

$$\text{ob } y > 0 = \text{ob } z = 1 = \Phi(\gamma'w)$$

$$E y | z = x = x'\beta + \rho\sigma\frac{\phi}{\Phi}$$

8.2 Impact on Employment by Industry

8.3 EZ Effect on Survival of Establishments

8.4 EZ effects at the level of each individual EZs

9. Impact on Average Earnings per Worker

10. Conclusion

Appendix

Enterprise Zone Tax Credits and Incentives

Three percent investment tax credit.

\$500 job tax credit.

Double job tax credit for agricultural processing.

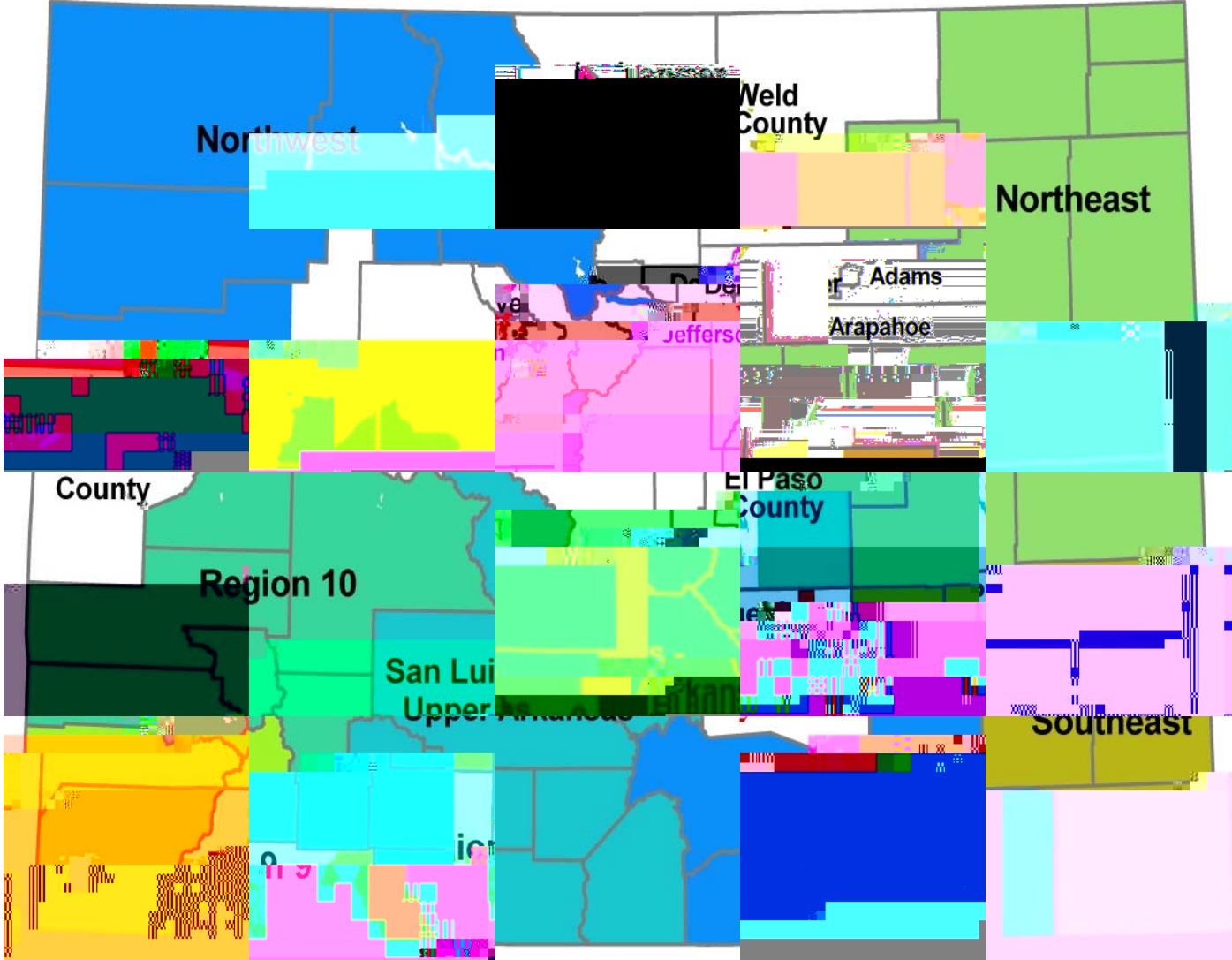
\$200 job tax credit for employer health insurance.

Exemption from state sales and use tax for manufacturing and mining equipment.

-
-
-

When used solely within an enterprise zone this exemption may also be claimed for purchases of

-
-



Journal of Urban Economics

Regression Models: Censored, Sample-Selected, or Truncated

Data

Quarterly Journal of Economics

Environment

and Planning C: Government and Policy

Environment and Planning C: Government and Policy

Journal of Regional Science

Policy Studies

Review

Journal of

Housing Research

The

Review of Economics and Statistics

Tax Policy and the economy

Journal of Public Economics