

Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 16-1149.01 Esther van Mourik x4215

HOUSE BILL 16-1372

HOUSE SPONSORSHIP

Primavera,

SENATE SPONSORSHIP

(None),

House Committees

Public Health Care & Human Services
Finance

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE CREATION OF THE COLORADO WORK OPPORTUNITY
102 INCOME TAX CREDIT.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill creates the Colorado work opportunity income tax credit, which provides an additional state-level income tax credit to a private-sector business that hires individuals who are members of a targeted group and employs them in Colorado, but only if such private-sector business is eligible for the federal work opportunity tax credit for hiring such individual.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

The income tax credit is a one-time credit of a specified percentage of the individual's first-year wages, subject to a maximum amount, and subject to a minimum number of hours that the individual must work for the private-sector business. The credit amount is increased if the individual is a veteran.

There is an additional one-time income tax credit for private-sector businesses that hire individuals who are long-term family assistance recipients. That credit is a specified percentage of the individual's second-year wages, again subject to a maximum amount, and subject to a minimum number of hours that the individual must work for the private-sector business.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-538 as
3 follows:

4 **39-22-538. Colorado work opportunity tax credit - legislative**
5 **declaration - definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY FINDS
6 AND DECLARES THAT THERE EXISTS A FEDERAL WORK OPPORTUNITY TAX
7 CREDIT FOR EMPLOYERS WHO EMPLOY INDIVIDUALS WHO ARE MEMBERS
8 OF A TARGETED GROUP, INDIVIDUALS WHO ARE:

9 (I) RECIPIENTS OF ASSISTANCE UNDER PART A OF TITLE IV OF THE
10 FEDERAL "SOCIAL SECURITY ACT" (TANF);

11 (II) QUALIFIED VETERANS;

12 (III) QUALIFIED EX-FELONS;

13 (IV) DESIGNATED COMMUNITY RESIDENTS;

14 (V) VOCATIONAL REHABILITATION REFERRALS;

15 (VI) QUALIFIED SUMMER YOUTH EMPLOYEES;

16 (VII) QUALIFIED SUPPLEMENTAL NUTRITION ASSISTANCE
17 PROGRAM (SNAP) BENEFITS RECIPIENTS;

18 (VIII) QUALIFIED SSI RECIPIENTS;

19 (IX) LONG-TERM FAMILY ASSISTANCE RECIPIENTS; OR

1 (X) QUALIFIED LONG-TERM UNEMPLOYMENT RECIPIENTS.

2 (b) THE GENERAL ASSEMBLY FURTHER FINDS THAT SUCH
3 INDIVIDUALS ALL HAVE ONE THING IN COMMON: THEY ALL RECEIVE PUBLIC
4 ASSISTANCE OF SOME SORT. THE STATE ALSO CONTRIBUTES MONEY TO
5 THESE FEDERAL PUBLIC ASSISTANCE PROGRAMS. THE FEDERAL WORK
6 OPPORTUNITY TAX CREDIT ENCOURAGES PRIVATE-SECTOR BUSINESSES BY
7 PROVIDING SUCH BUSINESSES WITH AN INCOME TAX CREDIT TO HIRE SUCH
8 INDIVIDUALS AS EMPLOYEES.

9 (c) THE GENERAL ASSEMBLY FURTHER FINDS THAT WHEN SUCH
10 EMPLOYEES ARE HIRED AND THUS MOVE OUT OF UNEMPLOYMENT, THE
11 FEDERAL GOVERNMENT AND THE STATE SEE SAVINGS IN THE COST OF
12 THESE PUBLIC ASSISTANCE PROGRAMS BECAUSE THERE ARE FEWER
13 INDIVIDUALS IN NEED. IN SOME ESTIMATES, THE SAVINGS TO COLORADO
14 ARE IN THE NEIGHBORHOOD OF SEVENTY-NINE MILLION DOLLARS JUST AS
15 A RESULT OF THE FEDERAL WORK OPPORTUNITY TAX CREDIT. SUCH
16 SAVINGS TO THE STATE WOULD INCREASE IF THE INCENTIVE TO THE
17 PRIVATE-SECTOR BUSINESS IS EVEN GREATER BECAUSE THE STATE OFFERS
18 ITS OWN WORK OPPORTUNITY TAX CREDIT.

19 (d) THE GENERAL ASSEMBLY DECLARES THAT THE PURPOSE OF THE
20 TAX EXPENDITURE IN THIS SECTION IS TO INCREASE THE STATE'S ECONOMIC
21 GROWTH AND PRODUCTIVITY BY ENCOURAGING PRIVATE-SECTOR
22 BUSINESSES TO HIRE EMPLOYEES FROM SPECIFIC GROUPS IN ORDER TO HELP
23 THOSE TARGETED EMPLOYEES MOVE FROM ECONOMIC DEPENDENCY TO
24 SELF-SUFFICIENCY WHILE EARNING A STEADY INCOME, BECOMING
25 CONTRIBUTING TAXPAYERS, AND GAINING ON-THE-JOB EXPERIENCE.

26 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
27 REQUIRES:

1 (a) "DESIGNATED LOCAL AGENCY" MEANS THE COLORADO WORK
2 OPPORTUNITY TAX CREDIT COORDINATOR IN THE COLORADO DEPARTMENT
3 OF LABOR AND EMPLOYMENT.

4 (b) "LONG-TERM FAMILY ASSISTANCE RECIPIENT" HAS THE SAME
5 MEANING AS SET FORTH IN SECTION 51 (d) (10) OF THE INTERNAL REVENUE
6 CODE, AS AMENDED.

7 (c) "MEMBER OF A TARGETED GROUP" HAS THE SAME MEANING AS
8 SET FORTH IN SECTION 51 (d) OF THE INTERNAL REVENUE CODE, AS
9 AMENDED, AND IS SUBJECT TO THE LIMITATIONS SET FORTH IN SECTION 51
10 (i) OF THE INTERNAL REVENUE CODE, AS AMENDED.

11 (d) "QUALIFIED FIRST-YEAR WAGES" HAS THE SAME MEANING AS
12 SET FORTH IN SECTION 51 (b) (2) OF THE INTERNAL REVENUE CODE, AS
13 AMENDED.

14 (e) "QUALIFIED SECOND-YEAR WAGES" HAS THE SAME MEANING AS
15 SET FORTH IN SECTION 51 (e) OF THE INTERNAL REVENUE CODE, AS
16 AMENDED.

17 (3) (a) (I) FOR ANY INCOME TAX YEAR COMMENCING ON OR AFTER
18 JANUARY 1, 2017, BUT PRIOR TO JANUARY 1, 2020, THERE IS ALLOWED TO
19 A TAXPAYER A ONE-TIME CREDIT AGAINST THE TAX IMPOSED BY THIS
20 ARTICLE IN AN AMOUNT SET FORTH IN SUBPARAGRAPH (II) OF THIS
21 PARAGRAPH (a) FOR EACH INDIVIDUAL WHO IS A MEMBER OF A TARGETED
22 GROUP THAT THE TAXPAYER EMPLOYS IN THE STATE AND FOR WHICH
23 INDIVIDUAL THE TAXPAYER IS ELIGIBLE TO CLAIM THE FEDERAL WORK
24 OPPORTUNITY TAX CREDIT ALLOWED IN SECTIONS 38 AND 51 OF THE
25 INTERNAL REVENUE CODE, AS AMENDED, FOR THE TAX YEAR FOR WHICH
26 THE TAXPAYER IS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS
27 SECTION.

1 (II) (A) EXCEPT AS PROVIDED IN SUB-SUBPARAGRAPH (B) OF THIS
2 SUBPARAGRAPH (II), FOR AN INDIVIDUAL WHO IS A MEMBER OF A
3 TARGETED GROUP WHO PERFORMS FOUR HUNDRED HOURS OF SERVICE OR
4 MORE IN TRADE OR BUSINESS FOR THE TAXPAYER, THE AMOUNT OF THE
5 CREDIT ALLOWED IN THIS SECTION EQUALS FORTY PERCENT OF THE
6 INDIVIDUAL'S QUALIFIED FIRST-YEAR WAGES. EXCEPT AS PROVIDED IN
7 SUB-SUBPARAGRAPH (B) OF THIS SUBPARAGRAPH (II), FOR AN INDIVIDUAL
8 WHO IS A MEMBER OF A TARGETED GROUP WHO PERFORMS AT LEAST ONE
9 HUNDRED TWENTY HOURS OF SERVICE, BUT FEWER THAN FOUR HUNDRED
10 HOURS, IN TRADE OR BUSINESS FOR THE TAXPAYER, THE AMOUNT OF THE
11 CREDIT ALLOWED IN THIS SECTION EQUALS TWENTY-FIVE PERCENT OF THE
12 INDIVIDUAL'S QUALIFIED FIRST-YEAR WAGES. AN INDIVIDUAL WHO IS A
13 MEMBER OF A TARGETED GROUP MUST PERFORM ONE HUNDRED TWENTY
14 HOURS OF SERVICE OR MORE IN TRADE OR BUSINESS FOR THE TAXPAYER IN
15 ORDER FOR THE TAXPAYER TO CLAIM THE CREDIT ALLOWED IN THIS
16 SECTION.

17 (B) THE AMOUNT OF THE QUALIFIED FIRST-YEAR WAGES THAT MAY
18 BE TAKEN INTO ACCOUNT WITH RESPECT TO AN INDIVIDUAL WHO IS A
19 MEMBER OF A TARGETED GROUP MAY NOT EXCEED FOUR THOUSAND FIVE
20 HUNDRED DOLLARS PER YEAR; EXCEPT THAT, IF THE INDIVIDUAL WHO IS A
21 MEMBER OF A TARGETED GROUP IS A VETERAN, THE AMOUNT OF THE
22 QUALIFIED FIRST-YEAR WAGES THAT MAY BE TAKEN INTO ACCOUNT MAY
23 NOT EXCEED FOUR THOUSAND EIGHT HUNDRED DOLLARS PER YEAR.

24 (b) (I) FOR ANY INCOME TAX YEAR COMMENCING ON OR AFTER
25 JANUARY 1, 2017, BUT PRIOR TO JANUARY 1, 2020, THERE IS ALLOWED TO
26 A TAXPAYER A ONE-TIME CREDIT AGAINST THE TAX IMPOSED BY THIS
27 ARTICLE IN AN AMOUNT SET FORTH IN SUBPARAGRAPH (II) OF THIS

1 PARAGRAPH (b) FOR EACH INDIVIDUAL WHO IS A LONG-TERM FAMILY
2 ASSISTANCE RECIPIENT THAT THE TAXPAYER EMPLOYS IN THE STATE AND
3 FOR WHICH INDIVIDUAL THE TAXPAYER IS ELIGIBLE TO CLAIM THE FEDERAL
4 WORK OPPORTUNITY TAX CREDIT ALLOWED IN SECTIONS 38 AND 51 OF THE
5 INTERNAL REVENUE CODE, AS AMENDED, FOR THE TAX YEAR FOR WHICH
6 THE TAXPAYER IS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS
7 SECTION.

8 (II) (A) EXCEPT AS PROVIDED IN SUB-SUBPARAGRAPH (B) OF THIS
9 SUBPARAGRAPH (II), FOR AN INDIVIDUAL WHO IS A LONG-TERM FAMILY
10 ASSISTANCE RECIPIENT WHO PERFORMS FOUR HUNDRED HOURS OF SERVICE
11 OR MORE IN TRADE OR BUSINESS FOR THE TAXPAYER, THE AMOUNT OF THE
12 CREDIT ALLOWED IN THIS SECTION EQUALS FIFTY PERCENT OF THE
13 INDIVIDUAL'S QUALIFIED SECOND-YEAR WAGES. EXCEPT AS PROVIDED IN
14 SUB-SUBPARAGRAPH (B) OF THIS SUBPARAGRAPH (II), FOR AN INDIVIDUAL
15 WHO IS A LONG-TERM FAMILY ASSISTANCE RECIPIENT WHO PERFORMS AT
16 LEAST ONE HUNDRED TWENTY HOURS OF SERVICE IN TRADE OR BUSINESS
17 FOR THE TAXPAYER, BUT FEWER THAN FOUR HUNDRED HOURS, THE
18 AMOUNT OF THE CREDIT ALLOWED IN THIS SECTION EQUALS TWENTY-FIVE
19 PERCENT OF THE INDIVIDUAL'S QUALIFIED SECOND-YEAR WAGES. AN
20 INDIVIDUAL WHO IS A LONG-TERM FAMILY ASSISTANCE RECIPIENT MUST
21 PERFORM ONE HUNDRED TWENTY HOURS OF SERVICE OR MORE IN TRADE
22 OR BUSINESS FOR THE TAXPAYER IN ORDER FOR THE TAXPAYER TO CLAIM
23 THE CREDIT ALLOWED IN THIS SECTION.

24 (B) THE AMOUNT OF THE QUALIFIED FIRST-YEAR WAGES PLUS THE
25 AMOUNT OF THE QUALIFIED SECOND-YEAR WAGES THAT MAY BE TAKEN
26 INTO ACCOUNT WITH RESPECT TO AN INDIVIDUAL WHO IS A LONG-TERM
27 FAMILY ASSISTANCE RECIPIENT MAY NOT EXCEED TEN THOUSAND

1 DOLLARS PER YEAR.

2 (c) IN ORDER TO CLAIM A CREDIT ALLOWED IN THIS SECTION, FOR
3 EACH CREDIT THE TAXPAYER IS CLAIMING, THE TAXPAYER MUST PROVIDE
4 THE DEPARTMENT OF REVENUE WITH A COPY, CERTIFIED BY THE
5 DESIGNATED LOCAL AGENCY, OF EITHER THE PRE-SCREENING NOTICE OR
6 THE CERTIFICATION THAT THE DESIGNATED LOCAL AGENCY HAS ISSUED TO
7 THE TAXPAYER PURSUANT TO THE REQUIREMENTS SET FORTH IN SECTION
8 51 OF THE INTERNAL REVENUE CODE, AS AMENDED, INDICATING THAT THE
9 INDIVIDUAL THE TAXPAYER SEEKS TO EMPLOY IS TO BE TREATED AS A
10 MEMBER OF A TARGETED GROUP, THUS ENSURING THAT THE TAXPAYER IS
11 ELIGIBLE TO CLAIM THE FEDERAL WORK OPPORTUNITY TAX CREDIT FOR
12 EMPLOYING SUCH INDIVIDUAL. IF THE TAXPAYER IS NOT ELIGIBLE FOR THE
13 FEDERAL WORK OPPORTUNITY TAX CREDIT FOR EMPLOYING THE
14 INDIVIDUAL WHO IS A MEMBER OF A TARGETED GROUP, THEN THE
15 TAXPAYER IS NOT ELIGIBLE FOR THE COLORADO WORK OPPORTUNITY TAX
16 CREDIT ALLOWED IN THIS SECTION.

17 (4) IF THE CREDIT EXCEEDS THE AMOUNT OF INCOME TAX DUE ON
18 THE INCOME OF THE TAXPAYER FOR THE TAX YEAR FOR WHICH THE CREDIT
19 IS CLAIMED, THE AMOUNT OF THE TAX CREDIT NOT USED AS AN OFFSET
20 AGAINST INCOME TAXES IN SUCH INCOME TAX YEAR MAY NOT BE
21 ALLOWED AS A REFUND, BUT MAY BE CARRIED FORWARD AND APPLIED
22 AGAINST THE INCOME TAX DUE IN EACH OF THE FIVE SUCCEEDING INCOME
23 TAX YEARS, BUT MUST FIRST BE APPLIED AGAINST THE INCOME TAX DUE
24 FOR THE EARLIEST OF THE INCOME TAX YEARS POSSIBLE.

25 (5) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2024.

26 **SECTION 2. Safety clause.** The general assembly hereby finds,

- 1 determines, and declares that this act is necessary for the immediate
- 2 preservation of the public peace, health, and safety.