

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 24-0715.01 Rebecca Bayetti x4348

HOUSE BILL 24-1157

HOUSE SPONSORSHIP

Lindstedt and Vigil,

SENATE SPONSORSHIP

Bridges,

House Committees
Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 CONCERNING EMPLOYEE-OWNED BUSINESSES.

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://leg.colorado.gov>.)

The bill creates the employee ownership office, which was originally created administratively by the governor in 2020, as a statutory entity within the office of economic development and international trade (OEDIT). The bill also creates an income tax credit for specified costs incurred by new employee-owned businesses, to be administered by the employee ownership office.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) The general assembly has demonstrated an ongoing
5 commitment to ensuring that communities and local economies from
6 across Colorado are provided with the opportunities and direct support
7 they need to thrive, as well as recover from the COVID-19 pandemic;

8 (b) The office of economic development and international trade
9 develops and manages a wide range of programs dedicated to supporting
10 the economic growth and development of businesses of all sizes, local
11 economies in every corner of Colorado, and Colorado's statewide
12 economy;

13 (c) It is a priority of the general assembly to ensure that programs
14 of the office of economic development and international trade are
15 accessible and impactful in both rural and urban communities, ensuring
16 that the entire state of Colorado can achieve and sustain a healthy
17 economy that works for everyone and protects what makes Colorado the
18 best state in the country in which to live, work, start a business, raise a
19 family, and retire;

20 (d) In 2020, the governor administratively created the employee
21 ownership office within the office of economic development and
22 international trade to ensure that, as people reach retirement age and
23 business owners consider what to do with their businesses, communities
24 can retain homegrown economic opportunities through employee
25 ownership models;

26 (e) The employee ownership office allows Colorado to retain
27 business development within communities instead of exporting

1 entrepreneurship; and

2 (f) Since the formation of the employee ownership office under
3 the business support division within the office of economic development
4 and international trade, it has:

5 (I) Built critical individual connections with Colorado's small
6 businesses and provided one-to-one consulting support and financial
7 support of off-setting the costs associated with transitioning into an
8 employee ownership model;

9 (II) Coordinated with other state and federal partners to provide
10 a holistic approach to meeting community needs; and

11 (III) Provided feedback to improve internal programs and inform
12 the development of new initiatives, high-level policy decisions, and
13 legislation that influences rural economic development statewide.

14 **SECTION 2.** In Colorado Revised Statutes, **add** 24-48.5-135 as
15 follows:

16 **24-48.5-135. Employee ownership office - creation - duties.**

17 (1) THE EMPLOYEE OWNERSHIP OFFICE IS CREATED WITHIN THE OFFICE OF
18 ECONOMIC DEVELOPMENT. THE DIRECTOR OF THE OFFICE OF ECONOMIC
19 DEVELOPMENT DESIGNATES AND SUPERVISES THE DIRECTOR OF THE
20 EMPLOYEE OWNERSHIP OFFICE.

21 (2) THE EMPLOYEE OWNERSHIP OFFICE SHALL:

22 (a) SUPPORT THE DEVELOPMENT AND ADVANCEMENT OF
23 EMPLOYEE-OWNED BUSINESSES, ESPECIALLY BY PROVIDING TECHNICAL
24 SUPPORT TO SMALL BUSINESS OWNERS LOOKING TO TRANSITION INTO
25 EMPLOYEE OWNERSHIP MODELS THROUGH THE OFFICE OF ECONOMIC
26 DEVELOPMENT;

27 (b) PROVIDE SUPPORT AND COORDINATION WITH OTHER STATE

1 AGENCIES AND PROGRAMS THAT DEAL WITH EMPLOYEE OWNERSHIP
2 MATTERS; AND

3 (c) MEASURE THE SUCCESS OF PROGRAM OUTREACH AND CONDUCT
4 RESEARCH TO DETERMINE WHETHER COLORADO'S SMALL BUSINESS
5 OWNERS EXPERIENCE INCREASED GROWTH, STABILITY, OR VIABILITY OF
6 THEIR BUSINESSES AND ADDITIONAL EMPLOYEE ENGAGEMENT IN
7 EMPLOYEE OWNERSHIP STRUCTURES AS A RESULT OF THE EFFORTS OF THE
8 EMPLOYEE OWNERSHIP OFFICE.

9 **SECTION 3.** In Colorado Revised Statutes, **add** 39-22-542.5 as
10 follows:

11 **39-22-542.5. Tax credit for new employee-owned businesses**
12 **- tax preference performance statement - legislative declaration -**
13 **definitions - repeal. (1) Tax preference performance statement.**

14 (a) IN ACCORDANCE WITH SECTION 39-21-304, WHICH REQUIRES EACH
15 BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX
16 PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
17 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND
18 DECLARES THAT THE PURPOSES OF THE TAX CREDIT CREATED IN THIS
19 SECTION ARE TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
20 TO CREATE OR RETAIN JOBS, AND TO PROVIDE INCOME TAX RELIEF FOR
21 CERTAIN BUSINESSES OR INDIVIDUALS. SPECIFICALLY, THE TAX CREDIT
22 FACILITATES EMPLOYEE OWNERSHIP AND THE RETENTION OF COMMUNITY
23 INVESTMENT AND WEALTH BY BUSINESS OWNERS AND EMPLOYEES IN A
24 COMMUNITY.

25 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
26 MEASURE THE EFFECTIVENESS OF THE TAX CREDIT IN ACHIEVING THE
27 PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE

1 INFORMATION REQUIRED TO BE MAINTAINED BY AND REPORTED TO THE
2 STATE AUDITOR BY THE EMPLOYEE OWNERSHIP OFFICE PURSUANT TO
3 SUBSECTION (7)(b) OF THIS SECTION.

4 (2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT
5 OTHERWISE REQUIRES:

6 (a) "ALTERNATE EQUITY STRUCTURE" MEANS A MECHANISM
7 UNDER WHICH AN EMPLOYER GRANTS TO EMPLOYEES A FORM OF
8 EMPLOYEE OWNERSHIP, INCLUDING BUT NOT LIMITED TO AN EMPLOYEE
9 STOCK PURCHASE PLAN, LLC MEMBERSHIP, PHANTOM STOCK, PROFIT
10 INTEREST, RESTRICTED STOCK, STOCK APPRECIATION RIGHT, STOCK
11 OPTION, OR SYNTHETIC EQUITY. THE OFFICE MAY DEVELOP GUIDELINES
12 THAT CLARIFY THE TYPES OF EMPLOYEE OWNERSHIP GRANTS THAT
13 QUALIFY AS AN ALTERNATE EQUITY STRUCTURE. AN ALTERNATE EQUITY
14 STRUCTURE MUST AT A MINIMUM:

15 (I) GRANT RIGHTS TO OR BE OFFERED TO AT LEAST TWENTY
16 PERCENT OF AN EMPLOYER'S ELIGIBLE WORKERS, OR GRANT RIGHTS TO OR
17 BE OFFERED TO AT LEAST TWENTY PERCENT OF ELIGIBLE WORKERS OF AN
18 EMPLOYER THAT IS OWNED BY OR OPERATED FOR THE BENEFIT OF ELIGIBLE
19 WORKERS IN A BROAD-BASED EMPLOYEE OWNERSHIP TRANSITION. FOR
20 PURPOSES OF THIS SUBSECTION (2)(a), "ELIGIBLE WORKERS" MEANS ALL
21 FULL-TIME EMPLOYEES, REGULAR EMPLOYEES, NON-SEASONAL
22 EMPLOYEES, NON-MANAGERIAL EMPLOYEES, AND CONTRACT LABOR.

23 (II) HAVE THE PARTICIPATION OF AT LEAST TWENTY PERCENT OF
24 AN EMPLOYER'S ELIGIBLE WORKERS;

25 (III) ALLOCATE AT LEAST TWENTY PERCENT OF THE FULLY
26 DILUTED SECURITIES OR RIGHTS TO A SYNTHETIC INTEREST IN SECURITIES
27 TO PARTICIPATING ELIGIBLE WORKERS, OR ALLOCATE TWENTY PERCENT OF

1 NET PROFIT FROM OPERATIONS TO PARTICIPATING ELIGIBLE WORKERS; AND

2 (IV) GRANT TO PARTICIPATING ELIGIBLE WORKERS
3 INFORMATIONAL RIGHTS, DECISION-MAKING RIGHTS, AND NON-FINANCIAL
4 RIGHTS THAT ARE EQUAL TO OR GREATER THAN THE RIGHTS THAT ARE
5 GRANTED TO HOLDERS OF THE EMPLOYER'S COMMON STOCK OR HOLDERS
6 OF THE EMPLOYER'S RESIDUAL MEMBERSHIP INTEREST.

7 (b) "DEPARTMENT" MEANS THE COLORADO DEPARTMENT OF
8 REVENUE.

9 (c) "ELIGIBLE COSTS" MEANS COSTS INCURRED AS A RESULT OF
10 BEING A NEW EMPLOYEE-OWNED BUSINESS, AS DETAILED IN THE
11 GUIDELINES ISSUED BY THE OFFICE.

12 (d) "EMPLOYEE-OWNED BUSINESS" MEANS A TAXPAYER THAT IS
13 SUBJECT TO TAX UNDER THIS ARTICLE 22, INCLUDING BUT NOT LIMITED TO
14 A C CORPORATION, S CORPORATION, LIMITED LIABILITY COMPANY,
15 PARTNERSHIP, LIMITED LIABILITY PARTNERSHIP, SOLE PROPRIETORSHIP, OR
16 OTHER SIMILAR PASS-THROUGH ENTITY, THAT:

17 (I) IS OWNED IN WHOLE OR IN PART BY AN EMPLOYEE OWNERSHIP
18 TRUST;

19 (II) HAS AN EMPLOYEE STOCK OWNERSHIP PLAN, IS IN WHOLE OR
20 IN PART A WORKER-OWNED COOPERATIVE, OR HAS AN ALTERNATE EQUITY
21 STRUCTURE; AND

22 (III) HAS ITS CORPORATE HEADQUARTERS LOCATED IN THIS STATE.

23 FOR PURPOSES OF THIS SUBSECTION (2)(d), "CORPORATE HEADQUARTERS"
24 MEANS THE SOLE LOCATION WITHIN A REGIONAL OR NATIONAL AREA
25 WHERE THE TAXPAYER'S STAFF MEMBERS OR EMPLOYEES ARE DOMICILED
26 AND EMPLOYED, AND WHERE THE MAJORITY OF THE TAXPAYER'S
27 FINANCIAL, PERSONNEL, LEGAL, PLANNING, OR OTHER BUSINESS

1 FUNCTIONS ARE CONDUCTED ON A REGIONAL OR NATIONAL BASIS.

2 (e) "EMPLOYEE OWNERSHIP OFFICE" OR "OFFICE" MEANS THE
3 EMPLOYEE OWNERSHIP OFFICE CREATED IN SECTION 24-48.5-135.

4 (f) "EMPLOYEE OWNERSHIP TRUST" MEANS AN INDIRECT FORM OF
5 EMPLOYEE OWNERSHIP IN WHICH A TRUST HOLDS A CONTROLLING STAKE
6 IN A BUSINESS AND BENEFITS ALL EMPLOYEES ON AN EQUAL BASIS.

7 (g) "EMPLOYEE STOCK OWNERSHIP PLAN" HAS THE SAME MEANING
8 AS SET FORTH IN SECTION 4975 (e)(7) OF THE INTERNAL REVENUE CODE,
9 AS AMENDED.

10 (h) "NEW EMPLOYEE-OWNED BUSINESS" MEANS AN
11 EMPLOYEE-OWNED BUSINESS THAT HAS BEEN AN EMPLOYEE-OWNED
12 BUSINESS FOR SEVEN YEARS OR FEWER.

13 (i) "QUALIFIED BUSINESS" MEANS A TAXPAYER THAT IS A NEW
14 EMPLOYEE-OWNED BUSINESS.

15 (j) "SECURITIES" HAS THE SAME MEANING AS THE TERM
16 "SECURITY" SET FORTH IN 15 U.S.C. SEC. 77b (a)(1).

17 (k) "TAX CREDIT" MEANS THE CREDIT AGAINST INCOME TAX
18 CREATED IN THIS SECTION.

19 (l) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX PURSUANT TO
20 THIS ARTICLE 22.

21 (m) "WORKER-OWNED COOPERATIVE" HAS THE SAME MEANING AS
22 SET FORTH IN SECTION 1042 (c)(2) OF THE INTERNAL REVENUE CODE, AS
23 AMENDED.

24 (3) **Tax credit for new employee-owned businesses.**

25 (a) SUBJECT TO CERTIFICATION BY THE OFFICE PURSUANT TO THIS
26 SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
27 1, 2025, BUT BEFORE JANUARY 1, 2034, A QUALIFIED BUSINESS IS

1 ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS
2 ARTICLE 22 IN AN AMOUNT EQUAL TO FIFTY PERCENT OF THE ELIGIBLE
3 COSTS, NOT TO EXCEED FIFTY THOUSAND DOLLARS, INCURRED BY THE
4 QUALIFIED BUSINESS.

5 (b) (I) A QUALIFIED BUSINESS MAY APPLY FOR AND CLAIM ONLY
6 ONE TAX CREDIT ALLOWED IN THIS SUBSECTION (3) FOR THE ELIGIBLE
7 COSTS INCURRED IN ANY TAX YEAR.

8 (II) IN THE CASE OF A QUALIFIED BUSINESS THAT IS A C
9 CORPORATION, THE TAX CREDIT IS ALLOWED TO THE QUALIFIED BUSINESS.

10 (III) IN THE CASE OF A QUALIFIED BUSINESS THAT IS A
11 PARTNERSHIP OR AN S CORPORATION, THE TAX CREDIT IS ALLOWED TO THE
12 OWNERS OF THE QUALIFIED BUSINESS.

13 (4) **Tax credit certificate.** (a) A QUALIFIED BUSINESS SHALL
14 SUBMIT AN APPLICATION TO THE OFFICE FOR THE CERTIFICATION AND
15 ISSUANCE OF A TAX CREDIT CERTIFICATE FOR THE TAX CREDIT ALLOWED
16 IN SUBSECTION (3) OF THIS SECTION BY THE DEADLINES ESTABLISHED IN
17 THE OFFICE'S GUIDELINES. THE APPLICATION MUST INCLUDE THE
18 INFORMATION SET FORTH IN THE OFFICE'S GUIDELINES. THE OFFICE MAY
19 IMPOSE A REASONABLE APPLICATION FEE NOT TO EXCEED TWO HUNDRED
20 AND FIFTY DOLLARS.

21 (b) TO CLAIM THE TAX CREDIT ALLOWED IN SUBSECTION (3) OF
22 THIS SECTION, A QUALIFIED BUSINESS MUST ANNUALLY APPLY FOR AND
23 RECEIVE A TAX CREDIT CERTIFICATE FROM THE OFFICE PURSUANT TO THIS
24 SUBSECTION (4). THE SUBMISSION OF AN APPLICATION DOES NOT ENTITLE
25 THE QUALIFIED BUSINESS TO THE ISSUANCE OF A TAX CREDIT CERTIFICATE.

26 (c) THE OFFICE SHALL DOCUMENT THE DATE AND TIME THAT A
27 COMPLETE APPLICATION WAS RECEIVED AND SHALL REVIEW COMPLETE

1 APPLICATIONS IN THE ORDER IN WHICH THEY ARE RECEIVED. IF THE OFFICE
2 DETERMINES THAT AN APPLICANT IS NOT ENTITLED TO A TAX CREDIT
3 CERTIFICATE, THE OFFICE SHALL NOTIFY THE APPLICANT OF ITS
4 DISAPPROVAL IN WRITING.

5 (d) IF THE OFFICE IS SATISFIED THAT THE REQUIREMENTS OF THIS
6 SECTION AND THE OFFICE'S GUIDELINES FOR THE TAX CREDIT ARE MET,
7 THEN THE OFFICE SHALL ISSUE TO THE QUALIFIED BUSINESS A TAX CREDIT
8 CERTIFICATE THAT EVIDENCES THE QUALIFIED BUSINESS'S RIGHT TO CLAIM
9 THE TAX CREDIT ALLOWED IN SUBSECTION (3) OF THIS SECTION. THE
10 OFFICE SHALL NOT ISSUE TAX CREDIT CERTIFICATES IN EXCESS OF THE
11 MAXIMUM AGGREGATE AMOUNT FOR ANY SINGLE INCOME TAX YEAR
12 SPECIFIED IN SUBSECTION (4)(e) OF THIS SECTION.

13 (e) (I) THE MAXIMUM AGGREGATE AMOUNT OF ALL TAX CREDIT
14 CERTIFICATES THAT THE OFFICE MAY ISSUE PURSUANT TO THIS SECTION IN
15 ANY SINGLE INCOME TAX YEAR IS ONE MILLION FIVE HUNDRED THOUSAND
16 DOLLARS.

17 (II) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,
18 IF THE MAXIMUM AGGREGATE AMOUNT IN SUBSECTION (4)(e)(I) OF THIS
19 SECTION IS NOT REQUESTED AND ISSUED BY THE OFFICE IN A SINGLE
20 INCOME TAX YEAR, THE OFFICE MAY ISSUE THE UNUSED AMOUNT IN TAX
21 CREDIT CERTIFICATES IN SUBSEQUENT INCOME TAX YEARS.

22 (5) **Claiming tax credit.** TO CLAIM THE TAX CREDIT ALLOWED IN
23 SUBSECTION (3) OF THIS SECTION, THE QUALIFIED BUSINESS SHALL FILE
24 THE TAX CREDIT CERTIFICATE WITH THE QUALIFIED BUSINESS'S STATE
25 INCOME TAX RETURN. THE AMOUNT OF THE TAX CREDIT THAT THE
26 QUALIFIED BUSINESS MAY CLAIM UNDER THIS SECTION IS THE AMOUNT
27 STATED ON THE TAX CREDIT CERTIFICATE ISSUED PURSUANT TO

1 SUBSECTION (4) OF THIS SECTION.

2 (6) **Tax credit refundable.** IF THE AMOUNT OF THE TAX CREDIT
3 EXCEEDS THE TAXES DUE ON THE INCOME OF THE QUALIFIED BUSINESS FOR
4 THE TAXABLE YEAR FOR WHICH THE TAX CREDIT IS CLAIMED, THE AMOUNT
5 OF THE TAX CREDIT NOT USED TO OFFSET INCOME TAXES MUST BE
6 REFUNDED TO THE QUALIFIED BUSINESS.

7 (7) **Guidelines and reporting requirements.** (a) THE OFFICE
8 SHALL DEVELOP GUIDELINES FOR THE ADMINISTRATION OF THIS SECTION
9 AND POST THE GUIDELINES ON THE WEBSITE OF THE OFFICE OF ECONOMIC
10 DEVELOPMENT AND INTERNATIONAL TRADE. THE GUIDELINES MUST
11 INCLUDE:

12 (I) APPLICATION REQUIREMENTS;

13 (II) GUIDELINES FOR ISSUING TAX CREDIT CERTIFICATES;

14 (III) GUIDELINES REGARDING ELIGIBLE COSTS; AND

15 (IV) GUIDELINES FOR APPROVING A BUSINESS AS A QUALIFIED
16 BUSINESS.

17 (b) THE OFFICE SHALL MAINTAIN A DATABASE OF ANY
18 INFORMATION DETERMINED NECESSARY BY THE OFFICE TO EVALUATE THE
19 EFFECTIVENESS OF THE TAX CREDIT ALLOWED IN THIS SECTION IN
20 ACHIEVING THE PURPOSES SET FORTH IN SUBSECTION (1)(a) OF THIS
21 SECTION AND SHALL PROVIDE THIS INFORMATION, AND ANY OTHER
22 INFORMATION THAT MAY BE NEEDED, TO THE STATE AUDITOR AS PART OF
23 THE STATE AUDITOR'S EVALUATION OF TAX EXPENDITURES UNDER SECTION
24 39-21-305.

25 (c) THE OFFICE SHALL REVIEW THE EFFECTIVENESS OF THE TAX
26 CREDIT AND INCLUDE THE RESULTS OF THE REVIEW IN THE ANNUAL
27 REPORT SUBMITTED TO THE GENERAL ASSEMBLY BY THE OFFICE OF

1 ECONOMIC DEVELOPMENT. NOTWITHSTANDING THE REQUIREMENT IN
2 SECTION 24-1-136 (11)(a)(I), THE REQUIREMENT TO SUBMIT THE REPORT
3 REQUIRED IN THIS SUBSECTION (7)(c) CONTINUES UNTIL THE ANNUAL
4 REPORT FOLLOWING THE INCOME TAX YEAR COMMENCING JANUARY 1,
5 2034.

6 (d) THE OFFICE SHALL PROVIDE THE DEPARTMENT WITH AN
7 ELECTRONIC REPORT OF EACH QUALIFIED BUSINESS AND OWNER OF A
8 QUALIFIED BUSINESS TO WHICH THE OFFICE ISSUED A TAX CREDIT
9 CERTIFICATE FOR THE PRECEDING CALENDAR YEAR. THE OFFICE SHALL
10 PROVIDE THIS REPORT IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE
11 DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT
12 ALLOWED IN THIS SECTION. THIS REPORT MUST INCLUDE:

13 (I) THE TAXPAYER'S NAME;

14 (II) THE TAX IDENTIFICATION NUMBER OF THE TAXPAYER TO
15 WHOM THE TAX CREDIT CERTIFICATE IS ISSUED; AND

16 (III) THE AMOUNT OF THE TAX CREDIT CERTIFICATE.

17 (8) **Repeal.** THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31,
18 2038.

19 **SECTION 4. Act subject to petition - effective date.** This act
20 takes effect at 12:01 a.m. on the day following the expiration of the
21 ninety-day period after final adjournment of the general assembly; except
22 that, if a referendum petition is filed pursuant to section 1 (3) of article V
23 of the state constitution against this act or an item, section, or part of this
24 act within such period, then the act, item, section, or part will not take
25 effect unless approved by the people at the general election to be held in
26 November 2024 and, in such case, will take effect on the date of the
27 official declaration of the vote thereon by the governor.