



# Legislative Council Staff

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# Memorandum

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**TO:** Interested Persons  
**FROM:** Luisa Altmann, Research Analyst, 303-866-3518  
**SUBJECT:** Overview of Colorado Economic Development Programs and Incentives

## Summary

This memorandum provides an overview of programs that are designed to provide a boost to the Colorado economy, including incentivizing businesses to locate in Colorado, expand their Colorado-based workforce, or otherwise grow their Colorado business operations. This memorandum does not include programs that are focused on workforce development or programs designed to attract tourists to the state.

## Government Oversight

**Colorado Office of Economic Development and International Trade.** The Colorado Office of Economic Development and International Trade (OEDIT) in the Governor's Office is the primary entity responsible for promoting economic development within the state. OEDIT was appropriated a total of \$56.9 million and 60.6 FTE in FY 2018-19 for the various activities of the office. A full breakout of OEDIT's appropriations can be found in Appendix A.

**Economic Development Commission.** The Economic Development Commission (EDC) within OEDIT was created to encourage, promote, and stimulate economic development and employment in Colorado by awarding economic development incentives to employers in the form of grants, loans, and performance-based incentives.<sup>1</sup> The EDC was appropriated \$6.1 million and 5.8 FTE in FY 2018-19 for general economic incentives and marketing, largely from the General Fund.

<sup>1</sup>Section 24-46-101, *et seq.*, C.R.S.

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In addition to the programs highlighted throughout this memorandum, OEDIT and the EDC manage a variety of other non-statutory economic development programs and incentives, including those programs under the Blueprint 2.0 initiative.<sup>2</sup>

**Local governments.** Several sections of Colorado law provide local governments with the authority to offer a variety of economic development incentives to retain current businesses or attract new businesses to their jurisdiction.

**Federal government.** The federal government provides various sources of funding that states and local governments may use for economic development incentives.

## **Enterprise Zone Program**

The Colorado Enterprise Zone Program was created by the General Assembly in 1986. The program provides certain state income tax credits to businesses and individuals for investing in economically distressed areas of the state designated as Enterprise Zones in an effort to encourage economic development.<sup>3</sup> There are currently 16 designated Enterprise Zones.

To be designated as an Enterprise Zone by OEDIT and the EDC, an area must have a population of less than 115,000, or 150,000 if a rural area, and meet one of the following criteria:

- an unemployment rate at least 25 percent above the state average;
- a population growth rate less than 25 percent of the state average; or
- a per capita income less than 75 percent of the state average.

**Enhanced Rural Enterprise Zones.** Counties with an area already included in an enterprise zone may apply to be designated as an Enhanced Rural Enterprise Zone if the county meets two or more of the following criteria:

- a population of 5,000 or less;
- an unemployment rate of at least 50 percent above the state unemployment rate;
- a population growth rate of less than 25 percent of the state average;
- an average per capita income less than 75 percent of the state average; or
- the total assessed value of all nonresidential property within the county ranks in the bottom half of all counties.

Table 1 on the following page includes the complete list of tax credits offered under the Enterprise Zone Program and the total amount of tax credits certified in FY 2017-18. A full description of each tax credit follows the table.

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<sup>2</sup>Colorado Blueprint: <https://choosecolorado.com/programs-initiatives/colorado-blueprint/>.

<sup>3</sup>Article 30 of Title 39, C.R.S.

**Table 1**  
**Enterprise Zone Tax Credits and Amounts Certified, FY 2017-18**

<b>Tax Credit</b>	<b>Amount Certified*</b>
Enterprise Zone Investment Income Tax Credit	\$42,714,404
Contribution to Enterprise Zone Administrator Income Tax Credit	16,958,154
New Business Facility Employee Income Tax Credit	6,358,877
Qualified Job Training Program Investment Income Tax Credit	2,409,541
New Employee Sponsored Health Insurance Tax Credit	1,150,283
Enterprise Zone Research and Experimental Income Tax Credit	943,400
Commercial Vehicle Enterprise Zone Investment Income Tax Credit	344,373
Vacant Enterprise Zone Commercial Building Rehabilitation Income Tax Credit	337,902

Source: *Enterprise Zone Annual Report, FY 2017-18*:

<https://choosecolorado.com/wp-content/uploads/2012/07/EZ-Annual-Report-FY18.pdf>.

\* Indicates the amount approved by local Enterprise Zone administrators in FY 2017-18. Not all tax credits that are certified are claimed by the taxpayer.

***Enterprise Zone Investment Income Tax Credit.*** A taxpayer who makes an investment in qualified business personal property that is used exclusively in an Enterprise Zone for at least one year may claim an income tax credit equal to 3 percent of the qualified investment. The tax credit is limited to \$750,000 each year, unless the EDC waives the limit. Credits above the limit may be carried forward for 12 years, or 20 years for renewable energy project investments. Taxpayers claiming an investment tax credit for certain renewable energy projects may elect to receive a tax refund of 80 percent in place of the tax credit.<sup>4</sup>

***Contribution to Enterprise Zone Administrator Income Tax Credit.*** A taxpayer who makes a monetary or in-kind contribution for the purpose of implementing the economic development plan for the Enterprise Zone to the designated Enterprise Zone Administrator may claim an income tax credit equal to 25 percent of the total value of the contribution, up to a maximum credit of \$100,000 per year. In-kind contributions may not exceed 50 percent of the total credit claimed.<sup>5</sup>

***Enterprise Zone New Business Facility Employee Income Tax Credits.*** A taxpayer who operates a business facility in an Enterprise Zone may claim an income tax credit equal to \$1,100 for each new employee working within the Enterprise Zone.<sup>6</sup>

Additionally, a taxpayer who operates a business facility in an Enhanced Rural Enterprise Zone may claim an additional income tax credit equal to \$2,000 for each new employee working within the Enhanced Rural Enterprise Zone.<sup>7</sup> A taxpayer who operates a business facility in an Enhanced Rural Enterprise Zone that adds value, through manufacturing or processing, to agricultural commodities may claim an additional income tax credit equal to \$500 for each new employee.<sup>8</sup>

Also, a taxpayer who operates a business facility in an Enterprise Zone may claim an income tax credit equal to \$1,000 for each new business facility employee insured under a health insurance plan for

<sup>4</sup>Section 39-30-104 (1)(a), C.R.S.

<sup>5</sup>Section 39-30-103.5, C.R.S.

<sup>6</sup>Section 39-30-105.1, C.R.S.

<sup>7</sup>Section 39-30-105.1 (1)(a)(II), C.R.S.

<sup>8</sup>Section 39-30-105.1 (3), C.R.S.

which the employer covers at least 50 percent of the cost. This tax credit may be claimed for two years.<sup>9</sup>

***Qualified Enterprise Zone Job Training Program Investment Income Tax Credit.*** A taxpayer who makes an investment in a qualified job training program in an Enterprise Zone may claim an income tax credit equal to 12 percent of the total investment.<sup>10</sup>

***Enterprise Zone Research and Experimental Income Tax Credit.*** A taxpayer who makes expenditures in qualified research and experimental activities that are conducted in an Enterprise Zone may claim an income tax credit equal to 3 percent of the amount expended.<sup>11</sup>

***Commercial Vehicle Enterprise Zone Investment Income Tax Credit.*** A taxpayer who makes a qualified purchase of new commercial vehicles that are to be used exclusively in an Enterprise Zone for at least one year may claim an income tax credit equal to 1.5 percent of the qualified investment.<sup>12</sup>

***Vacant Enterprise Zone Commercial Building Rehabilitation Income Tax Credit.*** A taxpayer who is the owner or tenant of a building and makes qualified expenditures for the purpose of rehabilitating the building may claim an income tax credit equal to 25 percent of the qualified expenditures, up to \$50,000 per building.<sup>13</sup>

***Enterprise Zone Machinery and Equipment Sales and Use Tax Exemption.*** Purchases in excess of \$500 of machinery or machine tools, and related parts and materials, that are to be used exclusively in an Enterprise Zone in manufacturing tangible personal property are exempt from sales and use taxes.<sup>14</sup>

## **Rural Jump-Start Zone Program**

The Rural Jump-Start Program is a tax relief program for new businesses and new hires that locate in designated Rural Jump-Start Zones within distressed rural counties.<sup>15</sup> Companies participating in the Rural-Jump Start Program must have a relationship with a state institution of higher education, be new to Colorado, and not compete with an existing Colorado business. As of June 30, 2018, there were a total of 12 Rural-Jump Start Zones and a total of 12 companies have been approved by the EDC to participate in the program.<sup>16</sup>

***Rural Jump-Start Zone New Business Income Tax Credit.*** Until 2021, an approved new business with at least five new hires that locates in a Rural-Jump Start Zone is entitled to receive an annual income tax credit equal to 100 percent of the income taxes imposed on the income derived from its activities in the Rural Jump-Start Zone. The tax credit may be claimed for four consecutive years; this time period may be extended by the EDC for up to an additional four years. The business must undergo

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<sup>9</sup>Section 39-30-105.1 (1)(b), C.R.S.

<sup>10</sup>Section 39-30-104 (4), C.R.S.

<sup>11</sup>Section 39-30-105.5, C.R.S.

<sup>12</sup>Section 39-30-104 (1)(b), C.R.S.

<sup>13</sup>Section 39-30-105.6, C.R.S.

<sup>14</sup>Section 39-30-106, C.R.S.

<sup>15</sup>Article 30.5 of Title 39, C.R.S.

<sup>16</sup>Rural-Jump Start Zone Program FY 2017-18 Annual Report:

<https://choosecolorado.com/wp-content/uploads/2012/07/EZ-Annual-Report-FY18.pdf>.

an annual review by the EDC to verify that the new business continues to meet the program requirements.<sup>17</sup>

***Rural Jump-Start Zone New Hire Income Tax Credit.*** New hires at a new business participating in the Rural-Jump Start Zone Program are entitled to receive an income tax credit equal to 100 percent of the income taxes imposed on the new hires' wages for work performed in the Rural Jump-Start Zone. The tax credit may be claimed for four consecutive years; this may be extended by the EDC for up to an additional four years. Employees must undergo an annual review by the EDC to verify that the new hires and new business continue to meet the program requirements.<sup>18</sup>

***Rural Jump-Start Zone Sales and Use Tax Refunds.*** Approved new businesses in the Rural Jump-Start Zone Program are eligible for a refund for all sales and use taxes imposed on the purchase of all tangible personal property acquired by the new business and used exclusively within the Rural Jump-Start Zone. New businesses are eligible to claim this refund for four consecutive years; this may be extended by the EDC for up to an additional four years given certain considerations.<sup>19</sup>

## **Advanced Industries Economic Development Programs**

The General Assembly has created three economic development programs, administered by OEDIT, specifically focused on advanced industries. For the purpose of these programs, "advanced industry" is defined as:

- advanced manufacturing;
- aerospace;
- bioscience;
- electronics;
- energy and natural resources;
- infrastructure engineering; and
- information technology.

A total of \$14.0 million in cash funds was appropriated to the advanced industries programs for FY 2018-19.

***Advanced Industry Export Acceleration Program.*** The Advanced Industry Export Acceleration Program is designed to help small and mid-sized Colorado businesses become exporters.<sup>20</sup> The program includes qualifying international export development expense reimbursement, export training, and global network consultation. Approximately \$176,454 was awarded to 25 companies through the program in FY 2017-18.<sup>21</sup>

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<sup>17</sup>Section 39-30.5-105 (1), C.R.S.

<sup>18</sup>Section 39-30.5-105 (2), C.R.S.

<sup>19</sup>Section 39-30.5-105 (3), C.R.S.

<sup>20</sup>Section 24-47-103, C.R.S.

<sup>21</sup>OEDIT 2018 Annual Report, page 5:

[https://choosecolorado.com/wp-content/uploads/2018/11/OEDIT-Annual-Report-2018\\_final-1.pdf](https://choosecolorado.com/wp-content/uploads/2018/11/OEDIT-Annual-Report-2018_final-1.pdf).

***Advanced Industries Acceleration Grant Program.*** The purpose of the Advanced Industries Acceleration Grant Program is to accelerate economic growth through grants that improve and expand the development of advanced industries, facilitate the collaboration of advanced industry stakeholders, and further the development of new advanced industry products and services.<sup>22</sup> This program includes proof-of-concept grants, early-stage capital and retention grants, and infrastructure funding grants. A total of \$12.2 million in grants was awarded in FY 2017-18.<sup>23</sup>

***Advanced Industry Investment Income Tax Credit.*** Eligible investors who make a qualified investment of at least \$10,000 in a small Colorado business in an advanced industry may apply to claim an income tax credit equal to 25 percent of the investment (30 percent if the small business is located in a rural area or economically distressed area of the state) up to \$50,000.<sup>24</sup> The program has an annual limit of \$750,000 in total tax credits awarded per year until 2022.

## **Other Economic Development Programs**

***Aviation Development Zone Income Tax Credit.*** Any airport in the state may register with OEDIT to become an Aviation Development Zone.<sup>25</sup> Aircraft manufacturers that are located in an Aviation Development Zone in Colorado and employ at least ten full-time employees may claim an income tax credit equal to \$1,200 for each new employee who is working within the zone. In FY 2017-18, no companies took advantage of the program.<sup>26</sup>

***Job Growth Incentive Tax Credit.*** A taxpayer may apply for an annual job growth incentive income tax credit, the amount of which is calculated by the EDC, for approved projects that encourage, promote, and stimulate economic development in key economic sectors and create new jobs in Colorado.<sup>27</sup> In FY 2017-18, 34 projects were approved for up to \$156.7 million in tax credits over eight years.<sup>28</sup>

***OEDIT Office of Film, Television, and Media.*** The mission of the Office of Film, Television, and Media within OEDIT is to attract and facilitate content creation in Colorado to generate economic growth. In FY 2018-19, the office was appropriated \$1.3 million and 4.5 FTE from the General Fund and cash funds. The office administers a performance-based incentives program, from which any production company employing a majority-Colorado-based workforce may be allowed to claim an incentive equal to 20 percent of the total amount of the production company's qualified local expenditures.<sup>29</sup> In FY 2017-18, the office awarded a total of \$1.2 million in incentives to eight new projects.<sup>30</sup>

***Performance-based new jobs incentives.*** Qualified employers that create new jobs may be eligible to receive performance-based incentives from the EDC.<sup>31</sup> Of the total amount appropriated to the EDC

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<sup>22</sup>Section 24-48.5-117, C.R.S.

<sup>23</sup>OEDIT 2018 Annual Report, page 5 (link provided in footnote 21).

<sup>24</sup>Section 24-48.5-112, C.R.S.

<sup>25</sup>Article 35 of Title 39, C.R.S.

<sup>26</sup>OEDIT 2018 Annual Report, page 9

<sup>27</sup>Section 39-22-531, C.R.S.

<sup>28</sup>OEDIT 2018 Annual Report, page 8 (link provided in footnote 21).

<sup>29</sup>Section 24-48.5-116, C.R.S.

<sup>30</sup>OEDIT 2018 Annual Report, page 19 (link provided in footnote 21).

<sup>31</sup>Section 24-46-105.7, C.R.S.

to be used for this program, 15 percent must be used to award performance-based incentives to employers who open a new business or expand or relocate an existing business and create new jobs in an Enterprise Zone that is not within the boundaries of the counties of Arapahoe, Boulder, Broomfield, Denver, Douglas, or Jefferson.

***Rural Economic Development Initiative Grants.*** The Colorado Department of Local Affairs administers the Rural Economic Development Initiative Grant Program, which is designed to help rural communities diversify their local economy. The program offers three different types of grants: local government economic planning grants, infrastructure grants that support economic diversification, and grants that support the growth and development of rural entrepreneurial eco-systems. The General Assembly appropriated a total of \$750,000 for the program in FY 2018-19.

***Sales and use tax refunds.*** Colorado law allows taxpayers in certain industries to claim sales and use tax refunds of qualified taxes paid to help attract and grow businesses in these industries. These industries include biotechnology,<sup>32</sup> medical technology and clean technology,<sup>33</sup> manufacturing,<sup>34</sup> and renewable energy.<sup>35</sup>

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<sup>32</sup>Section 39-26-402, C.R.S.

<sup>33</sup>Section 39-26-403, C.R.S.

<sup>34</sup>Section 39-26-709, C.R.S.

<sup>35</sup>Section 39-26-724, C.R.S.

## Appendix A

**Table 1  
OEDIT FY 2018-19 Appropriation**

Office/Program	Total	General Fund	Cash Funds	Federal Funds
Administration	\$694,582 6.0 FTE	\$689,997	\$2,435 <sup>a</sup>	\$2,150
Vehicle Lease Payments	13,224	13,224		
Leased Space	346,525	346,525		
Global Business Development	4,965,052 24.4 FTE	4,041,948	548,626 <sup>b</sup>	374,478
Leading Edge Program Grants	151,407	75,976	75,431 <sup>c</sup>	
Small Business Development Centers	1,373,120 4.0 FTE	94,144		1,278,976
Colorado Office of Film, Television, and Media	1,269,525 4.5 FTE	750,000	519,525 <sup>d</sup>	
Colorado Promotion – Welcome Centers	516,000		516,000 <sup>e</sup> 3.3 FTE	
Colorado Promotion – Other Program Costs	18,522,500 4.0 FTE	4,000,000	14,522,500 <sup>e</sup>	
Destination Development Program	1,100,000	500,000	600,000 <sup>e</sup>	
EDC – General Economic Incentives and Marketing	6,119,456 5.8 FTE	5,685,664	433,792 <sup>f</sup>	
Colorado First Customized Job Training	4,500,000	4,500,000		
Certified Capital Companies (CAPCO) Program Administration	85,291		85,291 <sup>g</sup> 2.0 FTE	
Council on Creative Industries	2,788,734 3.0 FTE		2,023,000 <sup>h</sup>	765,734
Advanced Industries	14,040,766		14,040,766 <sup>i</sup> 2.6 FTE	
Rural Jump Start	80,983	80,983 1.0 FTE		
Indirect Cost Assessment	339,199		339,199 <sup>a</sup>	
<b>TOTAL</b>	<b>\$56,906,364</b> <b>60.6 FTE</b>	<b>\$20,778,461</b>	<b>\$33,706,565</b>	<b>\$2,421,338</b>

Source: House Bill 18-1322: FY 2018-19 Appropriations Long Bill.

- a. These amounts shall be from various sources of cash funds.
- b. Of this amount, an estimated \$300,000 shall be from the Advanced Industries Export Acceleration Cash Fund, an estimated \$223,626 shall be from various fees collected from participants in activities conducted by the division, and an estimated \$25,000 shall be from the Minority Business Fund.
- c. This amount shall be from fees, Small Business Development Centers' activities, and grants and donations.
- d. This amount shall be from the Colorado Office of Film, Television, and Media Operational Account Cash Fund.
- e. These amounts shall be from the Colorado Travel and Tourism Promotion Fund.
- f. Of this amount, an estimated \$291,850 shall be from fees collected and an estimated \$141,942 shall be from the Advanced Industry Investment Tax Credit Cash Fund.
- g. Reappropriated funds: This amount shall be transferred from the Department of Regulatory Agencies from the Transfer to CAPCO line item. (Consists of funds from the Division of Insurance Cash Fund and the Viatical Settlements Cash Fund.)
- h. This amount shall be from the Creative Industries Cash Fund.
- i. This amount shall be from the Advanced Industries Acceleration Cash Fund.