

**Second Regular Session
Seventy-second General Assembly
STATE OF COLORADO**

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 20-0077.01 Esther van Mourik x4215

HOUSE BILL 20-1003

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A BILL FOR AN ACT

101 **CONCERNING MODIFICATIONS TO THE RURAL JUMP-START ZONE ACT,**
102 **AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.**

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:

- ! Extends the rural jump-start program for an additional 5 years;
- ! Changes the existing competition clause to specify that a new business applying for rural jump-start program benefits cannot compete with an existing business in the

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

HOUSE
Amended 2nd Reading
March 6, 2020

- rural jump-start zone in which the business will be located or in any distressed county that is contiguous to the rural jump-start zone; and
- ! Adds economic development organizations as authorized entities to apply to:
 - ! Form a rural jump-start zone; or
 - ! To allow a new business to participate in the rural jump-start program.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-30.5-102, **amend**
3 (2) as follows:

4 **39-30.5-102. Legislative declaration.** (2) The general assembly
5 further finds and declares that:

6 (a) Establishing certain rural jump-start zones is best suited to
7 bring about the economic vitality so critically needed in those regions;

8 (b) EXTENDING THE "RURAL JUMP-START ZONE ACT" FOR
9 ANOTHER FIVE-YEAR PERIOD IS NECESSARY TO MEET THE PURPOSE OF THE
10 ACT, WHICH IS TO CREATE OR RETAIN JOBS IN ORDER TO HELP ADDRESS THE
11 STILL SIGNIFICANT CONTRACTION OF LOCAL ECONOMIES IN CERTAIN AREAS
12 OF THE STATE; AND

13 (c) WHEN THE STATE AUDITOR EVALUATES THE TAX
14 EXPENDITURES IN THE "RURAL JUMP-START ZONE ACT" AS REQUIRED IN
15 SECTION 39-21-305, THE EVALUATION CAN RELY ON CLEAR RELEVANT,
16 AND ASCERTAINABLE METRICS AND DATA PROVIDED BY THE COMMISSION
17 PURSUANT TO SECTION 39-30.5-107.

18 **SECTION 2.** In Colorado Revised Statutes, 39-30.5-103, **amend**
19 the introductory portion and (7)(d); and **add** (1.5) and (4.5) as follows:

20 **39-30.5-103. Definitions.** As used in this ~~article~~ ARTICLE 30.5,
21 unless the context otherwise requires:

1 (1.5) "COLORADO OFFICE OF ECONOMIC DEVELOPMENT" OR
2 "OFFICE" MEANS THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT
3 CREATED IN SECTION 24-48.5-101.

4 (4.5) "ECONOMIC DEVELOPMENT ORGANIZATION" MEANS A
5 NONPROFIT ORGANIZATION OR GOVERNMENTAL ENTITY SUCH AS A SMALL
6 BUSINESS DEVELOPMENT CENTER, A BUSINESS ACCELERATOR OR
7 INCUBATOR, A WORKFORCE CENTER, A LOCAL ECONOMIC DEVELOPER, OR
8 OTHER SUCH ORGANIZATION OR ENTITY THAT PROMOTES LOCAL ECONOMIC
9 DEVELOPMENT, BUT DOES NOT INCLUDE THE COMMISSION OR THE OFFICE.

10 (7) "New business" means a business that:

11 (d) Is not substantially similar in operation to and, AT THE TIME
12 THE NEW BUSINESS SUBMITS ITS APPLICATION TO PARTICIPATE IN THE
13 RURAL JUMP-START ZONE PROGRAM, does not directly compete with the
14 core function of a business that is operating in ~~the state at the time the~~
15 ~~new business submits its application to a state institution of higher~~
16 ~~education to participate in the rural jump-start zone program~~ THE RURAL
17 JUMP-START ZONE IN WHICH THE NEW BUSINESS WILL BE LOCATED AND IN
18 A DISTRESSED COUNTY CONTIGUOUS TO THE RURAL JUMP-START ZONE; and

19 **SECTION 3.** In Colorado Revised Statutes, 39-30.5-104, **amend**
20 (1)(a) introductory portion, (1)(a)(III), (4), (5), (6)(a) introductory portion,
21 (6)(a)(I), (6)(a)(III) introductory portion, (6)(a)(III)(B), (6)(b)
22 introductory portion, (6)(b)(I), (7)(a), (7)(b)(I), (7)(b)(II), and (9); and
23 **add** (4.5) as follows:

24 **39-30.5-104. Rural jump-start zone program requirements -**
25 **commission guidelines - definitions.** (1) (a) The commission shall
26 develop guidelines for the administration of the rural jump-start zone
27 program created in this ~~article~~ ARTICLE 30.5, including, but not limited to:

1 (III) Guidelines concerning the process by which the commission
2 will determine whether a new business is not substantially similar in
3 operation to and does not directly compete with the core function of a
4 business that is operating in the ~~state~~ RURAL JUMP-START ZONE IN WHICH
5 THE NEW BUSINESS WILL BE LOCATED AND IN A DISTRESSED COUNTY
6 CONTIGUOUS TO THE RURAL JUMP-START ZONE at the time the new
7 business submits its application to a state institution of higher education
8 OR AN ECONOMIC DEVELOPMENT ORGANIZATION to participate in the rural
9 jump-start zone program.

10 (4) (a) A state institution of higher education OR AN ECONOMIC
11 DEVELOPMENT ORGANIZATION intending to participate in the rural
12 jump-start zone program shall adopt a conflict of interest policy. The
13 conflict of interest policy must provide that:

14 (I) A representative of the state institution of higher education OR
15 THE ECONOMIC DEVELOPMENT ORGANIZATION may not use the
16 relationship between the state institution of higher education OR THE
17 ECONOMIC DEVELOPMENT ORGANIZATION and the new business as a
18 means for inurement or private benefit to the representative of the state
19 institution of higher education OR THE ECONOMIC DEVELOPMENT
20 ORGANIZATION, any relative of such representative, or any business
21 interests of such representative;

22 (II) A person who engages in the business of selling goods or
23 services to a state institution of higher education OR TO AN ECONOMIC
24 DEVELOPMENT ORGANIZATION, an employee of such person, or a person
25 with a business interest in such person's business shall not vote on or
26 participate in the administration by the state institution of higher
27 education OR BY THE ECONOMIC DEVELOPMENT ORGANIZATION of any

1 transaction with such business; and

2 (III) (A) Upon becoming aware of an actual or potential conflict
3 of interest, a representative of the state institution of higher education OR
4 THE ECONOMIC DEVELOPMENT ORGANIZATION shall advise the chief
5 academic officers or executive director of the institution OR THE
6 EXECUTIVE DIRECTOR OF THE ECONOMIC DEVELOPMENT ORGANIZATION
7 of the conflict.

8 (B) Each state institution of higher education AND EACH
9 ECONOMIC DEVELOPMENT ORGANIZATION shall maintain a written record
10 of all disclosures made pursuant to ~~sub-subparagraph (A) of this~~
11 ~~subparagraph (H)~~ SUBSECTION (4)(a)(III)(A) OF THIS SECTION.

12 (C) By January 31, 2016, and by January 31 of each year
13 thereafter, a EACH state institution of higher education AND EACH
14 ECONOMIC DEVELOPMENT ORGANIZATION shall provide the record
15 maintained under ~~sub-subparagraph (B) of this subparagraph (H)~~
16 SUBSECTION (4)(a)(III)(B) OF THIS SECTION to the commission.

17 (b) For the purposes of a conflict-of-interest policy developed
18 under ~~paragraph (a) of this subsection (4)~~ SUBSECTION (4)(a) OF THIS
19 SECTION:

20 (I) "Business interest" means that a representative:

21 (A) Owns or controls ten percent or more of the stock of the
22 entity; or

23 (B) Serves as an officer, director, or partner of the entity.

24 (II) "Relative" means any person living in the same household as
25 the representative of the state institution of higher education OR OF THE
26 ECONOMIC DEVELOPMENT ORGANIZATION, any person who is a direct
27 descendant of the representative's grandparents, or the spouse of such

1 representative.

2 (III) "Representative of the state institution of higher education OR
3 OF THE ECONOMIC DEVELOPMENT ORGANIZATION" means any employee
4 with decision-making authority over the rural jump-start zone program.

5 (4.5) AN ECONOMIC DEVELOPMENT ORGANIZATION INTENDING TO
6 PARTICIPATE IN THE RURAL JUMP-START ZONE PROGRAM MUST BE
7 APPROVED BY THE COMMISSION AS ESTABLISHED IN THE COMMISSION'S
8 GUIDELINES.

9 (5) A new business ~~shall~~ MUST apply to a state institution of
10 higher education OR AN ECONOMIC DEVELOPMENT ORGANIZATION to
11 participate in a rural jump-start zone program. The state institution of
12 higher education OR ECONOMIC DEVELOPMENT ORGANIZATION shall
13 require the new business to provide documentation that the new business
14 meets the definition of new business as specified in section 39-30.5-103
15 (7) and that the new hires will meet the definition of new hire as specified
16 in section 39-30.5-103 (8). If the state institution of higher education OR
17 ECONOMIC DEVELOPMENT ORGANIZATION approves the new business, then
18 the state institution of higher education OR ECONOMIC DEVELOPMENT
19 ORGANIZATION shall apply to the commission for the approval of a rural
20 jump-start zone as specified in subsection (6) of this section and approval
21 of the new business for the rural jump-start zone program benefits as
22 specified in subsection (7) of this section.

23 (6) (a) Upon approving a new business as specified in subsection
24 (5) of this section, the state institution of higher education OR ECONOMIC
25 DEVELOPMENT ORGANIZATION shall submit a complete written application
26 for approval for a rural jump-start zone to the commission by the deadline
27 established in the commission's guidelines. The application must include:

1 (I) EITHER THE identification of:

2 (A) The state institution of higher education and identification of
3 either the distressed county in which a campus is located or the distressed
4 county that is included in the community college's service area or the
5 regional education provider's service area; OR

6 (B) THE ECONOMIC DEVELOPMENT ORGANIZATION AND
7 IDENTIFICATION OF THE DISTRESSED COUNTY IN WHICH THE ORGANIZATION
8 IS LOCATED OR SERVES;

9 (III) Satisfactory documentation that there exists a relationship
10 between the new business and the state institution of higher education OR
11 BETWEEN THE NEW BUSINESS AND THE ECONOMIC DEVELOPMENT
12 ORGANIZATION. Such documentation must show that:

13 (B) The mission and activities of the new business align with or
14 further EITHER the academic mission of the state institution of higher
15 education OR THE MISSION OF THE ECONOMIC DEVELOPMENT
16 ORGANIZATION.

17 (b) A state institution of higher education OR ECONOMIC
18 DEVELOPMENT ORGANIZATION may also submit a complete written
19 application for approval for a rural jump-start zone to the commission by
20 the deadlines established in the commission's guidelines when such state
21 institution of higher education OR ECONOMIC DEVELOPMENT
22 ORGANIZATION has not yet approved a new business as specified in
23 subsection (5) of this section. In this case, the application must include:

24 (I) (A) Identification of the state institution of higher education
25 and identification of either the distressed county in which a campus is
26 located or the distressed county that is included in the community
27 college's service area or the regional education provider's service area; OR

1 (B) IDENTIFICATION OF THE ECONOMIC DEVELOPMENT
2 ORGANIZATION AND IDENTIFICATION OF THE DISTRESSED COUNTY IN
3 WHICH THE ORGANIZATION IS LOCATED OR SERVES.

4 (7) (a) The commission shall, at a public meeting properly
5 noticed, review each application for a rural jump-start zone submitted by
6 a state institution of higher education OR AN ECONOMIC DEVELOPMENT
7 ORGANIZATION. Based on the application submitted and the commission's
8 guidelines, the commission may approve the rural jump-start zone and
9 may approve the new business for the rural jump-start zone program
10 benefits specified in section 39-30.5-105; except that the commission may
11 not approve more than three rural jump-start zones for the 2016 calendar
12 year and may not approve any rural jump-start zones or approve any new
13 businesses for the rural jump-start zone program benefits on and after
14 ~~January 1, 2021~~ JANUARY 1, 2026. The commission may only approve a
15 new business for the rural jump-start zone program benefits if the
16 commission is satisfied that the new business meets the definition of new
17 business as specified in section 39-30.5-103 (7), that the new hires will
18 meet the definition of new hire as specified in section 39-30.5-103 (8),
19 and that the new business will be located in the rural jump-start zone for
20 which the state institution of higher education OR ECONOMIC
21 DEVELOPMENT ORGANIZATION sought approval.

22 (b) (I) A new business that receives approval as specified in
23 ~~paragraph (a) of this subsection (7)~~ SUBSECTION (7)(a) OF THIS SECTION
24 for the rural jump-start zone program benefits must submit a request for
25 the issuance of a credit certificate by the deadlines established in the
26 commission's guidelines. The request must include an estimated amount,
27 as calculated by the new business, of the income tax credits for the new

1 business and any new hires and the sales and use tax refunds allowed in
2 section 39-30.5-105 and an estimated amount, as calculated by the new
3 business, of incentive payments, exemptions, or refunds provided by local
4 governments as specified in section 39-30.5-106.

5 (II) The commission shall not issue more than a total of two
6 hundred credit certificates in one income tax year for all new hires
7 employed by all new businesses in each rural jump-start zone that receive
8 approval as specified in ~~paragraph (a) of this subsection (7)~~ SUBSECTION
9 (7)(a) OF THIS SECTION; except that the commission has the discretion to
10 increase this limit to three hundred credit certificates if the new business
11 is in one of the fourteen industries that the commission targets for
12 economic development in the state.

13 (9) The Colorado office of economic development ~~created in~~
14 ~~section 24-48.5-101, C.R.S.,~~ may make recommendations to the
15 commission regarding any of the commission's duties and responsibilities
16 outlined in this ~~article~~ ARTICLE 30.5, may provide staff assistance to the
17 commission, and may assist the commission in administering the
18 provisions of this ~~article~~ ARTICLE 30.5.

19 **SECTION 4.** In Colorado Revised Statutes, 39-30.5-105, **amend**
20 (1)(a), (2)(a), (3)(a), and (3)(b) as follows:

21 **39-30.5-105. Rural jump-start zone program benefits.** (1) **New**
22 **business income tax credit.** (a) (I) If a new business locates in a rural
23 jump-start zone during the income tax years commencing on or after
24 January 1, 2016, but before ~~January 1, 2021~~ JANUARY 1, 2026, and the
25 commission has approved the new business for the rural jump-start zone
26 program benefits as specified in section 39-30.5-104 (7)(a), then except
27 as provided in ~~subparagraph (II) of this paragraph (a)~~ SUBSECTION

1 (1)(a)(II) OF THIS SECTION, the new business is entitled to receive an
2 annual income tax credit in an amount equal to one hundred percent of
3 the income taxes imposed by article 22 of this ~~title~~ TITLE 39 on the income
4 derived from its activities in the rural jump-start zone for four consecutive
5 income tax years beginning with the first income tax year designated by
6 the commission in the first credit certificate. The commission shall
7 conduct an annual review to verify that the new business continues to
8 meet the requirements set forth in this ~~article~~ ARTICLE 30.5 and shall issue
9 a credit certificate to the new business for every income tax year during
10 the four-year period only if the commission is satisfied the requirements
11 are being met.

12 (II) A new business may seek an extension of the four-year
13 benefits period specified in ~~subparagraph (I) of this paragraph (a)~~
14 SUBSECTION (1)(a)(I) OF THIS SECTION by completing a written application
15 to the commission. The extension may not exceed an additional four
16 years. The application for extension must include an explanation of the
17 new business' need for the extension and any other information the
18 commission deems necessary. In deciding whether to grant the extension,
19 the commission must consider the state of the economy in the rural
20 jump-start zone, the estimated demand for tax credits allowed in this
21 section for other new businesses, and the importance of these credits in
22 incentivizing the new business. The extension application must be
23 considered at a regularly scheduled meeting of the commission where the
24 public is allowed to comment.

25 (2) **New hire income tax credit.** (a) (I) Except as provided in
26 section 39-30.5-104 (7)(b)(II) and ~~subparagraph (H) of this paragraph (a)~~
27 SUBSECTION (2)(a)(II) OF THIS SECTION, if a new hire is employed by a

1 new business, and the commission has approved the new business for the
2 rural jump-start zone program benefits as specified in section 39-30.5-104
3 (7)(a), for income tax years commencing on or after January 1, 2016, but
4 before ~~January 1, 2021~~ JANUARY 1, 2026, new hires are entitled to receive
5 an income tax credit in an amount equal to one hundred percent of the
6 income taxes imposed by article 22 of this ~~title~~ TITLE 39 on the new hire's
7 wages paid by the new business for work performed in the rural
8 jump-start zone for four consecutive income tax years beginning with the
9 first income tax year in which the new hire is employed by the new
10 business. The commission shall conduct an annual review to verify that
11 the new hire and the new business continue to meet the requirements set
12 forth in this ~~article~~ ARTICLE 30.5 and shall issue a credit certificate to the
13 new business for each new hire for every income tax year during the
14 four-year period only if the commission is satisfied the requirements are
15 being met.

16 (II) A new business may seek an extension of the four-year
17 benefits period specified in ~~subparagraph (I) of this paragraph (a)~~
18 SUBSECTION (2)(a)(I) OF THIS SECTION by completing a written application
19 to the commission. The extension may not exceed an additional four
20 years. The application for extension must include an explanation of the
21 new business' need for the extension and any other information the
22 commission deems necessary. In deciding whether to grant the extension,
23 the commission must consider the state of the economy in the rural
24 jump-start zone, the estimated demand for tax credits allowed in this
25 section for other new businesses, and the importance of these credits in
26 incentivizing the new business. The extension application must be
27 considered at a regularly scheduled meeting of the commission where the

1 public is allowed to comment.

2 (3) **New business sales and use tax refund.** (a) Each new
3 business is eligible for a refund for all sales and use taxes imposed under
4 parts 1 and 2 of article 26 of this ~~title~~ TITLE 39 on the purchase of all
5 tangible personal property acquired by the new business and used
6 exclusively within the rural jump-start zone. Except as provided in
7 ~~paragraph (b) of this subsection (3)~~ SUBSECTION (3)(b) OF THIS SECTION,
8 the new business is eligible for the refund allowed in this ~~paragraph (a)~~
9 SUBSECTION (3)(a) for four consecutive years beginning with the date the
10 commission approved the new business for the rural jump-start zone
11 program benefits as specified in section 39-30.5-104 (7)(a).

12 (b) A new business may seek an extension of the four-year period
13 specified in ~~paragraph (a) of this subsection (3)~~ SUBSECTION (3)(a) OF
14 THIS SECTION by completing a written application to the commission. The
15 extension may not exceed an additional four years. The application for
16 extension must include an explanation of the new business' need for the
17 extension and any other information the commission deems necessary. In
18 deciding whether to grant the extension, the commission must consider
19 the state of the economy in the rural jump-start zone, the estimated
20 demand for sales and use tax refunds allowed in this section for other new
21 businesses, and the importance of the refund in incentivizing the new
22 business. The extension application must be considered at a regularly
23 scheduled meeting of the commission where the public is allowed to
24 comment.

25 **SECTION 5.** In Colorado Revised Statutes, 39-30.5-107, **amend**
26 **(1)** as follows:

27 **39-30.5-107. Rural jump-start zone reporting requirements.**

1 (1) The commission shall annually post on the Colorado office of
2 economic development's website, and include in the commission's annual
3 report required to be presented to the general assembly pursuant to section
4 24-46-104 (2), ~~C.R.S.~~, the following information regarding any rural
5 jump-start zone program benefits allowed under this ~~article~~ ARTICLE 30.5:

6 (a) The distressed county and interested municipalities that make
7 up ~~the~~ EACH rural jump-start zone, THE NUMBER OF APPROVED RURAL
8 JUMP-START ZONES, THE DISTRIBUTION OF NEW BUSINESSES ACROSS
9 RURAL JUMP-START ZONES, AND THE NUMBER OF RURAL JUMP-START
10 ZONES THAT HAVE GRADUATED FROM THE RURAL JUMP-START ZONE
11 PROGRAM, INCLUDING A COMPARISON OF SUCH NUMBERS BEFORE AND
12 AFTER THE RURAL JUMP-START PROGRAM RENEWAL IN 2020;

13 (b) The state institution of higher education OR ECONOMIC
14 DEVELOPMENT ORGANIZATION that submitted the application;

15 (c) The name, TYPE, AND ACTIVE OR INACTIVE STATUS of ~~the~~ EACH
16 APPROVED new business, INCLUDING WHETHER THE NEW BUSINESS IS IN AN
17 ADVANCED INDUSTRY AS DEFINED IN SECTION 24-48.5-117 (2)(a), AND A
18 COMPARISON OF THE TOTAL NUMBER OF APPROVED AND ACTIVE NEW
19 BUSINESSES OVER TIME;

20 (d) ~~The type of new business~~ EVIDENCE OF ANY ANCILLARY
21 ECONOMIC DEVELOPMENT OCCURRING IN ANY RURAL JUMP-START ZONE
22 AS A RESULT OF THE RURAL JUMP-START PROGRAM;

23 (e) The tax year for which the first credit certificate is issued or
24 the date the sales and use tax refund is authorized;

25 (f) The number of new hires hired AND THE NUMBER OF
26 INDIVIDUALS HIRED BY A NEW BUSINESS THAT DO NOT MEET THE NEW HIRE
27 DEFINITION SPECIFIED IN SECTION 39-30.5-103 (8);

- 1 (g) The average salary or hourly wage of each new hire;
- 2 (h) An estimated amount, as calculated by the new business, of the
- 3 income tax credits for the new business and any new hires and the sales
- 4 and use tax refunds allowed in section 39-30.5-105, and an estimated
- 5 amount, as calculated by the new business, of incentive payments,
- 6 exemptions, or refunds provided by local governments as allowed in
- 7 section 39-30.5-106; and
- 8 (i) Any other economic benefits resulting from the rural jump-start
- 9 zone program.

10 **SECTION 6. Appropriation.** For the 2020-21 state fiscal year,

11 \$45,563 is appropriated to the office of the governor - lieutenant governor

12 - state planning and budgeting for use by the the office of economic

13 development and international trade. This appropriation is from the

14 general fund and is based on an assumption that the office will require an

15 additional 0.5 FTE. To implement this act, the office may use this

16 appropriation for rural jump start program costs.

17 **SECTION 7. Act subject to petition - effective date -**

18 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following

19 the expiration of the ninety-day period after final adjournment of the

20 general assembly (August 5, 2020, if adjournment sine die is on May 6,

21 2020); except that, if a referendum petition is filed pursuant to section 1

22 (3) of article V of the state constitution against this act or an item, section,

23 or part of this act within such period, then the act, item, section, or part

24 will not take effect unless approved by the people at the general election

25 to be held in November 2020 and, in such case, will take effect on the

26 date of the official declaration of the vote thereon by the governor.

1 (2) This act applies to applications submitted on or after the
2 applicable effective date of this act.