



COLORADO

HB23-1081: Employee Ownership Tax Credit Expansion *Representatives Lindstedt & Taggart // Senator Hinrichsen*

Background:

HB21-1311 created a first-in-the-nation refundable income tax credit that incentivizes business owners to consider converting to employee-owned business models, which will help keep local businesses in our local communities. Colorado's Employee Ownership Tax Credit Program has become a national model for how states can properly incentivize employee ownership, with states such as California and Vermont following Colorado's example.

Aging Colorado business owners are reaching retirement at higher rates and are actively deciding what to do with their businesses. The Employee Ownership Tax Credit provides those business owners with the option to sell their business to their employees. The Employee Ownership Tax Credit program continues to help Colorado communities keep local businesses *local*, but key updates are needed to ensure the program has the robust impact it is intended to.

Legislation:

Colorado is on the forefront of the employee ownership landscape, and since 2021, that landscape has evolved. There are new ways for businesses to transfer equity to their employees that were not contemplated in 2021, and thus are not currently eligible under the Employee Ownership Tax Credit program. Further, the Employee Ownership Tax Credit Program is only available to businesses that are not employee-owned—excluding businesses that are partially employee-owned and looking to grow their employee ownership.

HB23-1081 will update the Employee Ownership Tax Credit Program:

- Provides eligibility for partially employee-owned businesses to help cover the costs associated with expanding employee ownership
- Provides eligibility for new methods that businesses are using to transfer equity to employees to
- Strengthens the incentives for eligible businesses transitioning to employee ownership with existing resources

Without dedicating new funds or resources to OEDIT, this bill will expand eligibility for the Employee Ownership Tax Credit Program to better reflect how the employee ownership landscape has evolved. OEDIT will work with the Employee Ownership Commission to establish thresholds for requirements that must be met in the respective companies' plans to determine eligibility

Supporters:

Gary Community Ventures • Left Hand Brewing Company • Tuff Shed • Leavers Supermarkets • Peak Brewing Co. • Rocky Mountain Farmers Union • Ownership America • US Federation of Worker Cooperatives • Rocky Mountain Employee Ownership Center • National Cooperative Business Association • Employee Stock Ownership Plan Association • Child Care Success Co. •