

ECONOMIC DEVELOPMENT AND INCENTIVE ACT OF 2009 (HB1127)

By State Representative Joe Miklosi

OBJECTIVE: Provides tax incentives to small business owners, entrepreneurs, venture capitalists, and angel and private equity investors who make financial investments in Colorado that create jobs in Colorado.

KEY POINTS:

1. Creates a Colorado Income Tax Credit to be applied against Colorado Income Tax liability for a qualified investment that creates jobs in a small business. The bill incents long term investments.
2. Qualified investment must be at least \$100,000 and to be preceded by initial investments in each of the prior 2 years which total at least \$25,000.
3. Investment must be made in a small business (less than 20 employees at time of initial investment) that is headquartered in Colorado.
4. The tax credit can extend for three years - specifically, the third through fifth years after the initial investment. There will be no fiscal note the first two years of the bill because no tax incentives will be offered during the first two years to help Colorado get through this difficult economic time.
5. The tax credit may be refunded, carried forwarded or transferred to another taxpayer.
6. The tax credit is capped at 75% of qualified investment and there is a sliding scale for the tax incentive. For example, a 10% credit is applied for 10 jobs created; a 20% credit is applied for 20 jobs created, a 30% credit is applies for 30 jobs created, a 40% credit is applied for 40 jobs created, a 50% credit is applies for 50 jobs created, a 60% credit is applied for 60 jobs created, a 70% credit is applied for 70 jobs created, and a 75% credit is applied from 75-100 jobs created per business. The incentive is capped at 100 jobs.

PROCESS:

1. Jobs creation percentage (a measurement of total incremental full time jobs created) is calculated and multiplied by the qualified investment to create an amount of the tax credit. Jobs creation percentage is capped at 75%. So, maximum tax credit is 75% of the qualified investment.
2. Administered through Office of Economic Development.