HB13-1287

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 13-0957	**Date:**	April 16, 2013
Prime Sponsor(s):	Rep. Primavera; DelGrosso Sen. Scheffel; Heath	**Bill Status:**	House Business, Labor, Economic, and Workforce Development
		Fiscal Analyst:	Louis Pino (303-866-3556)

TITLE: CONCERNING AN EXTENSION OF THE INCOME TAX YEARS FOR WHICH THE COLORADO JOB GROWTH INCENTIVE TAX CREDIT IS AVAILABLE.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015	FY 2015-16
State Revenue General Fund *		($0.49 Million)	($3.46 Million)
State Expenditures			
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature. Tax changes are effective beginning tax year 2015.			
Appropriation Summary for FY 2013-2014: None.			
Local Government Impact: None.			

* *Because the degree to which jobs may be created expressly due to the bill is unknown, the fiscal impact stated above does not incorporate increased revenue from potential job creation. To the extent this tax credit is the sole determining reason that jobs are created in the state, sales and income tax revenue from those jobs would serve to partially offset the estimated loss of state revenue.*

Summary of Legislation

HB13-1287 extends the Colorado job growth incentive tax credit by an additional 5 income tax years. Under current law, taxpayers can receive authorization for credits through tax year 2014 and may claim the credits through tax year 2018. The bill allows taxpayers to receive authorization for the credits through tax year 2019 and claim them for a period of 60 months from when the credit was first received.

Background

The job growth incentive tax credit is available to any taxpayer doing business in Colorado that creates jobs in Colorado. If the jobs are created within an enhanced rural enterprise zone, firms must create at least 5 jobs and retain them for one year. If the jobs are not being created within an enhanced rural enterprise zone, at least 20 jobs must be created and retained for one year. In order to qualify for the credit, the jobs must pay wages of at least 110 percent of the average wage of the county in which the new jobs are located.

The income tax credit is equal to one-half of the amount the employer is required to pay in federal social security and Medicare taxes on the created jobs. Under current law, firms receive the credit, for each job created, every year the job is retained for up to five years, but no later than tax year 2018. The tax credit is non-refundable, but may be carried forward for ten years.

Firms are required to file an initial application to the Colorado Economic Development Commission (commission) outlining the number of jobs they expect to create over a period of up to five years and must provide documentation indicating that, if not for the credit, the jobs would have been created in a competing state. Once an initial credit application has been approved, firms are required to file an annual application for each year's credit with documentation on the actual number of jobs created and retained during that year. Each year, the commission is required to issue a tax credit certificate in the amount of the credit for that year to the firm, who in turn must submit the certificate with its income tax return to the Department of Revenue. No firm may receive more in tax credits than was initially agreed upon by the commission.

State Revenue

General Fund revenue will be reduced $0.49 million in FY 2014-15, $3.46 million in FY 2015-16, and $8.48 million in FY 2016-17 as a result of the bill. As shown in Table 1, the revenue impact will be phased in because most jobs affected by the bill will receive a credit for multiple tax years. There is a half-year impact in FY 2014-15. The Office of Economic Development has indicated that the extension of the credit will encourage some firms to apply for credits in 2014 that otherwise would not have applied. These credits are assumed to begin affecting revenue in tax year 2015.

Table 1. Five-Year Phase-In of Revenue Impact

Fiscal Year	General Fund Revenue Impact
FY 2014-15	($0.49 Million)
FY 2015-16	($3.46 Million)
FY 2016-17	($8.48 Million)
FY 2017-18	($13.60 Million)
FY 2018-19	($18.83 Million)
FY 2019-20	($23.77 Million)

The estimates are based on data from the Office of Economic Development and International Trade. In tax year 2012, the commission authorized $34.5 million job growth incentive tax credits that are eligible to be claimed over a five year period. This fiscal note assumes the amount of authorized credits will steadily grow over the next two years as the economy continues to improve. Of this authorized amount, it is assumed 40 percent of the credits will be eventually claimed, as some companies never claim the credit or do not generate enough jobs to earn the credit.

HB13-1287

State Expenditures

The Department of Revenue and Office of Economic Development and International Trade can implement the bill within existing resources.

Departments Contacted

Governor	Office of Economic Development	Revenue