Colorado

Job Growth Incentive Tax Credit

Purpose

The Job Growth Incentive Tax Credit provides a state income tax credit to businesses undertaking job creation projects that would not occur in Colorado without this program and that have met certain requirements under the Economic Development Commission's (EDC) Job Growth Incentive Tax Credit Program.

The State's Role

The Colorado Office of Economic Development and International Trade (OEDIT) provides administrative support for the EDC. The EDC has oversight authority for this program. A business should work with OEDIT to introduce a project to the EDC in order to determine if the EDC will consider an application from the business for the project at a later date. A business may not start the proposed project in Colorado (including locating or expanding in the state, hiring employees related to this project or making material expenditures for this project) until a final application has been submitted to the EDC and approved. OEDIT's Business Finance Staff will facilitate the application review process, application presentation with structuring recommendations to the EDC, conditional approval implementation, the issuance of tax credit certificates and the monitoring process.

Requirements

Businesses have to create at least 20 net new jobs (full-time equivalents) in Colorado during the credit period (defined as 60 consecutive months where the business may qualify for an annual tax credit) with an average yearly wage of at least 110% of the county average wage rate based on where the business is located (county source: QCEW Annual Tables provided by the Department of Labor and Employment - http://www.coworkforce.com/lmi/es202/index.asp).

A business located in an Enhanced Rural Enterprise Zone has to create at least 5 net new jobs (full-time equivalents) in Colorado during the credit period (defined as 60 consecutive months where the business may qualify for an annual tax credit) with an average yearly wage of at least 110% of the county average wage based on where the business is located (county source: QCEW Annual Tables provided by the Department of Labor and Employment - http://www.coworkforce.com/lmi/es202/index.asp).

All net new jobs must be maintained for at least one year after the positions are hired to qualify for the minimum amount of tax credits that may be available to a business. All net new jobs must be maintained for one year after the credit period to qualify for the maximum tax credits that may be available to a business as specifically approved by the EDC.

A business must submit an application to the EDC for review and approval before the proposed project starts in the state (including locating or expanding in the state, hiring employees related to the project or making any material expenditures for the project). Business decisions clearly moving forward without assistance from the EDC will not be considered for tax credits if an announcement is made prior to introducing the project to the EDC.

Businesses already receiving an incentive from the EDC's Strategic Fund or Performance Incentive Fund may not receive an incentive from the Job Growth Incentive Tax Credit Program for the same net new jobs.

Tax Credit Calculations

The maximum tax credit the EDC can authorize is calculated by taking 50% of the FICA paid by the business on the net job growth for each year in the credit period. The maximum tax credit authorized for a business may be less if deemed appropriate by the EDC. If an application is approved, a Conditional Approval document will be executed based on the projected amount and will include other requirements. Although the maximum tax credit authorized by the EDC is calculated by projected information submitted by the business, the actual tax credits issued will be based on actual performance.

Net new jobs or net job growth is calculated by taking the number of full-time equivalent (FTE) employees at the end of each calendar year of the credit period (through one year after the credit period) and netting out the number of FTE's at the beginning of the credit period.

By March 1st of each year, a business that has received an executed Conditional Approval must submit an annual request for a Tax Credit Certificate based on actual results after at least 20 or 5 net new jobs (depending on location of the business) have been created and maintained for at least one year.

If it takes longer for the business to create the net new jobs than originally projected, the Conditional Approval document will stay in effect for the remaining years in the five year credit period. Businesses will not be able to go back retroactive to request tax credits but can request tax credits for the remaining years once the minimum requirements have been met.

If the net new jobs are not maintained for the entire five year credit period, then the Conditional Approval document will become null and void in the year in which the determination is made that the net new jobs were not being maintained. A business will not be issued any new annual tax credits based on the original Conditional Approval document from that point forward but will retain the annual tax credits issued in prior years for its use. However, a business may petition the EDC (by a date to be determined) to amend the Conditional Approval document based on the business' current situation.

If the issued tax credits exceed the taxpayer's income tax for the income tax year in which the business is first authorized to use the credit, the amount of the tax credit not used shall not be allowed as a refund, but may be carried forward and applied in each of the 10 succeeding income tax years (must be applied to the earliest tax return possible).

Process

Businesses interested in requesting a Job Growth Incentive Tax Credit commitment should work with their local economic development representative and contact OEDIT Business Development Staff or Business Finance Staff.

If the business is interested in applying for a Job Growth Incentive Tax Credit commitment, the business and the local economic development representative should discuss the application requirements with OEDIT's Business Finance Staff. Applications will be reviewed by Business Finance Staff and then presented, with a staff recommendation, to the EDC for its consideration at one of the EDC's bimonthly meetings. The business to be assisted and the local economic development representative are encouraged to participate in the EDC meeting. Upon receiving all necessary approvals, the Business Finance Staff will begin the Conditional Approval implementation process. The Conditional Approval shall be void if a project does not commence within one and half years after receiving Conditional Approval.

A business that has received an executed Conditional Approval must submit an annual request by March 1st of each year to receive a Tax Credit Certificate. OEDIT Business Finance Staff will issue the Tax Credit Certificate based on actual results. A business must create at least 20 or 5 net new jobs with an average yearly wage of at least 110% of the county average wage (depending on location of the business) and maintain the positions for at least one year in order to qualify for a Tax Credit Certificate.

The fact that an application meets all of the program's general policy guidelines does not mean that the project will be approved.

The Colorado Economic Development Commission reserves the right to approve, deny or vary from these guidelines as necessary and appropriate and delay any decision due to budgetary constraints.

Contact: Shela Tatro, Manager, Economic Development Commission Email: shela.tatro@state.co.us
Secondary Contact: Alice Kotrlik, Deputy Director, Colorado Office of Economic Development & International Trade Email: alice.kotrlik@state.co.us
1625 Broadway, Suite 2700 Denver, CO 80202 Phone: (303) 892-3840 Website: www.AdvanceColorado.com