

ECONOMIC DEVELOPMENT

Economic Development

SB 10-133 (*Postponed Indefinitely*)
*Income Tax Credit for Rehiring
Employees*

HB 10-1180 (*Enacted*)
*Performance-based Incentive For
Colorado Film Production*

HB 10-1280 (*Postponed Indefinitely*)
*Colorado Nonprofit Job Growth
Income Tax Credit*

HB 10-1285 (*Enacted*)
*Overweight Vehicle Fine Tax
Incentives*

Enterprise Zones

SB 10-162 (*Enacted*)
*Modifications to the Enterprise Zone
Act*

HB 10-1350 (*Deemed Lost*)
*Requirements For Economic
Incentives*

HB 10-1396 (*Deemed Lost*)
Enterprise Zone Tax Credits

While the General Assembly eliminated a number of tax credits and exemptions during the 2010 legislative session, a few bills were considered that extended or funded tax credits or exemptions as incentives for economic development. **House Bill 10-1180** loosens the criteria required of a film production company to qualify for a performance-based incentive for film production activities in Colorado. Specifically, the bill:

- adds a television commercial to the definition of film for the purpose of receiving a the performance-based incentive for film production;
- incorporates the definition of "qualified payroll expenditure" into the definition of "qualified local expenditure;"
- removes the requirement that the production company must spend at least 75 percent of its production expenditures on qualified local expenditures and qualified local payroll expenditures;
- adds a requirement that the production company must employ a workforce made up of at least 25 percent Colorado residents;
- reduces the minimum total qualified local expenditures for a production company that does not originate its film production activities in Colorado from \$1 million to \$250,000; and
- lowers the actual qualified local expenditures necessary to receive an incentive.

House Bill 10-1285 raises the fines on commercial motor vehicles and uses the additional fine revenue to fund a 3 percent investment income tax credit for the purchase of commercial vehicles based in enterprise zones for tax year 2010.

A few bills were considered, but did not pass. **House Bill 10-1280** would have established a state income tax credit for contributions to fund new jobs at Colorado nonprofit organizations for tax years 2011 through 2016. Another bill that did not pass, **Senate Bill 10-133**, would have created a state income tax credit for tax year 2011 available to Colorado businesses that hire individuals who have been laid off and have been receiving unemployment benefits since March 31, 2010. The credit would have been equal to \$1,000 per hired employee and businesses would have only been allowed to claim up to five credits each for a total of \$5,000.

Enterprise Zones. The legislature debated several bills that affect Colorado's Enterprise Zone Program. The General Assembly created the Colorado Enterprise Zone Program in 1986 to promote economic development. Currently, there are 16 enterprise zones in Colorado that encompass about 70 percent of the state's land area. To be designated as a zone, an area must meet one of the following criteria:

- an unemployment rate at least 25 percent above the state average;
- a population growth rate less than 25 percent of the state average; and
- a per capita income less than 75 percent of the state average.

The legislature adopted **Senate Bill 10-162** which made a number of changes to the program. The legislation increased the population limit to qualify as an enterprise zone from 80,000 people to 115,000 people for urban zones and from 100,000 people to 150,000 people for rural zones. The bill also changed the process by which taxpayers claim enterprise zone state income tax credits effective in tax year 2012.

Currently, taxpayers who make investments in enterprise zones are not required to have zone administrators certify investments prior to making the investment. **Senate Bill 10-162** requires a taxpayer to have the Office of Economic Development and International Trade (OEDIT) certify an investment prior to making an investment in an enterprise zone to be eligible to claim a state income tax credit under the program.

The legislature also debated two additional bills that were postponed indefinitely. One bill, **House Bill 10-1350** would have added information to the annual report provided by the Governor's Colorado Economic Development Commission. The bill required the report to include the number of people employed as a result of any project, as well as the average and median salaries of those individuals. The bill would have also required the commission to file a separate report with the Senate and House Finance Committees by January 17, 2011. The report would have been required to include a comprehensive plan detailing how the state could implement a program for tracking the success of every grant, loan, or tax credit program intended to generate jobs and a means of determining a method for identifying the number of jobs created or retained. Another bill, **House Bill 10-1396** would have scrapped all of the tax incentives under the program.