

Economic Development

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SB 11-047 (Enacted)

*Bioscience & Clean Technology
Reinvestment*

SB 11-174 (Postponed Indefinitely)

Fund of Funds

HB 11-1045 (Enacted)

*Colorado Innovation Investment
Tax Credit*

HB 11-1141 (Postponed Indefinitely)

*Economic Stimulus Business Property
Tax Exemption*

HB 11-1158 (Deemed Lost)

Colorado Wood Products Incentives

HB 11-1209 (Enacted)

*Office of Economic Development Small
Business Navigator*

HB 11-1220 (Postponed Indefinitely)

*Accelerate Urban Transportation
Projects for Economic
Development*

HB 11-1228 (Postponed Indefinitely)

*Economic Development Through
Distributed Renewable Energy
Generation*

HB 11-1255 (Deemed Lost)

Colorado Alternative Energy Park Act

HB 11-1266 (Postponed Indefinitely)

*Economic Development Small
Business Seed Capital Market*

HB 11-1283 (Enacted)

Extend Bioscience Grant Program

HB 11-1311 (Enacted)

*Increase Number of Regional
Tourism Projects*

Enterprise Zones

HB 11-1147 (Postponed Indefinitely)

Business Development in Colorado

HB 11-1314 (Postponed Indefinitely)

*Enterprise Zone Tax Credit
Pre-certification*

The General Assembly considered a variety of economic development-related legislation during the 2011 session. Major topics addressed included business development, tourism, transportation, and investment in clean technology, bioscience, and innovation. In addition, two bills were considered that would have affected Colorado's Enterprise Zone Program; however, none of the bills concerning the program were enacted this session.

Economic Development

Business development. The Colorado Office of Economic Development and International Trade (OEDIT) provides financial and technical assistance in support of local and regional economic development activities throughout the state by offering programs and services that are tailored to support business development at every level. **House Bill 11-1209** requires the Small Business Assistance Center within OEDIT to create a small business navigator intended to serve as a single point of contact for small businesses. The navigator created under the bill must assist small businesses by:

- diagnosing problems;
- making referrals to small business development centers, the University of Colorado's Business Advancement Center, and other organizations;
- providing information regarding state government contracting offices and related processes;
- providing assistance with state rules; and
- conducting any required follow-up.

A few bills were considered this session, but did not pass, that were intended to encourage economic development by providing financial incentives to businesses in Colorado.

Under current law, business personal property begins to be taxed the year after it is first used, except for business personal property with an actual value less than \$5,500, which is presently exempt from property taxes. **House Bill 11-1141** would have exempted from the levy and collection of property tax, for the life of the property, all business personal property purchased in years 2012 and 2013.

House Bill 11-1266 would have created a structure to raise money to loan to small businesses that generate jobs in Colorado. The bill would have created a Small Business Capital Authority, and related board, to manage a state fund which would issue bonds to raise money. Money raised through the bond sales would have been allocated to several private fund operators, which would then loan the money to small businesses.

Senate Bill 11-174 would have created the Fund of Funds Advisory Board. A fund of funds is a pool of capital that is raised to be invested by a management team in multiple venture and private equity partnerships.

Regional tourism authorities. Regional tourism authorities were created by the passage of Senate Bill 09-173. Regional tourism authorities are developed upon approval of a regional tourism project by the Colorado Economic Development Commission (EDC) in the OEDIT and retain certain powers including the ability to, among other things:

- undertake regional tourism projects;
- enter into contracts and agreements affecting the affairs of the regional tourism authority as needed to complete a regional tourism project;
- receive, invest, pledge, spend, and utilize state sales tax increment revenue in accordance with an approved regional tourism project; and
- issue bonds.

Under current law, the EDC may approve up to two regional tourism projects in the state, including, for each, designation of a regional tourism zone, the creation of a regional tourism authority, and designation of a financing entity to receive and use state sales tax increment revenue for eligible costs. **House Bill 11-1311** specifies that two initial regional tourism projects may be approved by the EDC. In the two calendar years following the approval of the initial projects, two additional regional tourism projects may be approved by the EDC in each calendar year, up to four additional projects.

Transportation. **House Bill 11-1220** would have provided a mechanism to divert an increment of state sales tax revenue to fund a portion of state transportation projects in undeveloped and underdeveloped areas. Under the bill, local governments that build an approved transportation project would have been eligible to keep 50 percent of the incremental state sales tax for up to 15 years following the completion of a project.

Investment in clean technology, bioscience, and innovation. The General Assembly considered several bills related to providing financial support and incentives to businesses operating in the clean technology, bioscience, and innovation arenas.

House Bill 11-1045 affects the Colorado Innovation Investment Tax Credit (CIITC) program, which was created by House Bill 09-1105, and is administered by the OEDIT. The CIITC was available to investors for qualifying investments of at least \$25,000 made during tax year 2010 in small Colorado businesses less than five years old. Qualifying businesses had to be involved in the research and development or manufacturing of new technologies, products, or processes. The credit equaled 15 percent of the investment but could not exceed \$20,000. Under House Bill 11-1045, tax credits may be claimed for investments made after tax year 2010 until all of the existing funds transferred from the CIITC program to the General Fund for the credits are exhausted.

Another bill, **House Bill 11-1283**, extends the repeal date for the Bioscience Discovery Evaluation Grant program from July 1, 2013, to July 1, 2018. The Bioscience Discovery Evaluation Grant program, created in 2007, intends to accelerate the development of new bioscience products and services. To achieve this goal, it provides grants to assist technology transfer offices and early-stage bioscience companies. Program funds are dedicated to activities in life sciences, engineering materials sciences, computer sciences, photonics, nanotechnology, and therapeutic or diagnostic products to improve human health, bioscience technologies, and biofuels. The grant program operates under rules established by House Bill 08-1001, which provides approximately \$5.5 million annually in funding for grants and expenses.

The Clean Technology Research Program, created in 2009, is currently operated under the OEDIT and dispenses grant money to companies in renewable energy, electric motors, lighting, and other related areas. Under the program, grants up to \$50,000 may be awarded to an office of technology transfer, and grants up to \$150,000 may be awarded to an early-stage clean technology company. **Senate Bill 11-047** redirects 50 percent of the growth of state income tax withholdings from specific Colorado businesses toward a cash fund dedicated to the clean technology industry and extends the grant program until 2024.

A number of bills that were under consideration, but did not pass, include the following.

House Bill 11-1158 would have provided a sales and use tax exemption for the sale, storage, and use of wood from salvaged trees killed or infested in Colorado by spruce beetles or mountain pine beetles. **House Bill 11-1228** would have required the OEDIT to commission a study of the potential economic benefits to increasing the amount of distributed generation within the state's renewable portfolio standard. More specifically, the study would have investigated market-based incentives to promote distributed generation, and the potential new job and economic development that these incentives could provide.

Lastly, **House Bill 11-1255** would have authorized local governments to apply to the EDC for approval to create alternative energy parks and to allow tax increment financing and bonding to be used to finance development within the parks. The bill also would have provided tax incentives to taxpayers who invested in or financially supported such parks.

Enterprise Zones

The General Assembly had under consideration several bills that would have affected Colorado's Enterprise Zone Program. The Colorado Urban and Rural Enterprise Zone Act was created in 1986 to encourage job creation and capital investment in economically troubled areas of the state by providing tax incentives to businesses. Statute provides that up to 16 areas may be designated as enterprise zones. Currently, enterprise zones account for roughly 69 percent of the geographic area of the state, but only about 15 percent of its population. To be designated as an enterprise zone, an area must meet one of the following criteria:

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

In addition, the population in urban areas wishing to be designated as an enterprise zone cannot exceed 80,000 people; in rural zones, the population cannot exceed 100,000 people.

None of the bills that would have impacted Colorado's enterprise zones were enacted during the 2011 legislative session.

Current law requires that, beginning January 1, 2012, a taxpayer who does business in an enterprise zone must first obtain pre-certification from the enterprise zone administrator before engaging in an activity for which the taxpayer intends to claim an enterprise zone tax credit. Current law also requires that a taxpayer who completes an activity prior to January 1, 2012, for which the taxpayer intends to claim an enterprise zone tax credit, must submit to the enterprise zone administrator by December 31, 2012, any information related to the completed activity that is necessary to receive certification. **House Bill 11-1314** would have repealed the requirement in current law that a taxpayer located in an enterprise zone obtain pre-certification prior to engaging in an activity for which the taxpayer intends to claim an enterprise zone tax credit.

House Bill 11-1147 would have created a program to provide small businesses with consulting, marketing, and legal services. It also would have created another program for unemployment insurance recipients, which would have provided capital and advice to help them start their own business. Finally, this bill would have reduced two tax credits provided under the Enterprise Zone Program: an investment tax credit and a credit for employees hired at a new business facility.