Colorado

Job Growth Incentive Tax Credit

Purpose

The Job Growth Incentive Tax Credit provides a state income tax credit to a business undertaking a job creation project for which Colorado is competing with at least one other state for the project and where the project would not occur in Colorado without this program and that have met certain requirements under the Colorado 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 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.

Requirements

Businesses have to create at least 20 net new jobs (full-time equivalents) in Colorado during the credit period with an average yearly wage of at least 110% of the county average wage rate based on where the business is located when compared to the county average wage rate [county source: Quarterly Census of Employment Wages (QCEW) Annual Tables provided by the Department of Labor and Employment]. The annual average wage rate calculation does not include benefits. 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 with an average yearly wage of at least 110% of the county average wage based on where the business is located.

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 project and netting out the number of FTE's at the beginning of the project.

The credit period is 60 consecutive months where the business may claim an annual tax credit and cannot extend past December 31, 2018.

All net new jobs must be maintained for at least one year after the positions are hired.

Colorado must be competing with at least one other state for the project and the business must submit a complete application to the EDC for formal 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 an application being reviewed by the EDC.

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

Tax Credit Calculations

For income tax years commencing on or after January 1, 2009, but prior to January 1, 2015, the maximum tax credit is calculated by taking 50% of the FICA paid by the business on the net job growth for each calendar year in the credit period. The maximum tax credit 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 include other program requirements. Although the maximum tax credit is calculated by projected information submitted by the business, the actual tax credits issued will be based on actual performance.

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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.

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 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 issued tax credits exceed the taxpayer's income tax for the income tax year in which the credit is being claimed, 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 Global Business Development Staff to preliminarily determine if the business may meet the Job Growth Incentive Tax Credit requirements.

If Job Growth Incentive Tax Credit requirements may be met, the business and the local economic development representative should discuss the application process with OEDIT's Business Funding and Incentives Staff. Applications will be reviewed by Business Funding and Incentives 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 Funding and Incentives Staff will begin the Conditional Approval implementation process. The Conditional Approval shall be void and any claimed tax credits will be repaid 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 Funding and Incentives 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) in order to qualify for a Tax Credit Certificate. If it is determined that the net new jobs are not maintained for at least one year, a Taxpayer will be notified by the EDC that it is required to amend the appropriate State tax return that includes any tax credit included for that net new job since the Project is not eligible for such tax credits. In addition, the Colorado Department of Revenue will be notified of this revoked tax credit. For information about amending your return, visit www.TaxColorado.com.

If the Taxpayer created and maintained net new jobs for at least one year during the credit period and received tax credits accordingly but then experienced significant employment decreases over a multi-year period (beyond an allowance for a reasonable level of temporarily vacant positions due to normal employee turnover), then the Taxpayer shall inform the EDC of why the net new jobs have not been maintained and provide an employment plan providing forecasted net new job creation for the remaining credit period. The EDC may review this information and make a determination if the Conditional Approval will become null and void, solely at its discretion. In the event the EDC makes such a determination, the Taxpayer shall not request an Annual Tax Credit certificate for any subsequent years. In any event, the Taxpayer's Annual Tax Credit Certificates issued in previous years (and for which the minimum one year maintenance requirements have been met) will remain intact for Taxpayer's use.

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.