

The State of Colorado  
Office of Economic Development &  
International Trade

Program Manual  
for the  
Rural Jump-Start Zone  
Tax Relief Program

Revised January 10, 2020

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## Section 1: Overview of the Program

The Rural Jump-Start Zone program provides specific tax relief to New Businesses and New Hires of these businesses that are located in certain economically distressed areas of rural Colorado and align with local or regional state higher education institutions in order to promote economic development in these areas. This program is based on Senate Bill 15-282, and codified under Colorado Revised Statutes 39-30.5-101. This program is administered by the Colorado Office of Economic Development and International Trade (OEDIT) and the Colorado Economic Development Commission (EDC), in conjunction with other government entities.

Companies that have been approved by the EDC for participation in the Rural Jump-Start program are called New Businesses. Employees of these New Businesses that are eligible for program benefits are called New Hires.

This document is a guide for anyone who wishes to participate in the Colorado Rural Jump-Start Zone program (herein called the program). This document is meant to be read in conjunction with the Rural Jump-Start website: [www.choosecolorado.com/rjs](http://www.choosecolorado.com/rjs). This program manual can be downloaded from the website.

This program manual is intended to serve as guidelines to assist applicants, stakeholders, OEDIT, the EDC and others understand the Rural Jump-Start program and effectively utilize the program. The EDC will ultimately make decisions about the program based on the statute and has the full authority to deviate from these guidelines based on the actual facts of the specific question before them and the language in the statute. This program manual is a living document which will be revised over time as OEDIT and the EDC implement the program.

### Program Schedule

The Rural Jump-Start became active in January, 2016, and is currently accepting applications from both businesses and local governments that wish to participate in the program. The Rural Jump-Start zone program will stop accepting applications from businesses and local governments at the end of 2020. New Businesses and New Hires enjoying tax benefits on December 31, 2020 will continue to enjoy those benefits on the schedule that was created when they were approved. Furthermore, New Businesses and New Hires can apply for extension of benefits after December 31, 2020.

## Eligibility for Participation

### Counties

The following counties have been designated as economically distressed, and are therefore eligible to participate in the Rural Jump-Start program:

Alamosa, Archuleta, Baca, Bent, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Fremont, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montezuma, Montrose, Morgan, Otero, Phillips, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, Sedgwick, Washington, Yuma

Pitkin County met the metrics for inclusion in 2017, but was not included as an eligible county due to the fact that it is not the target profile of a Rural Jump-Start participant.

### Designated Institutes of Higher Education (DIHEs)

The statute that created the Rural Jump-Start program strictly delineated which schools can apply to the EDC to create zones and submit business applications. These schools are referred to throughout this document as DIHEs and they are:

Adams State University, Colorado Mesa University, Colorado Mountain College, Colorado NW Community College, Colorado State University, Delta-Montrose Technical College, Fort Lewis College, Lamar Community College, Morgan Community College, Northeastern Junior College, Otero Junior College, Pikes Peak Community College, Pueblo Community College, Red Rocks Community College, Trinidad State Junior College, Western Colorado Community College, Western State Colorado University

### Businesses

Any business that wishes to participate in the Rural Jump-Start program must be a business that is not currently operating in the state of Colorado, and does not directly compete with the core function of an existing Colorado business. Existing Colorado businesses are not eligible for the Rural Jump-Start program. See Section 2 for more information on business requirements.

### Employees

Any employee that wishes to participate in the Rural Jump-Start program must be designated as a New Hire by the program. A New Hire is a person who is working at least 35 hours per week, and is making more than the county average annual wage. See Section 2 for more information on New Hire requirements.

## Benefits of the Program

All New Businesses that are approved by the EDC for participation in the program will receive the following benefits:

- Relief from state income taxes. Such relief will take the form of a tax credit certificate, and will be administered by OEDIT.
- Relief from the state sales & use tax on purchases made by the New Business. Such relief will take the form of a refund, and will be administered by the Colorado Department of Revenue. (Note that as a refund, this tax will first have to be paid, and the refund applied for separately.)
- Relief from county business personal property taxes. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the county.
- Relief from municipal business personal property taxes. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the municipality.

Local governments have the option of providing these benefits to New Businesses:

- Relief from other county taxes on a specific New Business. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the county.
- Relief from other municipal taxes on a specific New Business. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the municipality.

Benefit available to the New Hire, subject to qualifications and limitations:

- Relief from state income taxes. Such relief will take the form of a tax credit certificate, and will be administered by OEDIT.

### Notes on Other Taxes

A New Business that is approved by the EDC is granted tax relief for four years from the date of EDC approval. The New Business may apply for an extension of benefits of up to four years, for a total of eight years of benefits.

This program does not specifically exempt businesses from real property taxes. Real estate taxes would be covered under "other taxes on businesses", and would be administered by the county/municipality, not OEDIT.

This program does not address school district taxes or the taxes levied by special financing districts. The Rural Jump Start statute does not provide authorization for special district tax relief; it is assumed that these taxes will not be affected by this program.

This program only addresses certain specific taxes, and does not address fees and charges by the county or municipality.

### Benefits of the Program (continued)

Local governments are required to eliminate the business personal property tax in full for the time period required by the statute (four years initially with extension to eight years if approved by the EDC).

Local governments are required to eliminate the business personal property tax if they wish to participate in the Rural Jump-Start program. Local governments are not allowed to merely refund a portion of the tax.

### Program Limits

The statute that created the Rural Jump-Start Zone program place limits on the activity and benefits of the program.

**Table: Limits on Program Activity**

| <b>Activity</b>   | <b>Calendar Years 2017-2020</b>  | <b>Notes</b>   |
|---|--|--|
| Number of zones that can be approved                                      | No statutory limit   | Each municipality can only contain 1 zone                              |
| Number of counties allowed to participate                                 | Any county under 250,000 people that meets the economic distress tests |  |
| Number of businesses that can be approved                                 | Unlimited  | An individual business can be in multiple zones                        |
| Number of New Hires that can be approved                                  | 200 per zone (with option for EDC to increase to 300)                  | No limit on number of New Hires at a business (other than zone limit). |
| Dollar value of state income tax credits for New Businesses and New Hires | Unlimited  | This is administered by OEDIT and the EDC.                             |
| Dollar value of state sales & use tax refunds for business                | Unlimited  | This is administered by the Colorado Dept of Revenue.                  |
| Dollar value of Business Personal Property tax credits                    | Unlimited  | This is administered by the county or municipality.                    |

### Definition of a Rural Jump-Start Zone

A Rural Jump-Start zone is an area of the state of Colorado that has been approved to be a Rural Jump-Start zone by the EDC. There are two parts to creating a Rural Jump-Start zone- the definition of an economically distressed county and the zone creation process.

## Defining an Economically Distressed County

An economically distressed county is defined by the statute as a county with a population of less than 250,000 that shows certain indicators of economic distress. New economically distressed counties are designated every year by the EDC, but once a county is designated as economically distressed, it retains that designation for three years, regardless of any changes in economic conditions during those three years, and regardless of whether the county passes a resolution or is approved by the EDC.

By statute, the following nine counties are ineligible to participate in this program because they have a population above 250,000 people: Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson, Larimer, Weld. Any county with a population below 250,000 people that is not designated as economically distressed will be reviewed annually for eligibility. In determining the list of economically distressed counties, the EDC runs the following tests:

- Is the per capita income 20% or more below the state average
- Is the county-wide personal income 20% or more below the state average (this is a proxy for GDP, which is not available at the county level)
- Is the average unemployment level over the last five years 20% or more above the state average over the same period
- Has the county lost people of workforce age over the last five or the last ten years
- Is the percent of pupils eligible for free school lunch higher than the state average
- Is the county designated as an Enhanced Rural Enterprise Zone by OEDIT
- Is the county included in a metropolitan statistical area (MSA), as defined by the US Census Bureau

The first five factors are from the statute. The last two factors were developed by OEDIT to ensure that all factors of economic distress were considered. In order to be designated as economically distressed, a county must meet three of these seven tests.

These tests are meant to be bright-line tests, but the EDC reserves the right to exercise discretion where metrics are on the border of a limit or ambiguous.

### Geographical Limits on Zones

When an DIHE applies to create a zone, the geographical limits of the zone must meet the following requirements:

- No zone may be larger than a county
- A municipality may only contain one zone

### Zone Existence and County Economic Distress

Once a zone is approved by the EDC, it continues to exist until the county it is located in is no longer designated as economically distressed by the EDC.

## Section 2: Program Structure

The Rural Jump-Start Zone Program has multiple entities administering and participating in it. These entities each have unique roles, rights, and responsibilities.

### List of the Participants and Their Roles

- The Colorado Economic Development Commission
- The Colorado Office of Economic Development and International Trade
- The Colorado Department of Revenue
- The Designated Institutes of Higher Education (DIHE)
- Partner Schools
- Counties
- Municipalities
- Local Economic Developers
- Existing Businesses
- Applicant Businesses
- New Hires

Following are the detailed roles and responsibilities for each of these participants.

## Details of the Participants and Their Roles

### OEDIT and the EDC: Restrictions and Responsibilities

The Colorado Office of Economic Development and International Trade and the Colorado Economic Development Commission work together as the governance authority of this program. OEDIT, as staff to the EDC, and at the request of the EDC acts as the manager of the program. OEDIT will create and maintain the online application process, perform all initial review of applications, and perform all day-to-day program administration. The EDC's primary responsibility is to review and approve or deny the applications that are submitted and establish policies for the program. The EDC has ultimate responsibility for the program, and all decisions on program policy and structure will be made by the EDC, in consultation with OEDIT.

### Responsibilities of the EDC

The legislation for this program charges the EDC with administering the program, but also allows OEDIT to assist the EDC with its duties. It is expected that OEDIT will administer the program, with the EDC performing the following duties:

- Review and approve the program guidelines developed by OEDIT.
- Review and approve the list of distressed counties developed by OEDIT.
- Review and approve the resolution from the county to participate in the program.
- Review and approve the conflict of interest disclosures from the DIHE's. These are submitted on an annual basis.
- Review and approve applications to create zones.
- Review and approve applications from businesses (for both the business and New Hires).
- Review and approve the issuance of tax credit certificates.
- Review and approve a business's application for an extension of the original four year period for the business, for the income tax credit.
- Review and approve a business's application for an extension of the original four year period for the New Hires, for the income tax credit.
- Review and approve a business's application for an extension of the original four year period for the business, for the sales & use tax refund.
- Review and approve the application to increase the number New Hires in the zone from 200 to 300.

### Colorado Department of Revenue: Responsibilities

The New Business is eligible for a refund for all sales and use taxes imposed on the purchase of all tangible personal property acquired by the New Business and used exclusively within the rural jump-start zone.

The Colorado Department of Revenue is responsible for administering the refund of the sales and use tax.

The New Business is exempt from the sales and use tax for four years, and may apply to the EDC for an extension of up to four more years.

The Department of Revenue ultimately reviews and accepts all tax credit certificates issued by the EDC for exemption for state income taxes for both the New Business and the New Hire. OEDIT will report the list of participating New Businesses and New Hires to the Department of Revenue.

## Designated Institute of Higher Education: Responsibilities and Restrictions

### Overview

The Designated Institutes of Higher Education (the DIHE's) play a crucial role in the Rural Jump-Start program, as they are the initial contact with the business, a partner of the business, and a reviewer and approver of the business's application. They must also submit the applications onto the EDC. Every business applying into the program must initially apply to an DIHE that is delineated by the statute to serve the zone they wish to locate in.

There are five categories of DIHE that may review and submit applications in the Rural Jump-Start program:

- Four year public institutions of higher education that are designated as regional education providers
- Four year public institutions of higher education that are not designated as regional education providers
- Community colleges
- Junior colleges
- Area vocational schools.

Only state of Colorado institutions of higher education (i.e. public schools) may serve as DIHEs. Private for-profit and not-for-profit institutions of higher education are not eligible to be the DIHE in the Rural Jump-Start program. These institutions can participate in the Rural Jump-Start program as partner schools.

OEDIT will publish a list of economically distressed counties by December 1, 2015, and update the list annually. The list of economically distressed counties includes cross referenced lists of DIHEs that can operate within each county.

If a county has more than one DIHE authorized to operate in that county, any business applying into a zone in that county may chose among the various DIHEs.

## DIHE Relationship and Mission Alignment

In the course of approving the business applicant, the DIHE must attest to all of the following requirements:

- There exists a relationship between the New Business and the state institution of higher education that will result in positive benefits to the community and the local economy
- The mission and activities of the New Business align with or furthers the academic mission of the state institution of higher education

Any business that does not meet these two requirements cannot be approved by the DIHE.

Examples of relationships that would meet these two requirements:

- The New Business is leasing property from the DIHE or locating on or adjacent to the campus.
- The New Business is licensing intellectual property from the DIHE.
- The New Business is funding or otherwise sponsoring research at the DIHE that relates to the product or service development or testing.
- The New Business employing faculty, staff or students or recent graduates as full or part time workers or consultants at the business if there is education, training or academic activities happening at the DIHE that relate closely and directly to the New Business.
- The New Business is using specialized facilities at the DIHE in its product or service development.
- The New Business is providing ongoing funding, sponsorship or other substantial support contributing to an institute, academic chair, department or program at the DIHE that directly relates to the business model or operations of the New Business.
- Other ongoing and substantial support, relations or ties between the New Business and the DIHE.

These benefits and alignments must be described in writing by and attested to by the DIHE and New Business as part of the application in a jointly signed, MOU, contract, lease or other similar document and reported on by the business in the annual report.

## The DIHE Conflict of Interest Policy

Every DIHE participating in the rural jump-start zone program must adopt a conflict of interest policy. At minimum, the conflict of interest policy must provide that:

- A representative of the state institution of higher education may not use the relationship between the state institution of higher education and the New Business as a means for inurement or private benefit to the representative of the state institution of higher education, any relative of such representative, or any business interests of such representative
- A person who engages in the business of selling goods or services to a state institution of higher education, an employee of such person, or a person with a business interest in such person's business shall not vote on or participate in the administration by the state institution of higher education of any transaction with such business
- Upon becoming aware of an actual or potential conflict of interest, a representative of the state institution of higher education shall advise the chief academic officers or executive director of the institution of the conflict.

For the purposes of a conflict-of-interest policy, the following definitions shall apply:

- "Business interest" means that a representative either 1) owns or controls ten percent or more of the stock of the entity; or 2) serves as an officer, director, or partner of the entity.
- "Relative" means any person living in the same household as the representative of the state institution of higher education, any person who is a direct descendant of the representative's grandparents, or the spouse of such representative.
- "Representative of the state institution of higher education" means any employee with decision-making authority over the rural jump-start zone program.

Each DIHE is required to maintain a written record of all conflict of interest disclosures. The DIHE must report the disclosures for the previous calendar year to the EDC by January 31 of each year.

## The DIHE Application to Participate

Any DIHE that wishes to participate in this program must apply to the EDC. The DIHE must attest that they intend to actively execute in their role, that they have adequate resources to administer the program, and designate a point person to work with the businesses and OEDIT. A DIHE may apply before a zone has been formed, or may apply in the process of creating a Rural Jump-Start zone. As part of the application process and on an ongoing basis the DIHE must maintain a strategic plan as described below in the application section.

## The DIHE Role in Forming and Maintaining a Zone

In order for a Rural Jump-Start zone to be formed, an DIHE that is eligible to operate in that county must submit an application to the EDC. The DIHE that is submitting the application must determine the boundaries of the zone, the participating municipalities, and any other applicable aspects of the zone.

Once a Rural Jump-Start zone is formed by an DIHE, any DIHE that is eligible to participate in that county is eligible to work in that zone.

The DIHE that formed the zone may later apply to the EDC to modify that zone by changing boundaries, adding or removing municipalities, etc.

## The DIHE Role in Reviewing and Approving New Business Applications

After an business submits an application via Salesforce to become a New Business the DIHE is responsible for reviewing that application to assess if the applicant meets the following requirements:

- Is the applicant substantially similar in operations and does it directly compete with the core function of another business in the state
- Does the applicant have a relationship with the DIHE that satisfies the mission alignment and community benefit clause (and have the applicant and IHE documented this with a jointly signed document)
- Is the applicant's business plan reasonably likely to achieve success
- The DIHE must attest that it is familiar with the background of the company and all the key personnel (officers, owners, senior leadership) and has found nothing in their background that would warrant denying this application. They DIHE should do diligence that may include credit checks, criminal background checks, reference checks and other research.
- Based on their understanding of the company and its business plan, are they likely to hire at least 5 people within the first two program years.
- The DIHE must confirm that the applicant is not operating in the state of Colorado per the definition in these guidelines
- The DIHE must confirm the applicant is not moving existing jobs in Colorado to the zone per the rules in the statute and these program guidelines
- The DIHE must confirm the applicant will add to the county's economic base by exporting goods or services outside the county.
- The DIHE must confirm the applicant has located in the zone per the rules of the program

## The DIHE Role in Reviewing and Approving New Business Applications (continued)

After the DIHE completes its review and approval per the bullets above, it will forward the application in Salesforce to OEDIT for the OEDIT review.

## Partner Schools: Responsibilities and Restrictions

DIHEs are allowed to form partnerships with institutions and organizations called partner schools or partner institutions that are not DIHEs in that county.

When applying to create a Rural Jump-Start zone in 2016, a partnership with a partner school would be considered to strengthen the application.

## Counties: Rights and Restrictions

In this program, there are economically distressed counties and participating counties. Economically distressed counties are counties that are designated as economically distressed by the EDC, and are eligible to apply to the program. Participating counties are counties that have passed the tax relief resolution and contain at least one Rural Jump-Start zone. In other words, the designation of economically distressed merely makes a county eligible to participate, a DIHE that serves the county must apply to and be approved by the EDC in order for a zone to be created. A county does not need to take any action in order to be designated as economically distressed. See section 1 on how economically distressed counties are determined.

Because the list of counties is reviewed annually, please see the web page for a current list of eligible counties.

Unlike municipalities (which may limit their participation resolution to specific businesses), counties must provide tax relief to all New Businesses in the county.

The county may limit the Rural Jump-Start zone to the entire unincorporated areas of the county, all of the incorporated areas of the county, or both.

## Notes on County Resolutions

In order to participate in the program, the county must adopt a resolution affirming that it will provide incentive payments, exemptions, or refunds, as appropriate, to all New Businesses to eliminate the business personal property tax imposed on New Businesses by the distressed county. The county also has the option of adopting an additional resolution affirming that it chooses to provide incentive payments, exemptions, or refunds, as appropriate, to all New Businesses to eliminate any other tax imposed on or paid by such New Businesses in the distressed county.

If a county does not pass a resolution for Rural Jump-Start benefits, then no Rural Jump-Start zone can be formed in that county, and none of the municipalities in that county can participate in the program.

The county resolution alone is not enough to form a Rural Jump-Start zone in a municipality; the municipality also must pass a resolution. The county cannot force a municipality to participate in the Rural Jump-Start program.

A copy of the approved resolution must be included with the DIHE's application to the EDC to create the Rural Jump-Start zone. The EDC will not review any applications that do not contain an approved county resolution.

The resolution must be binding. Non-binding resolutions do not qualify for the Rural Jump-Start program.

If the county wishes to provide additional tax relief beyond the county business personal property tax must do so on a separate resolution from the resolution that establishes the personal property tax elimination.

The county must eliminate the business personal property tax. Partial relief from the tax does not qualify the county for the Rural Jump-Start program.

The county must offer tax relief for up to eight years for each business (may end up only being four years depending on the EDC approvals).

### Exiting the Program

Counties may only exit the program by passing a resolution revoking the initial resolution. In the case that the county revokes the resolution, businesses that are currently in the program would continue to receive the program benefits, including from the county, on their original schedule, including the right to add New Hires up to the allocated amount and apply for program extension. The EDC has the right to review and require modifications to revocation resolutions that do not comply with this section.

## Municipalities: Rights and Restrictions

Unlike counties, municipalities do not need to be designated as economically distressed in order to be part of a Rural Jump-Start zone. The municipality merely needs to be located in a county that has been designated as economically distressed and passed a resolution that has been approved by the EDC.

If a county or DIHE is not willing to participate in the Rural Jump-Start program, no zone can be formed in that county and no municipality in that county can participate in the Rural Jump-Start program. Conversely, a municipality is not participating in the program simply because its county is or the DIHE desires to, the municipality must pass its own resolution. The county or DIHE cannot force a municipality to participate in the Rural Jump-Start program.

## Notes on Municipal Resolutions

In order to participate in this program, a municipality must pass either a general or a limited resolution. These two types of resolutions have very different characteristics.

A general resolution is a resolution affirming that the municipality will provide incentive payments, exemptions, or refunds, as appropriate, to all New Businesses to eliminate the business personal property tax. A general resolution obligates that municipality to offer tax relief to every business that is approved by the DIHE and the EDC.

A limited resolution is a resolution affirming that the municipality will provide incentive payments, exemptions, or refunds, as appropriate, to a specific New Businesses to eliminate the business personal property tax. A limited resolution must name the specific businesses that are being offered the tax relief.

A municipality may pass a general resolution before a business has applied to the program or before the county has passed its resolution.

Both the general resolution and the limited resolution can be geographically restricted to certain areas of the municipality.

The municipality must offer tax relief for up to eight years for each business depending on the time approved by the EDC.

## Notes on Municipal Resolutions (continued)

The resolution must be binding. Non-binding resolutions do not qualify for the Rural Jump-Start program.

If the municipality wishes to provide additional tax relief beyond the municipality's business personal property tax, it must do so in a separate resolution from the resolution that establishes the personal property tax elimination.

The municipality must eliminate the business personal property tax. Partial relief from the tax does not qualify the municipality for the Rural Jump-Start program.

## Municipalities: Exiting the Program

Municipalities may only exit the program by passing a resolution revoking the initial resolution. In the case that the municipality revokes the resolution, businesses that are currently in the program would continue to receive the program benefits, including from the municipality, including the right to add New Hires up to the allocated amount. The EDC has the right to review and require modifications to revocation resolutions that do not comply with this section.

## Local Economic Developers

Local economic developers are an important part of this program. These groups are expected to work closely with the DIHE, the county, the municipality, and the business in making sure that program is a success. If a local economic developer wants their area to participate in the program they are requested to organize a coalition of county, municipal and DIHE officials to apply for approval. The active participation of the local economic developers is a key part of this program.

## Existing Businesses

Even though the Rural Jump-Start program is limited to New Businesses, no New Business can directly compete with the core function of an existing Colorado business.

When a New Business applies to the Rural Jump-Start program, a brief summary of the application (which does not identify the applicant by name) will be published on the Rural Jump-Start website. If an existing business believes that the applicant is directly competing with them, they should notify OEDIT so that this information can become part of the competition review. Such existing businesses may also attend the EDC meeting and publically challenge the application from the New Business on the basis of the competition clause.

## New Businesses: Requirements and Restrictions

In order to receive the benefits of this program, a business must meet all of the following requirements.

### Requirement 1: Not Operating in the State

The statute that controls the Rural Jump-Start program requires that an applicant is a New Business that is "not operating in the state at the time it submits its application to the DIHE." In order to be considered not operating in the state at the time of their application, an applicant must meet one of these criteria:

- A startup not yet operating.
- A business based outside Colorado, not currently operating in Colorado.
- A new joint venture between companies which may or may not be currently operating in Colorado.
- A newly created division of a company. The company may or may not be operating in Colorado at the time it creates the division. Furthermore, the new division does not need to have a separate tax ID number or be separate legal entity from its parent.

It is possible for a company that has already been formed in Colorado to qualify for the Rural Jump-Start program even if the company has already undertaken certain business activities in Colorado which are not deemed to constitute operating. The following activities may indicate that a business is operating:

- Producing a product for sale or inventory.
- Delivering any a commercially scaled product or service to a customer.
- Signing a binding contract with a customer to deliver a product or service while in the zone.
- Having more than three full-time W-2 employees in the zone, excluding the founder(s).
- Having substantial capital equipment in Colorado that the business plans to move into or use in the Rural Jump-Start zone.
- Signing a new multi-year lease for real estate in the zone that is specifically intended to be primarily used for the new business.
- Signing a new purchase agreement, option, sales contract or similar document for real estate in the zone that is specifically intended to be used primarily for the new business.

The following activities are not typically considered business operations in the Rural Jump-Start program:

- Planning
- Fundraising
- Recruiting
- Market research
- Preparing for production (design, prototyping, etc.)
- Business formation or registration
- Manufacturing and testing a proof of concept, prototype, alpha or beta version of a product or service, even if some revenue is associated with the activity

## Business Divisions and Joint Ventures

Business that are currently operating in the state of Colorado may, under limited circumstances, form a division or joint venture that is eligible to participate in the Rural Jump-Start program, provided that the division or joint venture applying to the program is a legitimate separate business operation, and not a sham division or joint venture. A legitimate division or joint venture would typically have the following characteristics:

- The division or joint venture has an independent strategic and operational rationale and leadership structure, and does not exist solely to take advantage of program benefits.
- The division or joint venture should be an accounting entity, and the company should be able to separate the activities of the division or joint venture from the rest of the company.
- The division or joint venture should have a public presence. The division or joint venture should be on the company's website, and the customers of the business should be aware of the division or joint venture.
- The division or joint venture focuses on a substantially different product or market segment than other divisions or the parent which are operating in Colorado. Alternately, the company is a substantial, existing multi-state entity, it is bringing a brand new function to Colorado with the new division or joint venture.
- The division or joint venture should have a multi-year life.

Because existing businesses are not eligible for the Rural Jump-Start program, any application from a new division of an existing Colorado company would be subject to heightened scrutiny. An application from an existing business already located in the Rural Jump-Start zone for a new division would be subject to the highest scrutiny.

## Sham Companies

Any company applying to the Rural Jump-Start program must be a legitimate company, not a sham company. A sham company is a company that has undertaken actions purely for the purpose of taking unfair advantage of the rules of the Rural Jump-Start program. Examples of actions that indicate sham companies include:

- Shutting down for a period and then claiming to be a new company
- Changing Company name and applying as a new company
- Slight changes in product or service
- Minor changes in ownership
- Creation of new divisions without economic rationale
- Changes in corporate entity type

OEDIT and the EDC has wide discretion in investigating any company which appears to be a sham company

### Requirement 2: Not Moving Existing Jobs

In order to qualify for the Rural Jump-Start program, the applicant company must not be moving existing jobs into the Rural Jump-Start zone from another area in the state. All jobs in the Rural Jump-Start zone must be new jobs that did not previously exist. OEDIT and the EDC will heavily scrutinize this question and require detailed reporting.

### Requirement 3: Five New Hires

The Rural Jump-Start statute requires that every company in the Rural Jump-Start program [must] "hire at least five New Hires". This requirement is enforced on a calendar year basis, based on the EDC approval date, according to the table below. This requirement is for the number of people who are eligible for New Hire status during the year, not necessarily the number of new hires at the end of the year.

Should the number of New Hires on staff during the year meet the program requirement but the number of new hires on staff at year end not meet the program requirement, OEDIT will look at the intention and ability of the company to re-fill these positions, and the company's likelihood of meeting the New Hire requirement in the following year when determining if the company has meet the New Hire requirement.

**Table: Company New Hire Requirement**

| <b>Year</b>                                  | <b>Requirement</b>      |
|--|-------------------------|
| Calendar year of EDC approval                | No New Hire requirement |
| First full calendar year after EDC approval  | 1 New Hire              |
| Second full calendar year after EDC approval | 3 New Hires             |
| All subsequent years                         | 5 New Hires             |

If a new business submits an annual report that does not meet the New Hire Requirement OEDIT will take the following steps:

1. Discuss with company and confirm accuracy
2. If still out of compliance suspend benefits for that year
3. Have company submit a written plan to OEDIT to get back into compliance for the next year
4. If the company is not in compliance in the following year the company shall/may have their approval revoked.

OEDIT will only perform New Hire requirement compliance analysis one time per year following the submission of the annual report and will not do other intra-year analysis. Companies that are suspended can only be reinstated after a subsequent year's annual report.

Companies that have had their benefits revoked can re-apply to the program, but must fill out a new application, and are required to meet all program requirements as of the date of their new application.

#### Requirement 4: Direct Competition

Any company that applies to the Rural Jump-Start program must attest that it is not substantially similar in operation to and does not directly compete with the core function of a business that is operating in the state at the time the New Business submits its application to a state institution of higher education. In the course of reviewing the application, OEDIT will determine if any potential direct competitors exist in the state. If OEDIT determines that there are potential direct competitors, the business will be asked to show that it is not directly competing with these businesses. At this point, OEDIT will conduct an in-depth review to determine whether or not the applicant is directly competing with an existing business in Colorado. Any applicant that is found to be directly competing with an existing business will be denied.

In the course of the above process, an existing business may also contest an application. In this case, the information supplied by the challenging business will be considered in the in-depth review.

Applicant businesses should be aware that will be required to cooperate with OEDIT and the EDC and may need to provide proprietary and confidential business information for purposes of this assessment. The applicant business may choose not to participate if this is not acceptable.

See the flowcharts section in the appendix for details on the review of the direct competition clause.

In assessing the competitive factors between Rural Jump-Start applicants and existing businesses, the EDC will consider the stage of the business lifecycle each company inhabits. A significant difference in the lifecycle stage could be considered evidence that the two companies do not directly compete particularly if the start up only offers products or services in a narrow market niche and the incumbent offers services across a wider range of market segments. Furthermore, the EDC will only consider competition between the applicant and the existing business as it is expected to exist during the period that the applicant company enjoys the benefits of the Rural Jump-Start program.

In developing the competition review described in the flowcharts, OEDIT consulted with a nationally recognized antitrust economist and the Colorado Attorney General's Office to define procedures that are consistent with accepted practices in competition policy.

#### Requirement 5: Economic Base/Exports

Not every type of business is eligible to participate in the Rural Jump-Start program. Per the statute, in order to receive the benefits of this program, a New Business should:

- Add to the economic base of the zone (i.e. be a primary employer)
- Export goods and services outside the distressed county (bring in income from outside the county)

In most cases retail businesses such as restaurants, medical services, financial services, retail stores are not eligible.

### Requirement 6: Locating in the Zone

In order to receive the benefits of this program, a New Business must locate in a Rural jump-start zone between January 1, 2016, and December 31, 2020. The following activities tend to indicate that a business has located in the zone:

- Selecting and signing a lease of longer than one year for real estate in the zone or signing a purchase agreement or similar document for real estate in the zone.
- Occupying said real estate.
- Undertaking pre-operation business activities.
- Operating in that real estate, meeting the Rural Jump-Start definition of operating in requirement 1 above.

A business must be located in the zone for the entire time period that it is claiming credits. If a business closes its location in the Rural Jump-Start zone, the New Business and the New Hires lose their tax benefits as of the date the business left the zone.

### Requirement 7: DIHE Relationship and Mission Alignment

The DIHE and the New Business must have a relationship that aligns their missions and benefits the community, and both must attest to this fact. See the DIHE section on this requirement.

### Requirement 8: Adherence to Business Plan

Every business in the Rural Jump-Start program is required to submit a business plan as a part of its initial application. Any significant deviation from the business plan could make the company subject to review by the EDC. As part of the company's annual report, the company will need to attest that it is still following its business plan and continuing its relationship with the DIHE. If the company pursues a broader business approach and expands into product or geographic markets beyond what were reviewed and approved as part of the competition review or fails to submit a complete and timely annual report, it is subject to revocation of benefits.

See the application section for detailed business plan requirements.

## The Business and the New Hire

Every business that applies into the program is required to report every employee that is eligible to receive the benefits of the program, and to apply for and distribute the tax credit certificates of those that are designated as New Hires. The business may not discriminate between New Hires in administering program benefits.

A company participating in the Rural Jump-Start program may have a mix of employees, some of whom meet the definition of New Hires, and some of whom do not. While a company is required to have a certain number of New Hires to participate in the program, there is no limit on the number of employees who do not meet the definition of New Hire, and no ratio of employees to New Hires need to be maintained.

In the case that there are fewer available tax credits than eligible New Hires, OEDIT will determine which New Hires get the benefit based on the date of hire, with the first hired being first in line for the tax credit.

If the number of eligible New Hires submitted is above the allocation, only the allocated number of tax credits will be issued, unless the business applies for and receives an increased allocation from the EDC.

In their application, every business is required to submit a forecast of the number of New Hires they plan to have employed at the end of each year for the first five years of operation. These figures will be used by OEDIT and the EDC in determining the number of New Hire tax credits to allocate. If the employer fails to maintain a pre-determined number of New Hires as reported in their annual report, the business risks having its New Hire allocation adjusted down in future years.

In recommending the number of New Hire allocations, the OEDIT program manager will work with its global development division as well as local economic developers.

Businesses that change their hiring forecasts are allowed to submit new forecasts. These new forecasts will be reviewed by the EDC for possible re-allocation.

All hiring and employment decisions must be done strictly for business purposes. Any hiring or employment decisions done to take improper advantage of Rural Jump-Start benefits (sham employment decisions) will be ineligible for benefits, and both the business and the New Hire are subject to expulsion from the program, subject to review by the EDC, combined with OEDIT recommendation.

If the business fails to maintain at least five New Hires after the end of the first full calendar year of the program, they are subject to re-allocation or expulsion from the program.

If the business and the DIHE fail to maintain their promised relationship and mission alignment to benefit the local community and economy, they risk having their participation in the program revoked.

If a New Business declares bankruptcy, the EDC has the right to expel the New Business from the program and withdraw the New Hire tax allocation to that New Business.

See the appendix for details on forecasting and allocating New Hires.

## Reporting Requirements

The business will need to report annually to the EDC. See the "Application Reporting Instructions" section for details.

## Other Requirements and Restrictions on the New Business

A business may have multiple locations in Colorado, some inside a Rural Jump-Start zone, some outside. When this is the case, the tax credit for state income taxes would only apply to income from operations inside the Rural Jump-Start zone, and would have to be pro-rated by the business for tax filing purposes. Similarly, the tax refund for the state sales and use tax would only apply to purchases of property used exclusively within the Rural Jump-Start zone. Proration calculations are subject to review by the department of revenue.

A business is allowed locate in multiple separate zones and receive the benefits of each zone, but each location in each zone must be applied for separately.

There are no fees or charges to the New Business in the Rural Jump-Start program.

The DIHE has the primary responsibility for assessing an applicant business's prospects and viability. OEDIT strongly recommends that the DIHE work closely with local economic development partners. OEDIT and the EDC will review this as well.

There are no limits on size of the New Business, its revenue, number of employees, etc.

The New Business does not have to be headquartered in Colorado, or have a certain percentage of its employees in Colorado.

### New Business Participation Under Change of Ownership

If a business is sold or acquired while participating in the Rural Jump-Start program, it may still participate in the program provided the following requirements are met:

- The business remains in the Rural Jump-Start zone.
- The business has a public presence distinct from its new owner. This requirement is similar to the requirements of a new division, described above.
- The business operations and core functions are not substantially changed by the purchase or acquisition.
- The change in ownership does not other ways compromise the rules of the program.

## New Hires: Benefits and Restrictions

In the Rural Jump-Start program, there are employees and there are New Hires. New Hires are defined as employees who meet the qualifications to receive the tax benefits of the program. Employees who do not meet the qualifications of a New Hire will not receive the tax benefits of the program.

The Rural Jump-Start program is limited to 200 New Hires per zone. The EDC may increase that limit to 300 New Hires per zone. The EDC will not allocate more than 300 New Hires tax credits per zone.

## Benefits to the New Hire

A New Hire is entitled to receive an income tax credit in an amount equal to one hundred percent of the income taxes imposed on the New Hire's wages paid by the New Business for work performed in the rural jump-start zone.

Only wages paid by the New Business for work performed in the rural jump-start zone are eligible for the tax credit. Other sources of income and a spouse's income (assuming the spouse is not also in the program) are not exempt from taxation under this program.

New Hires who participate in the program will still have normal Colorado state income tax withholding deducted from their paychecks. The employer will distribute a tax credit certificate to the New Hire along with their W-2 form. The New Hire will then attach the tax credit certificate to their tax filing.

### Extension of Benefits

New Hires are eligible for an extension of their initial four year income tax exemption. The extension can be for up to four years, and the application for extension must be made by the New Business. This application for extension of New Hire benefits is reviewed by OEDIT and the EDC, which may approve the application, deny the application, or approve with a reduced extension period.

## Requirements and Restrictions on the New Hire

In order to receive the benefits of this program, a New Hire must meet all of the following requirements:

### Requirement: Business is in Good Standing with the Program

In order for the New Hire to receive benefits from the program, the New Business they work for must be in good standing with the program. If the New Business is not participating in the program for any reason, the New Hires of that New Business would cease to receive benefits from the program.

### Requirement: Six Months of Employment

A New Hire is required to work for six months in the rural jump-start zone for the New Business before they can benefit from the program. During the initial six month period, the employee is subject to Colorado income tax.

### Requirement: Employee Status

In order to receive this tax credit, a New Hire must be an employee of the New Business and per the statute, receive a federal form W-2 for their work. Workers who work as contractors, workers who work for outside employment agencies, and workers who receive a form 1099 are not eligible for this program.

### Requirement: Full Time Employment

In order to receive this tax credit, a New Hire must work at a job where the job performed by the individual is either a full-time, wage-paying job or is equivalent to a full-time, wage-paying job per the statute, requiring at least thirty-five hours per week.

### Requirement: County Average Wage

In order to receive this tax credit, a New Hire must have a salary or compensation equal to or greater than the county average annual wage. Employees whose salary or compensation is below the county average annual wage will not receive the tax credit nor count towards the New Business's New Hire allocation.

In determining if an employee is eligible for the New Hire designation, OEDIT will calculate:

- The maximum of the employee's annualized W-2 wages or their annual wage at year end (to allow for intra-year salary increases)
- The employee's annualized benefits that have an identifiable dollar value (e.g. employer contributions to health insurance, life insurance, disability, etc).

The employee's annual compensation is the sum of these two figures. This annual compensation must be greater than the county average annual wage for the year in order for the employee to receive New Hire status.

### Requirement: Colorado Residency

In order to receive this tax credit, the New Hire must be a resident of Colorado. If the employee becomes a resident of Colorado during their employment, the company may apply for benefits on their behalf at that time.

Only the New Business must be located in the Rural Jump-Start zone. The New Hire does not need to live in the RJS zone to qualify for the credit.

### Requirement: Legal Work Status

Any person receiving benefits through this program must have one of these three statuses:

- United States citizen
- Permanent Resident of the United States
- Person lawfully present in the United States pursuant to federal law

People who do not have one of these three statuses may not receive benefits from this program and do not count towards the New Hire allocation.

### Employee Travel

Employees of New Businesses who travel outside of the Rural Jump-Start zone as part of their job responsibilities are considered to be New Hires, provided all other New Hire requirements are met.

### Employees Who Work at Multiple Locations

If an employee of a New Business works in multiple locations, some of these locations being inside the Rural Jump-Start zone and some being outside the Rural Jump-Start zone, then in order to be considered a New Hire, the employee must spend at least 80% of their non-travel time at location(s) inside the Rural Jump-Start zone.

### Co-Employment

Workers at a New Business who are paid through another entity such as a co-employer or professional employer organization are considered to be New Hires, provided all other New Hire requirements are met.

### Other Considerations

There are no restrictions on employee role, status, job title, responsibilities, etc. New Hires may be owners, officers, executives, etc.

New Hires who are no longer with the company at the end of the year are still eligible and must be submitted by the company for a tax credit certificate.

There are no fees or charges to the New Hire in the Rural Jump-Start program.

### Employee Travel

Employees of New Businesses who travel outside of the Rural Jump-Start zone as part of their job responsibilities are considered to be New Hires, provided all other New Hire requirements are met.

### Employees Who Work at Multiple Locations

If an employee of a New Business works in multiple locations, some of these locations being inside the Rural Jump-Start zone and some being outside the Rural Jump-Start zone, then in order to be considered a New Hire, the employee must spend at least 80% of their non-travel time at location(s) inside the Rural Jump-Start zone.

### Co-Employment

Workers at a New Business who are paid through another entity such as a co-employer or professional employer organization are considered to be New Hires, provided all other New Hire requirements are met.

## Section 3: Application and Reporting Instructions

### Overview of Applications and Reports

Table: List of Salesforce Applications and Reports

| Application Name                 | Rollout   | Filled Out By | Notes   |
|----------------------------------|-----------|---------------|---|
| Application to Participate- DIHE | Dec, 2015 | IHE           |   |
| Application to Create a Zone     | Dec, 2015 | IHE           |   |
| Business Full Application        | Jan, 2016 | New Business  | Reviewed and submitted by the DIHE to OEDIT and the EDC |
| Business Annual Report           | Dec, 2016 | New Business  |   |

Neither the county nor the municipality is required to submit an application to the EDC in order to participate in the program. The county and municipalities are required to pass a resolution offering relief from the business personal property tax, and that resolution must be attached to the application to create a zone that is submitted by the DIHE.

The application to create a zone and the application to participate by the DIHE and the business full application can all be submitted in parallel to OEDIT and the EDC.

Please read the entire program manual before submitting any application.

### Working in Salesforce

All Rural Jump-Start applications will be submitted through OEDIT's Salesforce portal. In order to use Salesforce, each party is required to create a Salesforce account. There are no fees or charges to setting up a Salesforce account.

All applications and reports for the Rural Jump-Start program are processed through the OEDIT/SalesForce website. Manual or paper applications and reports will not be accepted.

### Creating a Salesforce Account

To set up a Salesforce account, go the Rural Jump-Start web page ([www.choosecolorado.com/rjs](http://www.choosecolorado.com/rjs)) and click on the link at the bottom labeled "Create an Account".

When you set up an account with OEDIT, you are setting up an account for your organization, and setting up someone (probably yourself) as the contact on that account. If you are signing up as an individual, you should put your own name in the field labeled "Organization".

If the system finds that your organization name is similar to an existing organization, you will get an error message. If you are a different organization with a similar name, click the “Back” button and change the name of your organization slightly.

## Logging on to the System

To log on to the system and fill out an application or report, go the Rural Jump-Start web page ([www.choosecolorado.com/rjs](http://www.choosecolorado.com/rjs)) and click on the link at the bottom labeled "Submit an Application or Report".

## Filling Out Applications

Required questions have a red bar next to them. Most questions are required.

When moving from section to section, use the “Previous” and “Next” buttons at the top and bottom of the application. Do not use the forward and back buttons on your browser.

If you need help with a question on the application, click on the question mark near the question text for assistance.

If you do not have all the information you need to submit the application, simply click the “Save and Exit” button. This will save the application in draft form. To finish and submit the application, simply click on the yellow pencil icon, which will bring you back to the questions and allow you to submit the application. Remember that applications that are not submitted cannot be reviewed.

## Instructions: Application to Participate for the DIHE

This application is filled out by the DIHE. Every DIHE wishing to participate in the Rural Jump-Start program must fill out this application. Since the DIHE must submit the application to form a zone, this application must be submitted before or alongside the zone creation application.

## Application Questions

The DIHE's Application to Participate contains the following questions:

- IHE program manager Name
- IHE program manager Title
- IHE program manager Phone
- IHE program manager E-mail
- Has the DIHE allocated the resources to launch this program quickly and vigorously?
- Is the DIHE working closely with the county, the municipalities, and local economic developers to implement this program?
- The DIHE program manager must agree to be a single point of contact (SPOC) to OEDIT, the county, the municipalities, local economic developers, applicants, and internal stakeholders within the DIHE.
- The SPOC must have the capacity to properly administer this program, including regular meetings and communications with OEDIT and other stakeholders, and prompt replies to inquiries.
- The SPOC has the capacity to qualify and review applications for program compliance, including New Business requirements, alignment with the DIHE's mission, and benefit to community and others.

## After the Application is Submitted

This application will be reviewed at the next EDC meeting. The EDC, in consultation with OEDIT, will approve, deny or defer the application, and OEDIT will notify the DIHE of the decision.

## Instructions: Application to Form a Zone

This application is filled out by the DIHE.

Please see the website for list of DIHE's that are eligible to operate in a given county.

### Preparing to Apply

The DIHE must attach a copy of the approved county and municipal resolutions that are part of this zone.

The DIHE must attach a copy of their strategy for this zone. The strategy for the zone should list markets and industries that the companies in the zone would target, and the tactics used to achieve this goal.

The list of New Businesses in the pipeline should be based on the template created by OEDIT, which is available on the website ([www.choosecolorado.com/rjs](http://www.choosecolorado.com/rjs)).

### Application Questions

The Application to Form a Zone contains the following questions:

- Identify the DIHE
- Identify the county
- List all municipalities that have already passed a resolution
- List all municipalities that are expected to pass a resolution for 2016
- List all Econ Dev orgs you are working with.
- Describe the geog boundaries of your zone (only unincorporated areas, only incorporated areas, both incorporated and unincorporated areas.)
- Attach (as PDF) your strategy to implement the Rural Jump-Start program
- Attach (as PDF) the county resolution
- Attach (as PDF) all municipality resolutions
- Attach (as Excel file) a report of all businesses in the pipeline (see website for template).

### After the Application is Submitted

This application will be reviewed at the next EDC meeting. The EDC, in consultation with OEDIT, will approved, deny or defer the application, and OEDIT will notify the DIHE of the decision.

## Instructions: Business Full Application

### Preparing to Apply

In order to fill out this application, the business must first fill out the qualifying questionnaire.

Please read the program manual before filling out this application.

The application requires the user to attach a PDF of their business plan. The business plan must include the following sections:

- Pro-forma Income Statement for the next 3 years
- Income Statement and Balance sheet for the last three years, if applicable
- A forecast of total employees and New Hires at the end of each calendar year for the next 5 years

## Application Questions

The Business Full Application contains the following questions:

### Basic Information

- Business Name
- Business Full Mailing Address (with county)
- Business Website
- Business Taxpayer ID Number
- Business Contact Name
- Business Contact E-mail & Phone
- Type of Ownership; List of owners
- Date of Effective Ownership
- RJS Zone you are applying into
- Date located in zone
- IHE you are working with
- List any DIHE Partners
- 6 Digit NAICS Code
- Articles of Incorporation/Organization
- Statement of Good Standing from the state of Colorado

## Business Plan Information

- Description of business
- List major Customers
- List major Competitors in Colorado
- How do you add to the Economic Base?
- Do you export goods and services outside your RJS zone?
- Do any owners have an interest in any competitor or potential competitor?
- Percent Sales in Colorado
- Percent Sales outside Colorado, in US
- Percent Sales outside US
- Financial statements for last 4 years (if applicable)
- Pro-forma income statements for next 3 years
- New Hire Forecasts, Other employee forecast

## After the Application is Submitted

When the application is submitted, it is reviewed by the DIHE that the applicant is working with based on the requirements list above. If the DIHE approves the application, it is forwarded to and reviewed by OEDIT.

## OEDIT Review Process

Once OEDIT receives an application for a New Business from a DIHE, OEDIT shall do a review focused on the following areas:

- Is the applicant substantially similar in operations and does it directly compete with the core function of another business in the state. Per the flow chart in the appendix OEDIT shall do a thorough and systemic review of the competition clause requirements which is intended to be a deeper review of this issue than that performed by the DIHE
- Does the applicant have a relationship with the DIHE that satisfies the mission alignment and community benefit clause (and have the applicant and IHE documented this with a jointly signed document)
- Is the applicant's business plan reasonably likely to achieve success
- Based on their understanding of the company and its business plan, are they likely to hire at least 5 people within the first two program years.
- Confirm that the applicant is not operating in the state of Colorado per the definition in these guidelines
- Confirm the applicant is not moving existing jobs in Colorado to the zone per the rules in the statute and these program guidelines
- Confirm the applicant will add to the county's economic base by exporting goods or services outside the county.
- Optionally re-review the other factors considered by the IHE.

During its review OEDIT may ask questions to local economic developers, the DIHE, the applicant or other parties as needed.

If OEDIT approves the application, it is presented to the EDC for approval. Only when the EDC approves the application is the New Business eligible for program benefits.

### Conditionality of the EDC Approval

The EDC approval of a business is conditional on a one month waiting period, during which any competitor would be able to come forth with a claim that an approved company is directly competing with them.

## Instructions: Business Annual Report

The Business Annual Report must be submitted each year by the last day of February for the previous calendar year.

### Example Application Questions

The section on business performance will contain questions that are similar the ones listed below subject to finalization by OEDIT and the EDC.

#### Business Performance Section

- Number of New Hires and Non-New Hires at year end
- Reasons why they are above or below original forecast
- Which geographic areas are they selling in
- Are they selling or able to sell in any geographic areas not in their original business plan
- What products are they selling
- Are any products they are selling not in their original business plans
- Explanation of compliance of with mission of DIHE
- Are they following the business plan?
- General update on business performance

#### Request for Benefits for the New Business

The request for business performance will contain questions that are similar the ones listed below subject to finalization by OEDIT and the EDC.

The Request for Benefits for the New Business contains the following questions:

- Has the business and the DIHE followed up to maintain their relationship and mission alignment to the benefit of the community and local economy?  
Explain how they have maintained this requirement.
- New going forward forecast

#### Request for Benefits for New Hires

The request for business benefits performance will contain questions that are similar the ones listed below subject to finalization by OEDIT and the EDC.

The Request for Benefits for New Hires contains the following questions:

- New Hire Name
- New Hire SSN
- New Hire Home address
- New Hire Annual Salary (annualized, includes bonuses and commissions)
- New Hire Start Date (first date of hire with company in the zone )
- New Hire Separation Date (if applicable)

### After the Application is Submitted

The business annual report is reviewed by OEDIT and forwarded to the EDC for approval. Upon EDC approval, OEDIT will issue tax credit certificates to the New Business for both the New Business and the New Hires. The New Business is responsible for distributing the New Hire tax credit certificates to the New Hires.

### Late Filing and Failure to Report

New Businesses that fail to file the annual report on time will receive a 60-day notice of correction. Companies that do not submit their annual report by this deadline will be suspended from the program for that year.

Companies that fail to submit an annual and do not respond to email and phone messages from OEDIT will receive a final written 30 day revocation notice. Companies that fail to respond to the 30 day notice will have their approval revoked.

Companies that are suspended are required to submit a plan for corrective action and must submit that annual report in order to receive benefits in the next year.

Companies that fail to file their annual reports on time for two years will have their approval revoked.

Companies that have had their benefits revoked can re-apply to the program, but must fill out a new application, and are required to meet all program requirements at the time of their new application.

### The EDC Review Schedule

Parties that wish to participate in the Rural Jump-Start program will need to have their application reviewed by the EDC. In order to have an application reviewed by the EDC at a given meeting, an applicant will need to submit their application by the deadline for that meeting. OEDIT will publish a list of deadlines for each meeting.

Applications to participate in the Rural Jump-Start program will be accepted continuously. Every EDC meeting will include any Rural Jump-Start application that need to be reviewed by the EDC.

## Section 4: Utilizing Benefits

### Using the State Income Tax Credit (Business)

The tax credit certificate is only for the year for which it was issued. These tax credits do not carry forward to future years.

#### Pass-Through Entities

If the New Business receiving an income tax credit is a partnership, limited liability company, s-corporation, or similar pass-through entity, the commission will issue credit certificates to the New Business' partners, shareholders, members, or other constituent entities. This tax credit certificate will exempt those individuals from all Colorado state income tax for income produced by the New Business.

### Using the State Income Tax Credit (New Hire)

The tax credit certificate is only for the year for which it was issued. These tax credits do not carry forward to future years.

### Utilizing the Sales & Use Tax Refund

The New Business is eligible for a refund for all sales and use taxes imposed on the purchase of all tangible personal property acquired by the New Business and used exclusively within the rural jump-start zone.

The Colorado Department of Revenue is responsible for administering the refund of the sales and use tax.

The New Business is exempt from the sales and use tax for four years, and may apply to the EDC for an extension of up to four more years.

The Department of Revenue ultimately reviews and accepts all tax credit certificates issued by the EDC for exemption for state income taxes for both the New Business and the New Hire. OEDIT will report the list of participating New Businesses and New Hires to the Department of Revenue.

### Utilizing the Business Personal Property Tax Benefit

New Businesses participating in the Rural Jump-Start program as eligible for relief from both county and municipal business personal property tax. This tax relief would be administered by the county or municipality, not OEDIT or the Department of Revenue.

### Relief from Other Local Taxes

The statute that created this program gives participating counties and municipalities the option of offering incentive payments, exemptions, or refunds to New Businesses to eliminate any other tax imposed on or paid by such New Businesses. Any tax relief falling into this category would be administered by the county or municipality, not OEDIT or the Department of Revenue.

## Section 5: Other Issues

### Challenging an Application from a Business

Any business that believes that an applicant to the RJS program is directly competing with their core function may challenge the application of that applicant up until the time the applicant is approved by the EDC.

### Eligibility for Other Tax Credits

Businesses that receive benefits from the rural jump-start zone program may not claim any other tax incentive for establishing the New Business, including tax incentives for the New Hires hired by the New Business. Such prohibited incentives include the Job Growth Tax Incentive Credit and the Enterprise Zone New Employee Credits and potential others.

Businesses that receive benefits from the rural jump-start zone program may claim tax credits for programs that do not incentivize establishing New Businesses and hiring new employees. For instance, a business receiving benefits from the RJS program may also utilize the Enterprise Zone Investment Tax Credit, the Historic Preservation Tax Credit, the Advanced Industry Accelerator Grant, etc.

### Data Privacy and Confidentiality

The Office of Economic Development and International Trade (OEDIT) is subject to the Colorado Open Records laws (C.R.S. 24-72-101 through 24-72-112). Thus, documents and other materials received by OEDIT and its employees may be subject to public disclosure. Colorado Open Records laws have allowance intended to protect confidential business proprietary information from public disclosure. Ultimate decisions about what is confidential are subject to final interpretation by the courts.

### Conclusion

OEDIT and the EDC are looking forward to making this program as successful as possible. We look forward to your participation, and we welcome any feedback you may have. For questions or comments on the program, please contact:

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