

## Job Growth Incentive Tax Credit

### Purpose

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

### The State's Role

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

### Requirements

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

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

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

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

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

### Tax Credit Calculations

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

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

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

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

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

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

## Process

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

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

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

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

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

*E*conomic *D*evelopment *C*ommission

*Job Growth Incentive Tax Credit*  
*Application Checklist and Forms*

## Job Growth Incentive Tax Credit Application Checklist

**THE FOLLOWING ITEMS MUST BE INCLUDED IN THE APPLICATION. ORIGINALS WITH ORIGINAL SIGNATURES MUST BE SUBMITTED TO THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE (OEDIT) STAFF. IF THE ITEM IS NOT APPLICABLE, PLEASE PROVIDE A STATEMENT AS TO WHY IT IS NOT APPLICABLE. THE COMPLETED APPLICATION SHOULD BE ORGANIZED IN THE ORDER REQUESTED BELOW.**

1. Submit an original letter stating the local match (if any) to be provided for this project (signed by the Mayor or Chairperson for the County Commissioners or other appropriate persons as applicable).
2. Submit an original letter stating that the local community is supportive of this project and that the local community is supportive of requesting EDC tax credits for this project as described in this application. Additional narrative, pertaining to the strengths of this project, should be included.
3. Submit a completed Insight Colorado© model for this project. OEDIT staff are available to answer questions and provide technical assistance to communities on data sources and assumptions regarding the model.

In rural and lagging areas, OEDIT staff may be available to assist the local community in completing the model. If OEDIT staff have agreed to complete the model, the local community and the business will need to submit the enclosed ***Prospect Evaluation Worksheet***, along with other appropriate community information needed to run the model.

**NOTE:** The **Prospect Evaluation Worksheet** and other appropriate community information will be required **PRIOR TO** the submission of the remainder of the EDC application materials in order to allow for timely completion of the model (to subsequently be included as part of the final EDC application).

4. Submit the enclosed ***Business Certification Form*** [must be signed and dated by the legally, authorized individual(s) per the verifying documentation submitted under Item 6 below].
5. Submit the enclosed ***Credit Investigation Form*** [must be signed and dated by any principals/stockholders owning at least a 20% ownership in the assisted business.

If the company is publicly traded, completion of this form is not required.

6. Submit the appropriate legal entity structure documentation as applicable:

Sole Proprietorship	Filed Trade/Assumed Name Certificate with the Colorado Department of Revenue
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General Partnership	General Partnership Agreement (no filing required unless the partnership is also operating under a Trade/Assumed Name-if so, see above for filing requirements)
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Limited Partnership	Filed Certificate of Limited Partnership with the Colorado Secretary of State
Corporation (C or S)	Resolution stating who is authorized to enter into contracts and agreements on behalf of the corporation, filed Articles of Incorporation with the Colorado Secretary of State, and corporate By-Laws
Limited Liability Company	Filed Articles of Organization with the Secretary of State
Other	Contact OEDIT

7. Submit the enclosed **Project Approval Information Form**.
8. Provide a Comprehensive Business Plan addressing in detail the following information:
  - a. Company History
  - b. Product Description
  - c. Services
  - d. Market (general industry trends, specific market documentation and competition)
  - e. Management (including resumes for key management/principals)
  - f. Salaries/Benefits for Key Management and Principals
  - g. Summary of existing banking relationships (individual contact name, address, financial institution, types of accounts)
  - h. Type(s) of existing insurance coverage and limits
  - i. List of any trademarks, copyrights, or patents

If the company is publicly traded, please submit the company's Annual Reports (SEC 10Ks) and complete b. and c. as listed above. *If the item is not applicable, please provide a statement as to why it is not applicable.*

9. Provide a Comprehensive Project Summary including the following information:
  - a. Description of the project
  - b. Employment Plan Form**
  - c. Cost Differential Analysis that identifies the cost differential in the projected costs of the project in Colorado compared to projected costs in competing states including the impact of the competing state's incentive programs. The analysis may also include:
    1. Specific costs for labor, utilities, taxes, and any other costs of a competing state's site
    2. Cost structure of taxpayer's industry in the competing state.

**d. Project Certification Form**

10. Include the business information below:
  - a. Business financial statements for the past three years and current financial statements not older than three months;
  - b. Business income tax returns for the past three years unless the financial statements are audited;

- c. Monthly cashflow and income statement projections for three years and the notes/assumptions to these projections;
- d. Accounts receivable and accounts payable ageing reports not older than three months (dated the same as the above-requested interim statements);
- e. Schedule of outstanding debt (dated the same as the above-requested interim statements) detailing term, monthly principal and interest payments, collateral pledged and current status; and
- f. Break-even analysis if the business has completed less than one (1) full year of operations or if the business has not been profitable.

If the company is publicly traded, please submit the company's Annual Reports for the past three years (SEC 10Ks) and the most recent interim period (SEC 10Q).

11. Using the form provided, submit a signed current (within 90 days) **personal financial statement** for each principal/stockholder (with 20% or greater ownership).

The most recent federal tax return for the same individual(s) must also be submitted.

If the company is publicly traded, this requirement will not apply.

12. Complete the enclosed **Sources and Uses of Funds Form**.

13. Submit all applicable financial commitment letters pertaining to all non-EDC sources/uses of funds (including equity if from a different legal entity) as identified in item #11 above--if the company's ability to finance the proposed project is not clearly identifiable based on the financial information submitted.

14. Submit a completed Verification of Deposit for the business and for all other funds as outlined on the Sources and Uses of Funds Form--if the funds are not from readily verifiable financial institutions or if the company's injection is not clearly identifiable based on the financial information submitted.

15. Does your business, its owners or majority stockholders own a twenty percent (20%) interest or more in another business? If yes, please provide the related company name(s) and the relationship with your company. Financial information may subsequently be requested in regard to any identified companies.

16. Do you buy, sell to, or use the services of any concern in which someone in your company has a significant financial interest? If yes, provide details on a separate sheet of paper.

17. Submit the enclosed **W-9 Form**.

**ADDITIONAL INFORMATION MAY BE REQUIRED IF NECESSARY.**