

**FINAL
FISCAL NOTE**

Drafting Number: LLS 12-0599

Date: July 16, 2012

Prime Sponsor(s): Rep. Labuda

Bill Status: Postponed Indefinitely

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TITLE: CONCERNING THE CAP ON THE AMOUNT OF AN INCOME TAX CREDIT THAT MAY BE CLAIMED IN AN INCOME TAX YEAR FOR QUALIFIED INVESTMENTS IN AN ENTERPRISE ZONE.

Fiscal Impact Summary	FY 2012-13	FY 2013-14	FY 2014-15
State Revenue General Fund	\$1.3 million	\$10.6 million	\$18.8 million
State Expenditures General Fund	\$2,960		
FTE Position Change			
Effective Date: This bill was postponed indefinitely by the House Finance Committee on February 29, 2012.			
Appropriation Summary for FY 2012-2013: See State Appropriations section.			
Local Government Impact: None.			

Summary of Legislation

For income tax years prior to January 1, 2013, the bill continues current law limitations on the amount of the investment tax credit that may be claimed for qualified investments in an enterprise zone. Under current law, a taxpayer can claim a state income tax credit equal to three percent of any qualified investment that is either acquired, placed into service, or constructed and used exclusively in an enterprise zone for the first year of ownership by the taxpayer. The credit is limited to the taxpayer's actual tax liability for the income tax year up to \$5,000, plus 50 percent of any portion of the tax liability that exceeds \$5,000 up to a maximum of \$500,000.

Beginning with income tax years commencing on or after to January 1, 2013, the amount of the credit can not exceed the lesser of:

- The taxpayer's actual liability up to \$5,000;
- The first \$5,000 of the actual tax liability plus 50 percent of the amount over \$5,000; or
- \$250,000.

Background

Colorado's Enterprise Zone program provides tax incentives to encourage businesses to locate and expand in designated areas of the state. Beginning January 1, 2012, a business must receive pre-certification from the enterprise zone administrator prior to commencing the activity that will earn the credit. There are 16 Enterprise Zones and 2 sub-zones in Colorado.

State Revenue

This bill is expected to increase General Fund revenue by \$1.3 million in FY 2012-13, \$10.6 million in FY 2013-14 (the first full tax year of the bill's effect), and \$18.8 million in FY 2014-15. This revenue is estimated by examining the historical data of this tax credit currently exceeding \$250,000. These estimates were prepared by Legislative Council staff, using data provided by the Department of Revenue.

State Expenditures

Department of Revenue. The Department of Revenue will require \$2,960 General Fund in FY 2012-13 for the Office of Information Technology (OIT) to make one-time programming changes to the GenTax system. A total of 40 hours will be necessary to test and implement the program changes.

State Appropriations

For FY 2012-13, the Department of Revenue requires an appropriation of \$2,960 General Fund. This amount should be reappropriated to the OIT.

Departments Contacted

Revenue Governor's Office Legislative Council Staff