

# The State of Colorado

## Office of Economic Development & International Trade

### Report to the Colorado General Assembly on the Rural Jump-Start Zone Program For Fiscal Year 2015-2016

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#### Executive Summary

The Colorado Rural Jump-Start Zone program provides tax relief to New Businesses (defined below) and New Hires (defined below) of these businesses that are located in certain economically distressed areas of rural Colorado. Companies participating in the Rural Jump-Start program must have a relationship with a local or regional state higher education institution, must be new to Colorado, and must not compete with an existing Colorado business. As of June 30, 2016, six companies had been approved for participation in the Rural Jump-Start Zone program, anticipating the creation of 174 new jobs. These companies are based in Mesa County, and include a company doing research on oil shale, a developer of a biodegradable, recyclable plastic, and a company offering advanced laboratory analytics.

The Rural Jump-Start Zone program is housed in the Office of Economic Development and International Trade (OEDIT). Details on the Rural Jump-Start program may be found at [www.choosecolorado.com/rjs](http://www.choosecolorado.com/rjs)

#### Program History

The Colorado Rural Jump-Start Zone program (created with SB 15-282 and found in C.R.S. 39-30.5-101) was signed into law by Governor John Hickenlooper on May 13, 2015.

The Rural Jump-Start Zone program started accepting applications in January, 2016, and the first two zones and the first three companies were approved by the Colorado Economic Development Commission (EDC) in February of 2016. By statute, the program may not approve any new zones or new businesses after December 31, 2020.

# Benefits of the Program

All New Businesses that are approved by the EDC for participation in the program 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 paid by the company. 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 tax(es) 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 tax(es) on a specific new business. Such relief will take the form of incentive payments, exemptions, and refunds, and will be administered by the municipality.

All New Hires that are approved by the EDC for participation in the program 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.

## Other Notes

The Rural Jump-Start Zone program is exclusively for businesses designated as New Businesses, and does not offer any tax relief to existing businesses.

Companies approved to participate in the Rural Jump-Start program receive four years of tax relief, commencing on the date the company is approved by the EDC to participate in the program. After the initial four year benefit period, a company may apply to the EDC for an extension of the benefit period of up to four more years, for a total possible benefit period of eight years.

This program does not specifically exempt businesses from real property taxes. Any exemption from Real estate taxes would be administered by the county/municipality, not OEDIT.

# Summary of the Participants and Their Roles

## The Colorado Economic Development Commission (EDC)

The EDC is charged with approving the rules and structure of the program, as well as reviewing the creation of zones and all applications for participation and benefits.

## The Colorado Office of Economic Development and International Trade (OEDIT)

OEDIT is responsible for the day to day administration of the program. All applications are reviewed by OEDIT, then put before the EDC for approval.

## The Colorado Department of Revenue

The Department of Revenue is responsible for approving all tax credits issued by OEDIT for the business exemption from Colorado income tax and the employee exemption from Colorado income tax. The Department of Revenue is also responsible for administering the refund for the sales and use tax for the business.

## The Counties

The county is a necessary part of the program, as the county must pass a resolution eliminating the business personal property tax on all Rural Jump-Start businesses in the zone. If the county does not pass this resolution, no zone can be created in that county.

The county and the municipality are responsible for administering the exemption from business personal property tax.

## Summary of the Participants and Their Roles (continued)

### The Institutes of Higher Education (IHE)

The Institutes of Higher Education play a crucial role in the program. Every application for the creation of a zone must be put forward by an IHE, and every application from a business for both business benefits and employee benefits must be approved by an IHE.

Every IHE participating in the program must designate a person to administer the program, and must dedicate resources to administer the program successfully.

In the course of approving the business applicant, the IHE must attest to the following stipulations:

- The relationship will result in positive benefits to the community and the local economy.
- The mission and activities of the new business align with or further the academic mission of the state IHE.

Any business that does not meet these stipulations cannot be approved by the IHE.

Once a Rural Jump-Start zone is formed, any IHE eligible to operate in that zone can partner with companies in the zone.

### The Municipalities

To create a zone in a municipality, the municipality must pass a resolution approving tax exemption. This resolution can be either a general resolution for all businesses or a limited resolution naming specific businesses.

No municipality can be forced to participate in the program, and a municipality is not enrolled in the program simply because its county is.

The county and the municipality are responsible for administering the exemption from business personal property tax.

### The Local Economic Developers

Local economic developers are an important part of this program. These groups are expected to work closely with the IHE, the county, the municipality, and the business in making sure that program is a success.

## Summary of the Participants and Their Roles (continued)

### The Applicant Businesses (the New Business)

In order to participate in the Rural Jump-Start Zone program, a business must meet the statutory definition of “New Business.” By statute, a qualifying business:

- Cannot be operating in the state at the time it submits its application to a state institution of higher education to participate in the program
- Cannot be moving existing jobs into the rural jump-start zone from another area in the state
- Must hire at least five people who qualify as New Hires
- Must not be substantially similar in operation to and 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 participate
- Adds to the economic base and exports goods and services outside the distressed county

A business must also be a new business, defined as

- A startup not yet operating, or
- A business based outside Colorado, not currently operating in Colorado, or
- A new joint venture between companies which may or may not be currently operating in Colorado, or
- 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 corporate structure from its parent.

Businesses applying to the Rural Jump-Start Zone program must pick an IHE to work with. This IHE will act as the business’s partner and reviewer. No application from a business will be reviewed by the EDC unless it has first been approved by an IHE.

Every business in the Rural Jump-Start Zone program is required to submit a business plan that details, among other things, its market, product, service, and value proposition. Any significant deviation from the business plan would make the company subject to additional review by the EDC, to ensure that it is in compliance with all requirements of the program.

Businesses participating in the program must report annually to the EDC. Businesses must apply for their own tax benefits, as well as the tax benefits of their employees.

## Summary of the Participants and Their Roles (continued)

### The Competition Clause

Any company that applies to the Rural Jump-Start Zone 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.

### The New Hires

New hires do not apply for program benefits directly. Instead, the New Business must apply for program benefits on their behalf. The employer is required to submit the names of all New Hires who are eligible for the program. In the case where there are more New Hires than tax credits allocated, the tax credits will be allocated to the New Hires on a first-come, first served basis based on hire date.

New Hires must be full time, W-2 employees who are making more than the county average wage. New Hires must also work for the business for six months before they start to receive tax exemption.

New Hires approved by the EDC will receive four years of tax benefits. At the end of this initial benefits period, businesses have the option of applying to the EDC for an additional four years of benefits for themselves and their new hires.

## Program Performance

### Rural Jump-Start Zones approved in FY 2015-2016

<b>Zone Name</b>	<b>Date Approved by EDC</b>	<b>Municipalities</b>
Mesa County	February 11, 2016	Grand Junction, Fruita, Palisade
Las Animas County	March 17, 2016	Trinidad
Montrose County	May 19, 2016	Montrose, Nucla, Naturita, Olathe
Logan County	May 19, 2016	Sterling

Per the statute, only three Rural Jump-Start Zones could be approved for 2016. Logan County was approved for membership in the program on May 19, 2016; however, it may not offer program benefits until January 1, 2017.

### New Businesses Approved to Participate in the Rural Jump-Start program in FY 2105-2016

<b>New Business Name</b>	<b>RJS Zone</b>	<b>Sponsoring IHE</b>	<b>Date Approved by EDC</b>	<b>New Hire Allocation</b>
Colorado Clear ASW	Mesa County	Colorado Mesa University	Feb 11, 2016	37
TSW Analytics	Mesa County	Colorado Mesa University	Feb 11, 2016	20
ProStar GeoCorp	Mesa County	Colorado Mesa University	Feb 11, 2016	29
Rebco	Mesa County	Colorado Mesa University	May 19, 2016	30
Qmast	Mesa County	Colorado Mesa University	Jun 16, 2016	50
Kaart Group	Mesa County	Colorado Mesa University	Jun 16, 2016	8
				174

The New Hire allocation is the maximum number of New Hires who may claim tax exemption during the time the company is participating in the program.

## Program Performance (continued)

### Company Descriptions

Colorado Clean ASW of Palisade has developed a microbial biodegradable and recyclable bioplastics technology called Amphora Film. Amphora Film will initially be used for a water container, reducing the amount of plastic water bottles ending up in landfills each year.

TSW Analytical is an Australian company that is expanding into North America with a new Grand Junction office. TSW is a scientific, investigation and analytical laboratory service business. Key service areas include forensic science services, investigation services, food forensics, mineral chemistry and geochemical exploration.

ProStar GeoCorp Inc is a Software as a Services (SaaS) company based in Grand Junction that is focused on providing the energy industry with multi-vendor integrated geospatially intelligent software solutions to improve the accuracy, content and effectiveness of pipeline asset management data.

Rebco has designed a hydroponic pot called the Hydropot. The Hydropot is a low energy, self contained, soilless growing system that recycles water. They plan to manufacture this product in Mesa County.

Qmast has developed a patented technology to enhance the production of oil shale via high powered microwave systems. They plan to manufacture these systems in Mesa County.

KAART Group collects geophysical data in the form of street-view imagery via on-the-ground surveys of local areas. This data is then post-processed in vector geographic data. They focus on collecting data in developing countries.

### Other Metrics

As of June 30, 2016, the Rural Jump-Start Zone program had not issued any tax credit certificates. Rural Jump-Start companies and IHE's are required to report on calendar year 2016 program performance in January, 2017. The Rural Jump-Start Zone program issues tax credit certificates on a calendar year basis; tax credits for calendar year 2016 are scheduled to be issued at the beginning of 2017.

As stated above, the New Hire allocation is the maximum number of New Hires that a New Business may claim in its initial four year benefits period. It is expected that the number of New Hires in 2016 will be significantly below the allocated amount.