

## Colorado Innovation Investment Tax Credit

### Overview

The Colorado Innovation Investment Tax Credit provides a state income tax credit for qualified investors that make investments during calendar year 2010 in small qualified Colorado businesses involved primarily in research & development or manufacturing of new technologies, products, or processes.

### The State's Role

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

- Determines if the investor is qualified, the investment is qualified, and the business is qualified and eligible to receive a qualified investment.
- Certifies qualified small businesses as being eligible (certification is good for the 2010 calendar year).
- Reviews each tax credit application within 90 calendar days of receipt for compliance with statutory (H.B. 09-1105) requirements, issues a Tax Credit Certificate to the investing entity (for approved applications), and notifies the State of Colorado's Revenue office of all tax credits issued.

### Qualification Requirements

- To be considered a **Qualified Investor**, the investing entity must be:
  - an individual,
  - a Limited Liability Company,
  - a partnership,
  - a S corporation, or
  - other business entity other than a C corporation (as defined in CRS 39-22-103(2.5))
- To be considered a **Qualified Investment**:
  - the investment must be an equity security of at least \$25,000 made during calendar year 2010,
  - the investor, and its affiliates, have no more than 30% (immediately preceding the investment) of the total voting power of all equity securities of the business, and
  - the small business meets the qualification requirements (CRS 24-48.5-112(g)) immediately preceding the investment.
- To be considered a **Qualified Business**, the business being invested in must:
  - be a corporation, limited liability company, partnership, or other business entity,
  - maintain its principal place of business in Colorado,
  - have at least two non-administrative full-time equivalent employees who are residents of Colorado,
  - be involved primarily in research & development or manufacturing of new technologies, products, or processes,
  - have been in operation for less than 5 years,
  - have yearly revenues of less than \$2 million and total assets of less than \$5 million (excluding any investment that is the basis of a Colorado Innovation Investment Tax Credit).
  - and, the business, including affiliates, must have at least 50% of its gross assets and 50% of its employees located in Colorado.

### Tax Credit Calculations

- The tax credit is calculated by multiplying 15% times the qualified investment up to the \$20,000 maximum allowable tax credit amount (per taxpayer id).
- Tax credits will be authorized in the order of the time and date the application is received by OEDIT.
- If the tax credit exceeds the taxpayer's income tax on the income of the taxpayer for the 2010 tax year, the amount of the tax credit not used cannot be refunded, but may be carried forward and applied in each of the 5 succeeding income tax years (must be applied to the earliest tax return possible). Tax credit certificates are nontransferable.
- The total amount of tax credits, for the entire program, allowed for the 2010 tax year shall not exceed \$750,000.

## Process

### INVESTMENT

- A qualified investor makes a qualified investment during calendar year 2010 in a qualified business. (Note that an entity may request prior determination and certification from OEDIT regarding its eligibility as a qualified business before an investment takes place.)

### APPLICATION

- **The investor shall file an application with OEDIT within 30 days after making a qualified investment.**
- One application should be completed and submitted for each investment and the application should include requests for tax credits for each co-owner of the investing entity.
- The application must be submitted during normal business hours (8:00 AM - 5:00 PM) **in person by the applicant or an agent** to OEDIT's office located at 1625 Broadway, 27<sup>th</sup> floor, in Denver, CO.
- Upon receipt, the application will be time and date stamped by OEDIT, and a copy of the first page of Part A of the application showing the time and date stamp will be returned to the applicant.

Individuals who are co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only their individual pro rata shares of the Colorado innovation investment tax credit based on their ownership interests. The total of the tax credits allowed to all such owners may not exceed the amount that would have been allowed to a sole owner.

### REVIEW

- OEDIT will review the application within 90 calendar days after receiving the application.
- If OEDIT determines additional information and/or documentation is required, OEDIT will notify the applicant and request the additional information/documentation be provided within 15 calendar days of the request. If the applicant does not provide the requested information and/or documentation within 15 calendar days, the application may be rejected. (If OEDIT determines the requested information and/or documentation is immaterial to the application, the review and approval process could continue.)

### AUTHORIZATION

- For approved applications, OEDIT will authorize (subject to the annual limit of \$750,000) and issue to the qualified investor a Colorado Innovation Investment Tax Credit certificate equal to the lesser of 15% of the qualified investment or \$20,000 (per taxpayer id number).
- The total amount of tax credits allowed for the 2010 tax year shall not exceed \$750,000. (Tax credits will be processed in the order of the time and date the applications are received by OEDIT.)
- OEDIT will notify (no later than January 30, 2011) the Colorado Department of Revenue of the name of each qualified investor who receives a Tax Credit Certificate, the amount of the credit, and other relevant information relating to the tax credits.
- The qualified investor taxpayer that receives a Tax Credit Certificate shall attach the certificate to the taxpayer's tax return.
- If the tax credit exceeds the taxpayer's income tax on the income of the taxpayer for the 2010 tax year, 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 5 succeeding income tax years (must be applied to the earliest tax return possible). A tax credit certificate is non-transferable.