

*The Denver Business Journal*  
Oct. 2, 2009

### Counterpoint

#### **“Dropping tax incentives would harm state’s business climate”**

Eliminating six critical business-tax incentives — which some legislators advocate to generate more revenue for state government — would force businesses to pay millions of dollars more in taxes, inhibit job retention and creation, and cramp state and local economic development efforts, according to a statewide survey of companies by the Colorado Association of Commerce and Industry (CACI).

As the state chamber of commerce, CACI will strongly oppose any legislative efforts to eliminate — even for a limited “time-out” period of a couple of years — the key six tax incentives identified by its survey.

“If the leaders of Colorado state government believe that they need more revenue during this recession, they should ask the voters to approve a general tax increase that would apply to all Coloradans, and then let the voters decide if there needs to be a tax increase,” CACI President Chuck Berry recently told the CACI Board of Directors.

Through the years, the Colorado General Assembly passed these incentives, with the goal of encouraging companies to make investments in Colorado that create and retain jobs, and expand the state’s tax base.

Compared to other states and countries, Colorado’s economic development toolbox has been sparse. Consequently, eliminating these incentives would deprive state and local economic developers of vital tools they need for Colorado to compete in the global economy for businesses and jobs.

In addition, eliminating the incentives would increase taxes on companies during the worst economic downturn since the Great Depression of the 1930s, perhaps threatening the survival of some.

If this happens, the firms that responded to the survey (full results are at [www.COchamber.com](http://www.COchamber.com)) say they’ll be forced to take such drastic steps as halt or delay planned expansion of operations (63.4 percent); reduce workers’ wages or benefits, or both (46.5 percent); institute a hiring freeze (46.5 percent); lay off workers (43.7 percent); or relocate some or all operations to another state or country (29.6 percent).

Last summer, the CACI Tax Council reviewed the Colorado’s business tax incentives and determined that six tax incentives, in particular, are vital to maintaining a healthy business climate here.

The council is comprised of tax experts from law firms, accounting firms and corporations.

The 108 companies that responded to the survey said these tax incentives are the most important to them:

- Tax deduction that allows businesses to carry net losses forward to offset taxable income, 79.5 percent.
- Tax exemption on the sales to, and purchase of, tangible personal property that becomes a component part of a manufactured product or service, 56.4 percent.
- Enterprise-zone credits, including credits for investment, new employees, rural enterprise zones, workers' health insurance and other tax credits, 48.7 percent.
- Tax exemption on the sales of machinery and machine tools used in the manufacturing process, 42.3 percent.
- Tax exemption on the sale and purchase of electricity, coal, natural gas, fuel oil, coke or nuclear fuel for use in processing, manufacturing, mining, refining, irrigation, construction, transportation, telecommunications and other industrial uses, 35.9 percent.
- Investment of property used in a Colorado enterprise zone for the first year by the taxpayer, 30.8 percent.

A number of respondents described how elimination of various incentives would affect them.

Here is a sampling:

- (1) "As a small business owner, tax exemptions are a key consideration and important to our capital expansion plans and budgets to grow our business and employee base," wrote Don Fraley, president, Tharp Cabinet Corp., Loveland. Fraley anticipates that Tharp Cabinet will pay \$30,000 more in taxes.
- (2) The Ball Corp., based in Broomfield, said that ending the tax exemptions "will put ALL manufacturing companies in Colorado at a significant disadvantage." Ball projects that its tax bill would increase by about \$23.6 million, based on its four Colorado manufacturing facilities--Boulder (aerospace), Broomfield (aerospace), Golden (packaging) and Westminster (aerospace)--if manufactured product exemption, machinery exemption and utility exemption are eliminated.
- (3) According to Ben Lutze, Evraz Rocky Mountain Steel, Pueblo, "Elimination of these exemptions would create a significant competitive disadvantage for our company. . . . Evraz Rocky Mountain Steel forecasts a negative financial impact of \$2 million or more, and a 100 percent increase in sales and use tax, if the tax exemptions for machinery and processing/manufacturing are eliminated."