



DENVER
ECONOMIC DEVELOPMENT
& OPPORTUNITY



Business Investment Program Reauthorization

May - June, 2021

Today's Discussion

- ❖ What is Business Personal Property Tax
- ❖ What is the Business Investment Program (BIP)
- ❖ History
- ❖ Impact
- ❖ Other communities' approach
- ❖ Sharpening the tool

Business Personal Property Tax – About

What is Business Personal Property (BPP)?

- Assets of a business. Includes but not limited to furniture, machinery, equipment, and other tangible items related to the business of a commercial or industrial operation
- Small businesses with personal property in Denver (owned and used for the business) of less than \$7,900 in actual value are exempt

How is it being taxed?

- Each year, the taxpayer submits a declaration schedule of all the business personal property in the city/county
- The Personal Property Section of the Assessor's Office calculates a value for the assets, as directed by State law

Actual Value x Assessment Rate x Mill Rate (Tax Rate) = Taxes



Business Investment Program – Overview

- Offers a business personal property tax credit on qualifying investments
- Businesses must make eligible investments to receive the credit, meaning this is a performance-based resource
- Business must be new to Denver or undergo expansion activities
- Only applies to a portion of the BPP tax collected (General Fund portion)
- Encourages capital investments which broaden the tax base and leads to revenue benefits for the City, DPS, and other causes
- Proportionally beneficial to companies of all sizes and types
- An equal opportunity incentive – not restricted based on size, location of project; it has a straightforward application process
- Unlocks other tools and supports for businesses when a local match is required
- Serves as a retention tool when economy softens

This tool provides a competitive advantage in both attracting businesses to Denver and retaining businesses that reinvest in their operations and employees

Business Investment Program – History

OVERVIEW

- Part of significant enhancements provided by the passage of Measure 2A in 2012
- Renewed in 2017
- Set to expire in 2022

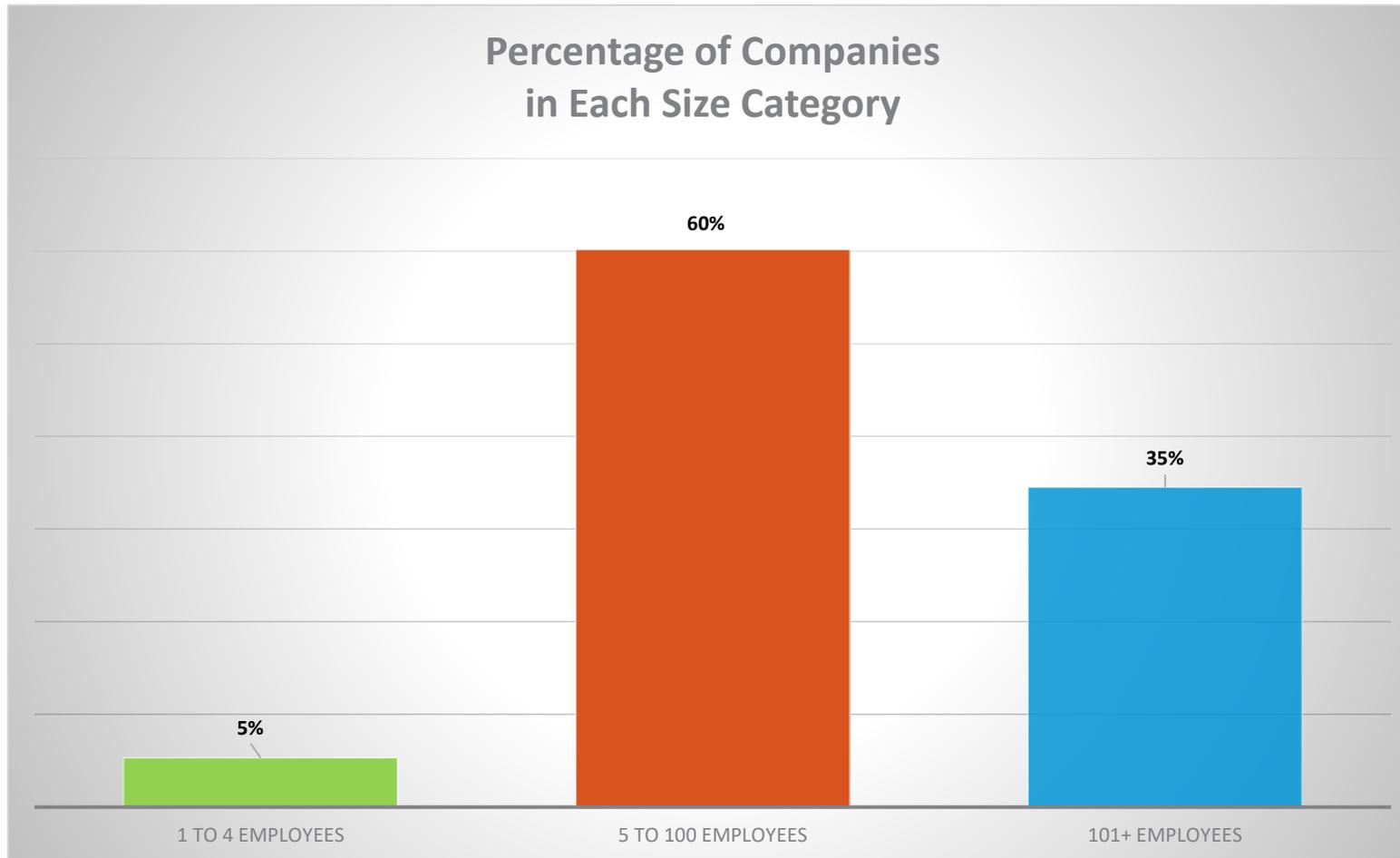
PROGRAM UTILIZATION

- 20-30 participants annually
- Businesses ranging in size from 4 to 1,847 employees

ADMINISTRATION

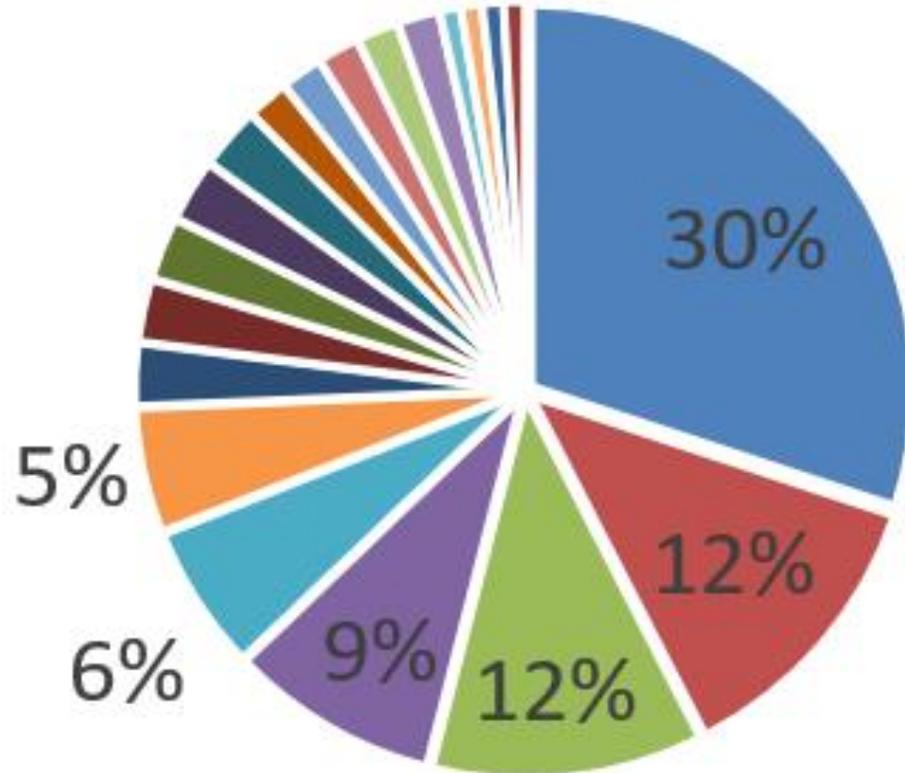
- DEDO manages and promotes the program
- Application is made to DEDO
- DEDO reviews and processes application
- DEDO verifies and coordinates with DOF/Assessor's Office
- Assessor's Office determines what property is eligible
- DEDO/CAO develops contract – very simple template and easy to execute

Business Investment Program – Impact



65% of the companies who have utilized BIP have had fewer than 100 employees

Business Investment Program – Impact



Six industry sectors most represented

- Manufacturing
- Accommodation and Food Services
- Professional, Scientific, and Technical Services
- Retail Trade
- Finance and Insurance
- Construction

Business Investment Program – Impact

New investment in Business Personal Property reported by participating companies

\$475 Million

Job creation reported by participating companies

7,000+



Average annual tax credit provided, total for all program participants

\$300,000

Incremental tax revenue generated to fund affordable housing, bonds, social services, etc. and for the benefit of other taxing authorities, such as DPS

6.5 times the General Fund portion credited

What other communities are doing

- **Jefferson County** eliminated its portion of the business personal property tax in 2018
- **Colorado Springs** has an incentive payment of either 50% or 90% of the City of Colorado Springs' business personal property taxes paid, based on the amount of the investment
- **Douglas, Arapahoe, and Adams Counties** approve incentives on a case-by-case basis. Douglas County also uses construction fee waivers as an incentive for new or expanding employers
- **City of Boulder** enacts the Flexible Rebate Program, which is used to encourage the growth and retention of primary employers in the city by offering rebates of certain fees and sales, or use taxes associated with facility improvements and investments in fixed assets
- **Larimer County's** policy for qualifying companies is to rebate up to 50% of personal property taxes for up to five years

Sharpening the Tool

Current State	Future State
1. Eligible businesses receive credit for four years	1. Create two tiers based on investment in BPP
2. Reauthorization every 5 years	2. Reauthorization every 10 years

Two Tiers Based on Investment Levels

Tier One

Investments in Business Personal Property (BPP) for **less than \$50M** would continue to receive the tax credit for a **four-year period**

Tier Two

Investments in BPP for a defined project over a defined period of time of **greater than \$50M** would receive the tax credit for a **ten-year period**

- Recognizes significant investments in primary job projects while maintaining benefit for all projects
- Keeps Denver competitive and contributes to our reputation as a business-friendly city
- Encourages continued reinvestment in facilities – reducing risk of facility closures
- Saves jobs

Reauthorization for 10 years

- The program has proved effective
- Information is presented annually in budget book
- Will continue to provide transparency and Council input
- Will allow projects making significant investments to utilize the tool without risking reauthorization during the investment period.
- Economic forecasts predict that high-investment and competitive projects will dominate economic development in the coming years post-COVID

DISCUSSION