



September 24, 2009

The Honorable Bill Ritter, Jr.
Governor, State of Colorado
200 East Colfax
Denver, Colorado 80203

The Honorable Mike May
Minority Leader, Colorado House of Representatives
200 East Colfax
Denver, Colorado 80203

The Honorable Terrance Carroll
Speaker, Colorado House of Representatives
200 East Colfax
Denver, Colorado 80203

The Honorable Josh Penry
Minority Leader, Colorado State Senate
200 East Colfax
Denver, Colorado 80203

The Honorable Brandon Shaffer
President, Colorado State Senate
200 East Colfax
Denver, Colorado 80203

Dear Friends,

Over the past several months, the Denver Metro Chamber of Commerce has been approached by state leaders seeking our input regarding which tax credits and exemptions could be removed or reduced as part of an effort to balance the state's budget shortfall. Please know, the private sector empathizes with you in these challenging financial times – as we are experiencing them in our own businesses, and we understand and accept the role we have in these discussions.

That said, to assist in framing the dialogue regarding the role and responsibility of the private sector – and to provide appropriate context going forward – the Chamber would be remiss if we did not note that nearly \$300 million in state cash funds and a temporary elimination of the vendor fee, paid by business, were claimed during the 2009 Session of the General Assembly to address past and current year budget gaps. Additionally, we believe it critical to remind all interested parties that the private sector alone does not benefit from tax credits or exemptions, but rather many benefit all Coloradans. As this exercise goes forward, we respectfully suggest that if any - then all credits and exemptions - must be taken into consideration. Simply said, as Coloradans, we are in this together.

Additionally, as it relates to your request of the Chamber, we believe it important to address an issue regarding the data that would assist both the private and public sector in a thoughtful and thorough analysis of how best to proceed. As we understand the situation, the State does not have precise industry data regarding most credits and exemptions. This information would be of great benefit and would ensure that decisions can be based on sound data. Specifically, we urge you to instruct the Department of Revenue – or the appropriate state agency – to provide an accounting of which industry sectors, by SIC code, utilize current tax credits and exemptions. We believe that this process is essential to ensure better information becomes accessible going forward.

Based on the knowledge we have today, the comprehensive list of private sector tax credits and exemptions currently in place in Colorado includes areas outside the expertise of the economic development focus of the Denver Metro Chamber of Commerce and the Metro Denver Economic Development Corporation. To that end, we will weigh in specifically on those items we believe – if removed or reduced – would have potentially dire consequences to our state’s economic competitiveness or greatly limit one of Colorado’s economic drivers.

Please clearly hear our message that an exclusion of a measure from this correspondence does not suggest that area has our support for reduction. Rather, it simply means that we do not have the expertise to comment and think it most appropriate for you to communicate directly with the potentially affected industries or organizational trade groups that serve that particular interest. Should you need assistance in clarifying who best is able to assist in these discussions, we would be pleased to facilitate an introduction.

Those areas we believe, if removed or reduced, would have a direct negative consequence to Colorado’s economic resurgence include:

Exemptions

- **CRS 39-26-102(20) (a)** - Tangible property becoming an ingredient or component part of the product or service manufactured
- **CRS 39-26-102(21)** - Energy used for industrial, manufacturing and similar purposes
- **CRS 39-26-709(1)** - Purchases of machinery or machine tools used in the manufacturing process
- **CRS 39-26-724(1)** - Sales, storage and use of components in the production of alternating current electricity from a renewable energy source

Credits

- **CRS 39-30 and 32** – Enterprise Zone investment tax credit
Note: The broader discussion regarding Enterprise Zones must be conducted with organizations outside the metropolitan area, as their needs are different than those of the Front Range.
- **CRS 39-22-531** – Job growth incentive tax credit

Additionally, it has come to our attention that there have been discussions regarding repeal or amendments to the “net operating loss” statute. We believe that the ability to carry forward losses is important to many industries in Colorado, especially in these unprecedented economic times.

The Chamber also believes it is critical to note that, under current Colorado law, the removal of any tax credit or exemption that leads to increased revenue to the General Fund ultimately moves the state closer to the Taxpayer Bill of Rights (TABOR) cap, triggering the refund mechanism, which is counter to

the goal of this exercise. We believe that, as revenue levels recover, the revenue generated by removing long-standing credits and exemptions should be returned as credits and exemptions before they would be used to contribute to TABOR refunds.

Last, we seek to find positives in a challenging situation, and we suggest that the discussion and dialogue brought forth by the state's fiscal challenges allow us to collectively consider the following:

- In the spirit of transparency, and to gain a better understanding of the tax policy of our state and its impact on both the private sector and Colorado as a whole, we would welcome a thorough review of all credits and exemptions to determine if we are achieving the intended outcomes for which these credits and exemptions were originally established.
- Any reduction, or removal, of a tax credit or exemption must have a sunset in place. We believe this requirement allows for an appropriate review when used in conjunction with the new information we urge the State to collect as noted above. Additionally, new credits and incentives should also be subject to this consideration.

Thank you for your service to Colorado and your interest in our thoughts with regard to these difficult discussions and decisions. We will continue to brief our members on this evolving matter and look forward to a continued dialogue. Should you have questions regarding our position, or any of the information above, please do not hesitate to contact Tamra Ward, senior vice president of public affairs and communications, at (303) 620-8033.

Best regards,



Kelly J. Brough
President & CEO



Charles L. Ward
Chairman of the Board

cc: Senator Moe Keller, Chair, Joint Budget Committee