

Second Regular Session  
Sixty-eighth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 12-0575.01 Jason Gelender x4330

HOUSE BILL 12-1132

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HOUSE SPONSORSHIP

Miklosi, Todd

SENATE SPONSORSHIP

Williams S.,

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House Committees  
Finance

Senate Committees

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A BILL FOR AN ACT

101 CONCERNING CREATIVE DISTRICT TAX INCENTIVES, AND, IN  
102 CONNECTION THEREWITH, ALLOWING A STATE INCOME TAX  
103 CREDIT FOR INCOME DERIVED FROM CREATIVE BUSINESS  
104 ACTIVITIES CONDUCTED WITHIN A CREATIVE DISTRICT AND  
105 REDUCING THE RATE OF THE STATE SALES TAX IMPOSED ON  
106 SALES MADE WITHIN A CREATIVE DISTRICT.

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Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

**Section 2** of the bill:

! Defines a creative business activity as an activity that generates income for the person conducting it and that the creative industries division of the Colorado office of economic development (division) determines involves the design, creation, production, sale, exhibition, or performance of artistic, literary, musical, architectural, design, or other creative work product or otherwise directly relates to such work product; and

! For income tax years commencing on or after January 1, 2013, but before January 1, 2018, allows a person who earns income from engaging in creative business activities within a creative district certified by the division to claim a 50% income tax credit against the income tax liability attributable to income derived from the activities.

**Section 3** of the bill reduces the rate of sales tax imposed on sales made within a creative district on and after January 1, 2013, but before January 1, 2018, from 2.9% to 1.45%; except that, for a creative district certified on or after November 1, 2012, the reduced rate does not apply until the first day of the third month following the month of certification.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** The general assembly  
3 hereby declares that the intended purpose of the tax expenditures included  
4 in this act is to encourage the creation and development of creative  
5 districts and thereby stimulate the economy of the state of Colorado by  
6 offering tax incentives to persons who conduct income-generating  
7 creative business activities or sell taxable goods or services within  
8 creative districts.

9 **SECTION 2.** In Colorado Revised Statutes, **add** 39-22-534 as  
10 follows:

11 **39-22-534. Credit for persons earning income from creative**  
12 **business activities in state-certified creative districts - rules -**  
13 **definitions - repeal.** (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT  
14 OTHERWISE REQUIRES:

1 (a) "CREATIVE BUSINESS ACTIVITY" MEANS AN ACTIVITY THAT  
2 GENERATES INCOME FOR THE PERSON CONDUCTING IT AND THAT THE  
3 DIVISION DETERMINES INVOLVES THE DESIGN, CREATION, PRODUCTION,  
4 SALE, EXHIBITION, OR PERFORMANCE OF ARTISTIC, LITERARY, MUSICAL,  
5 ARCHITECTURAL, DESIGN, OR OTHER CREATIVE WORK PRODUCT OR  
6 OTHERWISE DIRECTLY RELATES TO SUCH WORK PRODUCT.

7 (b) "CREATIVE DISTRICT" MEANS A STATE-CERTIFIED CREATIVE  
8 DISTRICT, AS DEFINED IN SECTION 24-48.5-314 (2) (d), C.R.S.

9 (c) "CREDIT CERTIFICATE" MEANS A STATEMENT ISSUED TO A  
10 PERSON BY THE DIVISION THAT CERTIFIES THAT THE PERSON HAS ENGAGED  
11 IN CREATIVE BUSINESS ACTIVITY WITHIN A CREATIVE DISTRICT AT A  
12 PERMANENT PLACE OF BUSINESS WHERE THE PERSON REGULARLY  
13 CONDUCTS CREATIVE BUSINESS ACTIVITY AND THEREFORE QUALIFIES FOR  
14 THE TAX CREDIT ALLOWED BY THIS SECTION.

15 (d) "DIVISION" MEANS THE CREATIVE INDUSTRIES DIVISION OF THE  
16 OFFICE OF ECONOMIC DEVELOPMENT CREATED IN SECTION 24-48.5-301 (1),  
17 C.R.S.

18 (e) "PERSON" SHALL HAVE THE SAME MEANING AS PROVIDED IN  
19 SECTION 39-21-101 (3).

20 (2) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
21 1, 2013, BUT BEFORE JANUARY 1, 2018, A PERSON WHO ENGAGES IN ONE  
22 OR MORE CREATIVE BUSINESS ACTIVITIES WITHIN A CREATIVE DISTRICT AT  
23 A PERMANENT PLACE OF BUSINESS WHERE THE PERSON REGULARLY  
24 CONDUCTS CREATIVE BUSINESS ACTIVITY MAY CLAIM A CREDIT AGAINST  
25 THE TAX IMPOSED PURSUANT TO THIS ARTICLE IN AN AMOUNT EQUAL TO  
26 FIFTY PERCENT OF THE PERSON'S TAX LIABILITY ATTRIBUTABLE TO INCOME  
27 DERIVED FROM CREATIVE BUSINESS ACTIVITY DURING THE INCOME TAX

1 YEAR. THE CREDIT IS NOT REFUNDABLE AND MAY NOT BE CARRIED  
2 FORWARD TO ANY SUBSEQUENT INCOME TAX YEAR.

3 (3) A PERSON SHALL APPLY FOR THE RIGHT TO CLAIM THE CREDIT  
4 ALLOWED BY SUBSECTION (2) OF THIS SECTION BY APPLYING TO THE  
5 DIVISION FOR A CREDIT CERTIFICATE. TO OBTAIN A CREDIT CERTIFICATE,  
6 AN APPLICANT SHALL COMPLY WITH ALL APPLICATION DEADLINES,  
7 PROCEDURES, AND REQUIREMENTS SPECIFIED BY THE DIVISION AND SHALL  
8 PROVIDE TO THE DIVISION ANY INFORMATION THAT THE DIVISION  
9 REQUIRES TO:

10 (a) VERIFY THAT THE PERSON HAS ENGAGED IN ONE OR MORE  
11 CREATIVE BUSINESS ACTIVITIES WITHIN A CREATIVE DISTRICT AT A  
12 PERMANENT PLACE OF BUSINESS WHERE THE PERSON REGULARLY  
13 CONDUCTS CREATIVE BUSINESS ACTIVITY DURING THE INCOME TAX YEAR  
14 FOR WHICH THE PERSON INTENDS TO CLAIM CREDIT; AND

15 (b) VERIFY THE AMOUNT OF INCOME THAT THE PERSON HAS  
16 EARNED FROM ENGAGING IN ONE OR MORE CREATIVE BUSINESS ACTIVITIES  
17 WITHIN A CREATIVE DISTRICT AT A PERMANENT PLACE OF BUSINESS WHERE  
18 THE PERSONS REGULARLY CONDUCTS CREATIVE BUSINESS ACTIVITY.

19 (4) WHEN ISSUING A CREDIT CERTIFICATE, THE DIVISION SHALL  
20 CERTIFY BOTH THAT THE CERTIFICATE RECIPIENT QUALIFIES TO CLAIM THE  
21 CREDIT AND THE AMOUNT OF THE RECIPIENT'S INCOME THAT IS  
22 ATTRIBUTABLE TO ONE OR MORE OF THE RECIPIENT'S CREATIVE BUSINESS  
23 ACTIVITIES WITHIN A CREATIVE DISTRICT AT A PERMANENT PLACE OF  
24 BUSINESS WHERE THE PERSON REGULARLY CONDUCTS CREATIVE BUSINESS  
25 ACTIVITY.

26 (5) A PERSON WHO RECEIVES A CREDIT CERTIFICATE FROM THE  
27 DIVISION SHALL CLAIM THE CREDIT ALLOWED BY SUBSECTION (2) OF THIS

1 SECTION BY SUBMITTING A COPY OF THE CERTIFICATE TO THE DEPARTMENT  
2 OF REVENUE WITH THE PERSON'S INCOME TAX RETURN AND CLAIMING THE  
3 CREDIT ON THE RETURN. THE DIVISION SHALL PROVIDE TO THE  
4 DEPARTMENT AN ELECTRONIC LIST OF PERSONS TO WHOM THE DIVISION  
5 HAS ISSUED CREDIT CERTIFICATES, WHICH THE DIVISION SHALL PROMPTLY  
6 UPDATE WHENEVER IT ISSUES A CREDIT CERTIFICATE.

7 (6) THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF REVENUE  
8 MAY PROMULGATE RULES AS MAY BE NECESSARY TO ADMINISTER AND  
9 ENFORCE THE PROVISIONS OF THIS SECTION. THE EXECUTIVE DIRECTOR  
10 SHALL PROMULGATE ANY SUCH RULES IN ACCORDANCE WITH ARTICLE 4 OF  
11 TITLE 24, C.R.S.

12 (7) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2021.

13 **SECTION 3.** In Colorado Revised Statutes, 39-26-106, **amend**  
14 (1) (a) (II); and **add** (1) (a) (III) as follows:

15 **39-26-106. Schedule of sales tax - repeal.** (1) (a) (II) EXCEPT AS  
16 OTHERWISE PROVIDED IN SUBPARAGRAPH (III) OF THIS PARAGRAPH (a), on  
17 and after January 1, 2001, there is imposed upon all sales of commodities  
18 and services specified in section 39-26-104 a tax at the rate of two and  
19 ninety one-hundredths percent of the amount of the sale to be computed  
20 in accordance with schedules or systems approved by the executive  
21 director of the department of revenue. Said schedules or systems shall be  
22 designed so that no such tax is charged on any sale of seventeen cents or  
23 less.

24 (III) (A) IN LIEU OF THE TAX IMPOSED PURSUANT TO  
25 SUBPARAGRAPH (II) OF THIS PARAGRAPH (a), ON AND AFTER JANUARY 1,  
26 2013, BUT BEFORE JANUARY 1, 2018, THERE IS IMPOSED ON ALL SALES  
27 MADE WITHIN A STATE-CERTIFIED CREATIVE DISTRICT, AS DEFINED IN

1 SECTION 24-48.5-314 (2) (d), C.R.S., OF COMMODITIES AND SERVICES  
2 SPECIFIED IN SECTION 39-26-104, A TAX AT THE RATE OF ONE AND  
3 FORTY-FIVE ONE-HUNDREDTHS PERCENT OF THE AMOUNT OF THE SALE TO  
4 BE COMPUTED IN ACCORDANCE WITH SCHEDULES OR SYSTEMS APPROVED  
5 BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF REVENUE; EXCEPT  
6 THAT THIS SUB-SUBPARAGRAPH (A) DOES NOT APPLY TO SALES MADE  
7 WITHIN A STATE-CERTIFIED CREATIVE DISTRICT CERTIFIED ON OR AFTER  
8 NOVEMBER 1, 2012, UNTIL THE FIRST DAY OF THE THIRD MONTH  
9 FOLLOWING THE MONTH OF CERTIFICATION. SAID SCHEDULES OR SYSTEMS  
10 SHALL BE DESIGNED SO THAT NO SUCH TAX IS CHARGED ON ANY SALE OF  
11 SEVENTEEN CENTS OR LESS.

12 (B) THIS SUBPARAGRAPH (III) IS REPEALED, EFFECTIVE JULY 1,  
13 2021.

14 **SECTION 4. Act subject to petition - effective date.** This act  
15 takes effect at 12:01 a.m. on the day following the expiration of the  
16 ninety-day period after final adjournment of the general assembly (August  
17 7, 2012, if adjournment sine die is on May 9, 2012); except that, if a  
18 referendum petition is filed pursuant to section 1 (3) of article V of the  
19 state constitution against this act or an item, section, or part of this act  
20 within such period, then the act, item, section, or part will not take effect  
21 unless approved by the people at the general election to be held in  
22 November 2012 and, in such case, will take effect on the date of the  
23 official declaration of the vote thereon by the governor.