

# Business girds for new brawl in Statehouse

Denver Business Journal - by [Ed Sealoover](#)

Business lost its battle to preserve a series of business-friendly breaks in the state tax code.

Now, it is preparing for another fight against HB 1263, which some say is just as damaging to the state's business climate.

Rep. Jack Pommer, D-Boulder, introduced the bill Feb. 4. It limits to \$250,000 the amount of each worker's salary and benefits that companies can deduct from their tax liability as operating expenses. If passed, the bill would give Colorado the lowest salary-deduction limits in the country and would raise roughly \$19 million a year for the state, Pommer said.

Pommer and leaders from the [Colorado Fiscal Policy Institute](#) (COFPI), a nonprofit research group focused on policies that help low-income state residents, drafted the proposal as an attempt to bring in more revenue during the recession.

Because Colorado has low corporate income tax rates, and because businesses pay that tax based on where their product sales occur rather than where their employees are located, the bill shouldn't have a major effect on local business, they said.

But business leaders say the measure is a job-killer that will discourage corporations in high-tech, high-paying fields from moving headquarters to Colorado because of the additional tax burden.

Companies considering relocating to the area already are calling and saying they're re-thinking that because of the state's actions, according to Tom Clark, vice president of the [Metro Denver Economic Development Corp.](#)

"I feel like we have just come out of this bruising and bloodying fight as a state," Clark said. "Now we're going to forfeit the war and then go and bayonet the wounded. It's not a time to discourage companies that pay high wages ...

"It's a quick way to grab cash probably, but I think the far-reaching effects will be felt immediately and over the long term."

The federal government now caps salary deductions at \$1 million for the five top officers of public companies. But only one other state — Texas, which caps salary and bonus deductions at \$300,000 — goes beyond that.

Businesses pay corporate income tax on the amount of sales they have in the state rather than the number of employees they pay here because of a change to Colorado law two years ago, said Carol Hedges, COFPI senior fiscal policy analyst. So, the bill would apply equally to the salary deductions taken by Colorado-based companies and to the tax deductions allowed under state law by companies based in another state or another country that sell products here, she said.

The idea was presented late last year to Gov. Bill Ritter as a way to help close a \$1.3 billion projected revenue shortfall in next year's budget, Pommer said. Ritter chose other methods, such as cutting education spending by \$260 million, and suspending or eliminating 12 tax exemptions that will raise about \$150 million.

“For a number of years, Colorado has been perceived as a very good place for companies to do business,” he said. “But we’ve got a situation now where we’ve limited a lot of credits for companies. And this is another thing ... The word on the street when you talk to a lot of different companies is that companies are dragging their feet on making moves to Colorado because of the different legislation.”