



2024 Rural Jump-Start Zone Credit Schedule

Instructions

Colorado allows two different income tax credits with respect to businesses approved for the rural jump-start program by the Economic Development Commission:

- 1) The new business income tax credit allowed to businesses approved by the commission
- 2) The new hire income tax credit allowed to employees of a business approved by the commission

A taxpayer that claims these benefits may not claim any other state tax incentive that they are eligible for as a result of establishing the new business in the state, including tax incentives for the new hires hired by the new business.

Any taxpayer claiming either of these two credits must submit a completed form DR 0113 with their income tax return claiming the credit. Taxpayers claiming the new business income tax credit must complete Section A, Section B, and either Section C or Section D, depending on the type of taxpayer (e.g., individual, C corporation, etc.). Taxpayers claiming the new hire income tax credit must complete Section D but not Section A, Section B, or Section C of the form.

New business income tax credit

The credit is allowed in an amount equal to 100% of the Colorado income tax imposed on the income derived from its activities in the rural jump-start zone. If a new business has income from operations both inside and outside of the rural jump-start zone, its income is apportioned based on its property and payroll in the rural jump-start zone relative to its property and payroll everywhere.

Anyone claiming the new business income tax credit must complete Section A and Section B of the Rural Jump-Start Zone Credit Schedule (DR 0113). If the new business has any property or payroll outside of the zone during the tax year, it must also complete the worksheet in the form instructions to calculate the property and payroll factors for the new business.

Section A and property and payroll factor worksheet

A new business must complete Section A of form DR 0113 to compute the apportionment factor for the new business credit. Enter on line 1 and 2 the property factor percentage and payroll factor percentage calculated using the worksheet in the form instructions. If the new business has no property or payroll outside of the zone, 100% should be entered on line 1 and 2 of Section A.

Part 1 of the property and payroll worksheet calculates the percentage of the new business's real and tangible personal property owned or rented and used exclusively in the zone during the tax year. The value of property within the zone and the value of property everywhere are both determined by averaging the values at the beginning and ending of the tax year. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals.

Part 2 of the property and payroll worksheet calculates the percentage of the new business's payroll within the zone during the tax year. In computing the payroll factor, compensation is considered paid within the zone if any of the following conditions are met:

- the individual's service is performed entirely within the zone;
- the individual's service is performed both inside and outside of the zone, but the service performed outside of the zone is incidental to the individual's service within the zone; or



DO NOT SEND

- some of the service is performed in the zone and the base of operations from which the service is directed or controlled is in the zone.

Section B

Taxpayers claiming the new business income tax credit must complete Section B to determine the amount of their new business income that is apportioned to the zone. The amount of income a taxpayer must enter on line 5 is based on information found elsewhere on the taxpayer's state or federal return or, in the case of a member in a pass-through entity, on the member's Colorado K-1 (DR 0106K).

- C corporations enter on line 5 of form DR 0113 the income apportioned to Colorado from line 12 of form DR 0112RF of the C corporation's Colorado income tax return. If the C corporation has any business activities other than the activities of the new business, include on line 5 of form DR 0113 only the part of the income from line 12 of DR 0112RF that is attributable to the new business.
- Partnerships and S corporations enter on line 5 of form DR 0113 the income apportioned to Colorado from line 12 of Part V of form DR 0106 of the partnership's or S corporation's Colorado income tax return. If the partnership or S corporation has any business activities other than the activities of the new business, include on line 5 of form DR 0113 only the part of the income from line 12 of Part V of form DR 0106 that is attributable to the new business. The partnership or S corporation must provide a copy of form DR 0113 with Sections A and B completed to each of its partners or shareholders. The partnership or S corporation must also communicate to each partner or shareholder their distributive or pro rata share of the rural jump-start new business income calculated on line 6 for the partner or shareholder.
- Resident individuals who are members in a pass-through entity that operates a new business enter on line 5 of form DR 0113 the individual's share of the net income from the new business's activities in the zone, reported in Column A of the Colorado K-1 (DR 0106K).
- Nonresident individuals who are members in a pass-through entity that operates a new business enter on line 5 of form DR 0113 the individual's share of the net income from the new business's activities in the zone, reported in Column B of the Colorado K-1 (DR 0106K).
- Resident individuals who operate a new business as a sole proprietorship enter on line 5 of form DR 0113 the net profit from line 31 of the individual's IRS Schedule C prepared for the new business.
- Nonresident and part-year resident individuals who operate a new business as a sole proprietorship enter on line 5 of form DR 0113 the net profit from the new business included on line 15 of form DR 0104PN.

Section C

C corporations must complete Section C of form DR 0113 to claim the new business credit. Section C calculates the percentage of the C corporation's Colorado taxable income that is attributable to operations within the zone. The credit is allowed for that percentage of the C corporation's tax.

Section D

Individuals claiming the credit either as a sole proprietor or as a partner or shareholder in a partnership or S corporation must complete Section D of form DR 0113. Line 11 should be left blank unless the taxpayer is claiming both the new hire credit for wages earned as an employee of a new business and the new business credit for ownership in a new business.



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Because a taxpayer may have both qualifying new business income and income from other sources, they must apportion their tax to determine the amount of the credit. The taxpayer must enter on line 12 the rural jump-start new business income from line 6.

A taxpayer's qualifying new business income is divided by the modified Colorado adjusted gross income on line 14 to determine the percentage of their income that qualifies for the credit. A taxpayer's modified Colorado adjusted gross income is their adjusted gross income from their federal return (also reported on line 31 of their 2024 Colorado Individual Income Tax Return (DR 0104)) modified by certain additions and subtractions reported on their Colorado return. In general, applicable modifications include additions reported on lines 5 through 8 of the 2024 Colorado Individual Income Tax Return (DR 0104) and subtractions reported on the Subtractions from Income Schedule (DR 0104AD), excluding the subtraction for qualifying charitable contributions. The following additions and subtractions do not apply in computing modified Colorado adjusted gross income:

- The state income tax addback reported on line 2 of form DR 0104.
- The qualified business income deduction addback reported on line 3 of form DR 0104.
- The standard or itemized federal deduction addback reported on line 4 of form DR 0104.
- Any gross conservation easement deduction addback reported on line 8 of form DR 0104.
- The qualifying charitable contribution subtraction entered on line 12 of form DR 0104AD.

The percentage calculated on line 15 is multiplied by the taxpayer's tax on line 16 to determine the amount of the credit.

New hire income tax credit

The new hire income tax credit is allowed to employees of a business approved by the commission. The credit is allowed in an amount equal to 100% of the Colorado income taxes imposed on the employee's wages paid by the new business for work performed in the rural jump-start zone.

Anyone claiming the new business income tax credit must complete Section D of the Rural Jump-Start Zone Credit Schedule (DR 0113). Section A, B, and C should not be completed to claim the new hire income tax credit and line 12 should be left blank unless the taxpayer is claiming both the new hire credit for wages earned as an employee of a new business and the new business credit for ownership in a new business.

Because a taxpayer may have both qualifying wages and income from other sources, they must apportion their tax to determine the amount of the credit. The employee must enter on line 11 the wages they were paid by the new business for work performed in the rural jump-start zone. Unless the taxpayer is also claiming a new business credit, line 12 should be left blank.

An employee's qualifying wages are divided by the modified Colorado adjusted gross income on line 14 to determine the percentage of their income that qualifies for the credit. A taxpayer's modified Colorado adjusted gross income is their adjusted gross income from their federal return (also reported on line 31 of their 2024 Colorado Individual Income Tax Return (DR 0104)) modified by certain additions and subtractions reported on their Colorado return. In general, applicable modifications include additions reported on lines 5 through 8 of the 2024 Colorado Individual Income Tax Return (DR 0104) and subtractions reported on the Subtractions from Income Schedule (DR 0104AD). The following additions and subtractions do not apply in computing modified Colorado adjusted gross income:

- The state income tax addback reported on line 2 of form DR 0104.
- The qualified business income deduction addback reported on line 3 of form DR 0104.



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- The standard or itemized federal deduction addback reported on line 4 of form DR 0104.
- Any gross conservation easement deduction addback reported on line 8 of form DR 0104.
- The qualifying charitable contribution subtraction entered on line 12 of form DR 0104AD.

The percentage calculated on line 15 is multiplied by the employee's tax on line 16 to determine the amount of the credit.



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Use this worksheet to compute your property and payroll factors within the rural jump-start zone.

1. Computation of the property factor:

	(1) Within the zone		(2) Total		
	(Beginning)	(Ending)	(Beginning)	(Ending)	
(a) Inventories.....					
(b) Land					
(c) Buildings and Equipment.....					
(d) Other property (explain)					
(e) Total (a) through (d).....					
(f) Average					
(g) Leased Property (attach schedule)					
(h) Total (f) and (g).....					
(i) Percentage 1(1)(h) to 1(2)(h). Transfer this percentage to line 1 of the DR 0113 form.....					1 %

2. Computation of the payroll factor:

(a) Compensation paid during the taxable year within the zone		
(b) Total compensation paid during the taxable year		
(c) Percentage 2(a) to 2(b). Transfer this percentage to line 2 of the DR 0113 form.....		2 %



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2024 Rural Jump-Start Zone Credit Schedule

Last Name or Business Name			
First Name			Middle Initial
SSN or ITIN		FEIN	
Mailing Address			
City		State	ZIP

Section A – Apportionment factor calculation for new business credit		
1. Enter the property factor as a percentage. Use the worksheet in the instructions to calculate the property factor.	1	%
2. Enter the payroll factor as a percentage. Use the worksheet in the instructions to calculate the payroll factor.	2	%
3. Line 1 plus line 2	3	%
4. Average factor, line 3 divided by the number 2	4	%
Section B – New business income apportionment		
5. Business income apportioned to Colorado*	5	00
6. Rural jump-start new business income, line 4 times line 5	6	00
Section C – New business credit calculation for C corporations		
7. Colorado taxable income, line 18 of Form DR 0112	7	00
8. Line 6 divided by line 7	8	%
9. Colorado tax, line 19 of Form DR 0112	9	00
10. New business credit, line 8 times line 9	10	00
Section D – New business and new hire credit calculation for individuals		
11. New hire wages paid by the new business for work performed in the rural jump-start zone	11	00
12. Rural jump-start new business income, line 6**	12	00
13. Total, line 11 plus line 12	13	00
14. Modified Colorado adjusted gross income***	14	00
15. Line 13 divided by line 14	15	%
16. Colorado tax plus AMT, sum of lines 12 and 13 on Form 104	16	00
17. Credit, line 15 times line 16	17	00

