

**Summary Findings on the Fiscal and Economic Impacts
of Creating and Artist Corporation Business Category in
Colorado.**

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We are pleased to present our findings for the economic and fiscal impacts of the Artist Corporation (“A-Corp”) proposal.

Summary of Findings

Our exploration so far has found a minimal (and possibly immaterial) fiscal impact. While the economic impact is not easy to quantify, we can say that the proposal has no chance of hurting economic activity, has a strong chance to add to economic growth.

We don’t believe there are hidden pitfalls in the proposal, and the most significant critique is that it is not necessary as its main provisions are possible with specially crafted articles of incorporation. That said, even if true, this proposal does not infringe on any pre-existing activity, nor would it constrain future activity.

We have not discovered a substantive argument against the creation of the A-Corp designation. This would be the “con” argument that a hypothetical detractor could raise. Mr. Strickler provided a grid in the PowerPoint slides that were presented to the Colorado Bar Association that further solidifies the lack of a good argument against. The A-Corp designation incorporates aspects of existing legal structures, which eliminates inefficient and expensive work to replicate attributes of existing structures. So, in the extreme case where the A-Corp structure duplicates some attributes of existing legal structures, the new designation does not infringe on any existing designation nor would it constrain any future activities of “non-A-Corp” entities.

There are meaningful “pro” arguments that are underpinned by the “gap” grid below. This was provided by Mr. Strickler in the PowerPoint to the Colorado Bar Association

Artist Corporations fill a gap

Feature	LLC	S-Corp	C-Corp	Nonprofit	A-Corp
Access to capital	⚠ Limited	⚠ Moderate	✅ High	✅ Grants only	✅ Flexible
Ownership sharing	⚠ Uncommon	⚠ Limited	✅ Yes	❌ No equity	✅ Yes
Tax flexibility	✅ Pass-through	✅ Pass-through	❌ Double taxation	✅ Tax-free	✅ Flexible
Creative control	✅ High	⚠ Medium	⚠ Medium	✅ Mission-oriented	✅ High
Benefits pooling	❌ Individual	❌ Individual	❌ Not standard	✅ Yes	✅ Pooling

First, the size of the creative economy in Colorado is meaningful. Below is an excerpt from the Colorado Office of Economic Development and International Trade’s 2025 Annual Report regarding creative industries:

Colorado ranks fifth in the nation for the number of people performing and creating art, and is the leading state for the number of people attending performing arts events. According to 2020 data, 35.8% of adults attended a visual art exhibit—this is 15 points greater than the national average. Considering literary reading, Colorado has the highest rate of readers in the U.S. at 54.3% of all residents, according to a National Endowment of the Arts report. In 2022, the U.S. Bureau of Economic Analysis (BEA) reported that arts and cultural production accounted for \$18 billion and 3.7% of the Colorado economy, contributing 104,163 jobs and \$10.1 billion in compensation. Economic growth in the creative industries continues to outpace the economy as a whole in the United States.

The Arts and Cultural Production Satellite Account released by the BEA shows that arts and cultural economic activity, adjusted for inflation, increased 4.8% in 2022. By comparison, the broader economy, as measured by real gross domestic product (GDP), increased 1.9% in 2022 after increasing 5.8% in 2021. Also noteworthy is that arts and cultural employment increased 3.7%. Colorado ranks among the top ten states for percentage of arts and cultural share of GDP. Creative industries are an agile industry cluster that are a proven asset for rural as well as urban economic development. According to Americans for the Arts research, 4.4% of the U.S. GDP is generated by arts and culture. And 68% of long-distance (more than 50 miles) tourism is cultural. In addition to the proven economic benefits, arts and culture are essential to public welfare and social wellness. Arts Increase neighborhood safety and contribute 76% more growth in jobs and businesses when higher education institutions invest in arts infrastructure.

As such, by adopting the new category of A-Corp as a possible business designation, this would demonstrate a friendlier and innovative regulatory environment. It highly likely this will be a positive for the industry, with zero downsides.

Second, to the extent the new structure allows more collaboration among creative workers or business interests, this could distinguish Colorado further in creative economic activity.

Third, to the extent that many creative workers are “gig” workers they could achieve more purchasing power for important services, notably health care insurance and business insurance.

With respect to health insurance, these benefits are both societal and individual. For the economy broadly, these benefits include a healthier workforce, more labor availability, and reduced uncompensated care (with a probable reduction in more acute situations developing). Monetizing this benefit is difficult, but we can find academic sources to which we can point stakeholders.

Fourth, the designation allows for all the benefits of existing legal structures to be accessed with the same administrative efficiency.

Fifth, the A-corp structure allows for increased liquidity of ownership shares. By increasing liquidity, some academic research indicates that this could raise the market value of a given asset. Over time, a higher number of more valuable companies will contribute positive externalities to the Colorado economy than would have otherwise occurred.

Summary of Fiscal Impact

Based on the understanding so far of the proposal, the FISCAL impact on the State of Colorado will be minimal. These impacts include: new revenue, new expenses (appropriations), and new workload. These categories are the most common areas of work for fiscal notes in the Colorado legislative process.

New Revenue. Based on the most recent economic forecast by the Colorado Legislative Council Staff, new revenue for 2027 would increase fee revenue to the Colorado Secretary of State’s by the fee charged for A-Corps multiplied by the number of new A-Corps. If the fee is set at the current rate for other similar designations that would be \$50 each.

The State of Colorado has scant public data on Public Benefit Corporations. Internet and Chat GPT came back with a working number of 500-725 public benefit corporations...first created in Colorado via House Bill 13-1138 (2013).

A simple average would imply up to 70 per year...70 * \$50 is \$3,500. While the State budget is line-itemed out in many places to the exact dollar, this amount of money is effectively immaterial.

If PBC's are the best example, then $750 * \$50$ is \$37,500. This amount of money is probably also effectively immaterial. Because this is an extreme example, it is to show that estimation of total state revenues to this level of accuracy is impossible. Thus, one would hope that this perspective will lead decision makers to focus on the bigger picture policy at play.

Interestingly, it is possible the main risk here is that due to the size of the creative economy relative to the demand that has been shown for public benefit corporations, there could be substantially more filings. If 10 percent of the estimated creative workers formed an A-corp, this would equate to over 10,000 new filings. To the extent this creates revenue problems for the General Fund, this can be mitigated by transfers of the money away from the Secretary of State Cash Fund to the General Fund.

With respect to the impact on taxable income, it is critical to note that this new business category does not create new opportunities to shelter income from taxation. Moreover, there are compelling arguments that the new designation will create a more vibrant ecosystem of business creation and collaboration...as such there could be new taxable income created over the long run. However, it is not possible to model this with precision at this time.

New Expenses / Workload. We also researched the fiscal impact of PBC on spending. In House Bill 13-1388, new expenses were estimated at roughly \$91,000. This was attributed to programming changes required at the Secretary of State's office. Notably, these were funded from the reserves in the SOS cash fund.

We would highly recommend this strategy here. By doing so, it is likely that no other current budget priorities will be displaced, assuming it remains a modest programming cost. Over the years, it has been true that the administrative start-up costs for programming have delayed and in very rare cases prevented legislation from being adopted. If there is huge pushback because of administrative start-up costs, another option is to allow the state to receive gifts/grants/donations for this purpose. This tactic has been successful in the past. It could be paired with a tax credit for the donation to increase the likelihood of finding funding. Please note, sometimes this tactic is referred to derogatorily as a "tin cup bill," meaning that the program must beg for funding.

Economic Impact

The size and relevance of the creative economy in Colorado is well established. We believe there are demonstrable qualitative benefits to the creation of the A-Corp category. ***Please note, this is not meant to supplant or take credit for any overlap of these items from the Whitepaper.*** Rather, these themes strike us as the most salient.

- Colorado as a leader in creative industry promotion

- Allowing current “gig workers” greater participation in health care via enhanced or newly created collective purchasing power
- More business ownership possibilities, including the raising of capital and increased ability to compete for grant funding.
- Wealth effect of collaboration and protecting intellectual property

Similar to the comment in the fiscal impact section regarding new personal income taxes, it is difficult to model the economic impact of the new business category. Even in the most optimistic scenario of several hundred new A-Corps being generated, it is difficult to know how much new economic activity will be generated that would not have been generated otherwise. The “but for” test of this new category is a difficult one to pass with certainty and predictability. Though the new category is advantageous and it is more than reasonable to expect A-Corps to be established, predicting the amount of economic activity stimulated by it versus channeled through it, is extremely speculative.

That difficulty established, if approximately \$100,000 of state expenses were to be offset by income taxes, it would require \$2.27 million of new taxable income from activity that was attributable to the availability of A-Corp designation.

Risks / Biases / Uncertainties

In our proposal, we noted that there could be both minor positive or minor negative aspects of the proposal. We believe this initial reaction is the most likely scenario. It is not to say the proposal is not impactful. Rather, it is hard to see meaningful detractors to this idea and that the inclusion of this does not infringe on any existing activity.

As discussed above, over the years, it has been true that the administrative start-up costs for programming have delayed and in very rare cases prevented legislation from being adopted.

This analysis is based on the current understanding of the proposal. However, the final legislative bill draft has a low chance of changing the analysis.