Colorado Legislative Council Staff

HB17-1091

REVISED FISCAL NOTE

(replaces fiscal note dated April 3, 2017)

FISCAL IMPACT: ☒ State ☒ Local ☒ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-0104	**Date:**	May 9, 2017
Prime Sponsor(s):	Rep. Wilson; McLachlan Sen. Coram; Donovan	**Bill Status:**	Senate Finance
		Fiscal Analyst:	Kate Watkins (303-866-3446)

BILL TOPIC: TAX CREDIT FOR EMPLOYER-ASSISTED HOUSING PROJECTS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-20
State Revenue	**($250,000)**	**($500,000)**	**($500,000)**
General Fund	(250,000)	(500,000)	(500,000)
State Expenditures		**$48,077**	**$32,374**
General Fund		41,435	25,732
Centrally Appropriated Costs		6,642	6,642
TABOR Impact	($250,000)	($500,000)	Not estimated
FTE Position Change		0.5 FTE	0.5 FTE
Appropriation Required: None.			
Future Year Impacts: Decreasing state revenue and ongoing expenditure impacts through FY 2026-27.			

Summary of Legislation

This ***reengrossed bill*** creates an income tax credit for taxpayers who provide donations to non-profit sponsors of employer-assisted housing projects in rural areas of the state for tax years 2018 through 2021. The credit is calculated as 20 percent of the amount donated to a sponsor to be used for costs associated with employer-assisted housing projects for employees with adjusted incomes of less than 120 percent of area median household income. The credit is limited to $400 per taxpayer and is nonrefundable, meaning it is limited to the taxpayer's income tax liability. Any remaining credits may be carried forward for up to five years.

The bill specifies the procedures for documenting and certifying donations and applying for the tax credit through a housing agency, including the Colorado Housing and Finance Authority (CHFA) or a local government housing authority. Housing agencies are required to report on the economic activity, usage, and impacts of the employee-assisted housing project if a tax credit is allocated. The Division of Housing, within the Department of Local Affairs, is required to verify information on tax credit certification forms. The division may charge a fee to taxpayers who apply for the credit to offset the costs required to verify information submitted by taxpayers.

State Revenue

This bill is estimated to reduce General Fund revenue by **$250,000 in FY 2017-18 (half-year impact), $500,000 in FY 2018-19, FY 2019-20, and FY 2020-21, and $250,000 in FY 2021-22 (half-year impact).** These amounts are net of the an estimated $30,000 in fee revenue. To the extent that taxpayers carry credits forward, revenue reductions may occur through FY 2026-27.

Tax credit. This fiscal note assumes that about 1,200 taxpayers will claim the tax credit each year based on the number of taxpayers that have historically claimed tax credits, including those limited to rural Colorado, and amount of tax credits that may be claimed relative to other state tax credits. A majority of taxpayers claiming the credit are expected to claim the maximum tax credit amount of $400. Revenue impact estimates assume that taxpayers will be able to claim federal charitable contribution deductions for the amounts donated, but may not claim any other state tax credits or deductions for amounts contributed.

Fee revenue. This bill allows the Division of Property Taxation to charge a fee to offset the costs required to verify information submitted by taxpayers seeking to qualify for the tax credit. A $25 application fee per taxpayer is estimated to generate sufficient revenue to offset the division's costs, assuming that the review of information for each taxpayer averages about one hour. Assuming that 1,200 taxpayers claim the credit each tax year, annual fee revenue will total $30,000 each fiscal year beginning in FY 2018-19. Fee revenue is assumed to be collected in the General Fund.

TABOR Impact

This bill reduces state revenue from the General Fund, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. TABOR refund obligations are not expected for FY 2016-17. This bill is expected to reduce the TABOR refund obligation by $250,000 in FY 2017-18 and by $500,000 in FY 2018-19, reducing the six-tier sales tax refund by equal amounts. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget in FY 2017-18 and FY 2018-19. The bill will reduce money available for the General Fund budget in years when the state does not collect money above the TABOR limit.

State Expenditures

This bill will **increase state General Fund expenditures by $48,077 and 0.5 FTE in FY 2018-19, and by $32,374 and 0.5 FTE in FY 2019-20, FY 2020-21, and FY 2021-22.** Costs include personnel, programming, and form change costs, as summarized in Table 1.

Table 1. Expenditures Under HB17-1091		
Cost Components	**FY 2018-19**	**FY 2019-20**
Personal Services	$25,257	$25,257
FTE	0.5 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	5,178	475
Programming and Form Change Costs	11,000	
Centrally Appropriated Costs*	6,642	6,642
TOTAL	**$48,077**	**$32,374**

** Centrally appropriated costs are not included in the bill's appropriation.*

Department of Local Affairs, Division of Housing. Based on the number of tax credits claimed for the Colorado enterprise zone investment credit, an estimated average 1,200 taxpayers are expected to claim the credit under HB17-1091 beginning in tax year 2018. To verify taxpayer information contained in tax credit certificates, the Division of Housing will require 0.5 FTE each year from FY 2018-19 through FY 2021-22. To the extent that more taxpayers apply for the credit than are assumed in this fiscal note, additional FTE may be required to administer the bill.

Department of Revenue (DOR). This fiscal note assumes that with third party verification provided by the Division of Housing, DOR will be able to accommodate review and auditing within existing resources. This bill requires changes to the DOR's GenTax software system. Changes are programmed by a contractor at a rate of $200 per hour. The changes resulting from this bill are expected to increase General Fund expenditures by $3,800, representing 19 hours of programming. All GenTax programming changes are tested by department staff. GenTax testing for this bill can be accommodated within existing resources.

Department of Personnel and Administration (DPA). DPA's scanning and imaging software need to be programmed at a total cost of $7,200 to accommodate changes to six forms at a cost of $1,200 per form in FY 2018-19. These expenditures will be reappropriated from the DOR to the document management line for DPA.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB17-1091		
Cost Components	**FY 2018-19**	**FY 2019-20**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$4,379	$4,379
Supplemental Employee Retirement Payments	2,263	2,263
TOTAL	**$6,642**	**$6,642**

Local Government and Statutory Public Entity Impact

This bill will increase workload for CHFA and local government housing agencies to allocate and report on the economic and other impacts of the tax credit.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed. The bill includes a repeal date of July 1, 2031.

State and Local Government Contacts

Revenue	Personnel	Information Technology
Local Affairs	CHFA	