



**Colorado
Legislative
Council
Staff**

HB16-1142

FISCAL NOTE

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

Drafting Number: LLS 16-0308	Date: February 2, 2016
Prime Sponsor(s): Rep. Buck; Ginal Sen. Crowder; Cooke	Bill Status: House Public Health Care and Human Services
	Fiscal Analyst: Kate Watkins (303-866-3446)

BILL TOPIC: RURAL & FRONTIER HEALTH CARE PRECEPTOR TAX CREDIT

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	FY 2018-2019
State Revenue	<u>(Up to \$150,000)</u>	<u>(Up to \$300,000)</u>	<u>(Up to \$300,000)</u>
General Fund	(Up to \$150,000)	(Up to \$300,000)	(Up to \$300,000)
State Expenditures		<u>\$52,237</u>	
General Fund		\$49,908	
Centrally Appropriated Costs		\$2,329	
TABOR Impact	(Up to \$150,000)	(Up to \$300,000)	Not estimated
FTE Position Change		0.2 FTE	
Appropriation Required: None.			
Future Year Impacts: Revenue decrease through FY 2019-20.			

Summary of Legislation

For tax years 2017, 2018, and 2019, this bill creates a state income tax credit for licensed Colorado health care professionals who provide personalized instruction, training, and supervision to one or more graduate students seeking a medical degree at a Colorado institution for higher education. Instruction, training, and supervision must last at least four weeks during the income tax year in which the credit is claimed. The credit is limited to 300 qualifying taxpayers each year at \$1,000 per taxpayer. This credit is non-refundable, meaning it is limited to a taxpayer's income tax liability. Credits in excess of this amount may be carried forward for up to five years.

To qualify, health care professionals must be practicing in a rural county (with a population of less than 25,000) or frontier county (with a population density of six or fewer people per square mile) of Colorado. Qualifying taxpayers are required to provide a certification form with their income tax return certifying that the he or she has satisfied the requirements for the tax credit. The certification form may be provided by an institution of higher education, hospital, or area health education center (AHEC) located in the jurisdiction of the preceptor's practice. AHECs may charge a reasonable fee for providing the certification form.

State Revenue

This bill will **decrease General Fund revenue by up to \$150,000 in FY 2016-17 (half-year impact), up to \$300,000 in FY 2017-18, up to \$300,000 in FY 2018-19, and up to \$150,000 in FY 2019-20 (half-year impact).** These estimates provide an upper bound for the revenue impact, which is limited to a maximum 300 taxpayers each year claiming a maximum credit amount of \$1,000 each. If taxpayers have income tax liabilities smaller than the credit amount, they may carry the unused portion of the credit forward, which will extend the revenue impact into future years.

Fee impact for AHECs. The state of Colorado has six regional AHEC offices and a program office located at the University of Colorado Anschutz Medical Campus. To the extent that an AHEC charges a fee for providing certification forms to qualifying health care professionals, these fees may generate revenue to offset costs associated with administering the forms.

TABOR Impact

This bill reduces state revenue to the General Fund, which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund. 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. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

State Expenditures

This bill will **increase state General Fund expenditures by \$52,237 and 0.2 FTE in FY 2017-18 for the Department of Revenue.** Costs include personal services, operating expenses, programming and form change costs, as summarized in Table 1.

Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services		\$8,518	
FTE		0.2	
Operating Expenses and Capital Outlay Costs		190	
Programming and Form Change Costs		41,200	
Centrally Appropriated Costs*		2,329	
TOTAL		\$52,237	

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

Department of Revenue. This bill requires changes to the Department of Revenue's GenTax software system. Changes are programmed by a contractor at a rate of \$200 per hour. The changes in this bill are expected to increase General Fund expenditures by \$40,000, representing 200 hours of programming. All GenTax programming changes are tested by department staff. Testing for this bill will require the addition of 0.2 FTE in the department's Taxpayer Service Division. Review and auditing returns for up to 300 taxpayers can be absorbed within existing department resources.

Department of Personnel and Administration. Scanning and imaging software need to be programmed to accept the tax credit under this bill, which will require \$1,200 in FY 2017-18 reappropriated from the Department of Revenue to the document management line for the Department of Personnel and Administration.

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 HB 16-1142			
Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)		\$1,600	
Supplemental Employee Retirement Payments		729	
TOTAL		\$2,329	

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed. The bill includes a repeal date of July 1, 2027.

State and Local Government Contacts

- Colorado Counties
- Revenue
- Health Care Policy Financing
- Higher Education
- Personnel
- Office Of Information Technology