



# Legislative Council Staff

## Research Note

Version: Final

Date: 1/21/2016

### Bill Number

House Bill 16-1052

### Sponsors

*Representative Becker K.  
(None)*

### Short Title

*Wildfire Mitigation Income Tax  
Credit*

### Research Analyst

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### Status

This research note reflects the final version of the bill. The bill was postponed indefinitely by the House Finance Committee on January 20, 2016.

### Summary

This bill, *requested by the Wildfire Matters Review Committee*, eliminates the wildfire mitigation income tax deduction and creates a wildfire mitigation state income tax credit. The tax credit will be available for tax years 2017 to 2019.

The amount of the credit is equal to 25 percent of the costs a taxpayer incurs performing wildfire mitigation on property located in a wildland-urban interface. The amount of credit per tax year cannot exceed \$2,500. Any amount above the limit can be carried forward for five years. Any remaining credit after five years is nonrefundable.

### Background

The Wildfire Matters Review Committee is charged with reviewing and proposing legislation or other policy changes related to wildfire prevention, mitigation, and related matters, including public safety and forest health issues.

A state income tax deduction, versus a income tax credit that reduces tax liability dollar-for-dollar, subtracts the deduction from a taxpayer's taxable income. Under current law, a taxpayer is allowed a state income tax deduction for performing wildfire mitigation measures. The wildfire mitigation deduction, which is currently available through tax year 2024, is equal to 50 percent of the costs the taxpayer incurred while performing those measures. The tax deduction

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cannot exceed \$2,500 per income tax year or the total amount of the taxpayer's federal taxable income, whichever is less.

To be eligible for the deduction, the taxpayer must own the property upon which the mitigation measures are performed, and the property must be in a wildland-urban interface. It is estimated that more than two million Coloradans live in the wildland-urban interface. The wildland-urban interface, as defined by the Colorado State Forest Service, includes any area where man-made improvements are built close to, or within, natural terrain and flammable vegetation, and where high potential for wildland fire exists. According to the Colorado Division of Fire Prevention and Control in the Department of Public Safety, the wildland-urban interface in Colorado currently covers 1.1 million acres, and is expected to increase to 2.2 million acres by 2030.

## House Action

**House Finance Committee (January 20, 2016).** At the hearing, a representative from the Colorado Association of Realtors testified in support of the bill. Also, a representative from the Colorado Department of Natural Resources testified in a neutral position. The committee postponed the bill indefinitely.

## Relevant Research

Legislative Council Staff, *Wildfire Matters Review Committee Report to the Colorado General Assembly, December 2015*: <http://tinyurl.com/zu5jah2>