



Legislative Council Staff

Research Note

Version: Final

Date: 6/27/2016

Bill Number

House Bill 16-1297

Sponsors

***Representative Court
Senator Martinez Humenik***

Short Title

***Reestablish Check-offs
Excluded from 2015 Tax Form***

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Status

This research note reflects the final version of the bill, which was signed by the Governor, and became effective April 14, 2016.

Summary

This bill expands the number of voluntary contribution designations (or income tax check-offs) that may appear on a state individual income tax form from 15 to 20 check-offs. The bill also lowers the minimum amount of contributions that a checkoff program must receive in order to remain on the tax form from \$75,000 to \$50,000. Finally, the bill reestablishes the income tax check-offs that were excluded from the 2015 individual income tax form because they did not receive the minimum contribution in tax year 2014. The six programs that will be reestablished are:

- the Colorado Healthy Rivers check-off program;
- the Alzheimer's Association check-off program;
- the Colorado Multiple Sclerosis check-off program;
- the Colorado Cancer check-off program;
- the Make-A-Wish Foundation check-off program, and
- the Unwanted Horse check-off program.

These check-offs will appear on the 2016 income tax form. Under the bill, these programs will not be treated as "first time programs." Each check-off program will have to receive at least \$50,000 in contributions in the first year and every following year to remain on the form. Each check-off program contains a repealer clause, effective January 1, 2021, unless the program is continued by the General Assembly.

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Background

The Colorado Individual Income Tax Return allows taxpayers to contribute to various organizations listed on the form by donating a portion of their income tax refund or increasing the amount owed on their tax return. Under current law, only 15 checkoff programs can appear on an individual income tax form each year. To ensure that the 15 check-off cap is not exceeded, the priority order system specifies that continued or renewed programs take precedence over newly created programs. Tax checkoffs must be renewed and meet a yearly minimum contribution of \$75,000 by the third year from when it first appeared on the form and in subsequent tax years. Contributions are calculated from January 1 through September 30 of each tax year. Thus, if a program that has appeared on the form is renewed or continued and has donations of at least \$75,000, the program remains on the form in the following tax year. Newly created programs can only appear on the tax form when an existing program is removed. There are currently no check-off programs in the queue.

In addition, income tax checkoffs do not impact General Fund revenue. Donations made to income tax checkoffs through the state income tax form are transferred from the Treasury to the fund's organization. These voluntary donations are exempt from TABOR revenue considerations

House Action

House Finance (March 9, 2016). At the hearing, representatives of the Colorado Nonprofit Association, the Colorado Alzheimer's Association, the Colorado Wyoming Multiple Sclerosis Society, the Colorado Unwanted Horse Alliance, the Colorado Watershed Association, the Colorado Healthy Rivers Fund, the American Cancer Society, and Colorado Trout Unlimited testified in support of the bill. The committee adopted amendment L.001 which added the bill number to the text of the bill. The committee referred the bill, as amended, to the House Committee of the Whole.

House second reading (March 15, 2016). The committee adopted the House Finance Committee report. The bill passed the House on second reading with no additional amendments.

House third reading (March 16, 2016). The bill passed the House on third reading with no additional amendments.

Senate Action

Senate Finance (March 22, 2016). At the hearing, representatives of the Colorado Nonprofit Association, the Colorado Alzheimer's Association, the Colorado Wyoming Multiple Sclerosis Society, the Colorado Watershed Association, the American Cancer Society, and Make-A-Wish Colorado testified in support of the bill. A representative of the Colorado Department of Revenue answered committee questions. The committee referred the bill to the Senate Committee of the Whole.

Senate second reading (March 28, 2016). The bill passed the Senate on second reading with no additional amendments.

Senate third reading (March 29, 2016). The bill passed the Senate on third reading with no additional amendments.

Relevant Research

Legislative Council Staff, *Income Tax Checkoffs*, *Colorado Online Tax Handbook*:
<https://www.colorado.gov/pacific/cga-legislativecouncil/income-tax-checkoffs>