



**Colorado
Legislative
Council
Staff**

HB17-1091

FISCAL NOTE

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

Drafting Number: LLS 17-0104
Prime Sponsor(s): Rep. Wilson

Date: February 6, 2017
Bill Status: House Business
Fiscal Analyst: Kate Watkins (303-866-3446)

BILL TOPIC: TAX CREDIT FOR EMPLOYER-ASSISTED HOUSING PROJECTS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	FY 2018-19
State Revenue	(At least \$3.9 million)	(At least \$7.9 million)	(At least \$7.9 million)
General Fund	(At least 3.9 million)	(At least 7.9 million)	(At least 7.9 million)
State Expenditures		\$67,734	\$113,562
General Fund		54,024	82,714
Centrally Appropriated Costs		13,710	30,848
TABOR Impact		(At least 7.9 million)	(At least 7.9 million)
FTE Position Change		0.8 FTE	1.8 FTE
Appropriation Required: \$54,024 - Department of Revenue (FY 2017-18).			
Future Year Impacts: Decreasing state revenue and expenditure impacts through FY 2025-26.			

Note: While all agencies were canvassed for this fiscal note, not all agencies responded with complete information. Therefore, this fiscal note should be considered preliminary. It will be updated if new information becomes available.

Summary of Legislation

This 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 2017 through 2020. The credit is calculated as 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 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 an allocation of 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. Housing agencies may collect an application fee of up to \$500 and a reservation fee of up to 3 percent of the tax credit from prospective sponsors.

State Revenue

This bill is estimated to reduce General Fund revenue by **at least \$3.9 million in FY 2016-17 (half-year impact), at least \$7.9 million in FY 2017-18, FY 2018-19, and FY 2019-20, and at least \$3.9 million in FY 2020-21 (half-year impact)**. To the extent that taxpayers carry credits forward, revenue reductions may occur through FY 2025-26. The revenue reduction resulting from this bill may be significantly larger if demand for employer-assisted housing is stronger than assumed in this fiscal note.

Data and assumptions. The revenue estimate for this bill is based on the revenue impact of an Illinois corporate income tax credit equal to 50 percent of the value of donations made to employer-assisted and affordable housing projects. Between FY 2006-07 and FY 2014-15, Illinois taxpayers claimed an average of \$9.4 million in tax credits each year. A majority of the housing projects for which donations were received were located in urban areas of Illinois. While HB17-1091 allows a credit for the full donation amount, compared to 50 percent of the donation amount in Illinois, Colorado's population is about 43 percent of Illinois's, and HB17-1091 allows a credit only for donations for rural housing projects. Considering these factors, this fiscal note assumes that Colorado taxpayers will claim at least \$7.9 million in credits each tax year under the bill. Revenue impact estimates also assume that taxpayers will be able to claim federal and state charitable contribution deductions for the amounts donated.

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 at least \$7.9 million in FY 2017-18 and 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 \$54,024 and 0.8 FTE in FY 2017-18, and by \$82,714 and 1.8 FTE in FY2018-19, FY 2019-20, and FY 2020-21**. Costs include personnel, programming, form change, and document management costs, as summarized in Table 1.

Table 1. Expenditures Under HB17-1091		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$34,756	\$78,198
FTE	0.8 FTE	1.8 FTE
Operating Expenses and Capital Outlay Costs	\$5,463	\$1,710
GenTax Programming	\$3,800	
Form Change Costs	\$7,200	
Document Management, Printing, and Mailing	\$2,805	\$2,805
Centrally Appropriated Costs*	\$13,710	\$30,848
TOTAL	\$67,734	\$113,562

* Centrally appropriated costs are not included in the bill's appropriation.
Note: Totals may not sum due to rounding.

Department of Revenue (DOR). Based on the number of tax credits claimed for the Colorado enterprise zone investment credit, an estimated average 6,000 taxpayers are expected to claim the credit under HB17-1091 beginning in tax year 2017. The department expects to review and audit 100 percent of the credits claimed each year. This and increased workload for the department call center are expected to require 0.8 FTE in FY 2018-19, accounting for the pay date shift, and 1.8 FTE in subsequent years. 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 receives, opens, prepares, scans, enters and shreds tax correspondence on behalf of DOR. This bill is expected to result in ongoing document manage costs of \$2,805 per year beginning in fiscal year FY 2017-18. DPA's scanning and imaging software need to be programmed, to accommodate changes to six forms at a cost of \$1,200 per form in FY 2017-18. 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 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,276	\$14,121
Supplemental Employee Retirement Payments	3,114	7,007
Leased Space	4,320	9,720
TOTAL	\$13,710	\$30,848

Local Government and Statutory Public Entity Impact

This bill will result in a workload increase for CHFA and local government housing agencies to certify and report on the economic and other impacts of tax credits allocated under the bill. To the extent that housing agencies charge fees for certifying and/or reserving credits, these fees may generate revenue that will partially offset costs associated with workload increases.

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 Appropriations

In FY 2017-18, the Department of Revenue will require a General Fund appropriation of \$54,024 and an allocation of 0.8 FTE. Of this amount, the Department of Personnel and Administration requires \$10,005 in reappropriated funds.

State and Local Government Contacts

Counties	Information Technology	Law
Local Affairs	Municipalities	OEDIT
Regulatory Agencies	Revenue	