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**HB 18-1305**

# FINAL FISCAL NOTE

<b>Drafting Number:</b>	LLS 18-1044	<b>Date:</b>	September 11, 2018
<b>Prime Sponsors:</b>	Rep. Coleman; Neville P. Sen. Neville T.	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** INCOME TAX CHECK-OFF YOUNG AMERICANS FINANCIAL ED

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates the voluntary contribution designation (income tax checkoff) benefitting the Young Americans Center for Financial Education Fund. The income tax checkoff will be available for five consecutive tax years beginning the year it is first placed on the form, at which will require one-time programming and ongoing reporting costs.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** This fiscal note reflects the enacted bill.

## Summary of Legislation

This bill creates the voluntary contribution designation (income tax checkoff) benefitting the Young Americans Center for Financial Education Fund. Money in the fund is used to support the Young Americans Center for Financial Education, a Colorado nonprofit organization.

The income tax checkoff will be available for five consecutive tax years beginning with the year it is first placed on the form.

## Background

**Voluntary Contributions.** The Colorado individual income tax return form allows taxpayers to contribute to various listed organizations by donating a portion of their income tax refund or increasing the amount owed on their tax return. Legislation is required to create a new income tax checkoff.

Only 20 checkoff programs can appear on an individual income tax form each year. To ensure that the cap is not exceeded, the priority order system specifies that continued or renewed programs take precedence over newly created programs. Tax check-offs must contain a sunset date and meet a yearly minimum contribution of \$50,000 by the third year from when it first appeared on the form and subsequent tax years to remain on the tax form. Contributions are

calculated from January 1st through September 30th of each tax year. Thus, if a program that has appeared on the form is renewed or continued and has donations of at least \$50,000, the program remains on the form in the following tax year. Under current law, the Western Slope Military Veterans Cemetery and Homeless Prevention Activities Program funds are exempt from the mandatory sunset process.

Newly created programs can only appear on the tax form when an existing program is removed. The order of programs in the queue is determined by the date and time that the Governor signs each bill. It should be noted that 20 voluntary contributions appear on the 2017 Colorado individual income tax form.

During January 1 through September 2017, the total amount of voluntary contributions made was approximately \$1.8 million, ranging from \$16,000 to \$181,000 per checkoff program.

**Young Americans Center for Financial Education.** The Young Americans Center for Financial Education is a 501(c)(3) nonprofit organization. The organization develops financial literacy of young people through real-life experiences and hands-on programs. Young AmeriTowne, International Towne, YouthBiz, and Money Matters are some of the programs in the organization.

## **State Revenue**

The amount of contributions to the Young Americans Center for Financial Education Fund and the date by which the tax check-off will be available is uncertain. State revenue will increase in years the tax check-off is available on individual income tax returns. This bill will not affect General Fund revenue. Contributions are credited to the Young Americans Center for Financial Education Fund. These voluntary donations are exempt from TABOR provisions.

## **State Expenditures**

Expenditures by the Department of Revenue (DOR) for programming costs are expected to increase by \$6,285 when the checkoff program under the bill is scheduled to appear on a tax form. These costs are attributed to one-time GenTax programming costs to make changes to the Colorado Integrated Tax Architecture (CITA). This cost is estimated at 5 hours, paid at a rate of \$250 per hour for a total of \$1,250. The bill will also require a change to one state income tax form and to configure the optical charter recognition software to recognize the change to the income tax form. This cost is estimated to be \$1,200, which will be reappropriated to the Department of Personnel and Administration. Since programming costs are based on the FY 2018-19 contracted rate for changes to the CITA system, these costs will likely be higher unless the checkoff program under this bill appears on the 2018 income tax form. Finally, the DOR will require \$3,385 to complete annual reporting requirements for state income tax check-off program on an ongoing basis.

The bill specifies that these costs are to be paid by an annual appropriation from the Young Americans Center for Financial Education Fund. In the event that the moneys in the fund are insufficient to cover these costs, this fiscal note assumes that the General Fund will offset the amount of any deficiency, which will be reimbursed once sufficient donations arrive.

**Effective Date**

The bill was signed into law by the Governor on May 4, 2018, and took effect August 8, 2018.

**State and Local Government Contacts**

Information Technology  
Revenue

Personnel  
Treasury