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FISCAL NOTE

Drafting Number:	LLS 19-0324	Date:	January 23, 2019
Prime Sponsors:	Rep. Buck Sen. Donovan	Bill Status:	House Rural Affairs
		Fiscal Analyst:	Greg Sobetski 303-866-4105 Greg.Sobetski@state.co.us

Bill Topic: MODIFY INCOME TAX CREDIT FOR HEALTH CARE PRECEPTORS

Summary of Fiscal Impact:

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

This bill extends the income tax credit for health care preceptors working in health care professional shortage areas through 2024. It reduces state revenue over the term for which the tax credit is extended.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 19-1088

		FY 2019-20	FY 2020-21
Revenue	General Fund	(\$37,000)	(\$74,000)
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	(\$37,000)	-

Summary of Legislation

The income tax credit for health care preceptors working in health care professional shortage areas is available through tax year 2019 under current law. This bill extends the credit through tax year 2024. It also modifies the definition of a preceptorship. Under current law, a preceptorship must last four weeks; the bill modifies this definition such that the preceptorship must last four working weeks, or 20 business days.

Background and Assumptions

The income tax credit for health care preceptors working in health care professional shortage areas was created pursuant to House Bill 16-1142 and was first available for tax year 2017. This credit is available for licensed health care professionals who provide uncompensated personalized instruction, training, and supervision to one or more graduate students seeking a medical degree at a Colorado institution of higher education. Instruction, training, and supervision must last at least four weeks during the income tax year in which the credit is claimed. A qualifying health care professional must be practicing in a designated rural or frontier county and must provide a certification form with their income tax return certifying that 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.

The credit is available to up to 200 qualifying taxpayers each year and equal to \$1,000 per taxpayer. In tax year 2017, 74 taxpayers claimed credits worth a total of \$74,000. This fiscal note assumes that the population of health care preceptors working in health care professional shortage areas will remain constant through 2024. To the extent that more preceptors participate in the program, the state revenue impact will be greater than estimated but will not exceed \$200,000 in any year.

State Revenue

The bill is expected to reduce General Fund revenue by \$37,000 in FY 2019-20 and \$74,000 in FY 2020-21. The decrease for FY 2019-20 represents a half-year impact for tax year 2020 on an accrual accounting basis. The bill reduces individual income tax revenue, which is subject to TABOR. Revenue reductions will continue through FY 2024-25 as shown in Table 2.

Table 2
General Fund Revenue Impacts under HB 18-1088

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
General Fund	(\$37,000)	(\$74,000)	(\$74,000)	(\$74,000)	(\$74,000)	(\$37,000)

State Expenditures

The bill minimally increases state expenditures for tax administration and decreases General Fund obligations for TABOR refunds as discussed below.

Tax administration. The bill will increase the number of state income tax credits claimed for tax years 2020 through 2024, increasing Department of Revenue workload to process tax returns in FY 2020-21 through FY 2024-25. Based on the number of taxpayers who qualify for the credit, the workload increase is assumed to be minimal and can be accomplished within existing appropriations.

TABOR refunds. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$37,000 in FY 2019-20. Under current law and the December 2018 forecast, the bill will correspondingly reduce the amount refunded to taxpayers via sales tax refunds on income tax returns for tax year 2020. The state is not expected to collect a TABOR surplus in FY 2020-21. A forecast of state revenue subject to TABOR is not available beyond FY 2020-21.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Information Technology Personnel Revenue