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FISCAL NOTE

Drafting Number:	LLS 19-0959	Date:	March 19, 2019
Prime Sponsors:	Rep. Bird; Titone Sen. Zenzinger; Tate	Bill Status:	House Finance
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Bill Topic: INCREASE TAX CREDIT ALLOCATION FOR AFFORDABLE HOUSING

Summary of Fiscal Impact:

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

For tax years 2020 through 2024, this bill increases the amount of state affordable housing tax credits that the Colorado Housing and Finance Authority (CHFA) may allocate each year. This bill decreases state revenue beginning in FY 2020-21.

Appropriation Summary: No appropriation is required.

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

**Table 1
State Fiscal Impacts Under HB 19-1228**

		FY 2019-20	FY 2020-21	FY 2021-22
Revenue	General Fund	-	(up to \$750,000)	(up to \$4 million)
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund	General Fund	-	-	Not estimated

Summary of Legislation

For tax years 2020 through 2024, this bill increases the amount of state affordable housing tax credits that the Colorado Housing and Finance Authority (CHFA) may allocate from \$5 million to \$10 million each year. This results in a total of \$150 million in additional tax credits that can be allocated by CHFA over five years.

Background

Credit allocation. Under current law, CHFA may allocate up to \$380.3 million in state affordable housing tax credits to developers of qualifying housing projects. Colorado's affordable housing tax credit program was originally established in 2001 and was renewed in 2014 under House Bill 14-1017, which allowed CHFA to issue \$30 million in state income tax credits in both 2015 and 2016. The bill also allowed CHFA to allocate credits above the \$5 million annual cap to support affordable housing developments in counties impacted by natural disasters. House Bill 16-1465 authorized an additional three years of \$30 million allocations. Senate Bill 18-007 authorized an additional five years (2020 through 2024) of \$30 million allocations. Credit allocations are required to be spread out over six years, and no more than \$5 million of the \$30 million may be allocated by CHFA each year, except for tax year 2015 and 2016 allocations to areas impacted by natural disasters. Table 2 shows current law allocations of Colorado's affordable housing tax credit.

Table 2
Current Law Allocation of Colorado's Affordable Housing Tax Credit

Allocation Year and Amount	Allocation per Calendar Year													
	<i>Dollars in Millions</i>													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2015: \$30 million	\$0.8	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$4.2							
2015: Natural Disaster (\$55.8 million)	\$1.4	\$9.3	\$9.3	\$9.3	\$9.3	\$9.3	\$7.9							
2016: \$30 million	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0								
2016 Natural Disaster (\$24.5 million)		\$0.8	\$4.1	\$4.1	\$4.1	\$4.1	\$3.2							
2017: \$30 million		\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0							
2018: \$30 million			\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0						
2019: \$30 million				\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0					
2020: \$30 million					\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0				
2021: \$30 million						\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0			
2022: \$30 million							\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0		
2023: \$30 million								\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	
2024: \$30 million									\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
Calendar Year Totals	\$7.2	\$25.1	\$33.4	\$38.4	\$43.4	\$48.4	\$45.3	\$30.0	\$30.0	\$25.0	\$20.0	\$15.0	\$10.0	\$5.0

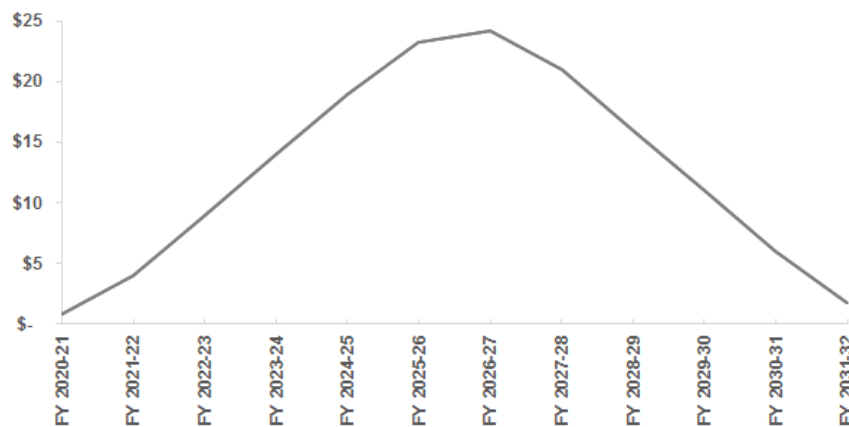
Total Credits Authorized for 2015 through 2024 under Current Law: **\$380.3 million**

Claiming the credit. While the amount allocated is capped each year, the amount of credits claimed by taxpayers in any tax year is not capped. Therefore, the revenue impacts of the tax credit will not necessarily follow the same pattern or timing as the allocation schedule shown in Table 2. A taxpayer cannot claim the low-income housing tax credit until the qualified development is placed in service, which can delay when the credit is claimed by one or more years relative to when the credit is allocated. Additionally, any portion of the credit that exceeds a taxpayer's income tax liability in any given tax year may be carried forward for up to eleven years. The owner of a qualified development receiving a credit allocation may distribute the credit among partners, shareholders, members, and any other constituent taxpayers in any manner agreed to by such persons.

State Revenue

This bill authorizes a total of \$150 million in state affordable housing credits that CHFA may allocate between calendar years 2020 through 2024. As shown in Figure 1 and Table 3, it is estimated that the total revenue impact from the credits under this bill will be phased in over 12 years. General Fund revenue will be reduced by up to \$750,000 in FY 2020-21 (half-year impact), up to \$4 million in FY 2021-22, and up to \$9 million in FY 2022-23, with larger impacts in subsequent years that then taper off over time. The bill decreases income tax revenue, which is subject to TABOR.

Figure 1
General Fund Revenue Reductions Under HB 19-1228
Dollars in Millions



Assumptions. This fiscal note assumes that the credits allowed under this bill will be claimed beginning in tax year 2021. On average, 30 percent of qualified low-income housing developments are completed within one year of when CHFA approves the project, while the remaining 70 percent are generally put into service within two years.

This fiscal note also assumes taxpayers will claim credits equal to the full allocation amount allowed in each tax year. The amount and timing of carry-forward tax credits are dependent on a number of factors, such as the economy and individual and business tax liabilities in any given year. To the degree that the full amount of the tax credit allowed each year is not utilized as early as assumed here, reductions in General Fund revenue will be pushed into future fiscal years.

Table 3
General Fund Revenue Reduction Under HB 19-1228

Fiscal Year	General Fund Revenue Reduction
FY 2020-21	(up to \$750,000)
FY 2021-22	(up to \$4.0 million)
FY 2022-23	(up to \$9.0 million)
FY 2023-24	(up to \$14.0 million)
FY 2024-25	(up to \$19.0 million)
FY 2025-26	(up to \$23.3 million)
FY 2026-27	(up to \$24.3 million)
FY 2027-28	(up to \$21.0 million)
FY 2028-29	(up to \$16.0 million)
FY 2029-30	(up to \$11.0 million)
FY 2030-31	(up to \$6.0 million)
FY 2031-32	(up to \$1.75 million)
Total	(\$150 million)

State Expenditures

The Department of Revenue is administering the current state affordable housing tax credit. This bill increases the amount of credits that may be claimed by taxpayers, which will result in ongoing workload impacts that can be accomplished within current appropriations.

TABOR refunds. This bill decreases state revenue subject to TABOR beginning in FY 2020-21. The state is not expected to collect a TABOR surplus in FY 2020-21. A forecast of revenue subject to TABOR is not available beyond FY 2020-21.

Statutory Public Entity Impact

The bill will increase workload for the CHFA on an ongoing basis to allocate additional credits. This workload can be accomplished with existing resources.

Effective Date

The bill takes effect September 1, 2019, if no referendum petition is filed.

State and Local Government Contacts

CHFA Information Technology
Personnel

Local Affairs
Revenue