



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-0475
Prime Sponsors: Rep. Hooton

Date: February 6, 2020
Bill Status: House Finance
Fiscal Analyst: Greg Sobetski | 303-866-4105
Greg.Sobetski@state.co.us

Bill Topic: **EXPAND CHILD CARE CONTRIBUTION INCOME TAX CREDIT**

**Summary of
Fiscal Impact:**

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill broadens the state income tax credit for child care contributions to include contributions to facilities that provide care to children who are 18 years of age or younger, and to child advocacy centers. It decreases state revenue through FY 2024-25.

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

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

**Table 1
State Fiscal Impacts Under HB 20-1112**

		FY 2019-20	FY 2020-21	FY 2021-22
Revenue	General Fund	(\$7,750,000)	(\$15,500,000)	(\$15,500,000)
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund	General Fund	(\$7,750,000)	(\$15,500,000)	(\$15,500,000)

Summary of Legislation

Under current law, taxpayers are able to claim a state income tax credit equal to 50 percent of their monetary or in-kind contributions to facilities providing child care to children who are 12 years of age or younger. The credit is available for contributions made through tax year 2024.

Beginning in tax year 2020, this bill allows contributions to facilities providing child care to children who are 18 years of age or younger to qualify for the credit. It also allows the credit for contributions to a child advocacy center, which is a center that responds to allegations of child abuse or neglect.

State Revenue

The bill decreases General Fund revenue by an estimated \$7,750,000 in the current FY 2019-20, by \$15,500,000 annually through FY 2023-24, and by \$7,750,000 in FY 2024-25. The estimates for the current FY 2019-20 and for FY 2024-25 represent half-year impacts for tax years 2020 and 2024 on an accrual accounting basis. The bill decreases income tax revenue, which is subject to TABOR.

Assumptions. The Department of Revenue reports that the current credit reduced Colorado income taxes due for individuals and corporations by a combined \$29.5 million in tax year 2017. Data are not available to compare total contributions to facilities serving children up to 12 years old against those to facilities serving adolescents between age 13 and age 18. It is assumed that the provision expanding the eligible age range will increase the amount of tax credits used to reduce income tax obligations by \$15 million per tax year beginning in 2020. The estimate represents a 50 percent increase in the revenue reduction relative to current law, in proportion to the increased age range of children for whose care contributions to eligible facilities can qualify for the tax credit.

Based on contribution information provided by child advocacy centers, broadening the credit to include contributions to child advocacy centers is expected to decrease state revenue by \$0.5 million annually beginning in 2020.

TABOR refunds. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$7,750,000 in the current FY 2019-20 and by \$15,500,000 in each of FY 2020-21 and FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly decrease the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2020, 2021, and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Human Services

Revenue