



Legislative Council Staff
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Fiscal Note

Drafting Number: LLS 24-0649 Date: February 2, 2024
Prime Sponsors: Rep. Bottoms; Pugliese Bill Status: House Finance
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Bill Topic: REDUCTION OF STATE INCOME TAX RATE

Summary of Fiscal Impact: [X] State Revenue [ ] State Transfer [ ] Local Government
[X] State Expenditure [X] TABOR Refund [ ] Statutory Public Entity

The bill reduces the state income tax rate from 4.4 percent to 4.0 percent beginning in tax year 2025. The bill decreases state revenue and increases state expenditures.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$10,512 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 24-1065

Table with 4 columns: Category, Fund, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

## Summary of Legislation

Beginning in tax year 2025, the bill reduces the state income tax rate from 4.4 percent to 4.0 percent. The rate reduction applies to both individual and corporate income taxes.

## State Revenue

The bill reduces General Fund revenue by \$620 million in FY 2024-25 and by \$1.32 billion in FY 2025-26 and thereafter. The amount for FY 2024-25 represents a half-year impact for tax year 2025 on an accrual accounting basis.

Beginning in tax year 2025, this fiscal note assumes that individual and corporate income tax revenue will each be reduced by 9.1 percent, the proportion by which this bill reduces the income tax rate. Revenue reductions are applied to expectations published in the December 2023 Legislative Council Staff forecast. This fiscal note does not account for any potential dynamic effects on economic activity and government spending attributable to the tax rate reduction.

## State Expenditures

The bill is expected to increase General Fund expenditures by \$10,512 in FY 2024-25, and by \$7,328 in FY 2025-26 and future years. Expenditures are presented in Table 2 and discussed below.

**Table 2**  
**Expenditures Under HB 24-1065**

	FY 2024-25	FY 2025-26
<b>Department of Revenue</b>		
GenTax Programming	\$464	-
Computer and User Acceptance Testing	\$2,656	-
Data Reporting	\$7,392	\$7,328
<b>Total Cost</b>	<b>\$10,512</b>	<b>\$7,328</b>

**Department of Revenue.** For FY 2024-25 only, this bill requires expenditures of \$10,512 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$464, representing 2 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$2,656 for 83 hours of user acceptance testing at a rate of \$32 per hour. Expenditures in the Office of Research and Analysis (ORA) are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$7,392, representing 231 hours for data management and reporting at \$32 per hour. ORA costs are ongoing.

## **Other Budget Impacts**

**TABOR refunds.** The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$621.3 billion for FY 2024-25 and by \$1.32 billion for FY 2025-26. This estimate assumes the December 2023 LCS revenue forecast, which anticipates TABOR refund obligations of \$1.79 billion for FY 2024-25 and \$2.01 billion for FY 2025-26. Because TABOR refunds are paid from the General Fund, this portion of the decrease in General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save. If state revenue is less than forecast, the bill could decrease General Fund revenue available for the state budget.

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2024-25. Based on this fiscal note, the bill is expected to decrease the amount of General Fund held in reserve by the amounts shown in Table 1, which will increase the amount of General Fund available for other purposes.

## **Effective Date**

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## **State Appropriations**

For FY 2024-25, the bill requires a General Fund appropriation of \$10,512 to the Department of Revenue.

## **State and Local Government Contacts**

Information Technology  
Treasury

Personnel

Revenue

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).