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Revised Fiscal Note

(replaces fiscal note dated February 13, 2024)

Drafting Number: LLS 24-0502 Date: April 30, 20244
Prime Sponsors: Rep. Bird; Bradfield Bill Status: Senate Finance
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Bill Topic: EXTEND CONTAMINATED LAND INCOME TAX CREDIT

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

The bill extends the state income tax credit for the environmental remediation of contaminated land. It decreases state revenue and minimally increases state workload beginning in FY 2024-25.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HB 24-1116

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

## Summary of Legislation

This bill extends the state income tax credit for the environmental remediation of contaminated land. Under current law, the credit is set to expire after tax year 2024. The bill extends the credit from tax years 2025 through 2029.

## Background

The remediation of contaminated land credit is available to property owners who receive a certificate from the Colorado Department of Public Health and Environment (CDPHE) verifying the credit and the approved environmental remediation of their property within Colorado. If the property owner is a taxpayer, such as an individual, trust, or C corporation, the taxpayer can either apply the credit toward their tax liability or transfer the credit to another taxpayer. If the property owner is not a taxpayer, but is instead a qualified entity such as a nonprofit organization or local government, the qualified entity can transfer the amount allowable as a credit to a taxpayer for application against the taxpayer's income tax liability.

The credit awarded by CDPHE cannot exceed 40 percent of the first \$750,000 paid by the property owner for the approved remediation plus 30 percent of the next \$750,000 paid by the property owner for the approved remediation. A tax credit is not allowed for expenditures over the first \$1,500,000 for the approved remediation. The aggregate amount of credit CDPHE can award for a calendar year is limited to \$3,000,000. If CDPHE receives credit applications in excess of the \$3,000,000 limit, it can place up to \$1,000,000 of the excess on a wait list for the next year.

## Assumptions

According to data from the Department of Revenue (DOR), on average, the amount of remediation of contaminated land credits claimed each year since 2015 is approximately \$1.7 million. The fiscal note assumes similar levels will be claimed beginning in tax year 2025, adjusted for inflation and population growth. To the extent that more credits are claimed, the state revenue decrease will be greater than estimated. Conversely, if the amount is lower, the revenue reduction will be smaller.

## State Revenue

The bill is estimated to decrease state income tax revenue by \$938,000 in FY 2024-25 (half-year impact), \$1.9 million in FY 2025-26, \$2.0 million in FY 2026-27 and by increasing amounts in subsequent years consistent with population and inflation growth. The bill decreases state income tax revenue, which is subject to TABOR.

## State Expenditures

The bill minimally increases workload for the CDPHE, which certifies the income tax credits, and DOR, which administers the credit. Both agencies can accomplish the extension of the income tax credit within existing appropriations.

## Other Budget Impacts

**TABOR refunds.** The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. Because TABOR refunds are paid from the General Fund, decreased 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.

## Effective Date

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

## State and Local Government Contacts

Counties	Information Technology	Personnel
Public Health and Environment	Revenue	State Auditor

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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](#).