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Fiscal Note

Drafting Number: LLS 24-0958 Date: February 29, 2024
Prime Sponsors: Rep. Joseph; Weinberg Bill Status: House Finance
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Bill Topic: AMERICORPS EDUCATION AWARD TAX SUBTRACTION

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

The bill creates an income tax subtraction for Segal AmeriCorps Education Awards for tax years 2025 through 2027. The bill increases state expenditures from FY 2025-26 to FY 2027-28 and reduces General Fund revenue from FY 2024-25 to FY 2027-28.

Appropriation Summary: The bill does not require an appropriation.

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

Table 1
State Fiscal Impacts Under HB 24-1240

Table with 5 columns: Category, Fund, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

Summary of Legislation

The bill creates an income tax subtraction equal to the amount received from a Segal AmeriCorps Education Award for tax years 2025 through 2027. Segal AmeriCorps Education Awards are awarded to AmeriCorps alumni and may be used to pay educational expenses or repay student loans.

Background

After completing an AmeriCorps term of service, AmeriCorps alumni are eligible to receive a Segal AmeriCorps Education Award (education award) which may be used to pay current education expenses or to repay student loans. The maximum amount of the award is equal to the maximum Pell Grant award for the year in which the term of service is approved. The award may be less than the maximum for those who served part-time.

All payments from Segal AmeriCorps Education Awards are subject to federal and Colorado income taxes. The bill provides a state income tax subtraction for the amount awarded from the Segal Education Award. For FY 2024-25, the maximum Pell grant award is \$7,395. For a taxpayer who claims a deduction of \$7,395, income tax liability will be reduced by \$325 ($\$7,395 \times 4.4$ percent).

Assumptions

According to the [AmeriCorps National Service in Colorado 2023 Year in Review Report](#), AmeriCorps members who completed service in Colorado were eligible for \$9.3 million in education awards in 2023. The fiscal note assumes that 90 percent of AmeriCorps alumni will claim the education awards for which they are eligible, and that alumni who claim the award will claim the state income tax subtraction in this bill. The fiscal note also assumes that the total amount of education awards will increase at the same rate as increases in the maximum Pell grant award.

State Revenue

The bill reduces General Fund revenue by \$207,000 in FY 2024-25 (half-year impact) and \$414,000 in FY 2025-26 and FY 2026-27. Revenue will be reduced by a final half-year impact in FY 2027-28, when the subtraction is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

