



**Legislative Council Staff**

*Nonpartisan Services for Colorado's Legislature*

**Fiscal Note**

<b>Drafting Number:</b>	LLS 24-0952	<b>Date:</b>	February 27, 2024
<b>Prime Sponsors:</b>	Rep. Rutinel	<b>Bill Status:</b>	House Finance
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**Bill Topic: EARNED INCOME TAX CREDIT DATA SHARING**

<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill requires the Department of Revenue to share information on claimants of certain tax credits with other state agencies, and to develop a pilot program to assist individuals who may be eligible to claim the state earned income tax credit. Beginning in FY 2024-25, the bill increases state expenditures and may reduce state revenue.

**Appropriation Summary:** For FY 2024-25, the bill requires an appropriation of \$106,122 to the Department of Revenue.

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

**Table 1  
State Fiscal Impacts Under HB 24-1288**

		<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$106,122	\$7,328
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	General Fund Reserve	\$15,918	\$1,099

## Summary of Legislation

Contingent upon approval of the federal Internal Revenue Service (IRS), the bill creates a pilot program within the Department of Revenue (DOR) to identify and assist individuals who have not filed a federal income tax return for the 2022 income tax year to claim the state earned income tax credit (EITC) for that tax year. The bill requires the DOR to select and work with a third party to implement the pilot program, to begin no later than eight months after obtaining IRS approval for the program.

The bill requires the DOR to share the contact information of taxpayers who claimed the state EITC or the state child tax credit by July 1, 2025, and each July 1 thereafter, if requested, with the Department of Early Childhood, the Department of Health Care Policy and Financing, the Department of Human Services, the Department of Local Affairs, and the Department of Public Health and Environment. Recipient departments may use the information, which is to remain confidential, only for the purpose of benefit outreach.

## Assumptions

The assumed timing of expenditures identified in the fiscal note depends on the timing of IRS approval of the pilot program. The fiscal note assumes that the IRS will approve the bill's pilot program, and that the DOR will begin implementing the program in FY 2024-25.

## State Revenue

By expanding awareness of the tax credits, the bill may result in more taxpayers claiming these credits, thereby reducing state General Fund revenue from income taxes. The impact depends on the conditional implementation of the pilot program as well as subsequent actions of taxpayers and cannot be estimated. This bill does not affect eligibility for any tax credit.

## State Expenditures

The bill increases General Fund expenditures in the Department of Revenue (DOR) by \$106,122 in FY 2024-25, and by \$7,328 in FY 2025-26, paid from the General Fund. State expenditures are displayed in Table 2 and described below.

**Table 2**  
**Expenditures Under HB 24-1288**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>
<b>Department of Revenue</b>		
Computer Programming and Testing	\$98,730	-
Data Management and Reporting	\$7,392	\$7,328
<b>Total Costs</b>	<b>\$106,122</b>	<b>\$7,328</b>

**Computer programming and testing.** In order to develop a new report of contact information for taxpayers who claimed the state EITC and/or child tax credit, DOR requires expenditures of \$98,730 to program, test, and update database fields in the department's GenTax software system. Programming costs are estimated at \$83,430, representing 360 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$10,500 for 300 hours of innovation, strategy, and delivery programming support at a rate of \$35 per hour, and \$4,800 for 150 hours of user acceptance testing at a rate of \$32 per hour. Actual costs may be less than this amount depending on agency data transfer protocols. Additionally, due to the uncertain timing of the bill, the department requires roll-forward spending authority of this funding.

**Data management and reporting.** Expenditures in the Office of Research and Analysis 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.

## Other Budget Impacts

**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. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing 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 \$106,122 to the Department of Revenue, which is further appropriated in FY 2025-26.

## State and Local Government Contacts

Early Childhood	Health Care Policy and Financing
Human Services	Information Technology
Local Affairs	Personnel
Public Health and Environment	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](#).