



**Legislative
Council Staff**

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-0226
Prime Sponsors:

Date: October 24, 2019
Bill Status: Bill Request
Fiscal Analyst: Larson Silbaugh | 303-866-4720
 Larson.Silbaugh@state.co.us

Bill Topic: **EMPLOYEE RETIREMENT PLAN INSURANCE PREMIUM TAX**

**Summary of
Fiscal Impact:**

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

The bill repeals the exemption from the insurance premium tax for any premiums connected to pension, profit-sharing, or annuity plans that employers provide to their employees if the employer contributions are deductible for state or federal income tax purposes. It will increase General Fund revenue by \$93,000 in FY 2020-21 and \$186,000 annually thereafter.

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

**Fiscal Note
Status:** This fiscal note reflects the bill draft requested by the Tax Expenditure Evaluation Interim Study Committee.

**Table 1
State Fiscal Impacts Under Bill 3**

		FY 2020-21	FY 2021-22
Revenue	General Fund	\$93,000	\$186,000
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	\$93,000	\$186,000

Summary of Legislation

Starting January 1, 2021, this bill eliminates the insurance premium tax exemption on pension, profit-sharing, and annuity plan premiums that employers provide to their employees if the employer contributions are deductible for state or federal tax purposes.

Background

Pursuant to Senate Bill 16-203, the Office of the State Auditor published its evaluation of the expenditure in April 2019. The evaluation is available online here: https://leg.colorado.gov/sites/default/files/images/2019-te9_employee_reitirement_plan_deduction.pdf

State Revenue

The bill will increase state General Fund revenue by \$93,000 in FY 2020-21 and \$186,000 in FY 2021-22. The Office of the State Auditor estimates that, in 2018, a total of \$9.3 million in insurance premiums were tax-exempt because of the employer contribution tax exemption. Applying the 2 percent insurance premium tax rate to these premiums will increase General Fund revenue by \$186,000 annually. The FY 2020-21 estimate represents six months of tax collections.

State Expenditures

The Division of Insurance in the Department of Regulatory Agencies collects and administers insurance premium taxes on policies issued in Colorado. It is assumed any workload for the division to implement the bill will be minimal.

TABOR Refund. The bill is expected to increase state General Fund obligations for TABOR refunds by \$93,000 in FY 2020-21 and \$186,000 in FY 2021-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2021 and 2022, respectively.

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. The bill impacts insurance premium tax collections starting January 1, 2021.

State and Local Government Contacts

Information Technology
Revenue

Personnel
State Auditor

Regulatory Agencies