



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 26-1240: STATE EARNED INCOME TAX CREDIT AGE LIMIT

**Prime Sponsors:**  
Rep. Rutinel; Zokaie

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**Fiscal note status:** The fiscal note reflects the introduced bill.

### Summary Information

**Overview.** The bill expands eligibility for the state earned income tax credit to taxpayers ages 65 and over starting in tax year 2028.

**Types of impacts.** The bill is projected to affect the following areas on a continual basis:

- State Expenditures
- State Revenue
- TABOR Refunds

**Appropriations.** No appropriation is required.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
State Revenue	\$0	-\$4.0 million	-\$10.0 million	-\$12.0 million
State Expenditures	\$0	\$0	\$514,166	\$255,316
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	\$0	-\$4.0 million	Not estimated	Not estimated
Change in State FTE	0.0 FTE	0.0 FTE	5.2 FTE	3.1 FTE

**Table 1A  
 State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>
General Fund	\$0	-\$4.0 million	-\$10.0 million	-\$12.0 million
Cash Funds	\$0	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$0</b>	<b>-\$4.0 million</b>	<b>-\$10.0 million</b>	<b>-\$12.0 million</b>

**Table 1B  
 State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>
General Fund	\$0	\$0	\$408,320	\$193,470
Cash Funds	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0
Centrally Appropriated	\$0	\$0	\$105,847	\$61,846
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$514,167</b>	<b>\$255,316</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>0.0 FTE</b>	<b>5.2 FTE</b>	<b>3.1 FTE</b>

## Summary of Legislation

Beginning for tax year 2028, the bill removes the maximum age requirement to be eligible to claim the Colorado earned income tax credit (EITC).

## Background

The EITC is available to taxpayers who work and earn an income below a certain level, and who satisfy other conditions. The Colorado EITC is available to taxpayers who claim the federal EITC, to taxpayers who would otherwise be able to claim the federal EITC but who are ineligible because they do not have a valid social security number, and to taxpayers under age 25 with no qualifying children, but who meet other requirements. The Colorado EITC is a refundable credit calculated as a percentage of the federal EITC. For tax year 2026, the Colorado EITC is 25 percent of the federal EITC. After tax year 2026, the percentage of the federal EITC varies from 25 percent to 50 percent, depending on state revenue conditions. Under current law, neither the federal EITC nor the Colorado EITC are available to taxpayers over age 64 who have no qualifying children. There is no age requirement for taxpayers with qualifying children.

The federal American Rescue Plan Act of 2021 temporarily lowered the minimum age requirement and removed the maximum age requirement for the federal earned income tax credit. [House Bill 21-1311](#) permanently lowered the minimum age requirement to claim the state EITC so that taxpayers under age 25 with no qualifying children may claim the credit if they meet other requirements.

## Assumptions

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The fiscal note assumes that about 30,000 seniors will claim the expanded state EITC in tax year 2028, reflecting expected growth in the senior population and a credit utilization rate consistent with data for similar state income tax credits. The state EITC is expected to be 35 percent of the federal EITC in 2028, assuming the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28, but the fiscal note assumes that the state EITC will be 50 percent of the federal credit in tax year 2029. If state revenue subject to TABOR grows more slowly than assumed in this fiscal note, the percentage of the federal credit and the revenue impact will be smaller.

## State Revenue

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The bill is expected to decrease General Fund revenue by \$4.0 million in FY 2027-28, a half-year impact, by \$10.0 million in FY 2028-29, by \$12.0 million in FY 2029-30, and by varying amounts in future years, depending on both the population of seniors claiming the state EITC and the percentage of the federal credit. The bill decreases revenue from income taxes, which are subject to TABOR.

## State Expenditures

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The bill increases General Fund expenditures for the Department of Revenue by about \$514,000 in FY 2028-29, \$255,000 in FY 2029-30, and by similar amounts in future years. Expenditures are summarized in Table 2 and described below.

**Table 2  
 State Expenditures  
 Department of Revenue**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>
Personal Services	\$0	\$0	\$327,334	\$181,652
Operating Expenses	\$0	\$0	\$6,656	\$3,968
Capital Outlay Costs	\$0	\$0	\$49,000	\$0
GenTax Programming	\$0	\$0	\$4,082	\$0
User Acceptance Testing	\$0	\$0	\$820	\$0
Postage	\$0	\$0	\$15,175	\$7,850
Form Changes	\$0	\$0	\$5,253	\$0
Centrally Appropriated Costs	\$0	\$0	\$105,847	\$61,846
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$514,167</b>	<b>\$255,316</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>0.0 FTE</b>	<b>5.2 FTE</b>	<b>3.1 FTE</b>

**Tax Personnel**

The DOR requires 5.2 FTE in FY 2028-29 and 3.1 FTE in FY 2029-30 and ongoing, for tax examiners to review tax credit claims, to staff the call center to assist taxpayers with questions, and to ensure taxpayers pay the correct amount of taxes after the resolution of disputes, and for a tax conferee to process protests and disputes.

**Software Programming and Testing**

This bill increases expenditures to program, test, and update database fields in DOR's GenTax software system. Programming costs represent 10 hours of contract programming in FY 2028-29 at a rate of \$244.19 per hour. Costs for testing at the department are estimated to require 40 hours of innovation, strategy, and delivery programming support in FY 2028-29 at a rate of \$41 per hour, and 20 hours of user acceptance testing in FY 2028-29 at a rate of \$41 per hour.

**Postage and Form Changes**

The DOR will have additional costs for postage to administer the tax expenditure, and must make changes to tax forms to include the new deduction and process paper returns claiming the credit. Form changes require the purchase of services from the Department of Personnel and Administration (DPA).

## Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

## TABOR Refunds

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The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$4.0 million in FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. 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 in FY 2027-28, and any future years when the state is over its revenue limit.

## Effective Date

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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

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Personnel

State Auditor

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](#).