HB 24-1316

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated March 4, 2024)

Drafting Number:	LLS 24-0965	**Date:**	May 5, 2024
Prime Sponsors:	Rep. Lindstedt; Lindsay Sen. Bridges	**Bill Status:**	Senate Second Reading
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Bill Topic: **MIDDLE-INCOME HOUSING TAX CREDIT**

Summary of Fiscal Impact:

☒ State Revenue ☐ State Transfer ☐ Local Government
☒ State Expenditure ☒ TABOR Refund ☒ Statutory Public Entity

The bill creates a pilot program for an income tax credit, allocated by the Colorado Housing Finance Authority (CHFA), for housing developments focused on rental housing for middle-income households. The bill reduces General Fund revenue and increases workload and expenditures for state agencies and CHFA.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the reengrossed bill, as amended by the Senate Appropriations Committee.

Table 1
State Fiscal Impacts Under HB 24-1316

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2031-32
Revenue	General Fund	-	($0.4 million)	($3.3 million)	($36.8 million)
Expenditures	General Fund	-	$30,842	$7,328	$7,328
Transfers		-	-	-	-
Other Budget Impacts	TABOR Refund	-	($0.4 million)	Not estimated	Not estimated
	General Fund Reserve	-	$4,626	$1,099	$1,099

Summary of Legislation

This bill creates a pilot program for an income tax credit for owners of housing developments focused on rental housing for middle-income households. The credit is allocated by the Colorado Housing and Finance Authority (CHFA) during tax years 2025 through 2029, and is awarded in amounts up to $5 million per year in 2025 and 2026, and up to $10 million per year in 2027 through 2029, for a credit period of 5 years. A total of $200 million in credits may be allocated by CHFA over nine years. Table 2 shows the allocation of the middle-income housing income tax credit under the bill.

Table 2
Allocation of the Middle Income Housing Income Tax Credit under HB 24-1316
Allocation per Calendar Year
Dollars in Millions

Allocation Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
2025	$5	$5	$5	$5	$5	-	-	-	-	$25
2026	-	$5	$5	$5	$5	$5	-	-	-	$25
2027	-	-	$10	$10	$10	$10	$10	-	-	$50
2028	-	-	-	$10	$10	$10	$10	$10	-	$50
2027	-	-	-	-	-	$10	$10	$10	$10	$50
Calendar Year	$5	$10	$20	$30	$40	$35	$30	$20	$10	**$200**

Middle income households are defined as those with annual household income between 80 percent and 120 percent or 140 percent of the county median income of households of the same size, with the latter upper threshold applying to a housing development located in a rural resort county.

The owner of a qualified housing development that is allocated credits must provide middle-income housing in the development for 15 years. A portion of the credit is subject to recapture if the number of units serving middle income households is reduced. The credit is allowed against insurance premium taxes for eligible taxpayers that are not subject to income taxes.

CHFA must provide a report to the General Assembly and to the public on the middle income tax credit pilot program annually by December 31.

Assumptions

The fiscal note assumes that the additional credits allowed under this bill will be claimed beginning in tax year 2026. Based on data for the affordable housing tax credit also allocated by CHFA, 15 percent of qualified housing developments are expected to be completed within one year of when CHFA approves the project, while the remaining 85 percent are assumed to be completed in two years. The timing of project completion depends on a number of factors including construction and permitting timelines.

Credits may be claimed when the qualified development is placed into service, which can delay the claiming of the credit by one or more years relative to when the credit is allocated. While the amount allocated is capped each year, the amount of credits claimed by taxpayers in any tax year is not capped. Therefore, the revenue impacts of the tax credit will not necessarily follow the same pattern or timing as the allocation schedule shown in Table 2. In addition, any portion of the credit that exceeds a taxpayer's income tax liability in any given tax year may be carried forward for up to three years.

The fiscal note assumes taxpayers will claim credits equal to the full allocation amount allowed in each tax year. The amount and timing of carry-forward tax credits are dependent on a number of factors, such as the economy and individual and business tax liabilities in any given year. If the full amount of the tax credit allowed each year is not utilized as early as assumed here, reductions in General Fund revenue will be pushed into future fiscal years.

State Revenue

The bill authorizes a total of $200 million in middle-income housing tax credits that CHFA may allocate between calendar years 2025 through 2029. As shown in Figure 1 and Table 3, it is estimated that the total revenue impact from the credits under this bill will be phased in over 11 years, beginning in FY 2025-26. General Fund revenue will be reduced by $400,000 in FY 2025-26 (half-year impact), and $3.3 million in FY 2026-27, with larger impacts in subsequent years that then taper off over time. The bill decreases income tax revenue, which is subject to TABOR.

Figure 1
Reduction in General Fund Revenue Under HB 24-1316

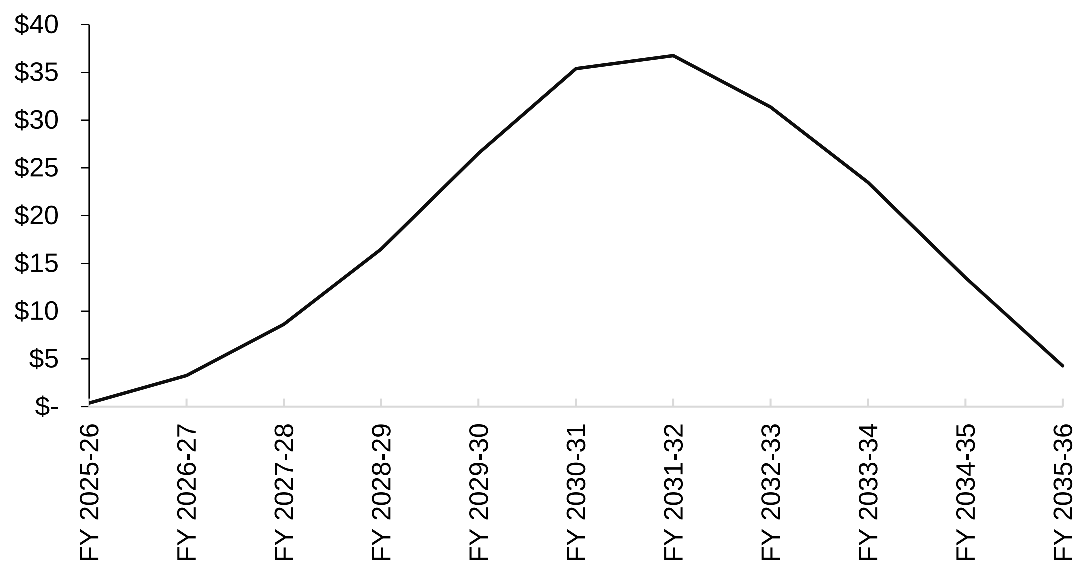

Table 3

General Fund Revenue Reductions Under HB 24-1316

Fiscal Year	Estimated General Fund Revenue Reduction
FY 2025-26	($0.4 million)
FY 2026-27	($3.3 million)
FY 2027-28	($8.6 million)
FY 2028-29	($16.5 million)
FY 2029-30	($26.5 million)
FY 2030-31	($35.4 million)
FY 2031-32	($36.8 million)
FY 2032-33	($31.4 million)
FY 2033-34	($23.5 million)
FY 2034-35	($13.5 million)
FY 2035-36	($4.3 million)
Total	**($200 million)**

State Expenditures

The bill increases General Fund expenditures in the Department of Revenue (DOR) by $30,842 in FY 2025-26 and by $7,328 in FY 2026-27 and similar amounts in future years over the life of the tax credit. These costs are shown in Table 4 and detailed below.

Table 4
Expenditures Under HB 24-1316

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Revenue			
Computer Programming and Testing	-	$23,450	-
Research and Analysis	-	$7,392	$7,328
Total Costs	**$0**	**$30,842**	**$7,328**

Computer programming and testing. For FY 2025-26 only, the DOR will have one-time costs of $23,450 for computer programming and testing. Programming costs are estimated at $10,429, representing 45 hours of contract programming at a rate of $231.75 per hour. Costs for testing to ensure that programming changes are functioning properly are estimated at $13,021, representing 255 hours for the Innovation, Strategy, and Delivery section in the Executive Director’s Office at $35 per hour and 128 hours of user acceptance testing at a rate of $32 per hour.

Research and Analysis. Expenditures in the Office of Research and Analysis are required for changes in 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, or 231 hours for data management and reporting at a rate of $32 per hour FY 2025-26 and ongoing.

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. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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.

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.

Statutory Public Entity

The bill will increase workload for CHFA on an ongoing basis to allocate additional credits. This workload can be accomplished with existing resources and revenue streams to CHFA.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

CHFA	Information Technology	Local Affairs
Personnel	Revenue	State Auditor

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.