HB 19-1159

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

REVISED FISCAL NOTE

(replaces fiscal note dated February 8, 2019)

Drafting Number:	LLS 19-0659	**Date:**	March 21, 2019
Prime Sponsors:	Rep. Jaquez Lewis; Gray Sen. Danielson	**Bill Status:**	House Appropriations
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Bill Topic: MODIFY INNOVATIVE MOTOR VEHICLE INCOME TAX CREDITS

Summary of Fiscal Impact:

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

This bill increases the state income tax credit for purchases and leases of electric, plug-in hybrid electric, and hydrogen vehicles for 2021 and extends the credit from 2022 through 2025. It decreases state revenue and increases state expenditures through FY 2025-26.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, as amended by the House Finance Committee, and has been revised to reflect new information.

Table 1
State Fiscal Impacts Under HB 19-1159

		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Revenue	General Fund	-	($3.7 million)	($14.6 million)	($18.5 million)
	Total	**-**	**($3.7 million)**	**($14.6 million)**	**($18.5 million)**
Expenditures	General Fund	-	-	$51,478	$84,638
	Central Approp.	-	-	$12,052	$22,476
	Total	-	-	**$63,530**	**$107,114**
	Total FTE	-	-	0.9 FTE	1.7 FTE
Transfers		-	-	-	-
TABOR Refund	General Fund	-	-	Not estimated	

Summary of Legislation

The state allows a refundable, transferable income tax credit for purchasers and lessees of innovative passenger vehicles and trucks, including for example vehicles powered by electricity, natural gas, and hydrogen. Under current law, the amount of credit available for each purchaser or lessee is scheduled to be reduced in 2020, further reduced in 2021, and unavailable beginning in 2022. This bill modifies the income tax credit for electric and plug-in hybrid electric passenger vehicles and trucks, and the credit for hydrogen passenger vehicles, by increasing the amount of the tax credit available in 2021 and extending the credit for tax years 2022 through 2025.

Table 2 presents the value of the tax credit by tax year for purchases of each electric, plug-in hybrid electric, and hydrogen vehicle under current law and HB 19-1159. Table 3 presents the same information for leased vehicles.

Table 2
Tax Credits for Purchases of Electric, Plug-In Hybrid Electric, and Hydrogen Vehicles under Current Law and HB 19-1159

Tax Year	2021	2022	2023	2024	2025
Electric and Hydrogen Passenger Vehicles					
Current Law	$2,500	-	-	-	-
HB 19-1159	$4,000	$4,000	$2,500	$2,500	$2,500
Light Duty Electric Trucks					
Current Law	$3,500	-	-	-	-
HB 19-1159	$5,500	$5,500	$3,500	$3,500	$3,500
Medium Duty Electric Trucks					
Current Law	$5,000	-	-	-	-
HB 19-1159	$8,000	$8,000	$5,000	$5,000	$5,000
Heavy Duty Electric Trucks					
Current Law	$10,000	-	-	-	-
HB 19-1159	$16,000	$16,000	$10,000	$10,000	$10,000

Table 3
Tax Credits for Leases of Electric, Plug-In Hybrid Electric, and Hydrogen Vehicles under Current Law and HB 19-1159

Tax Year	2021	2022	2023	2024	2025
Electric and Hydrogen Passenger Vehicles					
Current Law	$1,500	-	-	-	-
HB 19-1159	$2,000	$2,000	$1,500	$1,500	$1,500
Light Duty Electric Trucks					
Current Law	$1,750	-	-	-	-
HB 19-1159	$2,750	$2,750	$1,750	$1,750	$1,750
Medium Duty Electric Trucks					
Current Law	$2,500	-	-	-	-
HB 19-1159	$4,000	$4,000	$2,500	$2,500	$2,500
Heavy Duty Electric Trucks					
Current Law	$5,000	-	-	-	-
HB 19-1159	$8,000	$8,000	$5,000	$5,000	$5,000

Leases of vehicles by transportation network companies. For tax years 2019 through 2025, the bill allows transportation network companies, also known as rideshare companies or ride-hailing services, to qualify for the vehicle purchase credits in Table 2, as opposed to the vehicle lease credits in Table 3, for long-term leases of passenger vehicles entered into in order to offer short-term rentals to their drivers.

State Revenue

The bill is expected to decrease General Fund revenue for FY 2020-21 through FY 2025-26 by the amounts shown in Table 4. The estimate for FY 2020-21 reflects a half-year impact for the increased credit made available in tax year 2021. The estimate for FY 2021-22 reflects a half-year impact for the increased credit in tax year 2021 and a half-year impact for the extended tax credit in tax year 2022. The estimate for FY 2025-26 reflects a half-year impact for the extended tax credit in tax year 2025. Estimates for the other years reflect full-year impacts of the extended credit. The bill reduces income tax revenue, which is subject to TABOR.

Table 4
Revenue Impacts of the Tax Credit for Purchased and Leased
Electric, Plug-in Hybrid Electric, and Hydrogen Vehicles under Current Law and HB 19-1159

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Current Law	($14.9 million)	($6.1 million)	-	-	-	-
HB 19-1159	($18.6 million)	($20.7 million)	($18.5 million)	($15.9 million)	($17.5 million)	($9.2 million)
Revenue Impact	**($3.7 million)**	**($14.6 million)**	**($18.5 million)**	**($15.9 million)**	**($17.5 million)**	**($9.2 million)**

Assumptions. Under current law, electric, plug-in hybrid electric, and hydrogen vehicles are estimated to account for 86 percent of the 3,064 credits allowed for tax year 2016 based on national vehicle sale statistics reported by the U.S. Department of Energy. Based on historical trends reported by the Department of Revenue, the number of qualifying purchases and leases is assumed to grow 10.5 percent annually through 2025. Within the number of qualifying purchases and leases, the shares of passenger vehicles and trucks of each weight class are assumed to remain constant. Current law credits are expected to average $2,840 in tax year 2021. Credits claimed under the bill are expected to average $4,544 in tax years 2021 and 2022, and $2,840 in tax years 2023 through 2025.

To the extent that electric, plug-in hybrid electric, and hydrogen vehicle sales grow more or less quickly than in prior years, the decrease in General Fund revenue will be greater than or less than estimated.

State Expenditures

The bill increases General Fund expenditures for the Department of Revenue by $63,530 and 0.9 FTE in FY 2021-22 and $107,114 and 1.7 FTE in FY 2022-23 and subsequent years. Expenditures are expected to continue through FY 2025-26. These costs are summarized in Table 5 and explained below.

Table 5
Expenditures Under HB 19-1159

	FY 2021-22	FY 2022-23
Department of Revenue		
Personal Services	$45,623	$83,023
Operating Expenses	$855	$1,615
Computer Programming	$5,000	-
Centrally Appropriated Costs*	$12,052	$22,476
Total Cost	**$63,530**	**$107,114**
Total FTE	**0.9 FTE**	**1.7 FTE**

** Centrally appropriated costs are not included in the bill's appropriation.*

Tax administration. The bill requires that 0.9 FTE in FY 2021-22 and 1.7 FTE in FY 2022-23 and subsequent fiscal years be retained in the Department of Revenue's Taxpayer Service Division. Under current law, retention of these staff would not be required as workload would decrease in these years upon expiration of the innovative motor vehicle credit. Staff are required to verify and process tax returns that claim the credit and interact with taxpayers who file incorrectly or raise questions with the department. Expenditures for FY 2021-22 reflect a half-year impact for the extension of the credit into tax year 2022.

Computer programming. This bill requires General Fund expenditures to program and update database fields in the department's GenTax software system for changes to the tax credit for vehicles leased by transportation network companies. Programming costs are estimated at $5,000, representing 20 hours of contract programming at a rate of $250 per hour. 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 $1,843 and are included in the personal services line of Table 5 for FY 2021-22 only.

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 include employee insurance and supplemental employee retirement payments, are estimated to be $12,052 in FY 2021-22 and $22,476 in FY 2022-23.

TABOR refunds. The bill is expected to decrease state revenue subject to TABOR for years beyond the current forecast period as shown in Table 4, potentially decreasing the General Fund obligation for TABOR refunds in these years.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office	Revenue