HB 18-1004

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 18-0503	**Date:**	August 30, 2018
Prime Sponsors:	Rep. Coleman; Wilson Sen. Tate; Kefalas	**Bill Status:**	Signed into Law
		Fiscal Analyst:	Greg Sobetski | 303-866-4105 Greg.Sobetski@state.co.us

Bill Topic: CONTINUE CHILD CARE CONTRIBUTION TAX CREDIT

Summary of Fiscal Impact:

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

This bill extends the income tax credit for contributions to promote child care, which is currently set to expire after 2019, through 2024. Through at least FY 2024-25, the bill reduces General Fund revenue by amounts consistent with the current law credit.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 18-1004

		FY 2018-19	FY 2019-20	FY 2020-21
Revenue	General Fund	-	($16.2 million)	($33.7 million)
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund		-	($16.2 million)	not estimated

Summary of Legislation

Taxpayers are allowed to claim an income tax credit for monetary contributions to promote child care. Under current law, this credit is set to expire after tax year 2019. This bill continues the credit through tax year 2024.

As under current law, the credit is equal to 50 percent of the total value of contributions and is capped at the lesser of the taxpayer's actual income tax liability or $100,000. The credit is nonrefundable, meaning that the amount claimed cannot exceed a taxpayer's income tax liability for a given tax year. However, credits exceeding a taxpayer's liability may be carried forward for up to five years. Qualifying contributions include those to facilities, schools, or programs that provide child care, programs that train child care providers, and grant or loan programs for parents requiring financial assistance for child care purposes.

State Revenue

This bill is expected to decrease General Fund revenue by $16.2 million in FY 2019-20, $33.7 million in FY 2020-21, and similar amounts in subsequent years. The amount for FY 2019-20 represents a half-year impact for tax year 2020 on an accrual accounting basis. State revenue is expected to decrease through at least FY 2024-25. To the extent that taxpayers carry forward credits claimed for contributions made in 2024 and earlier years to tax year 2025 and later years, smaller revenue reductions will occur in FY 2025-26 and subsequent years.

Assumptions. In tax year 2016, the most recent year for which data are available, taxpayers claimed 16,524 child care contributions credits worth an aggregate $24.0 million, representing an average amount of $1,451 per credit. For years beyond 2016, the average amount of the credit is assumed to grow by 6.4 percent annually, the compound average annual rate of growth in this figure between 2014 and 2016. The number of credits claimed is assumed to grow by the March 2018 Legislative Council Staff forecast for Colorado population growth.

To the extent that the amount of the credit grows at a different pace than anticipated here, the impact on revenue will be correspondingly greater or less.

TABOR Refund

This bill reduces state income tax revenue, which will reduce the amount of money required to be refunded under TABOR by $16.2 million in FY 2019-20. Since the bill reduces revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money for the General Fund budget in the future during years when the state does not collect revenue above the TABOR limit. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

Through FY 2024-25, this bill indeterminately decreases expenditures in the Department of Human Services and minimally increases workload in the Department of Revenue as described below.

Department of Human Services. The department's Division of Early Care and Learning administers the Child Care Assistance Program, which provides child care assistance to working families. To the extent that extension of the credit results in greater contributions to child care providers than would occur under current law, caseload for this program may decrease by an indeterminate amount.

Department of Revenue. Extension of the credit will minimally increase department workload as necessary to process and audit credit claims. Ongoing administration of the credit can be accomplished within existing appropriations.

Effective Date

The bill was signed into law by the Governor on May 30, 2018, and took effect on August 8, 2018.

State and Local Government Contacts

Human Services Information Technology Revenue