



**Colorado
Legislative
Council
Staff**

HB17-1104

**REVISED
FISCAL NOTE**

(replaces fiscal note dated February 1, 2017)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0154
Prime Sponsor(s): Rep. Navarro
Sen. Priola

Date: March 20, 2017
Bill Status: Senate Finance
Fiscal Analyst: Louis Pino (303-866-3556)

BILL TOPIC: EXCLUDE OLYMPIC MEDAL INCOME FROM TAXABLE INCOME

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue General Fund	<u>Minimal Reduction.</u> See State Revenue section.	
State Expenditures	<u>Minimal workload increase.</u>	
TABOR Impact	Minimal Reduction.	
Appropriation Required: None.		
Future Year Impacts: Ongoing state revenue decrease (every two years beginning in tax year 2018).		

Summary of Legislation

The *reengrossed* bill provides a state income tax deduction for monetary awards received from the United States Olympic Committee (USOC) or any sport-specific national governing committee as a direct result of winning a medal at the summer or winter Olympics or Paralympic games. Non-monetary benefits and endorsement earnings are not eligible for the income tax deduction. The income tax deduction will be available beginning in tax year 2018.

Taxpayers with a federal adjusted gross income (AGI) less than \$1 million or married taxpayers filing separately with a federal AGI less than \$500,000 are eligible to subtract both monetary awards received from the USOC and any sport-specific national governing committee. The taxpayer may deduct income received from sport specific organizations only if the income is included in their federal AGI. Monetary awards received from the USOC can be subtracted regardless of whether or not it is included in their federal AGI.

Taxpayers with a federal adjusted gross income greater than \$1 million or married taxpayers filing separately with an federal AGI greater than \$500,000 can not subtract monetary awards received from any sport-specific national governing committee, but they may subtract income earned from the USOC regardless of whether or not it is included in their federal AGI.

Background

The USOC gives athletes who win a medal at the summer or winter Olympics a cash award: \$25,000 for gold, \$15,000 for silver, and \$10,000 for bronze medals. Paralympian medal winners are paid \$5,000, \$3,000, and \$2,000, respectively. In addition, medalists may receive prize money from their sport's national governing body.

National governing bodies are typically responsible for training and development, as well as nominating athletes to the U.S Olympic and Paralympic teams. The amount of cash awards differ by each governing body. Currently, four national governing bodies provide a bonus for winning an Olympic medal. The bonuses can range from \$10,000 (gymnastics and wrestling) to \$225,000 (wrestling).

The United States Olympic and Paralympic teams have won an average of 100 medals during each of the last four summer Olympic and Paralympic games and 35 medals during each of the last four winter Olympic and Paralympic games,

Federal law allows the value of Olympic or Paralympic medals and any monetary prizes received from the USOC to be excluded from federal taxable income, as long as the taxpayer has an adjusted gross income of less than \$1 million. The law was signed on October 7, 2016, and applies to prizes and awards received after December 31, 2015. The law does not exclude income received from national governing bodies. The Congressional Budget Office estimates this income exclusion will reduce federal revenue by \$3 million over a ten year period.

State Revenue

The bill is expected to reduce state revenue by a minimal amount. Data from the USOC shows there were 65 Colorado residents that participated in the 2014 winter and 2016 summer Olympic and Paralympic games. Of these, seven athletes won an Olympic or Paralympic medal for a total of seven medals (3 Olympic golds, 1 Olympic silver, 2 Olympic bronzes, and 1 Paralympian bronze). The value of the state income tax would have been approximately \$2,400 ($\$52,000 \times 4.63\%$) in tax year 2014 and nearly \$2,800 ($\$60,000 \times 4.63\%$) in tax year 2016. It is unknown if these medal winners also received prize money from their respective sport's governing bodies. If so, the amount of the state income tax deduction would have been higher. The bill allows all qualified taxpayers to claim the state income tax deduction whether or not the value of any medals and prizes received from the USOC is excluded from their federal taxable income.

To the extent that the USOC or national governing bodies increase their prize money to medal winners or more medals are won by Colorado residents in future years, state revenue will decline further.

TABOR Impact

This bill decreases state General Fund revenue from income taxes by a minimal amount, which will decrease the amount required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid from the General Fund. TABOR refund obligations are not expected for FY 2016-17.

State Expenditures

The Department of Revenue can accomplish the additional workload to administer the deduction with existing appropriations given the small number of taxpayers that are expected to claim the state income tax deduction and its availability every two years. The department intends to administer this deduction by including it with other infrequently used deductions on the "other deductions" line on the state individual income tax return. Programming and filing rules already exist so the department does not require an appropriation for programming or form changes.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Information Technology

Personnel

Revenue

Research Note Available

An LCS Research Note for HB17-1104 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.