



**Colorado
Legislative
Council
Staff**

SB17-054

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 17-0365
Prime Sponsor(s): Sen. Court
Rep. Wilson

Date: May 15, 2017
Bill Status: Postponed Indefinitely
Fiscal Analyst: Louis Pino (303-866-3556)

BILL TOPIC: CREATE ROTATION SCHEDULE FOR TAX CHECKOFF PROGRAMS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-2020
State Revenue	<u>Indeterminate.</u>		
Cash Funds	See State Revenue Section.		
State Expenditures			(\$32,800)
General Fund			(\$32,800)
Appropriation Required: None.			
Future Year Impacts: Ongoing state revenue impact.			

Summary of Legislation

This bill revises the process for how an income tax voluntary program (or income tax checkoffs) may appear on a state individual income tax form. The bill creates a rotation schedule so that each tax checkoff is allowed to appear on the income tax form for five consecutive years, after which the program is removed for a minimum of five income tax years. The tax checkoff program may be added back to the tax form after the five-year hiatus, if the General Assembly enacts legislation.

The bill also removes the existing yearly minimum contribution requirement that the tax checkoff must meet to remain on the tax form. In addition, the bill limits the amount a taxpayer may contribute to the taxpayer's refund for that year.

All tax checkoffs currently on the 2016 income tax form will sunset according to their current statutory expiration date and then be subject to the five-year mandatory hiatus. These programs will not be required to meet the annual minimum contribution.

The Western Slope Military Veterans Cemetery Fund and Homeless Prevention Activities Program Fund are exempted from the rotation schedule. Under current law, the two funds are exempt from the mandatory sunset process for income tax checkoffs.

Finally, the bill extends the Non Game Endangered Wildlife voluntary program through tax year 2018 before it is required to cycle off for five years. The program is scheduled to sunset after the 2016 income tax year.

Background

The Colorado individual income tax return allows taxpayers to contribute to various listed organizations by donating a portion of their income tax refund or increasing the amount owed on their tax return. Legislation is required to create a new income tax checkoff.

Only 20 checkoff programs can appear on an individual income tax form each year. To ensure that the 20 checkoff cap is not exceeded, the priority order system specifies that continued or renewed programs take precedence over newly created programs. Tax checkoffs must contain a sunset date and meet a yearly minimum contribution of \$50,000 by the third year from when it first appeared on the form and subsequent tax years to remain on the tax form. Contributions are calculated from January 1st through September 30th of each tax year. Thus, if a program that has appeared on the form is renewed or continued and has donations of at least \$50,000, the program remains on the form in the following tax year.

Newly created programs can only appear on the tax form when an existing program is removed. The order of programs in the queue is determined by the date and time that the Governor signs each bill. As of the date of this note, there are no tax checkoff programs in the queue.

State Revenue

The change in cash fund revenue from voluntary contributions as a result of the rotation schedule is indeterminate. Twenty check-off programs appear on the 2016 individual income tax form. Table 1 shows the 2016 income tax checkoff programs and their current statutory expiration date.

It is unknown if the tax checkoff programs appearing on the 2016 income tax form will receive the required contribution amount by September 30, 2017 to remain on the form. Further, it is unknown if the programs would have been extended before their sunset date. To the extent that a check-off program would have been extended and continued to meet the required contribution amount without being subject to the five-year hiatus, state revenue to these programs will decline. However, state revenue for other programs not currently on the form may increase.

This bill will not affect General Fund revenue. Voluntary donations are exempt from TABOR provisions.

Tax Checkoff Name	Last year scheduled to appear on income tax form.
Nongame and Endangered Wildlife Fund	2016
Public Education Fund	2017
Round Up River Ranch Fund	2017
9Health Fair Fund	2018
Pet Overpopulation Fund	2018
American Red Cross Colorado Disaster Response	2019

Table 1 cont. 2016 Income Tax Checkoff Programs and Last Year Scheduled to Appear on Income Tax Form (Cont.)	
Tax Checkoff Name	Last year scheduled to appear on income tax form.
Readiness and Preparedness Fund	2019
Habitat for Humanity of Colorado Fund	2019
Special Olympics of Colorado Fund	2019
Colorado Youth Corps Association Fund	2019
Colorado Domestic Abuse Fund	2019
Military Family Relief Fund	2020
Colorado for Healthy Landscapes Fund	2020
Colorado Health River Fund	2020
Alzheimer's Association Fund	2020
Colorado Cancer Fund	2020
Make-A-Wish Foundation	2020
Unwanted Horse Fund	2020
Colorado Multiple Sclerosis Fund	2020
Homeless Prevention Activities Fund	No Sunset
Western Slope Military Veterans Cemetery Fund	No Sunset

State Expenditures

This bill will increase state General Fund expenditures by \$32,800 in FY 2019-20. New expenditures are for computer programming costs for the Department of Revenue (DOR).

Programming costs. DOR will incur one-time programming costs of \$32,800 in FY 2019-20 to update the GenTax system to restrict the amount that can be contributed to a voluntary contribution to the taxpayer's refund amount. The department will need to build the new rule for past income tax years to prevent late filers from contributing more than their refund or increasing the amount owed on their tax return.

Technical Note

Traditionally, the DOR is allowed to recoup any costs associated with the administration when a new tax checkoff is added to the income tax form. The bill does not specify if tax checkoff donations can cover the expenditures triggered by this bill. The fiscal note assumes the costs will be paid from the General Fund.

Effective Date

The bill was postponed indefinitely by the Senate Finance Committee on February 14, 2017.

State and Local Government Contacts

Information Technology Personnel Revenue Treasury