



Legislative  
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**HB 19-1164**

# FINAL FISCAL NOTE

**Drafting Number:** LLS 19-0589  
**Prime Sponsors:** Rep. Singer  
 Sen. Zenzinger; Priola  
**Date:** August 20, 2019  
**Bill Status:** Postponed Indefinitely  
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**Bill Topic:** CHILD TAX CREDIT

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill would have repealed the conditional start of the Colorado child tax credit and allowed the credit to be available for tax years 2019 to 2022. This bill would have decreased state revenue and increased state expenditures through FY 2024-25.

**Appropriation Summary:** For FY 2019-20, the bill would have required a General Fund appropriation of \$429,045 to the Department of Revenue with an allocation of 6.2 FTE.

**Fiscal Note Status:** This fiscal note reflects the bill as amended by the House Finance Committee. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1  
State Fiscal Impacts Under HB 19-1164**

		FY 2018-19 (Current Year)	FY 2019-20	FY2020-21
<b>Revenue</b>	General Fund	(\$41.2 million)	(\$82.0 million)	(\$81.2 million)
	<b>Total</b>	<b>(\$41.2 million)</b>	<b>(\$82.0 million)</b>	<b>(\$81.2 million)</b>
<b>Expenditures</b>	General Fund	-	\$429,045	\$484,487
	Centrally Appropriated	-	\$82,139	\$124,241
	<b>Total</b>	-	<b>\$511,184</b>	<b>\$608,728</b>
	<b>Total FTE</b>	-	6.2 FTE	9.4 FTE
<b>Transfers</b>		-	-	-
<b>TABOR Refund</b>	General Fund	(\$41.2 million)	(\$82.0 million)	-

## Summary of Legislation

This bill repeals the conditional start of the Colorado child tax credit and allows the credit to be available beginning in tax year 2019.

## Background

**Colorado child tax credit.** Senate Bill 13-001 created a Colorado child tax credit, effective upon the passage by Congress of the Marketplace Fairness Act of 2013 (or similar legislation) and House Bill 13-1295, which would have simplified the collection of sales taxes from out-of-state retailers to meet the requirements of the Marketplace Fairness Act. The provisions of House Bill 13-1295 never went into effect because the Marketplace Fairness Act of 2013 (or similar legislation) never became law. Thus the child tax credit didn't go into effect.

Under the bill, the Colorado child tax credit will be available to single filers with less than \$75,000 in federal adjusted gross income (AGI) and joint filers with less than \$85,000 in federal AGI with children under the age of six that claimed the federal child tax credit and/or the additional child tax credit. The state credit is refundable, meaning if the amount of the credit exceeds the taxpayer's state income tax liability, the balance is refunded to the taxpayer. The amount of the credit is based on the taxpayer's filing status and AGI as shown in Table 2.

**Table 2**  
**The Amount of Colorado Child Tax Credit**

<b>Single Filers with an AGI...</b>	<b>Joint Filers with an AGI...</b>
Less than \$25,000, the amount of the credit is 30 percent of the federal credit claimed.	Less than \$35,000, the amount of the credit is 30 percent of the federal credit claimed.
Between \$25,001 and \$50,000, the amount of the credit is 15 percent of the federal credit claimed.	Between \$35,001 and \$60,000, the amount of the credit is 15 percent of the federal credit claimed.
Between \$50,001 and \$75,000, the amount of the credit is 5 percent of federal credit claimed.	Between \$60,001 and \$75,000, the amount of the credit is 5 percent of federal credit claimed.

**Federal child tax credit.** Beginning in 2018, married couples filing jointly with an AGI less than \$400,000 or all other filing status with an AGI less than \$200,000 may claim a federal child tax credit for a qualifying child under the age of 17. The amount of the credit is \$2,000 per qualifying child. If the total amount of the child tax credit is greater than the taxpayer's federal income tax liability, the taxpayer may take the additional child tax credit, which is refundable up to \$1,400 per qualifying child.

## State Revenue

This bill is expected to decrease General Fund revenue by \$41.2 million (half-year impact) in the current FY 2018-19, \$82.0 million in FY 2019-20, \$81.2 million in FY 2020-21, and by similar amounts each year thereafter.

**Assumptions.** Data from the Department of Revenue shows 171,466 single and joint income tax filers would have qualified for the credit under this bill in tax year 2015, the latest data available. The number of qualified children under age six for these taxpayers was approximately 219,450.

Data from the Colorado Demographer's Office and the Internal Revenue Service were used to grow the estimated number of taxpayers and qualified children assumed to be eligible for the credit beginning in tax year 2019. On average, the number of children in Colorado under the age of six is expected to grow 0.5 percent each year from 2019 to 2023. The revenue reduction attributable to the bill is expected to decline over time as taxpayers' income exceeds the single and joint AGI cap, making them ineligible for the state credit. Finally, the fiscal note assumes that all eligible taxpayers will claim the full \$2,000 federal child tax or additional child tax credit. Table 3 shows the revenue changes under House Bill 19-1164 by filing status and AGI.

**Table 3**  
**Revenue Changes Under HB 19-1164**  
*Dollars in millions*

<b>AGI Category</b>					
<b>Single Filers</b>	<b>Tax Year 2019</b>	<b>Tax Year 2020</b>	<b>Tax Year 2021</b>	<b>Tax Year 2022</b>	<b>Tax Year 2023</b>
\$25,000 or less	(\$30.6)	(\$29.8)	(\$29.1)	(\$28.4)	(\$27.7)
\$25,001 to \$50,000	(\$12.9)	(\$13.3)	(\$13.6)	(\$13.9)	(\$14.5)
\$50,001 to \$75,000	(\$1.0)	(\$1.1)	(\$1.2)	(\$1.3)	(\$1.4)
<b>Subtotal</b>	<b>(\$44.5)</b>	<b>(\$44.2)</b>	<b>(\$43.9)</b>	<b>(\$43.6)</b>	<b>(\$43.6)</b>
<b>Joint Filers</b>					
\$35,000 or less	(\$20.1)	(\$19.6)	(\$19.0)	(\$18.5)	(\$18.3)
\$35,001 to \$60,000	(\$13.8)	(\$13.9)	(\$14.1)	(\$14.2)	(\$14.4)
\$60,001 to \$85,000	(\$3.9)	(\$3.8)	(\$3.9)	(\$4.0)	(\$4.0)
<b>Subtotal</b>	<b>(\$37.8)</b>	<b>(\$37.3)</b>	<b>(\$37.0)</b>	<b>(\$36.7)</b>	<b>(\$36.7)</b>
<b>Total Tax Year Change</b>	<b>(\$82.3)</b>	<b>(\$81.6)</b>	<b>(\$80.9)</b>	<b>(\$80.3)</b>	<b>(\$80.3)</b>
<b>Fiscal Year Tax Change</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
	(\$41.2)	(\$82.0)	(\$81.2)	(\$80.6)	(\$80.3)

To the extent more taxpayers with qualified children become eligible for the state credit because of a lower federal AGI as a result of changes in economic conditions and/or federal tax laws, the revenue reductions assumed in this fiscal note will be greater than currently estimated.

**State Expenditures**

In FY 2019-20, the bill will increase General Fund expenditures by \$511,184 and 6.2 FTE for the Department of Revenue (DOR). In FY 2020-21 and each year thereafter, the department will require \$608,728 and 9.4 FTE. Expenditures are summarized in Table 4 and detailed below.

**Table 4  
Expenditures Under HB 19-1164**

	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Revenue</b>		
Personal Services	\$304,628	\$458,648
Operating Expenses and Capital Outlay Costs	\$78,853	\$9,948
Computer Programming	\$28,860	-
Document Management	\$16,704	\$15,891
Centrally Appropriated Costs*	\$82,139	\$124,241
<b>Total Cost</b>	<b>\$511,184</b>	<b>\$608,728</b>
<b>Total FTE</b>	<b>6.2 FTE</b>	<b>9.4 FTE</b>

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

**Personal services.** The Department of Revenue expenditure increases are primarily to review and audit tasks of tax returns claiming the refundable credit under the bill. In FY 2019-20, the department will require 4.8 FTE for tax examiners and 1.3 FTE for tax auditors, starting on January 1, 2020. In FY 2020-21 and each year after, the department will require 6.1 FTE for tax examiners and 3.3 FTE for tax auditors. Tax examiners will primarily perform traditional call center work, initial tax review and resolve mathematical and minor errors committed by taxpayers. Tax auditor workload will include fraud review and taxpayer protests. Operating expenses include telephone, computers, and other supplies for the FTEs. For FY 2019-20 only, the department will also require 0.1 FTE for data mapping and establishing reporting requirements.

**Computer programming.** For FY 2019-20, the bill will require changes to the department's GenTax software system. Changes are programmed by a contractor at a rate of \$250 per hour. These changes will increase General Fund expenditures by \$13,500, representing 54 hours of programming. All GenTax programming changes are tested by the department. GenTax testing for this bill will require \$15,360 for 640 hours of testing at \$24 per hour.

**Document management.** For FY 2019-20, the department will incur \$16,704 in document management costs. This includes adding a new line to the individual income tax credit form and the workload tasks related to paper returns and electronic forms that are identified for review by the Department of Personnel and Administration's (DPA) optical character recognition software. In FY 2020-21 and beyond, these costs are only related to workload for paper forms and electronic returns that must be reviewed. These expenditures will occur in the DPA using reappropriated Department of Revenue Funds.

**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 \$82,139 in FY 2019-20 and \$124,241 in FY 2020-21.

**TABOR Refunds** The bill is expected to decrease state General Fund obligations for TABOR refunds by \$41.2 million in the current FY 2018-19. Under current law and the December 2018 forecast, the bill will correspondingly reduce the amount refunded to taxpayers via sales tax refunds on income tax returns for tax year 2019.

The bill is also expected to reduce the \$189.0 million General Fund obligation for TABOR refunds that is expected for FY 2019-20 under current law by \$80.2 million. As a result, the bill will eliminate \$39.5 million in TABOR refunds via the sales tax refund mechanism expected to be paid on income tax returns for tax year 2020, as well as \$40.7 million of the \$149.5 million expected to be refunded via reimbursements to local governments for their property tax loss associated with the senior and disabled veteran property tax exemptions. Because the TABOR surplus set aside in FY 2019-20 will no longer be available to finance property tax reimbursements, the bill will obligate an equal amount for reimbursements to be paid from the FY 2020-21 General Fund budget instead.

The state is not expected to collect a TABOR surplus in FY 2020-21. A forecast of state revenue subject to TABOR is not yet available for FY 2021-22 and subsequent years.

## Effective Date

The bill was deemed lost in House of Representatives on May 4, 2019.

## State Appropriations

For FY 2019-20, the bill requires a General Fund appropriation of \$429,045 to the Department of Revenue with an allocation of 6.2 FTE. From this amount, \$16,704 should be reappropriated to the Department of Personnel and Administration.

## State and Local Government Contacts

Information Technology      Personnel      Revenue