



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature* (replaces fiscal note dated January 17, 2020)

**HB 20-1004**

**REVISED  
FISCAL NOTE**

<b>Drafting Number:</b>	LLS 20-0382	<b>Date:</b>	February 4, 2020
<b>Prime Sponsors:</b>	Rep. Cutter; Will Sen. Lee	<b>Bill Status:</b>	House Finance
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**Bill Topic:** **ASSISTANCE FOR LANDOWNER WILDFIRE MITIGATION**

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates the wildfire mitigation resources and best practices grant program. The bill creates an income tax credit and eliminates an income tax deduction for wildfire mitigation work. The bill decreases state revenue between FY 2019-20 and FY 2024-25, and increases state expenditures on an ongoing basis.

**Appropriation Summary:** For FY 2020-21, the bill requires appropriations of \$333,537 to multiple state agencies.

**Fiscal Note Status:** This revised fiscal note reflects the introduced bill, as amended by the House Rural Affairs and Agriculture Committee.

**Table 1  
State Fiscal Impacts Under HB 20-1004**

		FY 2019-20	FY 2020-21	FY 2021-22
<b>Revenue</b>	General Fund	(\$343,366)	(\$658,051)	(\$632,518)
	<b>Total</b>	<b>(\$343,366)</b>	<b>(\$658,051)</b>	<b>(\$632,518)</b>
<b>Expenditures</b>	General Fund	-	\$333,537	\$320,076
	Centrally Appropriated	-	\$3,110	\$3,218
	<b>Total</b>	-	<b>\$336,647</b>	<b>\$323,294</b>
	<b>Total FTE</b>	-	<b>0.2 FTE</b>	<b>0.2 FTE</b>
<b>Transfers</b>		-	-	-
<b>TABOR Refund</b>	General Fund	(\$343,366)	(\$658,051)	(\$632,518)

## **Summary of Legislation**

This bill creates the Wildfire Mitigation Resources and Best Practices Grant Program in the Colorado State Forest Service (CSFS) in the Department of Higher Education (DHE). Local governments, special districts, tribal agencies or programs, and nonprofit organizations are eligible for grant funding to be used to conduct outreach to landowners to inform them of best practices and resources available for wildfire mitigation. Grants must be awarded by January 1 of each year and a report on the grant program must be submitted to the General Assembly by September 1, 2021, and each year thereafter. The grant program is repealed January 1, 2025.

For tax years 2020 through 2024, the bill creates a state income tax credit for costs incurred in performing wildfire mitigation measures. The amount of the tax credit is 25 percent of up to \$2,500 in qualified costs. It also eliminates the wildfire mitigation income tax deduction beginning tax year 2021, which under current law is in effect through tax year 2024.

## **Background**

In tax year 2018, 1,748 taxpayers claimed the wildfire mitigation tax deduction, totaling \$2.2 million in aggregate deductions on income tax returns. This reduced state General Fund revenue by about \$103,000.

## **State Revenue**

The bill decreases state General Fund revenue by an estimated \$343,366 in FY 2019-20 and \$658,051 in FY 2021-22. Table 2 shows the net impact on the General Fund through the period that the income tax credit is available. The tax credit figures for FY 2019-20 and FY 2024-25 represent a half-year impact. The actual reduction in state revenue may be greater than estimated if wildfire mitigation work occurs at a greater rate due to the availability of the income tax credit.

Eliminating the income tax deduction increases state General Fund revenue beginning FY 2020-21. Creating the tax credit decreases General Fund revenue beginning in FY 2019-20. The net impact of this is a revenue reduction each year because tax deductions reduce a tax bill by the size of the deduction multiplied by the state income tax rate of 4.63 percent, whereas tax credits reduce a final tax bill dollar-for-dollar.

The estimated revenue impact is based on a five-year average of wildfire mitigation spending through 2018, adjusted to reflect future population growth.

**Table 2  
General Fund Impacts Under HB 20-1004**

<b>Fiscal Year</b>	<b>Elimination of Tax Deduction</b>	<b>Tax Credit</b>	<b>Net Impact</b>
FY 2019-20	-	(\$343,366)	<b>(\$343,366)</b>
FY 2020-21	\$32,114	(\$690,165)	<b>(\$658,051)</b>
FY 2021-22	\$64,548	(\$697,067)	<b>(\$632,519)</b>
FY 2022-23	\$65,194	(\$704,037)	<b>(\$638,843)</b>
FY 2023-34	\$65,846	(\$711,078)	<b>(\$645,232)</b>
FY 2024-25	\$33,087	(\$357,308)	<b>(\$324,221)</b>

**State Expenditures**

The bill increases General Fund expenditures by \$336,647 and 0.2 FTE in FY 2020-21, and by \$323,294 and 0.2 FTE in FY 2021-22 and future years. These costs are shown in Table 3 and described below.

**Table 3  
Expenditures Under HB 20-1004**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>Department of Higher Education</b>		
Personal Services	\$13,154	\$14,350
Operating Expenses	\$2,510	\$2,510
Grant Program	\$300,000	\$300,000
Centrally Appropriated Costs*	\$3,110	\$3,218
<b>DHE Subtotal</b>	<b>\$318,774</b>	<b>\$320,078</b>
<b>FTE</b>	<b>0.2 FTE</b>	<b>0.2 FTE</b>
<b>Department of Revenue</b>		
Changes to Tax Forms	\$17,873	\$3,216
<b>Department of Revenue Subtotal</b>	<b>\$17,873</b>	<b>\$3,216</b>
<b>Total</b>	<b>\$336,647</b>	<b>\$323,294</b>
<b>Total FTE</b>	<b>0.2 FTE</b>	<b>0.2 FTE</b>

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

**Department of Higher Education.** Beginning in FY 2020-21, the CSFS requires \$300,000 to issue grants, assuming 30 grants averaging \$10,000 will be awarded. Because this grant program is open to local governments, special districts, tribal, and nonprofit organizations, the number of grant applications could greatly exceed 30 and it is assumed appropriations adjustments will be requested through the annual budget process, if needed. DHE also requires 0.2 FTE to administer

the grant program, manage contracts, provide support to grant recipients, and to prepare reports on the use of the grant funds. This assumes a July 1, 2020, start date, standard operating costs, and is prorated for the General Fund payday shift.

**Department of Revenue.** Beginning in FY 2020-21, Department of Revenue will incur costs to incorporate the tax credit. These costs include 25 programming hours to update GenTAX at a rate of \$225 per hour, plus additional resources for testing and tax credit verification by tax examiners. Workload will increase by a minimal amount to update instructions, related materials, and provide guidance to taxpayers on the wildfire mitigation income tax deduction.

**TABOR refunds.** The bill is expected to decrease state General Fund obligations for TABOR refunds by \$343,366 in FY 2019-20, \$658,051 in FY 2020-21, and \$632,518 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the measure will correspondingly decrease the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2020, 2021, and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

**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 \$3,110 in FY 2020-21 and \$3,218 in FY 2021-22.

## Local Government

Beginning in FY 2020-21, costs and workload will increase for any local government or special district that receives a grant award to conduct wildfire mitigation and best practices for wildfire mitigation efforts.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

For FY 2020-21, the bill requires General Fund appropriations of \$315,664, and 0.2 FTE to the Department of Higher Education, and \$17,873 to the Department of Revenue.

## State and Local Government Contacts

Counties	Information Technology	Local Affairs
Municipalities	Revenue	Special Districts