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Fiscal Note

Drafting Number: LLS 23-0613 **Date:** February 21, 2023
Prime Sponsors: Rep. Wilson; Snyder **Bill Status:** House Finance
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Bill Topic: **JOINT FILING DEDUCTION QUALIFIED TUITION PROGRAM**

Summary of Fiscal Impact:

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

The bill increases the state income tax deduction amount for taxpayers filing jointly who make contributions to a CollegenInvest savings account. It decreases state revenue on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 23-1047

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue	General Fund	(\$0.6 million)	(\$1.3 million)
Expenditures		-	-
Transfers		-	-
Other Budget Impacts	TABOR Refund	(\$0.6 million)	(\$1.3 million)

Summary of Legislation

Under current law, joint income tax filers may claim a state income tax deduction of up to \$30,000 per year for contributions to a qualified state tuition program account established with CollegeInvest. The bill increases the maximum deduction for joint filers to \$40,000.

Assumptions

This fiscal note assumes that the expanded deduction is first available for tax year 2024, consistent with the state constitutional requirement.

Data from the Department of Revenue shows that, on average, from tax years 2019 to 2021, increasing the deduction for joint filers from \$30,000 to \$40,000 would have increased the amount deducted by \$29.2 million, reducing state revenue by approximately \$1.3 million. The amount of those increasing their deduction is assumed to slowly increase for future years.

State Revenue

The bill is expected to decrease General Fund revenue by \$0.6 million in FY 2023-24 (half-year impact), by \$1.3 million in FY 2024-25 and FY 2025-26, and by similar amounts each year after. The bill reduces individual income tax revenue, which is subject to TABOR.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above for FY 2023-24 and FY 2024-25. This estimate assumes the December 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Higher Education
Revenue

Information Technology
State Auditor

Personnel