



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

<b>Drafting Number:</b>	LLS 23-0127	<b>Date:</b>	August 24, 2023
<b>Prime Sponsors:</b>	Rep. Bird Sen. Hansen; Kolker	<b>Bill Status:</b>	Deem Postponed Indefinitely
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**Bill Topic:** TAX CREDIT FOR PURCHASE LONG-TERM CARE INSURANCE

<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 type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill would have modified the tax credit for purchasing long-term care insurance beginning in tax year 2024. The bill would have decreased state revenue beginning in FY 2023-24 and increased expenditures beginning in FY 2024-25.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** The fiscal note reflects the introduced bill, which was recommended by the Legislative Oversight Committee Concerning Tax Policy. The bill was deemed postponed indefinitely so the impacts in the fiscal note do not take effect.

**Table 1**  
**State Fiscal Impacts Under HB 23-1122**

		<b>Budget Year FY 2023-24</b>	<b>Out Year FY 2024-25</b>
<b>Revenue</b>	General Fund	(\$1.3 million)	(\$2.7 million)
<b>Expenditures</b>	General Fund	-	\$30,242
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	TABOR Refund	(\$1.3 million)	(\$2.7 million)
	General Fund Reserve	-	\$4,536

## **Summary of Legislation**

The bill modifies the state income tax credit for purchasing long-term care insurance policies beginning in tax year 2024. The bill increases both the federal taxable income (FTI) threshold for taxpayers to be eligible to claim the tax credit, and the maximum credit amount allowable per taxpayer per year.

Under current law, to be eligible for this credit, single and joint taxpayers claiming a single insurance policy must have FTI of less than \$50,000, and joint filers claiming two insurance policies (one for each individual) must have FTI of less than \$100,000. The bill doubles these FTI thresholds to \$100,000 for single and joint taxpayers claiming one insurance policy, and \$200,000 for joint filers claiming two insurance policies. The bill also doubles the maximum credit amount allowable per taxpayer per year from \$150 per policy claimed to \$300 per policy claimed, and adjusts this amount for inflation annually beginning in 2025. As such, the maximum credit for a single taxpayer in 2024 would be \$300, or \$600 for a taxpayer filing jointly and claiming two insurance policies (one for each individual).

## **Background**

The income tax credit for the purchase of long-term care insurance is equal to 25 percent of the total amount paid by a taxpayer for purchasing, or making payments toward, a long-term care insurance policy. The tax credit is not refundable and any unused portion of the credit cannot be carried forward or back to another tax year.

## **Assumptions**

This fiscal note uses data from the Department of Revenue's Statistics of Income reports for tax year 2018 (the most recent data available) to estimate the reduced revenue associated with this bill. The number of taxpayers is adjusted to reflect population growth using projections from the Department of Local Affairs, and the average credit amount for taxpayers was adjusted to reflect inflation using the Denver-Aurora-Lakewood consumer price index forecast from the March 2023 LCS economic forecast. Inflation is estimated to be 2.7 percent in 2025.

## **State Revenue**

The bill is estimated to decrease state income tax revenue by \$1.3 million in FY 2023-24 (a half-year impact), \$2.7 million in FY 2024-25, and by increasing amounts in subsequent years consistent with population and inflation growth. The bill decreases state income tax revenue, which is subject to TABOR.

By increasing the FTI threshold and increasing the maximum credit value, the bill is expected to increase both the number taxpayers claiming the tax credit and the average value of the tax credit. For example, under current law, a total of 12,810 taxpayers are expected to claim this tax credit in 2024, with an average credit value of \$223 per taxpayer. Under this bill, a total of 14,810 taxpayers are expected to claim this tax credit in 2024, with an average credit value of \$371 per taxpayer. As such, the total revenue reduction associated with this tax credit in 2024 increases from approximately \$2.9 million under current law to approximately \$5.5 million under this bill. In other words, the bill is expected to reduce tax revenue by approximately \$2.6 million for tax year 2024.

## State Expenditures

The bill increases General Fund expenditures by \$30,242 in FY 2024-25 and by \$1,600 in subsequent years. Expenditures are presented in Table 2 and discussed below.

**Table 2**  
**Expenditures Under HB 23-1122**

	FY 2023-24	FY 2024-25
<b>Department of Revenue</b>		
GenTax Programming	-	\$5,794
Computer and User Acceptance Testing	-	\$22,848
Data Reporting	-	\$1,600
<b>Total Cost</b>	-	<b>\$30,242</b>

**Department of Revenue (DOR).** The department will have one-time costs of \$28,642 in FY 2024-25 to implement this bill, and continuing costs of \$1,600 beginning in FY 2024-25 for data reporting purposes. The bill requires changes to the department's GenTax software system and additional testing. Changes are programmed by a contractor at a cost of \$231.75 per hour. Approximately 25 hours of computer programming will be required to implement this bill, totaling \$5,794. Additional computer and user acceptance testing are required to ensure programming changes function properly, resulting in additional costs of \$22,848. The Office of Research and Analysis within DOR will have annual costs of \$1,600 beginning in FY 2024-25 to update reporting processes, SQL code, worksheets, report templates, and GenTax database testing.

## 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. 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.

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$4,536 in FY 2024-25, which will decrease the amount of General Fund available for other purposes.

## Effective Date

The bill takes effect January 1, 2024, assuming no referendum petition is filed.

## State and Local Government Contacts

Information Technology      Personnel      Regulatory Agencies      Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: [leg.colorado.gov/fiscalnotes](http://leg.colorado.gov/fiscalnotes).