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Final Fiscal Note

Drafting Number: LLS 23-0742
Prime Sponsors: Rep. Bradley

Date: August 24, 2023
Bill Status: Deem Postponed Indefinitely
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Bill Topic: TAX CREDIT LIFEBOUY APPARATUS

- Summary of Fiscal Impact:
[X] State Revenue
[X] State Expenditure
[X] TABOR Refund
[] Local Government
[] State Transfer
[] Statutory Public Entity

Beginning in tax year 2023, the bill would have created a state income tax credit for the purchase and installation of a lifebuoy apparatus in a subdivision with a body of water. It would have decreased state revenue and increased state expenditures on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill would have required an appropriation of \$116,846 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was deemed postponed indefinitely on May 9, 2023, so the impacts in the fiscal note do not take effect.

Table 1
State Fiscal Impacts Under HB 23-1129

Table with 5 columns: Category, Sub-category, Current Year FY 2022-23, Budget Year FY 2023-24, Out Year FY 2024-25. Rows include Revenue (General Fund, Total Revenue), Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund, GF Reserve).

Summary of Legislation

Beginning in tax year 2023, the bill creates a state income tax credit for the purchase and installation of a lifebuoy apparatus in a subdivision with a body of water. The tax credit is for \$1,500 per lifebuoy apparatus and may be claimed only once per lifebuoy apparatus. A lifebuoy apparatus is an immediately deployable lifesaving floatation device that is intended to prevent a person from drowning, is affixed by a hook to an eight foot tall wooden pole, and is sunken into concrete in the ground within five feet of the shoreline of the body of water. The lifebuoy apparatus must be installed by a developer that constructs a subdivision. The income tax credit is nonrefundable but may be carried forward for five succeeding income tax years.

Assumptions

The fiscal note assumes approximately 75 lifebuoy apparatuses will be purchased and installed in 2023, the first year the income tax credit is available. It is estimated that the number will increase as taxpayers become aware of the income tax credit. By tax year 2027, it is estimated that the credit will be claimed for just over 300 lifebuoy apparatuses per year. It is important to note that there are no other closely-related income tax incentives in the state or nation to compare against. To the extent that fewer lifebuoy apparatuses are installed, the state revenue impact will be less than estimated. Conversely, if more lifebuoy apparatuses are installed, the state revenue impact described below will be greater than estimated.

State Revenue

The bill is expected to reduce General Fund revenue by \$37,500 in the current FY 2022-23, by \$137,500 in FY 2023-24, by \$225,000 in FY 2024-25, and by larger amounts in later years as developers become more aware of the tax credit. The decrease for FY 2022-23 represents a half-year impact for tax year 2023 on an accrual accounting basis. Individual and corporate income tax revenue is subject to TABOR.

State Expenditures

The bill will increase General Fund expenditures in the Department of Revenue by \$128,707 and 0.7 FTE in FY 2023-24 and \$7,328 annually beginning in FY 2024-25. Expenditures are summarized in Table 2 and detailed below.

**Table 2
Expenditures Under HB 23-1129**

	FY 2023-24	FY 2024-25
Department of Revenue		
Personal Services	\$44,299	-
Operating Expenses	\$945	-
Capital Outlay Costs	\$6,670	-
GenTax Programming and Testing	\$44,740	-
Data Reporting	\$7,392	\$7,328
Document Management and Tax Form Changes	\$12,800	-
Centrally Appropriated Costs ¹	\$11,861	-
Total Cost	\$128,707	\$7,328
Total FTE	0.7 FTE	-

Personal services. For FY 2023-24 only, the Department of Revenue will require 0.7 FTE resources to conduct refinement and development in support of the required GenTax programming.

Computer programming and testing. For FY 2023-24 only, the bill will require changes to DOR's GenTax software system and additional testing. Changes are programmed by a contractor at a cost of \$225 per hour. Approximately 100 hours of computer programming will be required to implement this bill, totaling \$22,500. Additional computer and user acceptance testing are required to ensure programming changes are tested and functioning properly, resulting in an additional \$22,240 in expenditures by the department.

Data reporting. Beginning in FY 2023-24, the Office of Research and Analysis (ORA) within DOR will expend \$7,392 to collect and report data on the new tax credit.

Document management and tax form changes. For FY 2023-24 only, the bill requires changes to four tax forms at a cost of \$12,800. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated 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 shown in Table 2.

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 2022-23, 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.

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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to decrease the amount of General Fund held in reserve by the amounts shown in Table 1, which will increase the amount of General Fund available for other

Effective Date

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

State Appropriations

For FY 2023-24, the bill requires an appropriation of \$116,846 to the Department of Revenue, and 0.7 FTE. Of this amount, \$12,800 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Counties
Personnel

Information Technology
Revenue

Municipalities
Special District Association