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Fiscal Note

Drafting Number: LLS 23-0899
Prime Sponsors: Sen. Winter F.

Date: March 21, 2023
Bill Status: Senate Finance
Fiscal Analyst: Elizabeth Ramey | 303-866-3522
elizabeth.ramey@coleg.gov

Bill Topic: **INCOME TAX CREDIT RETROFITTING HOME HEALTH**

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 |

The bill extends a state income tax credit for qualified costs incurred while retrofitting a residence for the purpose of improving accessibility, increasing visitability, or allowing qualified individuals to age in place. The credit is extended for five years, resulting in reductions in General Fund revenue that may be phased in over 13 years. The bill decreases state revenue and minimally increases state expenditures beginning in FY 2023-24 through at least FY 2028-29.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under SB 23-196

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue	General Fund	(\$15,000)	(\$30,000)
Expenditures		-	-
Transfers		-	-
Other Budget Impacts	TABOR Refund	(\$15,000)	(\$30,000)

Summary of Legislation

The bill extends the income tax credit for expenses incurred by a qualified individual in retrofitting the individual's residence to increase accessibility for persons with disabilities, which is currently scheduled to expire after tax year 2023, for five years, through tax year 2028. The bill also extends the carry-forward period from 5 to 8 years.

Background

Current law enacted in House Bill 18-1267 allows taxpayers to claim a state income tax credit for a portion of qualified costs incurred while retrofitting their residence for the purpose of improving accessibility, increasing visitability, or allowing qualified individuals to age in place. Current law defines a qualified individual as an individual with a family income at or below \$150,000 in tax year 2019, and as adjusted for inflation for each income tax year thereafter.

The current credit is available for tax years 2019 through 2023 and the amount is equal to the cost of the retrofit or \$5,000, whichever is less. The total amount of credits that can be issued in each year is capped at \$1 million. The credit is neither refundable nor transferable but may be carried forward for a period of up to five years.

The Division of Housing (DOH) in the Department of Local Affairs is responsible for certifying that the taxpayer meets the requirements for the income tax credit. The credit certificates are issued in the order in which applications are received. The DOH must report annually on the number and amount of credits to the Department of Revenue (DOR).

The DOR reports that in 2019, 14 credits were claimed, totaling \$26,878; and in 2020, 13 credits were claimed, totaling \$22,492.

Assumptions

The fiscal note assumes that the number and amount of credits claimed in future years will be similar to those issued in 2019 and 2020 and that carryforward of credits is minimal.

State Revenue

The bill is expected to reduce state General Fund revenue by up to \$15,000 in FY 2023-24, a half-year impact, by up to \$30,000 in 2024-25, and by similar amounts in future years through at least FY 2028-29. To the extent that credits are carried forward, the amount and timing of state revenue impacts by vary from this estimate and may extend through FY 2036-37.

State Expenditures

The bill is expected to have minimal impact on state expenditures. The bill increases workload and expenditures in the DOR and the DOH to administer the tax credit through at least FY 2028-29. These expenditures are expected to be minimal and can be accomplished with existing resources. Carryforward credits may extend these minimal administrative costs in the DOR through FY 2036-37.

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. This estimate assumes the March 2023 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

Information Technology
Revenue

Local Affairs

Personnel