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Final Fiscal Note

Drafting Number: LLS 23B-0008
Prime Sponsors: Rep. Willford; Young
Sen. Kolker; Fields

Date: November 29, 2023
Bill Status: Signed into Law
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Bill Topic: **INCREASED EARNED INCOME TAX CREDIT 2023**

Summary of Fiscal Impact:	<input 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 expands the state earned income tax credit for tax year 2023. It modifies TABOR refund mechanisms and increases expenditure and workload in FY 2023-24 only.

Appropriation Summary: For FY 2023-24, the bill requires and includes an appropriation of \$51,483 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 23B-1002

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue			-	-
Expenditures		\$51,483	-	-
Transfers		-	-	-
TABOR Refund	Earned Income Tax Credit	\$182.5 million	-	-
	Other Refund Mechanisms	(\$182.5 million)	-	-
Net TABOR Refund Change		\$0	-	-

Summary of Legislation

The Colorado earned income tax credit (EITC) is available to taxpayers who claim the federal EITC, and to taxpayers who would otherwise be able to claim the federal EITC but who are ineligible because they do not have a valid social security number. The Colorado EITC is a refundable credit calculated as a percentage of the federal EITC. For tax year 2023 only, the bill expands the Colorado EITC from 25 percent to 50 percent of the federal EITC. The bill classifies this expansion to the EITC as a TABOR refund mechanism for the FY 2022-23 TABOR surplus, refunded in FY 2023-24, after the property tax exemption refund mechanisms.

State Expenditures

The bill increases General Fund expenditures by \$51,483 in the current FY 2023-24. These costs represent administrative expenses in the DOR to update publications and for programming. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23B-1002

	FY 2023-24 <i>current year</i>	FY 2024-25	FY 2025-26
Department of Revenue			
GenTax Programming	\$23,175	-	-
Testing – System Support Office	\$14,000	-	-
Testing – User Acceptance	\$6,400	-	-
Office of Research and Analysis	\$7,392	-	-
Form Changes	\$516	-	-
Total Cost	\$51,483	-	-

¹ Centrally appropriated costs are not included in the bill's appropriation.

Computer programming and testing. The DOR will have one-time costs of \$51,483 in the current FY 2023-24 for computer programming and testing. GenTax programming costs are estimated at \$23,175 representing 100 hours of contract programming at a rate of \$231.75 per hour. Costs for user acceptance testing at the department are estimated at \$20,400, representing 400 hours for the Systems Support Office at \$35 per hour and 200 hours of user acceptance testing at a rate of \$32 per hour.

Research and Analysis. Expenditures in the Office of Research and Analysis are required for changes in related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$7,392, or 231 hours for data management and reporting at a rate of \$32 per hour FY 2024-25.

Document management. The DOR will one-time have costs of \$516 for a form change. Document management services are performed in the Department of Personnel and Administration using reappropriated DOR funds.

Other Budget Impacts

TABOR Refunds. The bill has no impact on the amount required to be refunded under TABOR for FY 2022-23; however, it allows the \$182.5 million from the FY 2022-23 surplus to be used for the bill's expansion of the EITC. Estimates are based on actual EITC claims, adjusted for expected increases in the eligible population and for the impact of increasing the value of the state credit. The estimate does not incorporate an adjustment to utilization rates. If the bill causes a greater share of eligible taxpayers to claim the credit than anticipated under current law, the refund amount through the EITC will be greater than estimated. The bill will reduce TABOR refunds made by other refund methods, which, under current law, would be from refunds made via the six-tier sales tax mechanism.

Effective Date

This bill was signed into law by the Governor and took effect on November 20, 2023.

State Appropriations

For the current FY 2023-24, the bill requires a General Fund appropriation of \$51,483 to the Department of Revenue, of which \$516 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Information Technology

Personnel

Revenue