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Fiscal Note

Drafting Number:LLS 24-0958Date:February 29, 2024Prime Sponsors:Rep. Joseph; WeinbergBill Status:House Finance

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Bill Topic:	AMERICORPS EDUCATION AWARD TAX SUBTRACTION				
Summary of Fiscal Impact:	☑ State Revenue☑ State Expenditure	☐ State Transfer ☑ TABOR Refund	☐ Local Government☐ Statutory Public Entity		
	The bill creates an income tax subtraction for Segal AmeriCorps Education Awards for tax years 2025 through 2027. The bill increases state expenditures from FY 2025-26 to FY 2027-28 and reduces General Fund revenue from FY 2024-25 to FY 2027-28.				
Appropriation Summary:	The bill does not require an appropriation.				
Fiscal Note Status:	The fiscal note reflects th	ne introduced bill.			

Table 1 State Fiscal Impacts Under HB 24-1240

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	General Fund	(\$207,000)	(\$414,000)	(\$414,000)
Expenditures	General Fund	-	\$40,016	\$7,328
Transfers		-	-	-
Other Budget Impacts	General Fund Reserve	-	\$6,002	\$1,099
	TABOR refunds	(\$207,000)	(\$414,000)	Not estimated

Summary of Legislation

The bill creates an income tax subtraction equal to the amount received from a Segal AmeriCorps Education Award for tax years 2025 through 2027. Segal AmeriCorps Education Awards are awarded to AmeriCorps alumni and may be used to pay educational expenses or repay student loans.

Background

After completing an AmeriCorps term of service, AmeriCorps alumni are eligible to receive a Segal AmeriCorps Education Award (education award) which may be used to pay current education expenses or to repay student loans. The maximum amount of the award is equal to the maximum Pell Grant award for the year in which the term of service is approved. The award may be less than the maximum for those who served part-time.

All payments from Segal AmeriCorps Education Awards are subject to federal and Colorado income taxes. The bill provides a state income tax subtraction for the amount awarded from the Segal Education Award. For FY 2024-25, the maximum Pell grant award is \$7,395. For a taxpayer who claims a deduction of \$7,395, income tax liability will be reduced by \$325 (\$7,395 x 4.4 percent).

Assumptions

According to the AmeriCorps National Service in Colorado 2023 Year in Review Report, AmeriCorps members who completed service in Colorado were eligible for \$9.3 million in education awards in 2023. The fiscal note assumes that 90 percent of AmeriCorps alumni will claim the education awards for which they are eligible, and that alumni who claim the award will claim the state income tax subtraction in this bill. The fiscal note also assumes that the total amount of education awards will increase at the same rate as increases in the maximum Pell grant award.

State Revenue

The bill reduces General Fund revenue by \$207,000 in FY 2024-25 (half-year impact) and \$414,000 in FY 2025-26 and FY 2026-27. Revenue will be reduced by a final half-year impact in FY 2027-28, when the subtraction is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

State Expenditures

The bill increases General Fund expenditures in the Department of Revenue by \$40,016 in FY 2025-26 and \$7,328 in FY 2026-27 and FY 2027-28.

Table 2 Expenditures Under HB 24-1240

		FY 2024-25	FY 2025-26	FY 2026-27
Department of Revenue				
GenTax Programming		-	\$30,128	-
User Acceptance Testing		-	\$2,496	-
Data Reporting		-	\$7,392	\$7,328
	Total Cost	\$0	\$40,016	\$7,328

Computer programming and testing. This bill requires expenditures of \$32,624 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$30,128, representing 130 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$2,496 for 78 hours of user acceptance testing at a rate of \$32 per hour.

Data reporting. Expenditures in the Office of Research and Analysis are required for changes in the 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, representing 231 hours for data management and reporting at \$32 per hour.

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 December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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 upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Information Technology	Personnel	Revenue
State Auditor		