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Fiscal Note

Drafting Number:	LLS 24-0944	Date:	March 28, 2024
Prime Sponsors:	Rep. Sirota; Garcia Sen. Rodriguez	Bill Status:	House Finance
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Bill Topic: STATE INCOME TAX CREDIT FOR CAREWORKERS

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill creates an income tax credit for tax years 2024 through 2028 for workers in the care workforce. The bill decreases state revenue beginning in the current FY 2023-24 and increase expenditures for beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$4.9 million to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 24-1312

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	(\$128.0 million)	(\$256.6 million)	(\$258.1 million)
Expenditures	General Fund	-	\$4.9 million	\$4.9 million
	Total FTE	-	46.8 FTE	51.0 FTE
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	(\$128.0 million)	(\$256.6 million)	(\$258.1 million)
	General Fund Reserve	-	\$735,734	\$731,691

Summary of Legislation

For tax years 2024 through 2028, the bill creates a state income tax credit of \$1,500 for child care workers, home health-care workers, personal care aides, certified nursing assistants, and friends, family members, or neighbors who provide care. Taxpayers must have an income of less than \$75,000 for single filers or less than \$150,000 for joint filers to be eligible for the credit. The tax credit is fully refundable.

Data and Assumptions

Income threshold. According to income tax data from the Department of Revenue (DOR), approximately 81 percent of single filers had an income below \$75,000 and 63 percent of joint filers had an income below \$150,000 in 2021. In total, it is assumed that about 72 percent of the general population falls under the income thresholds in the bill.

The fiscal note also assumes that all child care workers, home healthcare workers, personal care aides, and certified nurse assistants who file a single tax return will fall under the \$75,000 income threshold, but some who file jointly will exceed the \$150,00 joint filer income threshold, such that about 86 percent will fall under the income thresholds in the bill.

Child care workers. Data from the Quarterly Census of Employment and Wages show that there were 15,541 workers in the child care services industry in Colorado in 2022. This amount is expected to grow in line with the LCS forecast for employment growth in Colorado. Of the eligible population, 95 percent are expected to claim the credit.

Home healthcare workers and personal care aides. Based on data from the Occupational Employment and Wage Statistics, there were 35,910 home healthcare workers and personal care aides in Colorado in 2022. This amount is expected to grow in line with the LCS forecast for employment growth in Colorado. Of the eligible population, 95 percent are expected to claim the credit.

Certified nurse assistants. The fiscal note assumes that certified nurse aides are considered certified nurse assistants under the bill. According to the Department of Regulatory Agency's roster, there are approximately 49,000 certified nurse aides with active licenses. This amount is expected to grow in line with the LCS forecast for employment growth in Colorado. Of the eligible population, 95 percent are expected to claim the credit.

Friend, family, and neighbor care providers. According to the American Community Survey, there were 600,643 households in Colorado with children under 18 in 2022. The number of households with children under 18 is expected to grow in line with the state demographer's population forecast for children under 18.

Reports on the prevalence of friend, family, and neighbor (FFN) care vary widely. The fiscal note uses data from the U.S. Census's Household Pulse Survey, which show that 21.8 percent of households with children depend on care from a relative other than the parent and 5.4 percent depend on informal care from a nonrelative, for a total of 27.2 percent depending on FFN care. The fiscal note assumes that the number of FFN providers is equal to the number of households

in Colorado that depend on FFN care. Of the eligible population, 75 percent are expected to claim the credit.

State Revenue

The bill is expected to decrease General Fund revenue by \$128.0 million in the current FY 2023-24 (half-year impact), \$256.6 million in FY 2024-25, and \$258.1 million FY 2025-26. The bill reduces individual income tax revenue, which is subject to TABOR. The revenue impact is detailed in tables 2 and 3 below.

Table 2
Estimated Taxpayer and Revenue Impacts Under HB 24-1312

Tax Year	2024	2025	2026
Eligible Population			
Childcare Workers	13,112	13,269	13,428
Home Healthcare/Personal Care	30,296	30,660	31,028
Certified Nursing Assistants	39,757	40,234	40,717
FFN Providers	87,462	87,408	87,395
Total Eligible	170,627	171,571	172,568
Revenue Impact			
Childcare Workers	(\$19.7 million)	(\$19.9 million)	(\$20.1 million)
Home Healthcare/Personal Care	(\$45.4 million)	(\$46.0 million)	(\$46.5 million)
Certified Nursing Assistants	(\$59.6 million)	(\$60.4 million)	(\$61.1 million)
FFN Providers	(\$131.2 million)	(\$131.1 million)	(\$131.1 million)
Total Revenue Impact¹	(\$255.9 million)	(\$257.4 million)	(\$258.9 million)

¹ Revenue impacts in Table 2 reflect calendar year impacts. Table 3 below converts these impacts into state fiscal year impacts.

Table 3
Revenue Impacts by Fiscal Year Under HB 24-1312

	FY 2023-24	FY 2024-25	FY 2025-26
Revenue	(\$128.0 million)	(\$256.6 million)	(\$258.1 million)

State Expenditures

The bill increases state expenditures in DOR by about \$4.9 million in FY 2024-25 and FY 2025-26, with ongoing impacts through FY 2030-31, paid from the General Fund. As discussed below and summarized in Table 4, DOR will have costs to implement the new tax and hire additional auditing staff.

**Table 4
 Expenditures Under HB 24-1312**

	FY 2024-25	FY 2025-26
Department of Revenue		
Personal Services	\$3,534,809	\$3,851,633
Operating Expenses	\$59,904	\$65,280
Capital Outlay Costs	\$340,170	-
Employee Benefits	\$875,224	\$953,732
GenTax Programming	\$37,080	-
ISD Software Testing	\$4,165	-
User Acceptance Testing	\$1,920	-
Office of Research and Analysis	\$7,392	\$7,296
Document Management	\$44,232	-
Total Cost	\$4,904,896	\$4,877,941
Total FTE	46.8 FTE	51.0 FTE

Tax credit administration and audit. The department requires 51.0 FTE, including 1 program manager, 2 compliance specialists, and 48 auditors. The DOR typically relies on third-party certifications to determine eligibility for administering tax credits. Because the population that is eligible for this credit is not credentialed by a third party, the department will need to conduct an audit to determine compliance. The fiscal note assumes the department will audit 1 percent of returns claiming this credit and that each audit will take an average of 40 hours to complete.

Expenditures for FY 2024-25 are prorated to reflect an assumed August 2024 start date and reflect standard operating expenses and capital outlay costs. Because there is more than 20 FTE, pursuant to Joint Budget Committee and fiscal note policy, costs for employee insurance and supplemental retirement payments are included in the bill's appropriation, rather than centrally appropriated through the annual budget process.

Computer programming and testing. DOR will have costs of \$43,165 to program, test, and update database fields in its GenTax software system. Programming costs are estimated at \$37,080, representing 160 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$4,165 for 119 hours of innovation, strategy, and delivery programming support at a rate of \$35 per hour, and \$1,920 for 60 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.

Document management and tax form changes. For FY 2024-25 only, the bill requires changes to tax forms and processing paper returns. These expenditures occur in the Department of Personnel using reappropriated funds.

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 2024 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.

Technical Note

This fiscal note assumes that the definition of family, friend, and neighbor care will be amended to clarify that parents who provide care only to their own children do not qualify to claim the tax credit. If the bill is not amended, the revenue and expenditure impacts will be significantly higher than what is presented in this fiscal note.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$4,904,896 to the Department of Revenue, and 46.8 FTE.

State and Local Government Contacts

Early Childhood
State Auditor

Revenue

Personnel

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 the [General Assembly website](#).