



## Fiscal Note

### Legislative Council Staff

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## HB 25-1052: INCOME TAX CREDIT FOR PERA RETIREES

**Prime Sponsors:**

Rep. Hamrick; Taggart  
Sen. Kolker

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**Fiscal note status:** This fiscal note reflects the introduced bill, which was recommended by the Pension Review Commission.

### Summary Information

**Overview.** For tax years 2025 and 2026 only, this bill creates a \$700 refundable state income tax credit for qualifying public service retirees.

**Types of impacts.** The bill is projected to affect the following areas:

- State Revenue
- State Expenditures
- TABOR Refunds

**Appropriations.** For FY 2025-26, the bill requires an appropriation of \$157,375 to the Department of Revenue.

**Table 1**  
**State Fiscal Impacts**

Type of Impact <sup>1</sup>	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$8.7 million	-\$17.6 million	-\$9.0 million
State Expenditures	\$0	\$176,820	\$31,761
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	-\$8.7 million	-\$17.6 million	-\$9.0 million
Change in State FTE	0.0 FTE	1.1 FTE	0.3 FTE

<sup>1</sup> Fund sources for these impacts are shown in the tables below.

**Table 1A  
State Revenue**

<b>Fund Source</b>	<b>Current Year FY 2024-25</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
General Fund	-\$8.7 million	-\$17.6 million	-\$9.0 million
Cash Funds	\$0	\$0	\$0
<b>Total Revenue</b>	<b>-\$8.7 million</b>	<b>-\$17.6 million</b>	<b>-\$9.0 million</b>

**Table 1B  
State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$0	\$157,375	\$26,524
Cash Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$19,445	\$5,237
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$176,820</b>	<b>\$31,761</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>1.1 FTE</b>	<b>0.3 FTE</b>

## Summary of Legislation

For tax years 2025 and 2026 only, this bill creates a \$700 refundable state income tax credit for qualifying public employees' retirement association retirees. A qualifying public employees' retirement association retiree is:

- 65 years old or older at the close of the income tax year for which the credit is claimed; and
- has an annual gross income of no more than \$38,000 if filing as a single filer or \$76,000 if filing as a joint filer
- The tax credit is refundable, meaning if the amount of the credit exceeds the taxpayer's state income tax liability, the balance is refunded to the taxpayer.

## Assumptions

According to the Department of Revenue (DOR), 22,280 taxpayers would have qualified for the income tax credit in 2022, the latest data available. The fiscal note utilizes the 2022 DOR estimate as a starting point and grows the number of qualified public service retirees by the

State Demography Office’s population estimates for Coloradans ages 65 or older. The fiscal note assumes that about 24,800 public service retirees will qualify in tax year 2025 and 25,600 will qualify in tax year 2026. Finally, it is assumed that the fully refundable credit will incentivize all eligible retirees to claim the full \$700 tax credit in the bill. The revenue impact of the bill will be higher than estimated if there are more qualified public service retirees than estimated in the bill, or conversely, lower if the number of retirees claiming the credit is less.

**State Revenue**

The bill is expected to decrease General Fund revenue by \$8.7 million in the current FY 2024-25 (half-year impact), \$17.6 million in FY 2025-26, and \$9.0 million in FY 2026-27 (half-year impact). The income tax credit is only available for only tax years 2025 and 2026. The bill reduces individual income tax revenue, which is subject to TABOR.

**State Expenditures**

The bill will increase General Fund expenditures in the Department of Revenue by \$176,820 in FY 2025-26 and \$31,761 in FY 2026-27, when the credit is set to expire. Expenditures are summarized in Table 2 and detailed below.

**Table 2  
State Expenditures  
Department of Revenue**

<b>Cost Component</b>	<b>Current Year FY 2024-25</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
Personal Services	\$0	\$61,624	\$16,102
Operating Expenses	\$0	\$1,408	\$384
Capital Outlay Costs	\$0	\$6,670	\$0
GenTax Programming and Testing	\$0	\$77,603	\$0
Data Reporting	\$0	\$8,778	\$8,702
Document Management and Tax Form Changes	\$0	\$1,292	\$1,336
Centrally Appropriated Costs	\$0	\$19,445	\$5,237
<b>Total Costs</b>	<b>\$0</b>	<b>\$176,820</b>	<b>\$31,761</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>1.1 FTE</b>	<b>0.3 FTE</b>

## Staff

The Department of Revenue will require additional staff to process income tax credits claimed under the bill. The majority of the personal services expenditure increase is for staffing in the Taxpayer Services Division to review tax credits claimed, identify and address taxpayer errors, and manage call and correspondence volume associated with the new tax credit. In general, refundable income tax credits have a higher rate of fraud and require additional documentation and review. Since there is not a third-party verification process to certify if the taxpayer qualifies as a qualifying public service retiree, the fiscal note assumes that 100 percent of claimed credits will be reviewed, consistent with current department policy. Standard operating and capital outlay costs are included for new staff. For FY 2025-26, estimated personnel costs assume an October 1, 2025, start date to administer tax credits claimed on 2025 tax forms.

## Computer Programming and Testing

For FY 2025-26 only, this bill requires expenditures of \$77,603 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$34,763, representing 150 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$29,400 for 840 hours of innovation, strategy, and delivery programming support at a rate of \$35 per hour, and \$13,440 for 420 hours of user acceptance testing at a rate of \$32 per hour.

## Data Reporting

Beginning in FY 2025-26, the Office of Research and Analysis (ORA) within DOR will expend \$8,778 to collect and report data on the new tax credit. ORA will also require \$8,702 in FY 2026-27.

## Document Management and Tax Form Changes

The bill requires \$1,292 in FY 2025-26 and \$1,336 in FY 2026-27 for tax form changes and document management costs. These costs include testing of the scan system. These expenditures 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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table(s) above.

## TABOR Refunds

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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 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. 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

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

## State Appropriations

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For FY 2025-26, the bill requires a General Fund appropriation of \$157,375 to the Department of Revenue.

## State and Local Government Contacts

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Information Technology  
Revenue

State Auditor

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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](#).