



Fiscal Note

Legislative Council Staff

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BILL 9: INCOME TAX CREDIT FOR ELIGIBLE TEACHERS

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Fiscal note status: The fiscal note reflects the bill draft requested by the Legislative Oversight Committee Concerning Tax Policy.

Summary Information

Overview. The bill creates an income tax credit for tax years 2025 and 2026 for qualified licensed teachers who teach in public schools.

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 \$259,479 to the Department of Revenue.

Table 1
State Fiscal Impacts

Type of Impact ¹	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	-\$22.3 million	-\$44.6 million	-\$22.3 million
State Expenditures	\$0	\$318,985	\$362,043
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	-\$22.3 million	-\$44.6 million	-\$22.3 million
Change in State FTE	0.0 FTE	3.3 FTE	4.4 FTE

¹ Fund sources for these impacts are shown in the tables below.

**Table 1A
State Revenue**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	-\$22.3 million	-\$44.6 million	-\$22.3 million
Cash Funds	\$0	\$0	\$0
Total Revenue	-\$22.3 million	-\$44.6 million	-\$22.3 million

**Table 1B
State Expenditures**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$259,479	\$282,506
Cash Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$59,506	\$79,537
Total Expenditures	\$0	\$318,985	\$362,043
Total FTE	0.0 FTE	3.3 FTE	4.4 FTE

Summary of Legislation

For tax years 2025 and 2026, the bill creates a state income tax credit for full-time public school teachers. The credit is equal to \$1,000 for teachers who teach in public schools for both school semesters of the tax year, and \$500 for teachers who teach for just one semester of the tax year. The tax credit is fully refundable.

Assumptions

Based on the most recent data available from the Department of Education, there were 50,288 teachers in public schools in FY 2022-23. Of these, 39,172 worked hours indicating that they were full-time employees for the whole year, while 11,116 were either part-time or worked for less than a full year. Data were not available on how many teachers only worked for one semester of the school year.

The fiscal note assumes that those who worked full-time (1.0 FTE) during the tax year would qualify for \$1,000 credit, while those working at least part time (greater than 0.5 FTE but less than 0.99 FTE) would claim the \$500 credit. If the bill is administered differently than the assumptions used in this analysis, the revenue impact of the credit will be correspondingly greater or less.

The fiscal note assumes that the number of teachers eligible for this credit will grow by 0.7 percent each year from 2023 until tax year 2026. Beginning in tax year 2025, the first tax year the credit is available under the bill, the fiscal note assumes almost 50,000 full-time and part time teachers will qualify for the credit.

It is assumed that the fully refundable credit will incentivize almost all eligible teachers to claim the tax credit in the bill. If a taxpayer does not claim the full refundable credit amount allowed under this bill, revenue will be reduced by less than estimated.

State Revenue

The bill is expected to decrease General Fund revenue by \$22.3 million in the current FY 2024-25 (half-year impact) and \$44.2 million in FY 2025-26. Revenue will be reduced by a final half-year impact of \$22.3 million in FY 2026-27, when the credit is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

State Expenditures

The bill will increase state expenditures in the Department of Revenue by \$319,000 in FY 2025-26 and \$362,000 in FY 2026-27. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Revenue

Cost Component	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$0	\$197,351	\$265,214
Operating Expenses	\$0	\$4,224	\$5,632
Capital Outlay Costs	\$0	\$33,350	\$0
GenTax Programming	\$0	\$9,270	\$0
Office of Research and Analysis	\$0	\$8,778	\$7,328
User Acceptance Testing	\$0	\$1,664	\$0
Tax Form Changes	\$0	\$4,842	\$4,332
Centrally Appropriated Costs	\$0	\$59,506	\$79,537
Total Costs	\$0	\$318,985	\$362,043
Total FTE	0.0 FTE	3.3 FTE	4.4 FTE

Tax Credit Administration

The department will require 4.4 FTE tax examiners to review credit claims, verify documentation and communicate with taxpayers. Expenditures for FY 2025-26 are prorated to reflect an assumed October 2025 start date and reflect standard operating expenses and capital outlay costs.

Computer Programming and Testing

For FY 2025-26, the bill requires expenditures of \$10,934 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$9,270, representing 40 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department is estimated to cost \$1,664 for 52 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 \$8,778, representing 231 hours for data management and reporting at \$38 per hour.

Document Management and Tax Form Changes

The bill requires changes to one tax form and requires additional processing for paper tax returns. Expenditures for form changes and paper returns 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

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 September 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

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

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of \$318,985 to the Department of Revenue, and 3.3 FTE. Of this amount, \$4,842 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Education	Personnel	State Auditor
Information Technology	Revenue	

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.