



**Legislative
Council Staff**

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-0412
Prime Sponsors:

Date: November 1, 2019
Bill Status: Bill Request
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Bill Topic: **STUDENT LOAN INTEREST INCOME TAX DEDUCTION**

**Summary of
Fiscal Impact:**

- State Revenue
- TABOR Refund
- State Expenditure
- Local Government
- State Transfer
- Statutory Public Entity

Beginning in tax year 2021, the bill creates a state income tax deduction for an eligible individual that claims the student loan interest income tax deduction on their federal income tax form. The bill has ongoing state revenue impacts beginning in FY 2020-21 and a one-time General Fund expenditure in FY 2021-22.

**Appropriation
Summary:**

No appropriation is required for FY 2020-21.

**Fiscal Note
Status:**

The fiscal note reflects the bill draft requested by the Making Higher Education Attainable Interim Study Committee.

**Table 1
State Fiscal Impacts Under Bill 6**

		FY 2020-21	FY 2021-22	FY 2022-23
Revenue	General Fund	(up to \$2.1 million)	(up to \$4.3 million)	(up to \$4.5 million)
Expenditures	General Fund	-	\$11,200	-
Transfers		-	-	-
TABOR Refund	General Fund	(up to \$2.1 million)	(up to \$4.3 million)	Not estimated

Summary of Legislation

Beginning in tax year 2021, the bill creates a state income tax deduction for an eligible individual that claims the student loan interest income tax deduction on their federal income tax form. The state income tax deduction is equal to 25 percent of the federal deduction claimed by the taxpayer.

An eligible individual is a taxpayer who is allowed the full federal deduction for student loan interest because their federal adjusted gross income (AGI) is less than \$65,000 for a single filer and \$135,000 for joint filers.

State Revenue

This bill is expected to decrease General Fund revenue by up to \$2.2 million (half-year impact) in FY 2020-21, up to \$4.5 million in FY 2021-22, up to \$4.7 million in FY 2022-23, and by similar amounts beginning in FY 2023-24. The estimate represents a maximum decrease in state revenue from the bill because not all taxpayers will have sufficient state income tax liability to claim the full deduction amount.

Assumptions. According to the Internal Revenue Service's Statistics of Income, approximately 287,000 Colorado taxpayers (both single and joint filers) claimed the student loan interest income tax deduction on their 2017 federal income tax form. The total amount claimed for the deduction was approximately \$313 million, which implies that the state income tax deduction under this bill would have reduced state revenue by \$3.8 million (25 percent of the federal amount claimed multiplied by the state income tax rate of 4.63 percent) in 2017. To arrive at the 2021 revenue impact, the 2017 data was grown by 4.1 percent each year, the average annual growth rate in the amount of student loan interest claims from tax years 2013 to 2017.

State Expenditures

This bill will increase state General Fund expenditures for the Department of Revenue (DOR) by \$11,200 in FY 2021-22 only.

Department of Revenue. This bill requires one-time programming changes to the GenTax software system. The GenTax programming changes will require 40 hours of work at \$250 per hour, for a total of \$10,000.

Department of Personnel and Administration (DPA). In addition, the bill requires a change to the income schedule form (DR 104AD). This form change totals \$1,200, which will be reappropriated to DPA from DOR.

TABOR refunds. The bill is expected to decrease state General Fund obligations for TABOR refunds by up to \$2.1 million in FY 2020-21 and up to 4.3 million in FY 2021-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly decrease the amount refunded to taxpayers, which will first be issued via reimbursements to local governments, followed by sales tax refunds made available on income tax returns for tax years 2021 and 2022, depending on the total amount to be refunded each year.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Higher Education

Information Technology

Personnel

Revenue

