Bill 1

Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 24-0383	**Date:**	October 24, 2023
Prime Sponsors:		**Bill Status:**	Bill Request
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Bill Topic: **ADJUSTING CERTAIN TAX EXPENDITURES**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill eliminates several infrequently used tax expenditures. It minimally increases state revenue on an ongoing basis beginning in FY 2024-25, and increases state workload in FY 2024-25 only.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The bill eliminates fifteen infrequently used tax expenditures, including:

- the insurance premium tax deduction for catastrophic health insurance;
- the income tax subtraction for non-resident disaster relief workers;
- the income tax deductions for medical savings accounts;
- the income tax credit for childcare facility investment;
- the income tax credit for school-to-career expenses;
- the income tax credit for Colorado Works Program employers;
- the income tax credit for purchase of uniquely valuable motor vehicle registration numbers;
- the sales and use tax exemptions for low-emitting vehicles and commercial vehicles used in interstate commerce;
- the sales and use tax refund for biotechnology;
- the sales tax refund for rural broadband equipment;
- the income tax deduction for first-time homebuyer savings accounts;
- the sales and use tax exemption for tangible personal property affixed to aircraft;

- the sales and use tax exemption for non-resident aircraft sales and aircraft parts;
- the aircraft gasoline tax exemption; and
- structural excise tax expenditures for cigarettes and other tobacco products.

Background

Each of the tax expenditures repealed by this bill was presented in the Office of the State Auditor's (OSA's) tax expenditure evaluations submitted for review by the Legislative Oversight Committee Concerning Tax Policy. The evaluations are available at: https://leg.colorado.gov/sites/default/files/images/committees/osa_tax_expenditure_reports_for_review_by_the_2023_legislative_oversight_committee_concerning_tax_policy.pdf.

For each tax expenditure repealed by the bill, the OSA found that the tax expenditure was rarely claimed by a small number of taxpayers or not claimed at all.

State Revenue

The bill minimally increases General Fund and Highway Users Tax Fund revenue beginning in FY 2024-25.

Changes with no fiscal impact. Three of the fifteen tax expenditures being repealed are not being used because no one is eligible to claim them. Because they are not being used, the elimination of the following expenditures is assessed as having no revenue impact:

- the insurance premium tax deduction for catastrophic health insurance;
- the sales tax refund for rural broadband equipment; and
- the sales and use tax exemption for non-resident aircraft sales and aircraft parts;

Changes with minimal revenue impact. Repealing the remaining twelve tax expenditures may result in a minimal increase in state revenue. Some of these expenditures may not be being used at all, but there was insufficient data to confirm this. As such, the elimination of the following tax expenditures is assessed as increasing state revenue by a minimal amount:

- the income tax subtraction for non-resident disaster relief workers;
- the income tax deductions for medical savings accounts;
- the income tax credit for childcare facility investment;
- the income tax credit for school-to-career expenses;
- the income tax credit for Colorado Works Program employers;
- the income tax credit for purchase of uniquely valuable motor vehicle registration numbers;
- the sales and use tax exemptions for low-emitting vehicles and commercial vehicles used in interstate commerce;
- the sales and use tax refund for biotechnology;
- the income tax deduction for first-time homebuyer savings accounts;

- the sales and use tax exemption for tangible personal property affixed to aircraft;
- the aircraft gasoline tax exemption; and
- structural excise tax expenditures for cigarettes and other tobacco products.

Most of the tax expenditures repealed in the bill affect revenue collected in the General Fund from income taxes, insurance premium taxes, cigarette and tobacco excise taxes, and sales and use taxes. The aircraft gasoline tax exemption affects revenue collected in the Highway Users Tax Fund from the motor fuel tax. Revenue from all of these taxes is subject to TABOR.

State Expenditures

The bill minimally increases workload for the Department of Revenue in FY 2024-25 to update software and data reporting processes. Because the tax expenditures are so infrequently used, this workload can be accomplished within existing appropriations.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. The tax expenditures in the bill are repealed, effective January 1, 2025.

State and Local Government Contacts

Revenue	State Auditor