



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 24-0386
Prime Sponsors:

Date: October 23, 2023
Bill Status: Bill Draft
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Bill Topic: **EARNED INCOME TAX CREDIT EXTENSION**

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

The bill expands the state earned income tax credit for tax years 2025 through 2027. It decreases state revenue and minimally increases workload from FY 2024-25 through FY 2027-28.

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.

Table 1
State Fiscal Impacts Under Bill 4

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	(\$37,800,000)	(\$90,200,000)
Expenditures		-	-
Transfers		-	-
Other Budget Impacts	TABOR Refund	(\$37,800,000)	(\$90,200,000)

Summary of Legislation

The Colorado earned income tax credit (EITC) is available to taxpayers who claim the federal EITC, and to taxpayers who would otherwise be able to claim the federal EITC but who are ineligible because they do not have a valid social security number. The Colorado EITC is a refundable credit calculated as a percentage of the federal EITC.

For tax year 2024, the Colorado EITC is 38 percent of the federal EITC. For tax years 2025, 2026, and 2027, the bill expands the Colorado EITC as follows:

Table 2
Colorado EITC, Percentage of Federal Credit

Tax Year	Current Law	Under Bill 4
2025	25 percent	38 percent
2026	20 percent	38 percent
2027	20 percent	38 percent
2028	20 percent	20 percent

Assumptions

The fiscal note assumes future economic activity consistent with the September 2023 Legislative Council Staff forecast.

State Revenue

The bill is expected to decrease state General Fund revenue by \$37.8 million in FY 2024-25 (a half-year impact) by \$90.2 million in FY 2025-26, by \$104.9 million in FY 2026-27, and by \$52.5 million in FY 2027-28 (a final half-year impact), on an accrual accounting basis. Estimates are based on actual EITC claims, adjusted for expected increases in the eligible population and for the impact of increasing the value of the state credit. The estimate does not incorporate an adjustment to utilization rates. If the bill causes a greater share of eligible taxpayers to claim the credit than anticipated under current law, the revenue decrease will be greater than estimated.

State Expenditures

The Department of Revenue will have an increase in workload to update publications and for programming. The increase is minimal and can be accomplished within existing appropriations.

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 September 2023 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.

Effective Date

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

State and Local Government Contacts

Information Technology

Personnel

Revenue