Bill 9

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24-0391	**Date:**	October 25, 2023
Prime Sponsors:		**Bill Status:**	Bill Request
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Bill Topic: **MODIFICATION OF CERTAIN TAX EXPENDITURES**

Summary of Fiscal Impact:

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

The bill repeals, expands, and modifies multiple tax expenditures. It decreases state revenue on an ongoing basis beginning in FY 2023-24, and minimally increases state workload.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under Bill 9

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	($130,000)	($1,090,000)	($1,480,000)
Expenditures		-	-	-
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	($130,000)	($1,090,000)	($1,480,000)

Summary of Legislation

The bill repeals, expands, and modifies multiple tax expenditures. Specifically, the bill:

- exempts the sale, storage, usage, or consumption of modular homes from state sales and use taxes;
- expands the rural and frontier healthcare preceptor credit by increasing the maximum credit from $1,000 to $2,000 and allowing credits to be claimed per preceptorship for a maximum of 3 preceptorships (a maximum of $6,000 per taxpayer);
- expands the wildfire hazard mitigation expenses tax credit by changing the credit amount from 25 percent of expenses up to $2,500 to 100 percent of expenses up to $1,000 beginning in tax year 2025;
- repeals the wildfire mitigation deduction after tax year 2024;
- changes certain filing requirements for local governments and nonprofit organizations that claim the alternative transportation options tax credit;
- removes certain filing requirements for enterprise zone tax credits;
- requires local governments file an information-only tax return to claim the conservation easement tax credit and the credit for environmental remediation of contaminated land;
- adds statements of purpose for the Colorado tuition program deduction and the components for renewable energy exemption; and
- removes the requirement that the Department of Revenue present the biannual tax profile and expenditure report to the Joint Finance Committee.

Background

Many of the tax expenditures modified by this bill are presented in the Office of the State Auditor's (OSA's) Tax Expenditure Evaluations for Review by the Legislative Oversight Committee Concerning Tax Policy, available online here:
http://coga.prod.acquia-sites.com/sites/default/files/html-attachments/e04bec20e933cc5087258a15005935e3__hearing_summary/Attachment%20A.pdf

State Revenue

On net, the bill decreases General Fund revenue on an ongoing basis. Expanding the rural and frontier healthcare preceptor credit and the wildfire hazard mitigation expenses credit, as well as exempting modular homes from sales and use taxes, will decrease state revenue. Repealing the wildfire mitigation deduction early will increase state revenue in tax year 2025. The revenue impacts are shown in Table 2. The bill affects revenue from income, sales, and use taxes, which are subject to TABOR.

Table 2
General Fund Revenue Impacts

	FY 2023-24	FY 2024-25	FY 2025-26
Rural and frontier healthcare preceptor credit	($130,000)	($270,000)	($270,000)
Wildfire hazard mitigation expenses credit	-	($260,000)	($520,000)
Wildfire mitigation deduction	-	$75,000	$75,000
Modular home sales tax exemption	-	($630,000)	($760,000)
Total	**($130,000)**	**($1,090,000)**	**($1,480,000)**

Rural and frontier healthcare preceptor credit. The bill increases the amount of the credit from $1,000 to $2,000 and allows each preceptor to claim the credit per preceptorship, up to a maximum of three. This fiscal not assumes that half of preceptors will have two preceptorships and one fourth will have three preceptorships. The revenue loss in FY 2023-24 represents a partial year impact.

Wildfire hazard mitigation expenses credit. The bill increases the credit amount from 25 percent of expenses up to $2,500 to 100 percent of expenses up to $1,000. The fiscal note assumes that the average credit amount under current law would be $300 and the average credit amount under this bill would be $800, an average difference of $500 for approximately 1,000 claimants. The revenue loss in FY 2024-25 represents a half-year impact.

Wildfire mitigation deduction. Repealing the wildfire mitigation deduction one year early is expected to increase revenue by $150,000 in tax year 2025, which results in a $75,000 increase in each of FY 2024-25 and FY 2025-26.

Modular home sales tax exemption. The fiscal note assumes that 175 new modular homes will be sold each year with an average price of $150,000, resulting in $760,000 lost revenue for the first full year.

State Expenditures

The bill increases workload for the Department of Revenue to update credit amounts and change reporting processes. The majority of the workload will fall in FY 2025-26. The increased workload can be accomplished within existing appropriations. The bill also minimally decreases workload on an ongoing basis by removing the requirement that a report be presented to the Joint Finance Committee of the General Assembly.

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.

Local Government

The bill will increase workload for some local governments that must file an information-only tax return to claim the conservation easement tax credit and the credit for environmental remediation of contaminated land. This impact is expected to be minimal.

The bill specifies that the sales and use tax exemption for modular homes is not extended by default to local governments that use the state sales tax base, unless those governments take action to apply the exemption in their jurisdiction. Sales and use tax revenue will decrease for local governments that choose to extend the exemption.

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

Counties	Higher Education	Information Technology
Municipalities	OEDIT	Personnel
Regional Transportation District	Revenue	Special District Association