



Fiscal Note

Legislative Council Staff

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BILL 1: ADJUSTING CERTAIN TAX EXPENDITURES

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

Summary Information

Overview. The bill makes adjustments to several tax expenditures.

Types of impacts. The bill is projected to affect the following areas:

- State Expenditures
- State Revenue
- TABOR Refunds

Appropriations. No appropriation is required.

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 (General Fund)	\$0.07 million	\$3.37 million	\$0.69 million
State Expenditures (General Fund)	\$0	\$14,845	\$0
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0.07 million	\$3.37 million	\$0.69 million
Change in State FTE	0.0	0.0	0.0

Summary of Legislation

The bill adjusts several tax expenditures as follows:

- disallows the income tax credit for unsalable alcohol after December 31, 2025, and repeals the credit on December 31, 2030;
- reduces the allowable deduction from 2 percent to 1 percent for taxable gallons of fuel removed from a fuel terminal to account for fuel lost in transit, beginning January 1, 2026;
- extends the income tax credit for a purchaser who installs an energy storage system in a residential dwelling, currently available through tax year 2024, by two years, through tax year 2026;
- extends the reducing emissions from lawn equipment income tax credit, currently available through tax year 2026, by two years, through tax year 2028;
- expands the sales and use tax exemption for wholesale sales by amending the definition of “agricultural compounds” beginning January 1, 2026;
- clarifies the purpose of the insolvency assessments paid insurance premium tax credit;
- clarifies the purpose of the state refund income tax deduction;
- clarifies the purpose of the dyed special fuels and off-road fuel tax excise tax exemption;
- clarifies the purpose of the off-road fuel use refund; and
- clarifies the purpose of the wholesale sales exemption from sales tax.

Background

Each of the tax expenditures adjusted 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/agencies/office-state-auditor/tax-expenditure-evaluations>.

The revenue impact estimates in the State Revenue section are based on data reported in the OSA evaluations where applicable and based on previous fiscal note estimates where other data are not available.

State Revenue

On net, the bill is expected to increase General Fund revenue by \$0.07 million in FY 2024-25, \$3.37 million in FY 2025-26, and \$0.69 million in FY 2026-27 as shown in Table 2 below. The bill additionally is expected to decrease General Fund revenue by \$5.55 million in FY 2027-28, and to increase General Fund revenue by \$0.75 million in FY 2028-29, \$6.75 million in FY 2029-30, and then by comparable amounts in future years.

Table 2
State Revenue from Tax Expenditure Changes

Tax Expenditure	FY 2024-25	FY 2025-26	FY 2026-27
Credit for Unsalable Alcohol	\$0.13 million	\$0.25 million	\$0.25 million
Two Percent Loss Allowance	\$0	\$3.25 million	\$6.50 million
Residential Energy Storage Credit	-\$0.06 million	-\$0.13 million	-\$0.06 million
Electric-Powered Lawn Equipment Credit	\$0	\$0	-\$6.00 million
Wholesales Sales Tax Exemption	\$0	indeterminate	indeterminate
Total Revenue	\$0.07 million	\$3.37 million	\$0.69 million

¹ It is likely the agricultural compounds specified in this bill are already being exempted in practice from sales and use tax.

State Expenditures

The bill increases state expenditures in the Department of Revenue by \$14,845 in FY 2025-26 only, to make required changes for alcohol excise and fuel taxes, as summarized in Table 2 below. Programming costs are estimated at \$9,270 representing 40 hours of contract programming at a rate of \$231.75 per hour. Costs for testing are estimated at \$5,575, representing 109 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at \$35 per hour and 55 hours of user acceptance testing at a rate of \$32 per hour. All other tax expenditure adjustments require minimal programming and administrative effort, and can be addressed within existing resources.

Table 2
State Expenditures

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
GenTax Programming	\$9,270	\$0
Programming Support	\$3,815	\$0
User Acceptance Testing	\$1,760	\$0
Total Costs	\$14,845	\$0
Total FTE	0.0 FTE	0.0 FTE

TABOR Refunds

In FY 2025-26 and FY 2026-27, the bill is expected to increase 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, increased General Fund revenue will increase 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

Revenue

State Auditor

Information Technology

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.