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Fiscal Note Memorandum

January 31, 2019

TO: Representative Lois Landgraf

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SUBJECT: Fiscal Assessment of Proposed Amendments **L.002 and L.003 to HB 19-1058**

This memorandum is an assessment of the fiscal impact of the attached proposed amendments to **House Bill 19-1058**. This fiscal assessment is for the impact of the bill with inclusion of these amendments only. Any other added amendment could influence the fiscal impact.

Summary of Proposed Amendments

Amendment L.002. The amendment reduces the income tax credit for employers providing paid family leave for a period of six weeks or more from 50 percent to 10 percent of wages paid by employers with fewer than 50 employees, and from 25 percent to 5 percent of wages paid by employers with 50 employees or more. It corrects a timing issue with respect to the wages qualifying for the income tax credit, which was identified in the Technical Note section of the initial fiscal note.

The amendment also removes a qualified exigency (demand) attributable to an employee's family member's active duty in the U.S. Armed Forces from the bill's definition of family leave.

Amendment L.003. The amendment narrows the income tax deduction such that the deduction is available only for employee contributions to a leave savings account. Under the amendment, matching employer contributions are not eligible for a deduction.

Fiscal Impact of Amendments

The amendments reduce the bill's impacts on state revenue, state expenditures, and the TABOR refund obligation as discussed below.

State revenue. The amendments reduce the bill's impact on General Fund revenue by \$4.1 million in FY 2019-20, \$9.1 million in FY 2020-21, and \$11.0 million in FY 2021-22 and subsequent fiscal years. The change in the bill's revenue impact is primarily attributable to the reduced credit percentages in Amendment L.002, which are expected to reduce the revenue impact of the tax

credit in the bill by 80 percent. A smaller portion of the change is attributable to the elimination of the tax deduction for matching leave savings account contributions by employers in Amendment L.003.

State expenditures. The amendments reduce the bill's impact on General Fund expenditures by \$7,353 and 0.1 FTE in FY 2020-21 and by \$20,523 and 0.3 FTE in FY 2021-22 and subsequent fiscal years. The reduction in expenditures is attributable to fewer income tax deductions anticipated to be claimed as a result of the elimination of the tax deduction for matching leave savings account contributions by employers in Amendment L.003.

TABOR refunds. Consistent with the state revenue estimates above, the amendments reduce the bill's impact on the General Fund obligation for TABOR refunds by \$4.1 million in FY 2019-20. The state is not expected to collect a TABOR surplus for FY 2020-21. A forecast of state revenue subject to TABOR is not available for FY 2021-22 and subsequent years.

Bill's Revised Fiscal Impact with Amendments

Table 1 presents the bill's revised fiscal impact if amendments L.002 and L.003 are both adopted.

Table 1
Revised State Fiscal Impacts Under HB 19-1058 with Amendments L.002 and L.003

		FY 2019-20	FY 2020-21	FY 2021-22
Revenue	General Fund	(\$1.3 million)	(\$3.2 million)	(\$4.1 million)
	Total	(\$1.3 million)	(\$3.2 million)	(\$4.1 million)
Expenditures	General Fund	-	\$0.4 million	\$0.3 million
	Centrally Appropriated	-	\$0.1 million	\$0.1 million
	Total	-	\$0.5 million	\$0.4 million
	Total FTE	-	4.5 FTE	5.9 FTE
Transfers		-	-	-
TABOR Refund	General Fund	(\$1.3 million)	-	not estimated

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HB1058_L.002

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.

HB19-1058 be amended as follows:

- 1 Amend printed bill, page 9, line 5, strike "WHILE" and substitute "FOR THE
- 2 PERIOD".
- 3 Page 9, line 13, after "CONDITION;" add "OR".
- 4 Page 9, line 15, strike "EMPLOYEE;" and substitute "EMPLOYEE."
- 5 Page 9, strike lines 16 through 23.
- 6 Page 9, line 26, strike "FIFTY" and substitute "TEN".
- 7 Page 10, line 1, strike "TWENTY-FIVE" and substitute "FIVE", and strike
- 8 "EMPLOYEES" and substitute "EMPLOYS".

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HB1058_L.003

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.

HB19-1058 be amended as follows:

- 1 Amend printed bill, page 5, line 4, strike "(a)".
- 2 Page 5, strike lines 10 through 15.
- 3 Page 6, strike line 9 and substitute "SECTION 39-22-104 (4)(z)".
- 4 Page 8, strike lines 10 through 22.
- 5 Renumber succeeding sections accordingly.

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