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**MEMORANDUM**

March 1, 2017

**TO:** Representative Jim Wilson

**FROM:** Kate Watkins, Senior Economist, 303-866-3446

**SUBJECT:** Fiscal Assessment of Proposed Amendment **HB1091\_L.002**.

This memorandum is an assessment of the fiscal impact of the attached proposed amendment to **HB17-1091**. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

**Summary of Proposed Amendment**

Amendment L.002 modifies the preamended bill to:

- require the Division of Housing, within the Department of Local Affairs, to provide third party verification of tax credits; and
- allow the division to assess a charge to taxpayers for the direct costs associated with verification.

**Fiscal Impact of Amendment**

This amendment requires the Division of Housing to verify the information on tax credit certifications. Verification will require 0.5 FTE and related personnel costs beginning in FY 2018-19. The division is expected to collect \$30,000 in fee revenue each year to offset personnel costs. Fee revenue is assumed to be collected in the General Fund. Programing, and testing costs for the Department of Revenue and form change costs for the Department of Personnel and Administration are expected to be unaffected by Amendment L.002. State expenditure estimates are preliminary, and do not reflect a response from the Department of Revenue; however, additional costs, if any, would occur for FY 2018-19 or thereafter. State expenditure estimates will be updated as additional information becomes available.

**Bill's Revised Fiscal Impact with Amendment**

With Amendment L.002, HB17-1091 will reduce income tax revenue by at least \$1.5 million in FY 2017-18 (half-year impact), by at least \$3.0 million in FY 2018-19, FY 2019-20, and FY 2020-21, and by at least \$1.5 million in FY 2021-22 (half-year impact). To the extent that taxpayers carry credits forward, revenue reductions may occur through FY 2026-27. The revenue reduction resulting from this bill may be significantly larger if demand for employer-assisted housing is stronger than assumed in this memorandum.

With Amendment L.002, HB17-1091 is expected to increase General Fund expenditures by \$48,077 and 0.5 FTE in FY 2018-19, and by \$32,374 and 0.5 FTE in FY 2019-20, FY 2020-21, and FY 2021-22. Table 1 shows the fiscal impact of HB17-1091, as amended by L.002.

<b>Table 1. Fiscal Impact Summary of HB17-1091 with L.002</b>			
<b>Fiscal Impact Summary*</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>	<b>FY 2019-2020</b>
<b>State Revenue</b>	<b>(At least \$1.5 million)</b>	<b>(At least \$3.0 million)</b>	<b>(At least \$3.0 million)</b>
General Fund	(At least 1.5 million)	(At least 3.0 million)	(At least 3.0 million)
<b>State Expenditures</b>		<b>\$48,077</b>	<b>\$32,374</b>
General Fund		41,435	25,732
Centrally Appropriated Costs		6,642	6,642
<b>TABOR Impact</b>	(At least \$1.5 million)	(At least \$3.0 million)	Not estimated
<b>FTE Position Change</b>		0.5 FTE	0.5 FTE
<b>Appropriation Required: None.</b>			
<b>Future Year Impacts: Decreasing state revenue and expenditure impacts through FY 2026-27.</b>			

\* This summary shows changes from current law under amendment L.002 for each fiscal year. Parentheses indicate a decrease in funds.

HB1091\_L.002

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.

HB17-1091 be amended as follows:

1 Amend the Business Affairs and Labor Committee Report, dated  
2 February 7, 2017, page 1, after line 8 insert:

3 "(c) "DIVISION" MEANS THE DIVISION OF HOUSING IN THE  
4 DEPARTMENT OF LOCAL AFFAIRS CREATED IN SECTION 24-32-704 (1)."

5 Reletter succeeding paragraphs accordingly.

6 Page 2, line 21, strike the second "OR".

7 Page 2, strike line 25 and substitute "ET. SEQ.; OR

8 (IV) AN INTERNATIONAL, NONGOVERNMENTAL, NOT FOR PROFIT  
9 ORGANIZATION WHOSE MISSION IS CONCENTRATED ON CONSTRUCTING  
10 AFFORDABLE HOUSING."

11 Page 3, strike lines 13 and 14 and substitute "FROM THE SPONSOR. THE  
12 DIVISION IS RESPONSIBLE FOR VERIFYING THE INFORMATION".

13 Page 3, line 16, after "SECTION." add "THE DIVISION MAY IMPOSE A  
14 CHARGE ON THE TAXPAYER THAT REFLECTS THE DIVISION'S ACTUAL COSTS  
15 IN PROCESSING THE INFORMATION SUBMITTED BY THE TAXPAYER IN ORDER  
16 TO CLAIM A TAX CREDIT ALLOWED BY THIS SECTION."

17 Page 3, line 34, after "DEPARTMENT" insert "AND THE DIVISION".

18 Page 3, line 36, after "SECTION." add "THE DEPARTMENT AND THE  
19 DIVISION MAY EACH DEVELOP POLICIES AND PROCEDURES NECESSARY TO  
20 FACILITATE THE EFFECTIVE IMPLEMENTATION OF THIS SECTION."

21 Page 3, after line 40 insert:

22 "(10) NOT LATER THAN DECEMBER 1 OF EACH YEAR IN WHICH THE  
23 DIVISION OF HOUSING VERIFIES A TAX CREDIT IN ACCORDANCE WITH  
24 SUBSECTION (5)(a) OF THIS SECTION, THE DIVISION SHALL PROVIDE THE  
25 DEPARTMENT WITH AN ELECTRONIC REPORT ON THE TAXPAYERS WHO  
26 HAVE RECEIVED A CREDIT ALLOWED BY THIS SECTION FOR THE CALENDAR  
27 YEAR THAT CONFORMS TO THE INCOME TAX YEAR FOR WHICH THE CREDIT  
28 IS ALLOWED. THE REPORT MUST INCLUDE THE FOLLOWING INFORMATION:

29 (a) THE NAME OF THE TAXPAYER;

30 (b) THE LAST FOUR DIGITS OF THE TAXPAYER'S SOCIAL SECURITY

1 NUMBER OR FEDERAL EMPLOYEE IDENTIFICATION NUMBER;  
2 (c) THE AMOUNT OF THE CREDIT ALLOWED BY THIS SECTION THAT  
3 IS ALLOCATED TO THE TAXPAYER; AND  
4 (d) ANY ASSOCIATED NAMES OF TAXPAYERS AND SOCIAL SECURITY  
5 NUMBERS OR FEDERAL EMPLOYEE IDENTIFICATION NUMBERS OF A CREDIT  
6 ALLOWED BY THIS SECTION THAT IS ALLOCATED THROUGH A  
7 PASS-THROUGH ENTITY."

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