HB 20-1335

Legislative Council Staff

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FISCAL NOTE

Drafting Number:	LLS 20-1022	**Date:**	March 27, 2020
Prime Sponsors:	Rep. Melton Sen. Winter	**Bill Status:**	House Trans & Local Govt.
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Bill Topic: **COLORADO HOMELESS PROJECT CONTRIBUTION TAX CREDIT**

Summary of Fiscal Impact:

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

This bill replaces and expands a state income tax credit for contributions to enterprise zone projects meant to address homelessness. It decreases state revenue and increase state expenditures from FY 2020-21 through FY 2025-26.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of $155,099 and 1.4 FTE to the Division of Housing in the Department of Local Affairs.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 20-1335

		FY 2020-21	FY 2021-22	FY 2022-23
Revenue	General Fund	($5.7 million)	($12.9 million)	($15.4 million)
Expenditures	General Fund	$155,099	$398,818	$418,387
	Centrally Appropriated	$32,233	$74,056	$115,712
	Total	$187,332	$162,520	$534,099
	Total FTE	1.4 FTE	4.3 FTE	7.3 FTE
Transfers		-	-	-
TABOR Refund	General Fund	-	-	not estimated

Summary of Legislation

This bill repeals a state income tax credit for monetary or in-kind contributions to enterprise zone administrators and replaces it with a new state income tax credit for contributions made to a qualified nonprofit organization or government entity administrating approved projects support services to the homeless. Approved projects include:

- outreach efforts to engage or provide services to homeless individuals or families ;
- prevention services targeting individuals or families facing imminent risk of homelessness;
- supportive housing for homeless individuals or families;
- services to assist the homeless with employment;
- shelters serving homeless victims of domestic violence; and
- implementing and operating successor projects..

The income tax credit is equal to 25 percent of the total contribution, and is capped at $100,000 annually per taxpayer. The credit may be carried forward for up to five years, and is available to individual and corporate taxpayers from 2021 through 2025.

The eligible nonprofit organization or governmental entity receiving a contribution is responsible for issuing an income tax credit certification to the taxpayer. The maximum amount of tax credits certifications may not exceed $750,000 per tax year.

The bill requires the Division of Housing in the Department of Local Affairs (DOLA) to review and approve eligible projects, post a list of projects online that may receive contributions, and make annual reports to the state housing board.

Background

Enterprise zone projects encourage community participation to revitalize designated areas in the state. Such projects include services for the homeless. Donors may contribute to an enterprise zone project and claim 25 percent of a cash donation or 12.5 percent for an in-kind donation as an income tax credit. Contributions are capped at $100,000 per tax year. The enterprise zone administrator may charge a fee to organizations to oversee the program.

State Revenue

The bill is expected to reduce General Fund revenue by $5.7 million in FY 2020-21, $12.9 million in FY 2021-22, $15.4 million in FY 2022-23, $17.3 million in FY 2023-24, $19.0 million in FY 2024-25, and $10.0 million in FY 2025-26. The estimates for FY 2020-21 and FY 2025-26 represent half-year impacts on an accrual accounting basis. The bill reduces individual and corporate income tax revenue, which is subject to TABOR.

These estimates are based on the following assumptions*:*

- About 200 projects will seek approval to receive contributions. Data from the Office of Economic Development and International Trade (OEDIT) estimates 60 projects within enterprise zones meant to address homelessness received contributions in 2019. In addition, the Division of Housing currently administers the Colorado Homelessness Management

Information System (COHMIS). COHMIS is a local system used to collect client-level data on the provisions of housing and services to homeless individuals, families, and persons at risk of homelessness. The U.S. Department of Housing and Urban Development requires communities receiving federal funding to use HMIS. Currently, there are 488 active projects in COHMIS that may be eligible for the income tax credit in this bill. Of these projects, 109 are located in an Enterprise Zone and are eligible for the current income tax credit. OEDIT data shows that about 28 of these 109 projects currently receive contributions, or approximately 25 percent. This fiscal note assumes 25 percent, or 122, of the 488 active projects in COHMS will seek approval to receive contributions.

- Of the 60 projects within Enterprise Zones meant to address homelessness, approximately 12,400 taxpayers made a total of $20.3 million in contributions in 2019, generating approximately $5.1 million in state income tax credits. The median contribution to these projects was $500 with a range of $5 to $350,000. This fiscal note assumes a 125 percent increase in contributions in the first year (2021) in which the new income tax credit is available. The increase accounts for the number of new projects available statewide to receive contributions. The fiscal note assumes another 25 percent increase the following year.

It is important to note that COHMIS does not contain capital projects that might be constructed to perform operational campaigns or facilities that are used to provide administrative support for certified projects and would be eligible for the income tax credit in the bill.

Estimates for the tax credit assume that all credits will reduce tax liability in the first year that they are earned, rather than being carried forward to future tax years. To the extent that an employer's tax liability is less than the credit amount, the revenue impact of the bill will be partially delayed into future fiscal years.

State Expenditures

The bill will increase General Fund expenditures by $187,332 and 1.4 FTE in FY 2020-21, by $472,874 and 4.3 FTE in FY 2021-22, and $534,099 in future years through FY 2024-25 for the Department of Revenue and the Division of Housing in the DOLA. Expenditures are summarized in Table 2 and detailed below.

Table 2
Expenditures Under HB 20-1335

Cost Components	FY 2020-21	FY 2021-22	FY 2022-23
Department of Revenue			
Personal Services	-	$138,870	$282,210
Operating Expenses	-	$4,725	$8,370
Capital Outlay Costs	-	$43,400	-
GenTax Programming and Testing		$61,714	-
Document Management		$22,302	-
Centrally Appropriated Costs*	-	$39,343	$80,999
FTE – Personal Services	-	2.8 FTE	5.8 FTE
(Subtotal)	**-**	**$310,354**	**$371,579**
Department of Local Affairs			
Personal Services	$100,859	$110,027	$110,027
Operating Expenses and Capital Outlay Costs	$14,290	$3,450	$3,450
Temp Staff	$21,120	-	-
Other Staff	$18,830	$14,330	$14,330
Centrally Appropriated Costs*	$32,233	$34,713	$34,713
FTE – Personal Services	1.4 FTE	1.5 FTE	1.5 FTE
(Subtotal)	**$187,332**	**$162,520**	**$162,520**
Total	**$187,332**	**$472,874**	**$534,099**
Total FTE	**1.4 FTE**	**4.3 FTE**	**7.3 FTE**

** Centrally appropriated costs are not included in the bill's appropriation.*

Department of Revenue. State expenditures for the department are increased through tax year 2025. The majority of expenditures are for staff to review tax credits claims, identify and address taxpayer errors, and manage call center and correspondence volume. For FY 2021-22, personnel costs assume a January 1, 2021 start date to administer tax credits claimed on 2020 tax forms.

This bill requires one-time costs in FY 2021-22 for changes and testing to the department's GenTax software system. Changes are programmed by a contractor at a rate of $225 per hour. For FY 2021-22 only, the bill requires changes to four income tax forms prepared by the Department of Personnel and Administration using reappropriated funds.

Department of Local Affairs, Division of Housing. State expenditures for the division are increased to approve, manage, and set policies and guidelines for tax credit certification applicants, and include 12 weeks of temporary staff in FY 2020-21. Other costs also include fleet vehicles and travel to inspect the projects.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be $32,233 in FY 2020-21, $74,056 in FY 2021-22 and $115,712 in FY 2022-23.

TABOR refunds. Under the March 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2020-21, the bill requires a General Fund appropriation of $155,099 to the Department of Local Affairs and 1.4 FTE.

State and Local Government Contacts

Information Technology	Local Affairs	OEDIT
Personnel	Revenue	