



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1045: MODIFY LONG-TERM CARE INSURANCE INCOME TAX CREDIT

Prime Sponsors:

Rep. Joseph
Sen. Liston

Fiscal Analyst:

Louis Pino, 303-866-3556
louis.pino@coleg.gov

Published for: House Finance

Drafting number: LLS 25-0218

Version: Initial Fiscal Note

Date: January 21, 2025

Fiscal note status: This fiscal note reflects the introduced bill, which was recommended by the Legislative Oversight Committee Concerning Tax Policy.

Summary Information

Overview. The bill modifies the tax credit for purchasing long-term care insurance beginning in tax year 2025.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. For FY 2025-26, the bill requires an appropriation of \$21,761 to the Department of Revenue.

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)	-\$1.2 million	-\$2.4 million	-\$2.6 million
State Expenditures (General Fund)	\$0	\$21,761	\$8,778
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	-\$1.2 million	-\$2.4 million	-\$2.6 million
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill modifies the state income tax credit for purchasing long-term care insurance policies beginning in tax year 2025. The bill increases both the federal taxable income (FTI) threshold for taxpayers to be eligible to claim the tax credit, and the maximum credit amount allowable per taxpayer per year.

Under current law, to be eligible for this credit, single and joint taxpayers claiming a single insurance policy must have FTI of less than \$50,000, and joint filers claiming two insurance policies (one for each individual) must have FTI of less than \$100,000. The bill doubles these FTI thresholds to \$100,000 for single and joint taxpayers claiming one insurance policy, and \$200,000 for joint filers claiming two insurance policies. The bill also doubles the maximum credit amount allowable per taxpayer per year from \$150 per policy claimed to \$300 per policy claimed, and adjusts this amount for inflation annually beginning in 2026.

Background

The income tax credit for the purchase of long-term care insurance is equal to 25 percent of the total amount paid by a taxpayer for purchasing, or making payments toward, a long-term care insurance policy. The tax credit is not refundable and any unused portion of the credit cannot be carried forward or back to another tax year.

Assumptions

This fiscal note uses data from the Department of Revenue's Statistics of Income reports for tax year 2020 (the most recent data available) to estimate the revenue reduction associated with this bill. The number of taxpayers is adjusted to reflect population growth using projections from the State Demography Office, and the average credit amount for taxpayers was adjusted to reflect inflation using the Denver-Aurora-Lakewood consumer price index forecast from the December 2024 LCS economic forecast. Inflation is estimated to be 2.1 percent in 2026.

State Revenue

The bill is estimated to decrease state income tax revenue by \$1.2 million in FY 2024-25 (a half-year impact), \$2.4 million in FY 2025-26, and by increasing amounts in subsequent years consistent with population and inflation growth. The bill decreases state income tax revenue, which is subject to TABOR.

By increasing the FTI threshold and increasing the maximum credit value, the bill is expected to increase both the number of taxpayers claiming the tax credit and the average value of the tax credit. For example, under current law, just under 11,300 taxpayers are expected to claim this tax

credit in 2025, with an average credit value of \$219 per taxpayer. Under this bill, about 13,000 taxpayers are expected to claim this tax credit in 2025, with an average credit value of \$372 per taxpayer. As such, the total revenue reduction associated with this tax credit in 2025 increases from approximately \$2.4 million under current law to approximately \$4.8 million under this bill, resulting in a revenue reduction of approximately \$2.4 million for tax year 2025.

State Expenditures

The bill increases General Fund expenditures by \$21,761 in FY 2024-25 and by \$8,778 in subsequent years. Expenditures are presented in Table 2 and discussed below.

Table 2
State Expenditures
Department of Revenue

Cost Component	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
GenTax Programming	\$0	\$3,476	\$0
Computer and User Acceptance Testing	\$0	\$8,705	\$0
Data Reporting	\$0	\$8,778	\$8,778
Document Management	\$0	\$802	\$0
Total Costs	\$0	\$21,761	\$8,778
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Computer Programming and Testing

The department will have one-time costs of \$21,761 in FY 2025-26 to implement this bill. The bill requires changes to the department's GenTax software system and additional testing. Changes are programmed by a contractor at a cost of \$231.75 per hour. Approximately 15 hours of computer programming will be required to implement this bill, totaling \$3,476. Additional computer and user acceptance testing are required to ensure programming changes function properly, resulting in additional costs of \$8,705, including 171 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at \$35 per hour and 85 hours of user acceptance testing at \$32 per hour.

Form Changes and Document Management

Document management costs to make changes to paper tax forms and process paper returns are estimated at \$802 in FY 2025-26. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated DOR funds.

Reporting and Analysis

The Office of Research and Analysis within DOR will have annual costs of \$8,778 beginning in FY 2024-25 to update reporting processes, SQL code, worksheets, report templates, and GenTax database testing.

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. 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.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of \$21,761 to the Department of Revenue. From this amount, \$802 is reappropriated to the Department of Personnel and Administration

State and Local Government Contacts

Regulatory Agencies

State Auditor

Revenue

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.